

OVERSIGHT REPORT OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS CONDUCTED AT KLARINET INTERGRATED HOUSING DEVELOPMENT AND SAKHELWE HOSTEL, PRE-TLP SITE VISITS HELD ON 29 JANUARY 2015 AT EMALAHLENI LOCAL MUNICIPALITY - DEPARTMENT OF HUMAN SETTLEMENTS

1. INTRODUCTION

The Portfolio Committee on Human Settlements, Co-operative Governance and Traditional Affairs (the Committee) has a Constitutional mandate in terms of Section 113 and 133 of the Constitution of the Republic of South Africa, to oversee the performance of the Department of Human Settlements (the Department), and hold it accountable through various measures.

2. PURPOSE OF THE PRE-SITE VISIT

The purpose of the pre-site visit was as follows;

- ❖ To reach out to the communities and to enable the people to have access to the Legislature especially people who are living in deep rural areas and those who are disadvantaged;
- ❖ To access human settlements projects;

3. METHOD OF WORK

In preparation for the Pre- TLP, the research section conducted pre-site visits at eMalahleni Local Municipality during January 2015. A comprehensive research reports was compiled that informed the Committee's programme for the Pre- TLP. The Social Cluster was briefed on the findings by the researchers on 27 January 2015.

After the approval of the Legislature programme, the Committee informed the Department about the oversight visits to be conducted and the purpose thereof. Invitations were then sent to the Department and the Municipality requesting them to be part of the visit. On 29 January 2015, the committee conducted the oversight visit at Klarinet Integrated Housing Development and Sakhelwe Hostel. During the pre-site visit, the Committee was represented by Honourable Members of the Social Cluster from the Legislature, officials from the Office of the Treasury. The Department was represented by the Senior Officials of the Department and officials from the district office. Other invited stake holders who were part of the oversight visit were Local Councillors.

4. KLARINET INTERGRATED HOUSING DEVELOPMENT

4.1.1. BACKGROUND

The Klarinet Integrated Housing Project is located in Emalahleni Local Municipality (ELM) as the first large scale integrated housing project implemented in Mpumalanga Province and supports the implementation of sustainable human settlements through the Breaking New Ground (BNG) development strategy of Government.

It has been declared a National Priority Project and was nominated as the Province's winning candidate to compete in the national category at the Govan Mbeki Housing Awards held in 2013 and subsequently won the 1st prize with R1m prize money.

The success of the project has been ensured through the joint efforts between Government and the private sector with the National Department of Human Settlements (NDoHS), the Mpumalanga Department of Human Settlements (MDoHS), the Emalahleni Local Municipality (ELM) and ABSA Property Development Company ("Absa Devco") partnering in the project's implementation.

The Committee noted that the project will incorporate the development of about 11 665 mixed housing units, associated social, public amenities and bulk and internal infrastructure into a single integrated project. The beneficiaries who will benefit will be from those living in informal Settlements of Spring Valley, Coronation and others as approved by Emalahleni Council. The project will be implemented in two phases, phase 1 and 2. The Department has allocated a total number of the 3915 units for phase 1 and 7750 units for phase two.

4.1.2. OBSERVATIONS

The Committee observed the good work done by the contractor which from Mbombela Municipality.

Klarinet Flats

The Committee noted that the flats were being built by a construction company known as Gaby Construction company which originates from Nelspruit, amongst other information, the Committee was informed by the research report that the company has employed people from various towns within the province which are Ermelo, Nelspruit, Piet Retief and eMalahleni. The construction company is building quality flats. The flats are meant for people who may not be in a possession to purchase but only rent according to the nature of their jobs. The Committee also learned that most foreign nationals who do not qualify have challenges in processing for their permanent stay.

Budget

The Klarinet Breaking New Ground project is funded by the Department of Human Settlements and the financial institutions. The Committee noted with appreciation the progress made by the Department of Human Settlements.

Inspection in loco

The Committee was unable to have access to the Klarinet BNG flats because the gates were locked. The Committee managed to visit a nearby completed library which is not far from the Klarinet flats.

Responses submitted by the Department

The Department was requested to provide more detailed information on the Klarinet Integrated Residential Development Grant (IRDP) including the budget the Department has spent. The Department submitted the information as follows;

The Department reported that the project will be implemented in two phases, phase 1 and 2. The total number of the mixed typologies is outlined as follows;

Subsidized and Financed Linked 5768

Affordable Bonded units 3879

Institutional Units 2322

The number of units is subject to as the planning of Phase 2 of the project is currently being executed. Due to loss of land resulting from unauthorized mining, the planned transit area, larger stands sizes and additional requirements for social and public amenities, reduces the initial planned units to be delivered.

The project is in support of the Municipal Spatial Development Framework and Municipal Housing Plan. It would assist towards the eradication and upgrade of Informal Settlements in the Municipality.

INVESTMENT AND PARTNERSHIP

National Department of Human Settlements	Project custodian and Support
Mpumalanga Department of Human Settlements	Provincial Authority

	Funder of the Subsidized portion Developer of the Subsidized portion
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KLARINET INTEGRATED HOUSING DEVELOPMENT

Emalahleni Local Municipality	Local Authority Co Land Owner and Funder Services Authority & Provision of bulk infrastructure Beneficiary administration & relocation
Absa Property Development	Overall Implementing Agent Turnkey Contractor (subsidized portion) Developer (Non-subsidized) Bonded CO-Land Owner and Funder

The Department reported that development is implemented on two (2) land portions which are owned by ABSA and the Municipality. Under a separate agreement, Absa has entered into the following agreements with Province and Emalahleni Local Municipality (ELM)

Land Exchange Agreement

The Department reported that the Agreement between Absa Property Development and Emalahleni Local Municipality, whereas the parties agree to exchange land portions on a predetermined value, with the objective of making the development integrated. Under this agreement all land to be utilized for subsidy units will be transferred or remain in the ownership of the municipality and all non-subsidized will be transferred to Absa.

Subsidy funding agreement

The Department reported that each financial year the parties entered into an Addendum to address funding for the particular financial year i.e. between the Department of Human Settlements and ABSA DEVco. Other sectors Departments have their respective agreements with their implementing agents for constructing amenities in the project. These are represented by in Project Steering Committee which is part of the institutional arrangement as contained in the Joint Development Agreement.

KLARINET INTEGRATED HOUSING DEVELOPMENT

PROJECT DETAILS

Project Name	Klarinet Integrated Project
Municipality	Emalahleni Local Municipality
Project Programme	Integrated Residential Development Programme
Commencement Date	October 2010
No. of units Planned	Phase 1 -2272 Units Phase 2 (Planning has started on this piece of land and subject to review and signing of the Joint Development Agreement by all parties).
Progress to date	1102 Bonded serviced stands completed 12 Institutional stands completed 2272 subsidized serviced stands completed 2272 subsidized BNG houses completed 114 Bonded Properties transferred Construction of 104 Rental units, by Emalahleni Housing Institution in progress. 34 Units complete and the rest to be completed by 2015/16 financial year.
Completion Date	The Project was planned for 5 year. Only Phase 1 would be completed by March 2014.
Total Estimated Project Budget	Total initial Estimated costs R1.5b To date, Dept. Human Settlement has spent R344 206 712

	<p>ABSA Dev co: R123 573 261 Emalahleni R52 607 596 Other Dept.R55 100 000 Total including Other Departments:R575 487 569 Initially conceived as National Priority Project. Later implemented from Grant funding of the Department.</p>
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Amenities	<p>Library Secondary School Community Hall Child Care Centre</p>
Risks	<p>Funding commitment from stake holders for Phased 2 not secured. No JDA agreement signed yet for Phase 2. Cost of Bulk infrastructure Phase 2 Resistance from informal Settlements beneficiaries who often do not want to be relocated Change of leadership in all the stake holders.</p>
Beneficiaries	<p>The initial beneficiaries were from Spring Valley informal settlements. Others will include qualifying beneficiaries from Old Coronation and other wards within the Municipality as approved by the Council.</p>
Achievements /Impact	<p>Integration and improved the quality if lives of the people living in this houses. Tenure security and Ownership Upgrading of informal settlements in the Municipality Improved Inter Governmental planning and communication in the Province.</p>
Title Deeds	<p>The Department is in the process of registering the initial beneficiaries. This process is slow and incomplete.</p>

Challenges	<p>Funding from Municipality for infrastructure (Bulk and Internal services). Cost of upgrade for the level of services. The project has high level of services which are not covered by the Grant Funding.</p>
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	Implementation /non alignment of certain clause in the Joint development agreements Resistance of beneficiaries to relocated affects the beneficiary administration processes
Jobs	Most of the Jobs created were temporary. SMME and subcontracting works were undertaken. Youth 17% Female 25% Male 58% Disabled 0%

Interaction on the responses by the Department

The Department has submitted the same information which it tabled on 29 January 2015 in eMalahleni with the exception of the following contradiction; The Department informed the Committee on 29/01/2015 that it has allocated 3915 units for Phase 1. The Committee has noted that in its recent responses shown in the table above that the Department has submitted that Phase 1 has been allocated 2272 units. The Department is requested to provide the Committee with the correct figure.

The Committee also noted that the table below indicates that the progress to date in terms of the units the Department have completed. The Department is requested to provide with more clarity on the 2272 subsidized service stands completed and the 2272 subsidized Breaking New Ground (BNG) house completed. The Committee is further requesting the Department to provide the actual number of the beneficiaries that have benefited in the Klarinet Integrated Residential Development Grant.

Completion Date

The Committee requested the Department to provide clarity on the completion date because according to the presentation, the project was planned for five (5) years and that only Phase 1 would be complete by March 2014. The Department is requested to explain on whether the year March 2014 or March 2015 is the correct completion date.

Total estimated budget

In its conclusion the Department reported that the Department estimated project budget needed to finalise funding agreements for 2014/15 and other subsequent financial years. The Department is requested to explain on whether or not the funding agreement for 2014/15 has been concluded or it will be concluded on 2015/16 financial year.

People Housing Programme (PHP)

The Committee requested the Department to provide with detailed information on 2013/14, 2014/2015 for Emalahleni Municipality and the budget that has been spent by the Department. In its response, the Department reported that the Department does not have any People's Housing Process units that have been constructed at Emalahleni Local Municipality for 2013/14 and 2014/15 financial years. The Department reported that this instrument has been redirected to the Comprehensive Rural Development (CRDP) Municipalities to address local Economic Development and housing needs.

The Department is requested to provide with more clarity on the implications of the omission or has the Department not prioritise the needs and interests of the middle calls at Klarinet.

Rural Housing Programme

The Department was requested to submit detailed information on the delivery of rural housing programme and the budget it spent. The Department in response reported that the Department does not classify Emalahleni Local Municipality as rural; hence it was not budgeted for under the Rural housing Programme. The Department is requested to explain on how it defines ruralness because there are rural areas around eMalahleni Local Municipality. The eMalahleni Local Municipality has about 3791 farms which fall under the definition of rural.

5. Findings made by the Committee

- a)** The Department has not responded to questions that were referred by the Legislature for written responses (researcher);
- b)** The Gaby Construction company builds good quality flats;
- c)** Foreign nationals who do not qualify have challenges in processing for their permanent stay;
- d)** The Department has submitted two different figures namely; 2272 and 3915 for units that has been completed for subsidized services stands;
- e)** The Department has reported that the completion date for phase 1 was March 2014;
- f)** The Department has re-directed the Comprehensive Rural Development Programme (CRDP);
- g)** The Department has not submitted detailed information on rural housing Programme

6. Recommendations made by the Committee

- a)** The Department must submit the written responses to the Legislature before end of September 2015;
- b)** The Gaby Construction Company must continue with the sterling work of building quality flats.

- c) The Department must come up with a plan to assist the foreign nationals in order to qualify for permanent stay.
- d) The Department must submit a correct figure between 2272 and 3915 for units that have been completed for subsidized services stands before 30 September 2015.
- e) The Department must ensure that a correct year of completion date for phase 1 is submitted as the department has indicated March 2014, by 30 September 2015;.
- f) The Department must submit a detailed report on how it has re-directed the Comprehensive Rural Development Programme (CRDP) by 30 September 2015;
- g) The Department must submit a detailed report on Rural Housing Programme before the end of 2014/15 financial year.

7. SAKHELWE HOSTEL

7.1.1. BACKGROUND

The Committee noted that Sakhelwe Hostel is a Community Residential Units (CRU) project that the Department is implementing as mandated by Section no 26 (1) of the Constitution of the Republic of South Africa, 1996 so that everyone has access to adequate housing. The Department reported that in 2008 the Provincial Government Department (Department of Human Settlements approved the implementation of the project up to phase 7 of this project.

7.1.2. Achievements raised by the Department

- ❖ The Department has successfully completed phase 1 up to phase 3 of the project;

- ❖ A total of 303 CRU were completed and handed over to Emalahleni Municipality;
- ❖ An amount of R103 million was spend by the Department to complete the 303 Community Residential Units

7.1.3. Challenges raised by the Department

- ❖ Inadequate capacity of the municipality to manage the Community Residential Units;
- ❖ Lack of co-operation by some tenants;
- ❖ Some tenants are not qualifying;
- ❖ There are some units where some plumbing works were vandalized;

7.1.4. Plans raised by the Department to address the challenges

- ❖ Engagements with Emalahleni Housing Company which will take over the management of stock;
- ❖ Emalahleni Housing Company (EHC); Emalahleni Local Municipality (ELM) and the Department of Human Settlements (DHS) to ensure that legal action is taken against those that are not co-operating;
- ❖ Alternative form of accommodation will be provided and
- ❖ Quantification of damage to be done and appropriate decision to be taken;

7.1.5. Observations made by the Committee

Dilapidated hostel

The Committee noted that the occupants of the dilapidated hostel have agreed to be relocated to the completed flats on an *ad hoc* basis. The Committee also noted that the dysfunctionality of the sewerage system poses a serious health hazard for the residents and the children living in that area.

Solidaire Construction Company

The Committee was informed that the Department has paid the outstanding amount to the Solidaire Construction company, hence they were able to provide progress in terms of the construction of flats. The Solidaire Construction Company has employed 40 local people and it has partnered with 16 subcontractors, electricians, plumbers, and carpenters as well as bricklayers.

Figure 1: Old and dilapidated Hostel 1 at Sakhelwe Hostel at Kwaguqa



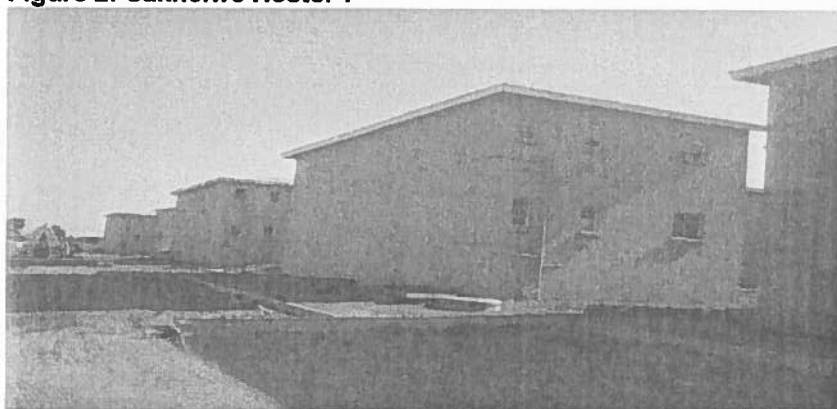
The Committee noted that the above shows a dilapidated hostel which is also due for conversion into family units to reach the condition of **Figure 3**. This part of the hostel is full of stench as a result of a dysfunctional sewerage system. It poses a serious health hazard for the residents and the children respectively. An urgent rectification exercise was conducted.

Figure 3: Double Storey Flats at Sakhelwe Hostel Hostel



The Committee noted that the below double-storey flats show that there is significant progress that took place since the previous site inspection wherein 144 units have been built as indicated through **Figure 2** here below. Each flat has two bedrooms, kitchen, living room, toilet, bath room, ceiling and also electrified. After the completion of the project, the flats will be handed over to the Emalahleni Housing Company.

Figure 2: Sakhelwe Hostel 1



The Committee requested the Department to provide a detailed plan of action that will address the concerns of the residents of the dilapidated Sakhelwe hostel 1.

In its response the Department reported that a meeting will be arranged between the Department in consultation with the Municipality and the relevant ward Councillor and the residents by not later than the 15th March 2015 to unlock all the challenges and agree on a way forward.

Presidential Housing Project

The Committee requested the department to rename the presidential housing project that was previously known as Uthingo, currently known as “Dingindoda” Settlement.

The Department reported that the name “DINGINDODA” is an informal name that was made popular by the public but is not official. However the Department will engage the Municipality and all relevant stakeholders for consultative talks with regard to the name change.

Inspection in loco

During the in loco inspection at Sakhelwe Hostel, the Committee was impressed with the progress made by the Department.

8. FINDINGS MADE BY THE COMMITTEE

- a) The Committee found that there is inadequate capacity to manage the Community Residential Units;
- b) The Department failed to address the concerns of residents on the dilapidated Sakhelwe Hostel 1;

9. RECOMMENDATIONS MADE BY THE COMMITTEE


- a) The Department must come up with a plan that will assist in managing the capacity of the Community Residential Units before September 2015;
- b) The Department must indicate the reasons that led to the failure of addressing the CRU's concerns and provide a plan of action on how the department will address the challenges at Sakhelwe Hostel 1, before the end of the financial year.

A progress report should be submitted to the Legislature on or before 30 September 2015.

10. CONCLUSION

The Chairperson wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations on the Pre-TLP site visits of the Department of Human Settlements and also thank the Legislature staff for the support they provided the Committee during the deliberations.

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



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

21/08/2015
DATE