1. **REPORT OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE OVERSIGHT VISIT TO THE GAUTENG METROPOLITAN MUNICIPALITIES (EKURHULENI, JOHANNESBURG AND TSHWANE) DURING THE PERIOD 04 – 05 SEPTEMBER 2017, TO ASSESS SPATIAL DEVELOPMENT THROUGH UTILISATION OF CONDITIONAL GRANTS, DATED 1 DECEMBER 2017**
2. **INTRODUCTION**

The South African economy is currently experiencing weak growth. The resultant underlying structural constraints require fiscal consolidation and expenditure discipline. Moreover, tangible partnerships across all spheres of government, including the private sector, are essential for the state to realise the service delivery objectives and improve the lives of the poor by providing quality services and further reduce inequality through the creation of employment opportunities. For the metropolitan municipalities to achieve tangible outcomes in this difficult economic and fiscal environment, coordinated approaches are crucial. The metropolitan municipalities are the urban centres where economic growth and employment creation can be driven. But, owing to the historical context of South Africa, there are challenges that are underpinned by spatial fragmentation and low density settlement patterns. These deepen inequality and exclusion of the poor; they are a constraint to economic growth and weaken fiscal sustainability.

To address these, implementation of spatial programmes that seek to dismantle the constraint to economic growth, is essential. It is against this that for the periphery areas of the metropolitan municipalities to enjoy equal services as central business areas and/or bringing the poorest of the poor closer to cities where there are employment opportunities, the spatial development programmes are critical. The fiscal policy allocates conditional grants to metropolitan municipalities, for them to implement spatial development programmes for the benefit of the poor. The objectives are to improve infrastructure services and to reduce unemployment, poverty and inequality through the utilisation of conditional grants and the municipalities’ own generated revenue.

The following grants are allocated to the metropolitan municipalities as already indicated above:

The Urban Settlements Development Grant (USDG) which supplements the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

The Public Transport Network Grant (PTNG) that provides funding for accelerated construction and improvement of public and non-motorised transport infrastructure that form part of a municipal integrated public transport network. The grant also supports the planning, regulation, control, management and operations of fiscally and financially sustainable public transport network services.

The Neighbourhood Development Partnership Grant (NDPG) that aims to incentivise metropolitan municipalities to plan, catalyse and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation in under-served neighbourhoods, generally townships.

The Integrated City Development Grant (ICDG) that aims to incentivise metropolitan municipalities to achieve a more compact urban spatial form through integrated development and focus their use of available infrastructure investment and regulatory instruments.

1. **BACKGROUND ON SPATIAL DEVELOPMENT**

The Committee received a briefing on building more productive, inclusive and sustainable cities from National Treasury on 01 August 2017. The National Treasury submission focused on urban development policy, strategy and programmes. The National Treasury emphasised that the existing spatial form is a structural constraint to economic growth and most urban investments are driven by the private economic decisions of firms and households. The submission by National Treasury argued that 80 per cent of the national Gross Domestic Product is privately generated and funded. The Committee was advised by the National Treasury that the purpose of city activities to promote inclusive growth should therefore be to provide effective platforms for local economic activity.

The National Treasury reported that metropolitan municipalities face three major urban development priorities. Firstly, spatial integration which seeks to expand access to affordable integrated human settlements, and improve mobility though investment in integrated public transport systems. Secondly, the National Treasury identified the expanded investment in core infrastructure which will support inclusive densification in targeted urban integration zones, universal access to basic services, asset refurbishment and replacement as another priority. The third identified priority is deeper access to private financing to expand resources available for investment through longer tenure debt, broader participation and innovation in financial instruments and less reliance on conditional grants.

1. **LEGISLATIVE MANDATE OF THE COMMITTEE**

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.

1. **OBJECTIVES OF THE OVERSIGHT VISIT**

The objectives of the oversight visit were to -

* 1. Assess the Spatial Development Programmes of the Gauteng metropolitan municipalities as well as the utilisation of conditional grants when addressing the fragmentation of the spatial development;

4.2 Assess the spending patterns of the various grants as well as the value for the money spent;

* 1. Evaluate whether the infrastructure projects have met the objectives of spatial integration and provision of basic services to poor households;
	2. Evaluate the expanded investment in core infrastructure development; that is construction of a road network liked to a Bus Rapid Transit System; and
	3. Assess whether municipalities have maintenance plans in place for the infrastructure delivered to ensure that its lifespan is extended to its optimum.
1. **APPROACH TO THE OVERSIGHT VISIT**

The approach to this oversight was split into boardroom interaction and inspections *in-loco* of infrastructure projects with the focus on their Bus Rapid Transit System Projects and Integrated Human Settlement Projects. The Committee was first briefed on the Spatial Development Framework by the National Treasury on 01 August 2017. After considering the National Treasury submission, the Committee resolved to conduct an oversight visit to the three Gauteng metropolitan municipalities (City of Ekurhuleni, City of Johannesburg and City of Tshwane) with the objective of interacting with them on their Spatial Development Frameworks. The oversight visit was conducted from 04 to 05 September 2017, during which time the Committee visited the Bus Rapid Transit (BRT) Projects and Human Settlement Projects of the City of Ekurhuleni and City of Johannesburg Metropolitan Municipalities; in the City of Tshwane, the Committee assessed the city’s BRT infrastructure.

**5.1 CITY OF EKURHULENI METROPOLITAN MUNICIPALITY**

The City of Ekurhuleni Metropolitan Municipality (CEMM) commenced its report by submitting that the Council has resolved to follow a pro-poor strategic posture which will deliver improved, dependable and impactful services to the communities. Redressing the imbalances of the past and inequalities in accessing resources by Ekurhuleni residents were presented as key objectives of the CEMM. To achieve the pro-poor objectives, the CEMM reported that the poor residents are offered free basic services such as six kilolitres of water and sanitation; reduced property values by R150 000 when municipality evaluates properties, in order for residents to pay affordable property rates; pensioners, churches and non-government organisations benefit through additional rebates; indigents enjoy special packages which include 100 per cent rebates on assessment rates, free refuse removal, 100 kilowatts of free electricity and nine kilolitres of water and sanitation.

On its planning framework, the City of Ekurhuleni Metropolitan Municipality (CEMM) reported that it had a 5-year plan adopted by the Council. Priorities of the 5-year plan include construction of 100 000 housing units; making informal settlements more habitable through up-scaling delivery of services; promote preservation of water usage and continue investing in water infrastructure to ensure security of supply; strongly pursuing the issue of an Ekurhuleni University; and upgrade the Ekurhuleni Power Station to broaden accessibility and ensure security of supply. The CEMM added that the plan also addresses issues such as economic transformation, development and growth; and approaches to attract domestic and foreign direct investment which may be utilised in infrastructure projects that could be implemented through Public-Private-Partnership approaches.

**Table 1: City of Ekurhuleni Metropolitan Municipality Source of Funds**

|  |
| --- |
| **2016/17 – 2017/18 CAPITAL BUDGET – SOURCES OF FINANCE** |
| **Source of Finance** | **Adjusted Budget 2016/17****R’000** | **% increase of Final Budget** | **Final Budget 2017/18****R’000** | **% increase of Final Budget** |
| Capital Replacement Reserve | 485,037,594 | 9.50% | 0.00 | 0.00 |
| Energy Efficiency & Demand Side Management | 15,000,000 | 0.29% | 12,000,000 | 0.19% |
| External Loans | 1.850,086,653 | 36.37% | 2,985,427,170 | 47.45% |
| Human Settlement Development Grant | 23,158,888 | 0.45% | 0.00 | 0.00% |
| Integrated National Electrification Programme | 40,000,000 | 0.78% | 40,000,000 | 0.64% |
| Integrated City Development Grant | 38,078,000 | 0.75% | 48,646,000 | 0.77% |
| Neighbourhood Development Partnership Grant | 41,234,000 | 0.81% | 82,000,000 | 1.30% |
| Sports, Recreation, Arts and Culture Provincial Grant | 7,699,900 | 0.15% | 9,000,000 | 0.14% |
| Public Transport Network Grant | 410,002,000 | 8.03% | 660,718,000 | 10,50% |
| Own Revenue | 964,629,460 | 18.90% | 1,002,765,300 | 15.04% |
| Urban Settlements Development Grant | 1,220,663,943 | 23.92% | 1,451,300,242 | 23.07% |
| Wi-Fi Connectivity-National Grant | 1,849,262 | 0.04% | 0.00 | 0.00 |
| **Total** | **5,103,439,700** | **100%** | **6,291,856,712** | **100%** |

The above table presents the sources of finance of the capital budget of the City of Ekurhuleni Metropolitan Municipality over two financial years, 2016/17 and 2017/18. The breakdown of sources of finance includes conditional grants and own raised revenue by the CEMM. For the 2016/17 financial year, the CEMM’s capital budget was divided into 31 per cent (R1,515,378,362) for urban restructuring; 40 per cent (R2,044,696,075) for upgrading and renewal of infrastructure to address spatial inconsistences; and 29 per cent (R1,570,889,000) for economic development. For the 2017/18 financial year, the capital budget was reported to be 27 per cent for economic development; 44 per cent for upgrading and renewal; and 29 per cent for urban restructuring. Also added in the report of the CEMM was the operational budget expenditure of R34,194,193 for the 2016/17 financial year and an estimated R36,663,218 for the 2017/18 financial year. With respect to repairs and maintenance, the CEMM reported that it budgeted R3,009,430,787 for the 2016/17 financial year and R3,274,372,953 for the 2017/18 financial year.

In order to address spatial inconsistencies through infrastructure development, the CEMM reported that the capital expenditure budget for the infrastructure plan has been increased from R5.1 billion in 2016/17 to R6.4 billion in the 2017/18 financial year. The plan includes installation of 80 high mast lights, 600 street lights, electrification of 6000 new subsidised households, an increase in renewable energy of 1 megawatts and installation of 10 000 photovoltaic solar light units in informal settlements. On human settlements, the CEMM submitted that in the 2017/18 financial year the infrastructure plan indicates the intention to build at least 2196 subsidised units, 200 social housing units, 9598 serviced stands and issue at least 7358 title deeds. There are also plans to lay 200 kilometres of fibre and provision of an additional 200 new Wi-Fi Hotspots as a strategy to promote economic inclusion. The CEMM also reported that there are plans to improve the condition of roads by building 60 kilometres of surfaced roads, maintain at least 1545 kilometres, and build 50 additional storm-water drainage systems and maintain 7500 more.

Furthermore, the CEMM reported that there are plans to build 10 kilometres of pedestrian/cyclist paths, continue with the Bus Rapid Transit trunk main station, stations and operationalisation before the end of 2017. Besides that, the CEMM submitted that 88000 240 litres bins will be provided to households and the rate of refuse collection in informal settlements and urban areas will be increased. Lastly, the CEMM reported that 1200 water connections to formal dwellings will be provided. The intention was to increase access to water by installing new communal taps to 119 informal settlements as well as access to sanitation to informal settlements and further reduce non-revenue water to below 33.5 per cent and install an additional 10 000 water metres.

On economic development plans, the CEMM reported that employment opportunities will be increased and this would help raise compensation of employees and expand the City’s revenue base by ensuring that the Aerotropolis Master Plan, which will create jobs, is implemented. The economic development plan also envisages attraction of public and large scale investments worth R7 billion in the 2017/18 financial year. From its own budget, the CEMM said it intends to provide bursaries to 500 beneficiaries from the R100 million budget. An amount of R40 million will be allocated to Vukuphile/Emerging Contractors in this financial year. Lastly, the CEMM plans to facilitate allocation of 80 City-owned farms to qualifying farmers and ensure that township economic development programmes are implemented in this financial year.

**5.1.2 INSPECTION *IN LOCO*: HARAMBEE BUS RAPID TRANSIT INFRASTRUCTURE**

The CEMM informed the Committee that the broad idea was to ensure that the nine towns and 17 townships are rebranded to form a single-identity city. This will be achieved through the refurbishment of infrastructure throughout Ekurhuleni. The Committee visited the Bus Rapid Transport infrastructure, using the Harambee Buses, that is the Transport Management Centre (TMC) and the BRT trunk routes. The TMC had a state of the art bus and routes monitoring system. The length of the trunk route was reported to be 56 kilometres, connecting the nine Ekurhuleni towns of Alberton, Benoni, Boksburg, Brakpan, Edenvale, Germiston, Kempton Park, Springs, and Nigel. For the inspections, the Committee decided to assess the route from the TMC to Tembisa. The Ekurhuleni BRT project has been under construction since the 2011/12 financial year and thus far R2.2 billion has been spent on the project, including the procurement of 40 buses, with eight already delivered. The whole project was reported to be behind schedule as it was still in Phase 1B.

At the time of the visit, the Committee was informed that the Municipality was still in negotiations with taxi operators about the compensation amount they will be entitled to. The trunk route was under construction. It transpired that the negotiations were only focusing on interim compensation which will assist all stakeholders to measure the profitability of the settlement.

On the assessment of the BRT trunk route, the Committee witnessed that the project was in a poor state considering the R2.2 billion which has been spent thus far. In the Tembisa trunk route, all the bus stations were in a bad condition with still-frames having developed rust. There is not much progress made in terms of construction of bus stations. Regarding the bus trunk routes, the is some progress even though the whole project was behind schedule. The Phase 1A was only completed in February 2017. This affected the whole project which was supposed to be in operation by June-July 2016. This has pushed the second and third phases further backwards to the end of 2018. Lastly, the CEMM reported that 30 per cent of the capital budget was allocated for subcontracting of local contractors. After the BRT project, the Committee visited the Madelakufa 1 Informal Settlement.

**5.1.2 MADELAKUFA 1 INFORMAL SETTLEMENT**

The Madelakufa 1 Informal Settlement is situated in Tembisa and people who reside here do not have access to proper housing, running water and sanitation. The majority of the people are sharing mobile toilets. As such the government of Gauteng together with the CEMM resolved to relocate them to the Clayville housing development which is a mixed development of RDP flats and stand-alone houses. The Clayville housing development is a new development project that is still under construction. People are relocated and awarded houses and flats as and when they are ready for occupation using the indigents’ list. The Committee interacted with a few Madelakufa residents who raised their unhappiness about being allocated flats because they are comfortable with stand-alone houses and Mr Sipho Dlamini reported that he has been informed that he does not qualify for an RDP dwelling because he earns R2000 per week but when he registered he was not working. The CEMM and the Department of Human Settlements explained that a shortage of land was the reason why government was constructing three story flats. On the matter of Mr Dlamini, the government officials present confirmed to him that he does not qualify but he can be assisted with a subsidised house. They then invited him to approach the local councillor for assistance.

**5.2 CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY**

The City of Johannesburg Metropolitan Municipality (CJMM) submitted that its Spatial Development Framework extends up to 2040 based on a transformational agenda. The transformational agenda was explained as intended to address inequalities of the past and drive future growth towards creating a spatially inclusive world class city. Amongst the listed challenges that the Spatial Development Framework 2040 seeks to correct, include spatial inequalities and job-housing mismatch; increasing pressure on the natural environment; urban sprawl and fragmentation; exclusion and disconnection; and inefficient residential densities and land use patterns.

The CJMM’s Spatial Development Framework 2040 envisages an integrated natural structure as a structuring element for the City. Secondly, the Spatial Development Framework plans to transform Johannesburg into a strong metropolitan core area which is transit oriented, after developing a transit corridor. The Framework also intends to make Soweto a true city district and develop Randburg into an OR Tambo Corridor. The CJMM also intends to unlock the mining belt and transform the spatial economy through prioritising economic zones and develop nodes as centres of economic growth. Lastly, the Framework envisions the consolidation or linking of previously deprived areas with established suburban areas.

With regard to the expenditure of the received Urban Settlements Development Grant allocation for the 2016/17 financial year, the CJMM reported that a sum of R1,870,793 was received. These funds were spent on land acquisition, housing internal services, roads and storm water works, water, sanitation, electrification and social amenities that included libraries, sport and recreation, clinics and social parks. As at 30 June 2017, only 84 per cent (R1,570,098), was spent by the CJMM.

With respect to the sources of funding for the 2017/18 financial year, the CJMM reported that its capital expenditure budget was R8,589,421,713 billion from a variety of sources that include own revenue (58 per cent), conditional grants and external loans (42 per cent). In terms of percentage fragmentation, the 42 per cent of capital expenditure budget was divided into 8 per cent of from the Public Transport Infrastructure and Systems Grant; 22 per cent from the Urban Settlements Development Grant; 4 per cent of other sources; 35 per cent of external loans; 22 per cent of Capital Replacement Revenue; and 9 per cent of State Grant for the 2017/18 financial year. The CJMM further reported that of the capital expenditure budget for the 2017/18 financial year, R5,461,210,345 was earmarked to be spent on spatially targeted areas; R1,417,552,144 was budgeted for City-wide projects; whereas R915,358,110 will be spent on operational capex; and R795,301,114 was budgeted to be spent on Consolidated Zones.

On service delivery programmes and achievements which demonstrate the redressing of spatial inequalities, the CJMM reported that on water and sanitation, 97.89 per cent of informal households have access to water; 97 per cent aggregate percentage of all wastewater treatment works are operational; 99.80 per cent of drinking water quality was on E.coli standard; over 55 000 ventilated improved toilets were unclogged and 5 266 chemical toilets were provided and serviced twice weekly on average; and 152 million litres of water was transported to stationary tanks in the informal settlements. On electricity, the CJMM reported that it was responsible for operating and maintaining more than 270 000 streetlights as well as area lighting and high mast lighting. The CJMM added that against a target of electrifying 4000 households, the City electrified 4850 households in the 2016/17 financial year. Moreover, a total of 2608 public lights were installed against a target of 2000. On waste management, the CJMM reported that it had achieved a total of 170 501 tons of waste diverted away from landfills against a target of 151 061 tons. Moreover, two new sorting buy back centres were constructed and a number of garden sites were upgraded to include recycling activities.

With respect to roads and transport infrastructure, a total of 32,26 kilometres of gravel roads were upgraded and 81848 kilometres of lane was maintained by the CJMM in the process of improving the spatial imbalances of the past. Added to that, in the 2016/17 financial year the CJMM tarred a total of 13,599 kilometres of roads and 520,09 lane kilometres of existing roads were resurfaced. Moreover, a total of 205 storm water with seven measures were upgraded and 36 431 kerb inlets were maintained. On transport infrastructure, the CJMM reported that the Rea Vaya Bus Rapid Transit System Service was operational with an annual average of 51 389 passenger ridership achieved per day. A cumulative 16.1 kilometres of roadways were reported to have been completed along Louis Botha Avenue and Kathrine Drive. The construction of a new bridge over the M1 at Lees Street (Rea Vaya and pedestrian bridge) was reported by the CJMM to have been completed.

On provision of primary health care to the previously disadvantaged people, the CJMM submitted that 81 clinics based in different townships have been provided with an electronic health record system by Med-e-Mass. However, only 41 of these clinics have been connected and are functioning. Moreover, 43 clinics are scheduled to have Local Area Network (LAN) installed by the Manufacturing Technology Centre (MTC). The Princess Clinic, an Integrated Pilot Project, was launched by the Executive Mayor on 31 October 2016. This led to the service hours per week being increased from the normal 40 hours per week (five working days) to 72 hours for a seven-day week. The six clinics reported to offer extended service hours were: Hikhensile-A, Randburg-B, Zandspruit-C, 80 Albert Street-F, Freedom Park Clinic and Princess Park.

Concerning library services, the CJMM reported that library hours were extended and regional libraries were opening on Saturdays with effect from June 2017 to coincide with examinations time. The following libraries were reported to be operational: Diepsloot Library, Jabavu Library, Protea North Library, Sandton Library, Johannesburg City Library, Yeoville Library, Ennerdale Extension 9 Library and Orange Farm Library. On the other hand, the Ivory Park North Library and the Randburg Library were reported to be closed due to renovations.

**5.2.1 Inspection *in-loco*: Karsene Intermodal Public Transport Facility**

The Karsene Intermodal Public Transport Facility project was reported to be a strategic location as a gateway to the Johannesburg inner-city. The project was reported to have commenced in 2014 and is anticipated to be completed on 29 June 2018. The estimated project costs were reported to be R411 million which would include construction and professional fees. The CJMM reported that Phase 1- underground works, including foundation and piling - has been completed. Phase 2 was reported to be 60 per cent complete at the time of the visit and Phase 3 is expected to commence in the current financial year. The intermodal facility was reported to have been earmarked to cater for long distance taxi operators for holding and ranking; cross-border/long distance bus facilities (ranking only); retail (formal and informal sectors); and storage space. At the time of the visit, the Committee witnessed that the project was still at foundation level above surface with visible long pillars, with a lot of underground tunnels having been completed.

**5.2.2 INSPECTION *IN-LOCO*: OXFORD AND FEDERATION BRIDGES: M2 BRIDGES**

Even though the Committee was advised that it was too dangerous to go closer to these projects, the CJMM and the Committee stopped for a few minutes to observe the projects from a distance. The construction of Oxford and Federation Bridges commenced on 13 November 2015 and was supposed to be completed on 30 July 2016. The contract value was reported to be R107 million. During the time of the visit, the project had not been completed and a new anticipated completion date was reported to be 15 October 2017. The overall progress of this project was reported to be 80 per cent against 85 per cent of time lapsed. The main contractor had appointed nine small, medium, and micro enterprises (SMMEs) and 67 local labourers were employed. The SMME’s were allocated work valued at R13 million and expenditure on local labour was R3 million.

**5.2.3 INSPECTION *IN-LOCO*: LAND ASSEMBLY INTEGRATED HUMAN SETTLEMENT**

In compliance with its Spatial Development Framework, the CJMM was implementing the Land Assembly Integrated Human Settlement project. The project was a joint partnership with Valumax Northern Farms, who are private developers. The CJMM was reported to be responsible only for the RDP flats and the whole project will be implemented over a period of eight years. The project is located directly north of Steyn City, west of Riversands along William Nicol Drive and south of Diepsloot. The project will be a mixed human settlement project consisting of 3035 single residential units, 4163 high density walk-up RDP units, and 4208 high density walk-up rental units. The housing units will be bonded and flats will be for rental. The state will only construct the RDP flats for the poor. Moreover, the project will also have social amenities such as two primary schools, two secondary schools, crèches, a clinic, a community centre, parks, pedestrian walk ways, business sites and a shopping centre. The RDP human settlement portion of this project was being implemented through the Urban Settlements Development Grant allocation of R1,870,793 in the 2016/17 financial year. As reported earlier on, as at 30 June 2017, only 84 per cent of the funds were spent.

**5.3 CITY OF TSHWANE METROPOLITAN MUNICIPALITY**

The overall capital expenditure per funding source for redressing spatial inequalities in the City of Tshwane Metropolitan Municipality was reported to be 30 per cent (R1,493,153,980) from the Urban Settlements Development Grant; 4 per cent (R201,432,429) from other conditional grants; 24 per cent (R1,080,000,000) from Council funding; 22 per cent (R1,000,000,000) from loans; and 17 per cent (R750,000,000) from the Public Transport Infrastructure and Systems Grant. Moreover, the CTMM budget for the Integrated Public Transport Network (IPTN) Grant - intended to transform the public transport sector, enhancing efficiency and effectiveness and improving the customer experience - was reported to be R93,832,000 in the 2016/17 and R95,050,00 in the 2017/18 financial years, respectively. These IPTN funds were spent on increasing aesthetic developments around the Tshwane Rapid Transit (TRT) lines regarding buildings; and they also helped to increase the number of rezoning applications along TRT routes.

On the economic growth programmes, the CTMM reported that they are creating opportunities which are integrated through all spheres of government. This approach seeks to address youth unemployment and invite innovation which stimulates growth. The economic growth programme also accommodates SMME development and offers poverty alleviation programmes which harness rural economic development opportunities. The infrastructure to support economic growth within the City was reported to be ICT connectivity (Tshwane Wi-Fi), Wonderboom Airport and energy generation projects. The economic development programme of the CTMM was reported to have created more than 168 000 new work opportunities and close to 900 cooperatives were supported through mentorship and training. The CTMM reported that on average R2.5 billion is attracted annually in investments.

The following four tables present the budgets that the City of Tshwane Metropolitan Municipality reported are meant for implementing the Spatial Development Framework.

**Table 2: Capital Budget of CTMM Spatial Development Nodes from 2017/18-2019/20**

|  |  |  |  |
| --- | --- | --- | --- |
| **NSDF Nodes** | **2017/18** | **2018/19** | **2019/20** |
| Hatfield | R686 482 | R685 845 | R1 173 784 |
| Bronkhorstspruit | R43 742 013 | R29 509 845 | R8 780 704 |
| Capital Park | R3 522 291 | R10 344 079 | R10 588 822 |
| Nieuw Muckleneuk | R35 438 719 | R13 438 544 | R438 544 |
| Centurion | R1 101 | R918 | R918 |
| Menlyn | R73 312 181 | R11 482 721 | R9 749 604 |
| Magalieskruin | R1 559 | R396 | R396 |
| Karenpark | R6 468 | R15 966 | R15 966 |
| **Total** | **R156 710 816** | **R65 478 136** | **R30 748 737** |

The above table shows that for the 2017/18 financial year R156,710,816 has been set aside for development of Spatial Development Nodes. In the 2018/19 financial year the budget drastically shrinks to R65,478,136 and in 2019/202 it further drops to R30,748,737. The actual allocation per areas are indicated over the medium term expenditure framework (MTEF). This budget was reported to be for enhancing spatial clustering - through stimulating economic development - along the metropolitan nodes and emerging nodes which had been identified as lacking within the CTMM.

**Table 3: Spatial Development Framework for Industrial Areas 2017/18-2019-2020**



Table 3 shows the budget for the Spatial Development Framework for the Tshwane industrial areas. The total budget for the 2017/18 financial year was reported to be R295,343,670. For the 2018/19 financial year, the CTMM reported that R252,027,427 was budgeted for spatial development of industrial areas, and R593,696,293 was budget for the 2019/20 financial year for the same objectives.

**Table 4: Capital Budget for Spatial Development in Urban Cores**



The above table presents the MTEF budget for Spatial Development in Urban Cores. These were reported to be the townships where poor people were forced to relocate to. These townships have since grown to accommodate large populations of low income earners and unemployed people. The CTMM reported that the above listed townships were identified as the beacons of economic growth and opportunities, hence the allocation of R592,334,226 for the 2017/18 financial year. The MTEF budget allocation rises during the second year to R577,983,973 and in the 2019/20 financial year it further increases to R843,591,800.

**Table 5: Budget for Built Environment Performance Plan, 2017-2019 MTEF**



Table 5 shows the 2017-2019 MTEF budget for the built environment within the City of Tshwane Metropolitan Municipality. The Built Environment Performance Plan (BEPP) provides a multitude of spatial plans within the municipality in compliance with the spatial framework. The objective of the budget was reported to be to spread the budget for the built environment to all parts of Tshwane and ensure that previously under-serviced areas also benefit. For the 2017/18 financial year, the CTMM reported that the total budget for the built environment spatial plan was R1,417,791,107; in the 2018/19 financial year the total budget will drop slightly to R1,158,997,467; and for the third outer year the budget will rise to R1,590,938,303. Consolidating spatial planning, project preparation and prioritisation through transit-oriented development plans and programmes in prioritised integration zones, was reported by the CTMM as the guidelines for the BEPP.

**5.3.1 INSPECTION *IN-LOCO*: A RE YENG BUS RAPID TRANSIT INFRASTRUCTURE**

The City of Tshwane Metropolitan Municipality submitted that in the 2016/17 financial year, for the Bus Rapid Transit (BRT) project, it had budgeted R748 million for capital expenditure and R301 million for operational expenditure. As at the end of the financial year, the CTMM had spent 97.3 per cent of this budget. The Committee conducted an inspection *in-loco* of the BRT system of Tshwane (A Re Yeng) infrastructure which is operational. The total amount that has been spent from 2011 to 2017 was reported to be R4.9 billion.

The Committee took a return trip on a specially allocated A Re Yeng bus from the Pretoria Central Business District to Wonderboom. The City of Tshwane BRT infrastructure was operational in the route that the Committee took even though some other phases are still being implemented. The station that was assessed had a kiosk for ticket sales and information, gates to validate tickets at entry and exit and multiple automated doors on both sides of the station to facilitate access to the buses. The impressive part was the real-time boards for passenger information. The electronic monitors provide information such as where the next bus is and the time it will take to arrive.

1. **OBSERVATIONS**

After having considered all the reports and conducted inspections *in-loco*, the Committee observed the following:

**6.1 General observations:**

6.1.1 All the visited Gauteng metropolitan municipalities had Spatial Development programmes which are aligned with the National Treasury’s Spatial Development Framework for Cities.

6.1.2 All three metropolitan municipalities were working towards building an integrated transport network for Gauteng through the Bus Rapid Transit (BRT).

6.1.3 All three metropolitan municipalities were spending their conditional grant allocations accordingly, with the aim of ensuring the implementation of the Spatial Development Frameworks that they had drawn up.

6.1.4 The City of Ekurhuleni Metropolitan Municipality’s BRT system was not in operation and its infrastructure, such as station frames, were in poor condition and corroding in some areas.

6.1.5 The intergovernmental relations framework between the three spheres of government appeared to be complied with, but there is need for improvement.

6.1.6 Considering that the BRT system should be fully operational by 2017, the visited projects are clearly behind schedule and capacity challenges and/or staff turnover in key positions linked to the BRT projects in the Metropolitan Municipalities may be a contributing factor to lack of progress with these projects.

6.1.7 The three metropolitan municipalities, although distinctive, are interdependent and interrelated. For his reason there is a need for their spatial development plans to be synergised.

6.1.8 The three metros had challenges in spending and reporting regularly with regard to the Integrated City Development Grant.

6.1.9 All the three metros had spent below 75 per cent during the third quarter in all the grants while during the visit all the metros had indicated that their grant spending (which is still to be audited) was above 95 per cent.

**6.2** **The Spatial Development Programmes of the Gauteng metropolitan municipalities and the utilisation of conditional grants when addressing the fragmentation of the spatial development:**

6.2.1 The Ekurhuleni Metro indicated that it prioritises and emphatically implements the pro-poor development agenda.

6.2.2 The City of Johannesburg indicated that their transformation agenda is to address inequalities of the past and drive future growth towards creating a spatially inclusive world class African city.

6.2.3 The City of Tshwane indicated that their focus areas are to roll out services to informal areas and also to implement a targeted approach to assist the indigent efficiently.

**6.3** **The spending patterns of the various spatial development grants as well as the value for the money spent:**

6.3.1 City of Ekurhuleni Metropolitan Municipality

* The municipality received a total of R1.9 billion in Urban Settlements Development Grant funds for 2016/17, of which R81.9 million (43 per cent) was spent by the end of the third quarter;
* The municipality received R450 million in Public Transport Network Grant funds for 2016/17 of which R230 million (51.3 per cent) was spent by the end of the third quarter;
* The municipality received R68.7 million in Neighbourhood Development Partnership Grant funds for 2016/17 of which R14.8 million (21.6 per cent) was spent by the end of the third quarter; and
* The municipality received R38.1 million in Integrated City Development Grant funds for 2016/17 of which R5.4 million (14.2 per cent) was spent by the end of the third quarter. The municipality did not report any expenditure during the first quarter.

6.3.2 The City of Johannesburg Metropolitan Municipality

* The municipality received a total of R1.8 billion in Urban Settlements Development Grant funds for 2016/17 of which R1.0 billion (57.3 per cent) was spent by the end of the third quarter;
* The municipality received R1.0 billion in Public Transport Network Grant funds for 2016/17 of which R549.2 million (54.1 per cent) was spent by the end of the third quarter;
* The municipality received R60.7 million in Neighbourhood Development Partnership Grant funds for 2016/17 of which R5.6 million (9.2 per cent) was spent by the end of the third quarter; and
* The municipality received R64.7 million in Integrated City Development Grant funds for 2016/17 of which R7.4 million (11.4 per cent) was spent by the end of the third quarter. The municipality did not report any expenditure during the first and second quarters.

6.3.3 The City of Tshwane Metropolitan Municipality

* The municipality received a total of R1.5 billion in Urban Settlements Development Grant funds for 2016/17 of which R993.8 million (64.6 per cent) was spent by the end of the third quarter;
* The municipality received R950 million in Public Transport Network Grant funds for 2016/17 of which R468.3 million (49.3 per cent) was spent by the end of the third quarter;
* The municipality received R48.5 million in Neighbourhood Development Partnership Grant funds for 2016/17 of which R33.8 million (69.8 per cent) was spent by the end of the third quarter; (the municipality did not report any expenditure during the first quarter) and
* The municipality received R42.7 million in Integrated City Development Grant funds for 2016/17 of which R5.8 million (13.6 per cent) was spent by the end of the third quarter. The municipality however, did not report any expenditure during the first and third quarter.

**6.4** **Did the infrastructure projects meet the objective of spatial integration and provision of basic services to poor households?**

6.4.1 The Ekurhuleni Metro Municipality reported that its basic service delivery performance is as follows – 88.2 per cent have access to refuse removal against the 62 per cent national average, access to water is 94.5 per cent against the 84.9 per cent national average, access to sanitation is 85.9 per cent against the 59.8 per cent national average, access to electricity is 81.7 per cent against the 84.6 per cent national average and access to dwelling is about 75.6 per cent and 24.4 per cent to formal and informal dwellings, respectively.

The Metro also introduced the broad idea of the Harembee BRT infrastructure in order to ensure that its nine towns and 17 townships are rebranded and inter-connected to form a single-identity city.

6.4.2 The City of Johannesburg reported that its basic services delivery performance shows that about 97.89 per cent of informal households have access to water, about 97 per cent of all wastewater treatment works (WWTW) have achieved final confluent compliance, a total of 32.26 km of gravel roads were upgraded and 81848 km lane maintained during the 2016/17 financial year. The Land Assembly Integrated Human Settlement project will be a mixed human settlement project consisting of 3035 single residential units, 4163 high density walk-up RDP units, and 4208 high density walk-up rental units. The main concern with this project is the overhead sewerage pipeline that is passing close to the area and causing a very serious smell within the area. The housing units built were also not found to be user-friendly for people using wheelchairs since there are no provisions for lifts within the buildings despite them having four storeys. The City’s Rea Vaya BRT system is operational, with an annual average of 51 389 passenger ridership achieved per day. The system has about 21 routes, connecting the inner-city and the outlying areas and it also provides a fast, safe and affordable transport system within the City of Johannesburg.

6.4.3 The City of Tshwane reported that its basic services delivery performance shows that 747 249 households (81.98 per cent) have access to drinking water through formal water connections, 722 029 households (79.21 per cent) have access to water borne sanitation, 736 011 households (81.98 per cent) have access to electricity supply through a formal connection and over 670 km of storm water network system and over 730 km roads have been constructed.

**6.5 The expanded investment in core infrastructure development, that is, construction of a road network linked to a BRT system:**

6.5.1 The Ekurhuleni BRT project has been under construction since the 2011/12 financial year and thus far R2.2 billion has been spent on the project, including the procurement of 40 buses, with eight already delivered. The whole project was however reported to be behind schedule as it was still in Phase 1B

6.5.2 On transport infrastructure, the City of Johannesburg reported that the Rea Vaya BRT system was operational with an annual average of 51 389 passenger ridership achieved per day. The Karsene Intermodal Public Transport Facility is a strategic location and a gateway to the Johannesburg innercity with potential positive spin-off effects.

6.5.3 Within the City of Tshwane A Re Yeng BRT operations as at 30 June 2017 had a total of 114 fleet and a total expenditure of R4.9 billion from the PTNG. The City of Tshwane BRT system includes the Gautrain and PRASA in its integrated rapid public transport network system.

**6.6** **The maintenance plans in place for the infrastructure delivered to ensure that its lifespan is extended to its optimum:**

6.6.1 The Ekurhuleni Metro reported that their maintenance and repairs budget increased from R3009 million in 2016/17 to R3274 million which is an increase of 8.8 per cent.

6.6.2 The City of Johannesburg records show that their maintenance and repairs has increased by 5.4 per cent for the 2017/18 financial year.

6.6.3 The City of Tshwane budget for maintenance and repairs is about 8 per cent of the adjusted budget for the 2017/18 financial year.

1. **RECOMMENDATIONS**
	1. In order to strengthen their intergovernmental relations, the three metros should ensure that they actively participate in statutory structures such as intergovernmental forums (Premiers and Inter-municipality forums).
	2. Because of their interdependence and interrelatedness, the three metropolitan municipalities should ensure that their spatial developments plans are synergised and coordinated at all the stages.
	3. The National Treasury as well as the sector departments (Department of Transport and Department of Human Settlements) responsible for the various conditional grants should strengthen their monitoring and support to the metros to ensure regular spending.
	4. The three metros should develop proper expenditure plans as well as long term planning strategies to avoid spiral spending during the last quarters as well as request’s for roll-overs.
	5. The City of Ekurhuleni Metropolitan Municipality should urgently attend to its Bus Rapid Transit system which is behind schedule and also the poor state of its infrastructure, such as station frames that were found in poor condition and corroding in some areas.
	6. The City of Johannesburg should ensure that its future units within the Land Assembly Integrated Human Settlement project are also user-friendly for people with disabilities.
	7. The three metros should ensure that the four conditional grants (Urban Settlement Development Grant, Public Transport Network Grant, Neighbourhood Development Programme Grant and Integrated City Development Grant) are used to complement each other in order to implement their spatial development plans.
	8. The National Treasury as well as the sector departments (Department of Transport and Department of Human Settlements) responsible for the various conditional grants (the conditional grants mention under 7.7) should provide both financial and non-financial performance reports for the grants concerned (for the past five years up to the period ending 30 June 2017) to the Committee within 30 days after this Report has been adopted by the House.
	9. The National Treasury should provide the Committee with the details of requests for roll-overs and the outcome thereof for all the grants (the conditional grants mention under 7.7) within 30 days after the adoption of this Report by the House.

Report to be considered.