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LEGISLATURE

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*Following up on our commitment to the People of Gauteng*

## RESEARCH ANALYSIS

OF

### THE GAUTENG DEPARTMENT OF HUMAN SETTLEMENTS' FOURTH QUARTER PERFORMANCE REPORT OF THE 2022/23 FINANCIAL YEAR (FY)

*In line with the Oversight Model of the South African Legislative Sector*

Compiled by

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## LIST OF ACRONYMS

ABT	Alternative Building Technology
AFCU	Anti-Fraud and Corruption Unit
AG	Auditor General
APP	Annual Performance Plan
ADARDI	Asset Disposal and Regularisation Directorate
ARA	Affordable Rental Accommodation
BCM	Budget Cycle Model
CoE	Compensation of Employees
COVAC	Committee's Oversight Accountability Framework
CRUs	Communal Rental Units
DLG&H	Department of Local Government and Housing
EEDBS	Enhanced Extended Discount Benefits Scheme
FLISP	Finance Linked Subsidy Programme
FY	Financial Year
GAS	Gauteng Audit Services
GCR	Gauteng City Region
GDHS	Gauteng Department of Human Settlements
GPG	Gauteng Provincial Government
GPL	Gauteng Provincial Legislature
IBT	Innovative Building Technologies
ICT	Information Communication Technology
IDPs	Integrated Development Plans
IRDP	Integrated Residential Development Programme
LED	Local Economic Development
LM	Local Municipality
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant
MHD	Mixed Housing Development
MM	Metropolitan Municipality
MTEF	Medium Term Expenditure Framework
MYHDP	Multi Year Housing Development Plan
NHBRC	National Home Builders Registration Council
NYDA	National Youth Development Agency
OSD	Occupational Specification Dispensation
PEBA	Programme Evaluation and Budget Analysis
PFMA	Public Finance Management Act
PWD	People with Disabilities
SMS	Senior Management Staff
SOM	Sector Oversight Model
STI	Sexually Transmitted Infections
TB	Tuberculosis

## EXECUTIVE SUMMARY

In terms of the number of Breaking New Ground houses delivered, the planned target was 1 816 and this was achieved as 3 119 was realized.

With regard to the number of serviced sites delivered, the planned target was 2 678 and this was achieved as 2 953 was accomplished.

About the number of approved beneficiaries allocated available housing units, the planned target was 1 500 and 2 360 approved beneficiaries were allocated to available housing units.

In relation to the number of serviced sites procured from the private sector each financial year, the planned output for the quarter under review was 860. However, 548 was achieved. In terms of Rand Value of funding facilitated for bulk infrastructure to local municipalities per financial year, the planned target was R118 658 490 000.00, and this was not achieved as R264 861 613, 39 was realised.

Regarding the Gauteng Department of Human Settlements focused policies reviewed per financial year, the Department planned to review 5 policies and this target has been achieved as 23 policies were reviewed.

In terms of reviewing the Gauteng Human Settlements Spatial Master Plan, the plan was reviewed, and Gauteng Multi-year Project Pipeline/Project Bank has been updated.

In relation to the number of formalised townships per financial year, the planned target during the quarter under review was 10 and no township was formalised.

About the number of integrated implementation programmes for priority development areas completed per year, the planned target was four and this was not achieved,

The Department shows that a total of 2 077 post-1994 title deeds were registered against a planned target of 3 691. This, according to the Department, is due to delay in finalization of townships formalization.

Moreover, post-2014 title deeds registered, the planned target was 600 and this was not achieved. In terms of pre 1994 title deeds registered, the planned target was 41 and it was not achieved.

With regards to the percentage of residential rental housing disputes resolved by the end of the financial year, the planned target was 65% and this was not achieved as 51% was achieved.

In terms of the number of ownership disputes resolved in respect of pre-1994 title deeds backlog, the planned target was 15 and this was not achieved. It is reported that slow progress was due to the postponement of hearings owing to unavailability of disputing parties.

Regarding the number of new title deeds registered, the planned target was 500 and this was not achieved. This is because of outstanding planning to finalize transfers. The delays in respect of the issuance of Section 53 SPLUMA certificate by Merafong Municipality.

## INTRODUCTION

The financial performance has improved as the Department has spent 44% of its allocated budget during the quarter under review. This comes as the Departmental expenditure was sitting at 56% during the 3<sup>rd</sup> quarter as opposed to 75%. The Department is still struggling in terms of achieving some targets. The GPF did not submit its quarterly performance report even though it has been submitting in the previous quarters. The HDA has never submitted its quarterly performance reports to the Portfolio Committee (PC) and the PC only interacts with its report during the annual report process.

Against the above backdrop, this analysis will look into the financial and non-financial performance of the Department during the quarter under review.

In undertaking this analysis, the following SOM tools have been utilized:

- The **Budget Study Variance**: which examines the variance between estimates, budgets, adjustments, and actual expenditure, with a view to ascertaining the quality of a department's planning in respect of a program and sub-programme.
- **Information Level Test**: purpose of this tool, based on previous studies, is to determine whether a department is as transparent, open, and accessible in its budget documentation as other Departments.
- **Programmatic Continuity** measures the lifespan of programmes and sub-programmes tabled in a budget. This provides a measure of consistency in a department's budget. Consistency is neither negative nor positive. What this study highlights, is whether there are concerns that should be raised by a specific pattern.

The following documents were consulted:

- Estimates of Provincial Revenue and Expenditure. 2022. Revised Budget Book. 2022 financial year.
- Gauteng Department of Human Settlements. 2022. First Quarter report. 2022/23 financial year.
- Gauteng Department of Human Settlements. 2022. Second Quarter report. 2022/23 financial year.
- Gauteng Department of Human Settlements. 2022. Third Quarter report. 2022/23 financial year.
- Gauteng Department of Human Settlements. 2022. Fourth Quarter report. 2022/23 financial year.
- Gauteng Department of Human Settlements. 2022. Annual Performance Plan report. 2022/23 financial year.
- Turn Around Strategy. Human Settlements. 2020.
- Gauteng Provincial Treasury. 2022. Medium Term Budget Policy Statement. 2022/22 financial year.

## 1. COMPLIANCE AND QUALITY

This section focuses on the information provided by the Department in the fourth quarterly performance report. The following observations were made by the Researcher when analysing this performance report:

- a) In terms of compliance to the legislation, the Department submitted the quarterly performance report to the legislature within the stipulated timeframes as per regulations.
- b) With regard to the expenditure, PFMA states that, the ideal benchmark at the end of the fourth quarter is 100% of the annual budget, which implies that every quarter, 25% of the budget should be spent. However, the Department did not spend the 25% as per the PFMA benchmark.
- c) In relation to the **Reporting Format and Quality Parameters**: The **Information Level Test** and **Programmatic Continuity tools** were applied to assess the quality of the information presented by the Department and to measure the life span of the programmes or sub-programmes tabled in the budget. The following findings are highlighted:
  - Majority of the targets were not achieved during the quarter under review and the reasons and remedial measures for unachieved targets, in some instances, are not clear and are questionable.
  - Several targets planned for during the quarter under review were not achieved and were moved to the next financial year.

## 2. OVERSIGHT ON STRATEGIC PRIORITIES

This section assesses the Department's performance in the quarter under review in relation to the strategic and political priorities as emphasised in both the State of the Nation Address (SONA) and the State of the Province Address (SOPA) of the year under review. Furthermore, it also assesses the performance of the Department in relation to the ten pillars of the TMR as a strategic roadmap to enhance the Gauteng City Region (GCR).

Moreover, there is still more emphasis on two (2) macro interventions, namely, Spatial Reconfiguration and Massive infrastructure investments. In response to this, the Department introduced Developing Gauteng Catalytic Post-Apartheid New Towns (New Towns) and the Mega project to ensure the realisation of the following Provincial Pillars:

- Decisive spatial transformation,
- Modernisation of human settlements and urban development,
- Modernisation of the public service,
- Accelerated social transformation, and
- Radical economic transformation.

The analysis of all four (4) Departmental Programmes revealed consistency with the above-mentioned pillars.

## **2.1 ASSESSMENT OF PERFORMANCE AGAINST THE NATIONAL DEVELOPMENT PLAN (NDP)**

The above-mentioned policy pronouncements are also aligned to the NDP's long-term development strategy of 2011 to eliminate poverty and reduce inequality by 2030. Of the NDP's eighteen (18) key targets, the focus is on the main target of creating eleven (11) million jobs by 2030.

- ❖ Regarding the number of work opportunities created through EPWP incentive grant (Unskilled Labour), 1195 was achieved.
- ❖ In terms of the number of work opportunities created through the Human Settlements Development Grant (Skilled and unskilled labour), no work opportunities were created.
- ❖ The NDP sanctions spatial development that will meaningfully integrate marginalised groups in the economy by constructing housing near places of employment and improving public transport for those who travel to work, this is to be achieved through the introduction of the Mega Projects which seek to reverse the spatial planning of the Apartheid Government.

The main objectives of the NDP are combating poverty, inequality, and unemployment. Combating these three social ills would require job creation, skills development, empowerment, and equity through the construction sector. In contributing to the reduction of inequality, unemployment and poverty, the Department has strategically set goals to empower youth, women, and people living with disabilities in its

planning. Furthermore, the Department has committed itself in supporting emerging small businesses and local suppliers in its planning. In addition, the Department has introduced the Mega projects, which resonates with spatial transformation and, in constructing houses, creating jobs, and improving the livelihood of people in Gauteng.

## **2.2 ASSESSMENT OF PERFORMANCE AGAINST NATIONAL AND PROVINCIAL PRONOUNCEMENTS**

To unite all South Africans around a common purpose by improving the lives of young black people and ensuring improvement in the effectiveness of “redress measures” such as black economic empowerment and employment equity, the following performance was observed:

- ❖ The Department did not achieve its target on procurement budget that targets township-based businesses as 0,84% was achieved against a planned target of 30%.
- ❖ In relation to the percentage of procurement budget that targets businesses owned by women, the Department did not achieve its target of 40% and managed to achieve 14.35%.
- ❖ Regarding 20% of procurement budget that targets businesses owned by youth, 9,30% was paid to businesses owned by youth.
- ❖ About the percentage of procurement budget that targets businesses owned by PwDs, 0,67% was achieved against a planned target of 5%.

These achievements show that the Department is making effort in terms of supporting businesses owned by previously marginalized people even though the planned targets are always not achieved.

## **2.3 ASSESSMENT OF PERFORMANCE AGAINST MDG GOALS**

In responding to the MDG, the Department’s mandate mainly responds to the realization of Goal 7:

- Regarding target 9 on the ***integration of principles of sustainable development into country’s policies and programmes, and reverse the loss of environment resources***, the achieved outputs against the set targets for the fourth quarter in Programmes 2 and 3 contribute towards achieving target 9.
- On Target 10, ***halving by 2015 the proportion of people without sustainable access to safe drinking water*** together with Target 11: ***Achieving by 2020 a significant improvement in the***



**lives of at least 100 million slum dwellers:** all the stands serviced, and house units built by the Department, including those in the quarter under review, include basic services such as the installation of safe drinking tap water, electricity, and sanitation.

## **2.4 ASSESSMENT OF PERFORMANCE AGAINST AGENDA 2063**

On Agenda 2063, regarding Aspiration 1 on Goal 3 which states that “**Cities and other settlements are hubs of cultural and economic activities, with modernized infrastructure, and people have access to affordable and decent housing including housing finance together will all the necessities of life such as, water, sanitation, energy, public transport and ICT**”: the introduction of the Gauteng Human Settlements Spatial Master Plan, inclusive of municipal bulk infrastructure shows that the Department is heading in the right direction in achieving this aspiration.

## **3. OVERSIGHT ON TECHNICAL PERFORMANCE**

The Department’s fourth quarterly performance report on the planned targets and actual outputs against the 2022/23 FY APP was consistent with the Specific, Measurable, Achievable, Realistic and Time (S.M.A.R.T) principles. These were easily reconcilable with the quarterly predetermined objectives and performance indicators as highlighted in the APP.

Furthermore, the following observations were made:

- Some of the projects were not completed and reasons for deviation include amongst others, non-appointment of contractors.
- Some of the targets were not planned for during the quarter under review.
- Other targets were not achieved during the quarter under review, and this was the case even in the third quarter.

### **3.1 PROGRAMME 1: ADMINISTRATION**

#### **3.1.1 SUB-PROGRAMME OFFICE OF THE HOD**

**Has the revised APP of the GDHS been approved?**

In terms of percentage of material misstatements of the current audit report addressed towards an unqualified audit opinion, the Department had planned target of 40% and this has been achieved as 82% was realized.

The Department did not achieve its target on procurement budget that targets township-based businesses as 0,84% was achieved against a planned target of 30%.

In relation to the percentage of procurement budget that targets businesses owned by women, the Department did not achieve its target of 40% and managed to achieve 14.35%.

Regarding 20% of procurement budget that targets businesses owned by youth, 9,30% was paid to businesses owned by youth.

About the percentage of procurement budget that targets businesses owned by PwDs, 0,67% was achieved against a planned target of 5%.

The Department achieved its target on percentage of invoices paid within 30 days of receipt. They reported that 100% of the invoices received were paid within 30 days of receipt.

During the third quarter, the Department had reported that it has incurred R161 660 000.00 in fruitless and wasteful expenditure. This is mainly from litigations and late payment of service providers. The Department has been reporting every quarter during 2022/23 FY that service providers are paid within the 30 days period. **From which FY year is the Department paying interest in late payments?**

Moreover, the Departmental Global Risk Register and corresponding Global Risk Response Action Plan (RAP) have been updated.

Regarding the number of work opportunities created through EPWP incentive grant (Unskilled Labour), 1 195 jobs were created against a planned target of 750.

About the number of work opportunities created through the Human Settlements Development Grant (Skilled and unskilled labour), the Department had a planned target of 700, and no work opportunities were created as at the end of the quarter under review.

There was no target planned out for the number of departmental employees trained on the Infrastructure Delivery Management System (IDMS) per financial year however, 78 employees were trained. **How much was spent in training the 78 employees, what were they trained about and who was the service provider?**

In terms of the approved organizational structure of the Department by the DPSA, this target was not planned for in the quarter under review and the organizational structure of the department was not approved. **Why was the structure not approved.**

Regarding ***Aspiration 6 of the African Agenda 2063: An Africa whose development is people-driven, relying on the potential of African people, especially its women and youth, and caring for children***, the Department is responding through its target on the ***number of companies participating in Incubator Programme per annum***. The revised annual target is 30% women-owned companies, 10% youth-owned companies and 5% people with disabilities (PwDs)-owned companies. The Department is making progress especially on its target of procuring local supplies as this target is always achieved and, in some cases, over-achieved.

### **3.2 PROGRAMME 2: PLANNING, POLICY, AND RESEARCH**

Regarding the Gauteng Department of Human Settlements policies developed per financial year, the planned target was 1 and this target has been achieved as 2 policies were developed.

In terms of the Gauteng Department of Human Settlements focused policies reviewed per financial year, the Department planned to review 5 policies and this target has been achieved as 23 policies were reviewed.

About reviewing the Gauteng Human Settlements Spatial Master Plan, the plan was reviewed and Gauteng Multi-year Project Pipeline/Project Bank has been updated.

In relation to the number of formalised townships per financial year, the planned target during the quarter under review was 10 and no township was formalised.

With regard to the number of integrated implementation programmes for priority development areas completed per year, the planned target was four and this was not achieved.

The target for the 3<sup>rd</sup> quarter was 2 and it was not achieved, this was the case even in the first and second quarters. However, it was reported that the target will be realised by the end of the financial year.

With regards to the percentage of investment of the total Human Settlements allocation in Priority Development Areas (PDA), the planned target for the quarter under review was 40% and this was not achieved as 20,54% was realised. For the third quarter, the planned target was 40% and it was not achieved. For the second quarter, the planned target was 40% and it was not, the planned target for the first quarter was 20% but it was not achieved. The Department has stated that majority of the budget goes to Mega projects that are not within the PDAs. The Department is still providing the same reason for non-achievement meaning that the target needs to be adjusted as clearly, they will never be realised.

In relation to the percentage of land acquired during 2014-2019 within the PDAs rezoned, the planned target was 40% and this was not achieved. No land was acquired during the 2014-2019 within the PDAs rezoned. There were 5 land parcels not yet rezoned.

## **PROGRAMME 3: HOUSING DELIVERY**

### **FINANCIAL INTERVENTION**

About the number of households that received subsidies through Finance Linked Individual Subsidy Programme (FLISP), the planned target for the quarter under review was 10 and this was not achieved. The annual target is 20 and it has not been achieved. The implementation protocol with NHFC was not yet concluded. For the whole 2022/23 FY FLISP has not yielded any results. **The Department should share with the PC how different will the new implementation protocol be with the current FLISP that is provided.**

### **INCREMENTAL INTERVENTIONS**

Regarding the number of hectares of well-located land acquired for development of housing opportunities, the planned output for the quarter under review was 530 ha and this was not achieved as 275, 8533 ha were acquired.

### ***SUB-PROGRAMME: RAPID LAND RELEASE PROGRAMME***

Concerning the number of serviced erven handed over to beneficiaries per financial year, the planned target for the quarter under review was 1 250 and this was not achieved as only 369 was realised.

It is reported that challenges experienced were resultant from poor response to the advert by landowners/developers to the request to avail service stands, and that the Department has assigned

HDA and GPF to engage on off-take agreements where serviced sites opportunity exists, and this has a potential of speeding up the uptake of this programme.

About the number of serviced sites procured from the private sector each financial year, the planned output for the quarter under review was 860. However, 548 was achieved. This is the same number that was reported in the third quarter even though there was no planned target then. The annual target is 860, the exact number that has been planned for in the fourth quarter. **How can the Department plan to achieve the annual target in the fourth quarter when 548 was already achieved in the third quarter?**

### **Bulk Infrastructure Support Services**

In terms of Rand Value of funding facilitated for bulk infrastructure to local municipalities per financial year, the planned target was R118 658 490 000.00, and this was not achieved as R264 861 613, 39 was realised. The expropriated servitude was part of the private farm portion that would have enabled the transfer of funds if planned works had been possible to execute. On several occasions, the contractor was denied access and there was no alternative route but to access site via the farm. The overall expenditure constituted R182 675 971 000.00 (bulk infrastructure) and R147 185 642,50 000.00 (mining towns).

**Which municipalities were these funds (R182 675 971 000.00) transferred to and which projects were these funds meant to benefit?**

### ***SUB-PROGRAMME HOSTEL REDEVELOPMENT***

In terms of the number of units completed in hostel re-development projects per financial year, the planned output for the quarter under review was 28 and this was not achieved as no units were completed. It is reported that the process of appointing the contractor was underway.

About the number of JHB inner city hostels with completed bulk infrastructure assessment, the planned output for the quarter under review was 6 and this was achieved. **The Department should share the results of the assessments with the PC.**

### ***SUB-PROGRAMME URBAN RENEWAL PROJECTS***

About a number of identified projects implemented in URP areas (Evaton (x2), Winterveld (x1) and Bekkersdal (X2), Alexandra (x1)), the planned target was 7 and this target was not achieved.

### ***SUB-PROGRAMME-UISP INFORMAL SETTLEMENTS***

In terms of the number of informal settlements receiving interim services support (category A, B1, B2 and C), the planned target was 69 and the target was not achieved. A total of 40 informal settlements received interim sanitation services.

Regarding the number of informal settlements receiving phase 2 upgrading, the planned target during the quarter under review was 25 and this was not achieved. The annual target is 25. The Department must respond to the following questions:

- ❖ **How many informal settlements are not upgradable?**
- ❖ **How many informal settlements are upgradable in the province?**

About the number of approved individual informal settlements upgrading plans prepared in terms of the National Upgrading Support Programme (NUSP), the planned target was 5 and no approved individual informal settlements upgrading plans have been prepared. According to the Department, the annual target was achieved in quarter 2.

In terms of the number of social compacts concluded with communities outlining their role in the upgrading process, the planned target for the quarter under review was 2 however, 4 social compacts were achieved. Social compacts were not signed by the Emfuleni municipality due to a moratorium put against new development (informal settlements provided with sewer or sanitation infrastructure).

**What could be the reason for Emfuleni to not sign social compacts that will lead to the service delivery in the area and benefit the residents?**

In relation to the number of households benefited from interim water services, the planned target was 43 000. This was not achieved as no households benefited from interim water services. The Department was in the process of concluding procurement processes, this was the case even in the previous quarter.

Concerning the number of informal settlements upgraded to phase 3 of the upgrading of informal settlements programme (UISP), the planned target was 1 and this was not achieved. It is reported that the Department was not ready to implement phase 3 as planning work was underway under phase 2.

### ***SUB-PROGRAMME BLOCKED PROJECTS***

Number of socio-economic amenities delivered in human settlements, the planned was 1 taxi rank and 1 small business (SMME) facility. This target has not been achieved.

Relating to the number of top structures completed, incomplete/abandoned/blocked housing projects, the planned target for the quarter under review was 350 and this was not achieved as 109 housing units were realized. **Where was the 109 units realized?**

### **Beneficiary management**

In terms of the number of Breaking New Ground houses delivered, the planned target was 1 816 and this was achieved as 3 119 was realized.

With regard to the number of serviced sites delivered, the planned target was 2 678 and this was achieved as 2 953 was accomplished.

About the number of approved beneficiaries allocated available housing units, the planned target was 1 500 and 2 360 approved beneficiaries were allocated to available housing units.

### **Quality assurance**

Regarding the percentage of subsidy housing projects enrolled with the National Home Builder Registration Council (NHBRC), the planned target for the quarter under review was 0 and this was achieved as 5 projects were enrolled.

In line with Agenda 2063, Aspiration 1 on goal 3 states that ***“Cities and other settlements are hubs of cultural and economic activities, with modernized infrastructure, and people have access to affordable and decent housing including housing finance together will all the necessities of life such as, water, sanitation, energy, public transport and ICT”***, the report states that for the FY under review, the Department had targets that are responding to the aspirations of the African Agenda 2063, NDP and SDGs. The Department is making progress in achieving the aspirations of the Africa Agenda even though the non-achievement of targets puts a damper on the strides that the Department is making. The inception of the Mega Projects, the disbursement of subsidies under the FLISP programme to name a few are indication that the Department is heading towards achieving the agenda 2063, NDP and SDGs.

### 3.3 PROGRAMME 4: HOUSING ASSETS MANAGEMENT PROPERTY MANAGEMENT

#### **Sale and transfer of housing properties: non-standardized**

The percentage of property transfers completed per financial year, was achieved as there is 323% of properties that were transferred against a planned target of 90%. **Which properties were transferred and what is the actual number of 323%?**

The report further shows that the number of occupants confirmed as legitimate in registered townships, there was no planned target for the quarter under review, this was the case even in the third quarter. The annual target is 30 000 and during the second quarter, the planned target was 18 000 and this was not achieved. According to the Department, this was because of unavailability of occupants for verification during visitation by fieldworkers. During the quarter under review, the Department has reported that the task order has expired. There is also an issue of unavailability of the ward councilors to act as facilitators in the physical verification process.

#### **Sale and transfer of housing properties: standardized sector output indicators**

The Department shows that a total of 2 077 post-1994 title deeds were registered against a planned target of 3 691. This, according to the Department, is due to delay in finalization of townships formalization.

Moreover, post-2014 title deeds registered, the planned target was 600 and this was not achieved.

With regards to the percentage of residential rental housing disputes resolved by the end of the financial year, the planned target was 65% and this was not achieved as 51% was achieved.

In terms of the number of ownership disputes resolved in respect of pre-1994 title deeds backlog, the planned target was 15 and this was not achieved. It is reported that slow progress was due to the postponement of hearings owing to unavailability of disputing parties.

Regarding pre 1994 title deeds registered, the planned target was 41 and it was not achieved.

In relation to the number of new title deeds registered, the planned target was 500 and this was not achieved. This is because of outstanding planning to finalize transfers. The delays are in respect of the issuance of Section 53 SPLUMA certificate by Merafong Municipality.



## 4. OVERSIGHT ON BUDGET EXPENDITURE

### MACRO-ANALYSIS

This section provides an analysis of the overall utilisation of the Department's budget for the quarter under review. The **Budget Variance Study tool** was applied to determine whether there was under/over-expenditure within the programmes as well as in the analysis per Economic Classification.

The application of the **Budget Variance Study tool** reveals that the Department stipulated its allocation to the quarter under review. The budget highlighted in the Departmental report reflects the fourth quarter budget.

For the Annual Appropriation, the **Budget Variance Study tool illustrates that** the Department received R6 407 738 000. 00. The budget of the Department was adjusted from R6 607 739 000 000 during the second adjustment process which saw the budget of the GDHS being cut by R200 000 which was as a result of dissatisfaction on the reporting regarding performance of UISP.

The Department has spent 56% of its annual allocated budget during the third quarter under review, at the end of the second quarter, the Department has spent 45% of its total allocation. During the quarter under review the Department has spent 99% of its total allocated budget.

**Table 1: Fourth quarter budget allocation**

Programme	Quarter 4				Total Budget			
	Projected expenditure R'000	Actual spending R'000	Variance R'000	% (spent)	Total appropriated R'000	Actual spending R'000	Variance R'000	% Spent
Programme 1	186 722	317 472	-130 750	170%	691 922	685 760	6 162	99%
Programme 2	6 480	4 514	1 966	70%	22 816	15 961	6 855	70%
Programme 3	1 624 946	2 189 484	-564 538	135%	5 410 214	5 380 175	30 039	99%
Programme 4	80 963	129 409	-48 446	160%	282 787	258 031	24 756	91%
<b>Total</b>	<b>1 899 111</b>	<b>2 640 879</b>	<b>-741 768</b>	<b>139%</b>	<b>6 407 739</b>	<b>6 339 927</b>	<b>67 812</b>	<b>99%</b>

The above table reflects the financial allocations of the Department during the fourth quarter and the expenditure thereof. The application of the **Budget Variance Study tool** demonstrates that the Department has overspent its quarterly budget by 39%. As per the PFMA guidelines, the Department as at the end of the fourth quarter should have spent 100% of its quarterly appropriation. The Department is also expected to spend 25% of its annual allocation for each quarter. Furthermore, the application of the **Budget Variance Study tool** illustrates the following expenditures per programme:

- **Programme 1: Administration** was allocated **R187 722 000.00**, and the Department spent **R317 472 000.00** registering an expenditure of 170%. This shows that the programme overspent by 70%.
- **Programme 2: Housing Needs, Planning and Research** was allocated **R6 480 000.00** and the Department managed to spend **R4 514 000.00** registering an under expenditure of 70%. The Committee should note that this programme has a history of under expenditure.
- **Programme 3: Housing Development** was allocated **R1 624 946 000.00** but the Department spent **R2 189 484 000.00** registering an expenditure of 135%. The programme overspent its budget by 35%.
- **Programme 4: Housing Assets Management and Property Management** was allocated **R80 963 000.00** but the Department spent **R129 409 000.00** registering 160% expenditure. The programme overspent its budget by 60%.

## ECONOMIC CLASSIFICATION

**TABLE 2: Expenditure by Economic Classification line-items**

Economic Classification	QUARTER 4				TOTAL BUDGET			
	Projected Expenditure	Actual Expenditure	Variance	%(spent)	Total Appropriated	Actual Spending	Variance	%(spent)
Current Payments	278 264	285 609	-7 345	103	1 049 933	900 609	448 515	86%
Compensation of Employees	126 389	115 740	10 649	92%	492 693	458 696	33 997	93%
Goods and Services	151 875	169 869	-17 994	112%	554 746	439 419	115 327	79%

Interest and rent on land	-	-	-	-	2 494	2 494	0	100
<b>Transfers and subsidies</b>	<b>1 413 095</b>	<b>1 819 707</b>	<b>-406 612</b>	<b>129%</b>	<b>4 846 894</b>	<b>4 703 475</b>	<b>143 419</b>	<b>97%</b>
Payments for Capital Assets	207 752	535 376	-327 624	258%	510 912	735 741	-224 829	114%
Payments for Financial Assets	0	187	-187		0	253	-253	
<b>TOTAL</b>	<b>1 899 111</b>	<b>2 640 879</b>	<b>-741 768</b>	<b>139%</b>	<b>6 407 739</b>	<b>6 339 927</b>	<b>67 812</b>	<b>99%</b>

Regarding budget allocation and spending, the **Budget Variance Study tool** reveals the following:

- **Current payments:** The Department allocated **R278 264 000.00** to current payments and spent **R285 609 000.00** as at the end of the quarter under review.
- **Compensation of employees:** The Department allocated **R126 389 000.00** for compensating employees and as at the end of the quarter under review, the Department spent **R115 740 000.00**.
- **For goods and services:** The Department allocated **R151 875 000.00** for goods and services and as at the end of the fourth quarter, the Department managed to spend **R169 869 000.00** of its budgets which translates to 112%.
- **For Transfers and Subsidies (Households):** The Department received an allocation of **R1 413 095 000.00** and as at the end of the quarter under review and managed to spend **R1 819 707 000.00** (129%).
- **For the Payments for Capital Assets:** The Department allocated **R207 752 000.00** to this line item and spent **R535 376 000.00** which translates to 258%.
- **For Payments for Financial Assets:** The Department did not allocate funds to this line item but spent R187 000.00 as at the end of the quarter under review.

## 6 GAUTENG PARTNERSHIP FUND

There is no report provided, the entity has been reporting on a quarterly basis to the PC.

## 7. CONCLUSION

The financial expenditure of the Department has improved as during the third quarter the expenditure was sitting at 56%. This then means that the Department has spent 44% of its allocated budget during

the 4<sup>th</sup> quarter. There are still difficult targets that are hard to take off such as hostel redevelopment, FLISP and URP and UISP. The Department must put effort in trying to achieve these targets.

## **8. PROPOSED QUESTIONS TO THE DEPARTMENT**

### **PROGRAMME 1: ADMINISTRATION**

1. Has the revised APP of the GDHS been approved?
2. During the third quarter, the Department had reported that it has incurred R161 660 000.00 in fruitless and wasteful expenditure. From which FY year is the Department paying interest in late payments?
3. number of departmental employees trained on the Infrastructure Delivery Management System (IDMS) per financial year, 78 employees were trained. How much was spent in training the 78 employees, what were they trained about and who was the service provider?
4. In terms of the approved organizational structure of the Department by the DPSA, the organizational structure of the department was not approved. Why was the structure not approved.

### **PROGRAMME 3: HOUSING DEVELOPMENT**

5. The Department should share with the PC how different will the new implementation protocol be with the current FLISP that is provided.
6. About the number of serviced sites procured from the private sector each financial year, the planned output for the quarter under review was 860. However, 548 was achieved. This is the same number that was reported in the third quarter. How can the Department plan to achieve the annual target in the fourth quarter when 548 was already achieved in the third quarter?
7. Which municipalities were these funds (R182 675 971 000.00) transferred to and which projects were these funds meant to benefit?
8. About the number of JHB inner city hostels with completed bulk infrastructure assessment, The Department should share the results of the assessments with the PC.
9. How many informal settlements are not upgradable?
10. How many informal settlements are upgradable in the province?

11. What could be the reason for Emfuleni to not sign social compacts that will lead to the service delivery in the area and benefit the residents?
12. Relating to the number of top structures completed, incomplete/abandoned/blocked housing projects, the planned target for the quarter under review was 350 and this was not achieved as 109 housing units were realized. **Where was the 109 units realized?**

#### **PROGRAMME 4: HOUSING ASSETS MANAGEMENT AND PROPERTY MANAGEMENT**

13. The percentage of property transfers completed per financial year, was achieved as there is 323% of properties that were transferred against a planned target of 90%. **Which properties were transferred and what is the actual number of 323%?**

#### **GAUTENG PARTNERSHIP FUND**

13. What could be the reason for the entity to provide the quarterly report.

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