



Financial and Fiscal Commission

Submission to the Portfolio Committee on
Human Settlements:

Department of Human Settlements 2013

Budget Vote

April 2013

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Abbreviations

AG	Auditor General
DoHS	Department of Human Settlements
DORA	Division of Revenue Act
FFC	Financial and Fiscal Commission
FLiSP	Finance-Linked Individual Subsidy
HSDG	Human Settlement Development Grant
IGFR	Intergovernmental Fiscal Relations
MTEF	Medium Term Expenditure Framework
NUSP	National Upgrading Support Program
RHIG	Rural Household Infrastructure Grant
USDG	Urban Settlements Development Grant

1. Introduction and Recommendations

This Submission is made in terms of Section 3(2)(b)(ii) of the Financial and Fiscal Commission Act 99 of 1997. The Submission briefs the Portfolio Committee on Human Settlements on the financial and non financial performance of Department of Human Settlement (DoHS).

For 2013/14 financial year the DoHS has five key strategic programs outlined as follows:

- Implementation of the revised Finance-Linked Individual Subsidy program (FLiSP) aimed at assisting qualifying households (earning between R3 501 and R15 000) with a once off down payment to reduce initial mortgage loan amount and render the monthly loan repayment instalments affordable over the loan payment term.
- Implementation of the management of the Rectification program to rectify defects on a substantial number of subsidised low cost houses built in the period between 1994 and 2010.¹
- Municipal accreditation program – this program seeks to accredit municipalities that have demonstrated capacity to undertake some of the housing functions in order to reduce bureaucratic and institutional bottlenecks and improve planning and coordination of activities among other things.
- Improving the delivery of the social and rental housing - Rapid urbanization has resulted in demand for rental units far outstripping supply thus leading to supply shortages and unaffordable rental housing units. The affordable rental housing programme is aimed at eradicating of housing backlogs, through provision of rental housing for low income persons who cannot be accommodated in the formal private rental market.

¹ These defects are a result of a number of factors including but not limited to the following: poor workmanship, use of inferior and inappropriate material, deviation from specification, poor project management and lack of supervision.

Better and improved intergovernmental collaboration and coordination owing to the inter-connectedness of the housing delivery function with other complementary services this program seek to coordinate the department's mandate within the Intergovernmental Relations framework and facilitate smooth functioning of the housing delivery chain.

These programs are aligned to the recent policy on housing as articulated in Government strategic outcomes and the National Development Plan and the Department's annual strategic plan. Outcome 8: on Sustainable Human Settlements and improved quality of Household life emphasize the need for government to focus on the following outputs:

- Accelerated delivery of housing opportunities;
- Improved access to basic services;
- More efficient land utilisation and;
- Improved property market

Aspects of the National Development Plan that are more relevant to human settlements include:

- Shift state investment from support for top structures to incentivise the acquisition of well located land and support the development of the public environment needed for sustainable human settlement;
Shift housing funding away from building single houses to supporting the development of a wide variety of housing types with different tenure arrangements (including affordable rental and social housing)

To give effect to above mentioned priorities 97 percent of the Department's budget allocation for 2013/14 financial year has been allocated to program 4 (Housing Development Finance) which is mainly responsible for administration and implementation of key housing delivery programs.

While it is not unusual that at this point in the Strategic Plan process only modest progress is made, it is, important for the Commission to bring to the attention of the Portfolio Committee on Human Settlements the following findings which require urgent intervention: .

- Review of the design of the Rural Household Infrastructure Grant to make it flexible where necessary and cost effective and address repair and maintenance priorities
- Development of a functional monitoring system for verification of housing projects delivered in all provinces by service delivery instrument, differentiating clearly between houses completed, still under construction etc.
- Development of systems to strengthen the monitoring and evaluation role of the DoHS for the sector as a whole.
- Making financial and non-financial performance data on every housing delivery program easily accessible through the use of DoHS website.

2. The Policy Context

The aim of the Human Settlements vote is to facilitate the creation of sustainable human settlements and improvement to the quality of the lives of households. Since 1994 South Africa has experienced significant shifts and adjustments in the housing policy and delivery². Some of the recent policies include:

- National Upgrading Support Program (NUSP) – Established to assist provinces and municipalities in their efforts to upgrade informal settlements. The emphasis on the upgrading of informal settlements, its pillars include water and sanitation, security of tenure and community empowerment.
- Revised Housing Code -. This code indicates a shift away from municipal driven subsidy projects providing the RDP house to informal settlement upgrading and the provision of subsidies within integrated areas among other things. The three key subsidies are: Upgrade of Informal Settlements Program, Individual Housing Subsidy Program and Integrated Residential Development Program.

² These policy changes include a shift from quantity of housing units delivered to quality and a shift from focussing on housing delivery to human settlements among others.

- Outcome 8 - This outcome is in line with revised Housing Codes that commit the DoHS to upgrade 400 000 households living in informal settlements over the next four years from 2010.
- The National Development Plan with the following elements:
 - a. Urban sprawl should be contained and possibly, reversed as denser forms of development are more efficient (on land usage). The Commission had attempted to estimate the fiscal cost of inefficient land use planning and made recommendations in its 2012/13 submission in 2011. This was noted by the NDP which was finalised in 2012. Special incentives and subsidies should be designed to make affordable, large-scale high-density housing possible in inner cities; and
 - b. New urban development and infrastructure investment around corridors of mass transit and around existing and emerging economic nodes.

3. Performance Analysis and Commission's Past Recommendations

3.1 Budget analysis and performance

a. Expenditure outcomes between 2009/10-2015/16

There are four key programs used by the DoHS to achieve its aim and are shown in Table 1.

Table 1: Nominal allocations and percentages per program and medium term expenditure estimates

Programme	Audited outcome			Revised estimate	Medium-term expenditure estimate		
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Administration	167.7	221.2	222.1	420.3	422.4	426.9	445.1
	1.2%	1.4%	1.0%	1.7%	1.5%	1.4%	1.4%
Human Settlements Policy, Strategy and Planning	233.8	189.0	208.9	67.9	84.1	89.3	93.0
	1.7%	1.2%	0.9%	0.3%	0.3%	0.3%	0.3%
Programme Delivery Support	169.5	207.2	193.0	151.0	226.9	239.3	251.3
	1.2%	1.3%	0.8%	0.6%	0.8%	0.8%	0.8%
Housing Development Finance	13 033.7	15 674.4	22 201.5	24 243.7	27 377.1	29 450.6	31 957.2
	95.8%	96.2%	97.3%	97.4%	97.4%	97.5%	97.6%
Total	13 604.7	16 291.8	22 825.5	24 882.8	28 110.5	30 206.2	32 746.6

Source: Department of Human Settlements Annual Report and the National Treasury Estimates of Expenditure

Table 1 indicates that the largest proportion of allocations over the financial years under review (from 2009/10 to 2015/16) goes to program 4 (Housing Development Finance). More than 95 percent of the total allocation for the housing vote is allocated to program 4 which is responsible for the following objectives:

- Management of public entities³, provinces and municipalities with respect to human settlements.
- Acceleration of delivery of housing and human settlements through Human Settlements Development Grant (HSDG), the Urban Settlements Development Grant (USDG), the Rural Household Infrastructure Grant (RHIG) and transfers to public entities.
- Improvement of access to housing finance through collaborations with the private sector.
- Ensuring equitable access to private housing finance – monitoring the lending practices of the financial sector.

Further analysis of sub-programs in program 4 is illustrated in Table 2 below. There are eight sub-programs in total dominated mainly by the HSDG. This sub-program accounted for 68%, 67% and 68% of total funding in 2009/10, 2010/11 and 2011/12 financial years respectively.

³ Public entities reporting to the Department of Human Settlements include National Housing Finance Corporation, National Urban Reconstruction and Housing Agency, Housing Development Agency, Social Housing Regulatory Authority, Rural Housing Loan Fund and National Home Builders Registration Council.

Table 2: Sub-programs under program 4 and nominal allocations

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
R million							
Management for Housing Development Finance	2.4	0.6	1.2	3.0	3.2	3.3	3.5
Chief Investment Officer	18.2	15.9	14.8	24.0	20.9	24.4	22.6
Regulatory Compliance Services	20.4	22.0	22.3	24.2	21.6	22.8	24.1
Human Settlements Development Grant	10 819.3	13 032.1	15 121.5	15 726.0	16 983.9	17 918.3	19 667.2
Contributions	352.6	346.2	484.1	912.8	1 133.8	1 002.1	1 388.0
Rural Households Infrastructure Grant	–	61.6	187.4	340.6	106.7	113.1	118.3
Backlogs in Water and Sanitation at Schools and Clinics	350.0	–	–	–	–	–	–
Urban Settlements Development Grant	4 418.2	4 968.0	6 267.0	7 392.2	9 076.9	10 334.7	10 699.8
Programme Monitoring and Evaluation	30.8	14.8	16.2	20.9	30.2	31.9	33.6
Total	16 011.9	18 461.2	22 114.4	24 443.7	27 377.1	29 450.6	31 957.2

Data source: National Treasury – Estimates of National Expenditure for 2013

b. Expenditure performance between 2009/10-2011/12 per program

The department has gradually been showing steady improvement in terms of overall spending over the last MTEF beginning in 2009/10 financial year (see Table 3). Overall spending performance is around 100 percent of total allocated funds (98 percent in 2009/10 and 99 percent for 2011/11 and 2011/12). There has been a significant under-spending on program 1 (Administration) and program 2 (Human Settlements Policy, Strategy and Planning).

On program 1 spending improved from 67.9% in 2009/10 to 85.3% in 2010/11 but decreased to 74.85 in 2011/12. Under-spending in 2009/10 and 2010/11 is mainly attributed to delays in securing an additional building and vacancies which could not be filled as a result. For 2011/12 under-spending is attributed to delays in refurbishment of the offices resulting in funding for moving staff and acquisition of furniture not utilised. Late invoicing from the Special Investigating Unit and the moratorium on the filling of non-critical posts also contributed to under-spending on program 1.

On program 2 spending decreased from 73.4% in 2009/10 to 63.5% in 2010/11 and slightly improved to 66.0% in 2011/12. Under-spending in 2009/10 is attributed to the delay in printing the Housing Code and under-expenditure on personnel-related costs as result of vacancies. The moratorium on filling of non-critical posts and a research project not completed as anticipated were given as reasons for under-spending. Personnel-related costs as

a result of vacancies, cost-saving measure from reduced travel and subsistence are cited as reasons for under-spending by the DoHS during 2001/12 financial year.

There has been a gradual improvement in spending on program 3 (Program Delivery Support) from 58.2% in 2009/10 to 76.4% in 2010/11 and 97% in 2011/12. The under-spending in 2009/10 financial year was a result of non-utilisation of funding provided for the community outreach program, cost-saving measures introduced (which reduced travel and subsistence expenditure) and reduced costs associated with not filling vacancies. In addition to the cost-saving measures introduced, delays in the implementation of the Accelerated Community Infrastructure Program contributed to under-spending during 2010/11 financial year. In 2011/12 financial year under-spending is only attributed to the moratorium on the filling of non-critical vacancies.

An analysis undertaken on under-spending and reasons thereof indicates that a common reason for under-spending across programs 1, 2 and 3 from 2009/10-2011/12 has been the moratorium on the filling of non-critical vacancies and associated costs.

As already discussed, on program 4 (main program), spending has been over 99% over the period as a result of good spending on HSDG (a major sub-program). There remain considerable challenges pertaining to performance of USDG and RHIG which are discussed below under grants performance.

Table 3: Program spending performance 2009/10 – 2011/12

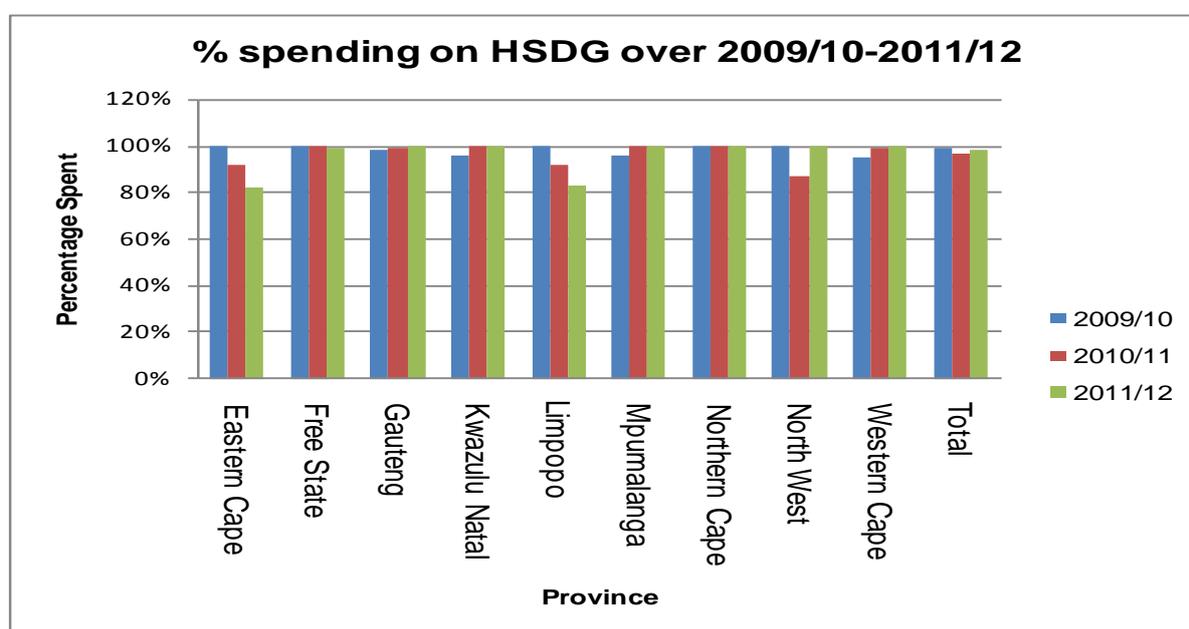
Programme	2009/10	2010/11	2011/12
Administration	67.9%	85.3%	74.8%
Human Settlements Policy, Strategy and Planning	73.4%	63.5%	66.0%
Programme Delivery Support	58.2%	76.4%	96.7%
Housing Development Finance	99.6%	99.7%	99.6%
Total	98.3%	98.8%	99.0%

Data Source: Department of Human Settlements' 2009/10, 2010/11 and 2011/12 Annual Reports

c. Performance of the Human Settlements Development Grant (HSDG)

HSDG is a key conditional grant in the delivery of housing and is transferred to all provinces using a formula that takes into account housing needs, migration patterns and development potential. A large number of municipalities are dependent on this grant for housing delivery since they lack capacity to raise own revenue. Generally, the overall spending of the HSDG has been good over the period with 99% in 2009/10, 97% in 2010/11 and 98% in 2011/12 as shown in figure 1.

Figure 1: HSDG spending performance by province - 2009/10-2011/12



Source: Department of Human Settlements Annual Reports (2009/10, 2010/11 and 2011/12)

Figure 1 above shows average spending performance across the nine provinces is over 90 percent. Over the three year under review there have been only two provinces (Limpopo and Eastern Cape) which demonstrated decreasing spending trend.. For the Eastern Cape province, expenditure decreased from 100 percent in 2009/10 to 92 percent in 2010/11 and further decreased to 82 percent in 2011/12. Reasons given for this under-spending include lack of capacity and cash flow problems. The same trend is evident in Limpopo province where spending decrease from 100% in 2009/10 to 92% in 2010/11 and further decreases to 83% in 2011/12. This regression is attributed to a number of reasons including unavailability of bulk infrastructure and services land, delayed payment of contractors due to less frequent

payments by Provincial Treasury and slow registration of transfer documents by the Deeds Office.

The following issues are noteworthy:

- In 2010/11 financial year, the Eastern Cape allocation was increased by R39 million and the province under-spent by R133 million. This implies that the province was likely to under-spend its allocation even before such adjustment. This raises the question whether proper evaluation of the capacity of the province to spend was done before the decision to add R39 million was taken.
- In 2010/11 financial year, Limpopo province's allocation was also increased by R130 million and under-spending at the end of financial year was at R111.5 million.

There are two main challenges that the HSDG continue to face. First, there is currently a number of different sectoral diverse infrastructure grants which are meant to contribute to the delivery of sustainable and liveable human settlements. Some examples include: the Integrated National Electrification Program, Neighbourhood Development Partnership Grant and Regional Bulk Infrastructure Grant. These grants are currently segmented and this affects housing delivery (for example one the reasons for under-spending HSDG in 2011/12 in Limpopo province was unavailability of bulk infrastructure). There is a need for alignment and sequencing in the implementation of infrastructure related grants..

Second, the HSDG is disbursed through provinces and this disbursement channel presents a challenge for municipalities because provincial transfers are not always made on time thus affecting municipal expenditure planning processes and causing implementation delays. One of the reasons for under-spending in 2011/12 for the Eastern Cape and Limpopo provinces include cash flow problems and unscheduled payments by Provincial Treasury. Municipalities (that can borrow) are often compelled to use bridging finance at a cost to minimise delivery disruption. For municipalities that are unable to borrow, housing delivery is subsequently negatively affected (this issue was also raised during the Commission's Housing Finance Public Hearings in 2011). There are positive development in this regard as the DoHS intends to shift the housing function to at least six metros by 2014 and enable

direct transfer to municipalities. The Commission has made a separate submission on the proposed housing function assignment to six metros⁴.

d. Analysis of performance of the new grants

I. Rural Household Infrastructure Grant

RHIG was introduced in 2010 to assist with achievement of universal access to water and sanitation by 2014. This grant was established as a result of high levels of backlogs in water and sanitation in most rural municipalities and the fact that some settlement patterns are so dispersed that it would require excessive funds to build the necessary infrastructure and to connect households. Furthermore, it is important to note that the President had proclaimed the transfer of sanitation function which was administered by the Department of Water Affairs and Forestry to the DoHS as a result of focussing more on holistic approach as opposed to focussing mere building of houses.

Since its introduction, the RHIG has not performed well as shown in Table 4. In 2010/11 only 66.7 percent of the total allocated funds had been spent by March 2011 and this represented an under-spending of 33.3 percent.

Table 4: Performance of Rural Household Infrastructure Grant since 2010/11

Financial Year	Total Allocation R'000	Total Spending R'000	Spending as a Percentage of Total Allocation
2010/11	100	66.7 (by Mar 2011)	66.7%
2011/12	258	187 (by Mar 2012)	72.8%
2012/13	340.6 (479.5 reduced by 138)	61 (by Jan 2013)	17.9%

⁴ In its submission, the Commission has generally supported proposed assignment of housing function to six metro as it is consistent with its previous recommendations, however a number of issues that the Commission recommended to be addressed as a matter of urgency include:

- Provision of agreements between the affected provinces and metros on a number of issues including operational funding, transfer of staff, monitoring, evaluation and support plan, post assignment;
- Detailed asset register from provinces;
- Detailed information of housing projects to be transferred to metros, their stages, funding allocated, funding already spent and funding remaining;
- Due diligence done on projects already started;
- Listing and valuation of assets and any liabilities; and

Data source: National Treasury and the Department of Human Settlements

It is also important to note that spending by February 2011 was at 11 percent but by March 2011 an additional 55.1 percent of allocated funds had been spent. This implies a spending of additional 55.1 percent (R52 million) in a period of just one month. An amount of R52 million is a lot of money to be spent within a month given that spending for about eight months remained at 11 percent. There is potential for fiscal dumping.

Under-spending continued in 2011/12 where overall spending by March 2012 was at 72 percent. Again it is reported that by February 2012 spending was at 31 percent but by March spending was 72.8 percent of the total allocated funds (more than doubled).

In the 2012/13 financial year, allocation for this program was R479 million and was reduced by R138 million following a request by the DoHS. Subsequent to this downward adjustment the allocation remained at R340 million. Spending by January 2013 amounted to R61 million representing 17.9 percent of downward adjusted allocation (or about 12.7 percent of the original allocation) which is very low. The sub-optimal performance of the RHIG is an issue that needs to be addressed and this should include a review of its objectives, terms and conditions. These are some of the issues considered as challenges by the DoHS. Capacity development and or necessary support is also required especially given that beneficiaries are rural municipalities that do not have adequate capacity to manage contracts and service providers. The DoHS needs also to improve its monitoring and evaluation role in order to identify support needed.

II. Urban Settlements Development Grant

This grant was introduced in the 2011 MTEF for metros to improve the efficiency and coordination of investments in the built environment. The grant seeks to do this by providing metros with appropriate resources and control over and pursuit of investment programs in the built environment. The USDG has not been performing well since its inception in 2011/12 as shown in Table 5.

Table 5: Performance of the USDG since 2011/12

Municipality	Total R'000	Spent by 31/03/2012		Total R'000	Spent by 31/01/2013	
	2011/12			2012/13		
Buffalo City	423 446	796 99	19%	499 474	111 862	22%
Nelson Mandela	502 626	314 922	63%	592 870	226 135	38%
Mangaung	411 995	163 153	40%	485 967	244 416	50%
Ekurhuleni	1 094 276	504 305	46%	1 212 537	455 922	38%
City of JHB	1 027 970	470 176	46%	1 290 748	273 624	21%
City of Tshwane	891 081	349 874	39%	1 051 070	460 938	44%
EThekweni	1 091 574	558 323	51%	1 287 560	274 801	21%
City of Cape Town	824 030	287 972	35%	971 980	344 867	35%
Total	6 266 998	2 728 424	44%	7 392 206	2 392 565	45%

Data source: Department of Human Settlements Annual Report (2011/12) and the National Treasury

Table 5 shows that by 31 March 2012 only R2.7 billion was spent out of a total allocation of R6.2 billion. This represents expenditure of 44 percent. Only Nelson Mandela and eThekweni metro had spent more than 50 percent of their allocations (with 61 percent and 51 percent respectively). Poor spending performance continued during 2012/13 financial year as spending in January remained at 45 percent with only Mangaung having spent 50 percent of allocated funds while eThekweni and City of Johannesburg have spent only 21 percent of their allocations.

The USDG is in its second year of existence. A number of challenges have been reported by DoHS including:

- Procurement and project management inefficiencies that result in slow progress in implementing capital projects and poor planning processes
- Monitoring difficulties due to non-breakdown by projects and project description including amounts.

3.2 Annual performance plans and actual performance

a) Annual performance plans and outcomes for 2009/10-2012/13

Table 6 depicts under-delivery with respect to the housing units planned and completed for 2009/10, 2010/11 and 2011/12 where targeted units were set at above 250 000, 220 000 and 220 000 respectively. The highest actual number of units delivered was 161 854 units in

2009/10. The DoHS has consistently missed its delivery targets despite spending all of the allocated money. The Commission had previously recommended a realistic revision of targets in line with funding, costs of providing a unit and past performance.

The DoHS from 2009/10-2011/12 has failed to reach targets of residential housing units set as targets while spending on the HSDG was at 99 percent, 97 percent and 98 percent in 2009/10, 2010/11 and 2011/12 respectively. The Commission is unable to make assessments of other indicators because of unavailable data on targets in the Annual Reports.

Table 6: Annual performance plans and outcomes for 2009/10-2012/13

Housing Development Finance – Housing Units				
	2009/10	2010/11	2011/12	2012/13
Housing units Planned	250 000	220 000	220 000	130 000 (projected)
Number of Houses Completed and Construction	161 854	121 879	120 610	72 223 (current)
Shortfall – Housing units	88 146	98 121	99 390	
Number of sites serviced				
Units planned				
Actual delivery	64 362	63 546	58 587	26 308
Shortfall				
Upgrading of informal settlements with access to secure tenure and basic services (Brownfield)				
Planned				
Delivered		52 383	66 639	22 460
Shortfall				
Number of hectares of land prepared for human settlements development				
Targets				
Actual delivery		4 945	2 000	2 000
Shortfall				
Loans granted in the affordable housing segment				
Targets				
Actual delivery				
Shortfall				
Households provided with on-site sanitation in rural areas				
Targets			33 000	
Actual delivery		11 652	19 225	5 818
Shortfall				

Source: National Department of Human Settlements' Overview of the Strategic and Annual Performance Plans

b) Annual performance plans and budget for 2013

The DoHS's Strategic and Annual Performance Plans for 2013/14-15/16 focus on the following key programs:

- The implementation of FLiSP;
- Rectification Program;
- Accreditation;
- Improving social and rental housing delivery; and
- Better and improved intergovernmental collaboration and coordination.

Strategic and Annual Performance Plans of the DoHS support current housing policies and goals. Specific indicators are shown in Table 7.

Table 7: Indicators and targets for 2013/14-2015/16

Indicator	2013/14 Targets	2014/15 Targets	2015/16 Targets
Municipalities assessed for level 2 accreditation	5	5	5
Municipalities provided with technical assistance for informal settlement upgrade	49	49	49
Residential units to be completed	132 705	138 540	137 898
Sites serviced	77 248	81 883	85 568
Upgrading of informal settlements with access to secure tenure and basic services	62 752	66 517	69 510
Hectares of land prepared for human settlements development	2 000	2 000	2 000
Loans granted to affordable housing segment	63 798	62 344	67 527
On-site sanitation in rural areas	11 858	12 296	12 588

Data source: National Department of Human Settlements 2013/14 Strategic and Annual Performance Plans

Targets and indicators in Table 7 are in line with strategic key programs that have been developed. In past years, the Commission had raised concerns about indicators and targets that were difficult to monitor because they were not clearly defined. The Commission has used indicators and targets in table 7 and compared with performance issues it raised last year to determine improvements. Some of the issues that had been raised by the Commission on the department's annual indicators and targets include the following:

- Yearly targets set by the department were not realistic.

- There have been consistent shortfalls on housing units delivered compared to yearly targets set which could be attributed to the setting of targets too high without considering past performance, proper determination of the unit costs of delivering targets, available capacity to deliver on targets and funding requirements. The Commission therefore recommended that in future the department will need to take all these factors into account when setting indicators and revise targets downwards where there is a need.
- Indicators and targets need to be disaggregated per financial year and be clear and measurable.

The DoHS has addressed this concern as shown in Table 7 as it shows targets that are clear and broken down per financial year. As indicated above, due to persistent under-achievement of targets that the DoHS used to set, the Commission had recommended a downward revision of annual targets taking into account available funding and past performance. The DoHS has revised its annual targets in line with these recommendations. For example, the number of residential housing units target per year has been revised to around 130 000 per annum in contrast with a target of over 200 000 which has never been achieved.

The Commission is of the view that indicators and targets as shown in table 7 are credible against priorities identified by the department are also in line with past recommendations of the Commission. These programs will be implemented through program 4 (Housing Development Finance) which has been allocated 97.4 percent of the total allocation for the DoHS.

3.3 Recent Commissions recommendations

The Proposal by the DoHS to assign housing function to six metros was analysed by the Commission and tested against requirements for function shifts using the Commission's manual checklist. The proposal complied with the general principles underlying assignment although the Commission was not supplied with sufficient supporting information for the Commission to fully assess the implications. A significant amount of the necessary information however was contained in the proposal and also obtained during the consultations between the Commission and the DoHS officials. In The insufficiency of

information made it difficult for the Commission to determine the baseline allocation commensurate with the function assignment accurately. Despite the missing supporting documentation, the Commission supports the proposed assignment of the housing function to the six metros as it is consistent with its previous recommendations and meets the principles criteria.

The Commission further recommends that the following information gaps and tasks be addressed as a matter of urgency:

- Provision of agreements between the affected provinces and metros on a number of issues including operational funding, transfer of staff, monitoring, evaluation and support plan, post assignment;
- Detailed asset register from provinces;
- Detailed information of housing projects to be transferred to metros, their stages, funding allocated, funding already spent and funding remaining;
- Due diligence done on projects already started;
- Listing and valuation of assets and any liabilities; and
- Cut off date for these current liabilities to be resolved.
- An appropriate baseline be determined in order to avoid unfunded or underfunding of the full mandate

4. Conclusions

There has been major improvement on the performance of major conditional grants between the 2009/10 – 2011/12 financial years. However there are concerns with the performance of other grants, particularly the Urban Settlements Development Grant and Rural Household Infrastructure Grant and on programs 1 2 and 3 of the department. Furthermore there are ongoing reporting and challenges which hamper comprehensive assessment of programs. The Commission therefore recommends that:

- There should be a review of Rural Household Infrastructure Grant design with a view to make it flexible. Where necessary and cost effective, repair and maintenance should be considered a priority.

- Development of effective monitoring systems for verification of housing projects delivered in all provinces by instrument. This improves the credibility of reporting.
- The Department of Human Settlements needs to strengthen its monitoring and evaluation role not only in respect of human settlements grants and the development finance institutions but for the entire sector as a whole.
- The Department of Human Settlements should make both financial and non-financial performance data on all performance indicators easily accessible on its website
- The Department of Human Settlements should put in place measures to improvement expenditure performance of Programs 1, 2 and 3.

For and on behalf of the Financial and Fiscal Commission

Mr. Bongani Khumalo
Acting Chairperson/CEO