

# REPORT OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS 1<sup>st</sup> QUARTERLY REPORT FOR 2019/20 FINANCIAL YEAR - DEPARTMENT OF HUMAN SETTLEMENTS

## 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 2019/20 financial year, reporting period April – June 2019. 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. The committee was briefed by the cross functional team on the 1<sup>st</sup> quarterly report of the Department. The committee met with the department on **27 August 2019** to interact on the 1st quarterly report. 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), House of

Traditional Leaders (HTL) and Public Service Commission (PSC) were invited to the meeting.

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

- ❖ The MEC for Department of Human Settlements, Ms. N Mahlangu tendered an apology due to ill health.
- ❖ The 1<sup>st</sup> quarterly report of the Department is aligned with its 2019/20 Annual Performance Plan.
- ❖ The committee noted that the department had a total of 43 planned targets in the first quarter and managed to achieve 35 which translate to 81%.
- ❖ The department had spent 30% of its Annual Budget which shows an overspending of 5% according to the Treasury Benchmark of 25% per quarter.
- ❖ The allocated budget for the Department of Human Settlements is **R1 774 080 000** for the financial year 2019/20 **and its decreasing.**
- ❖ The department projected to spend **R511 125 000** for the 1<sup>st</sup> quarter and managed to spend **R507 348 000** which shows an underspending of **R3 777 000** as at June which translate to an underspending of **1%** for the first quarter.
- ❖ The department planned to resolve 100 rental dispute cases and the department resolved 194. The over achievement was due to more cases received than expected.

#### 4. Analysis on the 1<sup>st</sup> Quarter Performance and Financial Analysis

The committee noted that the department had a total of 43 planned targets in the first quarter and managed to achieve 35 which translate to 81%

Table 1: Summary of the 1<sup>st</sup> quarter for programme performance of the Department

Programme	No. planned targets	Achieved targets	Non achieved targets	% achieved
1 Administration	17	16	1	94%
2 Housing needs, research and planning	5	5	0	100%
3 Housing development	19	13	6	68%
4 housing asset management	2	1	1	50%
<b>Total</b>	<b>43</b>	<b>35</b>	<b>8</b>	<b>81%</b>

The allocated budget for the Department of Human Settlements is **R1 774 080 000** for the financial year 2019/20, for the first quarter the department projected to spend **R511 125 000** and the managed to spend **R507 348 000** which shows an underspending of **R3 777 000** as at June 2019 which is translated to an underspending of **1%**. The department's financial reporting that the department had spent 30% of its Annual Budget which shows an overspending of **5%** according to the Treasury Benchmark of **25%** per quarter

**Table 2: Budget allocation**

Programme	Main appropriation 2018/19 R' 000	1st Quarter budget Allocation R' 000	Actual Expenditure as at 30 June 2019 R' 000	% SPENT as at the end of quarter
1. Administration	149 664	37 428	39 186	105%
2. Housing Needs, Research and Planning	221 306	28 924	52 234	181%
3. Housing Development	1 333 832	430 594	410 120	95%
4. Housing Asset Management	69 352	14 179	5 808	41%
<b>Total</b>	<b>1 674 139</b>	<b>511 125</b>	<b>507 348</b>	<b>99%</b>

**Table 3: Spending per economic classification**

Economic classification	Budget Allocation 2018/19 R' 000	1st Quarter budget Allocation R' 000	Actual Expenditure as at 30 June 2019 R' 000	% of budget spent
Compensation of employees	117 140	29 287	27 747	95%
Goods and services	30 107	7 537	11 327	150%
Total transfers and subsidies	91	22	62	282%
Payment for capital assets	2 326	582	50	9%
Payment for financial assets	-	-	-	-
<b>Total</b>	<b>149 664</b>	<b>37 428</b>	<b>39 186</b>	<b>105%</b>

The committee noted that on Economic Classification for the quarter the department had spent 99% of its projected budget. On Compensation of Employment (CoE) and Payment for Capital Assets the department underspent on its budget for the quarter by 8% and 91% respectively. On Goods and Services the department overspent on its budget by 50%. Sub Programme Housing Needs, Research and Planning overspent on its budget by 81%.

The committee wanted to know what led the department to overspent on Sub-Programme Housing Needs, Research and Planning on its budget in the first quarter. The department responded that on Housing Needs, Research and Planning they have overspent its budget primarily on Transfers and Subsidies for the Municipal Support Bulk Infrastructure projects where an unbudgeted R38 million was spent in the first quarter.

The municipal support (bulk infrastructure) projects did not receive budget allocation for 2019/20 financial year and due to sewer spillages in Secunda and Leandra under Govan Mbeki municipality, left the department intervene in these areas. The department emphasized that treasury will be reimbursed the department during budget adjustment.

## **5. Presentation by the Head Of The Department**

The HOD, Mr K Masange briefed the committee on the 1<sup>st</sup> departmental quarterly performance report for 2019/20 financial year. The committee welcome the presentation and thereafter deliberated programme per programme.

## 5.1 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 17 targets in the first quarter but achieved 16 of all of the planned targets this translates to 94% performance.

**Table 3: Spending per economic classification**

Economic classification	Budget Allocation 2018/19 R' 000	1st Quarter budget Allocation R' 000	Actual Expenditure as at 30 June 2019 R' 000	% of budget spent
Compensation of employees	117 140	29 287	27 747	95%
Goods and services	30 107	7 537	11 327	150%
Total transfers and subsidies	91	22	62	282%
Payment for capital assets	2 326	582	50	9%
Payment for financial assets	-	-	-	-
<b>Total</b>	<b>149 664</b>	<b>37 428</b>	<b>39 186</b>	<b>105%</b>

The committee noted that Programme 1 shows an overspending of 5% on the allocated budget for the quarter; and 1% overspending on the Annual Budget which is more than the 25% Treasury Benchmark. On CoE the department had underspent on budgets for the quarter by 5%. On Good and Service and on Total Transfers and Subsidies the department had overspent by 50% and 182% separately, for Total Transfer and Subsidies the department indicated that the overspending on Total Transfer and Subsidies is due to renewal of all vehicle licenses during the first quarter, which was the same reason that was stated in the 2018/19 financial year; the overspending could have been avoided if the department had planned and budgeted for the Total Transfer and Subsidies properly.

The committee requested the Accounting Officer to explain why did the department failed to ensure that overspending that occurred in 2018/19 financial year does not reoccur in the 2019/20 financial year. The department responded by explaining that the operational budget baselines of the department has not been revised for the last five financial years since 2015/16 financial year; the departments operational budget has been reducing and cost-curtailment measures implemented by the department cannot rescue the inadequacy of the operational budget to support grant funded projects.

The recurrence of overspending each year remain uncontrollable; the department will be unable to carry out its mandate after the second quarter. The committee requested the department to submit the asset register of the fleet of vehicles of the department reflecting amount spent per vehicle. The Accounting Officer submitted the asset register with the amount spent per vehicle (see attached as 'Annexure A') shows the spending per quarter on the vehicles licensing which resulted in the overspending.

## 5.2 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 the department had planned five (5) targets to be achieved at the end of the first quarter, the department had achieved all planned targets and one (1) target was over achieved.

Table 4: Spending per economic classification

Economic classification	Budget allocation 2019/20 R' 000	1st Quarter budget Allocation R' 000	1st quarter Actual Expenditure R' 000	% of budget spent
Compensation of employees	63 267	15 785	12 423	79%
Goods and services	3 546	889	1 897	213%
Total transfers and subsidies	49 000	12 250	37 914	310%
Payment for capital assets	-	-	-	0%
<b>Total</b>	<b>115 813</b>	<b>28 924</b>	<b>52 234</b>	<b>181%</b>

The committee noted that on the Economic classification of Programme 2 shows an overspending of 81% on its budget allocation for the quarter and also overspent on its Annual Budget exceeding the 25% Treasury Benchmark by 25%. On Goods and Services and Total transfer and Subsidies the Department had overspent by 113% and 210% on its allocated budget for the quarter.



For Total Transfer and Subsidies the department indicated that the overspending was due to payment of water and sanitation projects not completed from the previous financial year, the projects were not funded in the main budget and the fund is source from the equitable share.

The committee requested the department to clarify why water and sanitation project not funded for in the 2019/20 financial year .In its retort the department reported that; municipal support (water and sanitation) projects are funded from the provincially generated revenue and Provincial Treasury regarding the non-funding of these currently running projects, the provincial revenue fund was inadequate to deal with the provincial specific challenges across all departments. The committee further advised the department to report back to EXCO and Treasury on the request for funding for the Water and Sanitation project as this will result the department incurring an unauthorized expenditure.

The committee questioned the department on the budget that was given to the department during the second adjustments appropriation. In its response; the department reported that the amount of R120 million received during the second budget adjustment was for the disaster that hit the Kanyamazane and surrounding areas during the May 2018 hail and storm. R67 million was spent during the 2018/19 financial year and the remaining R53 million is rolled over to the 2019/20 financial year to complete the project to repair the damaged houses. The committee requested the department to provide the status quo of all the water and sanitation projects and when will they be completed and be handed over to the rightful municipalities.

Embalenhle Sewer spillages (Govan Mbeki): Planned Completion date: 30 September 2019.

Budget - R 141 410 058.22; Expenditure – R 120 349 576,58; Percentage Complete – 98%;

- ❖ Embalenhle Sewer spillages (Ext 25 only) (Govan Mbeki): Planned Completion date: 30 November 2019. Budget - R11,278,680.00; Expenditure – R 0; Percentage Complete – 0%;
- ❖ Leandra Sewer Spillages (Govan Mbeki) Planned completion: 31 October 2019. Budget – R29 876 000, 78. Expenditure – R 16 074 348,29; Percentage Complete – 39%;
- ❖ Ridgeview Bulk sewer and pump station (Dipaliseng) Planned Completion: 30 September 2019; Budget – R29 044 598, 49. Expenditure – R 21 452 053.09; Percentage Complete – 90%;
- ❖ Bulk sewer Pump Station at Standerton Extn 8 (Lekwa) Planned Completion: 13 December 2019; Budget – R13 798 889, 78. Expenditure – R0; Percentage Complete – 0%;
- ❖ Upgrading of Amersfoort waste water treatment works (Dr Pixley), Planned Completion: 28 February 2020; Budget – R16 608 443, 67. Expenditure – R4 391 528, 18; Percentage Complete – 60%;
- ❖ Construction of sewer pump station and reticulation in Amersfoort (Dr Pixley) Planned Completion: 28 February 2020; Budget – R34 499 045, 98. Expenditure – R19 977 493,93; Percentage Complete – 60%;
- ❖ Tekwane South Bulk Sewer (Mbombela) Planned Completion: 28 February 2020; Budget – R 69 315 096,80; Expenditure – R60 071 859,13; Percentage Complete – 92%;

- ❖ Ermelo Extn 32,33, and 34 Sewer Spillages (Msukaligwa) Planned Completion: 28 November 2019; Budget – R 63 384 739,22 ; Expenditure – R8 391 924,98; Percentage Complete – 20%;
- ❖ Emzinoni Extn 11 Bulk Water and sewer (Govan Mbeki) Planned Completion: TBA; Budget – R 94 532 179, 81; Expenditure – R3 661 759, 13; Percentage Complete – Detailed designs stage;
- ❖ Parliamentary Village (Mbombela) Planned Completion: 21 August 2020; Budget – R108 326 184, 66 Expenditure – 5 514 821.37; Percentage Complete – Site establishment 12 August 2019;

The committee requested a breakdown per municipality on how much have been spent and the remaining budget per programme.

- ❖ Govan Mbeki Local Municipality: Budget - R277million; expenditure – R140million; required budget - R137million;
- ❖ Dipaliseng Local Municipality: Budget - R29million; expenditure – R21million; required budget - R8million;
- ❖ Lekwa Local Municipality: Budget – R14million; expenditure – R0, 00; required budget - R14million;
- ❖ Pixley ka Seme Local Municipality: Budget – R51million; expenditure – R24million; required budget - R27million;
- ❖ Msukaligwa Local Municipality: Budget – R63million; expenditure – R8million; required budget - R55million; and

- ❖ Mbombela Local Municipality: Budget – R177million; expenditure – R65million; required budget - R112million.

### **5.3 Programme 3: Housing Development**

The purpose of the programme is to providing individual subsidies and housing opportunities to beneficiaries in accordance with the housing policy.

The committee noted that this programme has 19 planned targets to achieve in the first quarter and only achieved 13 of which some were over achievements of projects that were supposed to have been completed on the 4th quarter. This translates to 68% of performance in the first quarter.

The committee needed to know how far is the department with the process of replacing the contractors that did not commence with its work on site. The department replied that, contractors are back on site and have completed 88 housing units, 10 wall plates and 10 slabs out of the total number of 107 houses identified. The contractors are still behind schedule as have cited financial constraint as a challenge and has opted for a cession to complete the outstanding works; and the department is currently verifying and quantifying all outstanding works in order to appoint a replacement contractor.

The committee wanted to know in which areas/region are the Emergency Housing Assistance build. The department responded that all houses projects are situated in various areas in Nkomazi Local Municipality. The committee requested the department to provide a progress report on the CRDP projects per municipality.

The Accounting Officer clarify that the department does not necessary have CRDP projects but rather implements the Enhanced People Housing Process (EPHP) as per the Housing Code which shares similar goals and objectives with the CRDP. The progress in terms of completion of housing units under the EPHP programme per district is indicated below:-

<b>District Municipality</b>	<b>Housing Unit Completed to Date</b>
Ehlanzeni	553
Gert Sibande	49
Nkangala	28
<b>TOTAL</b>	<b>630</b>

The committee needed a clarity on the incorrect planned target. The Account Officer (AO) explained that the planned target of 31 housing units under the Farm Worker Housing Assistance Programme was completed in the previous financial year; and erroneously captured as a target for the 2019/20 financial year. The committee asked the department whether the APP/Target was officially withdrawn from the Office of the Speaker; if yes, provide proof and if not why not. The department did not withdraw the target, however, indicated the error in its “response to questions on the 2019/20 APP targets” raised by the committee and the department would correct the error during the Business Plan mid-term adjustment period in September 2019.

**Table 5: Spending per economic classification**

Economic classification	Budget allocation 2019/20 R' 000	1st Quarter budget Allocation R' 000	1st quarter Actual Expenditure R' 000	% of budget spent
Compensation of employees	49 191	12 251	12 180	99%
Goods and services	4 088	1 027	796	78%
Total transfers and subsidies	1 298 649	417 316	397 144	95%
Payment for capital assets	-	-	-	0%
<b>Total</b>	<b>1 351 928</b>	<b>430 594</b>	<b>410 120</b>	<b>95%</b>

The committee noted on programme 3 that, the department spent 95% of its budget for the quarter which shows an underspending of 5%, however, for the Annual Budget the department had spent 30% which is an overspending by 5% according to the 25% Treasury benchmark for the quarter. The Sub Programme Incremental Intervention and Social and Rental Intervention overspent on its budget for the quarter by 23% and 227% respectively. For Goods and Service the department underspent on its planned budget by 22%.

The committee wanted to know what resulted to the overspending of the (2) two Sub Programmes .In its response the department indicated that, the Incremental Intervention on sub-programme consist of four housing development instruments (IRDP phase 1&2,

PHP, Informal Settlements upgrade and individual housing) which constitute 68% of the Human Settlements Development Grant; and there were also over-achievements of performance on the instruments under incremental intervention. The Department budgeted planning and designs during the first quarter under social and rental intervention. The construction of Community Residential Units (CRU) and Community Hall and Child Care Centres began in the last month of the first quarter; and it was done to perform better during the winter weather and reduce the pace during the rainy weather of spring and summer seasons.

The committee wanted to know how the department will manage the budget of programme 3 noting that it has already spent 3% of its Annual Budget in the 1st quarter. The accounting officer explained to the committee that; the department's cash flow projections anticipated 30% of the HSDG which was received during the quarter. The department projected 20% in the second quarter, 25% in the third quarter and 25% in the fourth quarter; the department will not spend beyond amounts received. The work on the ground as well as departmental activities are managed according to the amount projected for the period.

#### **5.4 Programme 4: Housing Asset Management**

The purpose of this programme is to facilitate for tenure security and land rights through the delivery of Title Deeds.

The committee noted that this programme has two (2) targets, one (1) target is divided into two (2) segments:

(a) Number of Title Deeds to be registered with the Deeds Office; and

(b) Number of Title Deeds registered with Deeds Office-Pre 1994 and Post 1994.

The committee noted that the department has planned to register 1 311 Title Deeds with deeds office in the first quarter and managed to register 228 Title Deeds. The committee wanted to know the time frame for processing a proclamation a township. The time frame for township establishment is 18-24 months when all the processes of Township establishment are finalized and all necessary approvals has have been required/ submitted, a period of two months is sufficient for a proclamation of a township, including advertisement in newspapers for comments, the land must be registered under the name of the municipality for the above processes to be initiated.

The committee requested the department to submit a progress report on the intervention for Emalahleni Municipality regarding the issuing of Spatial Planning Land Use Management Act (SPLUMA) certificates. The department reported that the matter was discussed with the municipal Manager during the MUNIMEC of the 26 July 2019 and the Municipal Manager has responded positively.

The department indicated that the deviation was due to houses built on un-proclaimed townships whereas they are recorded in the HSS as the backlog. The department had requested for Political intervention for Emalahleni Municipality regarding the issuing of SPLUMA Certificates and Minister of Agriculture to issue consent. The department also indicated that; they are busy with proclamation of townships and facilitating the release



of State land with relevant departments. i.e. Department of Public Works, Roads and Transport (DPWRT).The department also planned to resolve 100 rental dispute cases; and the department resolved 194. The over achievement was due to more cases received than anticipated.

**Table 6: Spending per economic classification**

<b>Economic classification</b>	<b>Budget allocation 2019/20 R' 000</b>	<b>1st Quarter budget Allocation R' 000</b>	<b>1st quarter Actual Expenditure R' 000</b>	<b>% of budget spent</b>
<b>Compensation of employees</b>	17 613	4 401	4 224	96%
<b>Goods and services</b>	2 644	661	1 143	173%
<b>Total transfers and subsidies</b>	36 477	9 117	441	5%
<b>Payment for capital assets</b>	-		-	0%
<b>Total</b>	56 734	14 179	5 808	41%

On Programme 4's Economic Classification, the department spent 41% of its budget for the quarter. On Goods and Services, the department overspent on its budget for the quarter by 73%; and on the Total Transfer and Subsidies the department underspent by 5% on its Budget, the underspending was due to the delays of the issuing of the SPLUMA certificates. The committee wanted to know which municipalities are waiting for the issuing of SPLUMA certificates, and those with challenges of issuing the SPLUMA certificates. The department in its response indicated that the following local municipalities still experience the challenges of suing the Spatial Planning Land Use

Management Act (SPLUMA) certificates; Lekwa, Pixley Ka Seme, Mkhondo, Steve Tshwete, Mbombela and Thaba Chweu.

## 6. Findings

After the deliberations on the report, the committee found that the department;

- a) Overspent on Total Transfers and Subsidies in Programme 1 on the renewal of all vehicle licenses during the first quarter, which was the same in the 2018/19 financial year.
- b) Received the amount of R120 million during the second budget adjustment for Kanyamazane and surrounding areas that was affected by hail and storm during May 2018/19 financial year, and R53 million was rolled over to 2019/20 financial year to complete the project for repair the damaged houses.
- c) Implemented the water and sanitation projects in the 2019/20 of which they are not funded for in the current financial year; this could result in the department incurring an unauthorized expenditure.
- d) Failed to register the planned title deeds due to the delay on the issuing of SPLUMA certificates.
- e) Had requested for Political intervention for Emalahleni Municipality to issue Spatial Planning Land Use Management Act (SPLUMA) Certificate and Minister of Agriculture to issue consent.

## **7. Recommendations**

After the findings, the committee recommended that the department must:

- a) Take action against officials who failed to plan and budget for its targets; and come up with a strategy or system that will prevent the re-occurrence in 2020/21 financial year.
- b) Submit an expenditure financial report on the R53 million that was rolled over from the 2018/19 financial year and a status report on project.
- c) Hand over the water and sanitation infrastructure projects back to the Department of Co-operative Governance and Traditional Affairs and Municipalities as its not the department's mandate as the projects are not funded and budgeted by the department.
- d) Must develop a monitoring system that will ensure that the delay of issuing the Spatial Planning Land Use Management Act (SPLUMA) certificates is addressed.
- e) Provide the progress report on the political intervention (reports and minutes on the meeting held with Political counterparts)

**The department must submit a progress report to the Legislature on 29 November 2019.**

## 8. CONCLUSION

The Chairperson wishes to thank the Hon. Members of the Committee for participating and further extends her appreciation to the Senior Officials of the Department of Human Settlements, Councillors and officials of Steve Tshwete Local Municipality for supporting the programme of the Committee.

Lastly, she also wishes to thank the Legislature support staff for supporting the Committee during the oversight visit.

Masilela

12/09/2019

**HON. MC MASILELA**

**DATE**

**CHAIRPERSON: PORTFOLIO COMMITTEE ON  
HUMAN SETTLEMENTS AND CO-OPERATIVE  
GOVERNANCE & TRADITIONAL AFFAIRS**