

# **REPORT OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS IN RELATION TO THE 1<sup>ST</sup> QUARTERLY REPORT OF THE DEPARTMENT OF HUMAN SETTLEMENTS – MEETING HELD ON 22 AUGUST 2017**

## **1. INTRODUCTION**

As stated in Rule 218 sub-rule (1) (2) and (3) of the Rules and Orders of the Mpumalanga Provincial Legislature, the Member of the Executive Council (MEC) responsible for a provincial Department must table the quarterly reports of the Department to the Speaker, within 30 calendar days after the end of a quarter.

The Committee considered the 1<sup>st</sup> quarterly report of the Department of Human Settlements (the Department) for the 2017/18 financial year, reporting period April - June 2017. Interaction with the department was aimed at assessing the Department's performance for the quarter.

## **2. METHOD OF WORK**

The Honourable Speaker referred the 1<sup>st</sup> quarterly report of the Department of Human Settlements to the Committee for consideration and report back to the House. On 15 August 2017, the Committee was briefed by the cross functional team on the 1<sup>st</sup> quarterly report of the Department. The Committee interacted with the Department during the deliberations, which were held on 22 August 2017. The analysis questions were sent to the Department and the written responses thereto were submitted to the Legislature.

The Honourable MEC for Human Settlements, the Head of Department (HOD) and his senior management team, the Provincial Treasury, the Office of the Auditor-General, South African Local Government Association (SALGA) and House of Traditional Leaders (HTL), Public Service Commission (PSC) were invited to the meeting. Subsequently, the Committee considered and adopted its report on 30 August 2017.

### **3. GENERAL OBSERVATIONS BY THE COMMITTEE ON 1<sup>st</sup> QUARTERLY REPORT**

- ❖ The 1<sup>st</sup> quarterly report of the Department is aligned with its 2017/2018 Annual Performance Plan.
- ❖ The Department had planned to achieve **40** targets but managed to achieve **30** targets.
- ❖ The Department achieved 75% of the planned targets as at 30 June 2017.
- ❖ The Department spent 99% of its budget in the 1<sup>st</sup> quarter.
- ❖ To strengthen monitoring to contractors, the Department drafted a time-table to be implemented during the construction process

### **4. ANALYSIS ON THE BUDGET EXPENDITURE**

The Committee noted that the Department has been allocated an adjusted total budget of R1 646 082 000 for the 2017/18 financial year. The Department has spent R 322 439 000 which is at 99% with only 30 targets achieved out of 40 planned targets.

### Summary of the 1<sup>st</sup> quarter performance of the Department

Programme	Planned targets	Actual Output	Non achieved targets	% of Budget used
1. Administration	15	12	3	80%
2. Housing needs, research and planning	5	5	-	100%
3. Housing development	20	13	7	65%
4. Housing asset management	-	-	-	-
<b>Total</b>	<b>40</b>	<b>30</b>	<b>10</b>	<b>75%</b>

### Financial Analysis

The Committee noted that the Department had total planned targets of 40 and the Department managed to achieve only 30 or 75%. The Committee also noted that according to Provincial Treasury Budget Projections for the first quarter for the Department was **R630 465 000** and the Cash transferred by Provincial Treasury to the Department amounted to **R325 698 000** and the department spent **R322 439 000** which translates to 99% which is an under spending of 1% in the first quarter.

### Summary of the first quarter performance

Programme	Main appropriation 2017/18 R' 000	Budget for the 1 <sup>st</sup> quarter 30 June 2017 R' 000	Actual Expenditure on 30 June 2017 R' 000	% spent as at the end of quarter
1. Administration	144 254	37 363	34 244	91%
2. Housing Needs, Research and Planning	40 015	10 144	11 063	109%
3, Housing Development	1 458 122	277 269	277 132	99.9%
4. Housing Asset Management	3 691	-	-	0%
<b>Total</b>	<b>1 646 074</b>	<b>324 776</b>	<b>322 439</b>	<b>99%</b>

### 5. BROAD OVERVIEW BY THE MEC

The Honourable MEC appreciated the opportunity to appear before the Committee to report on 1<sup>st</sup> quarterly performance of the Department. The MEC, Mr SK Mashilo reported that the mandate of the Department of Human Settlements derived from the Constitution of the Republic (Act 108 of 1998), Section 26 (1) – (3) of the Bill of Rights to be specific, states as follows: that everyone has the right to have access to adequate housing. The state must take reasonable legislative and other measures within its available resources, to achieve the progressive realisation of this right and no one may be evicted from their home, or have their home demolished without an order of court made after considering all the relevant circumstances. No legislation may permit arbitrary evictions. The MEC also reported that the Department is faced with challenges in terms of allocation of housing to the relevant beneficiaries.

The MEC made an example by referring to a matter which happened in Emalahleni where there were protest that took place due to incorrect beneficiary list that was circulated by the municipalities, however the MEC further reported that during the engagement with the municipalities, it was resolved that the list of beneficiary be made public as part of transparent. The Department is also striving towards the realization of the mandate; and also building on the foundation of aspirations recorded in the Freedom Charter, the White Paper on Housing, the Housing Act and the Comprehensive Plan for the creation of Sustainable Human Settlements.

The MEC also indicated that when the Department commences with building houses, the owners will be aware on where the houses will be built in terms of house numbers, the MEC reported that in doing this exercise it will prevent and reduce land invasion of illegal occupants. The MEC further reported that the Department's plan is to build precisely with the performance and the performance of the Department is based on the beneficiary of the house and not on the milestone, wall plate, foundation or the roof but in the completion of the house and subsequently, contractors are also given a time table that suggest that over a period of twelve months the contractors are supposed to deliver houses per month so that the performance is in line with the mandate of the Department.

The MEC further reported that in a meeting with MINMEC Mpumalanga was amongst the nine provinces, one of the performing provinces hence the Department will likely to benefit from other allocations that has been taken from other provinces towards the adjustment budget period. The Department will ensure that all the plans are available immediately when the money is taken from other provinces such as Gauteng, Limpopo, Free State and North West also stand to benefit amongst other provinces.

In his conclusion the MEC, indicated that he strongly believes that there is great progress since the filling of critical vacancies that the Department previously had. The MEC also reported that the meeting with the Office of the Auditor General has also been fruitful and progressive since the long outstanding matters in terms of irregular expenditure are towards being resolved and finalised. The MEC indicated that the questions which are posed by the Portfolio Committee Members also assist the Department in the enhancement of the quality work of the department. The MEC then requested the HOD, Mr K Masange to provide a detailed presentation on the performance of the Department during the 1<sup>st</sup> quarter of 2017/18 financial year.

## **6. PRESENTATION BY THE HEAD OF THE DEPARTMENT AND INTERACTION ON THE MAIN PROGRAMMES**

The HOD, Mr K Masange briefed the Committee on the 1<sup>st</sup> Departmental Quarterly Performance report for 2017/18 financial year. The Committee welcomed the presentation thereafter deliberated programme per programme.

### **6.1. PROGRAMME 1 – ADMINISTRATION**

The purpose of the programme is to provide strategic administrative and management support to the Department in terms of Political and Administrative guidance, financial management, security management, legal services, human resource management, transversal services, planning and programme management, communication and IT, stakeholder management and employee health and wellness. The Committee noted that Department planned to achieve 15 targets and achieved 12 targets which translate to 80% at the end of the first quarter. The financial spending is standing at R34 244 or 91% as at the end of June 2017.

### Spending per economic classification

Economic classification	Adjusted budget R' 000	Amount spent R' 000	% of budget spent
Compensation of employees	22 616	22 308	99%
Goods and services	11 432	11 037	97%
Total transfers and subsidies	12	54	450%
Payment for capital assets	3 303	845	25.5%
<b>Total</b>	<b>37 363</b>	<b>34 244</b>	<b>92%</b>

The Committee requested the Department to provide an explanation that led to the department not being able to plan to approve the 2018/2019 Human Settlements Business Plan in the first quarter. In its response the Department reported that according to the Division of Revenue Act, the final business plan for the Human Settlements Development Grant must be approved on 15 February of each year. In the first quarter of the new financial year a business plan must be already be finalized.

### 6.2. PROGRAMME 2: HOUSING NEEDS, RESEARCH AND PLANNING

The purpose of the programme is to facilitate and undertake housing delivery planning through engineering services; quality control and inspections; project information management; research, project planning implementation and monitoring. The Committee noted that through a special allocation budget, the Department has been assigned to implement the bulk water and sanitation infrastructure projects for Emalahleni, Bushbuckridge, Govan Mbeki and Dr. Pixley Ka Isaka Seme local municipalities.

The Committee noted that this programme planned to achieve five (5) targets at the end of the first quarter and the Department achieved all the five (5) targets; however one target was over achieved whereby the Department approved more beneficiaries for Housing Subsidy Systems by 304. The Committee noted the budget allocation for the quarter was **R 10 144 000** and the amount used **R 11 063 000** which translates to 109%. The programme overspent by 9% on the first quarter.

### Spending Per Economic Classification

Economic classification	Adjusted budget	Amount spent	% of budget spent
	R' 000	R' 000	
Compensation of employees	8 989	10 121	113%
Goods and services	1 155	942	82%
Total transfers and subsidies	-	-	-
Payment for capital assets	-	-	-
<b>Total</b>	<b>10 144</b>	<b>11 063</b>	<b>109%</b>

The Committee noted that the economic classification Compensation of employees overspent by 13% of the budget allocation at the end of the first quarter. The Committee requested the Department to explain the reasons that led to over spending on compensation of employees. In its response the Department reported that the overspending on Programme 2 by 13% in the first quarter due to conversion of salary level 12 officials to OSD package after the 2017/18 budgets have been approved.

The Committee also wanted to know where the Department sourced the 13% which they did not budget for the compensation of employees.



In its response the Department reported that the budget was sourced from saving in Programme 1 emanating from the compensation of employees and envisaged savings on goods and services which will be adjusted during the budget adjustment period.

The Committee also noted that the sub-programmes policy, planning and research underspent by 30%, 20% and 10% respectively. The Committee requested the Department to provide reasons for under spending in the three (3) sub-programmes.

The Department reported that the programme underspent due to the budget for policy includes meetings of the Policy Committee which did not take place in the first quarter due to prolonged consultation on policy reviews and development of new policies.

The Department also planned to coordinate the review of the Human Settlements Master Plan in the first quarter, and of which the Terms of Reference were finalized. This activity will be implemented in the second quarter.

The Department further reported that the research proposal was concluded in the second month of the first quarter (as opposed to the first month). Spending on the research will improve in the second quarter when the actual interviews are conducted in the sampled municipalities within the Province.

### **6.3. PROGRAMME 3: HOUSING DEVELOPMENT**

The programme's purpose is to provide individual subsidies and housing opportunities to beneficiaries in accordance with the housing policy. The programme has twenty (20) planned targets which were supposed to be achieved at the end of the quarter and only 13 targets were fully achieved at the end of the quarter which translates to 65% performance.

The Committee noted that this programme planned to enroll 500 housing units NHBRC and the Department managed to enrol with 1645 housing units which is an over achievement meaning more houses were certified to projects that are carried over from the previous financial year. The Department also overachieved in building 34 housing units for Military Veterans instead of the 27 planned targets for the quarter.

The Committee wanted to know whether the projects that were carried over from the previous financial were rolled over with its budget. The Department reported that the nature of the contracts for housing units is multi-year projects. The projects carried over are budgeted in the current year HSDG business plan. These projects do not constitute the rolled-over projects.

The Committee further requested the Department to indicate the amount that was rolled over. In its response the Department reported that the Department requested a roll-over amount of R12.7million which was committed towards the end of the financial year 2016/17. The R11.8 million of this amount relates to housing units funded by HSDG while R879, 000.00 relates to renovation of a hostel funded by EPWP grant.

The Committee requested the Department to explain if the construction has commenced on these projects and when will the projects be completed. The Department reported by indicating that contractors are currently on site and progress in the implementation of the projects is at an advanced stage. The projects will be completed in the third quarter of the 2017/18 financial year.

The Committee also noted that the Department overachieved on a number of households with access to basic services: IRDP Planning and services for the quarter the Department planned for 175 sites and only serviced 1 521 sites which is more than what the department planned for year which was 745 sites, reasons provided by the Department is that it was due to good performance by the contractor.

The Department was requested to provide an explanation that the led the contractor to service more sites than initially planned. The Department reported that the Department purchased serviced land parcels in mining towns [Emalahleni (500), Thaba Chweu (500)]. There was reprioritisation for Lekwa (250) and Govan Mbeki (446). The total sites achieved in the first quarter amounted to 1696 of the first quarter report. The Committee also requested the Department to explain if there were any cost implications on the more sites that were serviced. The Department reported that the total expenditure for the 1696 sites amounted to R84.2million.

The Committee further requested the department to explain how the Department is planning to source the funds that could be implicated on the sites services that were not planned for in the quarter and the financial year. The Department reported that the Department planned 3308 sites for Informal Settlements which 2808 sites were reprioritised for Integrated Human Settlements in mining towns. The funds will be sourced from the budget of serviced sites in IRDP Phase 1: Informal Settlements.

The Department also failed to complete 8 bulk water and sanitation infrastructure projects, the department managed to complete 3 projects, failure not to achieve the targets was due to hard rocks that were encountered and a way leaves haven't been approved with the Municipality to cross the R23 and railways due to non-availability of funds. The Committee requested the Department to explain the projects that are completed and incomplete which are within the municipalities.

The Department reported that **completed Projects** are as follows:

- ❖ Bushbuckridge – Reservoir
- ❖ Govan Mbeki – Bulk water and sanitation infrastructure eMbalenhle Extension 22 and
- ❖ Dipaleseng – Water and sanitation

### Incomplete Projects:

- ❖ Bushbuckridge – Bulk Water line to 13 villages
- ❖ Mbombela – Bulk water and sanitation (Tekwane and Mjindi)
- ❖ Govan Mbeki – Bulk water and sewer extension 19
- ❖ Pixley Ka Seme – Water and Sewer reticulation and
- ❖ Emalahleni – Water and sanitation

The Committee further wanted to know how and where will the funds to address the challenges encountered by the department be sourced. In its response the Department reported that the Department requires R227million to complete the bulk-water backlog projects during 2017/18. Only 2% of the HSDG can be spent on bulk-infrastructure which amounts to R27.9million for 2017/18 financial year.

The Department has requested a Provincial Financial Intervention from the Provincial Treasury in order complete the bulk infrastructure projects and awaiting a response.

### Spending per economic classification

Economic classification	Adjusted budget R' 000	Amount spent R' 000	% of budget spent
Compensation of employees	13 806	13 870	100.1%
Goods and services	1 846	1 102	60%
Payment for capital assets	-	-	-
Total transfers and subsidies	261 618	262 160	100%
Total	277 269	277 132	99.9%

The Committee noted that the Department utilised 100% of its budget; however not all the planned targets for the quarter was achieved. The Department was requested to provide reasons that led the Department to utilise 100% of its budget whilst only 65% of the planned targets are achieved. The Department reported that some targets in this programme over-achieved while others were not achieved. Spending on the targets is based on milestones while the targets are measured on completions. Therefore, unachieved targets bear expenses.

The Committee wanted to know how the Department will meet the 35% targets that were not met now since the budget was fully utilized. In its response the Department reported that Department will spend on converting milestones into completions which will increase achievements with less expenditure.

#### **6.4. PROGRAMME 4: HOUSING ASSET MANAGEMENT**

The programme exists in order to provide for the effective management of housing. The programme does not have planned targets and indicator for the first quarter due to the Department not owning any housing assets that have to be managed, however the programme had a budget allocation of R923 000.00. The Committee noted that the R923 000.00 is allocated for total transfers and subsidies in the first quarter and 0% of the budget was utilized.

The Committee requested the Department to provide reasons why the programme was budgeted for in the first quarter. The Department conducted assessments on economic viability and independence of housing associations. The housing associations were found to be financially capable to manage the housing and rental assets on behalf of municipalities. Thus, the Department will redirect the funding to items with budget pressures during budget adjustment.

## **7. Findings**

After the interaction with the Department, the Committee found that the Department:

- a) Programme 2 underspent due to the budget for policy includes meetings of the Policy Committee which did not take place in the first quarter;
- b) Has planned to review the Human Settlements Master Plan in the first quarter;
- c) Failed to complete eight (8) bulk water and sanitation infrastructure projects.
- d) Requires R227million to complete the bulk-water backlog projects during 2017/18 and has requested a Provincial Financial Intervention from the Provincial Treasury in order to complete the bulk infrastructure projects.
- e) Department utilized 100% of its planned budget in the first quarter whilst 65% of the planned targets were not achieved

## **8. Recommendations**

After the findings, the Committee recommended that the Accounting Officer must:

- (a) Ensure that the consultation on policy reviews and development of new policies are finalised. A detailed progress report to be submitted by 30 September 2017 and thereafter on a quarterly basis.
- (b) Ensure that the review of the Human Settlements Master Plan is finalised by 30 September 2017.
- (c) Ensure that the eight (8) bulk water and sanitation infrastructure projects are finalised in the third quarter. A progress report to be submitted by 30 September 2017 and thereafter on a quarterly basis.

(d) Fast track the implementations and completions of the bulk-water backlog projects during 2017/18 and submit a detailed report by 30 September 2017 on the request on Provincial Financial Intervention from the Provincial Treasury in order to complete the bulk infrastructure projects. A progress report to be submitted to the Committee by 30 September 2017.


(e) Provide a detailed financial report on how will the Department source the budget to achieve the targets that were not achieved. A progress report to be submitted by 30 September 2017 and thereafter on a quarterly basis.

**A progress report should be submitted to the Legislature on or before 30 September 2017.**

## 9. CONCLUSION

The Chairperson wishes to express his gratitude to MEC, Mr SK Mashilo, the HOD, Mr. K Masange, the senior officials of the Department of Human Settlements, representative from Public Service Commission, Office of the Auditor General. The Chairperson further wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations of the 1<sup>st</sup> quarterly report of the Department of Human Settlements and also thank the Legislature staff for the support they provided to the Committee.

Lastly, the Chairperson requests the august House to adopt the report with its recommendations.



**HON. WT MADILENG**  
**CHAIRPERSON: PORTFOLIO COMMITTEE ON**  
**HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND**  
**TRADITIONAL AFFAIRS**

30/08/2017  
DATE