

Vote 28

Housing

	2005/06 To be appropriated			2006/07	2007/08
MTEF allocations of which:	R5 191 712 000			R6 053 463 000	R7 367 575 000
	Current payments	Transfers	Capital payments		
	R240 851 000	R4 947 840 000	R3 021 000		
Statutory amounts	–			–	–
Responsible minister	Minister of Housing				
Administering department	Department of Housing				
Accounting officer	Director-General of Housing				

Aim

The aim of the Department of Housing is to determine, finance, promote, co-ordinate, communicate and monitor the implementation of policy for housing and human settlements.

Programme purpose and measurable objective

Programme 1: Administration

Purpose: Provide strategic leadership and administrative and management support services to the department. Promote and facilitate the flow of information between the department and its stakeholders.

Programme 2: Policy Planning and Research

Purpose: Develop sound national human settlement and housing policies, supported by research and underpinned by an appropriate legislative framework.

Measurable objective: Adequate housing for all South Africans by 2024, through policy, legislation and research that enables housing delivery in sustainable human settlements.

Programme 3: Programme Management

Purpose: Manage national housing and human settlement programmes to enable, support and promote the implementation of subsidised housing and human settlement upgrading projects.

Measurable objective: Increase access to and improve the delivery of adequate housing in sustainable human settlements by effectively providing officials with systems, knowledge, skills, guidance and funding.

Programme 4: Housing Sector Performance

Purpose: Monitor the implementation and performance of national housing policies and programmes, and evaluate and assess their impact on beneficiaries, the environment and on the roles of the three spheres of government.

Measurable objective: Effective monitoring of policy implementation by using an effective data bank and housing and human settlement information systems that provide accurate, strategic and statistically sound data to allow for regular evaluation of the impact of housing policy, and to support decision-making on improvements to housing policy and programmes.

Programme 5: Housing Equity

Purpose: Eradicate discrimination and unfair practices to do with access to housing finance, by implementing and administering the Home Loan and Mortgage Disclosure Act (2000) and its regulations.

Measurable objective: Increase the level of private sector finance for affordable housing by R20 billion by 2010, through monitoring and analysing lending practices, and by supporting the development of appropriate instruments by lending institutions and appropriate partnerships between lending institutions, government, housing support institutions and other lenders.

Programme 6: Housing Development Funding

Purpose: Fund national housing and human settlement programmes in terms of the Housing Act (1997).

Measurable objective: Disburse and monitor funds for housing delivery in compliance with the Public Finance Management Act (1999) and Division of Revenue Act requirements, to ensure that expenditure matches annual delivery commitments.

Strategic overview and key policy developments: 2001/02 – 2007/08

In accordance with government's constitutional responsibility to ensure that every South African has access to adequate housing, the Department of Housing aims to guarantee that there is a supply of affordable permanent residential structures, with secure tenure, and which give access to basic services, privacy and protection against the elements. In 2003/04, the department went through a comprehensive policy consultation process, which culminated in the national housing summit in November 2003. The policy gaps and new policy and research needs identified from this consultation process have been drawn into the department's comprehensive plan for the development of sustainable human settlements, a new housing strategy presented to Cabinet in September 2004. The plan builds on the 1994 White Paper on Housing, but shifts the department's focus from simply ensuring the delivery of affordable housing units to making sure that housing is available in settlements that are both sustainable and pleasant.

The plan outlines the following broad objectives:

- speeding up the delivery of housing as a key strategy for leveraging economic growth and creating jobs
- reducing poverty and improving quality of life for the poor by making sure that poorer households can use their residential property as a financial asset
- improving the functioning of the entire residential property market to reduce duality between the booming residential property market in the first economy and the stagnant, limited property market in the second economy
- using new residential development as an instrument for spatial restructuring and the integration of human settlements.

Changes in demand for government-assisted housing

The nature of the demand for government-assisted housing has changed significantly in recent years. The average population growth of 2,1 per cent per year translates into an increase of over 4,2 million people between 1996 and 2001. If this growth has been sustained since 2001, the extrapolated population for 2004 is 47,5 million people. There has also been a 30 per cent increase in the absolute number of households between 1996 and 2001, against the 10 per cent increase expected, caused by a drop in average household size.

Despite the delivery of 1,74 million new subsidised houses since 1994, the increased demand and the pace of urbanisation, with cities growing at 2,7 per cent per year, has meant that the housing backlog has grown. The 2001 census indicated that there are over 1,8 million dwellings that can be classified as inadequate (mostly shacks in informal settlements and backyards), up from 1,5 million in 1996, which represents an increase of 20 per cent.

Urban populations have increased because of urbanisation and natural population growth. Population growth trends also show significant regional differences and increasing concentrations of people in metropolitan regions. Over one-quarter of the households in the country's nine largest cities lived in informal dwellings in 2001.

Despite increasing levels of construction in all housing markets, a spatially integrated residential property market has not emerged. The repeal of the Group Areas Act (1950) created an increased demand in well serviced and well located neighbourhoods, increasing prices, sales and investment, while investment in large parts of the middle to lower end of the property market has declined. The growth in property values in approximately 30 per cent of the market and stagnation in township and inner city areas has been exacerbated by 'red lining' by financial institutions.

The 1,74 million subsidised houses that have been built since 1994 have not become economic assets in the hands of the poor. The inability of recipients of subsidised housing to pay municipal rates and service charges has also meant that municipalities view these new residential neighbourhoods as liabilities as they do not contribute to the municipal tax base.

The department's comprehensive plan therefore shifts. The key policy developments embedded in the plan include:

Informal settlement upgrading

A policy that will guide the progressive upgrading of informal settlements is being developed. This new approach will allow for phased projects to improve municipal services, regularise tenure arrangements, and provide community facilities for all households living in informal settlements. The provision of formal housing with a broader range of tenure options will then follow. The human settlement redevelopment grant and the housing subsidy grant have been consolidated into a single integrated housing and human settlement grant to accommodate this responsive, area-based approach to housing delivery. Additional funding amounting to R500 million in 2006/07 and R1,5 billion in 2007/08 has been allocated to step up the housing programme so that all informal settlements can be upgraded by 2014. A number of pilot projects will inform the further development of the informal settlement upgrading programme.

Land for housing

A housing land policy will make the release of public land and the acquisition of private land for low cost housing projects a priority. The implementation of this policy will be aligned with government's other land acquisition programmes over time.

Social and medium density housing

A social housing and medium density policy and programme aims to set up social housing institutions that will develop and sustain quality, well located, largely rental housing stock. Social housing policy and legislation is being developed to provide for the establishment of these institutions, as well as for a social housing regulatory unit. The programme is aimed at improving urban efficiency and promoting urban renewal.

Accreditation of municipalities

Capacity-building initiatives will include programmes to accredit municipalities to administer national housing programmes and to help municipalities develop the housing chapter of their integrated municipal housing development plans. The capacity-building subprogramme will be expanded by adding new posts to provide the support required for institutional reform (including accrediting municipalities to administer housing programmes); unblocking housing delivery constraints and guiding implementation of national housing programmes by the provincial and local spheres of government. Additional funding amounting to R180 million over the medium term has been allocated to support the accreditation of municipalities.

Housing finance

The Office of Disclosure has been set up and will monitor financial institutions to determine whether there is equity in the home loans market. The department is also actively involved in discussions with financial institutions about implementing projects to meet the commitments of the financial services charter.

The housing subsidy programme will see the consolidation of the subsidy bands (based on household income) so that all qualifying beneficiaries (households earning less than R3 000 per month) will receive the same subsidy benefits. The subsidy programme is also to be extended to households in the R3 501 to R7 000 band so that they can access housing loans in the market. This initiative will help to develop integrated and viable communities that contribute to the tax base of local governments.

Aligning institutions to the new plan

To support the implementation of the comprehensive plan for the development of sustainable human settlements, the institutional architecture for housing delivery is being revisited, and roles and responsibilities aligned. Likewise, the mandates of the housing support institutions will be more closely aligned with the plan's requirements.

Expenditure estimates

Table 28.1: Housing

Programme	Expenditure outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome					
R thousand	2001/02	2002/03	2003/04	2004/05		2005/06	2006/07	2007/08
1. Administration	44 602	39 553	48 018	79 280	77 280	83 737	92 246	97 948
2. Policy Planning and Research	5 651	8 231	11 140	22 139	22 000	24 634	26 112	27 418
3. Programme Management	259 082	192 917	118 221	141 977	141 900	95 061	69 893	96 887
4. Housing Sector Performance	157 883	137 909	95 722	98 933	98 900	130 607	190 258	211 620
5. Housing Equity	–	36	618	3 612	3 500	5 949	6 306	6 621
6. Housing Development Funding	3 254 022	3 834 484	4 280 662	4 480 840	4 480 700	4 851 724	5 668 648	6 927 081
Total	3 721 240	4 213 130	4 554 381	4 826 781	4 824 280	5 191 712	6 053 463	7 367 575
Change to 2004 Budget estimate				(22 160)	(24 661)	19 629	569 535	1 609 451

Economic classification

Current payments	99 578	112 690	123 238	170 931	168 430	240 851	255 556	297 266
Compensation of employees	26 604	35 633	39 885	62 994	62 793	94 655	99 992	106 081
Goods and services	44 898	48 954	55 549	107 937	105 637	146 196	155 564	191 184
of which:								
Consultants and contractors	18 445	12 053	13 522	34 152	34 152	68 495	65 859	92 644
Travel and subsistence	1 905	4 658	6 305	11 079	9 079	12 339	13 601	14 281
Computer services	12 083	17 089	17 229	21 463	21 463	25 665	30 552	36 429
Interest and rent on land	28 064	28 095	27 804	–	–	–	–	–
Financial transactions in assets and liabilities	12	8	–	–	–	–	–	–
Transfers and subsidies to:	3 618 050	4 098 539	4 427 609	4 651 928	4 651 928	4 947 840	5 793 974	7 066 180
Provinces and municipalities	3 322 416	3 906 781	4 355 359	4 589 298	4 589 298	4 868 362	5 660 463	6 918 494
Departmental agencies and accounts	287 577	186 853	70 613	61 637	61 637	78 998	133 438	147 609
Foreign governments and international organisations	48	58	61	65	65	69	73	77
Public corporations and private enterprises	8 009	4 847	1 576	928	928	411	–	–
Payments for capital assets	3 612	1 901	3 534	3 922	3 922	3 021	3 933	4 130
Machinery and equipment	3 612	1 901	3 534	3 922	3 922	3 021	3 933	4 130
Total	3 721 240	4 213 130	4 554 381	4 826 781	4 824 280	5 191 712	6 053 463	7 367 575

Expenditure trends

Total expenditure is expected to increase significantly from R3,7 billion in 2001/02 to R7,4 billion in 2007/08, an average annual growth rate of 12,1 per cent. This growth is particularly rapid between 2004/05 and 2007/08, an annual average increase of 15,1 per cent.

The expenditure of several of the programmes fluctuates due to the project-based activities in these programmes, as well as reprioritisation to accommodate the implementation of the comprehensive plan. This is particularly evident in *Programme Management*, where expenditure declines between 2004/05 and 2006/07 as a result of the consolidation of the human settlement redevelopment grant with the housing subsidy grant in *Programme 6: Housing Development Funding*. Expenditure in *Housing Sector Performance* declined between 2001/02 and 2003/04 because of the completion of projects such as the development of a housing and urbanisation information system and the phasing out of transfer payments to and on behalf of institutions such as the South African Housing Trust.

Transfer payments make up the vast majority of total expenditure, and the step up in the integrated housing and human settlement grant to provinces translates into growth of 22 per cent between 2006/07 and 2007/08. There have been significant increases in compensation of employees, which is expected to increase from R26,6 million in 2001/02 to R106,1 million in 2007/08, an annual average increase of 25,9 per cent, as a result of the restructuring and expansion of the department. Expenditure on goods and services has increased significantly from R44,9 million in 2001/02 to R108 million in 2004/05, mainly as a result of the increase in the number of employees and the use of professional services. There was a particularly large increase in 2004/05 as a result of spending on research (*Programme 2: Policy Planning and Research*) and capacity-building (*Programme 3: Programme Management*) activities.

In the 2005 Budget, additional allocations were made of R50,0 million for 2005/06, R600,0 million for 2006/07 and R1,6 billion for 2007/08, most of these funds will go towards implementing the comprehensive plan for the development of sustainable human settlements.

Departmental receipts

Departmental receipts are projected to be R447 000 in 2004/05. Receipts come largely from financial transactions (recovery of loans and advances), but also include interest earned on housing subsidies, sales of publications and other sales.

Table 28.2: Departmental receipts

	Receipts outcome			Adjusted appropriation	Medium-term receipts estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Sales of goods and services produced by department	65	473	57	57	53	60	63
Interest, dividends and rent on land	8	2	1	1	1	4	4
Financial transactions in assets and liabilities	339	1 012	400	389	917	420	441
Total	412	1 487	458	447	971	484	508

Programme 1: Administration

Administration provides the department with strategic leadership, and administrative and management support services.

The panel of advisory services appointed by the minister in terms of the Housing Amendment Act (2001) is funded through the *Minister* subprogramme. *Management* takes responsibility for providing management support for the department and includes the special investigative task team, responsible for investigating allegations of maladministration, irregularities, fraud and theft related to the implementation of national housing programmes. *Corporate Services* houses functions such as legal services, human relations, procurement services, and the communications unit.

Expenditure estimates

Table 28.3: Administration

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Minister ¹	745	1 876	2 602	791	843	898	942
Management	2 796	4 264	3 751	7 727	5 622	5 959	6 257
Corporate Services	41 030	33 413	41 665	70 762	77 272	85 389	90 749
Sector Education and Training Authority	31	–	–	–	–	–	–
Total	44 602	39 553	48 018	79 280	83 737	92 246	97 948
Change to 2004 Budget estimate				12 447	7 000	7 350	8 807

¹ Payable as from 1 April 2004. Salary: R633 061. Car allowance: R158 265.

Economic classification

Current payments	42 245	38 931	46 018	76 868	82 096	89 831	95 407
Compensation of employees	15 867	16 994	21 385	32 962	41 253	43 736	47 012
Goods and services	26 366	21 929	24 633	43 906	40 843	46 095	48 395
of which:							
Consultants and contractors	14 612	6 015	4 770	6 287	10 566	12 260	12 868
Travel and subsistence	1 290	3 208	4 297	6 072	6 457	7 409	7 779
Communication	1 498	1 659	2 676	2 111	2 216	2 326	2 442
Inventory	1 032	1 711	1 751	2 224	2 335	2 452	2 574
Computer services	480	2 093	2 235	1 858	1 905	1 995	2 095
Audit fees	3 596	1 775	2 203	3 200	3 376	3 544	3 721
Financial transactions in assets and liabilities	12	8	–	–	–	–	–
Transfers and subsidies to:	77	56	65	76	206	219	235
Provinces and municipalities	46	56	65	76	206	219	235
Departmental agencies and accounts	31	–	–	–	–	–	–
Payments for capital assets	2 280	566	1 935	2 336	1 435	2 196	2 306
Machinery and equipment	2 280	566	1 935	2 336	1 435	2 196	2 306
Total	44 602	39 553	48 018	79 280	83 737	92 246	97 948

Expenditure trends

Expenditure is expected to increase steadily over the next three years, rising from R79,3 million in 2004/05 to R97,9 million in 2007/08, an annual average growth rate of 7,3 per cent. The increases over the last three years supported the expansion of administrative capacity to accommodate new functions and the incorporation of the communications function into the *Corporate Services* subprogramme in 2003/04.

Programme 2: Policy Planning and Research

The purpose of *Policy Planning and Research* is to develop and manage sound national human settlement and housing policies and legislative frameworks, supported by a responsive research agenda.

There are five subprogrammes:

- *National Housing Policy and Strategy* undertakes analysis and develops housing policy.
- *Housing Framework Legislation* drafts the legislation required to implement approved housing policy and strategies and monitors compliance with housing legislation.

- *Human Settlement Policy and Integration* focuses on sustainable urban and rural human settlement development policy.
- *Research* initiates, undertakes and manages research on housing and human settlements.
- The contributions paid to the Habitat Foundation, to support the work of the UN Human Settlements Programme, is reflected under *Contributions*.

Expenditure estimates

Table 28.4: Policy Planning and Research

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
National Housing Policy and Strategy	2 275	3 222	4 841	6 312	6 789	7 289	7 653
Housing Framework Legislation	763	1 747	1 572	3 130	3 306	3 493	3 668
Human Settlement Policy and Integration	2 565	3 204	3 367	7 976	9 544	10 057	10 560
Research	–	–	1 299	4 656	4 926	5 200	5 460
Contributions	48	58	61	65	69	73	77
Total	5 651	8 231	11 140	22 139	24 634	26 112	27 418

Economic classification

Current payments	5 205	7 738	10 786	21 679	24 160	25 613	26 893
Compensation of employees	3 458	5 384	5 800	8 951	9 473	10 072	10 576
Goods and services	1 747	2 354	4 986	12 728	14 687	15 541	16 318
of which:							
Consultants and contractors	973	355	1 736	5 645	6 569	7 020	7 371
Travel and subsistence	219	699	808	2 402	2 635	2 770	2 909
Transfers and subsidies to:	58	74	78	86	116	123	130
Provinces and municipalities	10	16	17	21	47	50	53
Foreign governments and international organisations	48	58	61	65	69	73	77
Payments for capital assets	388	419	276	374	358	376	395
Machinery and equipment	388	419	276	374	358	376	395
Total	5 651	8 231	11 140	22 139	24 634	26 112	27 418

Details of transfers and subsidies:

Foreign governments and international organisations							
Current	48	58	61	65	69	73	77
Habitat Foundation	48	58	61	65	69	73	77
Total foreign governments and international organisations	48	58	61	65	69	73	77

Expenditure trends

Expenditure on the *Policy Planning and Research* programme has been growing rapidly, increasing from R5,7 million in 2001/02 to R22,1 million in 2004/05, an annual average increase of 57,6 per cent. The particularly sharp increases in 2003/04 and 2004/05 were to fund the introduction of the new *Research* subprogramme with resultant increases in expenditure on compensation of employees and goods and services. Expenditure is expected to increase more gradually to R27,4 million in 2007/08, an annual average increase of 7,4 per cent over the next three years.

Service delivery objectives and indicators

Recent outputs

Policy and research

The social housing policy approved by the Minister of Housing in 2003/04 has been reviewed to respond to the outcomes of a recent evaluation of existing social housing institutions and the development of detailed guidelines for implementation. The new social housing policy will create an enabling environment for both private and public sector investments in social housing projects, and will support urban regeneration, integration and densification initiatives that promote greater urban efficiency.

The process to develop a medium density housing policy and programme, initiated in 2003, was delayed to await the outcome of the revision of the social housing policy, to which it is closely linked. The social housing policy is likely to be concluded early in 2005.

A policy and detailed guidelines for upgrading informal settlements has been developed and will be tested through a number of provincial pilot projects.

To improve the quality of its research activities, so that the department can play a leading role, locally and internationally, in debates and in influencing practice, the department undertook an extensive research and consultation process. This facilitated dialogue among key public, private, and community-based stakeholders in the South African housing sector and suggested the direction that the department should take in the next decade.

Legislation

The comprehensive plan for the development of human settlements meant that legislative work had to be reprioritised to accommodate new policy development. The key new priorities are land policy for housing, farmworker housing, housing sector plans, and a densification and integration programme.

The Social Housing Bill (and its draft regulations) was developed together with the revised social housing policy. The bill provides for accreditation and support to social housing institutions and will be tabled in Parliament in 2005.

Amendments to the Less Formal Township Establishment Act (1991) aim to improve its implementation in certain circumstances and will be tabled in 2005.

Selected medium-term output targets

Policy Planning and Research

Measurable objective: Adequate housing for all South Africans by 2024, through policy, legislation and research that enables housing delivery in sustainable human settlements.

Subprogramme	Output	Measure/Indicator	Target
National Housing Policy and Strategy	Special housing needs assistance programme	Approved policy and programme	October 2005
	Multi-year national housing development plan	Approved plan	February 2006
Housing Framework Legislation	Social Housing Act and regulations	Promulgated Act and approved regulations	June 2005
	Housing Amendment Act	Promulgated Act	July 2005
Human Settlement Policy and Integration	Guidelines for farm worker housing	Approved guidelines	June 2005
	Densification and inner city renewal programme	Approved programme	October 2005

Subprogramme	Output	Measure/Indicator	Target
Research	Research agenda for the housing sector aligned with the comprehensive plan for the development of sustainable human settlements	Designated research project completed Research report on the supply chain for housing completed	April 2005 June 2005

Programme 3: Programme Management

Programme Management manages national housing and human settlement programmes.

It consists of four subprogrammes:

- *National Housing Subsidy Scheme* manages, develops and maintains the National Housing Subsidy Scheme, including ownership, informal land rights, social housing, rental and special needs subsidy programmes and the phasing out of old subsidy schemes.
- *Capacity Building* provides ongoing support and guidance to help build capacity in municipalities and provinces to support delivery through the Housing Subsidy Scheme.
- *Special Programmes Support* is involved in managing special housing and human settlement programmes, and providing funding for special initiatives.
- *Phasing Out of Subsidy Programmes* does the necessary administration for completing the housing subsidy programmes of the previous government so that they can be phased out.

Expenditure estimates

Table 28.5: Programme Management

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
National Housing Subsidy Scheme	1 616	3 826	3 573	4 896	7 795	8 563	8 991
Capacity Building	1 864	2 460	3 145	18 271	59 169	57 557	83 934
Special Programmes Support	247 593	181 784	109 927	117 882	27 686	3 773	3 962
Phasing Out of Subsidy Programmes	8 009	4 847	1 576	928	411	–	–
Total	259 082	192 917	118 221	141 977	95 061	69 893	96 887
Change to 2004 Budget estimate				(10 500)	(65 376)	(100 170)	(81 679)

Economic classification							
Current payments	4 467	6 704	7 555	24 991	69 805	69 422	96 392
Compensation of employees	2 889	4 174	4 152	7 394	19 200	20 160	21 168
Goods and services	1 578	2 530	3 403	17 597	50 605	49 262	75 224
of which:							
Consultants and contractors	1 120	1 340	1 692	16 399	43 945	38 785	64 222
Transfers and subsidies to:	254 393	185 860	110 589	116 492	24 903	100	106
Provinces and municipalities	96 384	106 013	109 013	115 564	24 492	100	106
Departmental agencies and accounts	150 000	75 000	–	–	–	–	–
Public corporations and private enterprises	8 009	4 847	1 576	928	411	–	–
Payments for capital assets	222	353	77	494	353	371	390
Machinery and equipment	222	353	77	494	353	371	390
Total	259 082	192 917	118 221	141 977	95 061	69 893	96 887

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Details of transfers and subsidies:							
Provinces and municipalities							
Provinces							
Provincial revenue funds							
Capital	96 375	106 000	109 000	115 540	24 396	–	–
Human Settlement Grant and Redevelopment Grant	96 375	106 000	109 000	115 540	24 396	–	–
Municipalities							
Municipal bank accounts							
Current	9	13	13	24	96	100	106
Regional service councils levy	9	13	13	24	96	100	106
Total provinces and municipalities	96 384	106 013	109 013	115 564	24 492	100	106
Departmental agencies and accounts							
Current	150 000	75 000	–	–	–	–	–
National Housing Finance Corporation: Presidential Job Summit: Rental Housing	150 000	75 000	–	–	–	–	–
Total departmental agencies and accounts	150 000	75 000	–	–	–	–	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	8 009	4 847	1 576	928	411	–	–
Financial Institutions (First time homebuyers subsidy)	8 009	4 847	1 576	928	411	–	–
Total public corporations and private enterprises	8 009	4 847	1 576	928	411	–	–

Expenditure trends

Expenditure declined rapidly between 2001/02 and 2003/04, from R259,1 million in 2001/02 to R118,2 million in 2003/04. This was largely due to the one-off allocation for the presidential job summit pilot project on rental housing, which received transfers of R150 million in 2001/02 and R75 million in 2002/03 under the *Special Programme Support* subprogramme. There was also a decrease in expenditure on the *Phasing Out of Subsidy Programmes* subprogramme as the first time homebuyers' interest rate subsidy is phased out. However, in 2004/05, expenditure on the programme as a whole rose by 20,1 per cent to R142 million. This growth is largely due to greater expenditure on goods and services for research to support the development of a professional association for housing practitioners and for hosting an African ministers' conference on housing and human settlements in February 2005.

Over the next three years, there is no consistent trend in expenditure, which declines to R69,9 million in 2006/07 and then rises again to R96,9 million in 2007/08. This is due to the project-based allocations for goods and services, and the drop in transfer payments as the human settlement redevelopment grant is phased out.

Transfers took up the vast majority of expenditure until 2004/05. However, from 2004/05, transfers taper off dramatically, from R116,5 million to R24,9 million in 2005/06 to less than R1 million in the following two years. This is due to the phasing out of the human settlement

redevelopment grant. From 2005/06 it is to be incorporated into a single grant, the integrated housing and human settlement development grant, under *Programme 6: Housing Development Funding*. It is also expected that the *Phasing Out of Subsidy Programmes* activities will be completed in 2005/06.

Expenditure on the *Capacity Building* subprogramme increases rapidly from R18,3 million in 2004/05 to R83,9 million in 2007/08, an average annual increase of 66,2 per cent. The subprogramme is responsible for capacity-building in the provincial and local spheres of government that are responsible for administering and implementing housing programmes.

In the 2005 Budget, additional funding of R50 million for 2005/06, R50 million for 2006/07 and R80 million for 2007/08 was allocated to the programme. This will be used to increase capacity for the implementation of the new housing strategy.

Service delivery objectives and indicators

Recent outputs

Improvements in human settlements

More than 180 projects to improve dysfunctional human settlements have been approved and are currently being funded through the human settlement redevelopment programme. One hundred per cent of the human settlement redevelopment grant funds were transferred to provinces during 2003/04. The programme is gaining momentum and 100 per cent of the 2004/05 allocation has been committed to projects with approved business plans.

Rental housing

All poverty relief funds were transferred to the National Housing Finance Corporation (NHFC) during 2003/04. The NHFC is the implementing agent for the first rental housing projects initiated through the presidential job summit pilot project on rental housing. Projects in Gauteng and Mpumalanga are being implemented. All new rental housing projects will be implemented as PPPs, and in anticipation of this, a new framework and financial model has been developed for the pilot project.

Improved subsidy mechanisms

A number of new or improved subsidy mechanisms and implementation guidelines were developed during 2004/05.

The new technical norms and standards for redeveloping hostels will give rise to new guidelines for turning public sector hostels into family units. A national housing savings programme has been initiated in collaboration with the National Urban Reconstruction and Housing Agency and financial institutions. The quantum of the subsidy has been adjusted to provide for inflation. An investigation to include all other subsidy instruments under the National Home Builders Registration Council (NHBRC) warranty scheme should be completed early in 2005. Guidelines for upgrading informal settlements, as well as for social housing and housing in emergency circumstances, have been completed and are to be submitted for approval.

Education and training

During 2004/05, a further six students were given bursaries for housing-related courses at universities and technikons. The housing consumer education programme, which was piloted in the Western Cape, KwaZulu-Natal, Gauteng and the Free State, has been incorporated into a permanent programme that will be implemented from 2005 onwards.

All the provinces, with the exception of the North West, have compiled capacity-building business plans which were approved by the relevant MECs. The department ran 53 housing courses during 2004/05 and 2 173 participants attended these courses.

A priority in 2005 will be building the capacity of provincial and municipal officials to support the implementation of human settlement projects and enable municipalities to be accredited to manage national housing programmes. This will include support to establish municipal housing units.

Selected medium-term output targets

Programme Management

Measurable objective: Increase access to and improve the delivery of adequate housing in sustainable human settlements by effectively providing officials with systems, knowledge, skills, guidance and funding.

Subprogramme	Output	Measure/Indicator	Target
National Housing Subsidy Scheme	Improved housing subsidy schemes	Guidelines for 3 new subsidy instruments approved by MinMEC Amendment of 3 existing subsidy instruments approved by MinMEC	March 2006 March 2006
Capacity Building	Provincial capacity-building for administering and managing housing subsidy schemes	Approved provincial business plans for housing capacity-building Number of participants attending courses presented by the department Number of municipalities accredited	December 2005 500 participants per year 7 municipalities by March 2006
Special Programmes Support	Human settlement redevelopment programme projects	Percentage of human settlement redevelopment programme budget allocated in terms of approved business plans	100% of budget allocated in terms of approved business plans per year
Phasing Out of Subsidy Programmes	Administration of first-time homebuyers interest rate subsidy scheme	Payment of claims for first-time homebuyers interest rate subsidy	100% of all claims paid within 30 days

Programme 4: Housing Sector Performance

Housing Sector Performance monitors the performance and assesses the impact of housing delivery, manages housing information, and monitors and analyses the impact of government's housing policy and programmes on the construction sector, the financial sector and the economy, and the housing institutions.

There are five subprogrammes:

- *Policy and Programme Monitoring* assesses the implementation of national housing policy and programmes, and the impact of these on beneficiaries, the environment and the roles of the three spheres of government.
- *Information Management* maintains national housing databases and information systems.
- *Industry Analysis and Development Finance* monitors and analyses the impact of government's housing policy and programmes on the construction sector, the financial sector and the economy.
- *Housing Institutions* monitors the performance of the following housing institutions: National Housing Finance Corporation, Servcon Housing Solutions (Pty) Ltd, Peoples' Housing Partnership Trust, Social Housing Foundation, National Home Builders' Registration Council, Thubelisha Homes, National Urban Reconstruction and Housing Agency, and the Rural Housing Loan Fund.
- *Contributions* administers the transfer payments to these institutions.

Expenditure estimates

Table 28.6: Housing Sector Performance

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Policy and Programme Monitoring	2 309	6 020	4 130	7 348	6 577	6 749	7 086
Information Management	16 794	17 848	18 117	25 166	37 331	42 658	49 141
Industry Analysis and Development Finance	1 234	2 188	2 862	3 478	5 681	5 450	5 723
Housing Institutions	–	–	–	1 304	2 020	1 963	2 061
Contributions	137 546	111 853	70 613	61 637	78 998	133 438	147 609
Total	157 883	137 909	95 722	98 933	130 607	190 258	211 620
Change to 2004 Budget estimate				6 693	8 729	61 335	76 251

Economic classification

Current payments	19 597	25 571	23 973	36 926	51 097	56 221	63 381
Compensation of employees	4 390	7 510	6 585	9 954	20 413	21 434	22 506
Goods and services	15 207	18 061	17 388	26 972	30 684	34 787	40 875
of which:							
Consultants and contractors	1 740	805	1 308	1 250	1 301	1 355	1 423
Travel and subsistence	218	411	446	1 281	1 444	1 530	1 607
Computer services	11 597	14 763	14 322	19 345	23 482	28 141	33 897
Transfers and subsidies to:	137 564	111 870	70 633	61 666	79 100	133 545	147 722
Provinces and municipalities	18	17	20	29	102	107	113
Departmental agencies and accounts	137 546	111 853	70 613	61 637	78 998	133 438	147 609
Payments for capital assets	722	468	1 116	341	410	492	517
Machinery and equipment	722	468	1 116	341	410	492	517
Total	157 883	137 909	95 722	98 933	130 607	190 258	211 620

Details of transfers and subsidies:

Departmental agencies and accounts							
Current	137 546	111 853	70 613	61 637	78 998	133 438	147 609
National Housing Finance Corporation	–	–	–	1	1	1	1
SERVCON Housing Solutions	63 059	55 183	49 969	38 554	55 879	109 232	122 193
South African Housing Trust	66 623	39 323	–	–	–	–	–
Social Housing Foundation	7 864	17 347	11 000	20 047	18 118	19 205	20 165
National Urban Reconstruction and Housing Agency	–	–	9 644	3 034	–	–	–
People's Housing Partnership Trust	–	–	–	1	5 000	5 000	5 250
Total departmental agencies and accounts	137 546	111 853	70 613	61 637	78 998	133 438	147 609

Expenditure trends

Expenditure on the programme has varied, falling from R157,9 million in 2001/02 to R95,7 million in 2003/04, and is expected to rise to R211,6 million in 2007/08. Much of the programme is made up of transfer payments, largely to public entities, and it is the year-on-year changes in these that determine overall expenditure.

Servcon Housing Solutions, a joint venture between government and the banking industry to manage the disposal of properties owned by banks receives a transfer that fell from R63,1 million in 2001/02 to R38,6 million in 2004/05. This allocation is expected to increase to R122,2 million in 2007/08 as Servcon concludes its work. In 2005/06, a small transfer to the Peoples' Housing

Partnership Trust is introduced to fund administrative and personnel costs associated with supporting self-build housing projects.

In the 2005 Budget, additional amounts of R50 million for 2006/07 and R60 million for 2007/08 were allocated to accommodate the guarantee that will be required to resolve the Servcon portfolio.

Service delivery objectives and indicators

Recent outputs

During 2004/05, the following projects were undertaken to monitor the performance and impact of housing policy and programmes:

- Two studies on the extent to which developers, provincial housing departments and municipalities complied with planning and housing delivery process requirements and minimum standards in the delivery of subsidised housing were completed in December 2004.
- An investigation into the impact of the housing subsidy scheme on beneficiaries will be completed by March 2005.
- An investigation into the impact of the human settlement redevelopment programme is under way.
- Quarterly reports on the state of housing delivery and the state of the housing industry were completed.

The quality of data in the Housing Subsidy System, the information system used to administer and manage housing subsidies, was improved following a series of provincial visits and amendments to the reporting formats used in the system.

Selected medium-term output targets

Housing Sector Performance

Measurable objectives: Effective monitoring of policy implementation by using an effective data bank and housing and human settlement information systems that provide accurate, strategic and statistically sound data to allow for regular evaluation of the impact of housing policy, and to support decision-making on improvements to housing policy and programmes.

Subprogramme	Output	Measure/Indicator	Target
Policy and Programme Monitoring	Comprehensive monitoring systems	Frequency of reports on implementation and performance of national housing programmes Frequency of reports on compliance with the National Environmental Management Act (1998), Agenda 21 and other international commitments	Quarterly reports Annual reports
Information Management	Housing and human settlement information system	Availability of housing and human settlement information system and Housing Subsidy System by provincial housing departments. Frequency of data sets collected, compiled and published	Operational systems functional at all provincial housing departments 90% of time Quarterly
Industry Analysis and Development Finance	Monitoring and assessment of the impact of housing policy on various industries	Frequency of reports on the status of the construction sector Frequency of reports on emerging contractor support Frequency of reports on the status of the economy and the financial sector	Quarterly Quarterly Quarterly

Subprogramme	Output	Measure/Indicator	Target
Housing Institutions	Monitoring and assessing performance of housing support institutions	Frequency of reports on performance of housing support institutions Analysis and approval of corporate business plans	Quarterly Business plans approved annually before the start of the financial year

Programme 5: Housing Equity

Housing Equity aims to eradicate discrimination and unfair practices to do with access to housing finance, by implementing and administering the Home Loan and Mortgage Disclosure Act (2000) and its regulations through the Office of Disclosure, reflected in the one subprogramme of that name

Expenditure estimates

Table 28.7: Housing Equity

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Office of Disclosure	–	36	618	3 612	5 949	6 306	6 621
Total	–	36	618	3 612	5 949	6 306	6 621
Change to 2004 Budget estimate				(2 000)	–	–	–

Economic classification

Current payments	–	36	561	3 331	5 648	5 987	6 287
Compensation of employees	–	–	114	1 758	1 867	1 989	2 088
Goods and services	–	36	447	1 573	3 781	3 998	4 198
of which:							
Consultants and contractors	–	10	260	971	2 336	2 474	2 598
Travel and subsistence	–	–	18	253	607	640	672
Transfers and subsidies to:	–	–	–	5	9	10	10
Provinces and municipalities	–	–	–	5	9	10	10
Payments for capital assets	–	–	57	276	292	309	324
Machinery and equipment	–	–	57	276	292	309	324
Total	–	36	618	3 612	5 949	6 306	6 621

Expenditure trends

This programme was established in 2003/04, with expenditure increasing quickly to R3,6 million in 2004/05. Expenditure in 2004/05 was R2 million lower than expected, as a result of difficulties in filling posts and delays in implementing the home loan and mortgage disclosure regulations. Expenditure is expected to grow steadily over the next three years at an annual average rate of 22,4 per cent, from R3,6 million in 2004/05 to R6,6 million in 2007/08. The greatest increase is for goods and services, for the IT system required to monitor reporting from banks.

Service delivery objectives and indicators

Recent outputs

Phase 1 of the project to design and establish an IT system for collecting data from financial institutions on their home loans and mortgages has been completed. The next two phases have been delayed by the need to align the system with the monitoring systems used by the South African Reserve Bank. The delay has impacted on the finalisation of the compliance manual and the Home Loan and Mortgage Disclosure Act (2000) regulations, but it is expected that these will be finalised and the regulations gazetted by June 2005. The Office of Disclosure Board is not yet operational, but as soon as the regulations have been gazetted, the Minister of Housing will announce the appointments to the board. Most posts in this new programme have been filled and the last few appointments should be made by March 2005.

Selected medium-term output targets

Housing Equity

Measurable objective: Increase the level of private sector finance for affordable housing by R20 billion by 2010, through monitoring and analysing lending practices, and by supporting the development of appropriate instruments by lending institutions and appropriate partnerships between lending institutions, government, housing support institutions and other lenders.

Subprogramme	Output	Measure/Indicator	Target
Office of Disclosure	IT infrastructure	IT system and infrastructure established	June 2005
	Compliance manual	Financial institutions briefed on compliance reporting requirements	June 2005
	First annual Home Loan and Mortgage Disclosure Act (2000) reports received from financial institutions	First reports captured on system	March 2006

Programme 6: Housing Development Funding

Housing Development Funding manages the funding of national housing programmes. In previous years, this involved the housing subsidy grant, which funded the housing subsidy scheme. This year, the housing subsidy grant has been amalgamated with aspects of the human settlement redevelopment grant, which previously fell under *Programme Management*. The rationalisation of the two grants is to accommodate the funding required for implementing the new comprehensive plan for the development of sustainable human settlements. Broadly, the new grant will fund the following key elements of housing administration and delivery:

- land acquisitions to accommodate well located housing development
- municipal infrastructure (such as roads, water and sewerage connections, street lighting and storm-water drainage)
- planning for housing through grant funding for developing and maintaining the housing chapters of municipal integrated development plans in compliance with the requirements for accrediting municipalities
- housing for qualifying beneficiaries through the consolidation subsidy or existing housing subsidies (escalated by inflation each year) and new subsidies such as the proposed social housing capital grant
- institutional subsidies, including grant funding for setting up housing support centres, community development associations (for People's Housing Programme projects) and the proposed establishment grant for social housing institutions.

The programme comprises three subprogrammes:

- *Fund Management* administers payments of the conditional grant to provinces.
- *Integrated Housing and Human Settlement Development Grant* reflects the conditional grant allocation that is transferred to provinces.
- *Interest and Redemption on Private Loans* administered the interest payments on liabilities held by the National Housing Development Board and the SA Housing Trust, all of which have been transferred to National Treasury.

Expenditure estimates

Table 28.8: Housing Development Funding

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Fund Management	–	5 715	6 619	7 243	8 244	8 700	9 135
Integrated Housing and Human Settlement Development Grant	3 225 958	3 800 674	4 246 239	4 473 597	4 843 480	5 659 948	6 917 946
Interest and Redemption on Private Loans	28 064	28 095	27 804	–	–	–	–
Total	3 254 022	3 834 484	4 280 662	4 480 840	4 851 724	5 668 648	6 927 081
Change to 2004 Budget estimate				(28 800)	69 276	601 020	1 606 072

Economic classification

Current payments	28 064	33 710	34 345	7 136	8 045	8 482	8 906
Compensation of employees	–	1 571	1 849	1 975	2 449	2 601	2 731
Goods and services	–	4 044	4 692	5 161	5 596	5 881	6 174
of which:							
Consultants and contractors	–	3 528	3 756	3 600	3 778	3 965	4 163
Interest and rent on land	28 064	28 095	27 804	–	–	–	–
Transfers and subsidies to:	3 225 958	3 800 679	4 246 244	4 473 603	4 843 506	5 659 977	6 917 977
Provinces and municipalities	3 225 958	3 800 679	4 246 244	4 473 603	4 843 506	5 659 977	6 917 977
Payments for capital assets	–	95	73	101	173	189	198
Machinery and equipment	–	95	73	101	173	189	198
Total	3 254 022	3 834 484	4 280 662	4 480 840	4 851 724	5 668 648	6 927 081

Details of transfers and subsidies:

Provinces and municipalities							
Provinces							
Provincial revenue funds							
Capital	3 225 958	3 800 674	4 246 239	4 473 597	4 843 480	5 659 948	6 917 946
Integrated Housing and Human Settlement Development Grant	3 225 958	3 800 674	4 246 239	4 473 597	4 843 480	5 659 948	6 917 946
Municipalities							
Municipal bank accounts							
Current	–	5	5	6	26	29	31
Regional service councils levy	–	5	5	6	26	29	31
Total provinces and municipalities	3 225 958	3 800 679	4 246 244	4 473 603	4 843 506	5 659 977	6 917 977

Expenditure trends

Housing Development Funding accounts for the bulk of the department's expenditure, as it channels the funds for provision of housing and integrated settlements. As a result the programme

consists almost exclusively of transfers, particularly through the *Integrated Housing and Human Settlement Development Grant* subprogramme, previously known as the *Housing Subsidy Grant* subprogramme.

As National Treasury has taken over the outstanding loan debt of the former National Housing Board, the carry-through cost of servicing this debt has been surrendered to the National Revenue Fund and no longer forms part of the estimates in this programme.

Expenditure on the *Integrated Housing and Human Settlement Development Grant* subprogramme has increased steadily, and it is expected to grow even faster over the next three years as a result of the additional funds allocated for the implementation of the informal settlement upgrading programme proposed in the comprehensive plan. Expenditure is expected to increase from R4,5 billion in 2004/05 to R6,9 billion in 2007/08, an annual average increase of 15,6 per cent.

Service delivery objectives and indicators

Recent outputs

Between April 1994 and March 2005, approximately 2,4 million housing subsidies were approved. During the same period, 1,74 million housing units were built. During 2004/05, housing delivery was largely focused on completing stalled housing projects, resulting in very little new housing construction.

After the initial target of building 1 million subsidised houses, which was reached during 2000, housing delivery slowed, with the number of houses completed dropping from 190 643 in 2000/01 to 143 281 in 2001/02. This slowdown in delivery was largely because of supply-side constraints and administrative delays. Rollovers on the conditional grant increased steadily from R605 million in 2000/01 (15 per cent of available funds) to R1,2 billion in 2002/03 (28 per cent). Due to interventions from the department through a task team to help provinces to unblock projects and fast-track housing delivery at provincial level, the amount rolled over was reduced to R560 million in 2003/04 (13 per cent), with the delivery figures up to 193 615 for the year. In 2004/05, the projected underspending is not expected to exceed R243 million (5 per cent of funds available). Two provinces, Mpumalanga and the North West have even had to slow their 2004/05 delivery programmes to avoid overspending.

Selected medium-term output targets

Housing Development Funding

Measurable objective: Disburse and monitor funds for housing delivery in compliance with the Public Finance Management Act (1999) and Division of Revenue Act requirements, to ensure that expenditure matches annual delivery commitments.

Subprogramme	Output	Measure/Indicator	Target
Fund Management	Reporting on expenditure according to the Division of Revenue Act (DORA)	Monthly DORA conditional grant reports submitted to National Treasury	12 monthly reports on time according to DORA
Integrated Housing and Human Settlement Development Grant	Capital housing funds allocated to provincial governments	Percentage of funds disbursed to provinces Percentage of funds spent by provinces	100% disbursed per year At least 95% spending by provinces per year

Public entities reporting to the Minister

Servcon Housing Solutions (Pty) Ltd

Servcon Housing Solutions (Pty) Ltd was established as a result of an agreement between the Department of Housing (representing government) and the Banking Council (representing

participating banks). The aim of the agreement was to support the normalisation of the affordable housing finance market in the wake of significant levels of default during the transition to democracy. Servcon is mandated to manage the disposal of properties owned by banks as a result of non-performing loans in selected areas at the cut-off date of 31 August 1997. Servcon supports home ownership where possible, offering alternative options to those who can no longer afford their mortgage repayments, and improving the viability of non-performing housing debt.

Servcon's operational costs are shared equally by commercial banks holding non-performing mortgages, via the Banking Council, and the Department of Housing. By 31 December 2004, Servcon had disposed of 64,0 per cent of its portfolio of properties (against a target of 82,5 per cent). The number of properties in the portfolio has declined from 33 322 in August 1997 to 11 998 in December 2004. The remaining properties have a total value of R435,1 million. Servcon's mandate is to finalise its portfolio by April 2006.

National Urban Reconstruction and Housing Agency

The National Urban Reconstruction and Housing Agency (NURCHA) was formed as a partnership between the South African government and the Open Society Institute of New York in May 1995 to arrange finance for housing. Today NURCHA is an innovative low income housing finance company that packages funding and takes calculated risks to fulfil its mandate of contributing to the national effort to provide adequate housing for all South Africans.

To date, NURCHA has approved loans towards house building contractors to the value of R166 million. Under the loans approved during the previous year, 3 910 houses were constructed this financial year. NURCHA also had guarantees to the value of R200 million on its books but decided that no further guarantees would be provided in future. NURCHA approved joint venture development fund loans to the value of R31 million and had housing venture development fund loans outstanding to the value of R99 million.

The National Savings Programme, which NURCHA administers on behalf of the Department of Housing, has not achieved the targets set in the planning phase. This is largely because of the limited take-up by housing beneficiaries deterred by the down-payment requirement in housing projects linked to the savings programme. The savings programme was revised and relaunched during 2004/05 to strengthen the incentives for participation. Participating savers will only reach the R2 479 down-payment target in the new financial year.

National Housing Finance Corporation

The National Housing Finance Corporation (NHFC) was established through a Cabinet decision in May 1996, as envisaged in the 1994 White Paper on Housing, to search for new and better ways to mobilise finance for housing, from sources outside state and in partnership with the broadest range of organisations.

The NHFC's business plan revolves around creating housing opportunities for low and moderate income families by:

- funding or underwriting the funding of intermediaries and institutions to promote broader access to housing
- facilitating the building of adequate and sustainable capacity within the organisation and institutions that it funds
- partnering organisations to deliver innovative housing finance solution options.

The NHFC has three main divisions, each with its own unique tasks and target market:

The Alternative Tenure division offers support for rental, instalment sale and other lending for intermediated ownership. Specific achievements in 2003/2004 include the disbursement of 3 586 loans. The NHFC derived a gross income of R34,4 million from lending activities in this division during the financial year. The outstanding loans for this division stood at R357,4 million by the end of the financial year.

The Home Ownership division facilitates ownership of affordable homes. In the year under review a total of 2 208 homes were delivered through the division's financing mechanisms.

The Incremental Housing division offers finance for those who wish to build their homes on an incremental basis or to extend or improve their existing property. A total of 12 368 individual loans were disbursed during the financial year. Interest rates charged differ according to the risk profile of individual end-users and means of collection available to the lender. By the end of 2003/04, the NHFC had R98 million of loans outstanding in this division.

The NHFC's revenue comes from interest (both interest on its investments and interest on wholesale loans made to intermediate lenders) and service charges for its wholesale lending and financial services. In 2004/05, revenue is expected to decline by 21,2 per cent as a result of the reduction in interest rates and a decrease in disbursements. The NHFC did not meet its disbursement target for the year because of the difficult lending environment. A large number of NHFC intermediaries are in distress because of default levels, limited capacity to increase their portfolios, and the regulatory environment (particularly in the rental housing sector where the ability to obtain vacant possession of rental units is constrained by the eviction procedures defined in the Prevention of Illegal Evictions and Occupation of Land Act (1998)).

The NHFC has R1,8 billion in capital and reserves. The Minister of Housing is reviewing the mandate of the NHFC with a view to making the reserves available for increasing the value of guarantees provided by the NHFC.

Table 28.9: Financial summary for the National Housing Finance Corporation (NHFC)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	222 905	250 696	228 958	180 353	177 237	171 292	182 352
Interest	211 678	219 021	204 539	180 353	177 237	171 292	182 352
Other non-tax revenue	11 227	31 675	24 419	–	–	–	–
Total revenue	222 905	250 696	228 958	180 353	177 237	171 292	182 352
Expenses							
Current expense	141 555	152 768	128 564	106 020	113 002	110 420	117 474
Compensation of employees	22 981	16 579	17 996	29 194	29 766	31 850	34 079
Goods and services	98 585	117 603	91 392	57 470	61 945	55 149	57 632
Depreciation	2 202	1 947	2 449	2 694	2 963	3 260	3 586
Interest	17 787	16 639	16 727	16 662	18 328	20 161	22 177
Total expenses	141 555	152 768	128 564	106 020	113 002	110 420	117 474
Surplus / (Deficit)	81 350	97 928	100 394	74 333	64 235	60 872	64 878

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
BALANCE SHEET SUMMARY							
Carrying value of assets	2 933	3 804	2 967	3 806	4 352	4 953	5 614
of which: Acquisition of assets	1 382	2 840	1 612	1 660	1 826	2 008	2 209
Long-term investments	1 513 645	2 063 477	2 184 757	1 889 027	1 941 715	2 009 343	2 081 647
Receivables and prepayments	52 576	52 740	65 454	4 509	4 509	4 960	5 456
Cash and cash equivalents	362 390	286 207	194 190	4 254	255	229	206
Total assets	1 931 544	2 406 228	2 447 368	1 901 596	1 950 831	2 019 485	2 092 923
Capital and reserves	1 619 805	1 716 285	1 785 085	1 808 781	1 873 016	1 933 888	1 998 766
Borrowings	100 000	1	101 378	–	–	–	–
Trade and other payables	10 760	93 672	96 663	92 815	77 815	85 597	94 157
Provisions	200 979	596 270	464 242	–	–	–	–
Total equity and liabilities	1 931 544	2 406 228	2 447 368	1 901 596	1 950 831	2 019 485	2 092 923

Data provided by the National Housing Finance Corporation

Social Housing Foundation

The Social Housing Foundation (SHF), established in 1996 as a Section 21 company, supports the delivery of housing to low income communities by promoting the skills, capacity and institutions required to provide alternative tenure for affordable housing. It is funded through grants made by the Department of Housing and other donor organisations.

A specific focus of the SHF is helping to set up social housing institutions that provide housing to low income working households and works primarily with emerging institutions by offering capacity-building and technical support. From October 1999 to March 2004, 83 social housing institutions were established, most of which are new. The SHF was actively involved in developing the current social housing policy and completing two research reports on best practices in delivery and management of programmes to provide social housing and housing for special needs groups.

National Home Builders Registration Council

The National Home Builders Registration Council (NHBRC) is a Section 21 company established in terms of the Housing Consumers Protection Measures Act (1998). Its purpose is to provide housing consumers with warranty protection against defects in new homes, and to provide protection against any failure of builders to comply with their obligations in terms of the Act.

The NHBRC has improved its effectiveness following an aggressive publicity campaign, registering 3 739 home builders by March 2004 (an increase of 23,7 per cent from the previous year) and enrolled 48 305 housing units by March 2004 (an 11,5 per cent increase from 2003). From 2003 to 2004, complaints handled recorded a decrease of 6,9 per cent, inspections increased by 51,8 per cent, and renewals increased by 6,9 per cent. Conciliation cases decreased by 21,9 per cent and suspensions increased by 67,1 per cent, resulting in more home builders being suspended for the year ending 2004 compared to 2003.

For the subsidy sector, projects have been identified in five provinces - Gauteng, KwaZulu-Natal, Western Cape, Eastern Cape and Mpumalanga. Of the 47 projects identified, 41 have been approved for in-principle enrolment and 6 for project enrolment.

The NHBRC raises revenue from fees charged for both the registration of homebuilders, and the enrolment of new houses under its warranty scheme. Revenue has increased significantly from R164,9 million in 2001/02 to R355 million in 2004/05, an average annual increase of 29,1 per cent. This growth is largely due to increases in enrolments of new houses, reflecting the increase in construction activity, particularly in the upper end of the residential property market.

Expenditure has remained relatively stable, fluctuating between R77,7 million in 2001/02 and R88,3 million in 2003/04. Expenditure is driven largely by the claims on the warranty scheme resulting from poor construction, and is therefore difficult to predict. As a result of the limited claims against the warranty scheme, the NHBRC has accumulated significant reserves – R945,4 million in 2004/05. Over the medium term, these reserves are expected to stabilise at just more than R1 billion. Fees charged by NHBRC will be set so that a more reasonable level of reserves is maintained to accommodate expected claims against the warranty scheme over the term of the warranty on any enrolled housing unit.

Table 28.10: Financial summary for the National Home Builders Registration Council (NHBRC)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	164 903	216 163	348 409	354 970	383 368	414 037	447 160
Interest	19 096	34 142	55 713	47 713	51 530	55 652	60 105
Other non-tax revenue	145 807	182 022	292 696	307 257	331 838	358 385	387 056
Total revenue	164 903	216 163	348 409	354 955	383 368	414 037	447 160
Expenses							
Current expense	77 736	62 851	88 297	77 266	83 416	90 090	94 064
Compensation of employees	20 709	28 094	35 638	34 651	37 423	40 417	40 417
Goods and services	54 072	31 145	46 958	38 925	42 023	45 385	49 016
Depreciation	2 435	3 567	5 618	3 677	3 971	4 288	4 631
Interest	519	46	84	14	–	–	–
Total expenses	77 736	62 851	88 297	77 266	83 416	90 090	94 064
Surplus / (Deficit)	87 167	153 313	260 111	277 704	299 951	323 947	353 097
BALANCE SHEET SUMMARY							
Carrying value of assets	4 868	11 468	9 286	7 384	7 670	8 284	8 946
Long-term investments	195 337	348 608	565 945	870 437	942 921	1 018 594	1 100 322
Inventory	97	125	97	127	138	149	160
Receivables and prepayments	12 190	14 208	66 289	93 613	101 102	109 190	117 925
Cash and cash equivalents	22 672	8 698	9 711	12 651	11 120	11 769	12 471
Total assets	235 163	383 106	651 328	984 212	1 062 949	1 147 985	1 239 824
Capital and reserves	214 340	363 166	620 513	945 393	1 021 025	1 102 707	1 190 923
Trade and other payables	8 690	10 757	21 984	28 225	30 483	32 922	35 556
Provisions	12 133	9 183	8 831	10 594	11 441	12 357	13 345
Total equity and liabilities	235 163	383 106	651 328	984 212	1 062 949	1 147 985	1 239 824

Data provided by the National Home Builders Registration Council

Thubelisha Homes

Thubelisha Homes, a Section 21 company, was established in June 1998 as a special purpose financial vehicle to create housing stock for clients of Servcon Housing Solutions. These are clients that are occupants of bank-owned properties that were repossessed, as a result of defaulting on mortgage loans.

For the year ending March 2004, 4 050 subsidy applications were completed and 3 259 approved. Thubelisha handed over 2 266 houses to clients, an increase of 84 per cent from the previous year. Houses accepted from contractors also increased by 39,2 per cent from 1 540 in the previous financial year to 2 144 this year. There were 4 487 serviced stands available for this year compared to 1 376 last year, a 226,1 per cent increase.

As a result of the increased activity, revenue is expected to grow from R72 million in 2003/04 to R107 million in 2004/05. With regards to its source of funding, the Department of Housing provided an establishment grant in 1998/99 and Thubelisha receives operational funding from provinces, by applying for housing subsidies, for both construction and relocation.

Rural Housing Loan Fund

The Rural Housing Loan Fund (RHLF) was incorporated in 1997 as a subsidiary to the NHFC, but has existed as an entity in its own right since April 2002. Its main business, as a wholesale lending institution, is to raise money and lend it on, to enable retail institutions to provide loans to low income earners to finance housing in rural areas.

In 2003/04, RHLF's retail lenders made 8 006 housing loans to rural households. After a phase of mergers resulting in consolidation of retail lending activities in this sector, RHLF now has only six lending intermediaries. RHLF underperformed on its target by 43 per cent and disbursed only R38 million in rural areas. This is largely as a result of loss of market share to new lenders that have entered the micro-lending market through retail stores. By March 2004, RHLF-funded intermediaries had made more than 53 209 loans to rural borrowers for incremental housing and home improvement, totalling R250 million.

RHLF was initially funded through a grant from the German government. Revenue is now raised through interest on loans from debtors, and finance charges.

People's Housing Partnership Trust

The process of home building by the owners themselves is referred to as the Peoples' Housing Process (PHP). The department established the People's Housing Partnership Trust (PHPT), in June 1997, to create adequate capacity to facilitate subsidy support for the PHP. The work of the PHPT is defined by the National Housing Policy: Supporting the People's Housing Process, approved by the Minister of Housing in 2000. This policy defines the PHPT mandate to capacitate and engage with national, provincial and local government, and civil society, to participate in and support the PHP. The Department of Housing provides limited grant funding for the operations of the PHPT, and the Trust also raises revenue through grants from provinces for PHP projects.

During 2003/04, the demand for self-build housing grew significantly as households are not required to make a down-payment if they contribute 'sweat equity' in the construction of their housing. As a result, 364 new PHP housing projects were initiated during 2003/04. In 2004/05, only 101 new PHP housing projects were initiated. Since 1994, 615 181 housing subsidies have been allocated within 750 PHP housing projects.

Annexure

Vote 28: Housing

Table 28.A: Summary of expenditure trends and estimates per programme and economic classification

Table 28.B: Summary of personnel numbers and compensation of employees per programme

Table 28.C: Summary of expenditure on training per programme

Table 28.D: Summary of information and communications technology expenditure per programme

Table 28.E: Summary of conditional grants and indirect grants to provinces and local government

Table 28.F: Summary of official development assistance expenditure

Table 28.G: Summary of expenditure on infrastructure

Table 28.A: Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Preliminary outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2003/04			2004/05			
1. Administration	48 408	49 008	48 018	66 833	12 447	79 280	77 280
2. Policy Planning and Research	16 448	16 448	11 140	22 139	–	22 139	22 000
3. Programme Management	122 104	126 459	118 221	152 477	(10 500)	141 977	141 900
4. Housing Sector Performance	304 871	92 171	95 722	92 240	6 693	98 933	98 900
5. Housing Equity	5 347	5 347	618	5 612	(2 000)	3 612	3 500
6. Housing Development Funding	4 281 658	4 281 658	4 280 662	4 509 640	(28 800)	4 480 840	4 480 700
Total	4 778 836	4 571 091	4 554 381	4 848 941	(22 160)	4 826 781	4 824 280
Economic classification							
Current payments	138 818	144 565	123 238	196 847	(25 916)	170 931	168 430
Compensation of employees	51 259	51 259	39 885	62 982	12	62 994	62 793
Goods and services	58 759	64 506	55 549	105 065	2 872	107 937	105 637
Interest and rent on land	28 800	28 800	27 804	28 800	(28 800)	–	–
Transfers and subsidies	4 638 419	4 424 927	4 427 609	4 649 140	2 788	4 651 928	4 651 928
Provinces	4 355 239	4 355 239	4 355 239	4 589 137	–	4 589 137	4 589 137
Municipalities	126	126	120	161	–	161	161
Departmental agencies and accounts	281 001	66 001	70 613	55 549	6 088	61 637	61 637
Foreign governments and international organisations	53	61	61	65	–	65	65
Public corporations	2 000	3 500	1 576	4 228	(3 300)	928	928
Payments for capital assets	1 599	1 599	3 534	2 954	968	3 922	3 922
Machinery and equipment	1 599	1 599	3 534	2 954	968	3 922	3 922
Transport equipment	1	1	–	–	–	–	–
Other machinery and equipment	1 598	1 598	3 534	2 954	968	3 922	3 922
Total	4 778 836	4 571 091	4 554 381	4 848 941	(22 160)	4 826 781	4 824 280

Table 28.B: Summary of personnel numbers and compensation of employees per programme¹

Programme	2001/02	2002/03	2003/04	2004/05	2005/06
1. Administration	136	143	143	186	186
2. Policy Planning and Research	31	31	31	49	56
3. Programme Management	33	39	39	37	67
4. Housing Sector Performance	51	51	51	61	81
5. Housing Equity	–	6	6	6	6
6. Housing Development Funding	–	6	6	6	8
Total	251	276	276	345	404
Total personnel cost (R thousand)	26 604	35 633	39 885	62 994	94 655
Unit cost (R thousand)	106	129	145	183	234

¹ Budgeted full-time equivalent

Table 28.C: Summary of expenditure on training per programme

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
	2001/02	2002/03	2003/04		2005/06	2006/07	2007/08
1. Administration	79	1 753	891	1 102	1 177	1 221	1 282
2. Policy Planning and Research	18	285	294	470	496	521	547
3. Programme Management	16	100	395	135	142	149	156
4. Housing Sector Performance	47	250	198	433	458	484	508
5. Housing Equity	–	–	9	13	14	15	16
6. Housing Development Funding	–	4	4	156	134	147	154
Total	160	2 392	1 791	2 309	2 421	2 537	2 664

Table 28.D: Summary of information and communications technology expenditure per programme

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
	2001/02	2002/03	2003/04		2005/06	2006/07	2007/08
1. Administration	17 448	3 020	7 322	2 908	2 769	3 241	3 403
Technology	2 083	804	1 317	1 050	864	1 246	1 308
IT services	15 365	2 216	6 005	1 858	1 905	1 995	2 095
2. Policy Planning and Research	342	310	245	190	162	170	179
Technology	342	310	245	190	162	170	179
3. Programme Management	100	241	126	354	378	401	421
Technology	100	239	120	334	353	371	390
IT services	–	2	6	20	25	30	32
4. Housing Sector Performance	21 994	15 255	13 706	19 515	21 924	24 219	25 430
Technology	1 006	482	257	170	235	285	299
IT services	20 988	14 773	13 449	19 345	21 689	23 934	25 131
5. Housing Equity	–	–	10	271	325	350	368
Technology	–	–	10	31	72	85	89
IT services	–	–	–	240	253	265	278
Total	39 884	18 826	21 409	23 238	25 558	28 381	29 800

Table 28.E: Summary of conditional grants and indirect grants to provinces and local government (municipalities)¹

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Conditional grants to provinces							
3. Programme Management							
Special Programmes Support							
Human Settlement and Redevelopment Grant	96 375	106 000	109 000	115 540	24 396	–	–
6. Housing Development Funding							
Integrated Housing and Human Settlement Development Grant							
Integrated Housing and Human Settlement Development Grant	3 225 958	3 800 674	4 246 239	4 473 597	4 843 480	5 659 948	6 917 946
Total	3 322 333	3 906 674	4 355 239	4 589 137	4 867 876	5 659 948	6 917 946

¹ Detail provided in the Division of Revenue Act (2005).**Table 28.F: Summary of official development assistance expenditure**

Donor	Project	Cash/ kind	Outcome				Medium-term expenditure estimate		
			2001/02	2002/03	2003/04		2005/06	2006/07	2007/08
R thousand									
Foreign									
European Union	Social housing support programme and Cato Manor	Cash	9 814	30 269	57 000	–	–	–	–
USAID	Support for people's housing process and housing strategy for new millennium	Cash	484	12 292	5 717	4 123	–	–	–
Norway	Development of co-op housing sector in South Africa	Cash	–	2 629	3 476	–	–	–	–
Total			10 298	45 190	66 193	4 123	–	–	–

Table 28.G Summary of expenditure on infrastructure

Projects	Description	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
		Audited	Audited	Preliminary outcome				
R thousand		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Infrastructure transfers								
Integrated Housing and Human Settlement Development Grant	Portion of conditional grants to the Integrated Housing and Human Settlement Development Grant	1 290 383	1 520 270	1 698 496	1 789 439	1 937 392	2 263 980	2 767 178
Fixed installations transferred to households								
Integrated Housing and Human Settlement Development Grant	Portion of conditional grants to the Integrated Housing and Human Settlement Development Grant	1 935 575	2 280 404	2 547 743	2 684 158	2 906 088	3 395 969	4 150 768
Total		3 225 958	3 800 674	4 246 239	4 473 597	4 843 480	5 659 949	6 917 946