



BRIEFING TO THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS

11 October 2016

For an Equitable Sharing of National Revenue

PRESENTATION OUTLINE

- Role and function of the Financial and Fiscal Commission
- Mandate of Department of Human Settlements (DHS) and Housing Policy Framework
- Human Settlements and Macro-Economic Environment
- Budget Analysis and Performance
- Conclusions

ROLE AND FUNCTION OF THE FFC

- The Financial and Fiscal Commission (FFC)
 - Is an independent, permanent, statutory institution established in terms of Section 220 of Constitution
 - Must function in terms of the FFC Act
- Mandate of Commission
 - To make recommendations, envisaged in Chapter 13 of the Constitution or in national legislation to Parliament, Provincial Legislatures, and any other organ of state determined by national legislation
- The Commission's focus is primarily on the equitable division of nationally collected revenue among the three spheres of government and any other financial and fiscal matters
 - Legislative provisions or executive decisions that affect either provincial or local government from a financial and/or fiscal perspective
 - Includes regulations associated with legislation that may amend or extend such legislation
 - Commission must be consulted in terms of the FFC Act
 - Current research strategy focuses on developmental impacts of IGFR

MANDATE OF THE DHS AND STRATEGIC GOALS FOR 2013/14

- Purpose – Facilitate the creation of sustainable human settlements and improve the quality of the lives of households
- Mandate
 - Determine national policy including norms and standards
 - Determining national housing delivery goals
 - Monitor the financial and non-financial performance of provinces and municipalities
 - Assist in capacity building where necessary
- Departmental goals as in the APPs
 - Effective and efficient administration
 - An effective and enabling policy framework
 - Delivery of sustainable human settlements
 - Effective oversight of human settlements delivery

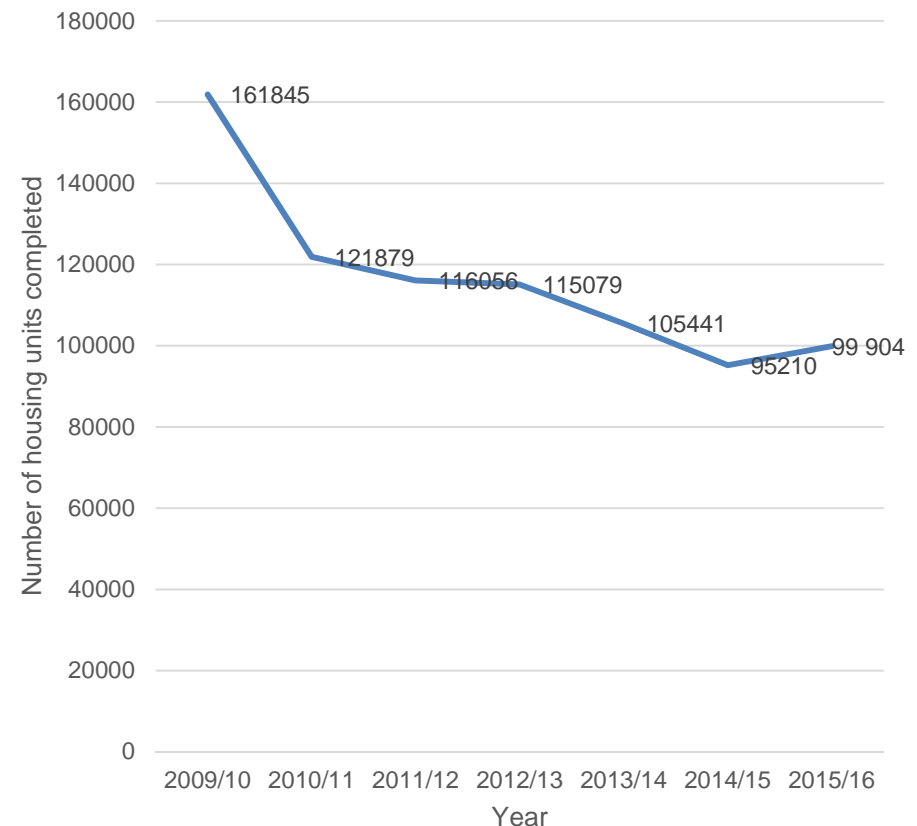
MEDIUM TERM STRATEGIC FRAMEWORK

2014 -2019

- Medium Term Strategic Framework 2014-2019 seeks to achieve sustainable human settlements and improved quality of life and has the following priorities
 - Prioritise adequate housing and improved quality of life with approximately 1.4 million more households in new or improved housing conditions
 - Residential property market with a target of 110 000 new housing units delivered in the affordable gap market
 - Enhance institutional capacity with a target of 49 municipalities assigned or accredited with the housing function
 - Provide title deeds for all 563 000 new subsidised housing units and address the backlog of 900 000 title deeds
 - Expanding informal settlement upgrading to cover 750 000 households

HOUSING POLICY REGIME POST 2009 AND DELIVERY

- Period post 2009
 - Adoption of Outcome 8 and NDP
 - State guarantee fund for the Housing Gap Market: FLISP
 - Establishment of MHSCG to assist metros on housing function shift
 - Discontinuation of MHSCG
 - Uncertainty on housing function shift and the revision on the accreditation approach yet to be finalised for implementation
 - Slow down on accreditation to all levels for 2015/16
 - Transfer of sanitation function to DWS
 - Increasing contraction in the number of houses delivered per annum



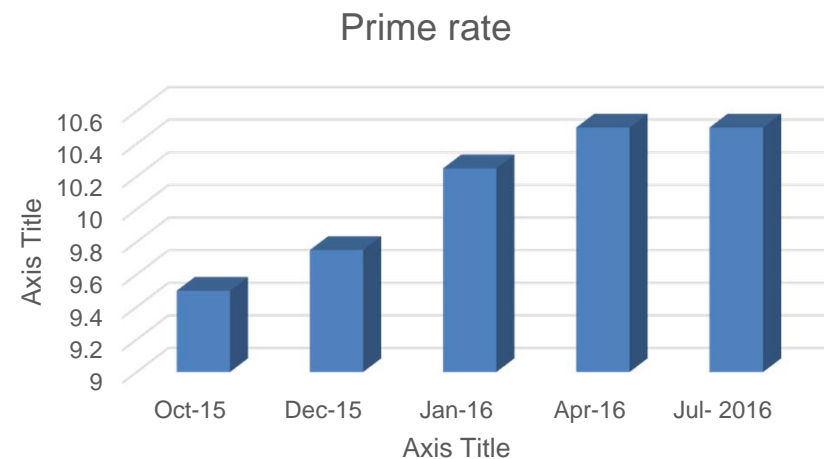
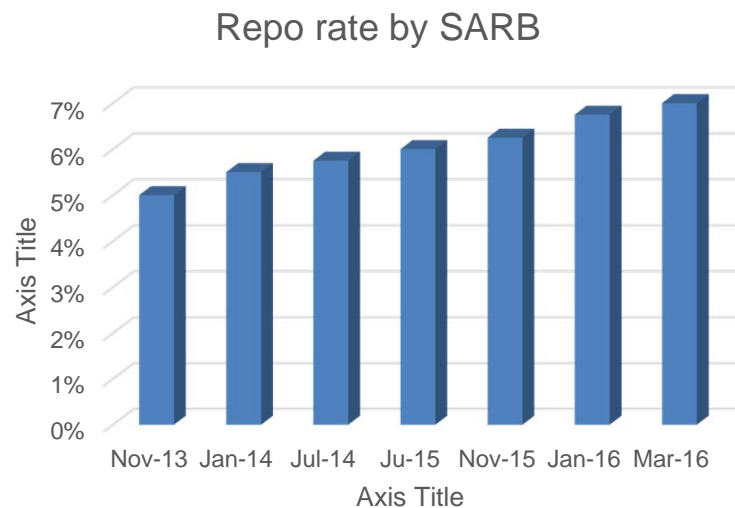
HUMAN SETTLEMENTS AND ECONOMIC PERFORMANCE

- Housing affordability is directly influenced by the state of the economy and is affected by a number of economic variables such as inflation, interest rate and unemployment among others
 - Furthermore, level of indebtedness in SA remains high
 - According to the World Bank, South Africans are the biggest borrowers in the world, with 86% of the population in debt
- Households spending more on consumer goods and other goods and services
 - Less to spend on housing – reducing housing affordability/not qualify for mortgage bond

Average purchase priceYear		Year-on-year price increase
2014	R920 855	
2015	975 032	6%
2016 (July)	1 052 708	8%

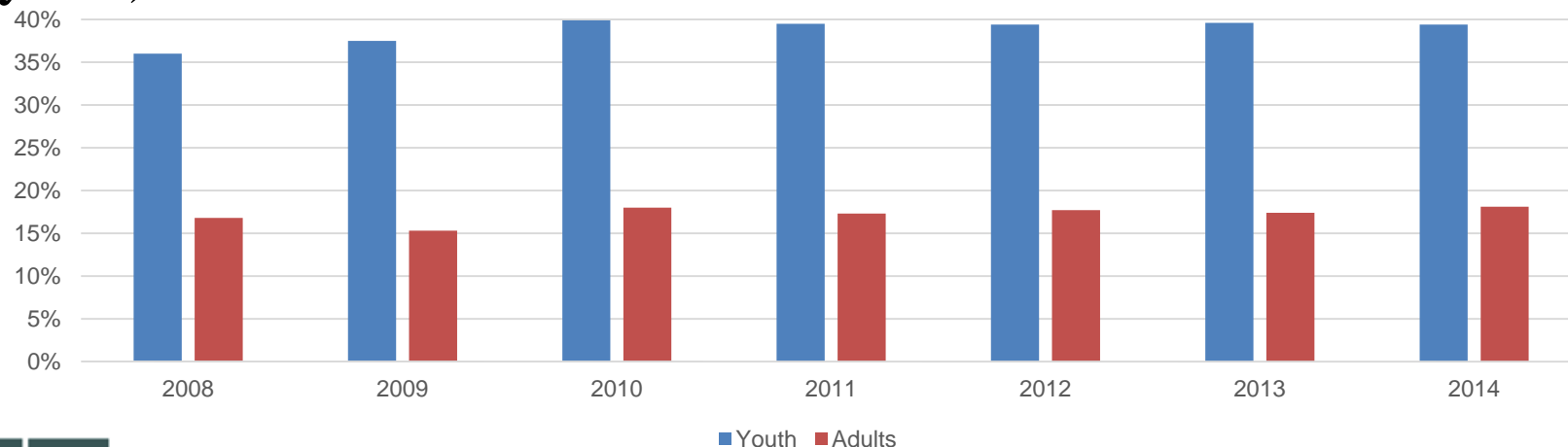
HUMAN SETTLEMENTS AND THE ECONOMY

- Recently, there has been an increase in interest rates both by SARB and commercial banks
 - High housing prices and interest rates deter access to houses, especially for low income earners as this group is generally offered higher interest rates by banks



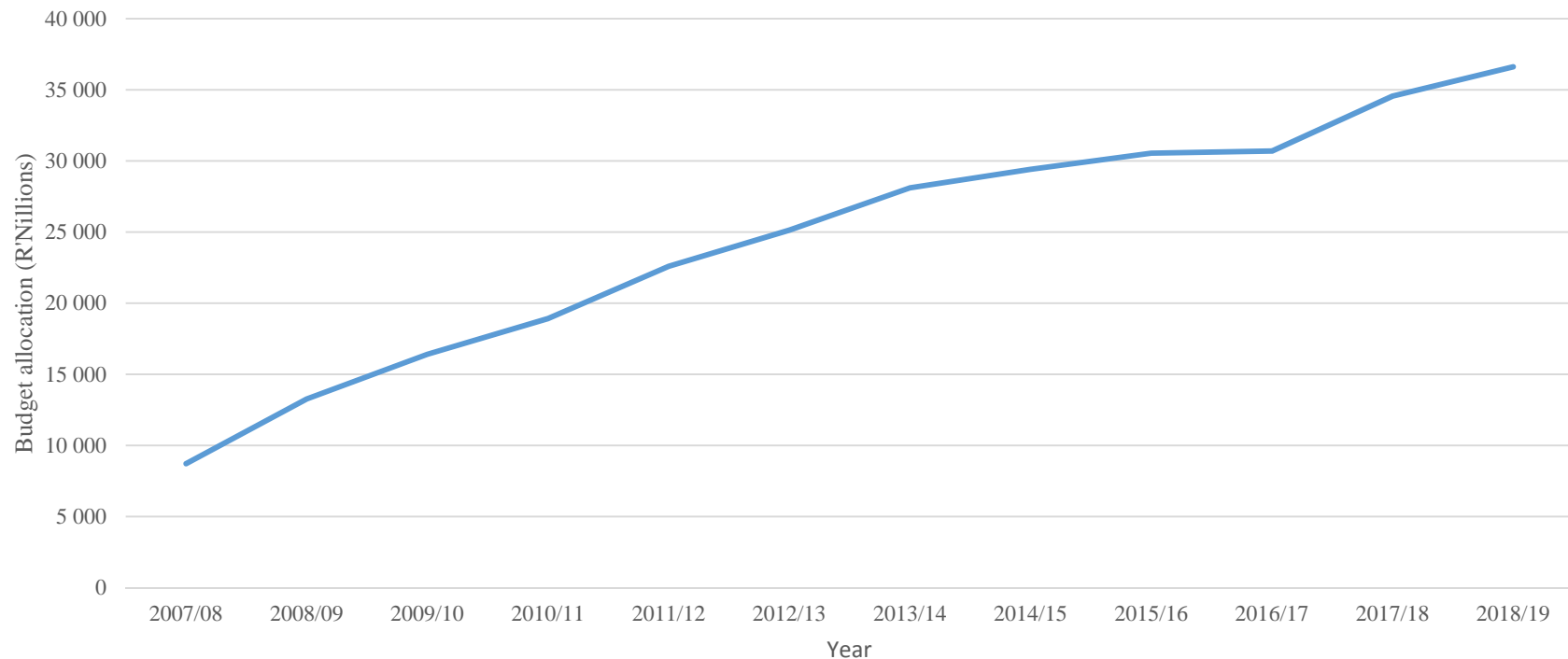
HUMAN SETTLEMENTS AND THE ECONOMY

- Unemployment is one of the key challenges and directly affects housing affordability
 - The overall unemployment has increased over the recent years from 24.1% in 2013 to 26.6% by July 2016
- Unemployment is higher amongst the youth (under the age bracket of 34 years) compared to adults (between the ages bracket of 35-64 years)



NOMINAL BUDGET ALLOCATION (R'MIL) – 2007/08 TO 2018/19

- Allocation for the Human Settlements vote has been increasing over the years

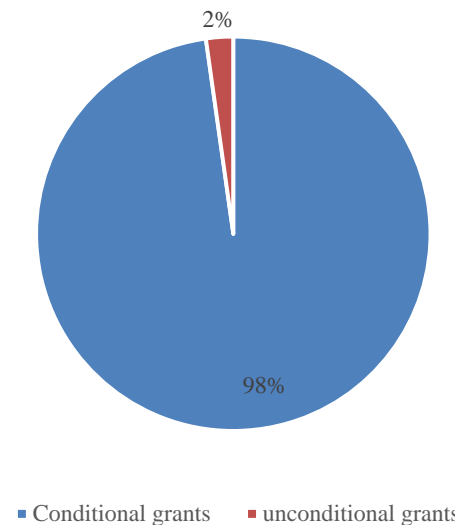


NOMINAL AND REAL GROWTH RATE OF TOTAL DHS ALLOCATION- 2007/08 – 2016/17



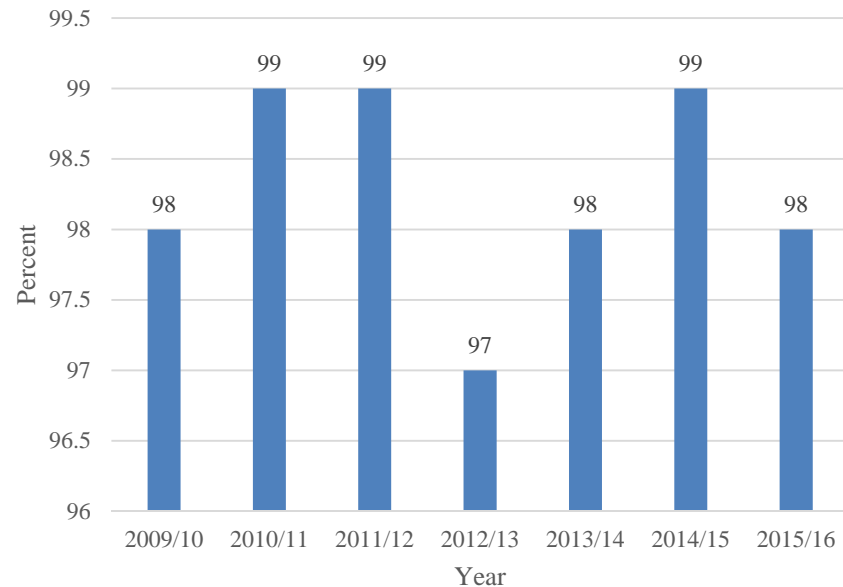
DEPARTMENTAL ALLOCATION BY SOURCE – 2015/16

- Program 4 – Housing Development Finance: Conditional grants (HSDG, USDG and Municipal Human Settlements Capacity Grant) took R29.4 billion (98%) of the total allocation of R30.5 billion
- Programs 1 Administration, 2 Human Settlements Policy, strategy and planning & 3 Delivery Support took only 2% of the total allocation

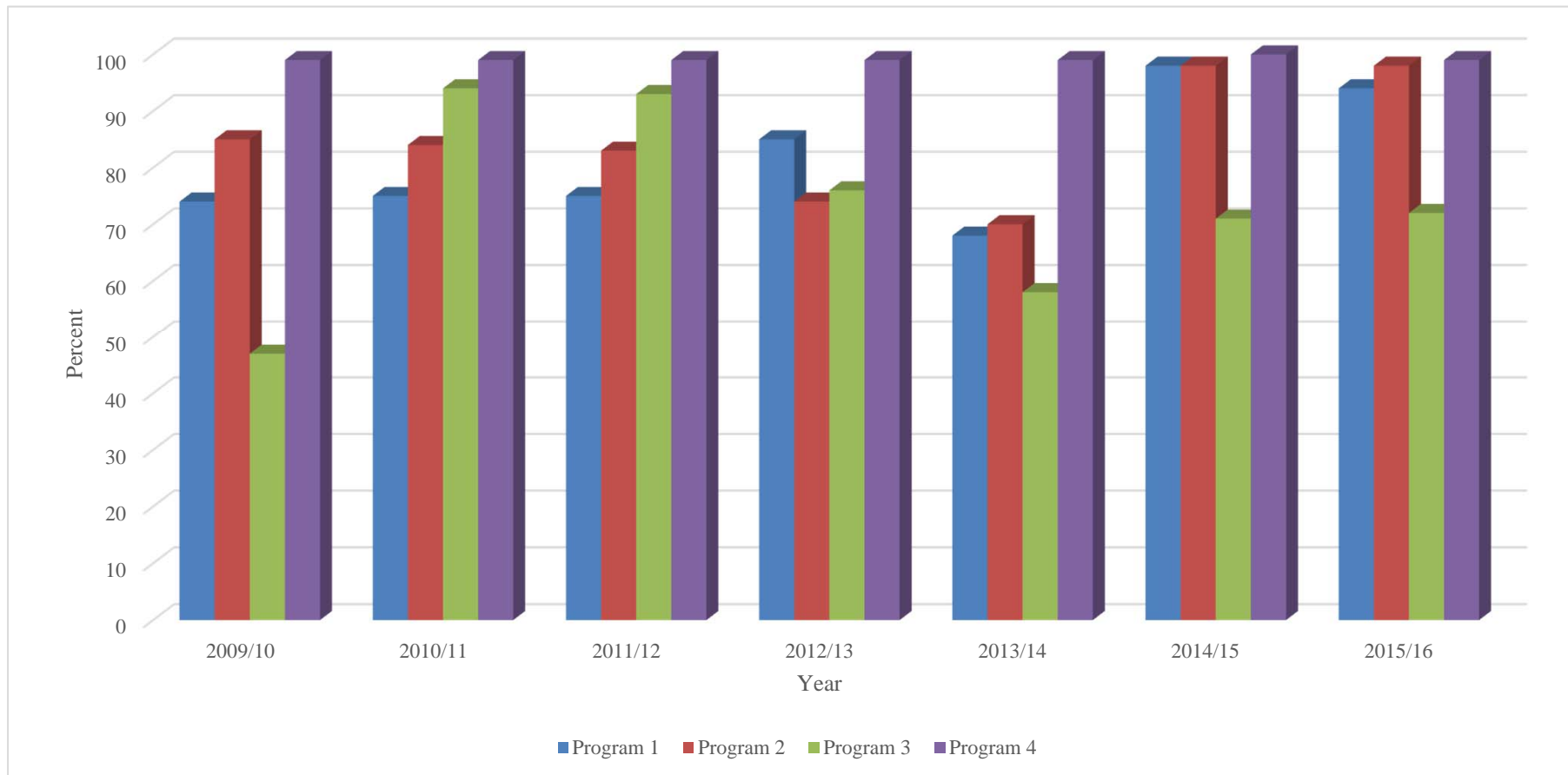


DEPARTMENTAL EXPENDITURE TRENDS – 2009/10-2014/15

- Average spending performance of the department is 98% of allocated funds
- Slight dip in performance in 2012/13 F/Y mainly attributed to the poor performance of RHIG (now shifted to DWS) and stopped HSDG to Limpopo and Eastern Cape



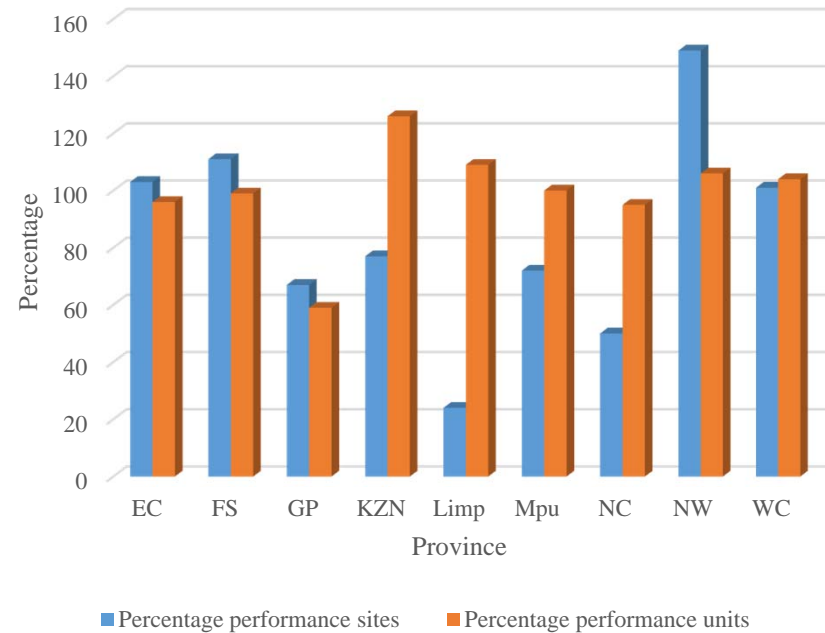
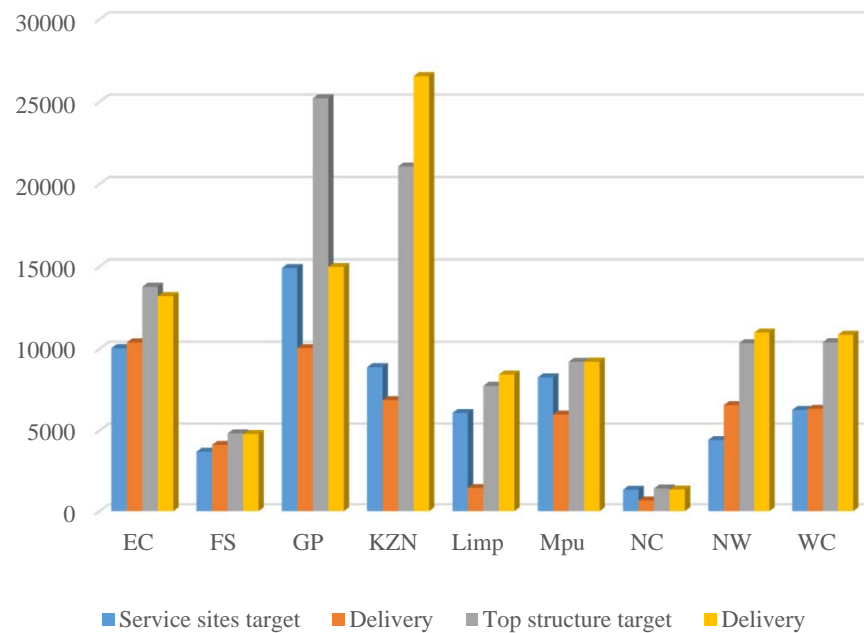
SPENDING PERFORMANCE BY PROGRAM 2009/10– 2015/16



SPENDING PERFORMANCE BY PROGRAM – 2014/15

- Program 4 consistently shows good performance over the period with a spending of 98.5% in 2015/16
 - While the overall performance is good, the Commission has concerns with respect to the following
 - Funding (R908 million) was taken from Gauteng one of the provinces experiencing significant immigration and this was not related to the capacity reason (administrative)
 - Performance for 2015/16 remains poor with respect to USDG as only 52.7% of the total available funds were spent by the end of March 2016
- Material underspending with respect to program 3 since 2013/14 and under-spending remains high at 28% almost at the same level as 2014/15 (29%)
 - Due to a number of reasons of some are the same as in 2014/15 which challenges with respect to the NUSP

OUTCOME PERFORMANCE - SITES AND UNITS TARGETED, PLANNED AND DELIVERED 2015/16



OUTCOME PERFORMANCE – OTHER TARGETS AND ACTUAL PERFORMANCE 2015/16

Target	Actual delivery	Percentage achieved
460 informal settlement upgrading plans developed	76 informal settlement upgrading plans developed	16.5%
150 000 households to be upgraded to phase 2 of the UISP	52 349 upgraded	34.8%
Capacity building programme in 10 municipalities	Not implemented at all	0%
14 400 affordable rental housing opportunities	12 097 provided	84%
Additional housing units- 103 983	99 904 units delivered	96%
Number of FLISP subsidies – 12 929	2 253 approved	17.4%

FINANCIAL PERFORMANCE OF PUBLIC CORPORATIONS AND ENTITIES

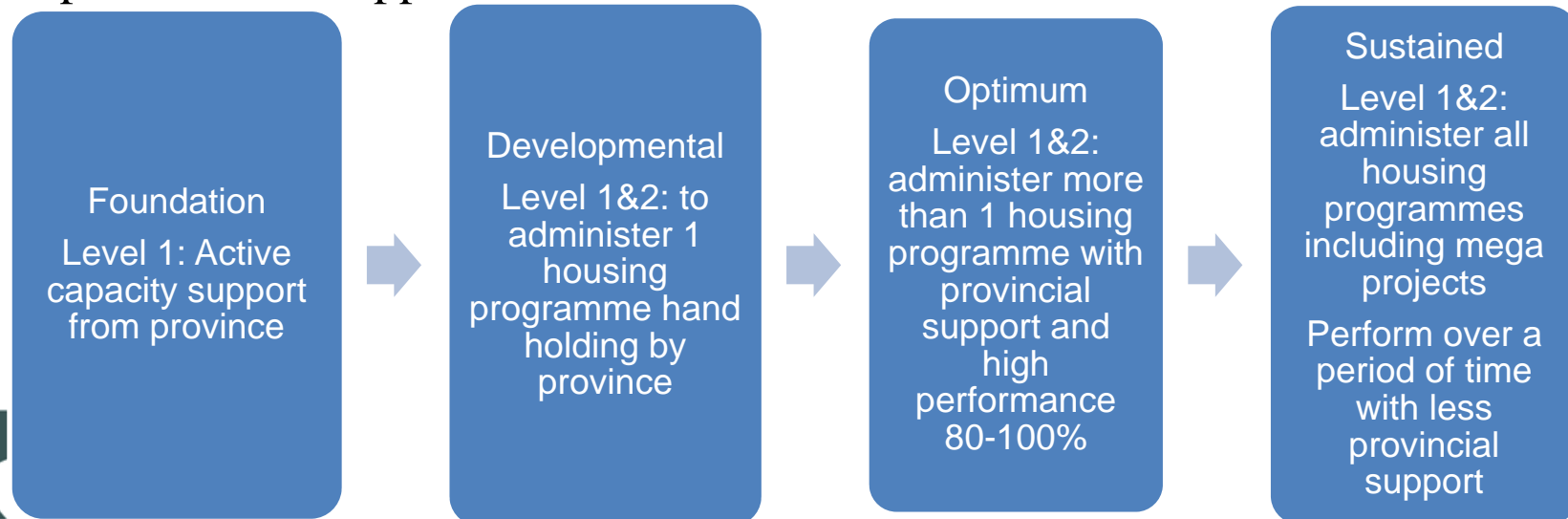
Name of entity	Total allocation (R'000)	Total transferred (R'000)	Amount spent (R'000)
Social Housing Regulatory Authority	1,008,803 (500,000)	143,770	28%
Housing Development Agency	176,183	104 615	59% In 2014/15: 103 000 of 121 047 was spent Spending – 85%

ISSUES RAISED IN 2015

- The Commission in its presentation to the PCHS in 2015 raised a concern with poor performance of the MHSCG and uncertainty around the housing function shift to metros
 - The PCHS therefore requested the Commission to meet with the DHS to ascertain what is stalling the progress on accreditation
 - The Commission did meet with the DHS in November 6, 2015, where it was identified that the DHS was in the process of reviewing accreditation framework and approach
 - It was therefore resolved that DHS official will have to brief the Commission's officials on what the revised approach entailed and the meeting took place in November 23, 2015
 - The key point of departure with respect to the revised approach - accreditation will be progressive based on the achievement and delivery of key housing projects/programmes relevant to that municipality as opposed to a blanket accreditation
 - This implies recognising different housing needs and circumstances facing different municipalities and different housing programmes relevant

ISSUES RAISED IN 2015

- Of major concern though is that the revised accreditation framework has not been finalized and in this regard, the Commission recommends that a revised approved accreditation framework be finalized as it further creates uncertainty with respect to accreditation and function shift.
 - This affects housing capacity development and housing delivery planning at local government (particularly in metros)
- Proposed revised approach to accreditation



ISSUES RAISED IN 2015

- The Commission also raised concerns with respect to the performance of programme 3 and recommended that the DHS should determine key reasons for this and develop a plan to improve performance
- The Commission recommended that DHS should determine reasons for this underspending and together with affected metros jointly develop a strategy to improve performance with respect to USDG in 2014/15 and the Commission reiterates this recommendation

SELECTED AUDITOR-GENERAL FINDINGS

- 2015/16: Material underspending on program 3 – underspending of R38 196 000 (28% of program 3 total allocation)
- Program 3 has a history of underspending
 - The Commission has also raised concerns on this issue as the program has a history of underspending in the past four years
 - This has a negative impact on the achievement of determined objectives

Year	Underspending
2012/13	36%
2013/14	55%
2014/15	29%
2015/16	28%

SELECTED AUDITOR-GENERAL FINDINGS

- Other issues raised by the AG over the past three years and progress made is summarised in the following table

Indicator	2013/14	2014/15	2015/16
Material underspending	Prog 2 and RHIG.	Prog 3. There was still poor performance: RHIG which has been moved to DWS	Prog 3.
Reliability of reported performance info	Target were found not reliable when compared to the source information or evidence provided	Significant key targets were not reliable when compared to the source information or evidence provided – lack of standards operating procedures for recording actual achievement	No material findings

SELECTED AUDITOR-GENERAL FINDINGS

- 2015/16: Material underspending on program 3 – underspending of R38 196 000 (28% of program 3 total allocation)

Indicator	2013/14	2014/15	2015/16
Measurability of targets	Targets that could not be measured	No material findings	No material findings
Reliability of performance information	Target not reliable when compared to the source or evidence provided	No material findings	No material findings
Unapproved changes to objectives and targets	Targets were found not consistent with those in the approved annual performance plan	No material findings	No material findings

SELECTED AUDITOR-GENERAL FINDINGS

Indicator	2013/14	2014/15	2015/16
Annual financial statements, performance and reports	Material misstatements of disclosure items were identified – were subsequently corrected	Material misstatements of disclosure items were identified – were subsequently corrected	Material misstatements of disclosure items were identified – were subsequently corrected
Leadership	Leadership did not effectively monitor the implementation of action plans	Leadership did not effectively monitor the implementation of action plans	Leadership did not exercise adequate oversight and monitoring to financial reporting and compliance with law and regulations

SELECTED AUDITOR-GENERAL FINDINGS

- On compliance with legislation, AG identified the following:
 - Financial statements were not prepared in accordance with PFMA (40(1)(b))
 - Contractual obligations and money not settled within 30 days in accordance with (38(1)(f) of the PFMA
 - Absence of regular, accurate and complete financial reports supported and evidenced by reliable information
 - Leadership’s lack of adequate oversight and monitoring with respect to financial reporting and compliance with laws and regulations
 - Due to the lack of standard operating procedures for the accurate recording

CONCLUSION

- The department's overall performance has been good over the last 6 years – average spending over 98% of allocated funds
- Targets set for 2015/16 with respect to top structures was over-achieved in some provinces and narrowly missed in some provinces
 - Concerns with Gauteng: where target for top structure was missed by 41% as funding was reallocated to other provinces despite higher volumes of households migrating to the province
- Targets set for 2015/16 with respect to sites were overachieved in some provinces
 - three worst achievers being LM, NC and GP, with 24%, 50% and 59% respectively
- MHSCG continues with poor spending
 - Having spent 8.5% in 2014/15 and 2015/16
 - Transitory grant management process are required to deal with discontinued grants and uncertainty

CONCLUSIONS

- The Commission is of the view that the termination of MHSCG creates uncertainty with respect to housing function shift given that this grant was established specifically to assist metro with capacity to fully undertake the function
- Furthermore, there has not been even a single municipality accredited over the period and the revised accreditation framework has not been finalized
- Program 3 remains a concern in respect of spending performance
 - under-spending was decreased from 55% in 2013/14 to 29% in 2014/15 and remains at 28% in 2015/16
- Generally, there has been an improve with respect to AG's findings in 2015/16 compared to previous years, however of a concern are issues relating to the underspending in programme 3, financial statement and leadership



THANK YOU.

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