

Eastern Cape Department of Housing

Annual Performance Plan 2008-2011

Operational Plan 2008/09

Evaluation

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Chantelle de Nobrega

Monitoring and Research Programme, Public Service Accountability Monitor

For more information contact the PSAM, psam-admin@ru.ac.za
Tel: (046) 603 8358, Fax: (046) 622 7215

Key Findings and Recommendations

Finding

The policy priorities, as outlined in the 2008/09 Annual Performance Plan (APP), while an improvement in comparison to previous financial years, still lack detail and coherence. While six main policy priorities were outlined in the 2008/09 policy speech of MEC Tokozile Xasa, none of these appear in the MEC's foreword of the APP. In addition, the Head of Department's (HOD) strategic overview fails to provide information on changes in policy, such as the revised Housing Code. Furthermore, this overview does not include the major service delivery targets for 2008/09 or the MTEF period.

Recommendation

The policy framework within which the Department operates must be coherent, consistent and detailed. The MEC should ensure that the APP provides sufficient information to enable oversight bodies and civil society to have a clear understanding of the main focus areas of the Department. This should include an overview of changes in housing policy by the Accounting Officer, as well as a narrative on the impact that the delineation of the Department will have on service delivery, including the expected challenges that this delineation will present.¹ Furthermore, to ensure accountability, the HOD should provide an account of the major service delivery targets.

¹ The Housing function has been separated from Local Government and Traditional Affairs, and these are now two separate Departments.

Finding

There are some significant inconsistencies between the Operational Plan (OP) and the APP. For example, the programme and sub-programme structure sometimes differs between the two documents. In addition, there is some inconsistency between the targets set for each objective.

Recommendation

The MEC and HOD must exercise their management responsibilities by ensuring that the APP and OP are consistent with one another. These two plans should be used and read in conjunction with each other, but this is undermined if programmes and targets do not map onto one another. In addition, the Provincial Legislature and the Provincial Treasury should ensure that they do not approve plans which fail to provide a coherent and consistent strategic direction for the Department of Housing.

Finding

There are a broad range of problems with the quality of the performance targets in the APP and OP. Among other concerns, the targets do not always match the indicators, they are usually vague as they are presented as percentages, or they use words like “limited” and “substantial”. In addition, activities have not been included in the OP. Measurable objectives appear to have been used in place of activities as some of these are actionable. As a whole, however, these are vague and usually represent the end goal rather than a plan on how the Department intends achieving its goals.

Recommendation

Performance targets and activities need to be specific, measurable and relevant to the objectives they are attached to. This will assist the Department with its own in-year monitoring, as well as facilitate accountability by oversight bodies.

Finding

The APP should include a detailed and honest reflection of the challenges that the Department faces, which should be accompanied by a clear strategy on how these will be addressed. The 2008/09 APP does contain this information, and the quality of this is an improvement in comparison to previous plans. The APP still lacks detail, however, as the challenges and planned measures to address them are presented in a list format with no analysis. In addition, the measures are not always attached to a specific challenge.

Recommendation

The Department must provide an account of its internal service delivery challenges in narrative format, which should include an analysis of each constraint and its impact on service delivery. The APP should also provide clear and detailed strategies which will address these constraints. A clear description of challenges and how they will be addressed will provide both the Department and oversight bodies with a way to measure the success of these measures and make adjustments to these strategies when necessary in order to improve both the pace and quality of service delivery.

Finding

In addition to an account of the Department’s internal service delivery challenges, the APP should include detail and relevant information on the external service delivery environment of this Department. The information in the 2008/09 APP is a rehash of the outdated information which was included in 2007/08 APP. In addition, it is not clear how this information was used in the setting of objectives and targets.

Recommendation

As a matter of urgency, in consultation with municipalities, research institutes, the construction sector and other relevant stakeholders, the Department must conduct or commission relevant research into a variety

of areas including the extent of the housing backlog, the availability of land for low-cost housing development, road access, capacity within the construction sector and alternative building technologies, among others. This information must be used to develop strategic plans which are responsive to the service delivery environment of this Department.

Finding

The budget information of the Department is very poor. There are a wide range of problems, such as allocations to specific targets exceeding the allocations for the entire programme under which those targets fall, as well as an absence of budget tables for the entire Department. In addition, there is no revenue collection plan whatsoever, and the capital assets budget table has been left completely blank.

Recommendation

It is essential that the APP includes accurate and detailed budget tables. Programme tables should disaggregate figures into specific line items such as compensation of employees and capital assets. It is also vital that budget allocations for specific targets are consistent with the allocations for programmes and sub-programmes. Inconsistencies indicate a lack of internal control and poor oversight by the MEC, HOD and Chief Financial Officer (CFO). Financial management will only improve if the Department and its programmes base their plans on accurate budget allocations.

Finding

Information on the use of and control over the conditional grant, which makes up 88.28 percent of the 2008/09 Department budget, is lacking from the 2008/09 APP. It is not reported on separately in any of the budget tables in the APP or the OP. In addition, the issue of poor spending of this grant in 2007/08 is not addressed in the plans.

Recommendation

Improvement in spending and control over the conditional grant will only be a reality if the Department analyses the challenges it faces in the use and expenditure of the housing subsidy, and develops strategies to address these. To ensure accountability, this must be included in the APP so that oversight bodies can measure the impact of these strategies as well as make effective recommendations where necessary.

Finding

While there is an improvement in the quality and quantity of information on the Department's partnerships with public entities, local government and the private sector, this information is still very vague. For example, the APP states that the Department will "collaborate" with banks, but there is no additional information on the nature of this collaboration.

Recommendation

The APP should provide detailed information on Departmental partnerships, particularly with local government, as municipalities are jointly responsible for providing low-cost housing. The Department should state what partnerships it currently has or is intending to develop, what the planned outcomes and objectives are, the implications for the budget and how the efficacy of these partnerships will be monitored and reported on.

Introduction

The South African Constitution commits government departments to the progressive realisation of socio-economic rights, including the right to education, healthcare, housing and social welfare, within available resources. 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.² 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.

The following report focuses on the reviewed department's strategic planning system. In order to fulfil its mandate to provide effective and efficient public services that progressively realise people's socio-economic rights, every government department must produce strategic plans for the upcoming financial year and Medium Term Expenditure Framework (MTEF) period. This report evaluates the strategic plans of government service delivery departments by asking a number of questions which identify the necessary requirements for effective and accountable strategic plans.

Strategic planning forms the foundation on which service delivery is built. The responsibility for drawing up clear strategic plans and for setting measurable objectives for provincial government departments rests with the MEC for the relevant department. Amongst other responsibilities, the MEC should identify the people to be served by their department, and their specific service delivery needs. The MEC must also ensure that the implementation of the strategic plan is properly monitored to make certain that services are provided efficiently and in a way that represents value for money. Strategic planning requirements are strictly regulated in terms of the Public Service Regulations, Public Finance Management Act (PFMA), the Division of Revenue Acts (DORA) and by National Treasury regulations which govern the development of strategic plans.

No budget can be allocated to government departments in the absence of a strategic plan. This is because without evidence of what the department intends to do with its budget, the respective Treasury is not authorised to apportion funds to the department.

Strategic planning is intimately linked to the budgeting and reporting framework established by the PFMA. It is important to note that while strategic planning informs the budget to be allocated to departments, those undertaking planning should always develop their strategies taking the projected resource allocation for their department into account as indicated within the 3-year Medium Term Expenditure Framework.³

Provincial government departments are expected to draw up two strategic plans, a five-year plan and an annual plan.

- Five-year Strategic and Performance Plans –

The Five-year Strategic and Performance Plan, linked to the five-year election cycle, sets out the department's strategic policy priorities and plans for the coming five years. It serves as a "blueprint for

² *Constitution of the Republic of South Africa*, Act 108 of 1996, Chapter 2, Sections 26, 27 and 29.

³ *Framework and templates for provincial departments for the preparation of Strategic and Performance Plans for the 2005-2010, and Annual Performance Plans for the 2005 financial year*, National Treasury, 16 August 2004, Section 2, 2.1.1, p. 21.

what the provincial department plans to do over the next five years”.⁴ The document focuses on setting specific strategic goals that will be prioritised, as well as identifying strategic objectives for each main service delivery area of the department.

- Annual Performance Plans –

Each year, provincial departments are expected to produce annual performance plans which set out what they intend doing in the upcoming MTEF period in order to implement their respective Five-year Strategic and Performance Plans. For this reason, annual performance plans focus on the creation of specific measurable objectives and performance targets which ensure that departments meet their longer term goals. The annual performance plan covers the upcoming financial year and the following two years of the MTEF period. It should also inform, and be informed by, the budget and MTEF indicative allocations.

The importance of drawing up accurate and realistic strategic plans cannot be overestimated. In the absence of coherent plans, departments cannot properly quantify the needs of those requiring their services or properly estimate costs; they cannot accurately track, control or report on expenditure. Consequently they cannot properly monitor the delivery of services to ensure the efficient and effective use of scarce public resources to address the human rights of those dependent on public services.

- Operational Plans –

In addition to the annual performance plan, departments must produce a detailed one-year operational plan. Both the annual performance plan and one-year plan (which gives effect to the first year of the three-year annual performance plan) are tabled annually. The operational plan must feed into performance agreements between executive authorities and accounting officers and should provide quarterly performance measures and targets, as well as quarterly budget information. According to Chapter 2 of the *Guidelines for Accounting Officers*, operational plans must specify measurable objectives and include service delivery indicators, total costs, timeframes and targets. Departments must report against the implementation of the one-year operational plan in their annual reports.

The following commentary provides an analysis of the Department of Housing’s performance against necessary requirements for effective strategic planning.

⁴ Ibid, Section 1.4. ‘Overview of planning, budgeting and reporting documents,’ 1. Five-year Strategic and Performance Plans, p. 15.

Theme 1: Policy priorities and strategic objectives

Requirements

- Government departments prioritise plans to address the most pressing social needs of those dependent on public services and to respond to political priorities set by the government of the day. These policy priorities should be informed by constitutional commitments to address people's rights and should form guiding principles for planning. Policy priorities should be articulated by the executive authority responsible for the Department as he/she is ultimately accountable for the implementation of policy priorities and, therefore, the Department's planning.⁵
- Each year, the Department's strategic plan should set out any changes to the Department's strategic direction due to policy or programme shifts. This is to ensure that the Department is held accountable for its performance in relation to its new policy priorities/strategic direction. By identifying the most important performance targets, the administrative head of the Department undertakes to achieve these targets and makes him/herself accountable for doing so.⁶
- Strategic plans must be integrated into macro planning frameworks in order for departments to give effect to national and sub-national policy priorities, as well as the realisation of international undertakings (such as the UN Millennium Development Goals). As the site of service delivery, it is critical for sub-national strategic plans to be aligned with both broader and narrower planning frameworks if such frameworks are to be implemented.⁷
- Strategic objectives describe high-level outputs or the results of actions the Department plans to take; they must relate directly to the Department's policy priorities. Because they articulate the rationale for planned activities within each programme and strategically important sub-programme, strategic objectives must be included in the strategic plan in order to evaluate the Department's plans to progressively realise citizens' rights within available resources.
- For the Department to achieve its strategic goals, there must be a direct correlation between these goals and its objectives. In other words, if the Department achieved each objective, it

⁵ The executive authority of the department should set out clearly at the beginning of the Annual Performance Plan what outputs the department is required to deliver given its budget for the upcoming financial year in pursuit of its overall goals and objectives as set out in its Five-year Strategic and Performance Plan. *Framework and templates for provincial departments for the preparation of Strategic and Performance Plans for the 2005-2010, and Annual Performance Plans for the 2005 financial year*, National Treasury, 16 August 2004, Section 4, 'Foreword', p. 60. See also *Public Service Regulations*, 2001, as amended, regulation B1(a).

⁶ In the Annual Performance Plan, the department's accounting officer should give an executive summary of any significant shifts in policy or programmes that have taken place over the past year that alter the direction of the Five-year Strategic and Performance Plan. The Accounting Officer should also identify the most important performance targets as set out in the Annual Performance Plan. *Framework and templates for provincial departments for the preparation of Strategic and Performance Plans for the 2005-2010, and Annual Performance Plans for the 2005 financial year*, National Treasury, 16 August 2004, Section 4, Part A.1 'Overview', p. 64. See also *Treasury Regulations*, 2005, regulation 5.2.2(c).

⁷ The Department should provide details of any change to its strategic direction as set out in its Five-year Strategic and Performance Plan. This should indicate which factors made any changes necessary, and how these changes will impact on the department's strategic goals and objectives. *Framework and templates for provincial departments for the preparation of Strategic and Performance Plans for the 2005-2010, and Annual Performance Plans for the 2005 financial year*, National Treasury, 16 August 2004, Section 4, Part A.2 'Strategic Plan Update Analysis', p. 64. According to the South African Constitution, national, provincial and local spheres of government must "provide effective, transparent, accountable and coherent government for the Republic as a whole." In addition, all spheres of government must "cooperate with one another" by, amongst other things, coordinating their actions. *South African Constitution*, Chapter 3, Section 41(1)(c) and (h)(iv). See also *Treasury Regulations*, 2005, regulation 5.2.2(b).

should have achieved its strategic goals. Any disjuncture between goals and objectives will result in the Department's failure to implement its strategic plan and effectively address the rights of those they serve.⁸

- One-year plans must be integrated into longer-term planning frameworks to give effect to long-term strategic goals. There should therefore be a clear relationship between a Department's one-year plan and the corresponding year in multi-year plans if longer-term goals are to be achieved.

Findings

The foreword by the MEC, Tokozile Xasa, should provide a broad overview of the strategic direction of the Eastern Cape Department of Housing, including an articulation of the Department's policy priorities. In previous years, this section of the Annual Performance Plan (APP) has tended to be too general, while the information was frequently a repetition of the previous years' forewords, with little or no updated information. The 2008/09 MEC's foreword is slightly improved by the inclusion of a wider range of Department issues, including the need for improved planning and references to the overarching national housing policy Breaking New Ground (BNG).⁹ There are still some problems with the 2008/09 foreword, however.

Firstly, the MEC refers to the 2004 version of Breaking New Ground. This policy was revised before the start of the 2007/08 financial year, and incorporated into the Housing Code which was also revised.¹⁰ There is no mention of the revised policy or how the changes will have an impact on the strategic direction and objectives of the Department.

Secondly, none of the policy priorities most highlighted in the MEC's 2008/09 Policy Speech are mentioned. Six policy priorities emerge from the MEC's policy speech: 1) the Rectification Programme; 2) emergency housing; 3) capacity-building at the provincial and local levels; 4) policy development and research; 5) project management and quality assurance; and 6) the use of established and emerging contractors.¹¹ None of these are mentioned explicitly in the APP, and there is only one brief and vague reference to the government's plan to research the extent of the need for housing among "veterans of the struggle".¹²

There is a section of the APP entitled "Guiding policies, government priorities and strategic goals".¹³ Goals and priorities are listed. In this section, however, only two of the policies from the MEC's 2008/09 Policy Speech are noted, namely: capacity-building, and quality assurance and project management.

The Accounting Officer's overview also lacks information. For example, the 2008/09 financial year is the first year that the Department of Housing is operating separately from the Local Government and Traditional Affairs functions. This is not discussed at all by the Accounting Officer. Furthermore, three of the six priorities are fairly new as main focus areas, namely: 1) policy development and research; 2) the use of established contractors; and 3) emergency housing. While Operation Thunderstorm (the vehicle for the use of established contractors) was launched at the end of 2006, it was not mentioned in the 2007/08 APP. Given the absence of this information in that plan, the Department should have included

⁸ *Public Service Regulations*, 2001, Chapter 1, Part III, Regulation, B.1(b).

⁹ Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, p. 4.

¹⁰ National Department of Housing, Annual Report, 2006/07, p. 11. The information regarding the absorption of the BNG into the Housing Code was obtained in a telephone conversation with the Strategic Planning and Policy unit of the National Department of Housing in July 2007.

¹¹ For a more detailed discussion of these policies, see the PSAM's 2008/09 Budget Analysis for the Department of Housing. Available at www.psam.org.za.

¹² Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, p. 5.

¹³ *Ibid*, p. 13.

details of this programme in its latest APP (2008/09), as well as report on progress and challenges faced by Operation Thunderstorm.

The Accounting Officer does mention two other policy priorities, namely, project management and quality assurance, and policy development (there is no mention of research). These are merely listed, however, and are not discussed.¹⁴ Based on the above, it is clear that the APP does not provide a coherent picture of the policy direction of this Department.

One area that has seen significant improvement is the relationship between overall Departmental strategic goals and strategic objectives. In previous APPs, goals were not clearly linked to objectives and there were inconsistencies between them. In the 2008/09 APP, however, there is a section specifically dedicated to this area.¹⁵ While there are only two strategic goals provided, these are expanded on in the objectives. These objectives are also consistent with the policy priorities as outlined in the 2008/09 Policy Speech. Furthermore, while the goals and objectives for the Department are not explicitly linked to programme objectives, these are consistent with one another, although some of the programme objectives are vague.

In order to ensure consistency between the Operational Plan (OP) and the APP, the strategic objectives in these two documents should clearly map onto one another and be compatible. Unfortunately, the OP and the APP have some significant differences. The strategic objectives between the two plans for Programme 1 (Administration) are the same. The sub-programmes in the OP are however different to those in the APP, and the OP includes more sub-programmes than what appears in the APP. For example, in the APP, there is no section dedicated to the sub-programme "Office of the Head of Department" and it does not appear in the budget reconciliation table, but there are a set of objectives, indicators and 2008/09 targets for this sub-programme in the OP.¹⁶

Inconsistencies in sub-programmes also occur in the sections on Programme 3 (Housing Programmes Facilitation and Administration). In the APP, there is no sub-programme breakdown, but sub-programme 3.2 (Project Management and Quality Assurance) does have its own section. In the OP, there is a sub-programme breakdown, but what was stated as being sub-programme 3 in the APP is presented as its own programme.¹⁷ In addition, the APP objectives, indicators and targets for this (sub-)programme are completely different to what is contained in the OP – there is no connection between these plans whatsoever.

In the APP, the objectives for Programme 2 (Housing Policy, Planning and Research) are matched by those in the OP, but some of the targets are different. For example, for the objective "Programme plans, budgets, and reports prepared and tabled as prescribed by legislation", the 2008/09 target in the OP refers to "full" compliance with legislation, as well as the "full" implementation and monitoring of these plans.¹⁸ The APP, however, sets the 2008/09 target at "Substantial".¹⁹ This is a trend in the performance targets of this programme.

Finally, Programme 4 (Housing Assets Management) has been left out of the OP completely.

Consistency between the plans is essential. Firstly, it assists the Department monitor its own performance effectively if all programmes and sub-programmes are clear on what needs to be done. Secondly, oversight bodies, such as Provincial Treasury and the Portfolio Committee, will only be able to

¹⁴ Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, p. 7.

¹⁵ Ibid, pp. 17-23.

¹⁶ Eastern Cape Department of Housing, 2008/09 Operational Plan, pp. 2-3.

¹⁷ Ibid, p. 37-39.

¹⁸ Ibid, p. 25.

¹⁹ Eastern Cape Department of Housing, 2008/09 Annual Performance Plan, p. 43. The use of the terms "full", "substantial" and "limited" are discussed in more detail in Theme 2.

exercise effective oversight if the Department's structure, objectives, targets and planned activities are clear, coherent and consistent.

Theme 2: Performance and monitoring

Requirements

- By indicating both progress and what still needs to be done to meet the objectives for each programme, oversight bodies and citizens are able to evaluate the Department's planned programme objectives for the upcoming financial year in light of (a) the Department's past performance and (b) what the Department still needs to do to accomplish its strategic objectives for each programme.²⁰
- It is important that the Department identify in its strategic plans specific measures it will take in order to improve the quality of service delivery, including improved access to services, improved standards and improved service delivery systems. This is particularly important for departments that did not meet their strategic objectives in previous financial years, or did not meet satisfactory service standards.²¹
- Performance targets for each strategic objective must be included in the Department's strategic plan. These targets must be measurable and observable in order for the Department and oversight bodies to monitor the Department's performance. In addition, the indicators must provide an accurate, unbiased and complete measure of the strategic objective or activity and produce meaningful information from a management and oversight perspective.²²
- To address weaknesses identified by the Auditor-General, the Department must include a detailed strategy to address queries raised in previous financial years. The human and financial resources necessary to give effect to this strategy should also be included in the strategic plan.²³
- For the Department to achieve its strategic objectives, there must be a direct correlation between these objectives and its planned activities. In other words, if the Department achieved each activity, it should have achieved its strategic objectives. Any disjuncture between activities and objectives will result in the Department's failure to implement its strategic plan and effectively address the rights of those they serve.²⁴
- To monitor the implementation of its strategic plan, the Department must ensure that planned activities are specific enough to know when they have been completed. Activities must also have in-year time-frames; this enables the Department to monitor progress in implementing activities and to introduce in-year corrective measures where problems occur. In addition, activities must be individually costed in order to ensure accurate expenditure tracking. Specific, time-bound and costed activities are necessary for expenditure tracking and performance monitoring, as well as risk management and accurate reporting.

²⁰ *Framework and templates for provincial departments for the preparation of Strategic and Performance Plans for the 2005-2010, and Annual Performance Plans for the 2005 financial year*, National Treasury, 16 August 2004, Section 4, Part B, subsection 3, p. 65. See also *Treasury Regulations*, 2005, regulation, 5.2.2(d)

²¹ *Public Service Regulations*, 2001, Chapter 1, Part III, Regulation C.1 (a) – (f).

²² *Framework and templates for provincial departments for the preparation of Strategic and Performance Plans for the 2005-2010, and Annual Performance Plans for the 2005 financial year*, National Treasury, 16 August 2004, Section Four, Part B, 3.5.5. See also *Treasury Regulations*, 2005, regulation 5.2.2(d).

²³ *Ibid*, subsection 8.1 and 8.2, p. 72.

²⁴ *Public Service Regulations* of 2001, Chapter 1, Part III B(1)(b)

- To ensure that strategic objectives are realised, departments should assign responsible officials to strategic objectives. Performance agreements entered into by public officials should correspond to the relevant department's strategic plan. For Department officials to be held accountable for their performance during a particular financial year, it is imperative that the strategic plan identifies an official responsible for each strategic objective.²⁵

Findings

The 2008/09 APP has separate sections for each of the four programmes of the Department, and each section includes strategic objectives, measurable indicators and targets which are specific to that programme. In addition, one sub-programme has been given its own section, which includes the same kind of information as each programme does (such as objectives and targets). This sub-programme (Project Management and Quality Assurance) falls under Programme 3 (Housing Programmes Administration and Facilitation), and is referred to as sub-programme 3.2 in both the APP and in this Strategic Plan Evaluation.

The quality of the objectives and targets differ from programme to programme, but they are generally of a poor quality. There are common problems with the performance targets. Firstly, using percentages as targets is widespread across the programmes. The use of percentages is problematic for two reasons.

Firstly, when a percentage is presented without a number, it is impossible for oversight to gauge achievement in relation to this target. For example, in Programme 1 (Administration), one of the objectives is to "recruit and retain high quality staff", and one of the attached measurable indicators is the percentage of vacant funded posts filled.²⁶ The MTEF targets are all stated as "85% of vacant funded posts filled". To ensure effective oversight and accountability as well as to facilitate internal monitoring of its own performance, the Department should provide information on how many funded posts there are and how many are vacant, otherwise it is virtually impossible to measure the extent to which the Department has achieved this target.

Similarly, the measurable objective of the "development of integrated HR Plan and policies" is accompanied by the indicator: "% of Employment Equity targets implemented", and the target for 2008/09 is "30% Equity targets for designated groups".²⁷ Nowhere in the plan is there an indication of what the Department's equity targets are, which means that the Department's performance cannot be measured against its stated target.

The second reason why the use of percentages is problematic is that they do not always match the performance measures or indicators. For example, in Programme 4 (Housing Assets Management), one of the objectives is to "provide for the sale, transfer and maintenance of Housing Assets", and one of the performance measures is the "number of housing assets maintained". The 2008/09 target is 70 percent.²⁸ Not only does the plan not include how many assets the Department has, and their value, but this target does not match the performance measure which refers to the "number" of assets maintained. This is also true of some targets for sub-programme 3.2 (Project Management and Quality Assurance). For example, one objective is the implementation, monitoring and evaluation of housing projects, and the accompanying performance measure is the "number of blocked projects unblocked", yet the 2008/09 target is 70 percent.²⁹

²⁵ Because an accounting officer may delegate responsibilities to an official, in terms of section 44(1)(a) and 2(c) of the PFMA, it is important that the strategic plan identify all officials responsible for strategic objectives. Any official who wilfully or negligently fails to exercise the power or perform the duty delegated to him/her commits an act of financial misconduct in terms of section 81(2) of the PFMA.

²⁶ Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, p. 27.

²⁷ Ibid, p. 28.

²⁸ Ibid, p. 58.

²⁹ Ibid, p. 63.

A similar problem is that the set target is actually the budget that has been set aside for that objective, yet the indicator refers to a number, or a number and a budget. For example, one objective of Programme 3 (Housing Programmes Facilitation and Administration) is to “facilitate the implementation of special programmes and promote the participation of emerging contractors and vulnerable groups in housing development”. The accompanying performance measure is the number of participants from “specific groups” (what kind of participation is not clear nor are any groups specified), as well as the amount allocated to “specified groups”. The targets for the MTEF period are all rand values, with no reference to the “number of participants”.³⁰

Another problem with the targets is that they sometimes make use of the words “limited”, “substantial” or “full”. In the 2007/08 APP, a legend is provided for the use of these words, but does not appear in the 2008/09 APP. According to the 2007/08 APP, “limited” means 10-25 percent, “substantial” means 26-75 percent and “full” refers to 76-100 percent.³¹ These are exceptionally wide parameters that will prevent effective in-year performance monitoring. If one achieves 26 percent of an objective, it seems inaccurate to say that this constitutes a “substantial” achievement, and is certainly not comparable to an achievement of 75 percent of an objective. Similarly, an achievement of 76 percent is not equal to 100 percent, or the “full” achievement of an objective. This formulation seems likely to lead to poor performance being accepted as “substantial” compliance with targets and objectives. The accounting officer and MEC must ensure that the Department’s targets are capable of accurate measurement as it will assist them with their in-year monitoring and management duties while enabling greater oversight and accountability to be maintained.

Finally, Programme 3 (Housing Programmes Facilitation and Administration) has completely left out the target column for 2010/11. The budget reconciliation table includes figures for 2010/11 so it is not clear why this programme has failed to plan for the full MTEF period.³²

In the Operational Plan, the targets are also problematic. There are two main concerns here. The first is that it appears as if some targets have merely been divided by four, and then the result is provided as targets for each quarter. For example, in Programme 2 (Housing Policy, Planning and Research), for the measurable objective of “Knowledge Audit Report in place, and % percentage [sic] implementation of recommendations”, the 2008/09 target is 100 percent in the APP. In the OP, the targets are 25 percent for each quarter.³³

The second concern is that some of the OP targets are cumulative, while some are not. In the above example, 25 percent for each target would result in 100 percent achievement by the end of 2008/09. This is not the case for all targets in the OP. For example, for the objective of “Conducting stakeholder awareness workshops on housing policies and programmes”, the 2008/09 target in the APP is 10 workshops conducted.³⁴ In the OP, however, the quarterly targets are presented as follows: 2 workshops conducted, 4, 8 and 10.³⁵ Presumably, the Department does not mean that in the fourth quarter it will hold ten workshops, but rather that it will have had ten workshops by the end of the third quarter. This inconsistency in reporting could lead to confusion and potentially hamper oversight, if there is some disagreement as to what the Department had stated it would do. This is especially true where there are discrepancies between the targets in the APP and OP.

³⁰ Ibid, p. 52.

³¹ Eastern Cape Department of Housing, Local Government and Traditional Affairs, 2007/09 to 2009/10 Annual Performance Plan, p. 37.

³² Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, pp. 52 and 53.

³³ Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, p. 44; and 2008/09 Operational Plan, p. 27

³⁴ Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, p. 48.

³⁵ Eastern Cape Department of Housing, 2008/09 Operational Plan, p. 32.

From the above, it is also clear that the activities and indicators are often poorly framed and inadequate. For example, the APP makes frequent use of acronyms and jargon without an accompanying explanation. This serves as a barrier to accountability and monitoring for oversight bodies and the public who may not be as well versed in the language of the housing sector as the Department. For example, Programme 2 (Housing Policy, Planning and Research) refers to “MHSPs” and “HCE”³⁶ but it is not clear what these are. The APP is not only a “blueprint” for the Department – it is also a document which oversight bodies and the public can use to measure Departmental performance and ensure accountability.

The strategic planning progress should produce coherent and detailed activities which are consistent with the Department’s and programmes’ objectives. These activities should be included in the Operational Plan. The 2008/09 Operational Plan does not contain clear activities. The information provided only relates to strategic objectives, measurable objectives, performance measures/indicators, budgets and targets.

Measurable objectives appear to have been used to represent activities, as some of these objectives are “actionable”. Much of the information, however, is inadequate as these activities are vague. They frequently refer to an “end-product” rather than what the Department is actually going to do to ensure that it meets its objectives. Examples of measurable objectives include: “ensure that strategic planning documents are in place”, “provincial housing policies developed/reviewed” and “coordinate programmes approved under PHP programmes”.³⁷

It is not at all clear what the Department intends doing to ensure that these objectives will be met. It is important that the Department includes information on how it will ensure that strategic planning documents “are in place”, or how policies will be developed and reviewed (by the Department itself, by consultants or other research bodies, for example). Unless the Department knows what activities it will need to undertake to meet its objectives, it will be unable to effectively measure its progress in terms of fulfilling its objectives. This could result in objectives either being unfulfilled or only partially fulfilled.

The APP should also contain information on how it intends improving service delivery, which should go hand in hand with an evaluation of its performance to date. There is no detailed narrative in the 2008/09 APP which addresses past performance and which includes strategies to improve future performance. What the plan does contain is programme-specific tables with two columns, the first entitled: “Analysis of constraints” and the second: “Measures planned to overcome constraints”. Beneath each of these tables is a bulleted section entitled: “Description of planned quality improvements measures”.

The quality and quantity of this information has improved in comparison to previous years’ plans, although there are still inadequacies. Across the programmes, the constraints and measures are listed and, despite the heading above the tables, there is never an “analysis” of the constraints. For example, one of the listed constraints under Programme 3 (Housing Programme Facilitation and Administration) is “Emerging Contractor Capacity short-falls”.³⁸ An analysis would include information on, among other things, what the nature of capacity constraints (such as skills shortages, for example) and what the impact is on the quality and pace of service delivery. Another example can be found in Programme 1 (Administration), which has as a constraint: “Image management”.³⁹ No further information is included.

The measures planned to overcome these constraints are vague and unclear, which is to be expected given the poor quality of the analysis of challenges. It will be very difficult for the Department to produce coherent and effective service delivery improvement measures unless it has a clear understanding of the barriers to improved service delivery. One of the listed constraints in Programme 2 (Housing Policy,

³⁶ Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, pp. 47 and 49.

³⁷ Ibid, pp. 3, 26 and 36.

³⁸ Ibid, p. 51.

³⁹ Ibid, p. 26.

Planning and Research) is “Limited planning, policy analysis, monitoring and evaluation and research capacity at a provincial level”, and the planned measure to overcome this is the “ongoing population of organogram with appropriate skills”.⁴⁰ This is not an adequate measure, and additional information should be included, such as which posts which are now vacant will be filled, and what the programme intends doing in the interim in terms of its functions, such as the outsourcing of research if necessary, or partnering with research institutes in the province.

There is more information included under each table on how the programme intends improving its own performance, under “Description of the planned quality improvement measures”. This information tends to be more detailed than what is contained in the constraints table. Sometimes this information, however, is only a lengthier reiteration of what is contained in the table, but still does not provide sufficient information on how the programme intends addressing constraints. Alternatively, some of the content provides information on improvements in service delivery without mention of the challenge it is intended to address. Unless the programme is clear on what specific challenge planned measures are intending to improve, the Department and oversight bodies will find it difficult to measure the efficacy of the strategies.

The Department should produce specific, clear and measurable plans to overcome constraints, which should include a detailed and accurate analysis of progress and barriers to service delivery, so that progress can be measured and corrective steps taken when problems occur.

In terms of analysing past performance, the information provided is of a poor quality. Alongside its objectives, indicators and targets (all presented in one table), each programme includes two columns which should detail the extent of the programme’s achievement of each objective for the 2006/07 and 2007/08 financial years.⁴¹

The quality of this information varies across programmes, with Programme 1 (Administration) providing the poorest quality in terms of past performance data. For 2006/07, every block in Programme 1 is either left blank or is stated as a “New initiative”. There is one exception – one of the achievements of an objective for 2006/07 is stated “Limited”. The use of “New initiative” is problematic in a number of instances. For example, one of the objectives for Programme 1 is to ensure that at least 98 percent is spent by the end of a financial year, while the indicator is the percentage of the budget spent.⁴² While the objective of spending 98 percent of the budget may be new, the Department is surely aware of how much of its budget it spent in 2006/07. This information should be included.

One programme which does have more detailed information on progress is Programme 4 (Housing Assets Management), which provides a list of achievements under a heading entitled “Situational Analysis”.⁴³ While this information is more detailed, which is a positive trend, the listed achievements are not tied to any objective or to any specific challenge that the programme was attempting to address. In addition, none of the programmes include expenditure as part of the information provided, and focus only on targets as opposed to financial performance.

As part of its plan to improve service delivery, the Department should have a strategy on how it plans to address audit queries as well as improve compliance with the PFMA. Unfortunately, in the 2008/09 APP, there is no evidence that the Department has any such strategy, and this section (which should be included in terms of the Treasury guidelines on how to draw up an APP) is completely omitted. Previous plans included this section, although the information was consistently of a poor quality and was a “cut-and-paste” from previous plans. It is essential that the Department includes a strategy to address audit queries as well as how it intends improving compliance with the PFMA considering its generally poor performance in this regard. While this Department did receive a qualified audit in 2006/07 after four

⁴⁰ Ibid, p. 42.

⁴¹ The 2006/07 information is stated as “Actual” while the 2007/09 information is an estimate of achievements.

⁴² Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, p. 38.

⁴³ Ibid, p. 54.

consecutive audit disclaimers, in order to ensure accountability to oversight bodies, this information must be included in the plan.

In addition, in order to promote accountable governance, the Operational Plan should include information on which officials are responsible for specific objectives. The 2008/09 Operational Plan fails to provide this information.

Theme 3: The context of planning

Requirements

- The Department's ability to implement its strategic plan is determined, to a large extent, by its human resource capacity. It is therefore critical for the Department to provide an account of its internal organisational environment in its strategic plan, and to indicate how organisational capacity or constraints were factored into its strategic plan.⁴⁴
- Strategic plans should be informed by rigorous needs analysis if they are to respond to the most pressing socio-economic needs of those they serve. Departments should demonstrate in their strategic plans how proposed targets give effect to service delivery commitments *in relation to* socio-economic needs. Only then can both performance targets and undertakings be properly evaluated. In addition, departments should clearly articulate service delivery constraints caused by the external service delivery environment and demonstrate how these constraints were factored into the drawing up of strategic objectives and targets.⁴⁵
- The usefulness of the Department's strategic plan is largely determined by the extent and depth of consultation with staff in its development. Staff who have played a meaningful role in developing a strategic plan are more likely to take ownership of it and thus actively work towards its implementation. The more effort taken to obtain stakeholder and community input into the Department's planning process the more likely the Department's services will actually target the most pressing needs of the community.⁴⁶

Findings

⁴⁴ The department should provide an account of changes in its internal and external service delivery environment, which updates the detailed needs analysis contained in its Five-year Strategic and Performance Plan. This should include an account of how these changes affect the department's objectives and organisational structure in its Annual Performance Plan. *Framework and templates for provincial departments for the preparation of Strategic and Performance Plans for the 2005-2010, and Annual Performance Plans for the 2005 financial year*, National Treasury, 16 August 2004, Section 2, 3.2.1. 'Aim and Focus of Part A of the Annual Performance Plan, p. 27. See also *Public Service Regulations*, 2001, Chapter 1, Part III B.2 (a) – (d) and *Treasury Regulations*, 2005, regulation 5.2.2(b).

⁴⁵ Section 195(1)(e) of the *South African Constitution* states that 'People's needs must be responded to.' Section 2 of the *Public Finance Management Act Implementation Guideline*, 2000, notes that departmental Accounting Officers 'must have regard for the usefulness and appropriateness of planned outputs,' (p. 8). It is clear that the department cannot comply with these legislative and constitutional requirements, nor be accountable for failing to do so, without providing an account of its external service delivery environment. See also *Public Service Regulation*, 2001, regulation C.1(a).

⁴⁶ According to the South African Constitution, national, provincial and local spheres of government must "provide effective, transparent, accountable and coherent government for the Republic as a whole." In addition, all spheres of government must "cooperate with one another" by, amongst other things, coordinating their actions. *South African Constitution*, Chapter 3, Section 41(1)(c) and (h)(iv). Section 195(1)(e) of the *Constitution* states that 'People's needs must be responded to, and the public must be encouraged to participate in policy-making.' In addition, 195(1)(g) states that 'transparency must be fostered by providing the public with timely, accessible and accurate information'. See also *Public Service Regulations*, 2001, Chapter 1, Part III, Regulation C.1(b).

Human resource constraints, such as insufficient staff numbers and a lack of appropriate skills, are ongoing challenges for this Department. By the end of the 2006/07 financial year (the most recent figures publically available), the Department of Housing, Local Government and Traditional Affairs had general and critical vacancy rates of 65 percent and 80 percent (respectively).⁴⁷ The 2008/09 APP fails to provide an account of its human resource constraints with any detail or coherency. Firstly, there is no information on the human resource situation in the Department as a whole. This would include information on the most current data in terms of vacancy rates and skills shortages, as well as an account of the impact of a lack of human resource capacity on the quality and pace of service delivery.

Each programme includes a section entitled “Situational Analysis”. Generally, this information provides no analysis on the Department’s situational environment (both internal and external), and is presented in bullet-point format without an accompanying narrative. None of the programmes include any detail on the human resource constraints they face. In comparison to the other programmes, Programme 3.2 (Project Management and Quality Assurance) has the most useful internal and external service delivery environment information in terms of quality and quantity, but is still vague and too general to constitute an analysis, and has no information on human resource challenges beyond saying that weak capacity at the provincial and local levels is a problem.⁴⁸ Programme 4 (Housing Assets Management) does contain one bullet on the number of managerial posts filled or advertised, but includes no other information on this issue.⁴⁹

As part of the situational analysis, provincial departments need to undertake relevant research. This is an important part of ensuring that Departmental planning is responsive to its external service delivery environment. In the 2008/09 APP, the information provided, while detailed in some respects, is still inadequate to constitute a comprehensive account of the Department’s external service delivery environment. The APP includes fairly detailed information on the provincial demographics, and access to sanitation, water and electricity.⁵⁰ Most of the information, however, is from 2001, and some of the data was collected as far back as 1996.

In terms of housing need specifically, the Department notes that “informal data” indicates that the housing backlog is at 800 000 needed. It then adds that this conflicts with the information collected by Statistics SA in 2001, and that this has “prompted the department to commission a research project to gather reliable data for its planning”.⁵¹ Since 2006/07, the Department has been stating that it commissioned research in order to assist with planning. In the 2006/07 APP, the Department declared that this research would be available by the end of that financial year,⁵² while in the 2007/08 APP, the Department stated that the inconsistency in figures had prompted additional research, with no mention of when the information will be available.⁵³

In addition, it is not clear what meaning is derived from some of the information provided. For example, the APP includes information on the availability of piped water. While this is potentially useful information, the Department provides no account of what this means for its planning. For example, where there is no access to water, will contractors need to bring in their own supplies for mixing cement? The inclusion of this information is only useful if it adds value and meaning to the Department’s plans, and can be seen to

⁴⁷ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2006/07, p. 170.

⁴⁸ Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, p. 60.

⁴⁹ *Ibid*, p. 54.

⁵⁰ *Ibid*, pp. 9-11.

⁵¹ *Ibid*, p. 10.

⁵² Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2006-2009, p. 9.

⁵³ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 31.

have informed its objectives and targets. There is no indication in the 2008/09 APP exactly how the information was used to set objectives and targets.

The Department needs to consider more broadly the kind of research it will need in order to improve service delivery. For example, research on alternative building technologies, municipal capacity to undertake housing development, road access (for the transporting of building materials), as well as research into the construction sector (human resource capacity and the cost of materials) are all relevant and important areas of research that the Department should consider when developing research projects. Alternatively, the Department could source this information from elsewhere, rather than conduct its own research for some issues, but then this must be included in its plans. In addition, information on the average number of people within a household in the Eastern Cape, rural to urban migration statistics and the availability of land for low-cost housing development can assist the Department in becoming more responsive to its external service delivery environment.

There are additional sources that the Department of Housing could and should draw on. For example, there is no evidence whatsoever in the 2008/09 APP that the Rapid Assessment Survey (RAS), commissioned in 2006 by the Office of the Premier, was used. This is despite the fact that the abridged version of the RAS, released in 2007, stated specifically that the information would inform the strategic plans of provincial Departments.⁵⁴ It is essential that the Department makes increased use of research which has already been conducted on the socio-economic environment of the Eastern Cape and government service delivery.

Engagement with external stakeholders such as communities, district and local municipalities as well as research institutes and the construction sector should form an important part of developing an accurate and coherent understanding of the housing sector's delivery environment. Information on this engagement should be included in the APP. The 2008/09 APP does not include any information on the Department's consultation with external stakeholders. There is, however, detailed information on consultation with internal stakeholders, which is a significant improvement in comparison to previous APPs. This section includes information on what phase in the strategic planning process the various meetings occurred in, as well as who attended.⁵⁵

Theme 4: Costing and expenditure

Requirements

- Draft strategic plans, consisting of costed activities, should form the basis of the Department's request for funding in upcoming financial years. However, once the Department knows its actual budget allocation for the upcoming financial year, it must reconcile its performance targets to its budget. The Department must reflect on previous and likely spending pressures and take these into account to ensure that strategic objectives are met. To this end, it must show expenditure by programme and sub-programme, and compare spending in previous years to MTEF projections and corresponding service delivery targets.⁵⁶

⁵⁴ Summary Report on Rapid Assessment of Service Delivery and Socio-economic Survey (Abridged Version), Section 1, p. 1. The RAS, compiled by the Fort Hare Institute for Social and Economic Research, contains information on people's perceptions of service delivery in the Eastern Cape, on issues such as housing, education and access to water, and includes a historical analysis of service delivery successes and challenges.

⁵⁵ Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, p. 15.

⁵⁶ "Part B must also reconcile the department's performance targets to the budget—analysing what pressures the department expects to emerge and what it intends doing to ensure that it, nevertheless, achieves its service delivery objectives." *Framework and templates for provincial departments for the preparation of Strategic and Performance Plans for the 2005-2010, and Annual Performance Plans for the 2005 financial year*, National Treasury, 16 August 2004 Section 4, Part B, 3.7 and 4.7, pp. 67-8.

- Infrastructure plays an important role in the effective and efficient delivery of public services. The Department's plans should include current and upcoming building projects, up-grading of existing facilities and plans to deal with maintenance backlogs. Capital expenditure and maintenance projects should be listed in detail and should include timeframes and costs in order to ensure effective expenditure tracking, performance monitoring, reporting and risk management.⁵⁷
- The Department must reflect on its previous financial performance when approaching the upcoming MTEF period. The strategic plan should include an overview of its medium term revenues and expenditure from the previous three financial years, as well as its budget allocation for the upcoming financial year and the proposed budget for the two outer years of the MTEF. The Department should distinguish between its main budget allocation and other sources of revenue.⁵⁸
- Departments should provide a summary of the revenue which they are responsible for collecting. Departments must describe in detail plans to ensure that all revenue for which they are responsible will be collected in the upcoming financial year. Departments must be accountable for the revenue they collect in order to ensure that it is (a) actually collected and accounted for and (b) transferred to the relevant fund for redistribution.⁵⁹

Findings

In the 2008/09 APP, there are no budget tables for the Department as a whole. Each programme reflects its budget in two ways: allocations for specific targets are included in the objectives, indicators and target tables, and then each programme has a table at the end of its section, entitled "Reconciliation of Budget with Plan", which provides a break-down of allocations to sub-programmes. The budget tables for sub-programme 3.2 (Project Management and Quality Assurance) have been left completely blank. Overall, budget information is exceptionally poor in the 2008/09 APP.⁶⁰

Firstly, it is a positive indication that budgets are attached to specific targets. Unfortunately, the inclusion of budgetary allocations within these tables is sporadic and seems to have been left to the whim of the programme in question. In addition, the figures attached to specific targets usually exceed programme or sub-programme allocations (either individually or added all up together). For example, in Programme 3 (Housing Programmes Facilitation and Administration), for the objective "Facilitate the implementation of special programmes and promote the participation of emerging contractors and vulnerable groups in housing development", the MTEF allocations are as follows: R80 million, R85 million and R90 million (consecutively). The allocations for the entire programme over the MTEF are: R94.18 million, R75.86 million and R74.56 million (consecutively).⁶¹ Quite obviously, there is a major discrepancy, especially considering that the first set of figures is for one objective only, while the second set is for the programme as a whole. This programme also appears to have included the conditional grant in its target columns, despite the fact that the grant is not allocated to this programme. While this programme manages the projects for which this grant is used, it is essential that it differentiates its own programme budget from the funds that it is using from other programmes.

⁵⁷ The Department must illustrate what it is doing to implement its capital investment, maintenance and asset management plans as set out in its Five-year Strategic and Performance Plan. This information should be provided for the coming year, and the two outer years of the MTEF period. Ibid, Section 4, Part B, subsection 5, pp. 68 - 69. See also *Treasury Regulation*, 2005, regulation 5.2.3(e).

⁵⁸ *Framework and templates for provincial departments for the preparation of Strategic and Performance Plans for the 2005-2010, and Annual Performance Plans for the 2005 financial year*, National Treasury, 16 August 2004, Section 4, Part B, subsection 6.1, p. 69.

⁵⁹ Ibid, p. 70.

⁶⁰ For a discussion on the housing conditional grant specifically, see theme 5 below.

⁶¹ Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, pp. 52 and 53.

A similar example can be found in Programme 2 (Housing Policy, Planning and Research). In sub-programme 1 (Administration), the first measurable objective is “Programme plans, budgets, and reports prepared and tabled as prescribed by legislation”. The MTEF allocations are stated as follows: R4.68 million, R5.25 million and R5.7 million (consecutively). According to the budget table at the end of the section, however, this sub-programme will only be allocated R4.4 million, R4.61 million and R4.51 million, over the MTEF period.⁶²

Secondly, a major concern in the APP is that budget reconciliation tables sometimes set out different sub-programmes than those appearing in the rest of the programme sections. For example, there are two inconsistencies in Programme 2 (Housing Policy, Planning and Research). In the table containing the objectives, indicators and target, one of the sub-programmes is labelled as “Housing Research and Needs”. In the budget reconciliation table, however, these are two separate sub-programmes, each with their own budget, namely: “Housing Research” and “Needs”. In addition, in the first table, there is a sub-programme called “Capacity Building and Municipal Accreditation”. This sub-programme is completely missing from the budget reconciliation table.⁶³

This also occurs in Programme 1 (Administration). At the start of that section, there is a small diagram depicting the programme breakdown into three sub-programmes. In the objectives table, there are five sub-programmes, while the budget reconciliation table only provides figures for one sub-programme, namely Corporate Services.⁶⁴

Similarly, in the section dedicated to Programme 4 (Housing Assets Management), the sub-programme “Social and Rental Housing” appears in the table which includes objectives, indicators and targets but is not reflected in the budget reconciliation table. This sub-programme is included in the budget reconciliation table for Programme 3 (Housing Programmes Facilitation and Administration).⁶⁵

A third concern with the budget reconciliation tables at the end of each programme section is that while it includes columns for 2004/05 to 2007/08, these only include expenditure. In order to reflect meaningfully on spending performance by both the Department and oversight bodies, programmes should include information on the allocations in addition to the expenditure.

Furthermore, the budget reconciliation tables only give overall allocations to sub-programmes – these figures are not separated into different line items such as compensation of employees or goods and services. While the Operational Plan does break down the budget into particular line items, this is only for the 2008/09 financial year. In addition, the conditional grant (which was moved from Programme 3 and allocated to Programme 1 as of 2008/09) does not feature in any of the budget tables in the Operational Plan.

In terms of the Treasury guidelines, APPs should include a section on how the Department intends using its capital assets budget. In the 2008/09 APP for the Department of Housing, there is a section entitled “Capital investment, maintenance and asset management”.⁶⁶ This section consists of one table which has been left completely blank – there is no information in this section whatsoever. The Department’s capital assets budget is increasing from R508 000 in 2007/08 to R26.15 million in 2008/09. This is an increase of 4 747 percent in real terms.⁶⁷ Given this massive increase, it is of concern that the

⁶² Ibid, pp. 43 and 49.

⁶³ Ibid, pp. 45, 48 and 49.

⁶⁴ Ibid, pp. 24, 27-38 and 39.

⁶⁵ Ibid, pp. 59 and 3.

⁶⁶ Ibid, pp. 65-66.

⁶⁷ All figures as presented in government budget tables are nominal (they do not factor in the effect of inflation on buying power). The PSAM uses CPIX figures to calculate what the real buying power would be for each of the

Department fails to provide details on how this money will be spent. To ensure that the funds are used effectively and efficiently, the Department needs to produce a detailed and coherent plan to spend these funds. This plan should be included in the APP in order to ensure that oversight bodies and civil society can hold the Department accountable.

An important part of the necessary budget information is an account of past and anticipated Departmental revenue, as well as a revenue collection plan. This section is completely absent from the 2008/09 APP. For the past three financial years, the Auditor-General has stated that the Department lacks clear policies and mechanisms for managing revenue, debt collection, and revenue-generating assets.⁶⁸ In the 2006/07 Annual report, the Auditor-General stated that “[a]ppropriate policies, procedures, techniques, and control mechanisms have not been developed and implemented to ensure adherence to established directives, with respect to the management of housing assets, debtors and revenue”. The lack of a revenue collection plan in the most recent APP is likely to continue this trend and result in a failure to collect all revenue due to the Department, which constitutes a breach of regulations governing financial management.⁶⁹

Theme 5: Conditional grants

Requirements

- It is critical that departments set plans for the use of funds received additional to the equitable share (whether through additional allocations or from donors) in order to ensure they are not wasted. This is especially true of supplementary funds given to departments to address specific, high-priority needs. To be accountable for the use of these funds, departments should include separate planned and costed activities for conditional grant and/or donor funds in their strategic plans.⁷⁰

Findings

The 2008/09 conditional grant allocation for the Eastern Cape Department of Housing makes up 88.28 percent of the Department’s total allocation.⁷¹ This grant is used to fund municipal infrastructure (such as roads, street lighting and storm-water drainage), planning for housing particularly at the municipal level and land acquisition for housing development. It is also used to provide various subsidies to qualifying beneficiaries, and for the upgrading of informal settlements.⁷²

The APP should include detailed information on where and how the conditional grant will be spent. The Department should also provide a clear and detailed strategy on how the grant will be managed given the poor management of this budget in previous financial years. From 2002/03 to 2005/06, the Department received four audit disclaimers, mostly due to the lack of internal controls in respect of the conditional grant. As a measure to address this, the conditional grant was allocated to Programme 1 (Administration) for the 2008/09 financial year. It is important that the section of the APP dedicated to Programme 1 provides information on how the Department plans adjusting the structure and functioning of the this

budget allocations for the 2008/09 financial year. See the PSAM’s 2008/09 Budget Analysis for the Department of Housing for a more detailed discussion of nominal and real increases: www.psam.org.za.

⁶⁸ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2004/05, p. 95, 2005/06, p. 97, 2006/07, p. 125.

⁶⁹ *Treasury Regulations*, 2005, regulation 7.2.1

⁷⁰ *Framework and templates for provincial departments for the preparation of Strategic and Performance Plans for the 2005-2010, and Annual Performance Plans for the 2005 financial year*, National Treasury, 16 August 2004, Section 4, Part B, subsection 6.3 and 6.4, p. 70.

⁷¹ Eastern Cape Provincial Government Budget Statements II 2008/09, p. 288.

⁷² National Department of Housing, Annual Report, 2006/07, p. 23.

programme so that it can manage its new responsibilities. Unfortunately, this information is completely absent, and the budget reconciliation table gives one lump sum as the Programme 1 budget – as noted in the previous section, these tables do not separate the budgets into particular line items.

Furthermore, the expenditure of this grant has been on the decline for the past four financial years, particularly in 2007/08. For that financial year, the Department had to surrender R483.62 million of this conditional grant due to underspending. In percentage terms, this represents a loss of 45.95 percent of the housing subsidy.⁷³ Despite this unacceptable spending record, the Department has received a substantial increase in its grant allocation for 2008/09. In comparison to the adjusted appropriation for 2007/08, this grant is set to increase by 113.19 percent in real terms (from R552.55 million to R1.25 billion). In light of this poor spending, as part of its plans to improve the quality and pace of delivery, it is essential that the Department produces a detailed plan to improve the expenditure of this grant by clearly articulating what the barriers are to spending and planning around these accordingly. The failure to provide such detail in the current year's plans is unacceptable and corrective action must be taken.

Theme 6: Partnerships

Requirements

- Departments should detail areas in which they are jointly responsible for service delivery with other departments. They should state exactly what their responsibilities are and what mechanisms have been put in place to ensure effective co-ordination with other departments in order to avoid any duplication of function between departments. This enables the Department to monitor, report and be held accountable for its part of any agreement.⁷⁴
- While the Department may need to work with local authorities to operate clinics, build houses, etc., the Department retains responsibility for the management of funds transferred to local authorities. It is therefore critical that the Department includes in its strategic plans the amount of money to be transferred as well as the purpose of the transfer and the conditions attached to it.⁷⁵
- In order to account for all funds transferred to public entities, the Department should provide the name and main purpose of the public entity and the amount to be transferred from the Department's budget to the entity.⁷⁶
- Where departmental functions are outsourced to private service providers or non-governmental organisations, the Department must ensure that service level agreements are signed between these private parties and the Department. While the Department delegates the delivery of services to the private parties, it retains full responsibility for the quality of service delivery and must monitor both how these funds are spent and ensure that services delivered are done so efficiently. The Department should include in its strategic plan the details and cost of any outsourcing arrangements it has undertaken for the upcoming financial year(s) if it is to effectively track expenditure and monitor service delivery.⁷⁷

⁷³ Eastern Cape Adjustments Estimates, 2007/08, p. 56. Conditional grants are paid out in instalments over the financial year. Thus, while allocated R1.4 billion at the start of the 2007/09 financial year, this Department never received the full amount due to underspending and this allocation was then adjusted later in the financial year.

⁷⁴ *Framework and templates for provincial departments for the preparation of Strategic and Performance Plans for the 2005-2010, and Annual Performance Plans for the 2005 financial year*, National Treasury, 16 August 2004, Section 4, Part B, subsection 7.1, p. 71.

⁷⁵ Ibid. See also *Public Service Regulations*, 2001, regulation, B.1(c).

⁷⁶ Ibid, subsection 7.3, p. 71.

⁷⁷ Ibid, subsection 7.4, p. 71. See also *Public Service Regulations*, 2001, regulation B1(c).

Findings

The APP should include information on the Department's present and planned engagement with other government departments, local government, public entities and non-governmental organisations, as well as provide details on any public-private partnerships (PPPs) the Department is involved in. In previous APPs, the Department has provided little or no information on these areas, with the relevant sections frequently taken from previous years' plans without any alterations or additions. The 2008/09 APP is an improvement in that regard, as the information appears to be more relevant and up-to-date. As a whole, however, the information is still too vague, general and brief to be of any real value.

For example, the Department states that it does not transfer funds to any public entities but that it does "collaborate" with provincial and national public entities. It then goes on to list eight public entities as examples of those that it works with.⁷⁸ There is no information on the nature of these interactions or how the Department intends improving its partnerships with public entities.

Similarly, the information provided on PPPs, while more detailed, is still very general and the reader is left without any real information on the PPPs the Department is engaged in. For example, the APP lists financial institutions that the Department "collaborates" with, and then adds that some banks act as "implementing agents for infrastructure services".⁷⁹ No additional information is provided, such as the details of specific partnerships with specific financial institutions, or how much of the budget has been set aside for these partnerships.

Interaction with the local government is one of the most important partnerships for this Department, as this sphere of government is a direct implementer of housing development due to the provincial policy of using municipalities as the default developers of housing projects.⁸⁰ In addition, the Department transfers funds to local government (primarily from the conditional grant allocation) and is also heavily involved in developing housing plans at the local level. Given this important interaction, it is essential that the Department provide detailed information on present and future linkages, and how these will be improved, as well as any planned transfers of funds to local government. The 2008/09 APP does not provide this information. Instead it includes a very brief paragraph entitled "Local Government Linkages", which refers to "vertical integration" and "Integrated Development processes", with no indication of what these are or the resource implications for the Department (budget, human resources and time).⁸¹

The financial and service delivery performance of municipalities in this province has been very poor. For example, in the 2006/07 financial year, 25 percent of the Eastern Cape municipalities audited received adverse audit opinions while 50 percent received an audit disclaimer.⁸² Poor financial management has a direct impact on the quality of housing delivery and it is therefore essential that the Department provides in the APP clear and detailed plans which include strategies to improve internal controls, staff and skills shortages, and other challenges which negatively affect housing delivery.

⁷⁸ Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, p. 68.

⁷⁹ Ibid.

⁸⁰ A developer is the direct implementer of housing projects, and can be the Department, the municipality, a parastatal or a private entity. The developer usually assists in drafting a housing project plan, appoints the contractor, monitors the quality of the units and the progress of the projects, pays contractors and liaises with the relevant stakeholders (such as the Department, the community and the municipality).

⁸¹ Eastern Cape Department of Housing, 2008/09 to 2010/11 Annual Performance Plan, p. 68.

⁸² An overview of the audit opinions for the Eastern Cape can be found at:

<http://www.agsa.co.za/0607MFMAPresentations/tabid/105/Default.aspx>. Of the 45 municipalities in the province, only 40 were audited by the end of the set time for a variety of reasons, such as audit backlogs that needed to be cleared.