PRESENTATION ON CONDITIONAL GRANT

VISION: A NATION HOUSED IN SUSTAINABLE HUMAN SETTLEMENTS WITH ACCESS TO SOCIO-ECONOMIC INFRASTRUCTURE

MISSION: TO ESTABLISH & FACILITATE A SUSTAINABLE PROCESS THAT PROVIDES EQUITABLE ACCESS TO ADEQUATE HOUSING FOR ALL WITHIN THE CONTEXT OF AFFORDABILITY OF HOUSING & SERVICES & ACCESS TO SOCIAL AMENITIES & ECONOMIC OPPORTUNITIES
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Background

Overview of the responsibilities of the National Department of Housing (NDoH) and the Provincial Housing Department (PHD) on financial management of the Integrated Housing and Human Settlement Development Grant.
Legislative framework

Laws and regulations governing the financial management of the grant:
• Housing Act
• Public Finance Management Act (PFMA)
• Division of Revenue Act (DORA)
• Conditional Grant Framework
• Treasury Practice Notes
Overview

• Compilation of grant framework
• Ensure compilation of business plans to be approved by the national transferring officer into DORA
• Obtain inputs re: cash flow requirements
• Obtain approval for monthly transfers.
• Obtain reports required by DORA.
• Expenditure monitoring and reporting
Grant Framework components

- Strategic goal;
- Outcome statement;
- Outputs;
- Details contained in business plan;
- Conditions
- Allocation criteria
- Reason not incorporated in equitable share;
- Past performance;
- Projected life of grant;
- MTEF allocations
- Payment schedule
- Responsibilities of NDOH
- Processes for approval of business plans for next financial year.
The grant framework stipulates that the National Department must provide the guidelines and criteria for the development and approval of business plans;

Agree on outputs and targets in line with grant objectives with provincial Housing Department by 31 October;
• Funding in respect of the Housing Sector is appropriated through the prescribed budgeting processes outlined in the Division of Revenue Act and PFMA and a specific amount gets allocated to the grant.
• However DORA becomes the primary source of funding the Integrated Housing and Human Settlement Grant achieved by the allocation of funds in terms of Section 4 of the Act;

• Section 4 and Schedule 5 in the Act sets out specific-purpose for the allocations to provinces and the Grant is included in the said schedule;

• The allocations, over the MTEF period is made in terms of the formula published as part of the Act.
• An allocation formula/criteria, which is consistent with the principles and provisions as contained in Section 214 of the Constitution, is determined by the NDoH and agreed upon with all the provincial MECs.
Budget process cont.

• The NDoH, submits MTEF allocations and the conditional grant framework for publishing by National Treasury through gazettes;

• The allocation formula is contained in the Conditional grant framework and the provincial allocations are published in the DORA schedules.
Budget Process cont

• Provinces must submit a business plan, which stipulates how and on which housing programmes they intend spending the grant allocation.

• The business plan must be approved by the DG of NDoH and be submitted to National Treasury before any transfer payments could be effected.

• As part of the business plan process a monthly payment schedule must be submitted by provinces and NDoH obtains approval of such schedule to effect transfers on a specified date to the Provincial Treasury.
Transfers and spending

• Funds are transferred to the primary banking accounts of the provinces as published in the DORA, and on the dates as determined in terms of the payment schedules.

• Act stipulates that the funds transferred may only be utilized for the purpose specified in the schedule and the grant framework.

• The PHD must apply procurement policy in respect of the housing development in compliance to the Supply Chain Framework and make payments policies as required in terms of section of the PFMA.
## Comparative Years Figures

<table>
<thead>
<tr>
<th>Provinces</th>
<th>2006/07 Budget R'000</th>
<th>2006/07 Expenditure R'000</th>
<th>2007/08 Budget R'000</th>
<th>2007/08 Expenditure R'000</th>
<th>2008/09 Budget R'000</th>
<th>2008/09 Expenditure R'000</th>
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<td>Eastern Cape</td>
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<td>Free State</td>
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<td>Limpopo</td>
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<td>Mpumalanga</td>
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<td>North West</td>
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<td>1,105,135</td>
<td>1,305,862</td>
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<td><strong>Total</strong></td>
<td><strong>6,734,301</strong></td>
<td><strong>6,427,183</strong></td>
<td><strong>8,149,869</strong></td>
<td><strong>8,200,492</strong></td>
<td><strong>10,177,939</strong></td>
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Monitoring and reporting

- The PHD must submit monthly reports by the 15 of each month to the National Transferring Officer as required in terms of the DORA and section .. Of the PFMA.
- The report must indicate amounts transferred and spent as well as any deviation that occurs between transfers and spending.
- The NDoH must submit monthly reports to National Treasury by the 20 of each month.
- The quarterly reports must be submitted to the NDoH and National Treasury in terms of DORA, on the dates as published in the Practice Notes annually.
Monitoring and reporting

• The DORA further stipulates that, the province must submit an evaluation report on the performance of the programmes within the period stipulated in the Act and the National Department must also submit to National Treasury within the period stipulated in the Act,

• The National Department must evaluate the Annual Reports of provinces and submit a report to the NCOP and National Treasury on the date stipulated in the grant framework,
• The DORA provides that punitive measures be considered in terms of S25 and S26 of DORA corrective measure in case of non-performance and persistent under spending occurs.

• The Withholding section of the DORA provides for funds to be delayed for a period of 30 days only, with communication sent to the Provincial Housing Department and the Provincial Treasury—with a copy to National Treasury—informing them of the proposed decision and allowing the province to respond on the matter.
Actions

• Should the response be not satisfactory and improvement not made the stopping and re-allocation section may be applied whereby in addition to the withholding processes, the matter gets submitted to Heads of Housing as well as MINMEC for consideration and approval.

• The stopping and re-allocation will have a budgetary effect for the provinces concerned.
• Provinces must transfer all funds unspent as at end of a financial year to the National Transferring Officer to be surrendered to the National Treasury by the date as stipulated in the Practice Note.

• The Provinces must also submit unspent amounts requested to be roll over to the next financial year with substantive motivation.
Challenges experienced

- Submissions of business plans and conditional grant report on or after due dates
- Non provision of a narrative report on over/under spending in regard to amounts transferred and spent
Challenges continued

• Business plans, cash flow projections and payment schedule are not properly aligned;

• NDoH not informed by means of an addendum to the business plans as well as an adjusted cash flow projection not provided for financial monitoring and analysis purposes.
Challenges continued

• Discrepancies between the conditional grant report, cash flow and HSS, HSS would appear not be updated timely in view of the interfacing between BAS and HSS