

Vote 28

Housing

R thousand	2006/07 To be appropriated	2007/08	2008/09
MTEF allocations	6 860 883	8 575 608	9 450 890
<i>of which:</i>			
Current payments	373 512	571 399	683 976
Transfers and subsidies	6 483 438	7 997 441	8 758 866
Payments for capital assets	3 933	6 768	8 049
Statutory amounts	-	-	-
Executive authority	Minister 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 purposes

Programme 1: Administration

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

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

Programme 3: Programme Management

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

Programme 4: Housing Sector Performance and Equity

Monitor and assess the implementation, performance and impact of national housing policies and programmes, and eradicate discrimination and unfair practices in the provision of housing and housing finance.

Programme 5: Housing Development Funding

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

Strategic overview and key policy developments: 2002/03 – 2008/09

In line 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. Following an intensive housing policy review and consultation process, including a national housing summit in November 2003, the Minister of Housing presented the comprehensive plan for the development of sustainable human settlements to Cabinet in September 2004. The plan builds on existing housing policy articulated in the 1994 White Paper on Housing, but shifts the strategic focus from simply ensuring the delivery of affordable housing to making sure that housing is delivered in settlements that are both sustainable and habitable. The strategic priorities in the comprehensive housing plan are to:

- accelerate housing delivery
- improve the quality of housing products and environments to ensure asset creation
- ensure a single, efficient formal housing market
- restructure and integrate human settlements.

Despite the delivery of 1 831 000 new subsidised houses between 1994 and March 2005, with a further 57 065 sites serviced and 52 548 houses built between April and September 2005, the housing backlog has continued to grow. To accelerate housing delivery, the department has started simplifying the administration of housing subsidies by: collapsing the income qualification categories so that all qualifying households now receive the same housing subsidy amount; extending the reach of the housing programme by allowing households earning up to R7 000 per month (up from R3 500 per month) to qualify for housing subsidies; and upgrading informal settlements.

The comprehensive housing plan is being implemented through nine pilot projects, one in each province. The pilot projects will improve the living conditions of 103 000 households in informal settlements. The informal settlement upgrading projects provide for phased, area-based development as well as funding community participation and project management as an integral part of housing projects. The goal of eradicating or upgrading all informal settlements by 2014/15, is the plan's prime target.

In order to achieve the comprehensive housing plan's objectives in the medium term, a set of interventions is proposed as the department's strategic agenda for the medium term. These include:

Improving the national housing subsidy scheme

To address the objectives of accelerating housing delivery and promoting the development of a single functioning housing market, the department will introduce a new credit-linked subsidy to promote access to mortgage finance. The subsidy has been designed in partnership with the financial services sector, and will constitute government support for the achievement of the lending targets for affordable housing defined in the financial services charter.

Recognising the potential for achieving urban efficiency and renewal by constructing subsidised social and rental housing, the department has completed a new social housing policy. The policy will be implemented through the establishment of the Social Housing Regulatory Authority, new grants for social housing institutions to develop, hold and manage the envisaged housing stock, and new capital subsidies for the construction of the social housing stock.

Improving partnerships with the private sector and other housing stakeholders

In addition to introducing a new subsidy to encourage private lending in the affordable housing sector, the department will continue to engage the financial services sector to support the

development of new housing finance products (including affordable fixed rate mortgages) and government-funded insurance against losses on loans for affordable housing.

To ensure that private developers and contractors are able to run profitable businesses while building affordable housing, the department will revise the project-linked housing subsidy scheme to introduce greater flexibility in the phasing of projects and streamline the progress payment system.

In recent years, the number of NGOs that are active in the housing sector has declined, mostly as a result of declining levels of donor funding. In 2005, the Urban Sector Network was dissolved and many of its former affiliates have since been disbanded. This reduces institutional capacity in the sector and weakens housing delivery outcomes because of the absence of advocacy and community consultation capacity. In the medium term, the department will redefine the support and funding provided through the Peoples' Housing Partnership Trust to ensure that non-governmental partners in housing delivery are strengthened.

Improving the capacity to deliver and administer and regulate housing delivery

Having identified provincial and municipal capacity constraints as a barrier to accelerating housing delivery, the department will provide provinces and municipalities with housing project planning, management and implementation support. This will be achieved by repositioning Thubelisha Homes as a departmental agency that is able to provide provinces and municipalities with technical assistance and expertise in unblocking housing delivery bottlenecks and preparing fast-track emergency housing projects for funding by the province.

The department will also prioritise capacity-building initiatives, such as the programme to accredit municipalities to administer national housing programmes. Additional funding of R180 million over the medium term has been allocated to support the accreditation of municipalities.

To promote inter- and intra-governmental co-ordination and planning alignment, the department is reviewing the planning required of provincial housing departments and municipalities, with a view to streamlining and aligning various complementary budget and development planning processes.

To make sure that all public resources are efficiently employed, the Minister of Housing will redefine the mandates of some of the public entities reporting to her, including the National Homebuilders Registration Council, the National Housing Finance Corporation and the Social Housing Foundation.

Expenditure estimates

Table 28.1 Housing

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	
R thousand								
1. Administration	44 518	53 592	90 230	108 674	108 674	99 668	133 972	154 595
2. Policy, Planning and Research	8 231	11 140	21 199	24 634	24 634	26 112	43 420	45 591
3. Programme Management	192 917	118 221	125 428	87 461	87 461	69 893	114 087	119 792
4. Housing Sector Performance and Equity	137 945	96 340	93 275	200 016	183 016	196 564	155 048	147 838
5. Housing Development Funding	3 834 484	4 280 662	4 478 291	4 851 724	4 851 724	6 468 646	8 129 081	8 983 074
Total	4 218 095	4 559 955	4 808 423	5 272 509	5 255 509	6 860 883	8 575 608	9 450 890
Change to 2005 Budget estimate				80 797	63 797	807 420	1 208 033	1 508 644

Table 28.1 Housing (continued)

R thousand	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06		2006/07	2007/08	2008/09
Economic classification								
Current payments	117 655	128 812	147 532	249 712	249 712	373 512	571 399	683 976
Compensation of employees	35 633	39 885	50 449	82 997	82 997	99 981	141 828	163 925
Goods and services	53 919	61 123	97 083	166 715	166 715	273 531	429 571	520 051
<i>of which:</i>								
Communication	2 108	3 021	2 987	4 687	4 687	3 289	4 106	4 377
Computer Services	17 089	17 229	17 632	25 811	25 811	30 552	40 307	39 299
Consultants, contractors and special services	12 053	13 522	19 146	70 927	70 927	175 627	290 710	369 443
Inventory	2 036	2 323	5 448	4 587	4 587	4 337	6 194	7 012
Operating leases	4 965	5 574	6 320	6 837	6 837	7 420	8 033	8 644
Travel and subsistence	4 658	6 305	10 826	18 781	18 781	13 846	27 846	31 228
Audit Fees	1 775	2 203	1 285	3 177	3 177	3 544	3 721	4 011
Interest and rent on land	28 095	27 804	–	–	–	–	–	–
Financial transactions in assets and liabilities	8	–	–	–	–	–	–	–
Transfers and subsidies	4 098 539	4 427 609	4 650 621	5 017 836	5 000 836	6 483 438	7 997 441	8 758 866
Provinces and municipalities	3 906 781	4 355 359	4 589 286	4 868 362	4 868 362	6 350 159	7 937 946	8 721 382
Departmental agencies and accounts	186 853	70 613	60 915	148 958	131 958	133 206	59 416	37 398
Public corporations and private enterprises	4 847	1 576	355	411	411	–	–	–
Foreign governments and international organisations	58	61	65	69	69	73	79	85
Households	–	–	–	36	36	–	–	–
Payments for capital assets	1 901	3 534	10 270	4 961	4 961	3 933	6 768	8 049
Machinery and equipment	1 901	3 534	10 270	4 961	4 961	3 933	6 768	8 049
Total	4 218 095	4 559 955	4 808 423	5 272 509	5 255 509	6 860 883	8 575 608	9 450 890

Expenditure trends

Total expenditure more than doubles, from R4,2 billion in 2002/03 to R9,5 billion in 2008/09. The average annual growth rate of 7,7 per cent between 2002/03 and 2005/06 is set to accelerate to 21,5 per cent from 2005/06 to 2008/09.

The *Housing Development Funding* programme accounts for the largest portion of expenditure (92,6 per cent in 2005/06), as it accommodates the integrated housing and human settlement development conditional grant to provinces. This programme will experience the most significant growth, at an average of 22,5 per cent per year between 2005/06 and 2008/09, reflecting the strategic priority of accelerating housing delivery. The growth is driven by significant additional allocations totalling R4 billion for informal settlement upgrading and R1,2 billion for the introduction of credit-linked subsidies in the 2005 and 2006 budgets. Apart from the increases in the conditional grant, growth is also a result of additional funding for implementing the new social housing programme.

The previous *Housing Sector Performance* and *Housing Equity* programmes have been consolidated into the single *Housing Sector Performance and Equity* programme. Expenditure in

this new programme declined between 2002/03 and 2003/04, because the housing and urbanisation information system was completed and transfer payments to and on behalf of institutions such as the South African Housing Trust were phased out. Expenditure is set to grow to R196,6 million in 2006/07, and then drop by 13,3 per cent to R147,8 million in 2008/09. This is largely due to the rationalisation and planned closure of public entities reporting to the Minister of Housing, including Servcon Housing Solutions and the Social Housing Foundation. Expenditure in the *Programme Management* programme declines between 2005/06 and 2006/07, because the human settlement redevelopment grant has been consolidated with the housing subsidy grant in the *Housing Development Funding* programme.

Transfer payments make up a large portion of total expenditure. The step up in the integrated housing and human settlement grant to provinces translates into average annual growth of 21,5 per cent in transfers between 2005/06 and 2008/09. There have been significant increases in compensation of employees, which is expected to rise from R35,6 million in 2002/03 to R163,9 million in 2008/09, a growth rate of 29 per cent. This is because the department has been restructured and expanded through the addition of 128 posts (from 276 in 2002/03 to an anticipated 404 in 2008/09) to ensure that the comprehensive housing plan for the development of sustainable human settlements is successfully implemented. Expenditure on goods and services increased significantly, from R53,9 million in 2002/03 to R156,0 million in 2005/06, to accommodate the increase in the number of employees.

Departmental receipts

Departmental receipts are projected to be R484 000 in 2006/07. 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. In 2003/04, the department had unusually high receipts because of the sale of assets associated with the closure of the South African Housing Trust.

Table 28.2 Departmental receipts

R thousand	Audited outcome			Adjusted appropriation	Medium-term receipts estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Departmental receipts	1 487	49 618	5 782	971	484	508	548
Sales of goods and services produced by department	473	–	67	53	60	63	68
Interest, dividends and rent on land	2	–	3	1	4	4	4
Sales of capital assets	–	49 077	5 464	–	–	–	–
Financial transactions in assets and liabilities	1 012	541	248	917	420	441	475
Total	1 487	49 618	5 782	971	484	508	548

Programme 1: Administration

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

The panel of advisors appointed by the minister in terms of the Housing Amendment Act (2001) is funded through the *Minister* subprogramme. The *Management* subprogramme includes the special investigative task team responsible for investigating allegations of maladministration, irregularities, fraud and theft related to the implementation of national housing programmes. Expenditure has been adjusted for 2002/03 to 2005/06. A new subprogramme, *Property Management*, has been introduced for the accommodation funds devolved from the Department of Public Works.

Expenditure estimates

Table 28.3 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Minister ¹	1 876	2 602	2 789	836	887	934	981
Management	4 264	3 751	9 417	5 622	5 959	9 257	13 435
Corporate Services	33 413	41 665	71 704	95 379	85 402	115 748	131 535
Property Management	4 965	5 574	6 320	6 837	7 420	8 033	8 644
Total	44 518	53 592	90 230	108 674	99 668	133 972	154 595
Change to 2005 Budget estimate				24 937	7 422	36 024	49 007

¹ Payable as from 1 April 2005. Salary: R 669 462. Car allowance: R 167 365.

Economic classification

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Current payments	43 896	51 592	82 621	105 601	97 362	131 666	151 109
Compensation of employees	16 994	21 385	29 006	41 695	43 725	57 012	64 295
Goods and services	26 894	30 207	53 615	63 906	53 637	74 654	86 814
of which:							
Communication	1 659	2 676	2 688	3 535	2 326	2 442	2 632
Computer Services	2 093	2 235	2 233	1 971	1 995	2 095	2 258
Consultants, contractors and special services	6 015	4 770	10 128	15 579	12 028	18 858	19 872
Inventory	1 711	1 751	4 638	2 659	2 452	2 574	3 775
Operating leases	4 965	5 574	6 320	6 837	7 420	8 033	8 644
Travel and subsistence	3 208	4 297	8 184	13 246	7 654	15 779	18 386
Audit Fees	1 775	2 203	1 285	3 176	3 544	3 721	4 011
Financial transactions in assets and liabilities	8	–	–	–	–	–	–
Transfers and subsidies	56	65	83	242	110	–	–
Provinces and municipalities	56	65	83	206	110	–	–
Households	–	–	–	36	–	–	–
Payments for capital assets	566	1 935	7 526	2 831	2 196	2 306	3 486
Machinery and equipment	566	1 935	7 526	2 831	2 196	2 306	3 486
Total	44 518	53 592	90 230	108 674	99 668	133 972	154 595

Expenditure trends

Expenditure has increased significantly, from R44,5 million in 2002/03 to R108,7 million in 2005/06. This is because of the introduction of new functions, the incorporation of the communications function into the *Corporate Services* subprogramme in 2003/04, and the appointment of new advisors to the minister. Expenditure is expected to continue to grow over the next three years, rising to R154,6 million in 2008/09 at an average annual rate of 16,8 per cent. This will be driven largely by the increased staff complement and the expansion of the international co-operation, risk management and special investigation functions.

From 1 April 2006, costs for leases and accommodation charges will be devolved from the Department of Public Works to individual departments. The Department of Housing received the following amounts: R7,4 million in 2006/07, R8 million in 2007/08 and R8,6 million in 2008/09. Expenditure has been adjusted for 2002/03 to 2005/06.

Programme 2: Policy, Planning and Research

The purpose of the *Policy, Planning and Research* programme 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* does 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.
- *Contributions* makes contributions to the Habitat Foundation, to support the work of the UN Human Settlements Programme.

Expenditure estimates

Table 28.4 Policy, Planning and Research

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
National Housing Policy and Strategy	3 222	4 841	14 136	6 889	7 289	11 653	12 234
Housing Framework Legislation	1 747	1 572	1 595	3 556	3 493	7 668	8 051
Human Settlement Policy and Integration	3 204	3 367	3 224	9 544	10 057	14 560	15 288
Research	–	1 299	2 179	4 576	5 200	9 460	9 933
Contributions	58	61	65	69	73	79	85
Total	8 231	11 140	21 199	24 634	26 112	43 420	45 591
Change to 2005 Budget estimate				–	–	16 002	16 035

Economic classification

	7 738	10 786	20 669	23 753	25 638	41 273	43 493
Current payments							
Compensation of employees	5 384	5 800	5 985	9 473	10 072	16 538	19 868
Goods and services	2 354	4 986	14 684	14 280	15 566	24 735	23 625
<i>of which:</i>							
<i>Consultants, contractors and special services</i>	355	1 736	1 695	6 619	7 020	10 796	10 284
<i>Travel and subsistence</i>	699	808	1 236	2 516	2 770	2 791	2 922
<i>Other</i>	1 053	2 182	11 085	4 093	4 580	9 782	8 992
Transfers and subsidies	74	78	83	116	98	79	85
Provinces and municipalities	16	17	18	47	25	–	–
Foreign governments and international organisations	58	61	65	69	73	79	85
Payments for capital assets	419	276	447	765	376	2 068	2 013
Machinery and equipment	419	276	447	765	376	2 068	2 013
Total	8 231	11 140	21 199	24 634	26 112	43 420	45 591

Expenditure trends

Expenditure has been growing rapidly, increasing from R8,2 million in 2002/03 to R24,6 million in 2005/06, at an average annual rate of 44,1 per cent. The particularly sharp increases between 2003/04 and 2005/06 reflect funding for the introduction of the new *Research* subprogramme, with resultant increases in expenditure on compensation of employees and goods and services, and the hosting of the African ministers' conference, held in February 2005, at a cost of nearly

R12 million. Expenditure is expected to increase sharply to R43,4 million in 2007/08 to fund a new policy implementation support function and strengthen the research unit.

Service delivery objectives and indicators

Recent outputs

National housing policy

The department intended to complete a special housing needs assistance programme and a multi-year national housing development programme during 2005/06. The special housing needs assistance programme has not been completed, but progress was made in aligning provincial housing development plans (required in terms of the Housing Act (1997) as amended) with the strategic plans that are required from provincial sector departments.

In addition to improving housing plans, the department undertook policy development that will improve housing delivery. A manual articulating new policy on the variation of the housing subsidy amount and a policy and programme to facilitate housing development to support the labour tenant strategy were completed.

New housing legislation

The Social Housing Bill, which aims to promote a sustainable social housing environment and regulate the social housing sector by establishing the new Social Housing Regulatory Authority, has been finalised, and should be submitted to Parliament in 2006.

The Housing Amendment Bill, which aims to align the act with the latest funding arrangements, has been completed, and will also be submitted to Parliament in 2006.

Sustainable human settlements

The rural housing task team considered a draft farm worker housing policy and defined off-farm housing options to cater for the housing needs of farm workers in intensive farming areas. Further work is being done to define government support for on-farm housing. In the meantime, a pilot programme for farm worker housing is being implemented in areas where it is possible and desirable to subdivide land.

Research

In 2005, the international seminar on housing research created a platform for internationalising progressive development policy driven by the needs and imperatives of the South (India, Brazil and South Africa), and provided guidance for a research agenda. The research agenda was launched in January 2006, and is intended to provide the basis for dialogue between key public, private, and community-based stakeholders in the South African housing sector and to provide the research direction for 2005/06-2007/08 going forward.

The department is not directly involved in any research in the science and technology field, although it has close ties with research institutions such as the Council for Scientific and Industrial Research and has funded research on environmentally sound building technology and mainstreaming indigenous home-building methods, such as clay brick construction.

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 policy	Approved policy	October 2006
	Policy for the renovation of old housing stock	Approved policy	December 2006
Housing Framework Legislation	Less Formal Township Establishment Amendment Bill	Promulgated Amendment Act	June 2006
	Rental Housing Amendment Bill	Promulgated Amendment Act	September 2006
	Social Housing Bill	Promulgated Act	November 2006
	Prevention of Illegal Eviction from and Unlawful Occupation of Land Amendment Bill	Promulgated Amendment Act	December 2006
Human Settlement Policy and Integration	Residential Development Bill	Promulgated Act	July 2007
	Policy on interventions for water efficient housing	Approved policy	October 2006
Research	Policy for the maintenance and demolition of asbestos houses	Approved policy	October 2006
	Research agenda 2005/06 – 2007/08	Research agenda completed and approved	January 2006
	Web-based research network	Launch of web-based research network	July 2006

Programme 3: Programme Management

The *Programme Management* programme manages national housing and human settlement programmes.

There are four subprogrammes:

- *National Housing Subsidy Scheme* manages, develops and maintains the National Housing Subsidy Scheme, including ownership, informal land rights, social housing, rental, credit-linked and special needs subsidy programmes, and the phasing out of old subsidy schemes.
- *Capacity Building* helps to build capacity for housing administration and delivery in municipalities and provinces and to educate housing consumers to promote sustainable housing delivery.
- *Special Programmes Support* manages special housing and human settlement programmes and provides funding for special initiatives.
- *Phasing Out of Subsidy Programmes* administers the housing subsidy programmes of the previous government until they are phased out in 2006.

Expenditure estimates

Table 28.5 Programme Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
National Housing Subsidy Scheme	3 826	3 573	4 421	7 795	8 563	15 391	16 161
Capacity Building	2 460	3 145	3 512	51 569	57 557	90 334	94 851
Special Programmes Support	181 784	109 927	117 140	27 686	3 773	8 362	8 780
Phasing Out of Subsidy Programmes	4 847	1 576	355	411	–	–	–
Total	192 917	118 221	125 428	87 461	69 893	114 087	119 792
Change to 2005 Budget estimate				(7 600)	–	17 200	15 348

Table 28.5 Programme Management (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Economic classification							
Current payments	6 704	7 555	9 222	62 185	69 502	113 696	119 385
Compensation of employees	4 174	4 152	5 809	11 600	20 160	30 168	32 371
Goods and services	2 530	3 403	3 413	50 585	49 342	83 528	87 014
<i>of which:</i>							
<i>Consultants, contractors and special services</i>	<i>1 340</i>	<i>1 692</i>	<i>2 037</i>	<i>43 670</i>	<i>38 785</i>	<i>67 639</i>	<i>71 638</i>
<i>Travel and subsistence</i>	<i>286</i>	<i>648</i>	<i>457</i>	<i>868</i>	<i>877</i>	<i>4 780</i>	<i>5 172</i>
<i>Other</i>	<i>736</i>	<i>888</i>	<i>813</i>	<i>5 536</i>	<i>9 172</i>	<i>9 472</i>	<i>8 556</i>
Transfers and subsidies	185 860	110 589	115 913	24 903	20	-	-
Provinces and municipalities	106 013	109 013	115 558	24 492	20	-	-
Departmental agencies and accounts	75 000	-	-	-	-	-	-
Public corporations and private enterprises	4 847	1 576	355	411	-	-	-
Payments for capital assets	353	77	293	373	371	391	407
Machinery and equipment	353	77	293	373	371	391	407
Total	192 917	118 221	125 428	87 461	69 893	114 087	119 792

Details of major transfers and subsidies:

Provinces							
Capital	106 000	109 000	115 540	24 396	-	-	-
Human Settlement Grant and Redevelopment Grant	106 000	109 000	115 540	24 396	-	-	-
Public entities							
Current	75 000	-	-	-	-	-	-
National Housing Finance Corporation: Presidential Job Summit: Rental Housing	75 000	-	-	-	-	-	-
Public corporations							
Current	4 847	1 576	355	411	-	-	-
Financial Institutions (First time homebuyers subsidy)	4 847	1 576	355	411	-	-	-

Expenditure trends

Expenditure declined between 2002/03 and 2004/05, from R192,9 million to R125,4 million. This was because of the once-off allocation for the presidential job summit pilot project on rental housing, which received a final transfer of R75 million in 2002/03 under the *Special Programmes Support* subprogramme. There was also a decrease in expenditure on the first-time homebuyers interest subsidy scheme, reflected under the *Phasing Out of Subsidy Programmes* subprogramme, which was phased out in 2005/06. Funding for the human settlement redevelopment programme, under the *Special Programmes Support* subprogramme, was also discontinued in 2005/06, with this allocation being consolidated into the conditional grant under the *Housing Development Funding* programme. As a result, transfers, which took most expenditure until 2004/05, taper off dramatically, from R115,9 million in 2004/05 to R24,9 million in 2005/06.

Expenditure declines to R69,9 million in 2006/07 and then rises again to R119,8 million in 2008/09, due to the project-based allocations for goods and services, particularly the allocation of additional amounts of R50 million in 2006/07 and R80 million in 2007/08 for the accreditation of municipalities. This additional funding results in an increase in expenditure on the *Capacity Building* subprogramme from R51,6 million in 2005/06 to R94,9 million in 2008/09, an average annual increase of 22,5 per cent.

Service delivery objectives and indicators

Recent outputs

Human settlement redevelopment programme

During 2004/05, 187 projects to improve dysfunctional human settlements were funded. All the human settlement redevelopment programme grant funds were transferred to provinces during 2004/05, and the full 2005/06 allocation was committed to projects that met the funding criteria. It is expected that these projects will be completed over the next two financial years.

Rental housing

Phase 1A of the job summit project on rental housing delivered 1 131 units in Mpumalanga, 512 units in Gauteng and 300 units in KwaZulu-Natal. The programme framework was extensively revised to ensure that the identified projects mobilise private sector resources and transfer risk to the private sector through public private partnerships.

Improved subsidy mechanisms

A number of new or improved subsidy mechanisms and implementation guidelines were developed during 2005/06.

The new technical norms and standards for redeveloping hostels into family units were approved. An investigation to include all subsidy instruments under the National Home Builders Registration Council warranty scheme was completed. Guidelines for upgrading informal settlements and providing housing in emergency circumstances were completed. Guidelines for introducing a new individual credit-linked subsidy and new capital grants for social housing were approved.

Education and training

During 2004/05, a further seven students were given bursaries for housing-related courses at universities and technikons. The department presented 53 housing courses during 2005/06 attended by 2 173 participants. In partnership with ABSA, a radio programme based on the development housing consumer education generic modules, Homey2Homey, has been developed, and will be broadcast in six languages.

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 new social housing capital subsidy instruments approved by the minister and members of the provincial executive councils (housing MinMEC) Number of municipalities receiving technical assistance for emergency housing response projects	August 2006 50 municipalities
Capacity Building	Provincial and municipal capacity 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 2006 2 000 participants per year 10 municipalities

Subprogramme	Output	Measure/Indicator	Target
Special Programmes Support	Human settlement redevelopment programme projects	Percentage of human settlement redevelopment programme projects finalized	80% of remaining projects finalised by March 2007 All projects completed by December 2007

Programme 4: Housing Sector Performance and Equity

Housing Sector Performance monitors and assesses government's national housing policies and programmes.

There are seven 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 three spheres of government.
- *Information Management* provides integrated business information and maintains national housing databases and information systems.
- *Industry Analysis* monitors and analyses the impact of government's housing policy and programmes on the construction sector, the financial sector and the economy.
- *Development Finance* is a new subprogramme that has been introduced to monitor trends, impacts and patterns in housing and investment finance against government's development programmes.
- *Housing Institutions* monitors the performance of housing institutions reporting to the Minister of Housing. These include: National Housing Finance Corporation, Servcon Housing Solutions (Pty) Ltd, Peoples' Housing Partnership Trust, Social Housing Foundation, National Home Builders' Registration Council, Thubelisha Homes, the National Urban Reconstruction and Housing Agency, and the Rural Housing Loan Fund.
- *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 regulations through the Office of Disclosure.
- *Contributions* administers the transfer payments to the housing institutions.

Expenditure estimates

Table 28.6 Housing Sector Performance and Equity

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Policy and Programme Monitoring	6 020	4 130	7 755	6 577	6 749	12 086	14 690
Information Management	17 848	18 117	19 491	34 331	41 525	54 141	58 678
Industry Analysis	2 188	2 862	2 772	6 011	3 337	7 861	10 254
Development Finance	–	–	–	–	2 725	7 862	10 254
Housing Institutions	–	–	633	41 650	2 484	7 061	9 414
Housing Equity	36	618	1 709	2 449	6 306	6 621	7 150
Contributions	111 853	70 613	60 915	108 998	133 438	59 416	37 398
Total	137 945	96 340	93 275	200 016	196 564	155 048	147 838
Change to 2005 Budget estimate				63 460	–	(63 193)	(87 426)

Table 28.6 Housing Sector Performance and Equity (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Economic classification							
Current payments	25 607	24 534	30 710	50 245	62 502	93 827	108 511
Compensation of employees	7 510	6 699	8 167	17 780	23 423	34 831	43 856
Goods and services	18 097	17 835	22 543	32 465	39 079	58 996	64 655
<i>of which:</i>							
<i>Computer Services</i>	<i>14 763</i>	<i>14 326</i>	<i>15 067</i>	<i>23 485</i>	<i>28 141</i>	<i>37 757</i>	<i>36 091</i>
<i>Consultants, contractors and special services</i>	<i>815</i>	<i>1 568</i>	<i>2 977</i>	<i>1 453</i>	<i>3 829</i>	<i>8 754</i>	<i>12 622</i>
<i>Travel and subsistence</i>	<i>411</i>	<i>464</i>	<i>857</i>	<i>1 736</i>	<i>2 170</i>	<i>3 634</i>	<i>3 819</i>
Transfers and subsidies	111 870	70 633	60 940	149 069	133 261	59 416	37 398
Provinces and municipalities	17	20	25	111	55	–	–
Departmental agencies and accounts	111 853	70 613	60 915	148 958	133 206	59 416	37 398
Payments for capital assets	468	1 173	1 625	702	801	1 805	1 929
Machinery and equipment	468	1 173	1 625	702	801	1 805	1 929
Total	137 945	96 340	93 275	200 016	196 564	155 048	147 838

Details of major transfers and subsidies:

Public entities	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Current	111 853	70 613	60 915	148 958	133 206	59 416	37 398
National Housing Finance Corporation	–	–	–	1	1	1	1
SERVCON Housing Solutions	55 183	49 969	38 554	33 879	60 000	–	–
South African Housing Trust	39 323	–	–	–	–	–	–
Social Housing Foundation	17 347	11 000	21 047	20 578	19 205	20 165	21 738
National Urban Reconstruction and Housing Agency	–	9 644	1 314	23 500	21 000	22 000	–
People's Housing Partnership Trust	–	–	–	5 000	5 000	5 250	5 660
Thubelisha Homes	–	–	–	66 000	28 000	12 000	10 000

Expenditure trends

Expenditure fell from R137,9 million in 2002/03 to R93,3 million in 2004/05. Much of the programme is made up of transfer payments, largely to the housing institutions, and the rationalisation of these entities has driven the decline in expenditure. In 2002/03, the South African Housing Trust was disestablished, and in 2006/07 Servcon Housing Solutions, a joint venture between government and the banking industry to manage the disposal of properties owned by banks, will complete its mandate and be delisted as a national public entity.

From 2004/05, expenditure rises to R200 million in 2005/06. This growth is driven by the new transfers to Thubelisha Homes and the National Urban Reconstruction and Housing Agency (Nurcha). Nurcha is expanding its lending to emerging contractors and developers through a new loan from the Soros Economic Development Foundation that is to be matched by grant funding from the Department of Housing. Nurcha will receive R66,5 million between 2005/06 and 2007/08.

In addition to the increase in transfers, compensation of employees is set to grow significantly, from R8,2 million in 2004/05 to R43,9 million in 2008/09. This is partly because of the expansion of the Office of Disclosure (previously under a separate programme), incorporated under the new *Housing Equity* subprogramme, and partly because of a rapid increase in the number of employees under the *Housing Institutions* subprogramme to strengthen and expand the monitoring function.

Service delivery objectives and indicators

Recent outputs

During 2005/06, in addition to meeting all its targets for producing quarterly reports on the performance of national housing programmes and housing institutions, housing subsidy system data, the status of the construction sector, emerging contractor support and the status of the economy and the financial sector, the programme completed a number of targeted studies on subjects such as the impact of the housing subsidy scheme on beneficiary households, the impact of the human settlement redevelopment programme, the participation of beneficiaries in planning housing projects, a review of allocation formula, and the cause and impact of delays in payment for work completed on emerging contractors in the housing market.

A review of housing support institutions' role in supporting the implementation of the comprehensive housing plan was also undertaken. As a result of the review, the minister approved the disestablishment of Servcon Housing Solutions at the end of its mandate in March 2006, the extension of Nurcha and the Rural Housing Loan Fund, a review of the mandate of Thubelisha Homes, and the establishment of a new Social Housing Regulatory Authority to replace the Social Housing Foundation.

Selected medium-term output targets

Housing Sector Performance and Equity

Measurable objective: Improve housing policy and programmes based on the analysis of accurate, strategic and statistically sound information and data from operational and other systems. Increase the level of private sector finance for affordable housing by R20 billion by 2010.

Subprogramme	Output	Measure/Indicator	Target
Policy and Programme Monitoring	Policy monitoring reports	Frequency of reports on implementation and performance of national housing programmes and housing institutions Engagement with Statistics SA on data required for housing atlas in preparation for 2010 census	Quarterly reports March 2006
Industry Analysis	Monitoring reports on the impact of housing policy on various industries	Frequency of reports on the housing construction sector and the economy	Quarterly
Development Finance	Monitoring reports on the impact of development finance	Frequency of reports on trends, impacts and patterns in development finance for housing	Quarterly
Housing Institutions	Rationalisation of mandates of housing support institutions	Delisting of Servcon Housing Solutions and the Social Housing Foundation	August 2007

Programme 5: Housing Development Funding

The *Housing Development Funding* manages the funding of national housing programmes.

In addition to the three existing subprogrammes, the *Social Housing Programmes* subprogramme has been introduced:

- *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 South African Housing Trust, all of which have been transferred to National Treasury.
- *Social Housing Programmes* will implement the new social housing policy. This includes overseeing the establishment of the Social Housing Regulatory Authority, providing subsidies to establish social housing institutions and preparing social housing projects for capital subsidies.

Expenditure estimates

Table 28.7 Housing Development Funding

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Fund Management	5 715	6 619	4 694	8 244	8 697	11 135	11 692
Integrated Housing and Human Settlement Development Grant	3 800 674	4 246 239	4 473 597	4 843 480	6 349 949	7 937 946	8 721 382
Interest and Redemption on Private Loans	28 095	27 804	–	–	–	–	–
Social Housing Programmes	–	–	–	–	110 000	180 000	250 000
Total	3 834 484	4 280 662	4 478 291	4 851 724	6 468 646	8 129 081	8 983 074
Change to 2005 Budget estimate				–	799 998	1 202 000	1 515 680

Economic classification

Current payments	33 710	34 345	4 310	7 928	118 508	190 937	261 479
Compensation of employees	1 571	1 849	1 482	2 449	2 601	3 279	3 535
Goods and services	4 044	4 692	2 828	5 479	115 907	187 658	257 944
<i>of which:</i>							
Computer Services	123	667	331	333	386	405	437
Consultants, contractors and special services	3 528	3 756	2 309	3 606	113 965	184 663	255 027
Interest and rent on land	28 095	27 804	–	–	–	–	–
Transfers and subsidies	3 800 679	4 246 244	4 473 602	4 843 506	6 349 949	7 937 946	8 721 382
Provinces and municipalities	3 800 679	4 246 244	4 473 602	4 843 506	6 349 949	7 937 946	8 721 382
Payments for capital assets	95	73	379	290	189	198	213
Machinery and equipment	95	73	379	290	189	198	213
Total	3 834 484	4 280 662	4 478 291	4 851 724	6 468 646	8 129 081	8 983 074

Details of major transfers and subsidies:

Provinces							
Capital	3 800 674	4 246 239	4 473 597	4 843 480	6 349 949	7 937 946	8 721 382
Integrated Housing and Human Settlement Development Grant	3 800 674	4 246 239	4 473 597	4 843 480	6 349 949	7 937 946	8 721 382

Expenditure trends

The *Housing Development Funding* programme accounts for the bulk of the department's expenditure, as it channels the funds for providing 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. Expenditure on this 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 comprehensive housing plan. Expenditure is expected to increase from R4,9 billion in 2005/06 to almost R9 billion in 2008/09, an average annual increase of 22,5 per cent.

In the 2006 Budget, additional funding of R690 million for 2006/07, R1 billion for 2007/08 and R1,3 billion for 2008/09 was allocated as an addition to the integrated housing and human settlement development grant for the introduction of credit-linked subsidies and for informal settlement upgrading. A further R110 million for 2006/07, R180 million for 2007/08 and R250 million for 2008/09 was allocated for implementing the new social housing policy, resulting in a significant increase in goods and services in 2006/07. This will fund the establishment of the Social Housing Regulatory Authority and social housing project development.

Service delivery objectives and indicators

Recent outputs

During 2004/05, 241 145 housing subsidies were approved and 217 348 housing units were completed. The cumulative total from April 1994 to March 2006 is approximately 2,6 million housing subsidies approved and 1,831 million housing units built.

During 2004/05, provinces achieved a spending rate of 92 per cent of all funds available (funds available is made up of the annual allocation plus approved rollovers). This means they spent R4,5 billion against a budget of R4,8 billion which includes rollover funds.

The rollover amount in provinces has been reduced from R560 million (13 per cent) in 2003/04 to R375 million (8 per cent) in 2004/05 as a result of interventions by the department to unblock stalled housing projects. Northern Cape and Mpumalanga even had to slow their spending on housing delivery to avoid overspending on their budgets during 2005/06.

Selected medium-term output targets

Housing Development Funding

Measurable objective: Ensure that expenditure by provinces and municipalities in terms of the integrated housing and human settlement development grant achieves national policy priorities and annual housing delivery commitments as defined in provincial strategic plans, and complies with the Public Finance Management Act (1999) and Division of Revenue Act requirements.

Subprogramme	Output	Measure/Indicator	Target
Fund Management	Accurate expenditure monitoring	Frequency of Division of Revenue Act (DORA) conditional grant reports submitted to National Treasury	Monthly
Integrated Housing and Human Settlement Development Grant	Capital housing funds spent by provincial governments	Percentage of funds disbursed to provinces Percentage of funds spent by provinces	100% per year At least 95% per year
Social Housing Programmes	Social Housing Regulatory Authority	Social Housing Regulatory Authority established Number of social housing projects approved for capital grant funding	January 2007 4 projects (10 000 units)

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 and the Banking Council (representing participating banks). 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's operational costs are shared equally by commercial banks holding non-performing mortgages, via the Banking Council and the Department of Housing. By December 2005, Servcon had disposed of 79 per cent of its portfolio of properties (against a target of 100 per cent). The number of properties in the portfolio has declined from 33 322 in August 1997 to 7 097 in December 2005.

To make sure that the remaining properties in Servcon's portfolio are disposed of by March 2006, the banks and government have agreed that all remaining properties will be allocated subsidies, and banks will write off any remaining debt to allow the last defaulting households to take transfer of their properties. Servcon has consequently received transfer payments from provinces, of R100 million in 2004/05 and R121 million in 2005/06, in the form of housing subsidies for Servcon clients.

Servcon's operations will largely be wrapped up in April 2006, although there will be wind-up costs, and a small caretaker function will be retained for any delayed administration. A final amount of R60 million is budgeted for this last year of operation.

National Urban Reconstruction and Housing Agency

In May 1995, the National Urban Reconstruction and Housing Agency (Nurcha) was formed as a partnership between the South African government and the Open Society Institute, a philanthropic organisation based in New York, to arrange finance that will contribute to the national effort to provide adequate housing for all South Africans. Nurcha found a niche by innovatively packaging funding for emerging housing builders and developers and managing risks beyond those that commercial financiers are prepared to take.

During 2004/05, Nurcha disbursed building contractor loans to the value of R134 million. There are 18 474 housing and rental units as well as 4 infrastructure facilities underlying these contracts. Forty-seven loans to emerging contractors were approved, which will facilitate the construction of approximately 17 000 houses.

Nurcha is in a sound financial position, with an average annual surplus of R23 million over the medium term and an equally impressive balance sheet; assets in the form of investments exceed R1 billion in the medium term. This allows it to broaden its scope, in alignment with the department's comprehensive housing plan. It will now also provide financing for infrastructure, community facilities and serviced sites.

The agency set ambitious targets for 2005/06, which included financing 44 000 housing units, 1 200 rental units and 50 infrastructure projects. In the first six months of 2005/06, 44 contracts with a total value of R83,2 million were signed, which will translate into the construction of 12 587 houses.

To finance these extended activities, Nurcha has estimated that it will need to disburse loans to the value of R465,6 million, and additional capital is being arranged to achieve this. Three new deals are to be concluded during 2005/06, which will extend Nurcha's business by 60 per cent per year over the medium term.

Table 28.8 Financial summary for the National Urban Reconstruction and Housing Agency (NURCHA)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	33 803	24 603	27 004	26 150	43 455	57 373	67 252
Sale of goods and services other than capital assets	-	-	-	-	-	-	-
<i>Of which:</i>							
Other non-tax revenue	33 803	24 603	27 004	26 150	43 455	57 373	67 252
Transfers received	5 453	7 025	1 153	23 994	21 500	22 500	500
Total revenue	39 256	31 628	28 157	50 144	64 955	79 873	67 752

Table 28.8 Financial summary for the National Urban Reconstruction and Housing Agency (NURCHA)
(continued)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
Expenses							
Current expense	31 346	28 090	31 566	32 306	39 762	44 103	48 772
Compensation of employees	16 361	16 812	15 873	15 266	17 247	19 114	21 031
Goods and services	12 281	8 988	13 490	13 021	14 629	16 091	17 701
Depreciation	467	517	440	419	311	200	214
Interest, dividends and rent on land	2 237	1 773	1 763	3 600	7 575	8 698	9 826
Transfers and subsidies	7 910	2 970	3 035	812	3 624	3 828	3 730
Total expenses	39 256	31 060	34 601	33 118	43 386	47 931	52 502
Surplus / (Deficit)	-	568	(6 444)	17 026	21 569	31 942	15 250

BALANCE SHEET SUMMARY

Carrying value of assets	1 195	1 037	692	559	454	354	237
Investments	226 515	226 560	209 708	332 374	1 014 711	1 255 361	1 400 013
Receivables and prepayments	13 160	2 866	10 888	9 593	4 800	5 000	6 000
Cash and cash equivalents	163	5 438	1 078	5	5	5	5
Total assets	241 033	235 901	222 366	342 531	1 019 970	1 260 720	1 406 255
Capital and reserves	212 766	216 514	210 269	334 504	1 016 025	1 256 720	1 401 255
Trade and other payables	28 267	19 387	12 097	8 027	3 945	4 000	5 000
Total equity and liabilities	241 033	235 901	222 366	342 531	1 019 970	1 260 720	1 406 255

Data provided by the National Urban Reconstruction and Housing Agency

National Housing Finance Corporation

The National Housing Finance Corporation (NHFC) was established through a Cabinet decision in May 1996 to search for ways to mobilise finance for housing from sources outside the state and in partnership with a broad range of organisations. The NHFC has three main divisions: alternative tenure, home ownership, and incremental housing. The NHFC's business plan revolves around creating housing opportunities for low and moderate income families through innovative housing finance solutions and partnerships.

The NHFC's revenue comes from interest and service charges for its wholesale lending and financial services. In 2005/06, revenue is expected to decline by 9,3 per cent because of the reduction in interest rates and a decrease in disbursements. However, revenue growth is projected to recover over the medium term, resulting in a stable surplus. Total assets will continue to grow, driven by a growing loan portfolio that reaches R2 billion by 2008/09. In 2005/06, the NHFC's capital and reserves grow to R2 billion and should rise to R2,5 billion by 2008/09.

The NHFC approved eight loans during 2004/05 with a total value of R380 million, which is 62 per cent of the annual target of 13 loans. 12 767 houses have been financed through the loans granted by the end of 2004/05. By September 2005, the NHFC had approved 5 loans valued at R126 million against the target of 10 loans valued at R147 million.

The institution's core strategy is to facilitate commercial bank lending where markets are able to work through risk enhancement mechanisms. On the other hand, where markets are thin or non-existent, the NHFC will continue to facilitate the institutional and financial capacitation of niche lenders and social housing institutions whose emphasis would be the delivery of tenure options

other than ownership. There will be a focus on developing broad-based black economic empowerment lenders.

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

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
INCOME STATEMENT SUMMARY							
Revenue							
Tax revenue	-	-	-	-	-	-	-
Non-tax revenue	239 829	213 568	189 110	171 611	210 657	240 923	238 675
Sale of goods and services other than capital assets	-	-	-	-	-	-	-
<i>Of which:</i>							
Other non-tax revenue	239 829	213 568	189 110	171 611	210 657	240 923	238 675
Interest on investments	139 495	137 995	111 465	99 962	85 155	55 421	26 848
Interest on loans advanced	79 526	69 177	69 620	54 109	115 502	175 502	201 827
Domestic	79 526	69 177	69 620	54 109	115 502	175 502	201 827
Other	20 808	6 396	8 025	17 540	10 000	10 000	10 000
Transfers received	-	-	-	-	-	-	-
Total revenue	239 829	213 568	189 110	171 611	210 657	240 923	238 675
Expenses							
Current expense	105 267	74 884	94 032	56 809	66 794	66 541	73 571
Compensation of employees	28 404	30 115	33 265	35 409	37 534	39 523	41 499
Goods and services	58 277	25 593	43 829	19 789	27 674	25 411	30 465
Depreciation	1 947	2 449	1 659	1 611	1 586	1 607	1 607
Interest, dividends and rent on land	16 639	16 727	15 279	-	-	-	-
Total expenses	105 267	74 884	94 032	56 809	66 794	66 541	73 571
Surplus / (Deficit)	134 562	138 684	95 078	114 801	143 864	174 382	165 104
BALANCE SHEET SUMMARY							
Carrying value of assets	3 804	2 967	2 119	634	1 805	2 040	2 100
Long term investments	1 505 689	1 628 652	1 468 578	1 382 677	1 177 832	718 253	235 726
Loans	557 788	556 105	695 466	779 604	1 079 604	1 579 604	2 079 604
Receivables and prepayments	52 740	101 295	103 023	79 568	60 229	42 645	25 269
Cash and cash equivalents	286 207	194 190	167 918	335 728	320 719	338 924	370 766
Total assets	2 406 228	2 483 209	2 437 104	2 578 211	2 640 189	2 681 466	2 713 465
Capital and reserves	1 716 284	1 820 925	1 874 318	1 987 508	2 129 786	2 302 561	2 466 058
Borrowings	315 568	38 501	33 903	29 305	24 707	20 109	15 511
Trade and other payables	93 674	196 968	91 335	125 181	103 781	96 381	88 981
Provisions	-	1 073	1 512	1 802	2 500	3 000	3 500
Managed funds	280 702	425 742	436 036	434 415	379 415	259 415	139 415
Total equity and liabilities	2 406 228	2 483 209	2 437 104	2 578 211	2 640 189	2 681 466	2 713 465

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. The SHF is funded through grants made by the Department of Housing and other donor organisations.

The SHF focuses on providing support to social housing institutions that manage affordable rental housing, 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 with SHF support.

During the first half of 2005/06, the SHF contributed to policy development in this sector by providing position papers on public housing and housing co-operatives. Best practice in the sector was also documented in four published case studies.

With the introduction of the new social housing policy and Bill, the SHF will be consolidated under the new Social Housing Regulatory Authority. SHF functions will continue to be funded at current levels, and the department has budgeted transfer payments of R81 million over the medium term.

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 had registered 3 919 home builders by March 2005 (an increase of 4,6 per cent from the previous year) and enrolled 53 491 housing units (a 9,7 per cent increase). In 2004/05, 1 330 complaints were handled and 225 homebuilders were suspended.

The NHBRC raises revenue from fees for registering homebuilders and enrolling new houses under its warranty scheme. Revenue has increased significantly, from R216,1 million in 2002/03 to R419,6 million in 2005/06, an average annual increase of 24,7 per cent. This growth is largely due to increases in enrolling new houses, reflecting increased construction activity, particularly in the upper end of the residential property market.

Expenditure has remained relatively stable, fluctuating between R62,8 million in 2002/03 and R215,5 million in 2005/06. Expenditure is driven largely by claims on the warranty scheme and thus difficult to predict. The NHBRC has accumulated significant reserves due to limited claims on the warranty scheme. Over the medium-term, these reserves are expected to grow to R1,7 billion. Nonetheless, the rapid rate of property development raises the size of potential liabilities faced by the NHBRC. In future, fees will be adjusted to maintain a more reasonable level of reserves 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		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	216 140	348 408	435 170	419 597	526 206	570 081	617 644
Sale of goods and services other than capital assets	181 998	292 695	359 968	367 429	437 282	472 264	510 045
<i>of which:</i>							
<i>Admin fees</i>	181 998	292 695	359 968	367 429	437 282	472 264	510 045
<i>Other non-tax revenue</i>	34 142	55 713	75 202	52 167	88 924	97 817	107 598
Total revenue	216 140	348 408	435 170	419 597	526 206	570 081	617 644

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

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
Expenses							
Current expense	62 827	172 804	143 374	215 211	253 943	278 932	299 445
Compensation of employees	28 094	35 638	48 637	104 168	118 842	128 349	138 617
Goods and services	31 121	131 464	89 365	101 415	120 321	134 620	143 588
Depreciation	3 567	5 618	5 355	9 628	14 780	15 963	17 240
Interest, dividends and rent on land	46	84	17	–	–	–	–
Transfers and subsidies	–	333	415	276	333	360	389
Total expenses	62 827	173 137	143 789	215 486	254 276	279 292	299 834
Surplus / (Deficit)	153 313	175 271	291 381	204 110	271 929	290 789	317 809

BALANCE SHEET SUMMARY

Carrying value of assets	11 468	9 286	7 535	14 171	17 145	20 356	23 825
Investments	348 608	565 945	939 134	1 176 846	1 486 476	1 813 424	2 166 928
Inventory	125	97	68	73	79	85	92
Receivables and prepayments	14 208	66 289	97 329	105 115	113 524	122 606	132 415
Cash and cash equivalents	8 698	9 711	11 791	11 859	12 568	13 334	14 160
Total assets	383 106	651 328	1 055 857	1 308 065	1 629 792	1 969 805	2 337 420
Capital and reserves	112 984	296 378	603 059	819 043	1 101 649	1 399 411	1 721 393
Trade and other payables	10 757	22 148	42 341	45 728	49 386	53 337	57 604
Provisions	259 366	332 802	410 457	443 293	478 757	517 057	558 422
Total equity and liabilities	383 106	651 328	1 055 857	1 308 065	1 629 792	1 969 805	2 337 420

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. As a result of the agreement between government and the banks to subsidise the transfer of properties to all of the remaining Servcon clients, the relocation programme has been effectively discontinued. Accordingly, Thubelisha's mandate has been reviewed in line with the objectives of the department's comprehensive housing plan. Thubelisha has been repositioned to provide provinces and municipalities with technical assistance to unblock stalled housing projects and prepare fast-tracked housing projects to respond to emergency housing circumstances.

As a result of the increased housing activity, revenue grew from R72 million in 2003/04 to R107 million in 2004/05. Until 2005/06, Thubelisha received operational funding from provinces by applying for housing subsidies for both construction and relocation. In 2005/06, a new transfer payment was introduced to cover the operational expenses associated with providing technical assistance for housing delivery. The Department of Housing will make transfers of R50 million to Thubelisha over the medium term.

Rural Housing Loan Fund

The Rural Housing Loan Fund (RHLF) was incorporated in 1997 as a subsidiary to the National Housing Finance Corporation, but has existed as a separate entity since 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.

The cumulative number of loans approved by the end of 2004/05 amounted to 278, of which 71 were approved during that year. The cumulative value of the loans disbursed was R330 million, and annual disbursements during 2004/05 were R69,2 million against the targeted disbursements of R74,8 million. The cumulative value of all commitments at the end of 2004/05 amounted to R363 million. The value of commitments signed during 2005/06 is estimated at R367 million.

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

People's Housing Partnership Trust

The process of home building by owners themselves is referred to as the Peoples' Housing Process (PHP). In 1997, the department established the People's Housing Partnership Trust (PHPT), to create the capacity to facilitate subsidy support for the PHP. The work of the trust is defined by the policy 'National Housing Policy: Supporting the People's Housing Process', approved by the Minister of Housing in 2000. This policy defines the trust's mandate to capacitate 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 trust, and the trust also raises revenue through grants from provinces for PHP projects.

In 2004/05, 212 new PHP housing projects were initiated, while in 2005/06, there were 12. Since 1994, 894 PHP projects have been approved.

Annexure

Vote 28: Housing

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

Table 28B: Summary of personnel numbers and compensation of employees

Table 28C: Summary of expenditure on training

Table 28D: Summary of conditional grants to provinces and local government (municipalities)

Table 28E: Summary of official development assistance expenditure

Table 28F: Summary of expenditure on infrastructure

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

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2004/05		2004/05	2005/06			2005/06
1. Administration	79 280	77 280	90 230	83 737	24 937	108 674	108 674
2. Policy, Planning and Research	22 139	22 000	21 199	24 634	–	24 634	24 634
3. Programme Management	141 977	141 900	125 428	95 061	(7 600)	87 461	87 461
4. Housing Sector Performance and Equity	102 545	102 400	93 275	136 556	63 460	200 016	183 016
5. Housing Development Funding	4 480 840	4 480 700	4 478 291	4 851 724	–	4 851 724	4 851 724
Total	4 826 781	4 824 280	4 808 423	5 191 712	80 797	5 272 509	5 255 509
Economic classification							
Current payments	196 847	177 251	147 532	240 851	8 861	249 712	249 712
Compensation of employees	62 982	62 994	50 449	94 655	(11 658)	82 997	82 997
Goods and services	105 065	114 257	97 083	146 196	20 519	166 715	166 715
Interest and rent on land	28 800	–	–	–	–	–	–
Financial transactions in assets and liabilities	–	–	–	–	–	–	–
Transfers and subsidies	4 649 140	4 651 928	4 650 621	4 947 840	69 996	5 017 836	5 000 836
Provinces and municipalities	4 589 298	4 589 298	4 589 286	4 868 362	–	4 868 362	4 868 362
Departmental agencies and accounts	55 549	61 637	60 915	78 998	69 960	148 958	131 958
Public corporations and private enterprises	4 228	928	355	411	–	411	411
Foreign governments and international organisations	65	65	65	69	–	69	69
Households	–	–	–	–	36	36	36
Payments for capital assets	2 954	3 922	10 270	3 021	1 940	4 961	4 961
Machinery and equipment	2 954	3 922	10 270	3 021	1 940	4 961	4 961
Software and intangible assets	–	–	–	–	–	–	–
Total	4 848 941	4 833 101	4 808 423	5 191 712	80 797	5 272 509	5 255 509

Table 28.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
A. Permanent and full-time contract employees							
Compensation (R thousand)	35 633	39 885	50 449	93 761	99 981	141 828	163 925
Unit cost (R thousand)	129	145	146	232	247	351	406
Compensation as % of total	100.0%	100.0%	97.0%	58.4%	58.7%	65.8%	67.9%
Personnel numbers (head count)	276	276	345	404	404	404	404
B. Part-time and temporary contract employees							
Compensation (R thousand)	–	–	1 540	66 133	69 440	72 912	76 557
Unit cost (R thousand)	–	–	171	1 272	1 827	1 823	1 867
Compensation as % of total	–	–	3.0%	41.2%	40.8%	33.8%	31.7%
Personnel numbers (head count)	–	–	9	52	38	40	41

Table 28.B Summary of personnel numbers and compensation of employees (continued)

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
C. Interns							
Compensation of interns (R thousand)	-	-	-	736	773	811	852
Unit cost (R thousand)				61	70	68	66
Number of interns	-	-	-	12	11	12	13
Total for department							
Compensation (R thousand)	35 633	39 885	51 989	160 630	170 194	215 551	241 334
Unit cost (R thousand)	129	145	147	343	376	473	527
Personnel numbers (head count)	276	276	354	468	453	456	458

Table 28.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Training and staff development							
Expenditure (R thousand)	2 392	561	2 309	5 025	5 163	5 305	5 456
Number of employees trained (head count)	301	86	321	234	246	259	272
Bursaries (employees)							
Expenditure (R thousand)	7	390	195	538	565	593	624
Number of employees (head count)	2	54	30	78	159	169	177
Total	2 399	951	2 504	5 563	5 728	5 898	6 080
Number of employees	303	140	351	312	405	428	449

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

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Conditional grants to provinces							
3. Programme Management							
Human Settlement Grant and Redevelopment Grant	106 000	109 000	115 540	24 396	-	-	-
6. Housing Development Funding							
Integrated Housing and Human Settlement Development Grant	3 800 674	4 246 239	4 473 597	4 843 480	6 349 949	7 937 946	8 721 382
Total	3 906 674	4 355 239	4 589 137	4 867 876	6 349 949	7 937 946	8 721 382

¹ Detail provided in the Division of Revenue Act (2006).

Table 28.E Summary of official development assistance expenditure

Donor	Project	Cash/ kind	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand									
Foreign									
European Union	Social housing support programme and Cato Manor	Cash	30 269	57 000	–	–	–	–	–
USAID	Support for people's housing process and housing strategy for new millennium	Cash	12 292	5 717	4 116	–	–	–	–
Norway	Development of co-op housing sector in South Africa	Cash	2 629	3 476	–	–	–	–	–
Total			45 190	66 193	4 116	–	–	–	–

Table 28.F Summary of expenditure on infrastructure

Description	Service delivery outputs			Adjusted appropriation	Medium-term expenditure estimate		
	Audited outcome				2005/06	2006/07	2007/08
R thousand	2002/03	2003/04	2004/05				
Infrastructure transfers to other spheres, agencies and departments							
Integrated Housing and Human Settlement Development Grant	1 520 270	1 698 496	1 789 439	1 937 392	2 539 980	3 175 178	3 488 553
Fixed installations transferred to households							
Integrated Housing and Human Settlement Development Grant	2 280 404	2 547 743	2 684 158	2 906 088	3 809 969	4 762 768	5 232 829
Total	3 800 674	4 246 239	4 473 597	4 843 480	6 349 949	7 937 946	8 721 382