

REPORT OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS 4TH QUARTERLY REPORT FOR 2018/2019 FOR 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 4TH quarterly report of the Department of Human Settlements (the Department) for the 2018/19 financial year, reporting period Jan–March 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 4th quarterly report of the Department of Human Settlements to the Committee for consideration and report back to the House. On 13 June 2019, the Committee was briefed by the cross functional team on the 4th quarterly report of the Department. The Committee interacted with the Department during the deliberations.

The Honourable MEC for the Department of 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 THE 4th QUARTERLY REPORT

- ❖ The 4th quarterly report of the Department is aligned with its 2018/2019 Annual Performance Plan.
- ❖ The department has underspend by 3% of its budget in the 4th quarter, on the payment for Capital Assets.
- ❖ The Department has applied for a roll-over of R55, 175 million; broke down into title deeds Restoration Grant (R1, 39 million) Expanded Public Works Programme R375, 000-00 as well as Provincial Emergency Disaster Grant (R53, 41 million).
- ❖ The department has received R120 million for the Kanyamazane Storm Disaster in march 2019, and R53 million was applied for the Rollover
- ❖ There is a delay on the registering of title deeds, due to the issuing of clearance and Spatial Planning and Land Use Management Act (SPLUMA) certificate by the municipalities and signing of deeds of sales.

4. ANALYSIS ON THE 4th QUARTER PERFORMANCE AND FINANCIAL ANALYSIS

The Committee noted that the department had total planned targets of 41 and the Department managed to achieve only 20, which translates to 49% performance.

Table 1: Summary of the 4th quarter for programme performance of the Department

Programme	Planned	Actual	Non achieved	%	of
-----------	---------	--------	--------------	---	----

	targets	Output	targets	Budget used
1. Administration	15	14	1	93%
2. Housing needs, research and planning	5	2	3	40%
3. Housing development	20	4	16	20%
4. Housing asset management	1	0	1	0%
Total	41	20	21	49%

The adjusted allocated budget for the Department of Human Settlements is **R1 828 629 000.00** for the financial year 2018/19, for the fourth quarter, the department budgeted to spend **R345 508 000.00** and spent **R566 284 000.00** which shows an underspending of **R84 754 000.00** as at March 2019 for the fourth quarter. The department spent 97% of its Annual Budget in the end of the fourth quarter which shows an underspending of 3%.

Table 2: Budget allocation

Programme	Adjusted Appropriation 2018/19 R' 000	Actual Expenditure on 31 March 2019 R' 000	% SPENT as at the end of quarter
1. Administration	159 190	162 036	102%
2. Housing Needs, Research and	259 244	257 155	54%

Planning			
3, Housing Development	1 456 287	1 400 463	96%
4. Housing Asset Management	74 863	74 705	99%
Total	1 949 584	1 894 359	97%

Table 3: Spending per economic classification

Economic classification	Budget Allocation R' 000	Actual Expenditure R' 000	% of budget spent
Compensation of employees	210 788	150 896	71.6%
Goods and services	47 440	44 989	94.8%
Total transfers and subsidies (HSDG and other)	1 567 901	1 434 633	91.5%
Payment for capital assets	2 500	3 087	123,5%
Payment for financial assets	—	—	0%
Total	1 828 629	1 633 605	89%

The committee noted that the department on Economic Classification, had underspent by 3%. On Compensation of Employees the department underspent by 1.7% and Total Transfer and Subsidies underspent by 3.4%. On Goods and Services the department overspent by 4.4% of its budget and on Payment for Capital Assets the department overspent by 5.4% 9.

On Capital Assets, the department indicated that the overspending was due to procurement of office furniture during the fourth quarter. The committee propped the Department on the old furniture. The Department responded that there is a disposal

committee that is responsible for the distribution of the old furniture and donate to orphanage and schools.

The committee requested the department to indicate if they have accruals for the year under review. The department responded by giving a breakdown of the accruals that was incurred for the year under review amounting to R2, 8 million mainly contractual obligations billed after month of March ends.

- ❖ Auditor General **R830 000-00**;
- ❖ Fleet Operational Costs **R491 000-00**;
- ❖ Department of Public Works-Water ,Electricity and Waste Removal **R247 000-00**
- ❖ March S&T claims by the department's officials **R640 000-00**

5. OVERVIEW BY THE MEC

- ❖ The MEC appreciated the committee for inviting the Department of Human Settlements to be part of the meeting for paving a way forward to improve the life of the people of Mpumalanga Province
- ❖ The 6th administration of the department will focus on one of the pillars – that is spatial integration and human settlements.
- ❖ The department committed on achieving the policy directives outlined above and shall work with every stakeholder to ensure that they achieve the set targets for this new administration.
- ❖ The department has successfully delivered 8 533 housing units which included 24 Community Residential Units (CRU) and Financial Linked Individual Subsidies (FLISP) units, serviced 2 318 sites, issues 3 730 title deeds and delivered four social housing amenities (Community Halls and Day Care Centers)
- ❖ The department will provide adequate housing and integrated sustainable human settlements to all eligible and needy beneficiaries

6. PRESENTATION BY THE HEAD OF THE DEPARTMENT (HOD) AND INTERACTION ON THE MAIN PROGRAMMES

The HOD, Mr K Masange briefed the Committee on the 4th Departmental Quarterly Performance report for 2018/19 financial year. The Committee welcomed the presentation and thereafter deliberated programme per programme.

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 the Department planned 15 targets and achieved 14 targets which translate to 93% at the end of the fourth quarter. The Committee also noted that the department did not pay 107 invoices out of the 646 invoices received due to budgetary pressure that occurred as a result of the unplanned payments made to the service providers repairing the houses that affected by the hailstorm at Kanyamazane.

The Committee wanted to know how the department is planning to address the issue of the 107 invoices that were not paid within the 30 days. The Department reported that all invoices were paid and the total amount is **R99 607-00 and therefore** these invoices would not result to accruals.

The committee wanted to know the reason that led the department to overspend on Compensation of Employees. In its respond the department said they did not overspend on CoE adjusted budget, the overspending in the 4th quarter was a result of the budget projection not including the salary of an employee that was suspended and reinstated, however, the department had to continue to pay his salary including the 4th quarter.

The committee requested the Accounting Officer to brief the members on the cases that resulted to the department incurring legal fees and the status of all cases.

The Department incurred legal fees during fourth quarter on the following cases;

- Bakhulele Business Enterprise / Department of Human Settlements -**R489 632-10**
- Timane /Emakhazeni Local Municipality- **R211 211-50**
- Mjejane eviction case – **R79 641-57**
- D Shipalane / Department of Human Settlements – **R112 643-98**
- D Awogu/ Department of Human Settlements – **R92 195-79**

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 this programme planned to achieve five (5) targets at the end of the fourth quarter the Department only managed to achieve two (2) targets, which translates to 60%. The Department fail to approved 224 beneficiaries out of the 1 500 planned for the fourth quarter, due to budgetary constraints.

Table 5: Spending per economic classification

Economic classification	Budget Allocation 2018/19 R' 000	4th Quarter budget Allocation R' 000	4th quarter Actual Expenditure R' 000	% of budget spent

Compensation of employees	50 009	12 414	9 487	76%
Goods and services	4 241	581	626	108%
Total transfers and subsidies	1 402 037	225 222	422 251	36%
Payment for capital assets	-	-	-	0%
Total	1 456 287	238 217	90 553	38%

The Committee requested the department to provide an explanation on the overspending occurred on Goods and Services noting that the department had received more funding for the bulk infrastructure projects. In its response the Department reported that, the entire additional amount of **R70 million** had full conditions on investment (capital projects) at Govan Mbeki, Msukaligwa and Lekwa local municipalities. There was no percentage spared for operational costs which comes with the implementation of the project. As a result, costs of procurement and travelling costs to projects exhorted pressure on the budget for goods and services.

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

nine (09) targets were fully achieved at the end of the quarter which translates to 45% performance.

The Committee requested the department to provide a status report on the Kanyamazane Storm Disaster Relief Project. The department indicated that a significant progress has been achieved to date in the disaster relief at Entokozweni ,Kanyamazane and Tekwane South areas where 2143 houses were damaged by hailstorm .Phase 1 of the project which comprises of 1050 housing units is 100% complete whilst phase 2 ,which comprises of 1093 housing units, with 823 housing units completed to date (i.e. 75 % completed) the outstanding 270 housing units is planned for completion by end of July 2019.

The Committee further asked the department to give a status report on the completed bulk water infrastructure projects. The department reported that three (3) bulk infrastructure projects were completed namely;

- ❖ Glencore – Phola Bulk water pipeline (Emalahleni Local Municipality (LM)- **R80 290 709.32;**
- ❖ Siyanqoba Bulk Sewer and pump stations (Emalahleni LM) – **R43 709 822.19;**
- ❖ Ridgeview Packaged Sewer plant for 300hh (Dipalesang LM) - **4 854 859.75.**

The department further reported that there were two (2) bulk water infrastructure contractual disputes that were disrupted namely;

- ❖ The upgrading of Amersfoort Wastewater treatment work, where **R16 608 443,67** has been spent; and
- ❖ The construction of sewer pump station and reticulation in Amersfoort where **R34 499 045-98** was spent. The municipality could not pay the appointed

consultants and this result in the contractor being unable to proceed when the consultant left the side.

Table 6: Spending per economic classification

Economic classification	Budget Allocation 2018/19 R' 000	4th Quarter budget Allocation R' 000	4th quarter Actual Expenditure R' 000	% of budget spent
Compensation of employees	50 009	12 414	9 487	76%
Goods and services	4 241	581	626	108%
Total transfers and subsidies	1 402 037	225 222	422 251	36%
Payment for capital assets	-	-	-	0%
Total	1 456 287	238 217	90 553	38%

The Committee noted that on the Economic Classification for Programme 3 (three), the department underspent by 62% of its budget. On Transfer and Subsidies the department has underspent by 64% of its 4th quarter budget. On Compensation of Employees, the department overspent by 24% for the quarter. On Goods and Services the department overspent on the 4th quarter by 8%.

The Committee asked the reasons led to the underspending on the Compensation of Employees and on Total transfer and Subsidies for the quarter. In response, it was indicated that the department's officials who anticipated receipt of their subsidized vehicle did not receive them, thus leading to an underspending on compensation of employees under capital remuneration. The department received R120 million in March

for the Kanyamazane Disaster which could not be spent in one month .The Department applied for the rollover for the remaining R53 million.

PROGRAMME 4: HOUSING ASSET MANAGEMENT

The programme exists in order to provide for the effective management of housing. The programme has one (1) target which is divided into two (2) which deals with a number of Title Deeds to be registered with the Deeds Office and a number of Title Deeds registered with Deeds Office-Pre and post 1994.

The Committee noted that the department planned to register 987 Title Deeds in the fourth quarter; however, the department only managed to register 210 Title Deeds. Noting the continuous failure by the department to achieve this target, the committee wanted to know the progress made so far and the main problem made the department not to achieve this target.

The department indicated that the delay was due to the signing of the Deeds of Sales and issuing clearance and Spatial Planning and Land Use Management Act (**SPLUMA**) certificated by municipalities, and the Department of Agriculture to issue the relevant certificate to change the farm land to residential area ,the department can be able to register over 3000 Title Deeds for the houses build in Siyanqoba ,over 1000 title Deeds can be issued if the SPLUMA certificate can be issued for other townships within Emalahleni. The committee raised a concern of the poor workmanship who built houses around Emakhazeni and Dr JS Moroka Local Municipalities. The committee felt that the department must identify these contractors and de-register them to do work for government. In respond, the department has an experience of working with poor performing and defaulting contractors, these service providers are not allocated work or patronized on the department's database for contractors. Further to that, the department works closely with the National Home Builders Registration Council (NHBRC) who provide consumer protection to home owners. Defaulting contractors are reported to the NHBRC who can either blacklist or deregister such contractors.

The Committee wanted to know whether the Department made follow ups with the municipalities that are not issuing SPLUMA certificates. In its response the Department reported that, letters are written to all municipalities to provide SPLUMA certificates, and meetings are held with some municipalities to issue the certificates. The Committee also wanted to know what the progress was in this regard, noting that it is negatively affecting the department's performance. The Department further reported that, four municipalities that previously had challenges with issuing SPLUMA certificates have started to issue the certificates of which two started between January and February. These two municipalities are Emalahleni and Pixley ka Isaka Seme, Steve Tshwete and Mkhondo Municipalities responded positively to the intervention. Other municipalities have challenges relating to the conveyancers' performance.

Table 7: Spending per economic classification

Economic classification	Budget Allocation 2018/19 R' 000	4th Quarter budget Allocation R' 000	4th quarter Actual Expenditure R' 000	% of budget spent
Compensation of employees	18 274	4 076	4 288	105%
Goods and services	4 855	274	1 580	577%
Total transfers and subsidies	51 734	13 038	16 479	126%
Payment for capital assets	-	-	-	0%
Total	74 863	17 388	37 245	129%

The committee noted that all planned targets of programme 4 were not achieved, however, the budget was overspent by 29%. The Committee requested the department

to explain the overspending on the sub-programmes noting that the department did not achieve its target. The department reported that the overspending in the 4th quarter was as a result of the work that was not achieved in the 1st, and 2nd quarter but finalized in the 4th quarter. Overall, the programme underspent on the title deeds and a roll-over of R1, 3 million was applied for.

Further to that, the department had the functional programme for the first time in 2018/19. The programme was under budgeted due to low budget baseline. Virements were done from other programmes at year –end to defray excess expenditure. The Department reported that the programme existed without targets and staff complement in previous financial years. It began to be operational in the current financial year. The baselines of the programme were under cast and will be revised in the next financial year. Staff from this programme was transferred from programme 3. The total expenditure of goods and services relates to Travelling and Subsistence on facilitation for Title Deeds in municipalities and continuous workshops for (Finance Linked Individual Subsidy Programme (FLISP) in municipalities and factories.

The Committee also wanted to know whether the Programme will has an operational budget for the 4th quarter, if yes, where the budget will be accessed noting that the Programme has utilized its entire budget for the financial year. In its response the department reported that, the programme exhausted its allocated budget in the middle of the third quarter. The programme has available budget for Compensation of Employees for the 4th quarter, the department will do virements at year end from transfers and subsidies in programme 2 to defray excess expenditure in other programme. The Department will not overspend its budget.

7. Findings of the committee

After considering the fourth quarter report, the Committee made the following findings:

- 7.1 Criticize the low cost houses of poor workmanship which were built by some contractors around Emakhazeni and Dr JS Moroka Local Municipalities.
- 7.2 The department has of challenge on addressing the untraceable beneficiaries.
- 7.3 The department managed to register 210 Title Deeds instead of 987 in the fourth quarter.

8. Recommendations of the committee

After the findings, the Committee recommended that the Department must implement the following recommendations and submit a progress report by 15 August 2019:

- 8.1 The department must investigate and identify those contractors for the poor workmanship around Emakhazeni and Dr JS Moroka Local Municipalities and de-register them to do work for government; also continue to work closely with the National Home Builders Registration Council (NHBRC) who provide consumer protection to home owners. Defaulting contractors are reported to the NHBRC who can either blacklist or deregister such contractors.
- 8.2 The Department must come up with a plan to address the challenge of untraceable beneficiaries and submit it the committee. The Municipalities must ensure that beneficiaries are timely located so that by the time their houses are at the very latest level, the beneficiaries are informed
- 8.3 The department must strengthen its monitoring system on the signing of the Deed of sales, issuing clearance and SPLUMA certificates by municipalities.

9. CONCLUSION

The Chairperson wishes to express her gratitude to the MEC, Ms N Mahlangu, HOD, Mr. K Masange, and the senior officials of the Department of Human Settlements, representative from Office of the Auditor General.

The Chairperson further wishes to thank the Hon. Members of the Committee for their sterling participation and inputs during the deliberations of the 4th quarterly report of the Department of Human Settlements and also thank the Legislature staff for the support they provided to the Committee.

Masilela

HON. MC MASILELA

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

03/07/19

DATE