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**IPHONDO LWEMPUMA KOLONI PROVINCE OF THE EASTERN CAPE PROVINSIE OOS-KAAP**

ISEBE LEZEZINDLU, URULUMENTE  
WEENGINGQI NEMICIMBI  
YEZEMVELI

DEPARTMENT OF HOUSING, LOCAL  
GOVERNMENT AND TRADITIONAL  
AFFAIRS

DEPARTMENT VAN BEHUISING,  
PLAASLIKE BESTUUR EN  
TRADISIONELE SAKE

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**FACSIMILE**

DATE - 10 October 2005

TO - Department of Housing  
FOR ATT. - MR. J.J. STEENKAMP

FAX NO - 012 - 4211 438

MATTER: **CONCERN ON THE RATE OF EXPENDITURE FOR THE  
PERIOD ENDED 31 AUGUST: NOTIFICATION ACTION IN  
TERMS OF SECTION 33 OF THE DIVISION OF REVENUE ACT,  
2005**

MESSAGE: Your letter reference 4/8/2/1/2/2 in respect of the above matter refers.

As early as May, the second month of the current financial year, the Department identified the severe under-expenditure in comparison with the projected cash flow forecasts provided to the Department by Municipalities / Developers. Because of this the Department instituted a number of measures which will be detailed further below and will be represented by means of slides as per the attachment.

**Slide number two** indicates the expenditure trends for the first six (6) months of the financial year. The under expenditure is clearly indicated during the first 5 months and only in September 2005 expenditure were satisfactory.

- The "Projections", line colored pink, are the amounts as provided to the Department by Municipalities / Developers as anticipated expenditure (cash flow forecast).

- The "Transfers", line colored blue, reflect actual funds as transferred from National to the Province in terms of a downscaling by Province of the forecast provided by Municipalities / Developers (pink line)
- The "Spent", line colored yellow, reflects actual expenditure to date in the province on housing projects in comparison to the above for the same period.

**Slide number 3** explains the Multi Term Expenditure Framework (MTEF) allocations for the next three financial years.

	Allocation (Blue)	Commitment (Yellow)	Available Funds
(2005/06)	R581.2m	R581.2m	R0
(2006/07)	R631.2m	R631.2m	R0
(2007/08)	R818.2m	R711.9m	R106.3m

Commitment refers to projects that have been approved and agreements have been entered into between the MEC and the Municipality / Developer to complete projects over the MTEF period.

**Slide number 4** is the same as the previous one except for the additional bar colored red which indicates unspent housing funds (roll-overs) in respect of previous financial years. It is possible that appropriation of the full or a portion of this will need to be appropriated during the 2006/07 financial year to offset commitments. The applicable amount will be known by end November 2005 after the plan indicated further in this presentation has been put into effect.

Housing funds are a conditional grant and can only be utilized for that purpose (in this instance for housing development).

The green bar depicts the total funds available amounting to R480.9m for new projects to be approved in 2007/08 only as well as additional funding required to unblock projects that have come to a standstill due escalation and other related factors.

**Slide number 5** indicates current actual expenditure versus funds transferred from the National Department. A total of R227m expenditure (54.6%) in comparison to R415m funds transferred to Province. This means that an amount of R188m is lying with the Provincial Treasury.

**Slide number 7** As stated above the Department in early May 2005 detected that expenditure was far below expectations and through an intensive exercise on all projects has come up with a management plan to deal with this. A project management plan (PMP) has been prepared for each project identifying current status, the problems encountered and identifying measures required to unblock the project and allocating responsible people and timeframes. This process allowed the classification of projects into various categories as identified on the chart with different strategies to deal with each.

**Slide number 9** is a revised projection based on actual expenditure up to September 2005 and a revised projection estimated to the end of the financial year totaling the allocation of R581m.

This was estimated and a more accurate projection will be available at the end of November 2005 as Municipalities / Developers are currently busy drawing up new project implementation plans with revised cash flow forecasts.

The September 2005 expenditure is a good indication that the measures implemented by the Department are already having a major impact although this was only expected to be realized during October 2005.

**Slide number 10** is indicative of the measures / interventions the Department continuously undertook to ensure the targets on the delivery of subsidy houses are being met.

Taking into consideration the actions taken by the Department the last four (4) months, we are confident that the full R581, 2 million housing conditional grant for the 2005/06 financial year will be spent by end March 2006.

In terms of invoking the provisions of Section 33 of the Division of Revenue Act the Department is agreeing to the withholding of the transfers for November 2005 (R36 218 000), December 2005 (R15 000 000) and January 2006 (R15 000 000) as it is expected that the balance of R268 million (R495 million already transferred and R227 spent by 30 September 2005) will cover the expected expenditure for the months October 2005 to end January 2006.

The balance of R86, 218 million being the difference between the allocation of R582,218 million and the funds already transferred for the months April 2005 to end October 2005 of R495 million, should then be advanced to the Department during February 2006 only.

Yours faithfully

**ACTING SUPERINTENDENT GENERAL  
DEPARTMENT OF HOUSING, LOCAL GOVERNMENT & TRADITIONAL AFFAIRS  
DATE:**

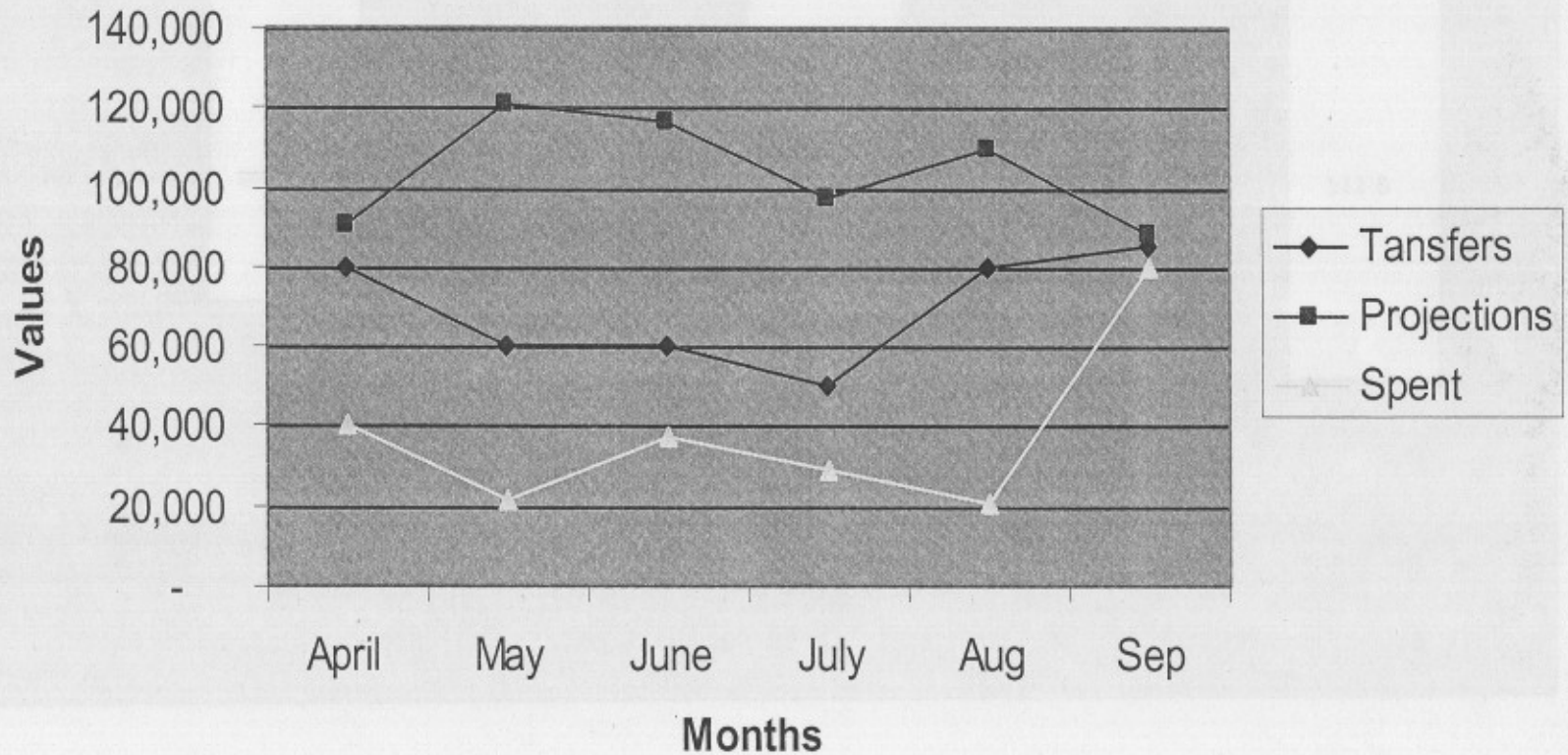
# ***Expenditure Trends***

Housing Development

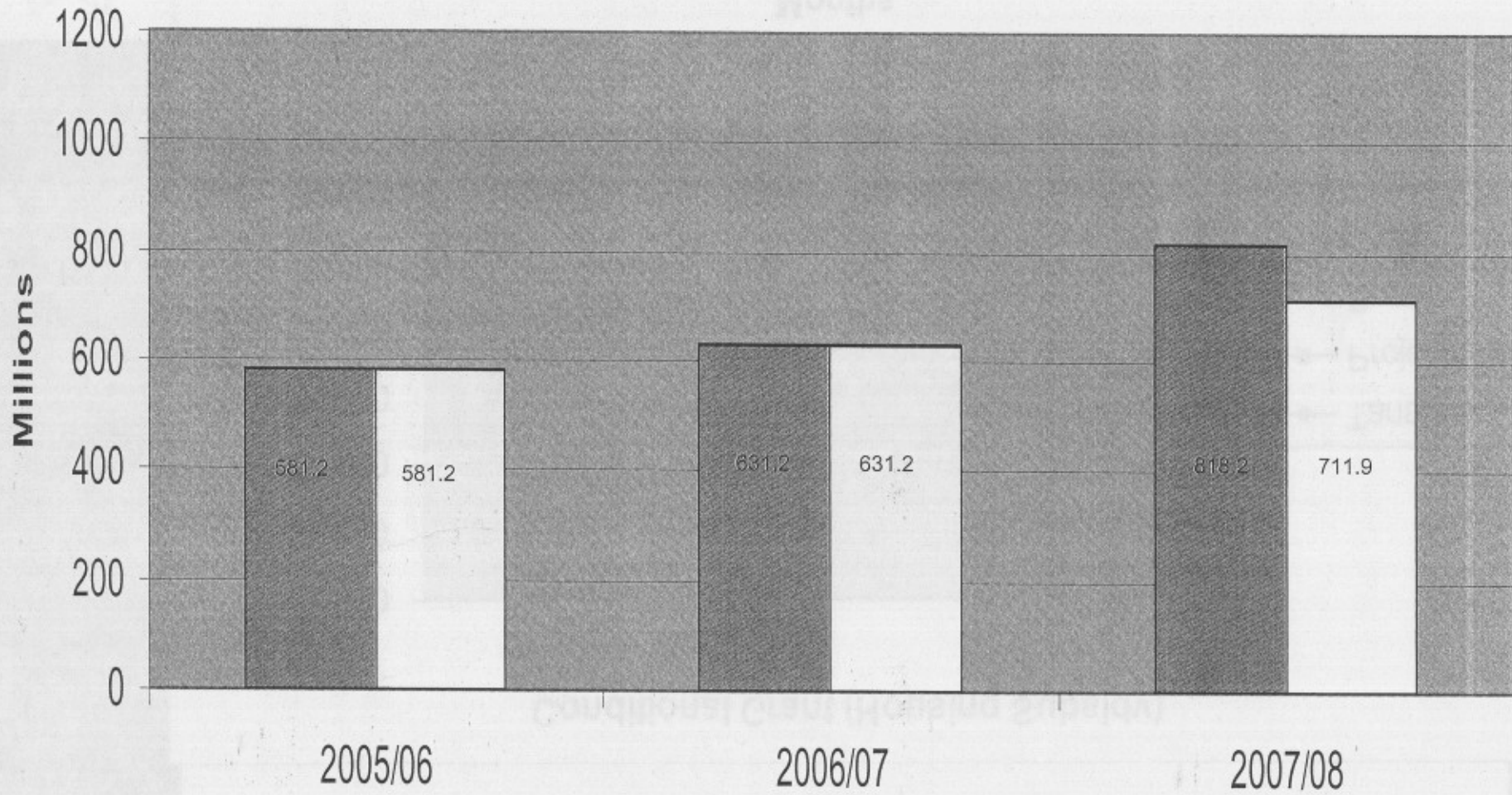


## DEPARTMENT OF HOUSING LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS

### Conditional Grant (Housing Subsidy)

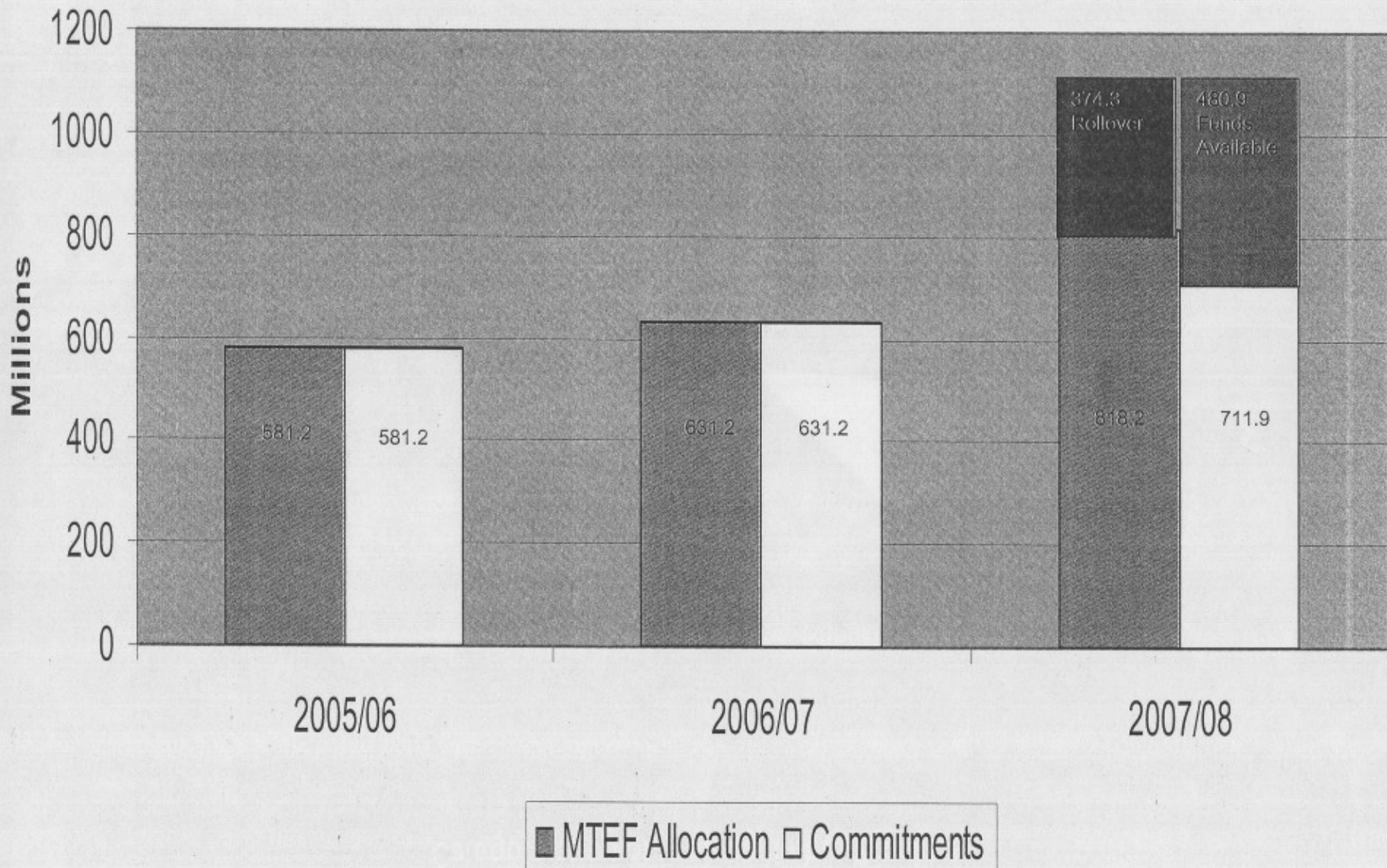


# MTEF Housing Budget

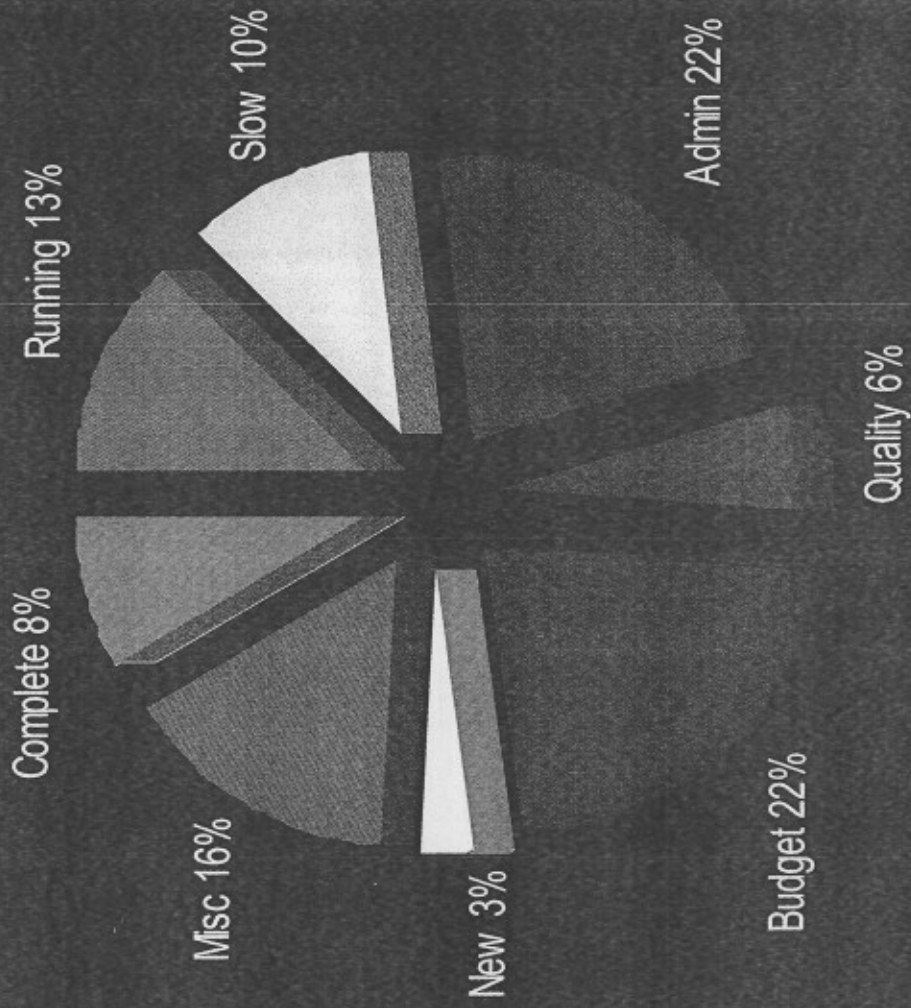


■ MTEF Allocation □ Commitments

# MTEF Housing Budget

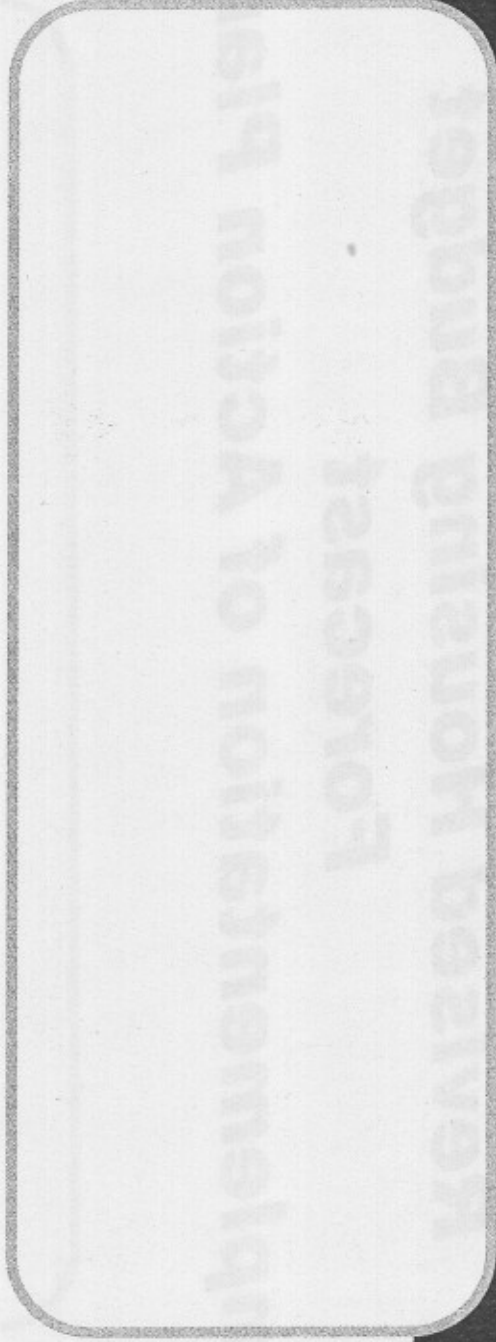


### Categorization of Projects in the Province





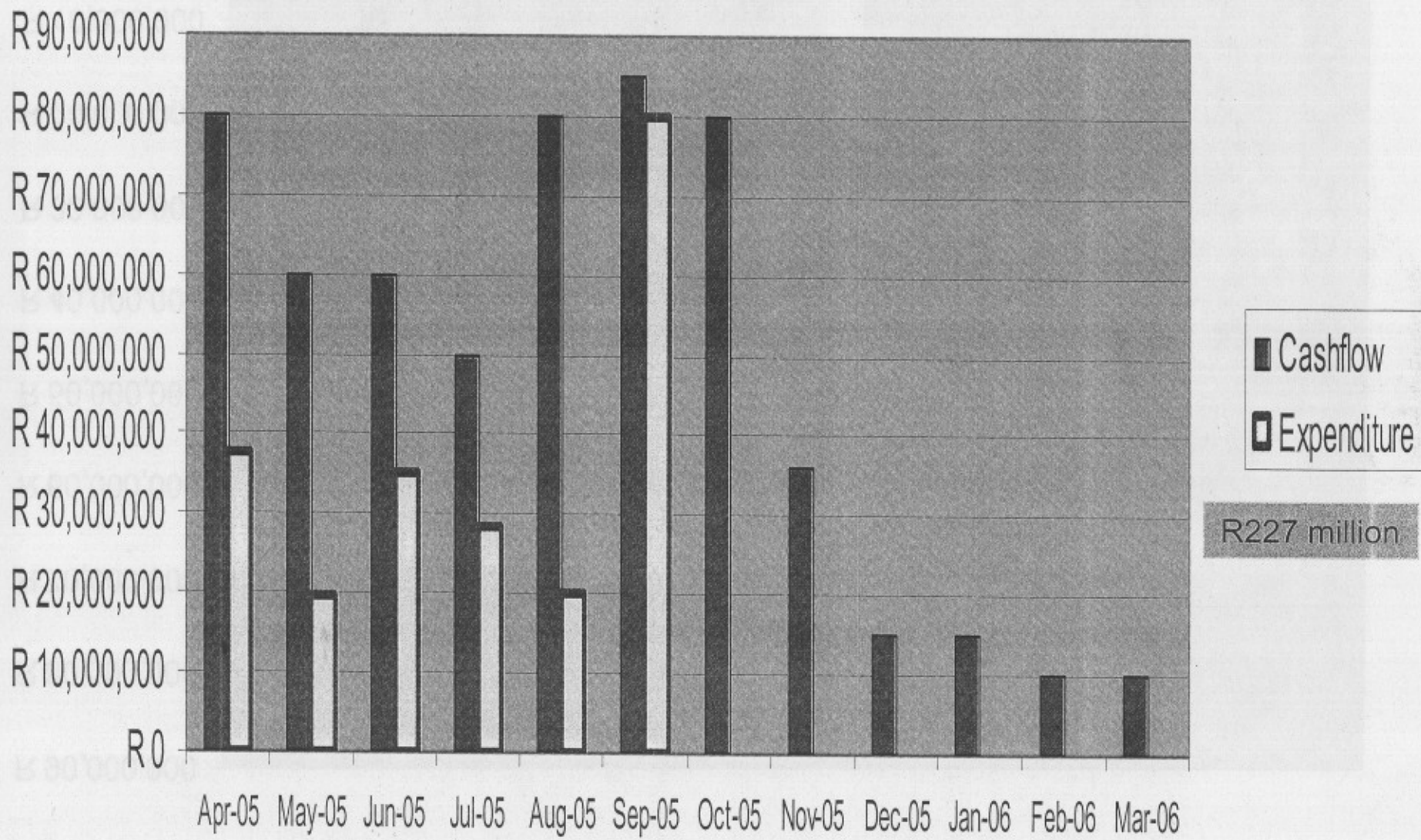
# **Project Categorization (Identification of Blockages)**



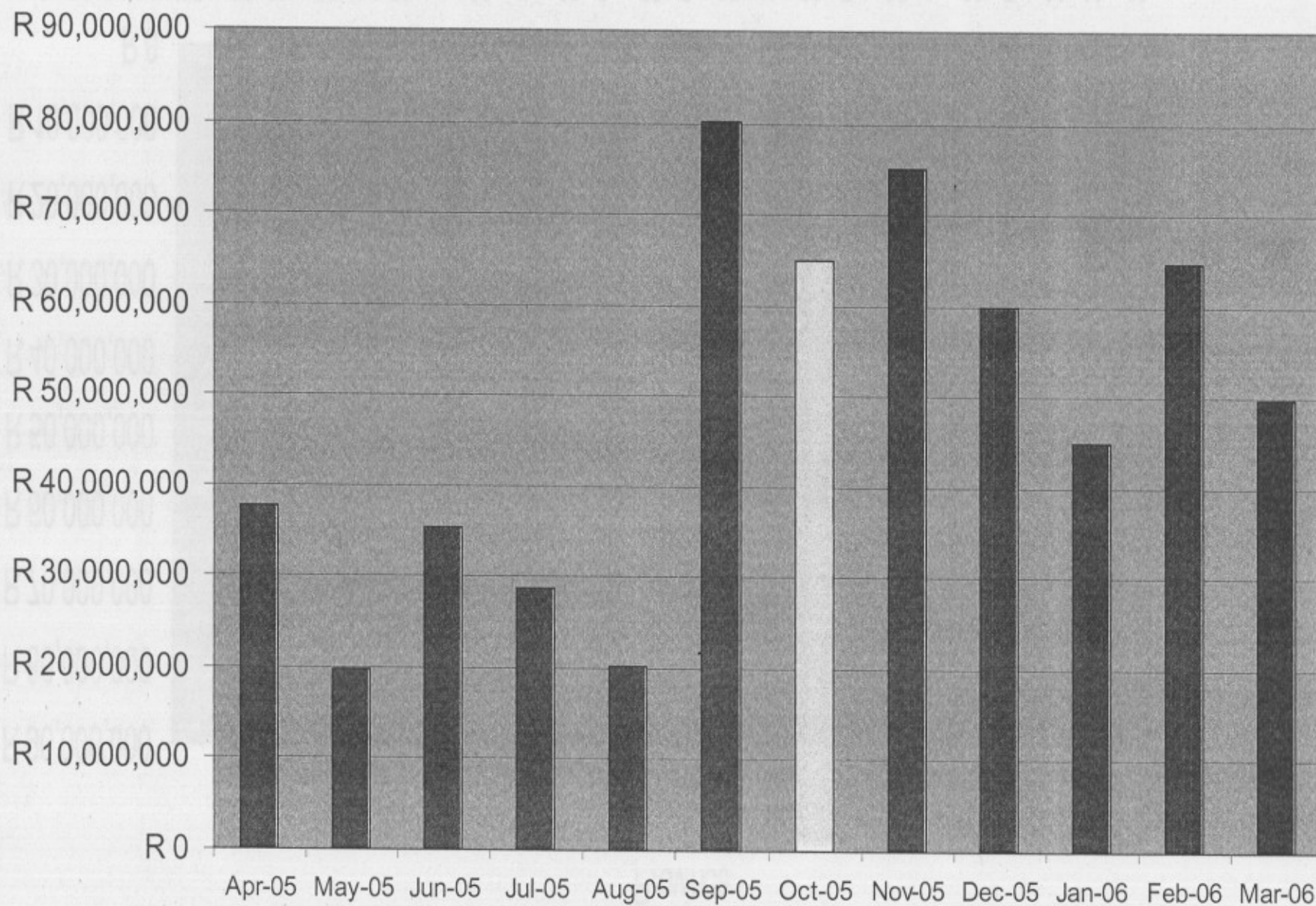
**Revised Housing Budget  
Forecast  
(Implementation of Action Plans)**



# Province



### Revised Projection for 2005/06 Expenditure



# COMMUNICATION

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- MuniMEC
- Housing Outreach Programme
- Housing Support Teams
- Pressure Points one-on-one visits to municipalities
- Departmental Project Managers working closely with municipalities
- Joint meeting with National and Municipalities
- Ongoing Workshops with municipalities
- Joint meeting scheduled with municipalities participating in BNG Pilot Programme
- Consumer Education

**Thank You**

**Comments & Questions**