

Eastern Cape Department of Human Settlements

Strategic Plan Evaluation:

Annual Performance Plan 2012/13-2014/15

Operational Plan 2012/13

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Summary of Key Findings and Recommendations

I. Strategic Direction

Finding

The setting of targets in this financial year and over the MTEF is inconsistent with the Department's five year strategic plan which calculates that in order to reduce the provincial backlog of 750 000¹ units over the next 5 years, the Department needs to plan and budget building "19 000 to 27 000 housing output per year using available resources and service sites."²

Recommendation

Where there is deviation or changes from the 5 year strategic plan, the MEC's foreword must highlight significant changes in strategic direction also providing justification and explanations for the revision of housing targets below those originally planned. Whilst the MEC is commended for emphasizing quality and not quantity as a response to the Department setting low targets, quantity still remains an important part of the Department's mandate and strategic goal of accelerating delivery also taking into account the growing frustration of slow housing delivery in the province reflected in a wave of violent service delivery protests which have been on the increase.

Finding

This financial year, the MEC highlights the introduction of the Service delivery model and the Finance Linked Individual Subsidy Programme (FLISP) but neglects to discuss progress on the white paper on informal settlements and proposed legislation. The MEC fails to highlight the introduction of the Rural Households Infrastructure Grant (RHIG) this financial year and the Urban Settlements Development Grant (USDG) introduced in the previous financial year.

Recommendation

The functions and activities as well as the financial management of the USDG have been briefly discussed in the 2011/12 APP but its implications for the Department's structures and activities were not discussed. More information has to be provided by the MEC as there is very little clarity in the plans in terms of roles, responsibilities, targets and accountability processes of both the FLISP, USDG and RHIG. Progress on the white paper "the prevention of the mushrooming of informal settlements" and its future implications on the planning and budgeting processes must be discussed.

¹ Eastern Cape Department of Human Settlements Strategic Plan 2010/11 to 2014/15, p.21

² Ibid

II. Performance and Monitoring

Finding

This year's Annual Performance Plan (APP) plans provides more information on the Department's external service delivery environment when compared with previous years particularly with regard to demographic profiles and housing demand statistics. However there is little or at times no references made to the data collected. No reference is made to the research study into housing demand conducted by the HSRC in 2010. Furthermore, the APP does not measure the Department's progress to date regarding meeting the provincial housing backlog.

Recommendation

Although the Department must be commended for producing the most detailed and most unambiguous housing backlog stats thus far, there are still questions surrounding its accuracy and validity. More information and references regarding data collection need to be provided as well as regular updates on the Department's progress regarding meeting the house backlog. The Department is urged to make use of relevant and up to date research on the current provincial backlog for accurate and effective planning purposes in particular the setting of targets.

Finding

The Strategic Framework of the Department of Human Settlements (2007) includes traditional dwellings as part of the provincial housing backlog figure thereby this year plans and over the MTEF focus the majority of the Departments resources towards rural housing.

Recommendation

The APP needs to also consider the impact of rural-urban migration within the province. This year's plan only provides details of migration between the Eastern Cape and other provinces. While this is potentially useful information, information revealing internal migration trends would be of more use as it will increasing understanding thereby adding value to the accuracy in the strategic direction, planning of objectives and targets in relation to rural and urban housing development

III. Strategic Goals, Objectives and Performance Indicators

Finding

The *Service Delivery Improvement Plans (SDIPs)* does very little to strengthen its planning documents and service delivery model.

Recommendation

It is essential that the *SDIPs* go beyond just stating goals and commitments to implement the *Batho Pele* principles to improve the quality of service delivery. As much as this is useful, the *SDIPs* can offer more. In addition to committing to the *Batho Pele* principles under each programme discussion, further information can be given on the internal challenges faced by each programme and how these challenges impact on programme objectives and what strategies each programme will undertake to combat obstacles. Additional improvements to the *SDIPs* also include more information on the Department's partnerships and service beneficiaries.

Finding

The APP should contain performance indicators as well as a detailed strategy for addressing the Auditor General's (AG) queries. There has been a failure by the APPs performance indicators to adequately address AG concerns particularly with Supply Chain Management as well as the monitoring and review of reporting and actual performance. In addition, the performance indicators do not clearly show how they intend to respond to the Department's current challenges with regard to land procurement, bulk infrastructure and the lack of suitably available land discussed in Part D of the plan.

Recommendation

More specific indicators can be used to directly address the AG's concerns regarding the Department's failure to comply with PFMA regulations and monitoring financial reporting. The Department needs to hold more information sharing workshops between various branches as well as hold training workshops on PFMA policies and National Treasury Guidelines. There should also be performance indicators that reflect a commitment to take serious measures against those that fail to comply with PFMA regulations and Treasury laws and regulations. Issues regarding leadership, monitoring and evaluation of actual performance and financial management could be improved by increasing the number of branch performance review sessions as well as increase the number of oversight reports on programmes from one year to at least one every quarter. The plan should include specific targets and activities which respond to expected challenges and how these will be managed.

Finding

Once again there are no technical indicators for each Programme performance indicator within the APP. Technical indicators are only found in the Department's Strategic Plan.

Recommendation

According to the National Treasury planning framework both the Strategic Plan and the APP should contain Annexure E that lists technical indicators along with the responsible

officials³ but no technical indicators or responsible officials are provided in this year's APP. This is a clear violation of national treasury planning regulations which must be rectified in future documents.

IV. Budget and costing of plans

Finding

For the 2012/13 financial year the Eastern Cape Department of Human Settlements has received a total budget of R2.57 billion. This represents a nominal decrease of R171.9 million or 1.57% from the 2011/12 adjusted budget of R2.61 billion. Once inflation is taken into account, this represents a further budget decrease of 4.97% in real terms. The plan does discuss the effects of budget on the Department's ability to achieve targets and neither does it provide the measures that will be put in place to ensure that the strategic objectives continue to be realised.

Recommendation

Unfortunately the plan fails to reflect and discuss the likely pressures on each Programme's ability to achieve targets as result of an inadequate budget and also fails to discuss what measures each programme will take to ensure targets are still met. The Department is urged to highlight the possible negative impact on performance for each Programme as a result of budget allocations and risk mitigation plans in future plans.

Finding

Part C of the APP does not provide any information on public entities of public-private-partnerships (PPPs). While the Department currently has no public entities or PPPs, the Department makes reference in Part D of the APP to plans to source additional capacity through partnerships with financial institutions and functional housing institutions within the province to augment current capacity.

Recommendation

Future APPs should include information on the Department's present and planned engagement with other government departments, non-governmental financial and housing institutions.

Finding

The APP does not to provide details of revenue collected and how the Department intends to use the revenue collected as part of the planning and budgeting processes and neither does the Strategic Plan.

³ National Treasury Framework for Strategic Plans and Annual Performance Plans, Section 5.1 p.12& 42

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.

Introduction

Provincial government departments are expected to draw up two strategic plans, a Five-year plan and an Annual Performance Plan (APP).

The Five-year Strategic 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 APP's which set out what they intend doing in the upcoming Medium Term Expenditure Framework (MTEF) period to implement their respective Five-year Strategic Plan.

In addition to the annual performance plan, departments are expected to produce a detailed one-year operational plan. 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. This report evaluates the strategic plans of the Eastern Cape Department of Human Settlements for the 2012/13 financial year and MTEF period 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 the MEC's foreword features what specific policies and service delivery priorities will be supported by the strategic plans⁴ in this financial year and over next three to five years. Among the strategic objectives is to accelerate the delivery of housing opportunities and achieving a 2012/13 housing target of 16 726 housing units. This target is an increase of only a 1 308 units from the previous financial year housing target of 15 418 units.⁵ The continuous setting of low housing targets by the Department is becoming an issue of great concern clearly because it is not in line with the Department's strategic objective which is to accelerate delivery. The setting of targets in this financial year, in the previous financial year and the planned targets over the MTEF is also inconsistent with the Department's five year strategic plan which calculates that in order to reduce the provincial backlog of 750 000⁶ over the next 5 years, the Department needs to plan and budget building "19 000 to 27 000 housing output per year using available resources and service sites".⁷ Where there is deviation or changes from the 5 year strategic plan, the MEC's foreword must highlight significant changes in strategic direction also providing justification and explanations for the setting of targets below the planned housing targets.

Whilst the MEC is commended for emphasizing quality and not quantity as a response to the Department setting low targets, quantity still remains an important part of the Department's mandate and strategic goal of accelerating delivery. It also remains an important aspect taking into account the large provincial housing backlog and the growing frustration of the slow housing delivery in the province reflected in an increasing wave of violent service delivery protests.⁸ Numbers are also an important part of measuring progress which reflects how well the Department is performing with regards to its mandate. The current low targets are currently unclear and explained. If the Department's current housing targets are a reflection of serious challenges hampering the Department's ability to deliver higher targets, the MEC's foreword must highlight and speak to how these specific challenges will be addressed in the APP. Unfortunately, once again this year's foreword does not highlight challenges in the Department's strategic objective and neither does the foreword reflect on the past financial year's

⁴ Eastern Cape Department of Human Settlement Annual Performance Plan 2012/13 to 2014/15, p.2, Eastern Cape Department of Human Settlement Operational Plan 2012/13, p.2

⁵ Eastern Cape Department of Human Settlement Annual Performance Plan 2011/12 to 2013/14, p.9, Eastern Cape Department of Human Settlement Operational Plan 2012/13, p.9

⁶ Eastern Cape Department of Human Settlements Strategic Plan 2010/11 to 2014/15, p.21

⁷ Ibid

⁸ "Police fire rubber bullets at Walmer township protesters" Daily Dispatch, 30 May 2012. "Protesting residents hit streets again for houses" by N. Wathi. Daily Dispatch 12 July 2012, p.3.

progress, achievements and challenges. In previous financial years, a foreword by the Accounting Officer would provide a reflective discussion about the Department's achievements and challenges to assist in putting together a clear plan which seeks to address the challenges thereby improving the quality of planning.

Each year the MEC's foreword should set out any possible changes to the Department's policies or programmes. This financial year, the MEC highlights the introduction of the Service Delivery Model and the Finance Linked Individual Subsidy Programme (FLISP) but neglects to discuss progress on the white paper on informal settlements and proposed legislation. The MEC fails to highlight the introduction of the Rural Households Infrastructure Grant (RHIG) this financial year and the Urban Settlements Development Grant (USDG) introduced in the previous financial year. It is important that clarity be given about the key outputs, various role players associated with these grants as well as the significant changes within the Department as a result.

The MEC failed to also discuss the Department's goals and targets against 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 eradication/upgrading of informal settlements targets by 2014 set in the PGDP.

II. Performance and Monitoring

Performance Delivery and Organisational Environment

The purpose of the Situational analysis section which looks at the performance delivery and organisational environment is to inform the Department's plans based on a rigorous needs analysis so that the strategic plans can respond to the most pressing socio-economic needs.¹² The performance delivery section demonstrates how performance indicators relates to the province's socio-economic needs. This financial year provides more information on its external service delivery environment in its Annual Performance Plan than in previous years on demographic profiles and housing demand statistics Part

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 National Treasury Framework for Strategic Plans and Annual Performance Plans, August 2010, Section 5 p.26 Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan,p.8

D of the APP.¹³ It is not clear as why this information was not incorporated in Part A of the plan. The Department's assessment of the current housing backlog is set at 750 854 units¹⁴ but the Department's strategic plan estimated the backlog at 750 506 units.¹⁵ It appears from the APP figures that the housing backlog has increased. The housing backlog is also measured in housing units and not by number of people. The only backlog figure provided in terms of persons in need of housing is also provided in the Department's latest strategic plan. "Informal data collected at the request of the Department places the current number of persons in the province requiring houses at 750 506."¹⁶ This is the same figure provided for the backlog of housing units in the province.

The housing backlog figure provided in this year's APP sheds more light about the composition of the housing backlog in the province,¹⁷ which is a major improvement from figures provided in previous plans as well as the Department's most recent five year Strategic plan. The APP however does not measure the Department's progress regarding meeting this demand. The plan also provides a figure of "127 534 informal dwellings in the Province"¹⁸ which translates to 13.5% of the provincial backlog.¹⁹ The plan also states that "a study has revealed that there are about 225 000 households living in these informal settlements or backyard shacks."²⁰ Although the Department must be commended for producing the most detailed and most unambiguous housing backlog stats thus far, there is still questions surrounding its accuracy and validity. This is because not much information or references are provided about this study regarding how the Department compiled these housing backlog stats, when and how were these statistics were calculated and by whom? No reference is made to recently completed research study into housing demand conducted by the HSRC in 2010.

Research conducted by the HSRC into housing demand and backlog discovered that the number of informal and backyard shacks in the Eastern Cape stands at approximately 224 319 which translates into approximately 680 000 individuals who need to be housed.²¹ The study also discovered that the Eastern Cape needs to deliver 56 000 units a year to meet this urban target alone.²² It is simply not enough for the plans to list the housing backlog figures, the main purpose of the provincial backlog figures is to inform the Departments setting of targets and budgeting processes. Future plans need to

¹³ Ibid, p.116-117

¹⁴ Ibid, p.117

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

¹⁶ Ibid, p.17

¹⁷ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.118

¹⁸ Ibid

¹⁹ Ibid

²⁰ Ibid

²¹ "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 in April 2010, p.105.

²² Ibid

demonstrate how the information on housing backlog stats will inform the rationale behind the housing budget and the setting of housing targets. Unfortunately the HSRC research commissioned by the Department for the purposes of effective planning has not been referred to in the planning documents since its completion in April 2010. The Department is urged to make use of relevant and up to date research on the current provincial backlog for accurate and effective planning purposes in particular the setting of targets.

Despite the APP's failure to provide information regarding the credibility and validity on housing backlog figures, the Department can be commended for finally providing insight on whether traditional dwellings can be classified as "inadequate housing." According to this year's APP, the Strategic Framework of the Department of Human Settlements (2007) has included all traditional dwellings as part of the provincial backlog which presupposes that all traditional housing types are inadequate.²³ Already the categorisation of traditional dwellings as inadequate housing has already influenced the Department's strategic direction in which "traditional dwelling dominates and account for 77.5% indicating that rural housing demand is far greater than the demand in the urban setting." The plan also contains information of the different types of formal and informal housing per district²⁴ which the Department has already considered and has thus concluded that "rural housing demand is far greater than the demand in the urban setting."²⁵ Whilst this information has been useful in estimating where housing need is greatest, the plan also needs to take into account the combined population of urban to peri-urban districts of *NNBM*, *Cacadu* and *Amathole* which has a combined population of 3.07 million or 47% of the total 6.52 million Eastern Cape population.²⁶ The plan needs to also consider the impact of rural-urban migration within the province in addition this year's plan only provide details of migration between the Eastern Cape and other provinces. While this is potentially useful information, information revealing internal migration trends would be far more useful as it will increase understanding of migration patterns thereby adding value to the accuracy in the strategic direction, planning of objectives and targets in relation to rural and urban housing development.

The Department is urged to draw on research conducted on migration trends in the State of the Province published and distributed in 2010 by the Eastern Cape Department of Social Development,²⁷ In 2008/09 a "Rural housing demand study"²⁸ was completed and Fort Hare Institute for Social and Economic Research (FHISER) conducted a study into

²³ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.117

²⁴ Ibid p.116-118

²⁵ Ibid

²⁶ Ibid, p.116

²⁷ Eastern Cape Department of Social Development and Special Programmes, "The State of the Population in the Province of the Eastern Cape" p94 -108

²⁸ Eastern Cape Department of Housing Annual Report 2008/09, p.28, 73

internal migration migrations in 2006 as part of its Rapid Assessment Survey.²⁹ Key findings of this research seems to point to increasing rural-urban migration trends which the Department needs to consider when allocating resources and planning for rural housing development and the eradication of informal settlements.

Without clarity on housing demand and internal migration trends, the Department cannot set accurate housing targets. Currently, there is no clarity or clear explanation of how the Department are setting targets and to what extent are they using the demographic and migration trends data to inform the setting of targets. It is also unfortunate that most of the information on demographics, population and migration trends do not appear in the Department's most recent Strategic Plan.³⁰

Other possible challenges identified in Part D of the APP within the external environment in the APP include land acquisition and the provision of basic/bulk services³¹ however unlike the sub section that deals with the land needs, the needs on service section only provides statistics and fails to discuss the factors affecting the Department's ability to deliver bulk services and the Departments response to these challenges.³² An assessment of challenges within other key Departments and partners is also an important part of the external environment the plan should consider. The plan is urged to consider the impact of challenges within key sectoral organisations and departments in particular the Department of Local Government and its ability to meet goals and achieve targets. In order to improve future planning information on the main service delivery assessing the challenges faced by municipalities as well as municipal levels of capacity in key areas and the Department's plans to respond to or mitigate the impact of these challenges.

Unlike the "performance environment" section found in Part A of the APP³³ which has another in-depth section in Part D that looks at the performance environment in detail,³⁴ the organisational environment section is only addressed in part A of the APP and unfortunately in little detail about the financial and human resource challenges as a result of the insufficient equitable share with negative implications on the recruitment and retainment of critically skilled personnel. It is not sufficient for this section of the plan to simply acknowledge the challenges of "the tight fiscal resource envelope"³⁵ and "acute and persistent human resource, systems and equipment shortages."³⁶ Rather, the

²⁹ University of Fort Hare, Volume One, Rapid Assessment of Service Delivery and Socio-Economic Survey in the Eastern Cape, Prepared by The Fort Hare Institute of Social and Economic Research (FHISER), University of Fort Hare, June 2006, p.81 - 135

³⁰ Eastern Cape Department of Human Settlements 2010/11-2014/14 Strategic Plan , p.16-35

³¹ Eastern Cape Department of Human Settlements 2012/13 Annual Performance Plan, p.120-121

³² Ibid

³³ Ibid, p.9

³⁴ Ibid, p.114-121

³⁵ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.9

³⁶ Ibid

purpose of this section is to include in narrative detail the impact of acute financial and human resource challenges on the Department's strategic goals and targets as well as provide a comprehensive strategy on how these challenges will be addressed particularly for long term challenges such as financial and human resource constraints.

Latest Eastern Cape Municipal Annual Report *indicate that the bulk of Eastern Cape Municipal Infrastructure Grant (MIG) funding has been returned to National Treasury. According to the 2010/11 Annual Report, 20% of Eastern Cape Municipalities under-spent a total of R590 million of the Municipal Infrastructure Grant (MIG).*³⁷ *The Eastern Cape is ranked as having the worst performing municipalities in terms of the delivery of basic services such as sanitation, water and electricity*³⁸ *with OR Tambo District Municipality, failure to spend 41% or 234 million of its R560 million infrastructure budget over the 2010/11 financial year.*³⁹ In addition to the gross under-spending of the MIG, the Auditor-General's Local Government 2010/11 Annual Report reported that only nine out of forty five municipalities⁴⁰ received qualified audits and 42% or 19 municipalities received either an adverse or a disclaimer audit opinion.⁴¹ The report also found that at the core of the Eastern Cape municipalities failure to perform is lack of adequate skills and capacity particularly in the area of financial management combined with high vacancy rates in critical positions and a weak monitoring and evaluation processes.⁴²

In light of these findings, the Department is urged to offer a comprehensive strategy to deal with such persistent municipal challenges as these automatically impact negatively on the Department's plans to deliver quality houses at an accelerated pace. It is clear from the latest AG findings, Eastern Cape municipalities will require much support particularly in the area of accreditation, planning and monitoring of housing projects. The Department is therefore urged to boost its accreditation and support programme as well as its monitoring and quality assurance programme. The Department risks housing projects not being properly planned and implemented should it fail to provide adequate local government support.

³⁷ AGSA consolidated general report of the audit outcomes of the local government of the Eastern Cape 2010/11, p.103

³⁸ Ibid, p.104

³⁹ Ibid

⁴⁰ Ibid, p.18

⁴¹ Ibid, p. 18

⁴² Ibid, p.104

Service Delivery Improvement Plans (SDIPs)

In addition to Part A and Part D of the APP The *Service Delivery Improvement Plans (SDIPs)*⁴³ also undertakes to explain more of the performance and organisational environment in order to strengthen its planning documents and service delivery model. It is essential that the *SDIPs* go beyond just stating goals and commitments to implement the *Batho Pele* principles to improve the quality of service delivery. As much as this is useful, the *SDIPs* can offer more. In addition to committing to the *Batho Pele* principles under each programme discussion, further information can be given on the internal challenges faced by each programme and how these challenges impact on programme objectives and what strategies each programme will undertake to combat obstacles. It is simply not enough to bullet list persistent problems and challenges year on year.⁴⁴ The “Key service delivery challenges” section in the *SDIP* can improve by contain two columns, the first listing the key service delivery challenges and the second column a bulleted list enlisting the measures planned to overcome constraints as part of its planned quality improvement measures.

Additional improvements to the *SDIPs* also include more information on the Department’s partnerships and service beneficiaries other than “other provincial departments”⁴⁵ and the “business community.”⁴⁶ Considering that among the Department’s major strategic goals is “integrated planning” through strategic partnerships, the quality of information provided under the “Stakeholders, Customers and Partners” can improve drastically. This section of the *SDIPs* can also discuss what the Department hopes to achieve with each partnership and possible barriers to each partnership. It will be very difficult with for the Department to produce coherent and effective service delivery improvement plans unless there is an in-depth assessment of key service delivery challenges and the nature of strategic partnerships.

The *SDIPs* could also improve by adding a baseline measure assessing the outcome of the desired standards set in the previous financial year. Such information on a regular basis, makes it possible to assess whether the Department’s programmes have been effective improving its standards and planned activities. According to the MEC’s foreword in the *SDIPs*, “through the *SDIPs* we grounding the principle that our services shall be characterised by high level of accountability to the people we are serving...”⁴⁷ Without information such as the introduction of baseline measures accompanied by a list of officials responsible for each strategic objective or programme along with their contact details, it is not possible for “high level accountability” to be attained.

⁴³ Eastern Cape Department of Human Settlements 2012/2013 Service Delivery Improvement Plans, p.8-9

⁴⁴ Eastern Cape Department of Human Settlements Service Delivery Improvement Plans 2012-13, p. 8-9

⁴⁵ Ibid, p.9

⁴⁶ Ibid

⁴⁷ Ibid, p.7

III. Programme Performance indicators

Performance indicators for each strategic objectives must be measurable and observable and most importantly they must produce meaningful information for management and oversight purposes.⁴⁸ Unfortunately some sections of the Departments Annual Performance and Operational Plans are inadequate or not measurable enough to produce meaningful information which will be highlighted by Programme.

Programme 1: Administration

Performance indicators under the sub-programmes “MEC Office” and “Office of the HOD” such as “number of MEC engagements coordinated”⁴⁹ and “number of external strategic engagements coordinated”⁵⁰ are inadequate as they do not inform from a management or oversight perspective with whom the Department is planning these external engagements with and for what purpose. There are no indicators to measure the outcome of these strategic engagements. The Operational Plan unfortunately does not offer more information about the planned external engagements only stating the number of “private enterprise stakeholders engagements.”⁵¹ Without more specific information concerning who the Department plans to engage with strategically, for what purposes or which specific outcomes, simply stating the number of external engagements, the current indicators are meaningless and vague.

More meaningful and robust performance indicators can be used under the “Anti corruption and corporate security management sub-programme”⁵² whose main objective is to fight fraud and corruption.⁵³ The performance indicators under this sub-programme includes “number of awareness campaigns”⁵⁴, “date and development of departmental gift policy and whistle blowing policy” and “turn-around time to cases received and concluded.”⁵⁵ The inadequacies of these performance indicators are the exclusion of the number of outstanding or pending corruption cases, number of cases concluded, number of reviews for the fraud and risk plan, departmental gift policy and whistle blowing. Without these crucial performance indicators, the performance indicators for the anti corruption sub-programme are incomplete. It is not enough to state the number of days corruption cases will be solved or when anti corruption policies will be implemented. It is important that we know how many cases the Department are still

⁴⁸ National Treasury Framework for Strategic Plans and Annual Performance Plans, Section 5.3.7. p.15

⁴⁹ Eastern Cape Department of Human Settlements Annual Performance 2012/13-2014/15, p.15

⁵⁰ Eastern Cape Department of Human Settlements Annual Performance 2012/13-2014/15, p.17

⁵¹ Eastern Cape Department of Human Settlements Operational Plan 2012/13 p.11

⁵² Eastern Cape Department of Human Settlements Annual Performance 2012/13-2014/15, p.19

⁵³ Ibid, p.19

⁵⁴ Ibid, p.20-21

⁵⁵ Ibid

investigating and when they anticipate to complete and implement disciplinary measures. Furthermore the Department must plan to retrieve all money lost to the Department fraudulently. It is also important that the Department plans to review and update the policies that they implement over the MTEF. The Department should increase the number of policies and systems over the MTEF. The anti corruption programme do not provide baseline measures which are key particularly for this sub-programme so that progress can be measured and timeous corrective steps can be taken when problems occur.

The purpose of plans is also to ensure that the Auditor-General's recommendations are implemented and planned for in order for progress and improvements in service delivery and financial management to be realised. In the latest annual report, the Auditor-General raised a number of issues and recommendations regarding supply chain management (SCM sub-programme). According to the 2010/11 Annual Report, the concerns raised by the AG include but are not limited to: irregular expenditure of R49.3 million as a result of contravening the PFMA regulations relating to supply chain management practices and duplicate payments.⁵⁶ Furthermore, that the financial systems supporting the disclosures in the annual financial statements were not updated and reviewed on a regular basis.⁵⁷ The processes of monitoring and review implemented by the Department were not sufficient to ensure reporting against actual performance and that the supply chain management policy was followed in all instances.⁵⁸

Questions should therefore be asked if performance indicators for the SCM and Financial Management sub-programmes have addressed the above issues and to what extent. For starters, a number of performance indicators under the SCM focus on reviewing and approving policies and plans as well as writing of procurement reports.⁵⁹ As useful as these performance indicators will be, specific indicators can be used to directly address the AG's concerns regarding the Departments failure to comply with PFMA regulations and monitoring financial reporting. To improve effective and efficient SCM processes and monitoring, the Department need to hold more information sharing workshops between various branches as well as hold training workshops on PFMA policies and National Treasury Guidelines.

There should also be performance indicators that reflect a commitment to take serious measures against those that fail to comply with PFMA and Treasury Regulations . Issues regarding leadership, monitoring and evaluation of actual performance and financial management could be improved by increasing the number of branch

⁵⁶ Eastern Cape Department of Human Settlements Annual Report 2010/11, p.119

⁵⁷ Ibid, p.120

⁵⁸ Ibid.

⁵⁹ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan p.27-28

performance review sessions from four per year to eight per year.⁶⁰ As well as increase the number of oversight reports on programmes from one year to at least one every quarter.⁶¹

There have been leadership issues on reporting and monitoring of performance and financial management. The Chief Operations Officer mandate is to assist the HOD in leadership, oversight and monitoring and evaluation. The COO office should consider introducing strategic reporting review sessions and increasing the number of sessions needed to support and guide programmes given that the AG keeps highlighting poor performance reporting and non compliance regarding financial regulations. Sessions meant to provide guidance on monitoring and reporting goals and targets and programme performance set in the strategic plan should ideally increase from four to eight per year until improvement in this area has been noted by the AG.⁶²

The introduction of the “Grant management sub-programme” whose main aim is to provide administration and management of human settlements now has performance indicators that monitor and evaluate financial and non financial data on the grant activities and finances.⁶³ This will greatly assist the Department in improving reporting on non financial and financial performance. Drastic improvement on reporting on performance should be expected this financial year and over the MTEF.

In order to adequately address weaknesses identified by the Auditor General, the Department must include a detailed strategy to provide the human and financial resources necessary should be properly planned for. The Department needs adequate human resource capacity in order to take part in activities and fulfil objectives. For the past two years, the Department has been operating with a vacancy of 54%.⁶⁴ The plan however does not analyse nor address the issue of high vacancy rates but simply highlights it.⁶⁵ An analysis would include information on among other things, what the nature of the capacity constraints such as skills and positions for example. An analysis would also discuss the impact of human resource shortages is on the quality of service delivery in addition to what measures the Department has set out to mitigate these negative effects. With the Department functioning only at 46% of its capacity, there will definitely be repercussions making it extremely difficult for the Department’s targets and activities to be implemented.

⁶⁰ Ibid, p.30

⁶¹ Ibid, p.31, Eastern Cape Department of Human Settlements 2012/13 Operational Plan, p.30.

⁶² Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.33

⁶³ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.29, Eastern Cape Department of Human Settlements 2012/13 Operational Plan, p.28

⁶⁴ Human Settlement 2011/12 Policy and Budget Speech delivered by MEC H. Sauls-August on 24 March 2011, Human Settlement 2011/12 Policy and Budget Speech delivered by MEC H. Sauls-August on 24 March 2012,p.13

⁶⁵ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.9

Performance indicators for human resources are “percentage of vacant posts filled” as an indicator for the attraction and retention of quality Human Capital and Talent strategic objective⁶⁶ for such a crucial objective is not only difficult to measure but it is also an inadequate indicator. The Department should provide information on which posts, how many funded posts there are and how many are vacant. In terms of measuring progress and for oversight purposes, percentages as baseline performance indicators cannot provide an accurate, unbiased and complete measure of the progress regarding filling of critical posts and how much progress is being made with regards to reducing vacancy rates. The plans also need to talk not only to the budgeted or “vacancy funded posts” and but also to 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 more effective strategies 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.

Programme 2

As a policy priority, the Department aims to build strong inter-governmental relationship this financial year and over the MTEF in particular with the Department of Cooperate Governance (DPCG) who is a key partner in the implementation of housing and basic services. Performance indicators in the “Capacity building and municipal accreditation” sub-programme reflect little that will boost municipal capacity and performance. The Department plans to implement three capacity building programmes this financial year and over the MTEF thereby creating a total of nine capacity building programmes in 3 years.⁶⁷ Considering the large number of municipalities currently in the province in need of assistance and capacity building, the Department needs to increase the number of municipalities each year over the MTEF if the Department is to achieve its targets and policy priorities of providing housing and basic services such as sanitation, water and electricity. In addition municipalities are also essential for the Department’s ability to locate and develop land for housing projects. Unless a large number of municipalities are provided with much more capacity building support the Department’s pace to deliver

⁶⁶ Ibid, p.45

⁶⁷ Eastern Cape Department of Human Settlements 2012/13 to 2014/15 Annual Performance Plan, p.53

housing and basic services will be slow-moving. Some performance indicators in Programme 2 are also to a certain extent inadequate. No performance indicators speak to the number of municipalities accredited thus far and to which levels. No baseline information is provided for this sub-programme and most sub-programmes within Programme 2. Unless this Programme is open and clear about its performance in the past financial years, the Department and oversight bodies will find it difficult to measure the efficacy of their activities and strategies.

It is not clear from the performance indicators how the objectives for the “Housing policy”, “planning” and research” sub-programmes will be met. It is important that the sub-programmes includes information on how policies will be “developed”⁶⁸, “reviewed”⁶⁹ and “rolled out”⁷⁰ whether by the Department itself, by consultants or researchers for example. The sub-programmes must state what activities exactly it will undertake to meet its planned objectives. This year’s Operational Plan (OP) reflects an improvement in this regard, a column in the OP listing “key activities” to be undertaken by each sub-programme. This column will greatly assist the Department and oversight bodies in effectively measuring its progress in terms of fulfilling objectives. There is however room for improvement however, the OP can be more specific about key activities, it is not adequate to simply state “secure research reports for the research database”⁷¹ or “facilitate development of research agenda.”⁷² In terms of analysing what key activities will be conducted in order to secure reports or facilitate the development of research agenda, the performance indicators are of very little use because no proper key activities are given.

Another strategic objective that needs more comprehensive performance indicators and key activities under the “Needs” sub-programme is “date of update of alternative technologies in construction and material supply.”⁷³ In his 2010 State of the Nation Address, President Jacob Zuma acknowledged that the national housing backlog required more than one response.⁷⁴ Minister of Human Settlements, Tokyo Sexwale, also identified “accelerated delivery of housing opportunities” as among the four Human Settlements priorities till 2014.⁷⁵ As part of Department’s strategy on how it plans to accelerate and improve quality of housing and basic services delivery, simply providing a date is insufficient. Performance indicators for this sub-programme need to set targets and indicators that identify what other alternative solutions or technologies has been found or need to be found in order to address many of the Department’s construction

⁶⁸ Ibid p.55-57

⁶⁹ Ibid

⁷⁰ Eastern Cape Department of Human Settlements 2012/13 to 2014/15 Annual Performance Plan, p.55-57

⁷¹ Eastern Cape Department of Human Settlements 2012/13 Operational Plan, p.60-61

⁷² Ibid

⁷³ Ibid, p.57

⁷⁴ State of the Nation address delivered by President J.Zuma on 11 February 2010

⁷⁵ Human Settlements 2010/11 Vote Budget Speech delivered by Minister T. Sexwale on 21 April 2010

challenges regarding bulk infrastructure and informal settlements upgrading. In addition, performance indicators and key activities should speak to what new initiatives or technologies have been discovered or are currently being explored. Since the Department has committed to explore alternative technologies in previous financial years as well as this financial year and over the MTEF, what has been the outcome and what should we anticipate as a result of innovative construction methods and building technologies?

The Department needs to dramatically increase the rate of delivery to meet current and ever increasing demand for housing and basic services. "Bulk challenges" do seem to be responsible for the current slow pace of delivery. Speaking in Parliament, Minister of Human Settlements, Mr.T.Sexwale stated that bulk infrastructure problems are slowing down housing delivery programmes.⁷⁶ The current housing model or typology being delivered by the Department is not suitable for the acceleration of housing delivery. Alternative options in the form of 6 BNG projects and informal settlement programme were launched in the 2010/11 financial year.⁷⁷ At the launch of these projects in 2010/11, the BNG projects were expected to yield 69 200 units upon completion.⁷⁸ Of the 6 BNG projects, only one, the *Zanemvula* BNG housing project has been completed and handed 4 695 housing units over to beneficiaries.⁷⁹ The MEC admitted facing "challenges" with BNG projects. Some of these challenges include "bulk infrastructure, land disputes, lack of integration with other social amenities."⁸⁰ It appears that the alternative BNG options still pose challenges. Bulk infrastructure challenges continue to be highlighted as major obstacles of the informal settlements upgrading year.⁸¹ It is disappointing that the plans fail to report on a ground breaking alternative technology here in the province. A Port Elizabeth housing construction company, *Moladi Housing Technology*, has reached the finals of a prestigious international competition concerning creating secure and affordable shelter for the poor.⁸² *Moladi* construction company were selected out of 100 other global contenders. The judges of the competition selected this construction because of its unique construction methods were able to cheap but quality housing at a fast rate. *Moladi* construction method was also nominated for job creation as well as training and equipping ordinary community members with valuable housing construction skills. The Department is strongly urged to look into *Moladi's* unique, faster,

⁷⁶ "Bulk infrastructure problems slowing down housing delivery" ,

<http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=14984&tid=25235>, 24 Nov 2010

⁷⁷ Human Settlements 2010/11 Policy and Budget delivered by MEC N. Mabandla on 24 March 2010

⁷⁸ Ibid

⁷⁹ Human Settlements 2012/13 Policy and Budget Speech delivered by MEC for Human Settlements, H. August - Sauls on 24 of March 2012, p.7

⁸⁰ Human Settlements 2012/13 Policy and Budget Speech delivered by MEC for Human Settlements, H. August - Sauls on 24 of March 2012, p.7

⁸¹ Human Settlements 2012/13 Policy and Budget Speech delivered by MEC for Human Settlements, H. August - Sauls on 24 of March 2012, p.7

⁸² "PE invention for global honours." The Herald article written by G. Rogers published 20 March 2012.

cheaper also quality construction method as part of its plans over the MTEF.⁸³ Other research focus needs include rural development and internal migration patterns in the province to better inform rural development policy.

Programme 3

This programme is central to the Department's ability to deliver on its mandate and key strategic goals such as the provision of integrated human settlements and the eradication of informal settlements by 2014. The performance indicators of the "Informal settlement sub-programme are unable to tell us whether the targets set under this sub-programme for this financial year and over the MTEF is sufficient to meet the strategic objective of eradicating informal settlements by 2014.⁸⁴ Performance indicators and annual targets under this Programme and sub-programme more specifically frequently refer to "number of projects initiated towards informal settlements eradication"⁸⁵ and "number of existing projects supported."⁸⁶ In 2010, the MEC Mabandla announced the launch of 6 BNG informal upgrading projects which were expected to yield a total of 69 200 units.⁸⁷ Concrete targets such as the number of units attached to each project and where these projects will be located are needed to measure strategic progress towards 2014. Project numbers or objectives, indicators and targets cannot be measured, monitored or evaluated. Only the location of the projects is provided in the Operational Plan,⁸⁸ the Operational Plan should also provide the number of units per project particularly for baseline figures in order to accurately gauge how much progress we have made and how much we still have to accomplish in meeting the 69 200 units target the fast approaching 2014 PGDP goal.

Another sub-programme requiring more robust performance indicators is the "social and rental intervention" sub-programme responsible for facilitating social and rental housing. This financial year the sub-programme has planned the delivery of 974 social housing units and intends to increase this target by 3 868 units per year over the MTEF.⁸⁹ the Such a drastic increase in targets needs to be supported by an adequate budget and human resources in able to meet such high target increases however the Department must be commended for increasing its social rental units target considering the decrease in housing targets over the last two financial years. The plan reflects that the Department will continue to set targets of between 16 000 and 20 000 units over the MTEF⁹⁰ which are far too conservative targets, not adequately responsive to the current provincial

⁸³ www.moladi.net

⁸⁴ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan,p.63

⁸⁵ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.63

⁸⁶ Ibid

⁸⁷ Human Settlements Budget and Policy speech delivered by MEC N. Mabandla on 24 March 2010, p.17

⁸⁸ Eastern Cape Department of Human Settlements 2012/13 Operational Plan, p.67

⁸⁹ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.66

⁹⁰ Ibid, p.69

housing backlog. If this is the case, the Department needs to expand and increase targets for alternative social and rental housing solutions. In 2010, the MEC announced the introduction of a new rental housing programme called the Community Residential Unit (CRU) programme for middle income groups.⁹¹ Unfortunately no information on the number of CRU projects initiated and approved since the 2010 financial year and planned over the MTEF is provided and neither is the number of CRU units delivered thus far alongside the locations.⁹²

On the other hand, there have been major improvements in the setting of performance indicators and targets for the “Housing quality and project management” sub-programme containing information and clear and measurable performance indicators such as the “number of units completed”⁹³, “number of sites serviced”⁹⁴, “number of defective houses rectified”⁹⁵ and “number of historical projects closed.”⁹⁶ Although there are some inadequacies with the housing quality assurance performance indicators only using “turn around time for inspection of completed houses and services” and “number of technical evaluations on projects” although important and useful indicators, performance indicators that are reliable and verifiable are expressed in terms of actual numbers.⁹⁷ The Department should set itself a target of the number of housing units inspected as well as the total number of units that will be technically evaluated after technical evaluations have been performed on projects.

A crucial performance indicator missing from the housing quality assurance programme is one that addresses blocked projects. Due to the many service delivery challenges that the Department is faced with many projects have been stalled or blocked as result the delivery of housing has slowed down the pace of delivery. The MEC admitted facing “challenges” with BNG projects. Some of these challenges include “bulk infrastructure, land disputes, lack of integration with other social amenities.”⁹⁸ How many projects have been blocked and what are the Department’s plans to unblock these? In previous financial years, the Programme had such performance indicators.⁹⁹ Setting performance indicators specifically for the unblocking of projects means the Department will have to hold itself accountable in this regard.

⁹¹ Human Settlements Budget and Policy speech delivered by MEC N. Mabandla on 24 March 2010, p.24

⁹² Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.66, Eastern Cape Department of Human Settlements 2012/13 Operational Plan,p.74

⁹³ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.69

⁹⁴ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.69

⁹⁵ Ibid

⁹⁶ Ibid

⁹⁷ National Treasury Framework for Strategic plans and Annual Performance Plans, August 2010, Section 5.3.7., p.15

⁹⁸ Human Settlements 2012/13 Policy and Budget Speech delivered by MEC for Human Settlements, H. August - Sauls on 24 of March 2012, p.7

⁹⁹ Eastern Cape Department of Human Settlements 2010/11-2012/13 Annual Performance Plan, p.84-85

Programme 4

Programme 4 performance indicators and targets in both the Annual Performance Plan and the Operational Plan are reliable, well defined, verifiable and relevant. Both performance indicators and targets with baseline information are expressed in terms of actual numbers.¹⁰⁰ However the performance indicators not clearly show how it intends to respond to the programme's current challenges on land procurement and the lack of suitably available land discussed in Part D of the plan.¹⁰¹ Programme 4 however fails to identify its challenges such as the lack of capacity for most social housing institutions and a high default rate on rentals in this year's plans and their plans to address these over the MTEF. There are no performance indicators on the accreditation of social housing institutions and consumer education programmes as measures to deal with these constraints but none of these measures have been included in the Department's three year plan or one year plan.

Finally within Part B of the APP, there are no technical indicators for each Programme performance indicator. Technical indicators are descriptions used to measure performance in relation to concepts or key strategic objectives.¹⁰² According to the National Treasury Strategic Planning Framework, the Annual Performance Plans templates annexures "cover any changes to the Strategic Plans where the institution has chosen not to issue a completely new plan *and* provides technical indicator descriptions."¹⁰³ In addition to providing technical indicators, the plan identifies a person responsible for managing and responding against the indicator.¹⁰⁴ The Department's Strategic Plan contains Annexure E that lists technical indicators along with the responsible officials¹⁰⁵ but no technical indicators or responsible officials are provided in this year's APP. This is a clear violation of national treasury planning regulations which must be rectified in future documents.

IV Budget and Costing of Plans

Relating the Human settlements budget to strategic delivery targets

For the 2012/13 financial year the Eastern Cape Department of Human Settlements has received a total budget of R2.57 billion. This represents a nominal decrease of R171.9 million or 1.57% from the 2011/12 adjusted budget of R2.61 billion.¹⁰⁶ Once inflation is

¹⁰⁰ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.72 -80

¹⁰¹ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.120

¹⁰² National Treasury Framework for Strategic Plans and Annual Performance Plans, Section 5.1 p.11

¹⁰³ Ibid, Section 5.2, p.12

¹⁰⁴ Ibid, Annexure E, p.42

¹⁰⁵ Eastern Cape Department of Human Settlements 2010/11-2014/15 Strategic Plan, p.68-80

¹⁰⁶ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.11.

taken into account, this represents a further budget decrease of 4.97% in real terms.¹⁰⁷ In addition the budget experiences a disappointing nominal growth of 3.92% over the MTEF. This decrease is a major setback when one takes into account the nominal increases of 29% in 2011/12 and 19% in 2010/11.¹⁰⁸ The Department plans to accelerate housing delivery, with a particular focus on beginning new housing projects in rural areas. These new BNG projects might suffer setbacks due to an inadequate budget. The implications of a budget decrease is further worsened by further deterioration in the global economic recession as well as global price increases. According to the National Treasury Framework the budgeting and costing section of each Programme should “indicate in bullet point form how budget allocations on performance targets and the measures that will be put in place to ensure that the strategic objectives continue to be realised.”¹⁰⁹ Unfortunately the plan fails to reflect and discuss the likely pressures on the each Programme’s ability to achieve targets as result of an inadequate budget and also fails to discuss what measures each programme will take to ensure targets are still met. The Department is urged to highlight the possible negative impact on performance for each Programme as a result of budget allocations and risk mitigation plans in future plans.

The personnel budget is set to increase from R170 million in 2011/12 to R210 million in the 2012/13 budget which represents a nominal budget increase of 23.21% and real budget increase of 18.96%. Over the MTEF, the budget for compensation of employees experiences minimal growth of 6% in nominal terms. From previous findings an inadequate budget has been identified as one of the major obstacle faced by the Department in filling vacant posts. The Department is applauded for increasing its compensation of employees budget over the MTEF in order to retain and recruit much needed staff. Although additional staff will go a long way in supporting the Department’s expanding activities and achieve its targets, the Department’s success is also dependent on sound human resource management and training.

This financial year, Programme 2 has received a budget increase from R18.13 million of the 2011/12 adjusted allocation to R19.66 million in 2012/13. This is an increase of 8.44% which translates to a real increase of 4.89%. The budget for the “Administration” sub-programme in Programme 2 which has been mandated this financial year with capacity building decreases from R10 million in the 2011/12 adjusted allocation to R9.85 million in the 2012/13 financial year. This is a budget decrease of 1.52% or 4.92% when inflation is taken into account. Given the poor service delivery of housing and basic services by municipalities, the huge backlog of basic services and housing in the

¹⁰⁷ Ibid, CPIX figures provided by National Treasury of 6.1% were used to calculate what the real buying power will be for this financial year compared to last year (Real Change between-2011/12 and 2012/13).

¹⁰⁸ Eastern Cape Department of Human Settlements 2011/12-2013/14 Annual Performance Plan, p.17.

Eastern Cape Department of Human Settlements 2010/11-2012/13 Annual Performance Plan, p.15

¹⁰⁹ National Treasury Framework and templates for provincial departments for the preparation of Strategic and Performance Plans, August 2010, Section 4.4 p.38

province and the call by Minister of Human Settlements, Honourable Tokyo Sexwale and MEC of Finance to increase local government capacity, this year's budget allocation for this vital function is clearly insufficient. Due to the critical importance of building capacity of Eastern Cape municipalities, the Department is urged to consider introducing a separate well-resourced sub-programme under Programme 2 which deals exclusively with capacity building.

Programme 4 is one of the few Programmes that will experience a significant budget increase once inflation has been taken into account. Programme 4 receives R10.87 million which is an increase of 27% from the 2011/12 adjusted allocation when inflation has been taken into account.¹¹⁰ The Programme is projected to experience a minor nominal budget growth of 3.71% over the MTEF from R10.23 million in 2012/13 to R11.42 million in 2014/15.¹¹¹ Programme 4 will require increased allocations this financial year and over the MTEF to support the increase in the Programme's targets as part of the Department's strategy of expanding social and rental opportunities as an alternative solution to the housing problem.

Conditional grants, Public entities and Public Private Partnerships (PPPs).

The Human Settlements budget is comprised of the Integrated Housing and Human Settlement Development Grant (IHSDG) conditional grant which is responsible for funding most of the Departments service delivery activities and the Equitable Share is responsible for funding the operational activities of the Department such as filling of critical vacancies. The IHSDG conditional grant comprises of 85% of this year's budget at R2.2 billion.¹¹² The 2012/13 conditional grant budget decreases from the 2011/12 adjusted allocation of R2.31 billion to R2.20 billion. This is a nominal decrease of 4.82% which translates into a real percentage decrease of 8.11% when inflation is taken into account. The conditional grant budget is expected to grow at rate of 4.89% over the MTEF without taking inflation into account. The conditional grant suffers its first budget decrease in three financial years. It will require sustained increases in both the equitable share budget and conditional grant budget to avoid further adverse effects and obstacles to housing delivery. Provincial Treasury and the Department must also explain why there is a decline in the IHSDG allocation this financial year and over the MTEF. The Department is also urged to clarify roles and responsibilities with other Departments as well as improve conditional grant spending for increased allocations over the MTEF.

Part C of the APP according to National Treasury Framework for Strategic Plans and Annual Performance Plans must provide specific information on any significant changes

¹¹⁰ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.79, CPIX figures provided by National Treasury of 6.1% were used to calculate what the real buying power will be for this financial year compared to last year (Real Change between-2011/12 and 2012/13).

¹¹¹ Eastern Cape Overview and Estimates of Provincial Expenditure 2012/13,p.597

¹¹² Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.71

such as the introduction of new grants, provide specific information outlining the conditional grant outputs and the Department's plans to manage grant activities.¹¹³ Part C of the plan does provide an outline of the grants activities¹¹⁴ but fails to relate the Department's plans to manage the implementation of grant activities with other sectoral Departments. Furthermore the APP highlights the introduction of the Rural Households Infrastructure Grant (RHIG).¹¹⁵ Unfortunately very little information is given about this grant except that "targets rural households in need of water and sanitation."¹¹⁶ Neither the APP nor OP provide a breakdown of sanitation and water outputs according to region. In the 2011/12 financial year, the Department received R926 million from the National Department through a new grant called the Urban Settlement Development Grant (USDG).¹¹⁷ The funds were awarded to Nelson Mandela Metro and Buffalo City Municipality. These additional funds will speed up the completion of six active BNG projects which had been put on hold due to bulk infrastructure challenges.¹¹⁸ The plan does not discuss the introduction or the progress of the USDG with regards to achieving its targets.

No baselines are provided for the IHSDG activities from the previous financial year as well. Furthermore no discussion regarding the management or the roles and responsibilities of various sector partnerships in the roll out of the IHSDG, RHIG and the USDG is discussed. The MEC August-Sauls highlights in her speech the lack of integration and clarity of roles and responsibilities with other Departments particularly in the following areas: the role of Provinces in the planning and implementation of the Urban Settlement Development Grant, sanitation, land use management, urban renewal management, infrastructure, basic services and neighborhood partnership programme.¹¹⁹ The Department is encouraged to bring much needed clarity of roles between various Departments in future plans as this provides an opportunity for Departments to communicate as well as plan and budget collectively.

Part C of the APP requires that the Department provides links to other plans, conditional grants, public entities and public private partnerships (PPPs),¹²⁰ indicating which public-private partnerships will be ending or beginning during the five year period whilst outlining outputs likely to be affected or achieved.¹²¹ Part C of the APP does not provide any information on public entities or PPPs. Despite the fact that the Department currently

¹¹³ National Treasury Framework for Strategic Plans and Annual Performance Plans August 2010, p.38

¹¹⁴ Eastern Cape Department of Human Settlements 2012/13-2014/15 Annual Performance Plan, p.83-111

¹¹⁵ Ibid, p.82

¹¹⁶ Ibid.

¹¹⁷ Human Settlements 2011/12 Policy and Budget speech delivered by MEC H. Sauls-August 24 March 2011

¹¹⁸ Ibid

¹¹⁹ Human Settlements 2011/12 Policy and Budget Speech delivered by MEC H. Sauls-August on 24 March 2012, p.14,15 & 22.

¹²⁰ National Treasury Framework for Strategic Plans and Annual Performance Plans, Section 8, p.38

¹²¹ Ibid

has no public entities or PPPs, the Department however makes reference in Part D of the APP to plans to source additional capacity through partnerships with financial institutions and functional housing institutions within the province to augment current capacity. Future APPs should include information on the Department's present and planned engagement with other government departments, non governmental financial and housing institutions.

Revenue Collection Plan

The APP contains a summary of revenue collected in previous financial years as well as projected revenue to be collected over the MTEF period only. The plan however does not provide information to effectively evaluate performance in this area such a strategy or revenue collection plan. The plan needs to state clear policies, mechanisms for managing revenue and collecting debt. Poor revenue planning is likely to result in the failure to collect all revenue due to the Department. For accountability purposes, it is also critical that the plan explains how the revenue collected is allocated and used to address specific goals and activities. According to former Treasury guidelines, APPs must include a section detailing the Department's revenue collection plan.¹²² In previous years and to this date, no such section has ever been included in the APP.

Conclusion

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. Furthermore the MEC and Part C of the APP does provide an outline of the grants activities but fails to relate the Department's plans to manage the implementation of grant activities with other sectoral Departments.

The plan provided the most detailed account of the external service delivery situation particularly in relation to housing demand however it is not clear how this information was obtained and neither is it clear how this information was used in the setting of targets particularly housing output targets.

There is a general improvement with the quality of performance indicators in both the APP and OP. Some concerns include inadequate or weak performance indicators in response to the various strategic objectives and challenges facing the Department in addition to the non-compliance of some performance indicators to national planning

¹²² 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.

regulations such as the continuous use of percentages as programme indicators and the absence of Annexure E or technical indicators in the APP. The plan provides accurate and detailed budget tables but fails to discuss the budget in relation to its likely impact on performance targets and the measures to be put in place to deal with financial constraints within the financial year and over the MTEF. There is also no revenue collection plan whatsoever. The APP should contain detailed information regarding the collection and management of the revenue it collects.

The quality of information provided on the Department's partnerships particularly with local government and other key sectoral Departments, financial, social and research institutions still remains very vague. The APP should provide detailed information on Departmental partnerships it currently has or intends to develop accompanied with the planned outcomes and objectives of these partnerships and how these will be monitored and reported on.