

■ department of
human settlements
eastern cape, south africa

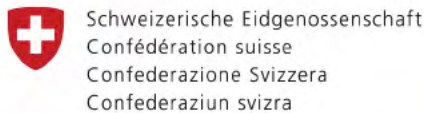


strategic plan evaluation 2011/2012

Acknowledgements

The CSA/PSAM acknowledge with gratitude the financial support of the Swiss Agency for Development and Cooperation (SDC), the Ford Foundation, International Budget Partnership (IBP), the Open Society Initiative for Southern Africa (OSISA).

We would also like to thank all those individuals and organisations mentioned in this report who generously assisted us in our work.



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development
and Cooperation SDC



OSISA
Open Society Initiative
for Southern Africa



INTERNATIONAL BUDGET PARTNERSHIP
Open Budgets. Transform Lives.



FORD FOUNDATION

Working with Visionaries on the
Frontlines of Social Change Worldwide



"We must promote democracy at every level of society. The best and most effective means of ensuring human rights and to promote the eradication of racism and sexism is to enable the full and unqualified participation of all races, sexes and classes in all aspects of society ... Democracy and human rights are inseparable. We cannot have the one without the other."

Nelson Mandela 1993

Eastern Cape Department of Human Settlements

Strategic Plan Evaluation:

Annual Performance Plan 2011/12-2013/14

Operational Plan 2011/12

October 2011

Yeukai Mukorombindo

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

Table of Contents

Summary of Key Findings and Recommendations	2
Introduction	7
I. Overview of Strategic Direction and Policy Priorities	8
II. Strategic goals, Objectives and Performance Indicators	9
Planning for Internal capacity, Financial Management and Anti-corruption	9
Baseline Reporting	11
III. Performance and Monitoring	13
Performance Delivery and Organizational Environment	13
Housing Output Targets	14
IV. Budget and Costing of Plans.....	17
Relating the Equitable Share Budget to Strategic Goals	17
Revenue Collection Plan	18
V. Consultation and Partnerships	19
External Consultation	19
Conclusion	20

Summary of Key Findings and Recommendations

I. Strategic Direction

1. Finding: Challenges in implementing Strategic Direction

This financial year only the Member of Executive Council (MEC) for Human Settlements provided a foreword. The foreword fails to provide updates of targets set in 2010/11 nor does it offer any assessment of its performance in relation to the achievement of targets set in the previous financial year. The foreword also fails to discuss the challenges the Department is currently facing this financial year and over the MTEF.

Recommendation

The Accounting Officer's foreword is an important part of an Annual Performance Plan (APP) and Operational Plan (OP) as it provides senior administrative direction. It is also important for the Head Of Department (HOD) to outline the key challenges the Department has been facing with regards to implementation of set targets and discuss what steps the Department will be taking in the current financial year and over the MTEF to address these challenges.

2. Finding: Significant changes in strategic direction

The 2010/11- 2014/15 Strategic Plan showed significant change in the strategic direction or timing of a crucial Departmental activity - the Informal Settlement Upgrading sub-programme objective statement which states that the Department intends "to eradicate informal settlements by 2020"¹ and not by 2014 as previously stated in the Breaking New Ground (BNG) and the Eastern Cape Provincial Growth and Development Plan (PGDP) policy documents. This financial year's APP reverts back to the 2014 target.

Recommendation

Where there are any significant policy or time frame shifts or changes in the Informal Settlements Upgrading Programme, the Department must provide justifications and explanations for these changes.

¹ Eastern Cape Department of Human Settlements Strategic Plan 2010/11 to 2014/15, p.55

3. Finding: Urban Settlement Development Grant

The functions and activities as well as the financial management of Urban Settlement Development Grant (USDG) have been briefly discussed in the APP but its implications for the Department's structures and activities are not. No further breakdown of the grant is provided in the OP.

Recommendation

More clarity in terms of roles, responsibilities, targets and accountability processes of the USDG need to be provided in future planning documents.

II. Strategic Goals, Objectives and Performance Indicators

4. Finding: Improving measurable indicators

In a number of instances the 'performance indicators', 'key activities' and 'data elements' do not adequately address programme strategic objectives, particularly in the areas of improving financial management, human resource capacity and accelerating delivery.

Recommendation

The Department is urged to use more effective strategies than just filling vacancies and to use more robust performance indicators and activities that speak to building internal capacity and attracting external skills. The Department is also urged to include performance indicators and key activities that improve the payment of creditors on time, preparation management processes of quarterly reports and other related financial documentation.

III. Performance and Monitoring

5. Finding: Declining targets

Housing output targets are not growing but are declining in comparison to the housing targets over the last six financial years.

Recommendation

The Department need to justify and explain why it plans to set itself such low targets over the MTEF against overwhelming evidence of a large backlog and the Medium Term Strategic Framework (MTSF) plan to double housing output over the MTEF. The Department is also urged to draw upon the Human Science Research Council (HSRC) research on demand for rental housing when setting targets for future planning.²

² "A rapid verification study on the Informal Settlements and Backyard Shacks Backlog and Trends within the Eastern Cape study" conducted by the HSRC and completed April 2010

6. Finding: Internal and external environment

Although the Department's Situational Analysis has improved by providing more up to date information, some important information is excluded from the performance delivery and organizational environment sections which are too brief and vague.

Recommendation

PSAM encourages the Department to make use of the HSRC study as it contains useful information regarding human resource vacancies, inflation, bulk infrastructure challenges and housing demand. In future, the Department is urged to provide an update on its institutional challenges and the current service delivery environment to show how strategic objectives relate to the internal and external environment and for programmes to be properly evaluated.

IV. Budget and costing of plans

7. Finding: Budget declines over the MTEF

Both the APP and OP fail to adequately relate the strategic outcomes with budget allocations and expenditure trends particularly for the compensation of employees line item, the Equitable Share, Programmes 2 and 4 which experience budget declines over the MTEF when inflation has been taken into account.

Recommendation

The Department's plans could improve the 'Relating expenditure trends to strategic outcome and orientated goals' section of the APP by discussing possible inflationary measures over the MTEF and whether the Programmes foresee any challenges as a result of budget constraints. Where problems can be identified as a result of budget constraints, details outlining how these budget constraints will be addressed to ensure that the strategic objectives set in the plans can still be realised must be provided.

8. Finding: Revenue collection

The revised section of the APP and Strategic Plan of the national planning framework no longer require the Departments to provide details of revenue collected and how the Department intends to use the revenue collected as part of the planning and budgeting processes.

Recommendation

A section on Departmental revenue will better equip the Department to plan for challenges surrounding revenue collection such as rental defaults. The section should provide us with information on how the Department intends to raise more revenue and use the revenue for transparency and accountability purposes.

V. Consultation and Partnerships

9. Finding: Lack of information

The section on partnerships does not provide any information on the various stakeholders the Department is currently in partnership with or would like to build partnerships with this financial year and over the MTEF.

Recommendation

There is evidence which points to public and private partnerships between the Department and other stakeholders. The APP and OP do not provide any information about these. Information describing the nature and role of each partnership should be added in future planning documents.

10. Finding: Changes in reporting

National Treasury has recently revised the guidelines and framework for Strategic Plans and Annual Performance Plans to improve planning and monitoring.³ PSAM is disappointed to note that the Departments are no longer expected to provide an in-depth account of consultation with staff, community members and other stakeholders in APPs.

Recommendation

We believe that planning documents should provide evidence on the Department's internal and external consultation processes. We would strongly encourage Treasury to include a consultation section which discusses the issues raised at the consultation processes and how these various voices and concerns have been included into both the Strategic and APP. We also encourage the Department to voluntarily offer this information.

³ Department of National Treasury Framework for Strategic Plans and Annual Performance Plans August 2010, available on www.treasury.gov.za

Introduction

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

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. Each year, provincial departments are required to produce annual performance plans which set out what they intend doing in the upcoming MTEF period to implement their respective Five-year Strategic and Performance Plans.

In addition to the annual performance plan, departments are expected to 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.

Strategic planning forms the foundation on which service delivery is built. The following report focuses on the reviewed department's strategic planning system. 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.

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.

Findings

I. Overview of Strategic Direction and Policy Priorities

This financial year only the MEC's foreword features in both the APP and the OP indicating what specific policies and service delivery priorities will be supported by the strategic plans.⁴ The MEC clearly outlines in the APP and OP what the Department hopes to achieve in the next three to five years but not what it hopes to achieve in the 2010/11 financial year, particularly where housing output targets are concerned. The 2011/12 housing target of 15 418 units is of great concern considering that the Department calculated in its most recent Strategic Plan that in order to reduce the backlog of 750 000⁵ during the next 5 years, it needed to plan and budget "at an incremental rate of 19 000 to 27 000 housing output per year using available resources and service sites".⁶ Future MEC forewords must speak to planned housing output targets and the main measures the Department will use to meet the targets. Future MEC forewords should also include achievements from the previous financial year and to address challenges to achieving goals and targets.

These issues were mainly addressed in the Accounting Officer's foreword which provided a clear link between policy priorities and the strategic plan. Unfortunately the plans for this financial year do not include a foreword by the Accounting Officer.

The Accounting Officer's foreword is extremely important as it provides an update of performance in relation to targets set in the previous financial year.⁷ The Accounting Officer should also provide details and figures of the Department's achievements with regards to acquisition of land, progress on housing projects and outputs, and auditing of housing units for rectification purposes. The Accounting Officer should also explain the human resource challenges facing the Department by including the current number of posts filled in comparison to the total number of vacant posts in the Department and outline how the Department will address these and other challenges.

It is encouraging however to note that the MEC provides an update on significant events and changes that are likely to have influenced the policies, strategic goals and objectives set in the APP and the Strategic Plan. One such significant change is that the Department has been identified as a pilot project for the rectification programme and a Service Delivery Agreement has been entered into between the National and Eastern Cape Department as well as the NHBR. In addition to this pilot programme, Buffalo

⁴ Eastern Cape Department of Human Settlement Annual Performance Plan 2011/12 to 2013/14, p.9, Eastern Cape Department of Human Settlement Operational Plan 2011/12 to 2012/13, p.9

⁵ Eastern Cape Department of Human Settlements Strategic Plan 2010/11 to 2014/15, p.21

⁶ Ibid

⁷ Eastern Cape Department of Housing 2009-2010 Operational Plan, p.9-7

City Municipality has been accredited and it and the Nelson Mandela Bay Metropolitan Municipality (NMBM) have received the Urban Settlements Development Grant (USDG) to implement housing projects.⁸ The Accounting Officer should in future identify and discuss changes in the planning, organisational structure and approach within the Department as a result of this new grant. A further breakdown of the grant should be provided in the OP.

Strategic plans must also be integrated into macro planning frameworks in order for Departments to align their plans with national and sub-national priorities. The MEC failed to discuss the setting of goals and targets against the current macro frameworks such as the Breaking New Ground Policy⁹, the Provincial Growth and Development Plan¹⁰ and the recently established Medium Term Strategic Framework (MTSF).¹¹ It is important that the MEC expresses in future planning documents, strong commitment to meeting the targets set in the PGDP and other national planning frameworks such as the MTSF.

II. Strategic goals, Objectives and Performance indicators

Planning for Internal capacity, Financial Management and Anti-corruption

In the previous APP, the Department's strategic goals were not incorporated into the APP.¹² It is pleasing to note that this financial year strategic goals outlined in the Strategic Plan have been included in the APP as well.¹³ There also appears to be a coherent relationship between the department's policy priorities, its strategic goals and its strategic objectives. However, there appears to be disjuncture between some of the performance indicators, data elements and key activities. As a result, some key activities listed are not aligned or do not support some strategic objectives. In addition, some of the key high level activities columns are either incomplete or inconsistent with the performance indicator.

Examples can be taken from the Corporate Services sub-programme in Programme 1 with the following Strategic objectives:¹⁴

⁸ Eastern Cape Department of Human Settlements 2011/12 to 2013/14 Annual Performance Plan, p.9

⁹ Breaking New Ground (August 2004) A Comprehensive Plan for the development of sustainable human settlements

¹⁰ The Eastern Cape Provincial Growth and Development Plan (2004-2014) covers the overarching national and provincial strategic frameworks.

¹¹ Medium Term Strategic Framework: A framework to guide governments' programme in the electoral mandate period (2009-2014)

¹² Eastern Cape Department of Human Settlements 2010/11-2012/13 Annual Performance Plan, p.4-5

¹³ Eastern Cape Department of Human Settlements 2011/12-2013/14 Annual Performance Plan, p.20

¹⁴ Eastern Cape Department of Human Settlements 2011/12 Operational Plan, p.45

Attract and retain competent and quality Human Capital and Talent
Ensure that PERSAL system has accurate, reliable and up to date information
Promote employer-employee relations to increase productivity

Performance indicators must adequately address the strategic objectives to ensure that these strategic goals are achieved. "Percentage of vacant posts filled" as an indicator for the attraction and retention of quality Human Capital and Talent strategic objective¹⁵ for such a crucial objective is not only un-measurable. Percentages do not provide an accurate, unbiased and complete measure of not only the budgeted and but the required human resource figures. Actual figures produce meaningful information from a management and oversight perspective. In addition, the percentage of vacant posts filled is insufficient for the end goal which is to boost the much needed human resource capacity. The Department needs to develop performance indicators that speak to building internal capacity and attracting external skills.

The Department can begin by taking more effective strategies to build internal capacity beyond just filling funded vacancies. Other suggestions include looking at strategies to boosting internal capacity such as internships, internal research into current organisational environment, human resource needs analysis as well as written submissions to National Treasury and National Department of Human Settlements for increased compensation of employees' allocation. It is extremely important that the Department steps up its human resource planning as adequate internal human resource capacity is the basis upon which the Department's goals and targets can be achieved this financial year and over the MTEF.

Performance indicators that relate to improving the financial management skills and capacity within the Department are missing from the plans. In previous financial years, the Auditor General has highlighted issues of non-compliance with the PFMA financial management is concerned. In the Department's most recent Annual Report, the Audit Committee stated that the "the system of internal control applied by the Department of Housing over financial and risk management is partially adequate and not effective."¹⁶ The Audit committee also indicated that it audited submissions which were riddled with various deficiencies with regards to format, content and quality. It also highlighted that the Department's submissions to the committee only partially complied with the requirements of the PFMA and DORA.¹⁷ In addition, the Auditor General (AG) concluded that "there was no evidence that the Audit Committee and internal audit had fulfilled all of

¹⁵ Ibid, p.45

¹⁶ Eastern Cape Department of Human Settlements, Annual Report 2009/10,p.94

¹⁷ Eastern Cape Department of Human Settlements, Annual Report 2009/10, p.95

their responsibilities contained in Treasury Regulation 3” as well as sections 76 and 77 of the PFMA.¹⁸

A crucial indicator and activity that needs to be included in future plans in the Chief Operations Officer Sub-Programme is training of financial management staff on PFMA and Treasury regulations to improve compliance with PFMA and Treasury regulations on submission of documentation.¹⁹ The Department is urged to strengthen its plans by including performance indicators and key activities that improve preparation management processes of quarterly reports and other related financial documentation.

Other areas that need more attention in the financial management sub-programme's are performance indicators or key activities that deal with the payment of creditors.²⁰ In 2009/10, the AG emphasised deficiencies in the Department's reporting against legal and regulatory requirements and also raised concerns regarding the adequacy of internal controls. In 2009/10, the AG discovered that the Department did not settle all payments due to creditors within 30 days from receipt of invoices.²¹ A verification study on informal settlements and backyard shacks in the province conducted and completed by the HSRC in April 2010 also found contractors in the province were not being paid on time by the Department; seriously affecting the pace of service delivery chain.²² The Nelson Mandela Bay quarterly report also disclosed that suppliers were refusing to provide contractors due to delayed payments.²³

Baseline Reporting

It is unfortunate that the baseline for payment of creditors for the 2011/12 financial year shows that the Department was successful in paying creditors within 30 days despite latest reports which suggest otherwise.²⁴ The Department is strongly urged to disclose any problematic areas preventing the Department from achieving indicators or in conducting their activities. The plans do not adequately deal with improving the payment of creditors. If the Department runs the risk of not achieving targets and creating backlogs due to its continuous struggle to pay contractors and other creditors on time. The Department is encouraged to use more robust performance indicators that are

¹⁸ Eastern Cape Department of Human Settlements, Annual Report 2009/10, p.107

¹⁹ Eastern Cape Department of Human Settlements, Annual Report 2009/10, p.35

²⁰ Eastern Cape Department of Human Settlements 2011/12 Operational Plan, p.33, Eastern Cape Department of Human Settlements 2011/12 Annual Performance Plan, p.41

²¹ Eastern Cape Department of Human Settlements 2011/12 Operational Plan, p.33, Eastern Cape Department of Human Settlements 2011/12 Annual Performance Plan, p.41

²² “A rapid verification study on the Informal Settlements and Backyard Shacks Backlog and Trends within the Eastern Cape study” conducted by the HSRC and completed April 2010, p.104

²³ “Metro plan to build 7 900 houses already faces 500 unit backlog” The Herald article written by L. Shaw published 15 November 2010.

²⁴ Eastern Cape Department of Human Settlements 2011/12 to 2013/14 Annual Performance Plan, p.40

aligned with constraints and the measures planned to overcome them should address the issue of payment of creditors on time as the current plans do not adequately do so.

Another strategic objective that needs more comprehensive performance indicators is the “ensuring prevention, detection, investigation and resolution of fraud and corruption”²⁵ objective in Programme 1 under the ‘Office of the Head of Department’ sub-programme. Activities, targets and performance indicators are based on “a turn around time to attend reported cases.”²⁶ The Department is urged to use more measurable and robust indicators and activities which include providing the number of fraud cases currently in the Department, the number of cases concluded, pending, or still being investigated in addition to the plans to retrieve money lost to fraud and corruption.

In addition, baseline reporting on this strategic objective and others need to be improved to adequately track progress of targets and measure performance. Most baseline columns in the APP and OP appear blank, particularly for 2009/10 targets. Baselines provide meaningful information from a management and oversight perspective to enable adequate monitoring of progress in implementation particularly for 2009/10. In 2009/10 the Department set a housing target of 19 000 and managed to construct 18 965 units.²⁷ In the next financial year the Department set a target of 22 000 housing units²⁸ and as of March 2011, only 8 274 units, 37% of the original target, had been completed.²⁹ According to MEC Sauls August 14 443 units are still under construction.³⁰ The estimated 2011/11 housing target is 13 368 units of a target of 15 419 units (ref). The Department’s continuous failure to meet targets indicates challenges in implementing and managing housing projects. The Department is urged to improve on providing baseline information in future plans so challenges in implementation can be highlighted and addressed.

The Department must however be commended for providing names of officials responsible for reporting against and ensuring that plans are implemented are provided in this year’s APP and OP which is a big improvement from previous plans. This information is a boost to oversight and improved performance.

²⁵ Eastern Cape Department of Human Settlements 2011/12 to 2013/14 Annual Performance Plan, p.34

²⁶ Eastern Cape Department of Human Settlements 2011/12 Operational Plan, p.28

²⁷ Eastern Cape Department of Human Settlements Annual Report, 2009/10 p.11

²⁸ Human settlement policy speech delivered by MEC N. Mabandla on 24 March 2010

²⁹ Human Settlements 2011/12 Policy and Budget Speech delivered by MEC Sauls-August on 24 March 2011, p.2

³⁰ Ibid

III. Performance and Monitoring

Performance Delivery and Organisational Environment

The performance delivery environment looks at the policy changes and trends, the demographic profiles, housing demand statistics evaluates the Department's current performance, and assesses the current challenges within the service delivery environment. Not much information on the above is in this financial year's APP with the exception of housing backlog statistics. Most of this information can be found in the Department's most recent Strategic Plan.³¹ The inability of the Department to provide adequate support to municipalities and the issue of human resources which has affected service delivery outcomes has also been acknowledged.³²

Other possible challenges identified in the Strategic Plan and not updated in the APP include: inadequate capacity to deliver at a large scale and maintain high quality of the housing output, the misalignment of Equitable Share funding, Municipal Infrastructure Grant (MIG) with the conditional grant, beneficiary management challenges and the impact of rural-urban migration. While the National Treasury Framework does not require the Department to discuss this information in the APP, the Department is urged to give an update on the progress or lack thereof of the Department's challenges particularly in the areas of current human resource capacity, scarce skills, internal controls and municipal capacity in the APP.³³

The organisational environment section in this financial year simply notes "no significant changes relative to the information provided in the Strategic Plan"³⁴ and also includes a brief sentence on a service delivery model currently being developed by the Department.³⁵ Considering that the Department listed its current service delivery challenges in the *Service Delivery Improvement Plans*³⁶ and undertook to strengthen its capacity through the service delivery model by implementing internal controls and asset management procedures and systems,³⁷ it is essential that it on the progress of these processes on a regular basis in the APP and not only after every 5 years in the Strategic Plan. The revised national treasury framework obligates Departments to provide updates

³¹ Eastern Cape Department of Human Settlements 2010/11-2014/14 Strategic Plan , p.16-35

³² Eastern Cape Department of Human Settlements 2010/11-2014/14 Strategic Plan, p.26

³³ Ibid, p.20-26

³⁴ Eastern Cape Department of Human Settlements 2010/11 to 2014/15 Strategic Plan , p.26

³⁵ Eastern Cape Department of Human Settlements 2011/12 to 2013/14 Annual Performance Plan, p.15

³⁶ Eastern Cape Department of Human Settlements 2011/2012 Service Delivery Improvement Plans, p.5

³⁷ Eastern Cape Department of Human Settlements 2010/11 to 2014/15 Strategic Plan , p.26

on recent developments regarding the institutional and performance delivery environment.³⁸

Without such information on a regular basis, it is not possible to assess whether the Department's programmes and activities are effective in addressing the challenges discussed in the Strategic Plan. It is disappointing that the Department did not update the performance and organisational environment sections in the APP, highlighting progress regarding challenges such as the considerable high costs and difficulties of acquiring, suitable land for housing development, as well as difficulties in the release of state land for settlement.

Other identified challenges not discussed in the *Service Delivery Improvement Plans*³⁹ include rural to urban migration, difficulties in sourcing and acquiring suitable and well located land, cost of building material and inflationary pressures, slow implementation, projects by developers, inadequate bulk infrastructure and lack of adequate monitoring and reporting systems – challenges highlighted by previous MECs and Minister of Human Settlements, Mr T. Sexwale in previous financial years.⁴⁰ As part of the update on the performance delivery and organisational environment, the Department is also urged to discuss programme performance strengths, programme performance areas of concern and future planning recommendations. Such information is important when considering whether the plans in the APP and OP, can be realised given available human resources and other environmental challenges.

Housing Output Targets

There has been a significant improvement regarding clarity on housing output targets. The Project Management and Quality Assurance sub-programme are no longer using percentages but figures on the number of units the Department intends to construct, rectify, unblock, to be inspected which is commendable. There is however room for improvement on the clarity of targets, particularly with the Informal Settlement Upgrading sub-programme. Targets for this sub-programme include for the MTEF "23 projects initiated towards informal settlement upgrading."⁴¹ Although more specific information on these projects such as the areas which the upgrading will be undertaken and the number of units and sites that will be serviced under these 23 projects is provided in the

³⁸ Framework for Strategic Plans and Annual Performance Plans, Department of National Treasury, August 2010, p.35

³⁹ Eastern Cape Department of Human Settlements 2011/2012 Service Delivery Improvement Plans, p.5

⁴⁰ Human settlements budget and policy speech 2010 delivered by MEC Mabandla on 24 March 2010, p.17, Human settlements budget and policy speech 2010 delivered by MEC Sauls-August on 24 March 2011, 2011 Human Settlements Budget Speech delivered by Minister of Human Settlements T. Sexwale on 19 April 2011, Urban Settlements Development Grant Rural Household Infrastructure Grant and Accreditation for Cities: Briefing by National Treasury to National Human Settlements Portfolio Committee on 25 March 2011

⁴¹ Eastern Cape Department of Human Settlements 2011/12 to 2013/14 Annual Performance Plan , p.83

Operational Plan,⁴² the Department is urged to include more detailed information on forthcoming housing projects in its APP as well.

The Department's plans have continued to maintain improvement regarding the use of numbers as specific, measurable indicators. However housing output targets are not growing but are declining in comparison to the housing targets over the last 6 financial years.⁴³ According to this financial year's APP, the Department intends to increase its output by just over 1 000 units per year over the next three financial years, from 15 419 units in 2011/12 to 17 715 units in 2013/14.⁴⁴ These targets are not aligned with the planned targets outlined in the Department's most recent Strategic Plan. The Department calculated that in order to reduce the backlog of 750 000 in the next 5 years, it needed to plan and budget to build between 19 000 to 27 000 housing output per year.⁴⁵ In addition, the recently completed study by the HSRC concluded that the number of informal settlements and backyard shacks in the Eastern Cape is approximately 224 319, "this therefore means the Eastern Cape needs to deliver on average 56 000 units a year just to match current housing demands."⁴⁶ The study also concluded that the current delivery is "simply too slow."⁴⁷ The difference between the 56 000 HSRC annual housing output target which is required to meet backlog and the 19000-27 000 annual housing target being planned by the Department is an issue of concern. It raises the question of whether the Department is accurately planning and setting targets. Clarity on what the Department considers as inadequate housing can assist the Department to accurately set targets as well as determine the actual housing backlog in the province.

In addition, there appears to be some conflicting time frames regarding the revised "eradication of informal settlements by 2020" goal.⁴⁸ The Strategic Plan shows a change in time frames from 2014 to 2020 as previously stated in the BNG and PGDP documents. In this financial year's APP, the strategic objective for the Informal Settlements Sub-programme is to "facilitate and coordinate the eradication of informal settlements through the development of sustainable human settlements in the Province by 2014."⁴⁹ The Department is encouraged to clarify this anomaly. Lack of clarity on time frames can cause inconsistencies and disjuncture in the implementation process. Where

⁴² Eastern Cape Department of Human Settlements 2011/12 Operational Plan, p.65

⁴³ Public Service Accountability Monitor (PSAM) Eastern Cape Department of Human Settlements Budget Analysis 2011/2012, p.20. All housing delivery figure have been audited. All conditional grant expenditure figures from 2004/05 to 2006/07 are taken from the *Budget Statements II 2008/09*, p.388. Conditional grant expenditure figures from 2007/08 to 2009/10 are taken from the 2011/12 *Eastern Cape Overview and Estimate of Provincial Revenue and Expenditure*, p.588

⁴⁴ Eastern Cape Department of Human Settlements 2011/12 to 2013/14 Annual Performance Plan, p.89

⁴⁵ Eastern Cape Department of Human Settlements Strategic Plan 2010/11 to 2014/15, p.21

⁴⁶ "A rapid verification study on the Informal Settlements and Backyard Shacks Backlog and Trends within the Eastern Cape" study conducted by the HSRC and completed April 2010, p.105

⁴⁷ Ibid

⁴⁸ Eastern Cape Department of Human Settlements Strategic Plan 2010/11 to 2014/15, p.20

⁴⁹ Eastern Cape Department of Human Settlements Annual Performance Plan 2011/12-2013/14, p.83

target time frames are changing the Department is urged to provide justifications and explanations for this significant change in timeframes.

The Department's reduced housing target of 15 419 could be justified by the need to channel the majority of conditional grant funds to alternative and economical housing options such as social and rental housing. The targets for social and rental housing also appear to be far too conservative and not adequately responding to the need.⁵⁰ The Department has also reduced the target for social and rental housing from 970 units to 789 units.⁵¹ If this is the case, the Department needs to step up its targets and funding for alternative solutions which are not reflected in this financial year and over the MTEF.

The reduction in targets is disappointing considering that the targets are not reflecting the up to date information on housing demand and backlog in the province. Stepping up targets in rental housing needs to be explored in future planning documents. The Department is urged to draw upon the recently completed HSRC research on housing demand and needs in the province in future planning documents.⁵² The decline in targets do not match national policy priority to "double the current housing provision rate and enabling the country to meet the millennium development goal in respect of informal settlements."⁵³ The Department should to justify and explain why it plans to continuously set itself such low targets over the MTEF against overwhelming evidence of a large backlog and national priorities.

The targets must aim to be as specific as possible in order to accurately measure performance and progress in the current financial year and over the next two years of the MTEF. The targets appear to be vague and unclear in most instances, particularly in Programme 2 examples include annual targets for the Research sub-programme "2 research projects approved" and "3 research papers completed."⁵⁴ The MTEF targets for this sub-programme state "23 research projects approved."⁵⁵ Other vague and unclear targets include "6 engagements facilitated between sector Departments and spheres of Government" over the MTEF as a target for the 'Strategic Management and Corporate Communications sub-programme.'⁵⁶

⁵⁰ "A rapid verification study on the Informal Settlements and Backyard Shacks Backlog and Trends within the Eastern Cape" study conducted by the HSRC and completed April 2010, p.106

⁵¹ Ibid, p.26, Human Settlements 2011/12 Policy and Budget speech delivered by MEC H.Sauls-August on 24 March 2011, p.11

⁵² A rapid verification study on the Informal Settlements and Backyard Shacks Backlog and Trends within the Eastern Cape" study conducted by the HSRC and completed April 2010, p.106

⁵³ Medium Term Strategic Framework: A framework to guide governments' programme in the electoral mandate period (2009-2014), p.12

⁵⁴ Eastern Cape Department of Human Settlements 2011/12 to 2013/14 Annual Report, p.77, Eastern Cape Department of Human Settlements 2011/12 Operational Plan, p.61

⁵⁵ Eastern Cape Department of Human Settlements 2011/12 Operational Plan, p.61

⁵⁶ Eastern Cape Department of Human Settlements 2011/12 to 2013/14 Annual Performance Plan, p.45

The Department needs to be clear about which research projects they would like to conduct within the financial year and over the MTEF or what kind of partners or stakeholders exactly, they would like to secure. Unclear information regarding targets will make it difficult to assess whether targets match or suit the current housing needs or goals.

IV Budget and Costing of Plans

Relating the Equitable Share Budget to Strategic Goals

The “Relating expenditure trends to strategic goals” section is strategically placed at the end of each programme to assist in determining whether the measurable objectives listed are not only measurable but affordable and attainable. The discussion concerning budgets in relation to expenditure has not taken into account most of the operational and organisational challenges facing most Programmes mainly due to budget constraints⁵⁷. The 2011/12 budget for compensation of employees is R170 million. This is an increase of 5.93% from the 2010/11 adjusted allocation but once inflation is taken into account, it represents a real increase of only 1.18%.⁵⁸ The budget for compensation of employees also experiences a small real average growth of 0.21% over the MTEF.⁵⁹

In the 2010/11 financial year, the Department’s equitable share experienced a real budget decrease of 2.29% from the 2009/10 financial year.⁶⁰ The 2011/12 equitable share budget is R243 million which is a decrease of 4.89% in nominal terms from the previous financial year. When inflation is taken into account, this translates into a real decrease of 9.16% from the 2010/11 adjusted allocation.⁶¹ Over the MTEF, the Equitable Share budget will only grow at an average of 0.24% per year.⁶²

Programme 4 is one of the many Programmes that will experience budget declines once inflation has been taken into account. Programme 4 receives R7.2 million which is a nominal increase of 0.89% from the previous financial year which translates into a

⁵⁷ Eastern Cape Provincial Treasury Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11, p.491

⁵⁸ Eastern Cape Provincial Treasury Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11, p.491. CPI figures of 6% for the 2010/11 financial year and of 5.6% and 5% over the latter two years of MTEF have been applied.

⁵⁹ Ibid.

⁶⁰ CPI figures of an inflation rate of 6% for the 2010/11 financial year and of 5.6% and 5% over the MTEF respectively provided by National Treasury have been applied.

⁶¹ Eastern Cape Overview and Estimates of Provincial Expenditure 2011/12 p.589

⁶² CPIX figures were used to calculate what the real buying power would be for each of the budget allocations in the budget horizon (2007/08-2013/14). These figures were then used to calculate the real growth. See table 3 on page of this document

budget decrease of 6.93% (when inflation has been taken into account).⁶³ The Programme is projected to experience a real budget decline of 2.32% over the MTEF.⁶⁴ Programme 4 requires increased allocations this financial year and over the MTEF to support the Department's strategy of expanding social and rental opportunities as an alternative solution to the housing problem.

This year's plans fail to discuss how budget constraints within the Equitable Share line items such as human resources will present future setbacks in housing delivery. There is a clear need for Equitable Share funding to be improved in order for the Department to realise its plans. The Department is urged to discuss shortcomings in budget allocations and indicate how these budget constraints will affect the realisation of its targets and the goals.⁶⁵

Revenue Collection Plan

According to former Treasury guidelines, APPs must include a section detailing the Department's revenue collection plan.⁶⁶ In previous years, no such section was included in the APP until 2008/09 when section C, entitled "Capital Investment, Maintenance and Asset Management", was introduced, and consisted of a table which had unfortunately been left blank.

In the current Treasury guidelines, this section is absent altogether from the APP. This is of concern considering that the Department collects millions of rands in revenue through rental stock and sale of capital assets. The absence of this section in the strategic plan means the Department fails to provide details of how the collection of money will be coordinated. The section is also important because the Department needs to produce a detailed and coherent plan of how it intends to raise more revenue, use revenue and deal with revenue collection challenges such as rental defaults. The absence of such a section in planning documents will be problematic. The Department is responsible for the management of the revenue funds. It is therefore critical that the Department includes in its strategic plans the amount of money collected and the plans attached to the use of this money for oversight purposes.

⁶³ Ibid, CPI figures of an inflation rate of 4.4% for the 2010/11 financial year and of 5% and 5.2% over the MTEF respectively provided by National Treasury have been applied

⁶⁴ Eastern Cape Overview and Estimates of Provincial Expenditure 2011/12,p.597

⁶⁵ Department of National Treasury,Framework and templates for provincial departments for the preparation of Strategic and Performance Plans August 2010, p.37-38

⁶⁶ 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.

V Consultation and Partnerships

External Consultation

Another important section that has been removed from the revised APP Treasury guidelines includes a section on consultation and partnerships.

Consultation with various stakeholders – such as the communities, staff members, municipalities, construction industry and so on – is an essential part of developing a better understanding of the service delivery environment, which in turn will enhance the accuracy and relevance of a strategic plan. The revised APP guidelines do not include any information on the Department's internal and external consultation processes.⁶⁷ The only reference to a consultation process can be found in the Strategic Plan document and the Service Delivery Improvement Plans which lists the stakeholders involved in the consultation process for each programme.⁶⁸ Unfortunately very little information is provided about the consultation process and how the issues raised were incorporated into the planning documents. The Department does provide some evidence of some consultation process occurring but this evidence is not sufficient. The consultation section should in the future include what issues were raised by the stakeholders during the consultation process and how the Department has incorporated the voices and concerns of the stakeholders into the strategic planning process. We strongly encourage Treasury to re-introduce the section on consultation processes in the APP as the Departments must be consulting with external stakeholders and the community on a regular basis. The Department is also encouraged to voluntarily share this information as consulting with various stakeholders particularly the communities as it is an important part of the planning process.

The Department's strategic plan and APP does not provide information about any partnerships.⁶⁹ This is surprising considering its important partnerships with local government, the NHBRC, and national social housing institutions among others. The Department relies heavily on municipalities for quality assurance in the provision of housing therefore detailed information surrounding this crucial partnership in the APP are vital. In addition, the MEC maintains that the Department intends to strengthen partnerships with other Departments,⁷⁰ The consolidation of several MoUs between the

⁶⁷ Eastern Cape Department of Human Settlements 2011/12 Service Delivery Improvement Plans, p.5, Eastern Cape Department of Human Settlements 2010/11-2013/14 Annual Performance Plan p.13-20

⁶⁸ Eastern Cape Department of Human Settlements 2010/11-2014/15 Strategic Plan, p.36, Eastern Cape Department of Human Settlements 2011/2012 Service Delivery Improvement Plans 2011/2012, p.5-15

⁶⁹ Eastern Cape Department of Human Settlements 2010/11-2014/15 Strategic Plan, p.67, Eastern Cape Department of Human Settlements 2010/11-2013/14 Annual Performance Plan,p.118

⁷⁰ Ibid,p.9

Department and other stakeholders is referred to numerously but no further details regarding the nature and structure of these memorandums is provided.⁷¹ The Department needs to be more transparent about the agreements it signs with private parties particularly when it involves the transfer of funds to any public or private entity.

Conclusion

This financial year, only the MEC provides a foreword, the MEC does not clearly outline in the APP and OP what the Department hopes to achieve in the next three to five years particularly where housing output targets are concerned. The plans show an insignificant growth in housing output targets among other targets. The MEC needs to justify and explain reduction in targets against overwhelming evidence of a large backlog. A foreword by the Accounting Officer needs to be incorporated in future planning documents which discusses the institutional and environmental challenges facing the Department and incorporate these challenges in the planning and policy direction of the APP and OP. The Accounting Officer's foreword should also discuss the Department's financial management challenges relating to the 2011/12 conditional grant allocation, equitable share allocation and the current human resource challenges facing the Department.

The APP should also 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 which is worrisome considering one of the Department's strategic goals to develop integrated human settlements "through integrated planning". 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 the Urban Settlement Development Grant funds to local government. Poor financial management in municipalities 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, skills in order to support this crucial partnership with the accredited municipalities in the delivery of houses.

The Revised 2010 APP National Treasury framework does not require the Departments to include any information on the Department's consultation with external stakeholders as in previous APPs. Information regarding consultation is only provided in the Departments' Strategic Plans. As the PSAM, we feel that engagement with external

⁷¹ Eastern Cape Department of Human Settlements 2010/11-2013/14 Annual Performance Plan, p.54

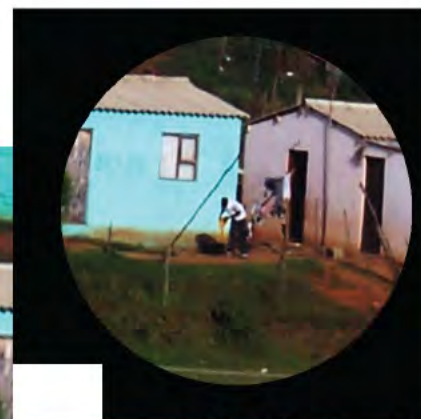
stakeholders such as communities, district and local municipalities as well as research institutes and the construction sector should be conducted regularly as they form an important part of developing an accurate and coherent understanding of the housing sector's delivery environment. Information on this engagement should be reintroduced into the APP.

The Department needs to adequately give an account of the internal and external environment in the APP and indicate how these have been factored in the current financial year and over the MTEF. Performance Delivery Environment and Organisational Environment need to adequately discuss the human resource challenges, financial management challenges, project management and bulk infrastructure challenges. Although some information has been provided in the Strategic Plan and Service Delivery Improvement Plans, the Department need to assess and update their internal and external environment on a regular basis.

New Treasury guidelines now have a "relating expenditure trends to strategic goals" section which appears in both the APP and OP. This section provides numbers but no explanation or commentaries by Programme heads as to whether the budget will be sufficient for achieving targets. Crucial line items such as Compensation of Employees, Equitable Share, Programmes 2 and 4 budget allocations are not growing significantly over the MTEF. In addition, when inflation is taken into account, the budget appears to be declining over the MTEF. This section needs to openly discuss budget limitations with human resources, the equitable share line item and other programmes as severe budget limitations has often been identified as the cause of many targets not being achieved in previous financial years. Where budget constraints can be identified, the Department and oversight bodies can be in a position to mitigate the risks that arise from budget constraints as well as motivate for additional funding. Without meaningful partnerships, adequate human and financial resources in addition to low targets the Department will not be able to achieve its goals and targets.



RHODES UNIVERSITY
Where leaders learn



Incorporating the Public Service Accountability Monitor

Tel: +27 (0)46 603 8358
Fax: +27 (0)46 622 7215

www.icount.org.za
www.psam.org.za

