

Eastern Cape Department of Housing

Budget Analysis

2009/10

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Key Findings and Recommendations

Finding

The 2009/10 budget allocation for the Department receives a nominal increase of 2.44% yet in real terms (i.e. once inflation is taken into account) the budget allocation experiences a decrease of -2.90% from the previous financial year. This decrease is disappointing because of the Department's plan to prioritise improving and accelerating housing delivery this financial year. In addition, its implications are further worsened by the global economic crisis which exacerbates financial pressure already felt by the Department alongside other social and economic factors.

Recommendation

The Department's 2009/10 budget allocation fails to take inflation into account and the real negative reduction in the budget during 2009/10 is likely to detract from the Department's ability to improve the quality of houses and accelerate housing service delivery. However the small nominal increase to the budget can be understood considering that the Department has under spent on its allocation for the past four financial years. Failure to spend budget allocations reduces the Department's chance of receiving larger budget allocations, which in turn threatens the Department's ability to meet policy priorities. Improved financial management is central to the Department receiving significantly increased budget allocations in the future.

Finding

The 2009/10 allocation for the Integrated Housing and Human Settlement Development Grant (IHSDG) – which takes up 89.1% of the entire budget – receives a 4.98% nominal increase which translates into a decrease of 0.49% in real terms.

Recommendation

The IHSDG aims to deliver: 20 000 houses; rectify 3682 defective houses (pre and post 1994 RDP stock); provide emergency housing; unblock 3558 housing projects which have stalled; provide individual subsidies; and upgrade 5 informal settlements. It is questionable whether the IHSDG will be able to adequately fund the above priorities considering that the 2009/10 IHSDG budget fails to take inflation into account. Improved financial management this financial year is key to an increase in the IHSDG budget allocation over the MTEF.

Finding

The 2009/10 allocation for Programme 2 (Housing Policy Planning and Research) is set to receive a nominal increase of 0.39% but, once inflation is taken into account, the budget allocation for this programme experiences a decrease of 4.84% in real terms. The Planning sub-programme under Programme 2, which provides hands-on support to municipalities through facilitating and developing provincial and municipal housing, experiences a 24.3% decrease in real terms. The 'Needs' sub-programme under Programme 2 which co-ordinates and manages housing research within the province suffers a -9.92 real percentage decrease in its budget allocation from 2008/09 and also suffers -2.78% reduction over the MTEF.

Recommendation

Continuous poor performance at the municipal level has been identified at both national and provincial levels as being one of the major obstacles to accelerated and quality housing delivery. It is therefore discouraging to see a decrease in budget allocation in real terms for a programme whose mandate is to “render ongoing support to municipalities”.¹ This programme will require more attention and more funding in order to improve municipal accreditation and capacity building to allow municipalities to develop planning and management of housing projects at a local level. There is currently a need for up-to-date information on the housing backlog/demand in the province. It is recommended that the Department expand Programme 2's capacity at all levels in order to provide the necessary support function to fulfil the Department's mandate. The absence of an up to date figure on the number of people still requiring houses detracts from the Department's ability to plan and budget accurately. The Department is also encouraged not to rely on external service providers but training and strengthening skills within the Department.

¹ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 468.

Finding

The personnel budget is set to increase from R86.68 million in 2008/09 to 106.41 million in 2009/10, which represents an increase of 17.19% in real terms. However, this line item only experiences a real average growth rate of 0.28% over the upcoming MTEF.

Recommendation

Human resource capacity has been a problem that has plagued the Department so it is encouraging to see the Department increase the 2009/10 personnel budget in order to recruit more staff. The recent increase in the number of personnel will enhance the Department's capacity to meet policy priorities. It must also be noted, however, that increasing the number of staff will not necessarily result in improved and accelerated housing delivery. Enhanced capacity will also depend upon sound human resource management and ongoing training of staff. Considering the Department's progress in staff recruitment, it is also recommended that the Department consider further increasing the personnel budget over the MTEF in order to make monetary provision for the recognition of staff who have performed their mandated functions properly.

Introduction

The South African Constitution commits government departments to the progressive realisation of socio-economic rights within available resources. These rights include the right to education, healthcare, housing and social welfare.² The PSAM defines social accountability as the obligation by public officials and private service providers to justify their performance in progressively addressing the above rights via the provision of effective public services. In order to effectively realise these rights through the delivery of public services, state departments and private service providers responsible for the management of public resources must implement effective accountability and service delivery systems. These include: planning and resource allocation systems; expenditure management systems; performance monitoring systems; integrity systems; and, oversight systems. The effectiveness of these systems can be established by monitoring their information outputs. To evaluate these systems, the PSAM has developed a set of evidence-based tools for monitoring the information produced annually by each system.

Government seeks to ensure that it addresses the most pressing social and economic needs of those that they serve through the prioritisation of public resources within the annual budget.

This report analyses the impact of policy priorities (national, provincial, sectoral and departmental) on the Eastern Cape Department of Housing's 2009/10 budget and on its ability to implement effective and efficient service delivery and accountability systems in the up-coming financial year. In addition, assumptions informing both policy priorities and budget allocation trade-offs are analysed in terms of the Department's external and internal service delivery environment. In producing this report, the PSAM wishes to acknowledge the Centre on Budget and Policy Priorities (CBPP) who have provided support via a grant from the International Budget Partnership of the CBPP.

I. Policy Priorities

In this section, key policy priorities for the 2009/10 financial year will be highlighted and discussed. They are drawn from the 2009/10 Eastern Cape Provincial *Budget Statements*,³ the Eastern Cape Department of Housing's most recently available Annual Performance Plan,⁴ the Eastern Cape Department of Housing Integrated Housing and Human Settlement Development Conditional Grant (IHSDG) 2009/10 Business Plan, The Provincial Growth and Development Plan (PGDP),⁵ the 2009/10 Housing Policy and Budget speech⁶ and the 2009 State of the Province Addresses delivered by erstwhile Premier Mbulelo Sogoni and Premier Noxolo Kiviet.

² Constitution of the Republic of South Africa, sections 26, 27 and 29.

³ Eastern Cape Provincial Treasury 2009/10 *Budget Statement I and II*, The Eastern Cape Provincial Treasury Budget Review 2009.

⁴ Eastern Cape Department of Housing Annual Performance Plan (2009/10-2011/12).

⁵ The Eastern Cape Provincial Growth and Development Plan (2004-2014) covers the overarching national and provincial strategic frameworks.

⁶ Delivered on 12 June 2009

The broad overarching policy priority for the national Department of Housing is to fast-track the service delivery of good quality houses.⁷ To this end, the national Department doubled its national housing delivery target from 250 000 to 500 000 units between 2009/10 and 2011.⁸ The provincial Department has also doubled its annual delivery target from 10 000 in 2008/09 to 20 000 units in 2009/10 financial year.⁹ The provision of housing in the Province remains a huge challenge and the Eastern Cape MEC for Finance reiterated the national policy priority by stating in his budget speech that the Province would be focusing on increasing the availability of housing for the most vulnerable in the Eastern Cape as an effective key priority of government's focus on protecting the poor.¹⁰ The MEC for Finance named "investment in infrastructure" as one of the five principles that has informed budget planning and response to the economic crisis in the 2009/10 financial year.¹¹

Delivery of quality human settlements and quality project management

The core function of the Department of Housing is not just to provide housing but adequate housing, in compliance with the Constitution of South Africa and international standards of adequate shelter.¹² To this end, the Department has adopted the Comprehensive Plan for the Development of Sustainable Human Settlements, also known as the Breaking New Ground or BNG policy. The Department has also changed its name from 'Housing' to 'Human Settlements'. The BNG policy and renaming of the Department seeks to emphasise the point that the Department has a responsibility of not only producing structures but also ensuring the integration of sustainable human settlements. By doing this, "wealth is created and asset poverty is alleviated".¹³ This point was strongly emphasised by MEC Mabandla in her 2009/10 Housing Policy and Budget Speech.

Critical to the development of integrated and sustainable quality human settlements is housing infrastructure delivery.¹⁴ Improving the quality of housing was highlighted as a strategic objective in the MEC's 2009 Policy Speech where the MEC committed to rebuilding defective houses in the province during the current financial year. The housing rectification programme, which aims to rectify defective units built pre 1994 as well as units built between 1994 and 2002, is an integral part of the BNG national policy. The rectification programme is expected to be completed in the 2009/10 financial year.¹⁵ The 2009/10 Budget Statement sets a rectification

⁷ Breaking New Ground: A Comprehensive Plan for the Development of Sustainable Human Settlements, Part B, Section 1, September 2004.

⁸ Speech delivered by the Director General of Housing, Mr I.W. Kotsoane, at the launch of the new Housing Development Agency on 2 March 2009.

⁹ State of the Province address delivered by Premier M. Sogoni on 12 February 2009.

¹⁰ 2009/10 Eastern Cape Budget Speech delivered by MEC M. Masualle on 12 March 2009.

¹¹ 2009/10 Budget Speech delivered by Finance MEC M. Masualle on 12 March 2009.

¹² The International Covenant on Economic, Social and Cultural Rights measures adequate housing by certain core factors: legal security of tenure; the availability of services; materials; facilities and infrastructure affordability; habitability; accessibility; location and cultural adequacy, National Housing Code 2000, Chapter 2, Section 2.3.; Constitution of South Africa Section 26.1

¹³ Breaking New Ground: A Comprehensive Plan for the Development of Sustainable Human Settlements, Part B, Section 1, September 2004; Housing Policy and Budget speech delivered by MEC Mabandla on 18 June 2009; Annual Performance Plan 2008/09-2010/11, p. 6.

¹⁴ Province of the Eastern Cape, Department of Housing, Local Government and Traditional Affairs Policy on Utilisation of Established Contractors November 2006, Section 2.

¹⁵ This is surprising considering that an assessment at the commencement of the rectification programme in 2006/07 set the rectification backlog at 19 953 houses¹⁵ and no housing targets for rectification were

target of 9 000 defective houses.¹⁶ However MEC N. Mabandla announced in the 2009/10 Housing policy speech that the Department is aiming to rectify 3682 houses. The IHHSDG Provincial Business Plan has budgeted to rectify a total of 3712 units in the 2009/10 financial year. No explanation is given for this clear discrepancy in the annual rectification target and the PSAM calls upon the Department and its MEC to clarify the position.

Unblocking all blocked housing projects

Another mechanism identified by the Department to improve the quality of housing delivery is through the unblocking of housing projects.¹⁷ This has been a policy priority since 2007 when Operation Thunderstorm was established to accelerate the provision of housing by focusing inter alia on blocked projects.¹⁸ The Department now aims to proactively improve planning and monitoring of housing development projects. According to the 2009/10 Budget Statement, the Department plans to focus on the roll-out of its Emerging Contractor Development Policy, proactive planning of projects, and improving the quality of non-financial information, so as to accelerate housing delivery and improve the quality of human settlements.¹⁹

The Department has targeted to unblock 3558 housing projects for the 2009/10 financial year and this appears in the strategic policy priorities listed in Budget Statement II.²⁰ However the Eastern Cape Department of Housing 2009/10 APP shows a target of unblocking 80 projects.²¹ The 2009/10 IHHSDG Provincial Business Plan on the other hand does not show the targets and budget of the unblocking of blocked housing projects as a separate grant output making it difficult for the PSAM to assess the correct target and budget for this strategic policy outlined in the 2009/10 Budget Statement. The PSAM calls upon the Department to clarify this discrepancy in targets and to explain the absence of budget information in the 2009/10 IHHSDG Business Plan.

Providing a broad range of integrated housing programmes

Among the strategic policy areas listed in the Budget Statement II for the 2009/10 financial year is the implementation of emergency housing programmes and vulnerable groups programmes. The various housing programmes “will enhance existing mechanisms to move towards more responsive and effective delivery”.²² According to the Department, the Emergency housing programme assists (a) those living in circumstances considered to be beyond their control, such as displacement due to flooding or fire, facing the imminent demolition of their homes or living in

set in 2007/08. The most recent APP indicates a target of 12 047 houses for rectification in the 2008/09 financial year,¹⁵ a figure contradicted by MEC Xasa who announced a target of 5145 houses in her 2008/09 Housing policy speech.

Department of the Eastern Cape 2009/10 Budget Statement II, p.463; Eastern Cape Department of Housing, Annual Performance Plan 2008/09-2010/11, p. 64.

¹⁶ Eastern Cape Provincial Treasury Budget Statement II 2009/10 p. 464, 2009/10 Housing Policy and Budget speech delivered by MEC N. Mabandla on 18 June 2009.

¹⁷ Ibid, 2008/09-2010/11 Annual Performance Plan, p. 51.

¹⁸ Eastern Cape Department of Housing, Emerging Contractor Development Policy 2008 Section 4.1.

¹⁹ Eastern Cape Provincial Treasury 2009/10 Budget Statement II, p. 462 and p464.

²⁰ Ibid, p. 464, 472.

²¹ Eastern Cape Department of Housing Annual Performance Plan, 2009-2011/12, p. 78

²² Eastern Cape Provincial Treasury Budget Statement II 2009/10, p464. Breaking New Ground: A Comprehensive Plan for the Development of Sustainable Human Settlements, Part B, Section 1, September 2004.

situations deemed to be immediately dangerous to their lives, health or security; or (b) those living in a situation of “exceptional housing need”, which can be reasonably addressed only by resettlement or other “appropriate assistance”.²³ The vulnerable groups programme accelerates housing delivery for people and areas that tend to receive lower priorities. These include rural households, which are “often poorly organised to obtain their place in the queue for subsidies”,²⁴ and vulnerable groups, which are defined as “orphans and victims who are infected and affected by HIV/AIDS”.²⁵ The Eastern Cape is reported to have one of the highest HIV growth rates in South Africa: in 2006, HIV/AIDS prevalence was recorded at 2.9%²⁶ and had risen to 9.75% by the end of 2007.²⁷

The conditional grant of R1.3 billion will fund the above programmes alongside the delivery of: 20000 houses, rectification of 3682 houses; the unblocking of housing projects; providing individual housing subsidies; and upgrading 5 informal settlements.

Delivery of 20 000 houses

According to the strategic policy areas listed in the 2009/10 Budget Statement, the Department aims to deliver 20 000 houses in the 2009/10 financial year. The construction of these housing units is heavily dependent upon municipal capacity. This target is contradicted by MEC Mabandla’s Policy Speech which sets a target of 19 000 houses for 2009/10. No explanation is given for the discrepancy.

²³ Eastern Cape Department of Housing, “Departmental Draft Policy on Emergency Housing Assistance”, Section 7, 2007.

²⁴ Rural Development Framework, May 1997, Section 4.

²⁵ Department of Housing, Province of the Eastern Cape, Policy guidelines for HIV/AIDS in Housing, Section 2.2.

²⁶ Ibid, Section 2.

²⁷ By the end of 2007, estimates from Qunatec regional database, revealed that 634 319 people out of a population of 6.5 million were living with HIV and AIDS in the Province. Province of the Eastern Cape, Budget Statement I, p.10.

II. Budget Analysis

Table 1: Eastern Cape Department of Housing by Economic Classification, 2005/06 to 2011/12.²⁸

| (R' 000) | Outcome | | | Main Appropriation 2008/09 | Adjusted appropriation 2008/09 | Revised estimate 2008/09 | Medium-term estimate | | | | Real Change between 2008/09 and 2009/10 | Real Average Growth over MTEF |
|--|--------------------|--------------------|--------------------|-------------------------------|-----------------------------------|-----------------------------|---|---------------|------------------|------------------|--|-------------------------------|
| | Audited 2005/06 | Audited 2006/07 | Audited 2007/08 | | | | % change from Adjusted Appropriation 2009/10 | 2008/09 | 2010/11 | 2011/12 | | |
| Current payments | 51,965 | 59,113 | 57,917 | 139,888 | 153,518 | 147,320 | 153,311 | -0.13 | 161,794 | 171,894 | -5.34 | 0.75 |
| Compensation of employees | 29,381 | 37,688 | 44,110 | 85,183 | 86,068 | 81,722 | 106,413 | 23.64 | 112,191 | 117,626 | 17.19 | 0.28 |
| Goods and Services | 18,041 | 21,425 | 13,807 | 54,705 | 67,450 | 65,598 | 46,898 | -30.47 | 49,602 | 54,269 | -34.09 | 1.82 |
| Financial transactions in assets and liabilities | 4,543 | | | | | | | | | | | |
| Transfers and Subsidies to | 614,291 | 636,722 | 337,423 | 1,251,018 | 1,271,018 | 1,024,842 | 1,313,378 | 3.33 | 1,598,646 | 802,873 | -2.05 | -17.69 |
| Provinces and municipalities | 6,572 | 23 | | | 20,000 | 20,000 | | -100.00 | | | -100.00 | |
| Households | 607,719 | 636,699 | 337,423 | 1,251,018 | 1,251,018 | 1,004,842 | 1,313,378 | 4.98 | 1,598,646 | 1,802,873 | -0.49 | 7.79 |
| Payments for capital assets | 71 | | | 26,150 | 15,150 | 20,535 | 8,100 | -46.53 | 8,544 | 8,964 | -49.32 | 0.32 |
| Buildings and other fixed structures | | | | 20,000 | | | | | | | | |
| Machinery and equipment | 71 | | | 6,150 | 15,150 | 20,535 | 8,100 | -46.53 | 8,544 | 8,964 | -49.32 | 0.32 |
| Total economic classification | 666,327 | 695,835 | 395,340 | 1,417,056 | 1,439,686 | 1,192,697 | 1,474,789 | 2.44 | 1,768,984 | 1,983,731 | -2.90 | 7.06 |

Total Allocation

For the 2009/10 financial year the Eastern Cape Department of Housing has received a total budget allocation of R1.47 billion. This represents an increase of R35.1 million or 2.4% from the 2008/09 adjusted appropriation of R1.43 billion.²⁹ Once inflation is taken into account, this represents a budget decrease of -2.90% in real terms (see Table1).

The Department has projected it will only spend R1.19 billion, or 83% of its 2008/09 adjusted appropriation. Yet again, the Department has projected that it will under spend, this time by a massive R246 million.³⁰ To avoid under spending in the 2009/10 financial year, the Department will need to increase expenditure by 23%.³¹

²⁸ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 466. In all tables, the figures for 2005/06, 2006/07 and 2007/08 are audited expenditure. The Main Appropriation figures for 2008/09 represent the initial allocations for that financial year while the Adjusted Appropriation figures are the revised allocations subsequent to the tabling of the Adjusted Appropriation Act. The Revised Estimates are a combination of un-audited *incurred expenditure* and *projected expenditure* (what the Department thinks it will spend by the end of the 2008/09 financial year). The outer years are MTEF projections (*projected allocations*). All figures (R'000) are nominal (they do not factor in the effect of inflation on buying power). The percentages in the last two columns were calculated using real figures. CPIX figures were used to calculate what the real buying power would be for each of the budget allocations in the budget horizon (2005/06-2011/12). These figures were then used to calculate the real growth percentages shown in the last two columns

²⁹ The PSAM uses the adjusted appropriation when comparing allocations between the previous financial year (2008/09) and the year under review (2009/10).

³⁰ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 467. In the 2008/09 financial year R270 million of the R1.2 billion conditional grant allocation was returned to National Treasury and re-

Compensation of Employees

The Department's human resource challenges have been continually identified as one of the Department's largest setbacks to housing delivery.³² For the last six financial years the Department has been operating at a general and critical vacancy rate of between 60% to 80%.³³ Both MEC Xasa and current MEC Mabandla have highlighted human resource capacity challenges within the Department.³⁴ Premier Noxolo Kiviet recently announced government's commitment to strengthening human resource capacity.³⁵ This commitment is borne out by substantial increases in the compensation of employees budget line item over the past two financial years. The 2008/09 adjusted appropriation budget for personnel increased by 70.55% in real terms from the previous 2007/08 financial year.³⁶ The 2009/10 compensation of employees line item experiences a 17.19% increase in real terms when compared with the 2008/09 adjusted appropriation.³⁷ It is disappointing to see that the budget for compensation of employees experiences a 0.28% real average growth over the MTEF period³⁸ (See Diagram 1 below).

allocated to other provinces due to 'slow expenditure' in the Eastern Cape. See Government Gazette 31872 dated 6 February 2009.

³¹ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 467.

³² Eastern Cape Department of Housing, Annual Performance Plan 2008/09 to 2010/11, pp. 25, 42, 51 and 55.

³³ Public Service Accountability Monitor, Eastern Cape Department of Housing Budget Analysis 2008/09, p. 8 and 2007/08 Budget Analysis p. 7.

³⁴ 2008 Housing Policy Speech delivered by MEC T. Xasa on 12 March 2008; 2009 Housing Policy Speech delivered by MEC N. Mabandla on 18 June 2009.

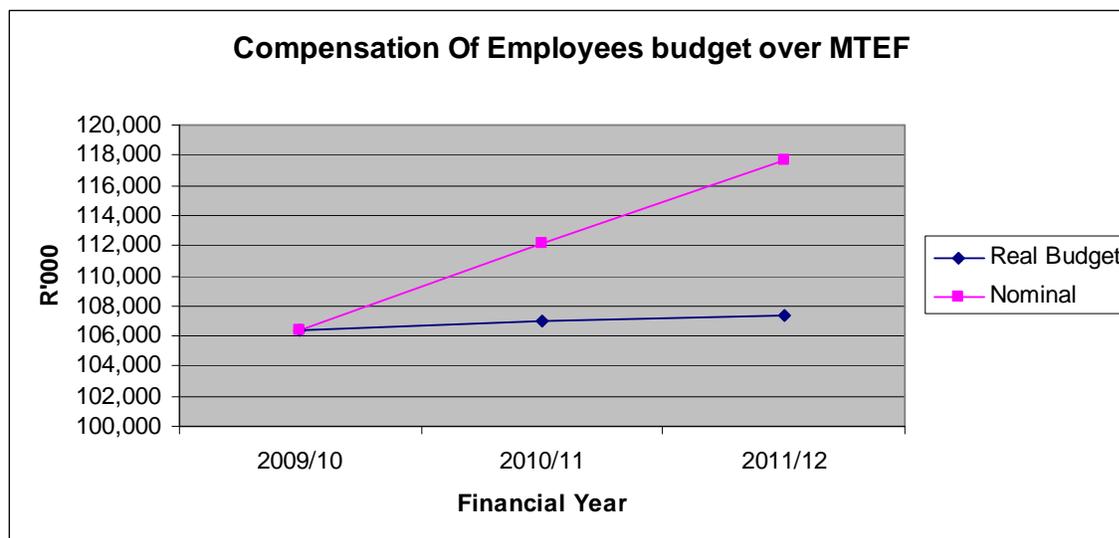
³⁵ State of the Province Address delivered by Eastern Cape Premier N. Kiviet on 12 June 2009;

³⁶ The 2007/08 adjusted appropriation for personnel was R47.03 million, which increased to R86.08 million in the 2008/09 financial year. Eastern Cape Provincial Treasury Budget Statement II 2008/09, p. 368.

³⁷ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 466.

³⁸ Budget for compensation of employees is expected to grow from R106 million in 2009/10 to R117 million in 2011/12. This is a nominal increase of only R11 million.

Diagram 1: Projected Personnel budget in nominal and real terms



The Department has undertaken to decrease the vacancy rate by increasing personnel to 243 people as of March 2009 and will seek to recruit a total of 357 people by the end of the MTEF.³⁹ According to MEC Mabandla “the Department commenced its operations with 198 employees as at 1 April 2008, but has increased its personnel to 424 employees”.⁴⁰ The PSAM calls upon the MEC and the Department to clarify this anomaly. The above diagram (Diagram 1) shows that in real terms, the budget for compensation of employees grows marginally over the MTEF. This factor coupled with the lack of clarity about the number of personnel currently in the Department, makes it difficult to assess whether the budget for compensation of employees will be sufficient for the current and outer 2 years of MTEF. If the number of personnel has indeed increased drastically to 424 employees, then the marginal real budget increase over the MTEF is highly likely to be insufficient and may also affect the Department’s ability to retain staff who have performed adequately as they may not be in a position to award salary increases due to budget constraints.

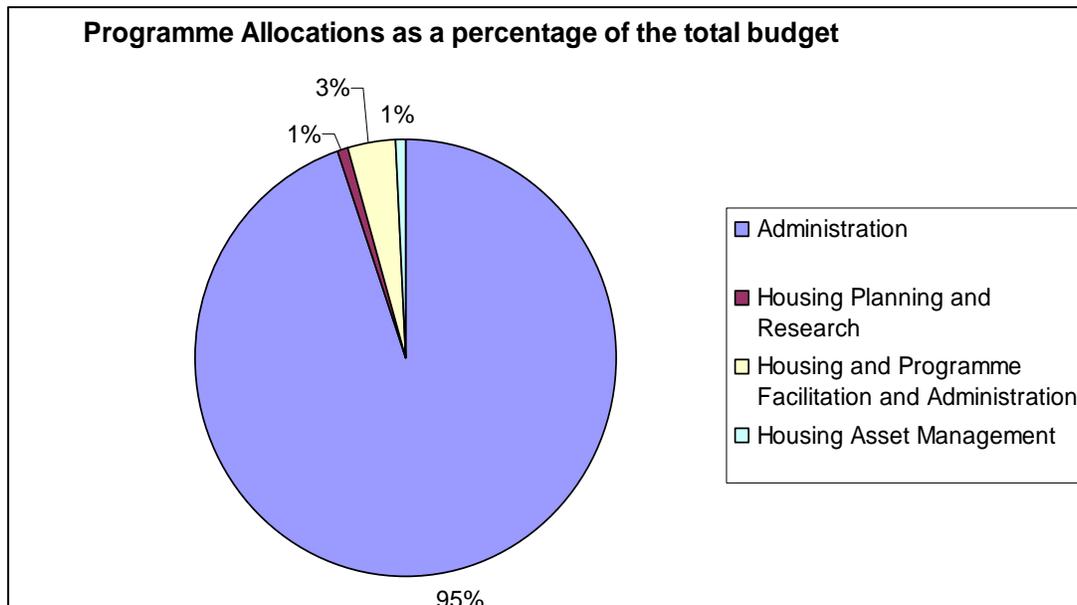
³⁹ The Department plans to drastically decrease the vacancy rate from an audited general vacancy rate of 63% in 2007/08 to 17% by 2011/12. Eastern Cape Department of Housing, Local Government and Traditional Affairs 2007/08 Annual Report, p. 135; Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p. 474.

⁴⁰ Quote from Housing Policy and Budget speech delivered by MEC N. Mabandla on 18 June 2009.

Table 2: Eastern Cape Department of Housing by Programme, 2005/06 to 2011/12⁴¹

| Programme (R'000) | Outcome | | | | | | Medium-term estimate | | | | Real Change between 2008/09 and 2009/10 | Real Average Growth over MTEF |
|--|-----------------|-----------------|----------------|------------------|------------------|------------------|--------------------------------------|-------------|------------------|------------------|---|-------------------------------|
| | | | Audited | Main | Adjusted | Revised | % change from Adjusted Appropriation | | | | | |
| | Audited 2005/06 | Audited 2006/07 | 2007/2008 | budget 2008/09 | budget 2008/09 | estimate 2008/09 | 2009/10 | 2008/09 | 2010/11 | 2011/12 | | |
| 1. Administration | 10,688 | 12,314 | 13,238 | 1,297,575 | 1,329,780 | 1,096,605 | 1,395,332 | 4.93 | 1,685,225 | 1,895,909 | -0.54 | 7.42 |
| 2. Housing Planning and Research | 7,974 | 6,828 | 4,588 | 17,143 | 15,636 | 14,524 | 15,697 | 0.39 | 16,551 | 17,356 | -4.84 | 14.93 |
| 3. Housing Programme Facilitation And Administration | 640,604 | 669,267 | 370,214 | 94,176 | 85,108 | 74,921 | 51,362 | -39.65 | 54,138 | 56,759 | -42.80 | -60.46 |
| 4. Housing Asset Management | 7,061 | 7,426 | 7,300 | 8,162 | 9,162 | 6,647 | 12,398 | 35.32 | 13,070 | 13,707 | 28.27 | 10.63 |
| Total payments and estimates | 666,327 | 695,835 | 395,340 | 1,417,056 | 1,439,686 | 1,192,697 | 1,474,789 | 2.44 | 1,768,984 | 1,983,731 | -2.90 | 24.76 |

Diagram 2: Department of Housing Allocation of 2009/10 budget by programme



Programme 1 – Administration

This programme provides essential services relating to finance and supply chain management, strategic management, monitoring and evaluation, communication and information services.⁴² Should this programme perform its vital functions poorly during 2009/10, it will have a significant effect on the services required to be delivered by the Department.

⁴¹ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 466.

⁴² Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p. 467

Introduction of new sub-programmes

In 2007/08 the administration of the Integrated Housing and Human Settlement Development conditional grant (IHHSDG) was the responsibility of Programme 3, where the grant was under spent by R543 million.⁴³ In 2008/09 the IHHSDG was redirected to and administered under the Corporate Services sub-programme of Programme 1 - the Department projects that it will once again under spend on the IHHSDG, this time by R246 million (unaudited).⁴⁴

In 2009/10 the office of the Chief Financial Officer will be administering the IHHSDG.⁴⁵ This is a new sub-programme which has been created specifically for the administration of the grant. Such a change is welcome considering the continuous under spending of the grant in previous financial years. The office of the Chief Financial Officer is likely to be better equipped and better skilled given its financial management responsibilities. As a result of this administrative change, the Corporate Services budget experiences a 98.05% decrease in real terms.⁴⁶

The Chief Operations Officer is another new office in Programme 1 which has been mandated to facilitate and coordinate the implementation of housing delivery programmes,⁴⁷ a mandate which the Department has been struggling to fulfil given continuous under spending. The Chief Operations Office is therefore a strategic and essential office in assisting the Department to meet its housing delivery targets. It is therefore disappointing to see that the Chief Operations Office, is allocated 0.1%, the least slice of the administration programme budget. The Chief Operations Office also experiences a real decrease of 1.06% over the MTEF in its budget allocation. It is also recommended by the Legislature⁴⁸ that more money be placed in this office to ensure good quality implementation of housing programmes. It is also essential that the Chief Operations Officer and the Chief Financial Office work together to effectively co-ordinate and spend the budget for the conditional grant.

There is a steady decrease of between 1.24% and 1.38% over all sub-programmes in the Administration programme over the next MTEF except the office of the Chief Financial Officer which is budgeted for a small real percentage growth of 3.43%.⁴⁹ The decrease in six out of the seven sub-programmes under Administration over the upcoming MTEF period could prove to be an obstacle to the Department's plans to see significant improvement in the expenditure of the grant and the plan to accelerate the delivery of houses. The Department fails to give any explanation for this decrease.

⁴³ Eastern Cape Department of Housing, Local Governance and Traditional Affairs Annual Report 2007/08, p.124.

⁴⁴ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 466.

⁴⁵ This figure is a contradiction to the R270 million reflected on the National Treasury website which was subsequently returned by the Eastern Cape Department of Housing in December 2008/09. Government Gazette No. 31708 of 18 December 2008. Eastern Cape Department of Housing, Local Government and Traditional Affairs 2007/08 Annual Report p. 124; Eastern Cape 2009/10 Budget Statement II, p. 466.

⁴⁶ The 2008/09 adjusted budget allocation of R1.32billion has been decreased to R22.5 million in 2009/10. Eastern Cape 2009/10 Budget Statement II, p. 467.

⁴⁷ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p467

⁴⁸ Eastern Cape Provincial Legislature, ATC No. 7 dated 21 July 2009, p. 89

⁴⁹ Ibid. See table 11.6, p. 467.

Human Resources

The transfer of the IHSDG from Programme 3 to Programme 1 means a number of services previously funded under Programme 3 have been shifted to a programme where expenditure will be administered by the CFO sub-programme. Such a drastic shift of funds is likely to place significant strain upon the programmes human resources as it is now responsible for implementing the bulk of the Department's priorities and services. Concerns surrounding human resources within Programme 1 have already been highlighted in the Eastern Cape Legislature where the following was stated: "The office of the Chief Operations Officer is not adequately staffed...the department must reprioritize its budget to ensure that the office of the Chief Operations Officer has an adequate budget"⁵⁰

Programme 2 – Housing Planning and Research

Housing research

Programme 2 (Housing Planning and Research) is responsible for a number of important activities, namely facilitating the development of housing policy and legislation, coordinating housing planning, undertaking research which will inform planning.

The latest research on housing statistics in the Eastern Cape conducted by *Statistics South Africa* in 2007 shows that the percentage of households living in formal dwellings increased from 52% in 2001 to 55% in 2007.⁵¹ However this research does not provide statistics on housing demand in the province. It is vital that the Department not just conduct research into the different types of housing in the Province; research must also aim to confirm the actual number of people in the province in need of housing and whether these different types of housing units meet the constitutional and international standards of 'adequate housing'. Such research will enable the Department to motivate for a revision of its budget allocations and enable it to produce up-to-date and informed plans which aim to address and realise the constitutional right to adequate housing. The only formal research into figures referring to the actual number of people needing houses in the Province are the Census 2001 statistics which place the provincial housing backlog at 797 932 while the Department places the housing backlog at 800 000 people in need of houses in the Province. This data was provided by municipalities after a formal survey process in 2006.⁵²

The PSAM noted the recent Tender Notice⁵³ issued by the Housing Department which presumably seeks to address this problem. The notice indicated as follows:

Housing development in the EC has been stifled by a number of constraints, ranging from inadequate capacity of implementing agents, lack of well located and suitable land for housing development, lack of reliable data on the nature and extent of the provincial housing backlog,

⁵⁰ 4th Legislature of the province of the Eastern Cape No. 7, 21 July 2009, p.88, 89

⁵¹ Eastern Cape Provincial Treasury 2009/10 Budget Statement I, p. 13

⁵² The above figures on the current state of housing delivery are the same figures used by the 2001 Census and in the Eastern Cape Department of Housing 2009- 2011/12 Annual Performance Plan,p15. Eastern Cape Department of Housing, Local Government and Traditional Affairs Annual Performance Plan, Amended Strategic Plan 2005-2010

⁵³ Sunday Times, 21 June 2009, p.10.

inadequate project management and monitoring capacity of the Department and municipalities , disjuncture in the planning and implementation of infrastructure programmes by relevant implementing agents, to a lack of access to housing development material and equipment.

The absence of reliable data on housing supply and demand in the province prompted the ECDoH to initiate the establishment of a Provincial Housing Demand Database, with the assistance of the National Department of Housing.

The following requirements are required for the bid:

- a) *knowledge and expertise in Housing Development legislations and/or policies ;*
- b) *An experience in conducting research and database development.*

Whilst the PSAM welcomes the Department's efforts to address this longstanding problem, it is somewhat concerning that the Department has sought to outsource this vital function to a private service provider. The PSAM would recommend that the Department take steps to build its own capacity to maintain the envisaged housing demand database by expanding financial and human resources within Programme 2.

Programme 2 only receives 1% of the entire budget for 2009/10 (see Diagram 2) and experiences a disappointing increase of 0.39% in nominal terms which represents a decrease of -4.84% in real terms from the adjusted allocation made in 2008/09. The 'Needs' sub programme in Programme 2 which co-ordinates and manages province wide housing research programmes suffers a -9.92 real decrease in its budget allocation from 2008/09 and also suffers -2.78% growth over the MTEF.⁵⁴ This sub programme is vital in providing up to date information on the province's housing needs. It is disappointing that such a vital programme experiences a budget decrease. It is crucial that the Department expand this programme's resources over the upcoming MTEF in order to enable it to be in a position to provide much need detail and research on the extent of housing demand in the province.

Municipal support

Programme 2 is also required to render support to municipalities by assisting in planning provincial and municipal housing multi-year plans.⁵⁵ According to the Housing Act, municipalities have a mandate to assist in the delivery of houses at a local level.⁵⁶ The Director-General of Housing also maintains that the Department relies heavily on municipalities for quality assurance in the provision of housing.⁵⁷ Housing project blockages and the delivery of poor quality houses has cost the taxpayer and Department millions of rands in double handling and rectification. Municipalities have contributed to many of the blockages and delivery of poor quality houses due to a lack of political and administrative stability, inadequate monitoring and evaluation of municipal programmes and projects, insufficient skilled personnel, poor financial management and corruption.⁵⁸ In the first 2009/10 State of the Province Address, delivered by

⁵⁴ The Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 469.

⁵⁵ Ibid, p. 468.

⁵⁶ Housing Act, 107 of 1997, Part 4, Section 9 (1)(a).

⁵⁷ Mr I. Kotsone, Director General of Housing presenting the National Department's Strategic plan and Budget for the 2009/10 financial year to the Housing Portfolio committee June 11 2009.

⁵⁸ Eastern Cape Department of Local Government and Traditional Affairs Annual Performance Plan 2008/09-2010/11, p. 43, Eastern Cape Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2006-2010; Annual Performance Plan, 2006-2009, Revised Edition, p. 26 and Amended

erstwhile Premier Sogoni, he identified the importance of municipalities in the delivery of houses and at the same time raised concerns about their poor performance and the need for drastic intervention.⁵⁹

Despite recognising this as a problem, the 'Planning' sub-programme in Programme 2, which is meant to give hands-on support and build the capacity of municipalities through offering assistance to develop municipal housing year plans, experiences a 20.2% nominal decrease and a 24.3% real decrease in its 2009/10 allocation. Over the MTEF the sub-programme experiences insignificant growth of 0.32%.

The ongoing inability of municipalities to provide an adequate level of quality assurance, allied with the aforesaid budget reduction within the Department means that quality assurance and support to municipalities will be further compromised going forward despite increased resources being directed towards the construction of homes. It is disappointing to see that although on paper the capacitation of municipalities is a priority for the Department of Housing at both a provincial and national level, the budgets and programme do not reflect this.

The Department of Co-operative Governance and Traditional Affairs (the "DPCG", formerly known as the "DPLG") identified a lack of appropriate skilled personnel to assist municipalities to be able to manage their own affairs such as attending to administration, needs, policy, planning and research as a stumbling block for municipal capacity development.⁶⁰ With this in mind Programme 2 becomes essential to assist in the implementation of housing programmes as municipalities are in need of training and skilled personnel to inform their housing municipal plans.⁶¹ More resources should be put into Programme 2 over the MTEF to help boost the capacity of municipalities and to undertake research into housing demand in the province (See Diagram 3).

There is also a need for strong inter-sectoral partnership between the departments of Housing and Co-operative Governance in order to boost municipal capacity and performance. This need has been strongly reiterated by MEC N. Mabandla in her policy speech and in Premier Kiviet's June 2009 State of the Province address.

In 2007/08, accreditation of municipalities by the Housing Department was a priority but at the end of 2008/09 the Department had managed to accredit only one municipality out of a total of

Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, pp. 6, 11, 14-15, 45-46, 47 and 48-49. See also Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, 2008/09 Housing Policy Speech delivered 12 March 2008 and State of the Province Address delivered by Eastern Cape Premier M. Sogoni delivered on 13 February 2009.

⁵⁹ Ibid. The Premier announced drastic interventions in troubled municipalities such as King Sabata Dalindyebo, Mquma, Mbhashe, Amahlathi, Buffalo City, Sakhasizwe and Koukamma due to poor performance and governance. In response to the emerging challenges facing local government, the DPLG has developed a Municipal Intervention Framework which consists of consolidated performance indicators, support and intervention methodology, categorisation of municipalities, monitoring and evaluation of municipal programmes as well as identification of gaps and support providers. Department of Housing, Local Government and Traditional Affairs, 2008/09-2010/11 Annual Performance Plan p. 41.

⁶⁰ Eastern Cape Department of Local Government and Traditional Affairs, 2008/09-2010/11 Annual Performance Plan p. 39. 4th Legislature of the province of the Eastern Cape No. 7, 21 July 2009, p. 96

⁶¹ The Eastern Cape Provincial Treasury Budget 2009/10 Statement II, p. 465 and p468.

45.⁶² According to the IHSDG 2009/10 Business Plan⁶³, the Department only accredited 1 municipality at level 1 and 0 municipalities at level 2 or level 3 at a cost of R18 million. In 2009/10 the Department has targeted to accredit 6 municipalities at level 1.⁶⁴ The amount budgeted for the accreditation of municipalities however has decreased from R18 million in 2008/09 to R5.6 million in the current financial year. This a real decrease of 70%. It is encouraging though to see that the budget grows in real terms by 17.66% over the MTEF, however the IHSDG Business Plan shows that the Department has not set any targets for accreditation of municipalities over the MTEF.

There appears to be a great need for the accreditation of municipalities considering the launch of the Municipal Intervention Framework in November 2007 and the poor picture on the performance of municipalities painted by MEC Kwelita in 2007 and erstwhile Premier M. Sogoni. This is further worsened by the recent admissions of a 'corrupt' and 'dysfunctional' local government by Minister of Co-operative Governance and Traditional Affairs Sicelo Shiceka.⁶⁵ According to the National Housing Code, it is the constitutional responsibility of both national and provincial government to empower municipalities through accreditation, the ability to administer housing programmes at a local level. Municipalities must be accredited in order to fulfil its constitutional housing responsibilities.⁶⁶ The Department must demonstrate its commitment to accelerate and improve housing delivery in the province by prioritising to increase the number of municipalities accredited at least level 1.

Local Governance in the Department of Co-operative Governance and Traditional Affairs

In 2006, then Housing, Local Government and Traditional Affairs MEC Kwelita identified the accreditation of municipalities and improvement of municipal performance as a strategic objective. As a result of continual municipal under-performance and a desire to build sustainable institutional capacity at municipal level, the Municipal Intervention framework launched in November 2007 emphasised finding ways in which the DPCG could improve municipal support.⁶⁷ The Department has further implemented the recommendations by introducing the current Turn Around Plan (TAP) with a core focus of improving financial management. This has led to revisions in budget allocation and policy shifts which have been implemented in the 2009/10 budget allocations.⁶⁸

Programme 2 (Local Governance) within the Eastern Cape DPCG experiences a 18.53% decrease in real terms in 2009/10 along with a small 0.26% average real growth over the MTEF

⁶² Eastern Cape Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007; Eastern Cape Budget 2009/10 Statement II, p. 469. 2009/10 Housing Policy and Budget speech delivered by MEC N. Mabandla on 18 June 2009.

⁶³ The Eastern Cape Department of Housing Integrated Housing and Human Settlement Development Conditional Grant 2009/10, p. 6

⁶⁴ Ibid

⁶⁵ Minister of Co-operative Governance and Traditional Affairs, S. Shiceka speaking at a press conference in Johannesburg 10 June 2009. Sapa

⁶⁶ National Housing Code (2007 Revised version). Chapter 2.3: Municipal Accreditation

⁶⁷ Department of Housing, Local Government and Traditional Affairs, 2008/09-2010/11 Annual Performance Plan p. 40.

⁶⁸ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 282.

period (see Table 3 below).⁶⁹ The Department justifies this decrease by the introduction of a new policy shift in the 2008/09 financial year.⁷⁰

Table 3: Eastern Cape Department of Co-operative Governance and Traditional Affairs by Programme, 2005/06 to 2011/12.⁷¹

| Programme (R'000) | Outcome | | | | | | Medium-term estimate | | | | Real Change between 2008/09 and 2009/10 | Real Average Growth over MTEF |
|---|-----------------|-----------------|----------------|----------------|----------------|------------------|--------------------------------------|-------------|----------------|----------------|---|-------------------------------|
| | | | Audited | Main | Adjusted | Revised | % change from Adjusted Appropriation | | | | | |
| | Audited 2005/06 | Audited 2006/07 | 2007/2008 | budget 2008/09 | budget 2008/09 | estimate 2008/09 | 2009/10 | 2008/09 | 2010/11 | 2011/12 | | |
| 1. Administration | 83,110 | 86,825 | 108,525 | 105,298 | 146,544 | 144,603 | 130,177 | -11.17 | 137,446 | 148,855 | -0.54 | 1.42 |
| 2. Local governance | 110,410 | 79,232 | 222,163 | 146,848 | 160,379 | 158,738 | 137,855 | -14.04 | 144,486 | 152,282 | -18.53 | 0.26 |
| 3. Development and Planning | 133,274 | 133,998 | 151,502 | 134,197 | 125,598 | 130,471 | 156,039 | 24.24 | 133,220 | 56,759 | -42.80 | -30.77 |
| 4. Traditional Institutional Management | 89,603 | 97,858 | 126,014 | 164,712 | 170,867 | 204,475 | 234,945 | 37.50 | 225,300 | 13,707 | 28.27 | -62.38 |
| Total payments and estimates | 416,397 | 397,913 | 608,204 | 551,055 | 603,388 | 638,287 | 659,016 | 9.22 | 640,452 | 371,603 | -2.90 | -19.88 |

As part of strengthening the capacity of municipalities, the Eastern Cape DPCG has in previous years transferred funds annually to municipalities in order for them to manage their own affairs and implement capacity building and service delivery projects. Given the poor expenditure record of transfers and subsidies to municipalities, the Department has decided to allocate most of the funding to Programme 2 under 'Goods and Services' in the 2009/10 financial year. In terms of this new policy, the Department directly engages with service providers in order to strengthen hands-on support to municipalities.⁷² The Goods and Services budget will therefore increase by 54.24% in real terms with a real average growth of 0.16% over MTEF to try and ensure that there is successful and sustainable support to municipalities.⁷³ As a result of this shift, the 2009/10 budget for Transfers and subsidies for provinces and municipalities suffers a 86.32% real decrease from the 2008/09 budget and experiences a decrease of 10.87% over the MTEF (See Table 4).

⁶⁹ Ibid, p.286, Table 7.3

⁷⁰ Ibid, p. 281.

⁷¹ Ibid. p. 286.

⁷² Ibid, pp 281-282, pp 288-289.

⁷³ See Table 7.8.2(b) in Eastern Cape 2009/10 Budget Statement II, p. 289.

Table 4: Eastern Cape Department of Co-operative Governance and Traditional Affairs Budget for Programme 2 (Local Governance) by Economic Classification, 2005/06 to 2011/12⁷⁴

| (R' 000) | Outcome | | | Main Appropriation 2008/09 | Adjusted appropriation 2008/09 | Revised estimate 2008/09 | Medium-term estimate | | | Real Change between 2008/09 and 2009/10 | Real Average Growth over MTEF | | |
|--|--------------------|--------------------|--------------------|-------------------------------|-----------------------------------|-----------------------------|--|---------------|-------------------|--|-------------------------------|---------------|---------|
| | Audited 2005/06 | Audited 2006/07 | Audited 2007/08 | | | | % change from Adjusted Appropriation | 2009/10 | 2008/09 | | | 2010/11 | 2011/12 |
| | | | | | | | | | | | | | |
| Current payments | 52,924 | 61,168 | 91,352 | 146,848 | 125,179 | 123,538 | 132,774 | 6.07 | 140,719.00 | 148,338 | 0.54 | 0.64 | |
| Compensation of employees | 28,847 | 44,732 | 70,070 | 101,728 | 101,728 | 100,778 | 96,614 | -5.03 | 100,574.00 | 106,306 | -9.98 | 0.12 | |
| Goods and Services | 19,243 | 16,436 | 21,282 | 45,120 | 23,451 | 22,760 | 38,160 | 62.72 | 40,145.00 | 42,032 | 54.24 | 0.16 | |
| Financial transactions in assets and liabilities | 4,834 | | | | | | | | | | | | |
| Unauthorised expenditure | | | | | | | | | | | | | |
| Transfers and Subsidies to | 57,486 | 18,064 | 130,811 | | 35,200 | 35,200 | 5,081 | -85.57 | 3,767.00 | 3,944 | -86.32 | -10.87 | |
| Provinces and municipalities | 57,486 | | 130,811 | | 35,200 | 35,200 | 5,081 | -85.57 | 3,767.00 | 3,944 | -86.32 | -10.87 | |
| Payments for capital assets | | | | | | | | | | | | | |
| Total economic classification | 110,410 | 79,232 | 222,163 | 146,848 | 160,379 | 158,738 | 137,855 | -14.04 | 144,486.00 | 152,282 | -18.53 | 0.26 | |

It is encouraging to see the Eastern Cape DPCG take decisive action to improve municipal capacity by increasing funds to the Goods and Services budget. However, it is of concern that this budget item receives a massive increase and yet in 2008/09 the Department under spent the Goods and Services main budget allocation by 49.5%.⁷⁵

With a 2008/09 projected budget expenditure of R22.7 million for Goods and Services, the Department needs to improve spending of this item by 39% in 2009/10. What is also of concern is the Department's heavy dependence on external service providers to boost municipal capacity. The Department itself has highlighted problems associated with depending on external service providers as a way to improve municipal capacity: "There are very few specialists within the Department, resulting in a perpetual reliance on consultants, who, by the very nature of their contracts, have a short term view. Problems are occurring in a cyclical nature, much to the frustration of the Department...and most importantly the municipalities and communities they serve."⁷⁶ With this statement, the Department of Co-operative Governance identifies a lack of skilled staff as the root cause of the Department's failure to capacitate municipalities. It is therefore important that both the DPCG and Department of Housing start dealing with this underlying cause as opposed to finding temporary solutions. It is strongly recommended that both Departments make use of less service providers as this results in very little transfer of or development of skills within the Department. Instead the Department needs to draw up a human resources plan to recruit skilled staff or train personnel in municipal capacity development. This will require sufficient resources for the personnel budget on an ongoing basis to support local government human resources capacity..

A further area of concern and possible contradiction relates to the Department of Co-operative Governance's plans to increase personnel within Programme 2 by more than three times the

⁷⁴ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p.289.

⁷⁵ Ibid. 2008/09 main budget allocation for Goods and Services was R45.1million and projected expenditure for 2008/09 is R22.7 million. 2009/10 Goods and Services budget allocation is set at R38.1 million.

⁷⁶ Eastern Cape Department of Local Governance and Traditional Affairs 2008/09-2010/11 Annual Performance Plan, p. 39.

current number of personnel⁷⁷ over the MTEF and yet the Programme's budget decreases by 9.98% in real terms from the 2008/09 financial year – the Department attributes this decrease to a person to post matching exercise which has ensured “alignment to the organisational structure”.⁷⁸ The budget for Programme 2 (Local governance) is projected to decrease by -0.12% over the MTEF once the effects of inflation are taken into account. The Eastern Cape Legislature has already highlighted concerns of a large vacancy rate of 54.4% in the DPCG.⁷⁹ Programme 2 experienced a decrease in personnel from 130 in 2007/08 to 83 as of March 2009. This budget decrease could prove to be problematic in terms of recruiting and retaining much needed staff over the MTEF.

The relationship between the DPCG and the Department of Housing is an extremely crucial one as municipalities are the driving implementers of Housing policy. The Housing Department is unlikely to achieve their target of delivering 19 000 units and gathering reliable data of housing demand in the province if both the DPCG and Department of Housing fail to meaningfully capacitate municipalities. It is recommended that both the Housing Department and Co-operative Governance Department make it a strategic objective to work together on a national, provincial and local level to reduce vacancy rates and increase the number of accredited municipalities. The recent policy shift in the DPCG to work directly with service providers to capacitate municipalities should arguably be viewed as a temporary solution and the Department should look towards fixing the underlying causes of poor capacity development in municipalities.

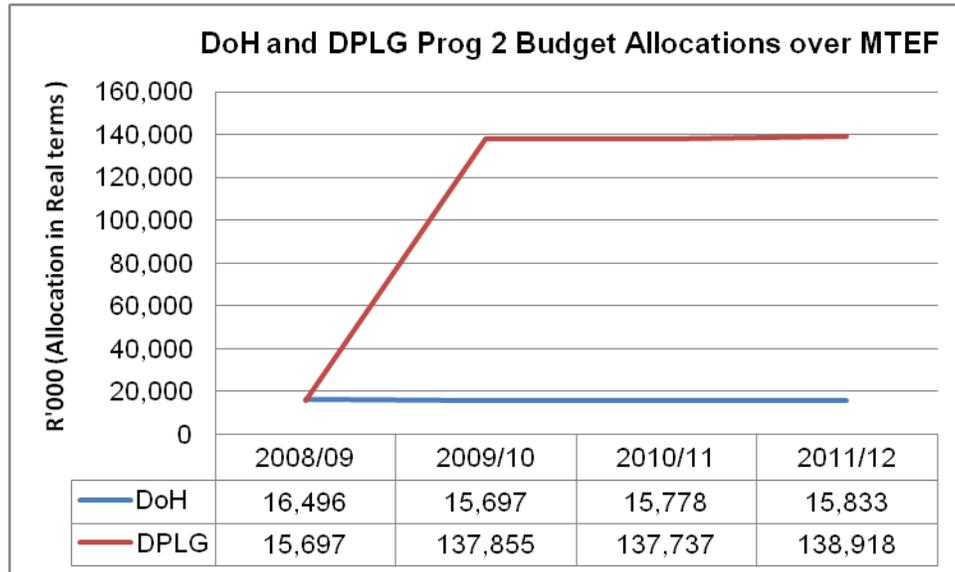
Both Departments should also look to expanding municipal capacity building programmes to enhance the quality of housing project planning and management. Currently Programme 2 in both the Department of Housing and Department of Co-operative Governance respectively suffer -4.84% and -1.17% decreases over the MTEF (see diagram 3 below). Increasing budget allocations for Programme 2 in both Departments over MTEF will assist in the expansion of these essential Programmes.

⁷⁷ Ibid. The Department aims to increase personnel numbers from a 2009/10 projected figure of 83 to 312 over the MTEF.

⁷⁸ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 289.

⁷⁹ Fourth session of the Eastern Cape Legislature, No.7, July 2009,p 96

Diagram 3: Growth rate of budget allocations for Programme 2: Housing and Planning Research (DoH) and Programme 2: Local Governance (DPCG) over MTEF



Programme 3: Housing Programmes Facilitation and Administration (within the Eastern Cape Department of Housing)

The bulk of the housing allocation is divided between Programmes 1 and 3 of the Eastern Cape Department of Housing. Programme 3 seeks to respond to the housing question in the Province by planning and administering provision of housing subsidies. The programme is also responsible for the facilitation and coordination and management of social housing as well as ensuring that housing projects are well located and that quality housing infrastructures are constructed within building regulations, housing norms and standards.⁸⁰

The rectification programme, which focuses on repairing and upgrading poorly constructed is expected to be completed by the end of the 2009/10 financial year.⁸¹ The IHSDG Provincial Business Plan shows the rectification of 8 333 housing units of 1994-2002 RDP stock at a cost of R75 million in the previous financial year. The 2009/10 rectification targets and budget for housing units of 1994-2002 have decreased from the 2008/09 target of 8333 to a target of 1 182 units in the 2009/10 financial year and a total of 2463 in the next outer two years. The amount spent on rectification of 1994-2002 housing stock has decreased from R75 million in the

⁸⁰ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p.471.

⁸¹ Ibid, p.463.

2008/09 financial year to R31 million in 2009/10. This is a decrease of 59.67% in real terms. The budget to rectify 1994-2002 housing units in the IHSDG Business plan experiences a real average growth of 8.76% over the MTEF showing that the Department plans to continue the rectification programme beyond the 2009/10 financial year.

No pre-1994 housing units were rectified in the 2008/09 financial year.⁸² However the Department plans to rectify 2 530 pre 1994 housing stock this financial year with a budget of R5.2 million. The Department aims to rectify a total of 6 200 pre 1994 housing units for a total of R45 million over the MTEF with a real average growth rate of 63.68%.⁸³ ..

According to the IHSDG Provincial Business Plan, the Department plans to rectify a total of 3712 (pre and post 1994 housing stock) in 2009/10 financial year.⁸⁴ However this contradicts the rectification target of 9 000 set in the 2009/10 Budget Statement II⁸⁵ and a rectification target of 3 682 announced by MEC Mabandla in her 2009 Housing policy speech and recorded in the Annual Performance Plan.⁸⁶ The PSAM calls upon the Department to clarify what the rectification target is for the current financial year.

There is also need for Programme 3 to update and clarify where the current rectification backlog stands overall. An assessment at the commencement of the rectification programme in 2006/07 set the rectification backlog at 19 953 houses and yet the IHSDG shows that the Department rectified 8 333 housing units in the previous financial year and in addition to that, the Department plans to rectify a further 12 875 (pre and post 1994) housing units over the MTEF surpassing the 2006/07 assessment of 19 953 houses in need of rectification in the province.⁸⁷ There is a need for the Department to determine the actual number of housing units in the province in need of rectification. A lack of clarity about the actual number of houses in need of rectification poses a risk in terms of the Department's ability to reach its target goals and to budget adequately. The absence of such information also limits the Legislature's ability to conduct oversight and hold the Department accountable for its performance.

The National Home Builders Registration Council (NHBRC) is an organisation that verifies and ensures the suitability and safety of the ground where the housing structures will be built which reduces the chances of building unsafe structures that will later deteriorate rapidly. In accordance with the Housing Consumer Protection Measures (Act No. 95 of 1998) the Department of Housing must register all its housing projects with the NHBRC. The Director General of Housing, Mr. Kotsoane recently conceded that there were challenges regarding registration of projects with the NHBRC.⁸⁸ The failure to involve the NHBRC in the majority of the housing projects has resulted in the construction of 14 332 out of a total of 64 987 housing

⁸² Eastern Cape Department of Housing Integrated Housing and Human Settlement Development Conditional Grant Business Plan 2009/10, p.6.

⁸³ Ibid, p.6

⁸⁴ Ibid, p. 6

⁸⁵ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p.464

⁸⁶ Eastern Cape Department of Housing Annual Performance Plan 2009/2011/12, p. 78

⁸⁷ Eastern Cape Department of Housing, Annual Performance Plan 2008/09-2010/11, p. 64.

⁸⁸ Mr I. Kotsoane speaking at the National Portfolio Committee Department of Human Settlements on Budget and Strategic Plan 2009/10 & the Status of Thubelisha, Servcon and Social Housing Foundation on June 11 2009. Available at <http://www.pmg.org.za/report/20090611-department-human-settlements-strategic-plan-budget-200910-status-thub>

units nationwide being blocked across the provinces in the 2008/09 financial year.⁸⁹ According to the Director-General, problems surrounding the poor construction of houses has mainly been due to a failure by the Department to work with the NHBRC and a lack of technical expertise particularly in the Eastern Cape where there are not enough town planners and engineers to work on projects.⁹⁰ In addition, MEC Mabandla in her housing policy speech highlights “acute personnel and good services constraints that are threatening the ability of Department to meet expectations.”⁹¹ Programme 3 must continue in its commitment to enroll all their housing projects with the NHBRC and increase its number of technical experts such as town planners and engineers. Poor quality houses, rectification and blocked projects will continue to plague the Department if the Department fails to meet this commitment.

Programme 3 experiences the largest decrease in percentage value of the entire 2009/10 Housing allocation dropping from R85.1 million in 2008/09 to R51.3 million in 2009/10.⁹² This is a 42.80% real decrease in 2009/10 for Programme 3. The budget for Programme 3 also experiences a reduction of -60.46% over the MTEF. This significant reduction in budget is justified by the activities of The Individual Housing Subsidies and Rural Intervention, Informal Settlement Upgrading and Rural Intervention sub- programmes in Programme 3 now being funded by the conditional grant in the office of the Chief Financial Officer in Programme 1.⁹³ However this massive reduction could negatively affect the Social and Rental Intervention sub-programme activities not being funded in the office of the chief financial officer. This sub-programme is likely to come under pressure this financial year and possibly over the MTEF due to a possible increase of middle class homeowners enlisting for social bonds as bonds are becoming more difficult to attain, taking into consideration the current economic crisis.⁹⁴

The eradication of informal settlements was introduced as an official national policy focus with the establishment of the BNG policy in 2004 by the National Department⁹⁵ but no informal settlements in the province have been recorded as being successfully upgraded.⁹⁶ In 2007/08 the Department set to upgrade a target of 5 informal settlements with an allocation of R14.2 million but no informal settlements were recorded as being successfully upgraded.⁹⁷ In 2008/09 the allocation was increased to R37.6 million - an increase of R23.4 million.⁹⁸ The 2009/10 Budget Statement projects expenditure of R25.3 million of the R37.6 million budget by the end of the 2008/09 financial year and again no informal settlements are recorded as being

⁸⁹ Article entitled “Shaky ground” by L. Oliphant of the Human Settlement Forum in City Press, 2 June 2009

⁹⁰ Mr K. Kabagambe, Human Settlement’s Deputy Director General for Service delivery and Support quoted in article, Ibid.

⁹¹ Housing Policy and Budget speech delivered by MEC Mabandla on 18 June 2009

⁹² Ibid, page 470

⁹³ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p.471.

⁹⁴ MEC for Housing Mr T. Mhlahlo speaking at the unveiling of the new multi-million rand Emerald Sky social Housing rental project in Amalinda, Daily Dispatch 18 March 2009.

⁹⁵ Breaking New Ground: A comprehensive plan for the development of sustainable human settlements. August 2004. Section 3.1.

⁹⁶ Eastern Cape Provincial Treasury Budget Statement II 2007/08, p.231, Eastern Cape Provincial Treasury Budget Statement II 2008/09, p. 396, Eastern Cape Provincial Treasury Budget Statement II 2009/10, p 472.

⁹⁷ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p 471; Eastern Cape Provincial Treasury Budget Statement II 2008/09, p 396.

⁹⁸ Ibid, p 471

successfully upgraded.⁹⁹ The PSAM calls upon the Department to account meaningfully at year end by explaining in detail how conditional grant funds were directed towards upgrading informal settlements and explain why no informal settlements have been successfully upgraded to date.

For the 2009/10 financial year, the informal settlement upgrading sub-programme budget has decreased from R37.6 million to R4.2 million a decrease of 88% and again the previous target of upgrading 5 informal settlements has been set.¹⁰⁰ The drastic reduction for 2009/10 is explained by the Department as being due to the fact that the upgrading of informal settlements is considered a conditional grant activity which is now funded by the conditional grant in Programme 1 under the office of the chief financial officer.¹⁰¹ According to the IHHSDG Provincial Business Plan,¹⁰² in the 2008/09 financial year, R266 million was budgeted for Informal Settlement Upgrading, whilst in 2009/10s, R206 million has been budgeted - a decrease of 27.17% in real terms from the 2008/09 allocation. Thankfully however the budget for upgrading informal settlements experiences a real average growth of 20.28% over the MTEF.

The Department's attempt to improve financial management by shifting the funding of the informal settlement upgrading sub-programme from programme 3 to programme 1 is not supported by the -0.54% real decrease in the budget for Programme 1. The decrease in the sub-programme's allocation and the fact that the target for the upgrading 5 informal settlement has not been achieved for the past two years, and remains the same for current year would appear to indicate that this is not a priority for the Department, despite it being regarded as such within the BNG policy and the PGDP which aim to eradicate informal settlements by 2014.¹⁰³

Programme 4 – Housing Asset Management

This Programme manages rental and social housing stock, maintains housing assets and an asset register, and assists in the acquisition of land for housing development.¹⁰⁴ Out of all the programmes in the Department, Programme 4 receives the largest percentage increase in budget for the 2009/10 financial year with a real increase of 28.27% from the previous financial year and 10.63% real average growth over the MTEF.¹⁰⁵ A large increase in the budget for Programme 4 is in line with policy priorities of promoting home ownership and acquisition of more land. However the concern is whether the programme will be able to spend this substantially increased budget allocation considering the fact that the Department is projecting to under spend by 27%, of a much smaller allocation made to Programme 4 during the 2008/09 financial year. There is reason to believe, however, that more will be spent under Programme 4 in the 2009/10 financial year since the Province has approved provincial restructuring zones in

⁹⁹ Eastern Cape Provincial Treasury Budget Statement II 2008/09, p. 396, Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 472.

¹⁰⁰ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p 471

¹⁰¹ Ibid

¹⁰² Eastern Cape Department of Housing Integrated Housing and Human Settlement Development Conditional Grant 2009/10, p.9

¹⁰³ Eastern Cape Provincial Growth and Development Plan, 2004- 2014, Section 3, Subsection 4.

¹⁰⁴ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 473.

¹⁰⁵ The 2009/10 budget allocation for programme 4 is 12.3 million an increase of R9.1 from 2008/09. Budget Statement II, at page 473

two municipalities in Nelson Mandela Bay and Buffalo City. Both of these district municipalities currently have the highest number of informal settlements.¹⁰⁶

Table 5: Eastern Cape Department of Housing, Conditional Grant allocations, 2005/06 to 2010/11¹⁰⁷

| Conditional Grant Allocation (R '000) | Outcome | | | Main Appropriation 2008/2009 | Adjusted Appropriation 2008/09 | Revised Estimate ² 008/09 | Medium-term estimate | | | Real Change between 2008/09 and 2009/10 | Real Average Growth over MTEF | |
|--|--------------------|--------------------|--------------------|---------------------------------|-----------------------------------|---|---|---------|------------------|--|----------------------------------|--------------|
| | Audited 2005/06 | Audited 2006/07 | Audited 2007/08 | | | | % change from Adjusted Appropriation 2008/09 | 2009/10 | 2010/11 | | | 2011/12 |
| 1. [Integrated Housing and Human Settlement Development Grant] | 607,693 | 637,467 | 525,386 | 1,251,018 | 1,251,018 | 1,004,842 | 1,313,378 | 4.98 | 1,598,646 | 1,802,873 | -0.49 | 29.46 |
| 2. [name of conditional grant] | | | | | | | | | | | | |
| 3. [name of conditional grant] | | | | | | | | | | | | |
| 4. [name of conditional grant] | | | | | | | | | | | | |
| Total payments and estimates | 607,693 | 637,467 | 525,386 | 1,251,018 | 1,251,018 | 1,004,842 | 1,313,378 | | 1,598,646 | 1,802,873 | -0.49 | 29.46 |

This section will only focus on IHSDG since it amounts to 89%¹⁰⁸ of the entire budget allocation for 2009/10 and funds the majority of projects, including:

- upgrading informal settlements;
- unblocking projects;
- implementing 11 BNG pilot projects;
- delivering 19 000 houses;
- emergency housing; and
- rectifying 3 682 defective houses.¹⁰⁹

The 2009/10 budget for the conditional grant experiences a nominal increase of 4.98% which translates to a decrease of 0.49% in real terms. The services transferred to Programme 1 from Programme 3, along with the price hikes in building materials, will put considerable pressure on the conditional grant budget.¹¹⁰ However, it is encouraging to see that Department plans to take inflation into account by projecting to increase the conditional grant budget by 29.46% over the MTEF(See Table 5).

The Department has a poor spending record of the conditional grant for the past four years (see Diagram 3 below) particularly in 2007/08 where the Department under spent almost half (49.30%) of the conditional grant.¹¹¹

¹⁰⁶ Ibid

¹⁰⁷ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 465, Eastern Cape Provincial Treasury Budget Statement I, p.14

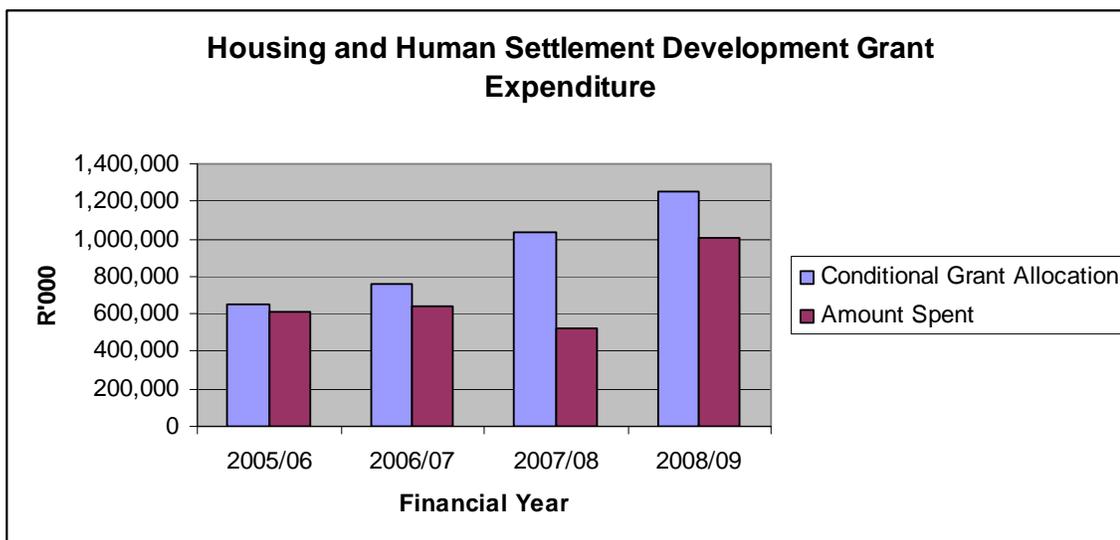
¹⁰⁸ The 2009/10 Housing grant is set to receive R1.31 billion out of an entire budget allocation of R1.47 billion.

¹⁰⁹ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 464.

¹¹⁰ Housing Policy and Budget Speech delivered by MEC N. Mabandla on 18 June 2009.

¹¹¹ The initial 2007/08 conditional grant allocation was R1.05 billion. R543 million was taken back by the National Department of Housing due to under spending. Eastern Cape Department of Housing, Local Government and Traditional Affairs 2007/08 Annual Report, p. 124.

Diagram 3: Housing Grant expenditure trends for 2005/06 to 2008/09



Although expenditure for 2008/09 has improved, R270 million of the R1.2 billion conditional grant was subsequently returned by the Eastern Cape Department of Housing in December 2008.¹¹² According to the Budget Statement the Department is projected to under spend by R246 million however by the time the 2009 Housing Policy and Budget speech was delivered by MEC N. Mabandla, it was announced that the Department had successfully spent R981 million of the conditional grant. Using the Budget Statement unaudited under expenditure of R246 million, the Department is projected to spend 81%¹¹³ of the 2008/09 housing grant, up from an expenditure of 50.7% of the grant in 2007/08.

The budget for the conditional grant must be able to respond effectively to housing delivery needs by taking into account inflation and possible huge increases of people looking for social housing as a result of the current economic crisis. According to the MEC, the economic pressure has led lower to middle income struggling homeowners to ditch bonds and enlist for social housing, thereby possibly increasing the housing backlog.¹¹⁴ The Department appears to have taken inflation into account in the conditional grant budget over the next MTEF period with a real average growth of 29.46% over MTEF thereby increasing the Department's ability to meet all the goals under programme 1 over the MTEF. However, any increases in the conditional grant budget is dependent on the Department indicating that it is able to effectively manage its financial resources by improving spending. The Department will need to increase spending of the conditional grant by 30% in the 2009/10 financial year, from R1.04 billion (2008/09) to R1.46 billion (2009/10).¹¹⁵

¹¹² Government Gazette No. 31708 of 18 December 2008. Eastern Cape Department of Housing, Local Government and Traditional Affairs 2007/08 Annual Report p. 124; Eastern Cape 2009/10 Budget Statement II, p. 466

¹¹³ The 2008/09 adjusted conditional grant allocation was set at R1.25 billion. The Department is projected to spend R1.04 billion.

¹¹⁴ Ibid.

¹¹⁵ Eastern Cape Provincial Treasury Budget Statement II 2009/10, p. 465.

III. Conclusion

The Eastern Cape Department of Housing will pursue the following strategic objectives over the next three to five years:

- i) reduce housing backlog;
- ii) eradicate informal settlements; and
- iii) build quality sustainable human settlements.¹¹⁶

For these objectives to be achieved the Department needs to establish a strong, well managed, Department which can efficiently and effectively spend its budget. Human resource limitations both in numbers and skills have left it ill-equipped to fulfil its mandate and has been continually identified as being at the centre of poor service delivery. It is therefore encouraging to see the Compensation of Employees budget line item receive the largest increase in the 2009/10 budget although the budget shows insignificant average growth of 0.28% over the MTEF period. The Department will require increased funding to ensure improved levels of capacity building, training and retention of staff. This will result in less dependency external service providers. The Department will also need more assistance from the National Department in this regard since the lack of sufficient and adequately skilled personnel has been a continual challenge for the provincial Department.

Another threat to the Department achieving its objectives is poor financial management. Diagram 3 depicts a long history of the Department's inability to spend the conditional grant. The Department has instituted a number of changes this year to deal with the human resources challenges and its history of under spending. New sub-programmes have been introduced in Programme 1 to improve financial management.

That said, the Department needs to strategically allocate more financial resources towards Programme 2 to address the challenges that arise due to poor municipal capacity and a lack of reliable data on rectification and the extent of the provincial housing backlog. The Department also needs to clear up the discrepancies in their planning and implementation documents particularly around various targets which make it difficult for the Department to plan and budget adequately, measure progress and for the Legislature to perform oversight and accountability.

Although the Department has experienced a decrease in the budget in real terms from the 2008/09 financial year, it has taken steps to address its challenges and to improve spending this year. Although problems are numerous and will take time to be solved, improvement in the Department's performance in this financial year is anticipated.

¹¹⁶ Eastern Cape Annual Performance Plan 2009/10-2011/12, p.20.