1. **REPORT OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE OVERSIGHT VISIT TO MUNICIPAL INFRASTRUCTURE GRANT PROJECTS IN SALDANHA BAY LOCAL MUNICIPALITY, WESTERN CAPE, DATED 14 MARCH 2017**
2. **Background**

The Municipal Infrastructure Grant (MIG) is a conditional grant transfer to municipalities and is administered by the Department of Cooperative Governance and Traditional Affairs (CoGTA). Its purpose is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. The Grant funds various basic services such as water and sanitation; municipal roads; solid waste disposal; sport and recreation facilities; street lighting and other public facilities such as community centres.

CoGTA conducted a policy review of MIG during 2014, focusing on its future direction, which resulted in some proposals being introduced in the 2016 Budget. The 2015 Budget introduced a new condition allowing MIG funding to be used for refurbishment projects, subject to proof of the proper maintenance of assets, and clarifying that MIG funds could also be used to upgrade informal settlements.

1. **Terms of Reference**

The Select Committee on Appropriations (the Committee) was established in terms of section 4(3) of the Money Bills Amendment Procedure and Related Matters Act, No 9 of 2009. In terms of section 4(4) of this Act, the Committee has the powers and functions conferred to it by the Constitution, legislation, the standing rules or a resolution of a House, including considering and reporting on:

1. Spending issues;
2. Amendments to the Division of Revenue Bill, the Appropriation Bill, Supplementary Appropriations Bill and Adjustment Appropriations Bill;
3. Recommendations of the Financial and Fiscal Commission, including those referred to in the Intergovernmental Fiscal Relations Act, No. 97 of 1997;
4. Reports on actual expenditure published by the National Treasury; and
5. Any other related matter set out in this Act.

Furthermore, the mandate of the Committee encompasses the Committee’s functions to legislate, conduct oversight of the Executive; promote public participation, facilitate international agreements and review matters of public interest in relation to the National Treasury.

The Committee monitors conditional grant spending as part of its oversight mandate and, since the beginning of the Fifth Parliament, has conducted similar oversight visits to KwaZulu-Natal and Limpopo to report on the performance of conditional grants, including the Municipal Infrastructure Grant.

1. **Objectives**

The objectives of the oversight visit were as follows:

* 1. Assess the appropriateness of the infrastructure built – if it is fit for purpose, functional and operational.
	2. Assess whether the projects have met the objective of increased access and delivery of basic services to poor households.
	3. Elicit whether the MIG funding was complemented by any other grant funding such as the Expanded Public Works Programme Integrated Grant for Municipalities. And if so, the number of people from the community who benefited from working on the infrastructure project.
	4. Assess whether municipalities have maintenance plans in place for the infrastructure delivered to ensure that its lifespan is extended to its optimum.
1. **Methodology**

During a meeting at Parliament on 10 May 2016, the Committee received a joint presentation from the Western Cape Department of Local Government and the Provincial Treasury on the second and the third quarter MIG performance of the Western Cape in the 2015/16 financial year. On 31 January 2017, the Department of Local Government and Provincial Treasury briefed the Committee on the status of the MIG expenditure in the province as at December 2016, with a special focus on the Saldanha Bay Local Municipality. This hearing was followed by an oversight visit to four MIG projects in the Saldanha Bay Local Municipality on 2 February 2017. National Treasury, the Municipal Infrastructure Support Agent (MISA), the Financial and Fiscal Commission (FFC) and the South African Local Government Association (Salga) were also invited to the hearing and the subsequent site visits to take part in the deliberations.

1. **Western Cape Municipal Infrastructure Grant Performance**
	1. **Financial performance**

For the previous six financial years, the MIG expenditure by Western Cape municipalities on average amounted to 99.85 per cent in 2010/11, 99.3 per cent in 2011/12, 100 per cent in 2012/13, 96.3 per cent in 2013/14, 97.44 per cent in 2014/15 and 94.4 per cent in 2015/16. The Western Cape municipalities’ average MIG expenditure compares favourably with the national average for this period.

The provincial MIG budget amounted to about R501.2 million in the 2016/17 financial year. By December 2016, there was an overall expenditure of 41.58 per cent of the total provincial allocation. A total of 13 municipalities had spent above the 40 per cent benchmark set by the Department of Cooperative Governance and Traditional Affairs, while 11 municipalities had spent below this benchmark and would be assisted by the provincial Department of Local Government.

Reasons for under-expenditure in these municipalities included the following:

* Due to limited funds, municipalities planned “under-expenditure” to accommodate multi-year projects;
* Invoices were received after the claims period deadline;
* Supply Chain Management delays in the appointment of contractors;
* Delays in appraising ring-fenced sport projects; and
* A municipality having to re-prioritise its Detailed Project Implementation Plan (DPIP) due to high water losses.
	1. **Non-financial performance**

With respect to non-financial performance, the province reported the following progress in the 2016/17 financial year in terms of poor households benefitting:

* Water: 81.7 per cent (19 490 out of a planned 23 853);
* Sanitation: 19 per cent (17 496 out of a planned 91 864);
* Sport: 7.8 per cent (14 550 out of a planned 186 426);
* Solid waste: 6.7 per cent (311 out of a planned 4 675);
* Public transport: 0 per cent (0 out of a planned 1 958); and
* Emergency services: 25 per cent (469 out of a planned 1 874).

With regard to employment created through the MIG the province reported that, during the 2015/16 financial year, a total of 143 540 person days was achieved. This included 6 341 for people with disabilities and 75 324 for young people. At the end of the second quarter of the 2016/17 financial year a total of 37 243 person days was reported, including 6 620 for persons with disabilities and 16 914 for young people.

1. **Saldanha Bay Local Municipality Municipal Infrastructure Grant Performance**

With regard to the Saldanha Bay Municipality’s financial performance, the Municipality reported that it had been consistent in spending its MIG allocation over the period 2012/13 to 2015/16 at 100 per cent expenditure. The Municipality’s MIG expenditure was reported to be above the average MIG expenditure registered by the other municipalities in the Western Cape. At the time of the public hearings and oversight visit to the Municipality, it was reported to be one of the top performing municipalities in the province with regard to MIG expenditure. In the 2016/17 financial year, the MIG funding (R18.5 million) as a share of government capital transfers to the municipality (R31.4 million) amounted to 58.9 per cent.

**Site visits**

**7.1 Upgrading of Vredenburg Wastewater Treatment Works**

This project was reportedly necessitated by the poor condition of the existing infrastructure and its insufficient capacity to accommodate future developments. This was a multi-year project that was implemented in phases. The scope of works included the installation of rotary screens; provision of vacuum tanker access; modification of return activated sludge (RAS); fixing of cracked columns of the existing aerators structure; rehabilitation of the chlorination building and equipment; the installation of handrails and walkways and the construction of a boundary wall.

On financial matters, the project was reported to cost R15 million in total, of which R8 million was funded from MIG and the balance of R7 million was funded through the Municipality’s own contribution. The intended beneficiaries of this project were reported to be 38 028 people from 12 099 households, including 30 530 people from 6 106 poor households.

At the time of the visit, the project, as per the project registration, had been completed and the next phase – construction of a new reactor – which was funded by the Municipality, was 90 per cent complete with electrical installations outstanding. Further phases, like the construction of a clarifier, would also be funded by the Municipality itself.

With regard to challenges, it was reported that excessive underground seepage water had considerately delayed the construction progress. This was resolved by hiring pumping equipment with a much bigger capacity to discharge large volumes of water.

* 1. **Vredenburg main sewer outfall - additional upgrades, phase 5**

The Vredenburg main sewer outfall was being upgraded in phases. At the time of the oversight visit the project was at phase 5, which was the last phase of the project. The objective of this project was to replace the approximately 30 year-old existing infrastructure, due to the poor condition of the pipeline. The project would ensure that there was sufficient capacity to accommodate future developments. The length of the pipeline was reported to be 1 650 metres, with a diameter of 450 millimetres. Upon completion, the Municipality would be able to alternate between the existing and new pipelines when maintenance is required.

With respect to budget information, the project was projected to cost R13.5 million, of which R6.3 million was funded from the MIG and R7.2 million was supplemented by the Municipality. The project was estimated to be completed at the end of May 2017. At the time of the oversight visit, the project was 80 per cent complete and R5.2 million of MIG funds had been spent. The intended beneficiaries were estimated to be 42 961 people from 12 813 households. The poor beneficiaries were reported to be 32 969 people from 8 795 households.

The project had experienced some challenges. This included the termination of the contract of the appointed main contractor due to non-performance and an attempt to amend project specifications, which were rejected by the Saldanha Bay Municipality. Another challenge was that a court case had existed between the Municipality and the contractor who had scored the second highest in the procurement process, emanating from another project. This led to a delay in the construction of four to five months. The Municipality also reported a lack of additional funding approved by the Council to complete outstanding work.

* 1. **Saldanha White City: New Multipurpose Hall**

This project is a new multipurpose hall which at the time of the oversight visit was being constructed in Saldanha Bay. Upon completion, the venue will be made available to rent for functions ranging from community gatherings, indoor sports events and festivals. The size of the multipurpose hall was reported to be approximately 3000 m2 and the hall specifications included a stage, gallery seating, changing rooms, offices, kitchenette and storage, a parking area with 100 bays, as well as an area to house the caretaker. The estimated beneficiaries were reported to be 48 961 people, from 28 835 households. The poor beneficiaries were reported to be 51 572 people from 17 855 households.

With respect to expenditure, the total project was estimated to cost R39.8 million, of which R21.1 million was funded from MIG, with the Municipality contributing R18.7 million from its own funds. At the time of the inspection, the project was approximately 40 per cent complete and expenditure of the MIG funds was at R8.3 million. The project was anticipated to be completed at the end of September 2017. At the time of the oversight visit, no challenges were reported.

* 1. **Construction of new pavilion and grand stand in Saldanha Bay**

The purpose of this project was to address the need for a facility that was capable of hosting major sport events. The project was being implemented in phases and the construction of the pavilion was the first phase of the project. Phase 2 of the project would be funded by the Saldanha Bay Municipality. Upon completion, the facility would serve the broader community of Saldanha Bay. Phase 1 of the project included construction of the pavilion accommodating 1000 seats for spectators; ablution facilities; change rooms for players and referees; a kitchen/bar facility and control room. Phase 2 would include the construction of rugby fields; flood lights; fencing and soft landscaping.

With respect to expenditure, R28.1 million had been spent on phase 1 of the project. Of that amount, R12.7 million was funded from MIG and R14.3 million was from the Municipality’s own funding. These funds were topped up by a R1.1 million grant from the Western Cape Department of Culture, Arts and Sports. The Saldanha Bay Municipality also reported that phase 2 would be funded by the Municipality and a donation from Transnet.

On non-financial issues, the Municipality reported that a total of 38 394 people from 6 399 households would benefit from this facility. Out of these, 27 327 were poor beneficiaries from 4 554 households. The first phase of the project had been completed and phase 2 was under construction at the time of the visit. This phase was estimated to be completed in June 2017. The Municipality further reported that phase 3 would involve the construction of an athletics track and parking lots. The only challenge reported was the late start to the construction work due to delays in securing additional funding from Transnet.

1. **Observations and findings**

During the interaction with relevant stakeholders and site visits, the Committee made the following observations and findings:

* 1. The Saldanha Bay Municipality’s Project Management Unit appeared to be managing project implementation within the project time-frames, as the projects were on schedule and within the allocated budget.
	2. The multi-purpose hall and the stadium were situated in town and were earmarked to serve the whole Saldanha Bay community. The Committee was, however, concerned about the accessibility of the sports ground to poor households, who are mostly situated far from the facility.
	3. The Saldanha Bay Municipality supplemented its MIG allocation with its own funding and, in the case of the new pavilion and grand stand, with donations from Transnet and the Western Cape Provincial Department of Culture, Arts and Sports.
	4. The Committee was concerned about the apparent lack of occupational health and safety measures at the Vredenburg Wastewater Treatment Works project as well as possible long term effects on the health of employees permanently stationed at wastewater treatment works plants.
	5. During the second quarter a total of 13 municipalities in the Western Cape had spent above the 40 per cent benchmark set by the Department of Cooperative Governance and Traditional Affairs, while 11 municipalities had spent below this benchmark.
	6. Some of the factors that contributed to under-spending were late submission of invoices, delays in supply chain management, reprioritisation of projects and delays in appraising ring-fenced sport projects.
	7. During the period under review, the following numbers of poor households reportedly benefitted from the MIG projects in the province:
* On water, 19 490 out of a planned 23 853 (about 81.7 per cent of the target);
* On sanitation, 17 496 out of a planned 91 864 (only 19 per cent of the target);
* On sports, 14 550 out of a planned 186 426 (only 7.8 per cent of the target); and
* On solid waste, 311 out of a planned 4 675 (only 6.7 per cent of the target).
1. **Recommendations**
	1. The provincial Department of Local Government and Provincial Treasury should strengthen their monitoring and support to Municipal Infrastructure Grant projects in the province, especially within the 11 under-spending municipalities.
	2. The provincial Department of Local Government should ensure that Municipal Infrastructure Grant-funded infrastructure is in line with the objectives of the Grant. That is, making basic services accessible to the poor communities as well as unlocking the economic growth opportunities within the poor communities.
	3. The provincial Department of Local Government should ensure that the funding mechanisms of the Municipal Infrastructure Grant projects are consistent with the planning processes of local, provincial and national government, especially with regard to sporting infrastructure.
	4. Saldanha Bay Local Municipality should ensure that all community infrastructure projects are compliant with public participation principles through their Integrated Development Plan (IDP) priority processes and that community infrastructure is located in a manner that makes it easily accessible to all community members (that is spatially inclusive).
	5. The Saldanha Bay Local Municipality should ensure that employees stationed at wastewater treatment plants are at all times wearing safety clothing such as face masks, goggles and appropriate gloves.
	6. The provincial Department of Local Government and the Saldanha Bay Local Municipality should, within three months after the adoption of this Report by the House, provide the Committee with a progress report with regard to the recommendations made.
	7. The Department of Labour should, within three months after adoption of this Report by the House, report to the Committee on how the departmental inspectors monitor compliance with safety measures in wastewater treatment plants within municipalities.

Report to be considered.