

# Vote 27

## Housing

R thousand	2007/08 To be appropriated	2008/09	2009/10
<b>MTEF allocations</b>			
Administration	116 419	129 831	171 621
Housing Policy Research and Planning	89 979	110 680	171 222
Housing Implementation Support	147 926	156 148	234 799
Housing Development Finance	8 523 284	10 188 692	11 951 167
<b>Total</b>	<b>8 877 608</b>	<b>10 585 351</b>	<b>12 528 809</b>
Direct charges against the National Revenue Fund	–	–	–
<b>Total expenditure estimates</b>	<b>8 877 608</b>	<b>10 585 351</b>	<b>12 528 809</b>
<b>Economic classification</b>			
Current payments	393 596	441 573	661 868
Transfers and subsidies	8 477 441	10 140 326	11 863 377
Payments for capital assets	6 571	3 452	3 564
<b>Total expenditure estimates</b>	<b>8 877 608</b>	<b>10 585 351</b>	<b>12 528 809</b>
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, administrative and management support services to the department.

#### Programme 2: Housing Policy Research and Planning

Develop and manage sound national human settlements and housing policies supported by a responsive research agenda; monitor and assess the implementation, performance and impact of national housing policies and programmes; and provide integrated business information.

#### Programme 3: Housing Implementation Support

Provide implementation and delivery support, build capacity and liaise with stakeholders and government institutions for housing and human settlement programmes, and promote and facilitate the flow of information between the department and its stakeholders.

#### Programme 4: Housing Development Finance

Fund national housing and human settlement development programmes in terms of the Housing Act (1997), provide financial, grant and housing institutions management, and manage all matters provided for by the Home Loan and Mortgage Disclosure Act (2000).

## **Strategic overview: 2003/04 – 2009/10**

In line with government's constitutional responsibility to make sure that every South African has access to adequate housing on a progressive basis and within its available resources, the Department of Housing aims to promote an adequate supply of affordable permanent residential structures, with secure tenure, and which provide the poor with 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 (Breaking New Ground) 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 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
- use the provision of housing as a job creation strategy
- assess property as an asset for wealth creation and empowerment.

The main challenges facing the housing sector include the lack of intergovernmental co-ordination for accelerated delivery, specifically in relation to the capacity of provinces and local government to deliver on national priorities, and the lack of monitoring and evaluation capacity to administer the housing subsidy system.

### **Key policy developments**

#### *Restructuring and reorganising the department*

A significant shift and of critical importance in the current budget has been the change in programme structure. This was based on the required responses to challenges faced by the housing policy, resulting in the restructuring and reorganisation of the department. This has been driven and informed by the continuous review of the current housing delivery framework and modelling of the delivery value chain to achieve the best results for the programme's beneficiaries.

So while policy development remains a core function of the department nationally, it is now necessary to make sure that research capacity and monitoring and programme implementation are as effective. Improved monitoring and evaluation capacity will enable the department to assess the impact of the programmes, capture the benefits of the changes in the environment and meet best practices. It should also make sure that the intended beneficiaries are well informed to make choices about the programmes and appreciate the value of the assets and opportunities created by the programmes.

The most obvious changes to the department's budget structure include the incorporation of *Information Management, Policy and Programme Monitoring* into programme 2 (*Housing Policy Research and Planning*). Programme 3 (*Housing Implementation Support*) provides for increased focus on service delivery, improved capacity building and co-ordinated intergovernmental support.

#### *New comprehensive plan for developing sustainable human settlements*

The comprehensive plan for the development of sustainable human settlements, Breaking New Ground, is being implemented through at least one informal settlement upgrading project in each province. The lead projects administered by provinces will improve the living conditions of about 103 000 households in informal settlements. To promote sustainable settlement development, the informal settlement upgrading programme provides for phased, area based development of services and housing. It includes funding for social and

economic amenities as well as for community participation and project management as an integral part of projects.

#### *Intergovernmental support*

Having identified provincial and municipal capacity constraints as a barrier to accelerating housing delivery, the department will provide provinces and municipalities with support in housing project planning, management and implementation. Specifically, Thubelisha Homes will be repositioned as a development agency that is able to provide provinces and municipalities with technical assistance and expertise in unblocking housing delivery bottlenecks, fast-tracking informal settlement upgrading projects and preparing emergency housing projects for funding by provinces.

The department will also prioritise capacity building initiatives to help municipalities get accredited for implementing national housing programmes. Funding has been allocated over the medium term to accelerate and support the accreditation of municipalities that will shift the responsibility for identifying housing projects, project management and funding to the local level.

#### *Review of legislation*

The Social Housing Bill, which aims to promote a sustainable social housing environment and regulate the social housing sector by establishing the Social Housing Regulatory Authority has been approved and published for public comment. The amendments to the Housing Act (1997) and the Rental Housing Bill have also been approved by Cabinet and released for public comment.

#### *Social contract for rapid housing delivery*

During September 2005, the minister launched a social contract for rapid housing delivery with private stakeholders. The purpose of this partnership is to:

- identify the challenges and opportunities for developing solutions to the human settlement agenda, and get commitment from stakeholders
- fast-track housing delivery and eradicate informal settlements in South Africa
- remove possible obstacles in the housing delivery process
- provide a platform of formal engagement with housing stakeholders in speeding up delivery
- consider ways of improving the collective capacities of both the private and public sectors, exchange experiences, and participate in joint activities related to delivering on government's human settlement agenda.

## **Outcomes**

#### *Accelerating housing delivery*

Despite the delivery of some 2 million subsidised houses since the inception of the new housing programme in 1994, the housing backlog has continued to grow and is currently estimated at some 2,4 million units. Apart from the natural increase in population, decreasing household size and rural to urban migration have further served to drive informal settlement growth. To address the backlog and accelerate housing delivery, the department has simplified the administration of housing subsidies by collapsing the income qualification categories so that all qualifying households now receive the same housing subsidy amount. The reach of the housing subsidy programme has also been extended by allowing households earning from R3 501 to R7 000 per month to qualify for housing subsidies linked to credit from the private financial sector. This enables the private sector to contribute to addressing the housing backlog.

Inter and intragovernmental co-ordination and planning alignment are critical to housing delivery as the function spans all three spheres of government. To this end, in 2006, the housing MinMEC, where the Minister of Housing meets with provincial members of the executive councils, approved a planning instrument which streamlines provincial housing development planning processes and merges them with the strategic provincial

plans required by National Treasury. The Minister of Housing will also review and redefine the mandates of some of the other public entities reporting to her, including the National Homebuilders Registration Council, the National Housing Finance Corporation and the Social Housing Foundation, to improve overall efficiency in the housing sector.

It is envisaged that the progressive implementation of the comprehensive plan will in the medium term make significant inroads into the housing backlog by upgrading informal settlements, rolling out affordable rental housing to accommodate migrants, relieve the pressure on informal settlement, build the delivery capacity of all three spheres of government (but in particular local government), broaden access to housing credit and provide quality sustainable human settlements.

*Improving the quality of housing products and the environment to ensure asset creation*

Recognising the potential for improving urban efficiency and renewal through the development of social and rental housing in strategic urban localities, the housing MinMEC has approved a revised social housing policy and a community rental programme. The social housing programme will be implemented through the establishment of a social housing regulatory agency. Social housing institutions which develop, hold and manage rental stock, will be able to access grants for capacity improvement as well as capital subsidies for construction. The community rental programme should be able to reach low income earners and provide affordable rental opportunities, and thus alleviate the pressure for informal accommodation resulting from migration. The programme will replace the hostel redevelopment programme to counteract the current and past stigma associated with hostels.

*Ensuring a single, efficient formal housing market*

To address the objectives of accelerating housing delivery and promoting the development of a single functioning housing market, the new credit linked subsidy instrument, designed in partnership with the financial services sector will support the achievement of the lending targets for affordable housing defined in the Financial Services Charter. In addition, the department will continue engaging with the financial services sector to support the development of new housing finance products and a risk sharing mechanism that would expedite growth in this sector of the housing market.

*Restructuring and integrating human settlements and assessing property as an asset for wealth creation and empowerment*

Resolving the housing backlog requires a participatory approach to housing delivery. The social contract for housing is aimed at fostering the participation of the private sector and civil society in the housing sector. Committing their support, 85 key stakeholders signed the social contract in September 2005. The main stakeholders are developers represented by the South African Property Owners Association (SAPOA), financial institutions, material suppliers, government and civil society. This relationship has resulted in SAPOA, the biggest stakeholder community, agreeing to the following guidelines for inclusive housing:

- that in re-zoning agricultural land for residential development, developers will engage with municipalities guided by the principles contained in the comprehensive plan
- that in the event that a land use agreement is signed between a developer and the state to use government owned land for residential development, developers can contribute up to 80 per cent of the development to low income or affordable housing.

This has resulted in a number of projects in the country adopting the new approach of including affordable housing alongside high end housing, which is a direct response to the comprehensive plan. As the inclusive housing programme is rolled out, it is envisaged that beneficiaries will gain access to well located, quality housing, which will become a valuable asset over time and thus become a vehicle for wealth creation.

## Partnerships in housing

Housing ceases to be simply the provision of houses. Breaking New Ground is a conceptual shift from a commoditised, project based housing delivery model to a responsive, area-based human settlement development model. The creation of vibrant living environments that are well located and integrated with social and economic opportunities depends on co-operation and co-ordination between government, the private sector and civil society.

Initiatives like Cosmo City, a mixed use, integrated development north of Johannesburg, are a good example. Subsidies for the construction of 9 000 units – 5 000 of which are fully subsidised – with beneficiaries from the nearby Zevenfontein and River Bend informal settlements (3 000 for financed link units and 1 000 for institutional rental units) have been provided for. A further 3 300 fully bonded units were made available for sale on the open market and have all been sold.

The development makes provision for 12 schools, clinics, libraries, a police station, 40 churches, sports fields, a public swimming pool, taxi ranks, markets, shopping centres, business nodes, petrol stations and an industrial site on the Kya-Sands border.

## Expenditure estimates

Table 27.1 Housing

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07		2007/08	2008/09	2009/10
R thousand								
1. Administration	38 077	66 449	78 440	76 182	76 182	116 419	129 831	171 621
2. Housing Policy Research and Planning	35 875	52 392	69 488	75 713	75 713	89 979	110 680	171 222
3. Housing Implementation Support	125 292	136 986	88 977	80 850	80 850	147 926	156 148	234 799
4. Housing Development Finance	4 360 711	4 552 596	5 011 848	7 100 981	6 682 981	8 523 284	10 188 692	11 951 167
<b>Total</b>	<b>4 559 955</b>	<b>4 808 423</b>	<b>5 248 753</b>	<b>7 333 726</b>	<b>6 915 726</b>	<b>8 877 608</b>	<b>10 585 351</b>	<b>12 528 809</b>
Change to 2006 Budget estimate				472 843	54 843	302 000	1 134 461	
<b>Economic classification</b>								
<b>Current payments</b>	<b>128 813</b>	<b>147 533</b>	<b>224 925</b>	<b>263 220</b>	<b>263 220</b>	<b>393 596</b>	<b>441 573</b>	<b>661 868</b>
Compensation of employees	39 886	50 449	62 288	90 516	90 516	107 973	125 363	192 366
Goods and services	61 123	97 084	162 537	172 704	172 704	285 623	316 210	469 502
<i>of which:</i>								
Communication	3 011	3 704	5 205	3 525	3 525	6 780	7 342	7 750
Computer services	17 492	2 696	31 195	30 553	30 553	38 063	40 526	48 551
Consultants, contractors and special services	13 269	31 593	59 013	79 501	79 501	142 382	162 029	255 029
Inventory	2 313	7 477	4 976	4 489	4 489	10 421	11 234	12 878
Operating leases	5 574	6 320	6 837	9 522	9 522	8 053	8 745	9 633
Travel and subsistence	6 305	10 826	19 601	16 922	16 922	30 385	34 356	43 674
Interest and rent on land	27 804	–	–	–	–	–	–	–
Financial transactions in assets and liabilities	–	–	100	–	–	–	–	–
<b>Transfers and subsidies</b>	<b>4 427 609</b>	<b>4 650 621</b>	<b>5 016 857</b>	<b>7 065 891</b>	<b>6 647 891</b>	<b>8 477 441</b>	<b>10 140 326</b>	<b>11 863 377</b>
Provinces and municipalities	4 355 359	4 589 286	4 868 065	6 822 364	6 404 364	8 237 946	9 852 842	11 530 823
Departmental agencies and accounts	70 613	60 915	148 254	243 439	243 439	239 416	287 399	332 462
Public corporations and private enterprises	1 576	355	1	–	–	–	–	–
Foreign governments and international organisations	61	65	69	73	73	79	85	92
Households	–	–	468	15	15	–	–	–
<b>Payments for capital assets</b>	<b>3 533</b>	<b>10 269</b>	<b>6 971</b>	<b>4 615</b>	<b>4 615</b>	<b>6 571</b>	<b>3 452</b>	<b>3 564</b>
Machinery and equipment	3 533	10 269	6 869	4 615	4 615	6 458	3 402	2 511
Software and other intangible assets	–	–	102	–	–	113	50	1 053
<b>Total</b>	<b>4 559 955</b>	<b>4 808 423</b>	<b>5 248 753</b>	<b>7 333 726</b>	<b>6 915 726</b>	<b>8 877 608</b>	<b>10 585 351</b>	<b>12 528 809</b>

## Expenditure trends

There was rapid growth in the total allocated budget between 2003/04 and 2006/07, from R4,6 billion to R7,3 billion, with projections for the medium term showing further increases to R12,5 billion in 2009/10. The average annual growth rate of 17,2 per cent between 2003/04 and 2006/07 is set to increase to 19,5 per cent

between 2006/07 and 2009/10. The *Housing Development Finance* programme accounts for the largest portion of expenditure (96,8 per cent in 2006/07), as it accommodates the integrated housing and human settlement development conditional grant to provinces. The growth is driven by significant additional allocations totalling R4 billion for informal settlement upgrading and R1,2 billion for introducing credit linked subsidies in the 2005 and 2006 Budgets. Apart from the increases in the conditional grant, growth is also because of additional funding for implementing different aspects of the department's comprehensive plan for integrated and sustainable human settlements.

Transfer payments and subsidies continue to be the largest expenditure item on the department's budget. Additional allocations for the integrated housing and human settlement grant to provinces translate into average annual growth of 18,1 per cent in transfers between 2006/07 and 2009/10. Compensation of employees increased significantly, rising from R39,9 million in 2003/04 to R90,5 million in 2006/07, at an average annual rate of 31,4 per cent. This is mainly because of the department's restructuring process: 196 posts have been created from 345 in 2004/05 to an anticipated 541 posts in 2009/10, to meet the objectives of the comprehensive housing plan for the development of sustainable human settlements and the plan being successfully implemented. Expenditure on goods and services increased significantly, from R61,1 million in 2003/04 to R285,6 million in 2007/08, to accommodate the increased number of employees as well as higher expenditure on consultants, contractors and special services for the accreditation of municipalities.

## Departmental receipts

Departmental receipts are anticipated to amount to R508 000 in 2007/08, derived mainly from financial transactions in the form of recovery of loans and advances. These include interest earned on housing subsidies, sales of publications as well as other sales. In 2003/04, the department had unusually high receipts of R49,6 million, due to the sale of assets associated with the closure of the South African Housing Trust. These receipts were reduced to R5,8 million in 2004/05.

**Table 27.2 Departmental receipts**

R thousand	Audited outcome			Adjusted appropriation	Medium-term receipts estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Departmental receipts</b>	<b>49 618</b>	<b>5 782</b>	<b>945</b>	<b>484</b>	<b>508</b>	<b>548</b>	<b>78</b>
Sales of goods and services produced by department	–	67	100	60	63	68	73
Interest, dividends and rent on land	–	3	8	4	4	4	5
Sales of capital assets	49 077	5 464	–	–	–	–	–
Financial transactions in assets and liabilities	541	248	837	420	441	475	–
<b>Total</b>	<b>49 618</b>	<b>5 782</b>	<b>945</b>	<b>484</b>	<b>508</b>	<b>548</b>	<b>78</b>

## Programme 1: Administration

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

**Table 27.3 Administration**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
R thousand							
Minister <sup>1</sup>	746	791	843	885	938	985	1 034
Management	1 740	5 631	12 947	16 910	38 737	48 569	69 512
Corporate Services	30 017	53 707	57 813	50 967	68 711	71 633	91 549
Property Management	5 574	6 320	6 837	7 420	8 033	8 644	9 526
<b>Total</b>	<b>38 077</b>	<b>66 449</b>	<b>78 440</b>	<b>76 182</b>	<b>116 419</b>	<b>129 831</b>	<b>171 621</b>
Change to 2006 Budget estimate				(23 486)	(17 553)	(24 764)	

1. Payable as from 1 April 2006. Salary: R707 956. Car allowance: R176 988.

Table 27.3 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Economic classification</b>							
<b>Current payments</b>	<b>36 302</b>	<b>59 475</b>	<b>75 296</b>	<b>73 678</b>	<b>114 722</b>	<b>129 000</b>	<b>168 707</b>
Compensation of employees	15 735	21 956	27 646	34 795	45 039	49 543	64 652
Goods and services	20 567	37 519	47 550	38 883	69 683	79 457	104 055
<i>of which:</i>							
<i>Communication</i>	2 474	2 423	3 657	2 189	4 616	5 008	5 245
<i>Computer services</i>	2 085	1 182	6 861	739	3 526	3 733	3 476
<i>Consultants, contractors and special services</i>	685	6 181	5 997	8 116	15 696	17 561	17 933
<i>Inventory</i>	688	700	884	1 275	3 282	3 648	3 796
<i>Operating leases</i>	5 574	6 320	6 837	8 764	8 033	8 644	9 526
<i>Travel and subsistence</i>	3 827	6 768	11 429	6 405	13 081	15 735	20 271
Financial transactions in assets and liabilities	–	–	100	–	–	–	–
<b>Transfers and subsidies</b>	<b>55</b>	<b>70</b>	<b>123</b>	<b>96</b>	<b>–</b>	<b>–</b>	<b>–</b>
Provinces and municipalities	55	70	87	81	–	–	–
Households	–	–	36	15	–	–	–
<b>Payments for capital assets</b>	<b>1 720</b>	<b>6 904</b>	<b>3 021</b>	<b>2 408</b>	<b>1 697</b>	<b>831</b>	<b>2 914</b>
Machinery and equipment	1 720	6 904	2 919	2 408	1 697	831	1 914
Software and other intangible assets	–	–	102	–	–	–	1 000
<b>Total</b>	<b>38 077</b>	<b>66 449</b>	<b>78 440</b>	<b>76 182</b>	<b>116 419</b>	<b>129 831</b>	<b>171 621</b>

### Expenditure trends

This programme saw a large increase from R38,1 million in 2003/04 to R76,2 million in 2006/07, an average annual increase of 26 per cent. This is mainly because new functions were introduced into the programme in 2005/06: special investigations, internal audit and international relations. Also, special advisors to the minister were appointed and the housing framework legislation unit was moved to this programme from the previous programme 2: *Policy, Planning and Research*. Spending should continue to grow over the MTEF period, rising to R171,6 million in 2009/10 at an average annual rate of 31,1 per cent from 2006/07. Goods and services are also set to rise significantly from R38,9 million in 2006/07 to R104 million in 2009/10, an average annual increase of 38,8 per cent. From 1 April 2006, costs for leases and accommodation charges were devolved from the Department of Public Works to individual departments and the department received the following amounts: R8 million in 2007/08, R8,6 million in 2008/09 and R9,5 million in 2009/10. Expenditure has been adjusted for the previous financial years.

### Programme 2: Housing Policy Research and Planning

The purpose of *Housing Policy Research and Planning* is to develop and manage sound national human settlements and housing policies supported by a responsive research agenda; monitor and assess the implementation, performance and impact of national housing policies and programmes; and provide integrated business information.

Apart from *Management*, there are four subprogrammes:

- *Policy Development* develops and manages sound national human settlement and housing policies.
- *Research, Industry, Market Analysis and Best Practice* initiates, undertakes and manages research on housing and human settlements and analyses the impact of government's housing policy and programmes on the construction sector and the economy.
- *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.
- *Contributions* make contributions to the Habitat Foundation, to support the work of the United Nations human settlement programme.

**Table 27.4 Housing Policy Research and Planning**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
R thousand							
Management	1 198	2 770	1 820	1 483	2 749	3 079	3 388
Policy Development	8 208	17 360	15 409	17 346	14 561	18 941	37 960
Research, Industry, Market Analysis and Best Practice	4 161	4 951	4 972	8 537	11 701	14 159	18 957
Policy and Programme Monitoring	4 130	7 755	6 649	6 749	8 428	15 673	37 303
Information Management	18 117	19 491	40 569	41 525	52 461	58 743	73 522
Contributions	61	65	69	73	79	85	92
<b>Total</b>	<b>35 875</b>	<b>52 392</b>	<b>69 488</b>	<b>75 713</b>	<b>89 979</b>	<b>110 680</b>	<b>171 222</b>
Change to 2006 Budget estimate				49 601	46 559	65 089	
<b>Economic classification</b>							
<b>Current payments</b>	<b>34 334</b>	<b>50 224</b>	<b>67 498</b>	<b>74 873</b>	<b>86 317</b>	<b>108 641</b>	<b>170 862</b>
Compensation of employees	11 756	13 073	15 086	25 043	28 069	35 729	48 005
Goods and services	22 578	37 151	52 412	49 830	58 248	72 912	122 857
of which:							
Communication	236	916	850	590	784	860	943
Computer services	14 326	126	23 495	28 141	32 275	34 418	42 546
Consultants, contractors and special services	3 039	16 758	13 032	7 923	12 795	22 346	51 478
Inventory	457	2 789	1 625	1 166	2 186	2 353	3 291
Travel and subsistence	1 410	2 510	4 930	4 445	4 892	5 364	9 000
<b>Transfers and subsidies</b>	<b>96</b>	<b>104</b>	<b>232</b>	<b>129</b>	<b>79</b>	<b>85</b>	<b>92</b>
Provinces and municipalities	35	39	163	56	–	–	–
Foreign governments and international organisations	61	65	69	73	79	85	92
<b>Payments for capital assets</b>	<b>1 445</b>	<b>2 064</b>	<b>1 758</b>	<b>711</b>	<b>3 583</b>	<b>1 954</b>	<b>268</b>
Machinery and equipment	1 445	2 064	1 758	711	3 583	1 954	265
Software and other intangible assets	–	–	–	–	–	–	3
<b>Total</b>	<b>35 875</b>	<b>52 392</b>	<b>69 488</b>	<b>75 713</b>	<b>89 979</b>	<b>110 680</b>	<b>171 222</b>

## Expenditure trends

Expenditure has been growing rapidly, increasing from R35,9 million in 2003/04 to R75,7 million in 2006/07, an average annual rate of 28,3 per cent. The sharp increase between 2003/04 and 2005/06 reflects funding for the *Research* subprogramme, which was introduced in 2003/04, with resultant increases in expenditure on compensation of employees and goods and services. In the following years the information management, programme monitoring, industry and market analysis units are added to this programme as part of the department's restructuring process, to become the *Research, Industry, Market Analysis and Best Practice* subprogramme. This is reflected in the sharp increase from R75,7 million in 2006/07 to R171,2 million in 2009/10, representing an average annual growth rate of 31,3 per cent.

## Service delivery objectives and indicators

### Recent outputs

A planning framework including planning support, developed in close collaboration with National Treasury was approved by the housing MinMEC and will be implemented from 1 April 2007. The framework involves 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 by Treasury regulations. This tool will serve to streamline government housing planning processes, leading to the co-ordination of funding streams and scientifically based project budgeting.

A comprehensive manual covering variations to the housing subsidy amount to accommodate specific development conditions was approved by the housing MinMEC. Development conditions include expanding and collapsing soils, undermined land, specific climatic conditions, and the needs of people with particular disabilities.

The lack of integrated development continues to be identified as one of housing's strategic gaps, and is seen as a contributing factor to the uncoordinated development of settlements. In response, a model (including support systems) for the alignment of housing sector plans within municipal integrated development plans has been developed and approved by the housing MinMEC. Assistance to municipalities to implement this planning tool will be provided in 2007/08 and the following financial years.

To cater for the housing needs of farm workers, the draft farm worker housing policy has been complemented by a set of detailed guidelines and is being held over for discussion at the rural housing indaba planned for the second half of 2007/08.

The research unit made an impressive contribution in providing a strong research base for the implementation of the comprehensive plan. This has resulted in a national research agenda. Quarterly reports on housing and the South African economy were produced. In 2006/07, a process for reviewing the implementation of the comprehensive plan for sustainable human settlements started. During 2005/06 and 2006/07, all targets for producing quarterly reports on the performance of national housing programmes, housing subsidy system data, the status of the construction sector, merging contractor support and the status of the economy and the financial sector were met. A service provider was appointed to help the department develop a monitoring, evaluation and impact assessment framework and system to measure the implementation and performance of the Breaking New Ground housing strategy at all its levels. The system will also enable the department to report on government's performance in housing in relation to the government wide monitoring and evaluation system. Also, various studies were undertaken to determine the impact of the housing subsidy scheme on the life of the beneficiary as well as the impact of certain processes on housing delivery, for example the township establishment process.

## Selected medium-term output targets

### Housing Policy Research and Planning

**Measurable objective:** Adequate housing for all South Africans through policy and research that enables housing delivery in sustainable human settlements. Improve housing policy and programmes based on the analysis of accurate, strategic and statistically sound information and data from operational and other systems.

Subprogramme	Output	Measure/ Indicator	Target
Policy Development	Sustainable national human settlement and housing policies	Housing programmes approved by MinMEC	March 2008
Research, Industry, Market Analysis and Best Practice	Research on the performance of the housing market and industry	Reports	Quarterly
Policy and Programme Monitoring	Monitoring of implementation, progress, performance and impact of national housing programmes	Policy monitoring reports	Quarterly
Information Management	Housing and human settlement information system providing accessible and functional operational and control systems at national and provincial housing departments	Percentage of housing departments with access to functional and operational control systems.	96%

## Programme 3: Housing Implementation Support

*Housing Implementation Support* provides implementation and delivery support, builds capacity and liaises with stakeholders and government institutions for housing and human settlement programmes.

Apart from *Management* there are seven subprogrammes:

- *Service Delivery Support* manages service delivery support to national housing and human settlement programmes.
- *Rental Housing and People's Housing Process* manages the implementation of the community rental housing programme and the people's housing process.
- *Sector Support, Liaison and Stakeholder Management* manages and facilitates liaison with non-governmental sector stakeholders.
- *Intergovernmental Relations and Accreditation* manages critical and strategic governance, administration, inter-governmental and international relations, and cross functional projects.
- *Capacity Building* helps to build capacity for housing administration and delivery in municipalities and provinces and to promote sustainable housing delivery.
- *Special Programmes Support* is responsible for managing special housing and human settlement projects.
- *Communication* is responsible for internal and external communication and educating housing consumers to promote sustainable housing delivery.

## Expenditure estimates

**Table 27.5 Housing Implementation Support**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
R thousand							
Management	–	–	–	–	2 000	3 000	5 000
Service Delivery Support	–	–	–	–	2 000	2 000	5 500
Rental Housing and People's Housing Process	3 573	4 421	6 040	8 763	7 237	9 104	21 853
Sector, Support, Liaison and Stakeholder Management	–	–	–	–	2 000	2 000	5 500
Inter-governmental Relations and Accreditation	–	–	39 272	39 639	55 879	58 143	66 627
Capacity Building	3 145	3 512	5 559	17 918	34 267	37 319	50 601
Special Programmes Support	109 927	117 140	25 909	3 573	3 756	3 726	5 906
Phasing Out of Subsidy Programmes	1 576	355	1	–	–	–	–
Communication	7 071	11 558	12 196	10 957	40 787	40 856	73 812
<b>Total</b>	<b>125 292</b>	<b>136 986</b>	<b>88 977</b>	<b>80 850</b>	<b>147 926</b>	<b>156 148</b>	<b>234 799</b>
Change to 2006 Budget estimate				10 957	33 839	36 356	
<b>Economic classification</b>							
<b>Current payments</b>	<b>14 495</b>	<b>20 228</b>	<b>62 837</b>	<b>80 173</b>	<b>147 501</b>	<b>155 954</b>	<b>234 672</b>
Compensation of employees	5 616	8 514	10 524	14 714	17 569	20 617	36 992
Goods and services	8 879	11 714	52 313	65 459	129 932	135 337	197 680
<i>of which:</i>							
<i>Communication</i>	178	240	461	474	628	662	705
<i>Computer services</i>	1	4	1	30	398	423	447
<i>Consultants, contractors and special services</i>	5 557	3 345	36 432	56 751	107 577	115 205	165 106
<i>Inventory</i>	594	3 540	1 959	1 531	2 884	3 047	3 241
<i>Travel and subsistence</i>	803	1 041	1 917	4 404	7 192	7 693	8 188
<b>Transfers and subsidies</b>	<b>110 589</b>	<b>115 913</b>	<b>24 734</b>	<b>27</b>	<b>–</b>	<b>–</b>	<b>–</b>
Provinces and municipalities	109 013	115 558	24 301	27	–	–	–
Public corporations and private enterprises	1 576	355	1	–	–	–	–
Households	–	–	432	–	–	–	–
<b>Payments for capital assets</b>	<b>208</b>	<b>845</b>	<b>1 406</b>	<b>650</b>	<b>425</b>	<b>194</b>	<b>127</b>
Machinery and equipment	208	845	1 406	650	425	194	127
<b>Total</b>	<b>125 292</b>	<b>136 986</b>	<b>88 977</b>	<b>80 850</b>	<b>147 926</b>	<b>156 148</b>	<b>234 799</b>

Table 27.5 Housing Implementation Support (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Details of major transfers and subsidies:</b>							
<b>Provinces</b>							
Capital	109 000	115 540	24 244	-	-	-	-
Human Settlement and Redevelopment Grant	109 000	115 540	24 244	-	-	-	-
<b>Public corporations</b>							
<b>Other transfers</b>							
Current	1 576	355	1	-	-	-	-
Financial Institutions (First time homebuyers subsidy)	1 576	355	1	-	-	-	-

## Expenditure trends

Expenditure in this programme declined from R125,3 million in 2003/04 to R80,9 million 2006/07. This is because of the phasing out of the human settlement redevelopment programme in 2005/06 and the decrease in expenditure on the first time home buyers interest subsidy scheme, reflected under the *Phasing Out of Subsidy Programmes* subprogramme, which was also phased out in 2005/06. The human settlement redevelopment programme allocation was consolidated into the integrated housing and human settlement development conditional grant. This resulted in transfers decreasing markedly from R115,9 million in 2004/05 to R24,7 million in 2005/06.

Expenditure declined to R80,9 million in 2006/07 and is set to rise to R234,8 million in 2009/10. This increase is mainly 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 allocation results in an increase in expenditure on the goods and services item from R65,5 million to R197,7 million in 2009/10, at an average annual rate of 44,5 per cent.

## Service delivery objectives and indicators

### Recent outputs

During 2005/06, 135 projects to improve dysfunctional human settlements were funded. The total human settlement and redevelopment programme allocation of R24,4 million was transferred to provinces in 2005/06. 44 projects or 32 per cent of the active projects were successfully completed in 2005/06. The remaining active projects should be completed over the next two financial years.

Between April 2005 and 31 March 2006, a number of new or improved subsidy mechanisms and implementation guidelines were developed. This included the collapse of the previous three income categories into one and an increase in the subsidy amount in line with the comprehensive plan. The housing finance linked individual subsidy programme providing for households earning between R3 501 and R7 000 per month has been introduced. The warranty scheme of the National Home Builders Registration Council has been extended to include subsidised housing. In addition, a rectification programme for the post-1994 to 31 March 2002 housing subsidy scheme financed stock has been developed and introduced.

In the same period, the fast tracking of emergency housing in areas of distress programme and the provision of social and economic amenities programmes were approved.

The work required to formulate a low income rental housing programme was undertaken. This meant that the old public sector hostels, two and three storey walk-ups which formed some of the old buildings from the phasing out stock, as well as the construction of new buildings, needed to be incorporated into a policy that served the needs of low income households. The establishment of the professional housing body has been approved. Housing consumer education information has been rolled out nationally, targeting housing beneficiaries who are on the waiting list and those aspiring to benefit from government subsidies. A councillor

induction programme, aiming to capacitate municipal councillors on housing policy, strategy and priorities has been developed for implementation during 2007.

In relation to sector support, between September 2005 and November 2006, two technical and working plenaries were held. As a result of the social contract for rapid housing delivery, this plenary has set up six task teams to work on the following six work streams: development planning, housing land and housing legal matters, product delivery, consumer education/communication, development planning and the supply chain. Key outputs to date include position papers on the development of policies and guidelines in the work stream areas.

One municipality has been approved and a further 8 municipalities, in principle, have been approved for level one accreditation. Once the functions have been delegated, the latter municipalities will have full approval for level one accreditation. The department is providing capacity to both municipalities, to meet the requirements for accreditation and to provinces, to manage the accreditation programme.

For communication services, the department has focused on creating awareness of housing programmes among all relevant target audiences including beneficiaries, the public and all partners in the housing delivery chain.

### Selected medium-term output targets

#### Housing Implementation Support

**Measurable objective:** Provide effective implementation and delivery support for sustainable human settlement development through capacity building, stakeholder liaison and information management and dissemination.

Subprogramme	Output	Measure/Indicator	Target
Service Delivery Support	Implementation of the comprehensive plan for the development of sustainable human settlements	Targeted support provided to provincial housing departments and municipalities: Number of pilot projects supported  Percentage of blocked projects unblocked	Support implementation provided to 18 pilot projects  Facilitate unblocking of at least 40% of blocked projects nationally
Rental Housing and People's Housing Process	Rental units for low income households that want rental housing and security of tenure for people's housing process beneficiaries	Number of beneficiaries benefiting from the people's housing process  Number of units	2 000 beneficiaries  1 100 units
Sector Support, Liaison and Stakeholder Management	Liaison with non-governmental stakeholders on the impact of housing policy on various industries	Number of publications on stakeholder management	4 quarterly reports on stakeholder management
Intergovernmental Relations and Accreditation	Accreditation of municipalities to manage housing programmes	Number of municipalities accredited	Level 1 accreditation of 10 municipalities Level 2 accreditation of 5 municipalities
Capacity Building	Improved capacity in national, provincial and local government to manage housing and human settlement programmes	Subsidy mechanism developed, implementation frameworks and training provided  Number of officials receiving training	March 2008  2 500 officials trained
Special Programmes Support	Project management support provided to special projects	Monitor the completion of lead projects	Evaluation and facilitation of the implementation of the 3 key national pilots per business plan
Communication	Implementation of housing consumer education programmes	Percentage rollout of Homey Homey education programme	100% rollout of the Homey to Homey programme by March 2008

### Programme 4: Housing Development Finance

*Housing Development Finance* funds national housing and human settlement development programmes in terms of the Housing Act (1997); provides financial, grant and housing institutions management; and manages all matters provided for by the Home Loan and Mortgage Disclosure Act (2000).

Apart from *Management* there are six subprogrammes:

- *Financial and Grant Management* provides overall financial and grant management services.
- *Housing Institutions, Housing Equity and Development Finance* monitors the performance of housing institutions reporting to the Minister of Housing. It also monitors trends, impacts and patterns in housing

and investment finance and aims to eradicate discrimination and unfair practices in granting or denying access to housing finance.

- *Integrated Housing and Human Settlement Development Grant* reflects the conditional grant allocation that is transferred to provinces.
- *Contributions* makes contributions to the housing institutions.
- *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.

**Table 27.6 Housing Development Finance**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
R thousand							
Management	813	55	2 279	1 672	2 749	3 079	3 388
Financial and Grant Management	14 624	15 687	15 473	22 424	24 529	25 168	58 124
Housing Institutions, Housing Equity and Development Finance Contributions	618	2 342	2 362	11 510	18 644	20 204	26 370
Social housing programme	70 613	60 915	148 254	243 206	59 416	37 399	35 462
Integrated Housing and Human Settlement Development Grant	–	–	–	–	180 000	250 000	297 000
Interest and Redemption on Private Loans	4 246 239	4 473 597	4 843 480	6 822 169	8 237 946	9 852 842	11 530 823
	27 804	–	–	–	–	–	–
<b>Total</b>	<b>4 360 711</b>	<b>4 552 596</b>	<b>5 011 848</b>	<b>7 100 981</b>	<b>8 523 284</b>	<b>10 188 692</b>	<b>11 951 167</b>
Change to 2006 Budget estimate				6 904 417	8 368 236	10 040 854	
<b>Economic classification</b>							
<b>Current payments</b>	<b>43 682</b>	<b>17 606</b>	<b>19 294</b>	<b>34 496</b>	<b>45 056</b>	<b>47 978</b>	<b>87 627</b>
Compensation of employees	6 779	6 906	9 032	15 964	17 296	19 474	42 717
Goods and services	9 099	10 700	10 262	18 532	27 760	28 504	44 910
of which:							
Communication	123	125	237	272	752	812	857
Computer services	1 080	1 384	838	1 643	1 864	1 952	2 082
Consultants, contractors and special services	3 988	5 309	3 552	6 711	6 314	6 917	20 512
Inventory	574	448	508	517	2 069	2 186	2 550
Travel and subsistence	265	507	1 325	1 668	5 220	5 564	6 215
Interest and rent on land	27 804	–	–	–	–	–	–
<b>Transfers and subsidies</b>	<b>4 316 869</b>	<b>4 534 534</b>	<b>4 991 768</b>	<b>7 065 639</b>	<b>8 477 362</b>	<b>10 140 241</b>	<b>11 863 285</b>
Provinces and municipalities	4 246 256	4 473 619	4 843 514	6 822 200	8 237 946	9 852 842	11 530 823
Departmental agencies and accounts	70 613	60 915	148 254	243 439	239 416	287 399	332 462
<b>Payments for capital assets</b>	<b>160</b>	<b>456</b>	<b>786</b>	<b>846</b>	<b>866</b>	<b>473</b>	<b>255</b>
Machinery and equipment	160	456	786	846	753	423	205
Software and other intangible assets	–	–	–	–	113	50	50
<b>Total</b>	<b>4 360 711</b>	<b>4 552 596</b>	<b>5 011 848</b>	<b>7 100 981</b>	<b>8 523 284</b>	<b>10 188 692</b>	<b>11 951 167</b>
<b>Details of major transfers and subsidies:</b>							
<b>Provinces and municipalities</b>							
<b>Provinces</b>							
<b>Provincial revenue funds</b>							
<b>Capital</b>	<b>4 246 239</b>	<b>4 473 597</b>	<b>4 843 480</b>	<b>6 822 169</b>	<b>8 237 946</b>	<b>9 852 842</b>	<b>11 530 823</b>
Integrated Housing and Human Settlement Development Grant	4 246 239	4 473 597	4 843 480	6 822 169	8 237 946	9 852 842	11 530 823
<b>Departmental agencies and accounts</b>							
<b>Current</b>	<b>70 613</b>	<b>60 915</b>	<b>148 254</b>	<b>243 439</b>	<b>239 416</b>	<b>287 399</b>	<b>332 462</b>
National Housing Finance Corporation	–	–	–	1	1	1	1
SERVCON Housing Solutions	49 969	38 554	42 097	60 000	–	–	–
Social Housing Foundation	11 000	21 047	20 578	129 438	20 165	21 738	23 129
National Urban Reconstruction and Housing Agency	9 644	1 314	22 879	21 000	22 000	–	–
People's Housing Partnership Trust	–	–	5 000	5 000	5 250	5 660	6 022
Thubelisha Homes	–	–	57 700	28 000	12 000	10 000	6 310
Social Housing Regulator	–	–	–	–	180 000	250 000	297 000

## **Expenditure trends**

The integrated housing and human settlement development grant is the department's main cost driver, and accounts for 96,7 per cent of the programme's expenditure in 2007/08, as it channels funds for providing housing and integrated settlements. Expenditure on this subprogramme has increased steadily, and is expected to grow even faster over the next three years because of the additional allocations to the grant. Expenditure is expected to increase from R7,1 billion in 2006/07 to R12 billion in 2009/10, an average annual increase of 18,9 per cent.

For the medium term, additional allocations of R300 million for 2007/08, R1,1 billion for 2008/09 and R1,3 billion for 2009/10 were made as additions to the integrated housing and human settlement development grant for specific projects and because completing blocked projects was a priority.

Regarding contributions to housing institutions, transfer payments will increase from R243,4 million in 2006/07 to R332,5 million in 2009/10, an average annual increase of 10,9 per cent. This increase includes additional funding for setting up the social housing regulatory authority to provide support to social housing institutions to manage affordable rental housing.

## **Service delivery objectives and indicators**

### **Recent outputs**

In 2005/6, 115 175 sites were completed, 137 659 houses were under construction or completed, and 321 housing projects were approved.

Rollovers on the conditional grant increased steadily from R605 million in 2000/01 to R1,2 billion in 2002/03 due to constraints brought about by external and internal factors like the administrative and technical capacity to deliver. Due to interventions from the department, the amount rolled over was reduced to R560 million in 2003/04. In 2004/05, the underspending was reduced to R374 million and in 2005/06 it amounted to R259,2 million. There was underspending in the Free State, Limpopo and Mpumalanga.

In 2005/06 and 2006/07, all targets for producing quarterly reports on the performance of housing institutions were met.

The Construction Education and Training Authority accredited a training programme to support emerging contractors, which was run to provide training and qualification in different fields related to housing construction. This programme is implemented through the National Home Builder's Registration Council in all nine provinces to build capacity for contractors involved in construction in both the public and private sectors.

A framework document for the review of housing support institutions was investigated and developed. The monitoring of housing support institutions' performance against their service delivery targets, alignment of their business plans against agreed strategic objectives of the new housing plan, and adherence to their mandates is done on a quarterly basis.

To promote compliance of housing institutions with good corporate governance and service delivery, in line with their mandates and compliance with the Public Finance Management Act (1999), a departmental governance policy on public entities has been developed and finalised. This policy will improve the oversight function over the department's institutions. The policy makes sure that all housing institutions demonstrate sound planning, budgeting and good financial management, and prepare strategic and corporate plans, financial statements and annual reports on schedule.

## Expenditure estimates

### Selected medium-term output targets

#### Housing Development Finance

**Measurable objective:** Fund housing and human settlement development programmes; provide financial, grant and housing institutional management as well as oversight of financial and non-financial compliance to relevant legislation.

Subprogramme	Output	Measure/Indicator	Target
Financial and Grant Management	Financial and grant management services provided	Unqualified audit report received	March 2008
Housing Institutions, Housing Equity and Development Finance	Rationalisation of mandates of housing support institutions	Delisting of Servcon Housing Solutions and the Social Housing Foundation	March 2008
	Housing equity: Annual Home Loan and Mortgage Disclosure Act (2000) reports received from financial institutions	Establishment of the social housing regulatory authority	March 2008
	Development finance: Monitoring reports on the impact of development finance	Reports captured on system and overview of performance of financial institutions provided to Minister	Quarterly
Integrated Housing and Human Settlement Development Grant	Transfer of grant in compliance with the Division of Revenue Act, with clearly defined outputs and conditions, and a payment schedule	Frequency of reports on the trends, impacts and patterns in development finance for housing	12 monthly reports

## Public entities and other agencies

### Servcon Housing Solutions

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 from 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 ensure that the remaining properties in Servcon's portfolio are disposed of by March 2006, the banks and government had 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 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 was due to be wound up by 1 April 2006. A sale of claims and shares agreement between the Banking Council, the Department of Housing and participating banks has been signed, giving effect to the dissolution of Servcon.

### 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 to arrange finance that will contribute to the national effort to provide adequate housing for all South Africans. NURCHA developed a niche market by packaging funding for emerging housing builders and developers, and managing risks beyond those that commercial financiers are prepared to take.

In 2005/06, NURCHA signed 37 000 loan agreements. The value of projects supported through loans is R1,2 billion, with 22 700 houses completed. NURCHA signed a number of agreements during the same period for the purpose of recapitalisation, including an agreement with Standard Bank to secure R85 million and FMO, the Dutch Development Bank, for a structured loan of R45 million for lending to smaller contractors.

For the first six months to 30 September 2006, the institution signed three rental housing contracts with a loan value of R56 million, 24 credit linked loan contracts with the loan value of R92 million, 11 infrastructure and community facility contracts with a loan value of R80 million, and 51 subsidy housing loans signed with a value of R217 million.

In 2007/08, NURCHA will continue to finance contractors in the subsidy housing, credit linked housing and community infrastructure sub-sectors.

**Table 27.7 Financial summary for the National Urban Reconstruction and Housing Agency**

R thousand	Outcome			Estimated outcome	Medium-term estimate		
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>24 603</b>	<b>27 004</b>	<b>26 945</b>	<b>42 155</b>	<b>46 693</b>	<b>45 225</b>	<b>47 201</b>
<i>Other non-tax revenue</i>	24 603	27 004	26 945	42 155	46 693	45 225	47 201
<b>Transfers received</b>	<b>7 025</b>	<b>1 153</b>	<b>22 879</b>	<b>21 000</b>	<b>22 000</b>	<b>-</b>	<b>-</b>
<b>Total revenue</b>	<b>31 628</b>	<b>28 157</b>	<b>49 824</b>	<b>63 155</b>	<b>68 693</b>	<b>45 225</b>	<b>47 201</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>28 090</b>	<b>31 566</b>	<b>28 192</b>	<b>39 189</b>	<b>42 384</b>	<b>43 820</b>	<b>46 292</b>
Compensation of employees	16 812	15 873	17 670	17 975	19 054	20 197	21 409
Goods and services	8 988	13 490	5 849	9 582	10 157	10 553	10 973
Depreciation	517	440	415	403	427	453	275
Interest, dividends and rent on land	1 773	1 763	4 258	11 229	12 746	12 617	13 635
<b>Transfers and subsidies</b>	<b>2 970</b>	<b>3 035</b>	<b>781</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenses</b>	<b>31 060</b>	<b>34 601</b>	<b>28 973</b>	<b>39 182</b>	<b>42 384</b>	<b>43 820</b>	<b>46 292</b>
<b>Surplus / (Deficit)</b>	<b>568</b>	<b>(6 444)</b>	<b>20 851</b>	<b>23 973</b>	<b>26 309</b>	<b>1 405</b>	<b>909</b>
<b>Balance sheet data</b>							
Carrying value of assets	1 037	692	1 122	896	469	166	41
Investments	226 560	209 708	365 154	418 657	461 801	473 028	489 291
Receivables and prepayments	2 866	10 888	2 652	2 195	2 400	2 400	2 200
Cash and cash equivalents	5 438	1 078	676	5	5	5	5
<b>Total assets</b>	<b>235 901</b>	<b>222 366</b>	<b>369 604</b>	<b>421 753</b>	<b>464 675</b>	<b>475 599</b>	<b>491 537</b>
Capital and reserves	216 514	180 987	252 797	297 770	345 079	346 484	347 393
Borrowings	-	29 283	131 858	161 348	177 556	187 075	202 304
Trade and other payables	4 174	8 538	6 362	4 748	6 362	6 362	6 162
Provisions	15 213	3 558	2 809	3 109	2 900	2 900	2 900
<b>Total equity and liabilities</b>	<b>235 901</b>	<b>222 366</b>	<b>393 826</b>	<b>466 975</b>	<b>531 897</b>	<b>542 821</b>	<b>558 759</b>

Source: 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 find ways of mobilising finance for housing from sources other than the state and in partnership with a broad range of organisations.

The institution's core mandate 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 help to develop the institutional and financial capacity of niche lenders and social housing institutions which deliver tenure options other than ownership. It also plans to focus more on developing broad-based black economic empowerment (BEE) lenders. The NHFC's revenue is derived from interest and service charges for its wholesale lending and financial services.

The NHFC has approved 14 loans with a total value of R225 million and the number of financial intermediaries operating under its aegis increased to 52 in 2005/06

In the six month period to September 2006, the institution managed to achieve R34 million in revenue against a target of R33 million, with a profit after tax of R22 million. Revenue is expected to increase in the second half of the year as more advances are disbursed.



**Table 27.8 Financial summary for the National Housing Finance Corporation**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10
R thousand							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>213 568</b>	<b>201 130</b>	<b>169 344</b>	<b>172 099</b>	<b>206 879</b>	<b>150 504</b>	<b>162 975</b>
<i>Other non-tax revenue</i>	213 568	201 130	169 344	172 099	206 879	150 504	162 975
<b>Total revenue</b>	<b>213 568</b>	<b>201 130</b>	<b>169 344</b>	<b>172 099</b>	<b>206 879</b>	<b>150 504</b>	<b>162 975</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>74 873</b>	<b>107 711</b>	<b>61 051</b>	<b>87 289</b>	<b>111 497</b>	<b>129 003</b>	<b>141 365</b>
Compensation of employees	30 115	35 625	34 688	37 590	45 109	47 680	50 660
Goods and services	25 582	55 148	24 940	48 156	65 054	79 574	89 084
Depreciation	2 449	1 659	1 423	1 543	1 334	1 749	1 621
Interest, dividends and rent on land	16 727	15 279	–	–	–	–	–
<b>Total expenses</b>	<b>110 714</b>	<b>136 052</b>	<b>92 443</b>	<b>111 884</b>	<b>139 158</b>	<b>135 238</b>	<b>147 632</b>
<b>Surplus / (Deficit)</b>	<b>102 854</b>	<b>65 078</b>	<b>76 901</b>	<b>60 215</b>	<b>67 721</b>	<b>15 266</b>	<b>15 343</b>

**Balance sheet data**

Carrying value of assets	2 967	2 119	1 224	2 459	2 968	2 894	2 948
Receivables and prepayments	657 400	760 494	831 553	850 783	2 110 368	1 055 909	1 327 453
Cash and cash equivalents	1 822 842	1 646 150	1 646 697	1 630 775	75 638	2 645 010	2 370 612
<b>Total assets</b>	<b>2 483 209</b>	<b>2 408 763</b>	<b>2 479 474</b>	<b>2 484 017</b>	<b>2 188 974</b>	<b>3 703 813</b>	<b>3 701 013</b>
Capital and reserves	1 820 925	1 845 977	1 922 288	1 982 503	2 050 224	3 565 490	3 580 833
Trade and other payables	235 469	44 749	36 190	36 879	32 109	34 001	18 164
Provisions	1 073	1 512	2 082	2 374	2 849	3 011	3 199
Managed funds	425 742	516 525	518 914	462 261	103 792	101 311	98 817
<b>Total equity and liabilities</b>	<b>2 483 209</b>	<b>2 408 763</b>	<b>2 479 474</b>	<b>2 484 017</b>	<b>2 188 974</b>	<b>3 703 813</b>	<b>3 701 013</b>
<b>Contingent liabilities</b>	<b>12 403</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

Source: 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. During 2005, 15 social housing institutions received R15 million in grant support from the support programme for social housing. The SHF produced a number of position papers and publications during this period, which were well received by the sector.

During the first half of 2005/06, the SHF established a resource centre which contains best practice papers and case studies. The SHF's role and position in relation to the proposed social housing regulatory authority is still being deliberated.

**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 raises revenue from fees for registering homebuilders and enrolling new houses under its warranty scheme.

For the year ending March 2006, NHBRC selected 225 emerging home builders nationally to participate in training in cement and concrete training; 25 participants per province were selected against agreed selection criteria. The total cost for the training was R476 550.

The NHBRC has been involved in the construction of houses for the Modimolle project in Limpopo, which will comprise of 500 units of 50m<sup>2</sup>. This is one of the ministerial special projects.

**Table 27.9 Financial summary for the National Home Builders Registration Council - NHBRC**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10
R thousand							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>348 408</b>	<b>435 170</b>	<b>542 113</b>	<b>526 206</b>	<b>715 898</b>	<b>773 169</b>	<b>835 022</b>
Sale of goods and services other than capital assets	292 695	359 958	422 296	437 282	626 973	677 131	731 301
<i>Of which:</i>							
Admin fees	292 695	359 958	422 296	437 282	626 973	677 131	731 301
Interest	55 713	75 212	119 817	88 924	88 925	96 038	103 721
<b>Total revenue</b>	<b>348 408</b>	<b>435 170</b>	<b>542 113</b>	<b>526 206</b>	<b>715 898</b>	<b>773 169</b>	<b>835 022</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>172 804</b>	<b>143 376</b>	<b>188 907</b>	<b>285 943</b>	<b>375 963</b>	<b>398 520</b>	<b>422 431</b>
Compensation of employees	35 638	50 197	67 669	109 047	155 244	164 559	174 432
Goods and services	131 464	87 808	121 199	157 116	194 200	205 851	218 201
Depreciation	5 618	5 354	–	19 780	26 519	28 111	29 797
Interest, dividends and rent on land	84	17	39	–	–	–	–
<b>Transfers and subsidies</b>	<b>333</b>	<b>415</b>	<b>–</b>	<b>333</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total expenses</b>	<b>173 137</b>	<b>143 791</b>	<b>188 907</b>	<b>286 277</b>	<b>375 963</b>	<b>398 520</b>	<b>422 431</b>
<b>Surplus / (Deficit)</b>	<b>175 271</b>	<b>291 379</b>	<b>353 206</b>	<b>239 929</b>	<b>339 935</b>	<b>374 649</b>	<b>412 591</b>
<b>Balance sheet data</b>							
Carrying value of assets	9 286	7 535	7 277	25 863	46 320	31 996	14 988
Investments	565 945	939 134	1 438 199	1 368 848	1 651 658	2 027 784	2 443 507
Inventory	97	68	–	79	18	20	22
Receivables and prepayments	66 289	110 069	149 076	114 475	198 706	215 230	233 076
Cash and cash equivalents	9 711	11 791	16 876	12 568	4 901	5 053	5 217
<b>Total assets</b>	<b>651 328</b>	<b>1 068 597</b>	<b>1 611 428</b>	<b>1 521 833</b>	<b>1 901 603</b>	<b>2 280 082</b>	<b>2 696 810</b>
Capital and reserves	296 378	255 498	590 693	1 069 649	930 645	1 305 292	1 717 884
Trade and other payables	22 148	55 082	88 117	49 387	44 807	48 393	52 264
Provisions	332 802	758 017	932 618	402 797	926 151	926 397	926 662
<b>Total equity and liabilities</b>	<b>651 328</b>	<b>1 068 597</b>	<b>1 611 428</b>	<b>1 521 833</b>	<b>1 901 603</b>	<b>2 280 082</b>	<b>2 696 810</b>

Source: 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 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 tracking housing projects to respond to emergency housing circumstances.

During 2005/06, the institution managed to secure 11 077 stands, completed 9 900 subsidy applications and serviced 5 864 stands. The number of houses handed over to clients was below the target because of a feuding between two chiefs of a tribal authority in North West. For the current year to 30 September 2006, Thubelisha

Homes secured 14 814 stands, approved 6 660 subsidy applications and serviced 4 096 stands, while 3 634 houses were handed over to clients.

### **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. As a wholesale lending institution, its main business 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.

Cumulative disbursements made by the institution to the end of the 2005/06 amount to R411,7 million. The RHLF's wholesale finance activities resulted in 26 648 housing opportunities being created for end users. For the six months to 30 September 2006, RHLF reported a total loan value on its books of R123,3 million, and 14 814 housing opportunities created through its wholesale activities.

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 of Housing 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 provides limited grant funding for the trust's operations, so the trust also raises revenue through grants from provinces for PHP projects.

In 2004/05, 212 new PHP housing projects were initiated, but only 12 new projects in 2005/06. Despite its limited resources, 894 PHP projects have been approved since 1994. The PHPT will be integrated into the Department of Housing during 2007.

## Additional tables

Table 27.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	2005/06		2005/06	2006/07			2006/07
1. Administration	73 291	94 122	78 440	74 059	2 123	76 182	76 182
2. Housing Policy Research and Planning	70 917	75 363	69 488	75 713	–	75 713	75 713
3. Housing Implementation Support	95 061	87 461	88 977	80 850	–	80 850	80 850
4. Housing Development Finance	4 952 443	5 015 563	5 011 848	6 630 261	470 720	7 100 981	6 682 981
<b>Total</b>	<b>5 191 712</b>	<b>5 272 509</b>	<b>5 248 753</b>	<b>6 860 883</b>	<b>472 843</b>	<b>7 333 726</b>	<b>6 915 726</b>
<b>Economic classification</b>							
<b>Current payments</b>	<b>240 851</b>	<b>249 712</b>	<b>224 925</b>	<b>373 512</b>	<b>(110 292)</b>	<b>263 220</b>	<b>263 220</b>
Compensation of employees	94 655	82 997	62 288	99 981	(9 465)	90 516	90 516
Goods and services	146 196	166 715	162 537	273 531	(100 827)	172 704	172 704
Financial transactions in assets and liabilities	–	–	100	–	–	–	–
<b>Transfers and subsidies</b>	<b>4 947 840</b>	<b>5 017 836</b>	<b>5 016 857</b>	<b>6 483 438</b>	<b>582 453</b>	<b>7 065 891</b>	<b>6 647 891</b>
Provinces and municipalities	4 868 362	4 868 362	4 868 065	6 350 159	472 205	6 822 364	6 404 364
Departmental agencies and accounts	78 998	148 958	148 254	133 206	110 233	243 439	243 439
Public corporations and private enterprises	411	411	1	–	–	–	–
Foreign governments and international organisations	69	69	69	73	–	73	73
Households	–	36	468	–	15	15	15
<b>Payments for capital assets</b>	<b>3 021</b>	<b>4 961</b>	<b>6 971</b>	<b>3 933</b>	<b>682</b>	<b>4 615</b>	<b>4 615</b>
Machinery and equipment	3 021	4 961	6 869	3 933	682	4 615	4 615
Software and intangible assets	–	–	102	–	–	–	–
<b>Total</b>	<b>5 191 712</b>	<b>5 272 509</b>	<b>5 248 753</b>	<b>6 860 883</b>	<b>472 843</b>	<b>7 333 726</b>	<b>6 915 726</b>

Table 27.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>A. Permanent and full-time contract employees</b>							
Compensation (R thousand)	39 886	48 909	52 127	82 452	95 580	112 227	178 441
Unit cost (R thousand)	145	142	129	204	237	254	330
Personnel numbers (head count)	276	345	404	404	404	442	541
<b>B. Part-time and temporary contract employees</b>							
Compensation (R thousand)	–	1 540	9 425	7 291	11 520	12 211	12 944
Unit cost (R thousand)	–	171	181	192	288	305	324
Personnel numbers (head count)	–	9	52	38	40	40	40
<b>C. Interns</b>							
Compensation of interns	–	–	736	773	873	925	981
Unit cost (R thousand)	–	–	61	70	79	84	89
Number of interns	–	–	12	11	11	11	11
<b>Total for department</b>							
<b>Compensation (R thousand)</b>	<b>39 886</b>	<b>50 449</b>	<b>62 288</b>	<b>90 516</b>	<b>107 973</b>	<b>125 363</b>	<b>192 366</b>
<b>Unit cost (R thousand)</b>	<b>145</b>	<b>143</b>	<b>133</b>	<b>200</b>	<b>237</b>	<b>254</b>	<b>325</b>
<b>Personnel numbers (head count)</b>	<b>276</b>	<b>354</b>	<b>468</b>	<b>453</b>	<b>455</b>	<b>493</b>	<b>592</b>

Table 27.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Training and staff development</b>							
Expenditure (R thousand)	561	2 309	5 025	5 163	5 305	5 456	5 725
Number of employees trained (head count)	86	321	234	246	259	272	266
<b>Bursaries (employees)</b>							
Expenditure per programme (R thousand)	390	195	538	565	593	624	–
Number of employees (head count)	54	30	78	159	169	177	–
<b>Total</b>	<b>951</b>	<b>2 504</b>	<b>5 563</b>	<b>5 728</b>	<b>5 898</b>	<b>6 080</b>	<b>5 725</b>
<b>Number of employees</b>	<b>140</b>	<b>351</b>	<b>312</b>	<b>405</b>	<b>428</b>	<b>449</b>	<b>266</b>

Table 27.D Summary of conditional grants to provinces and municipalities<sup>1</sup>

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Conditional grants to provinces</b>							
<b>3. Housing Implementation Support</b>							
Human settlement and redevelopment grant	109 000	115 540	24 396	–	–	–	–
<b>4. Housing Development Finance</b>							
Integrated housing and human settlement development grant	4 246 239	4 473 597	4 843 480	6 822 169	8 237 946	9 852 842	11 530 823
<b>Total</b>	<b>4 355 239</b>	<b>4 589 137</b>	<b>4 867 876</b>	<b>6 822 169</b>	<b>8 237 946</b>	<b>9 852 842</b>	<b>11 530 823</b>

1. Detail provided in the Division of Revenue Act (2007).

Table 27.E Summary of expenditure on infrastructure

Description	Service delivery outputs			Adjusted appropriation	Medium-term expenditure estimate		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Infrastructure transfers to other spheres, agencies and departments</b>							
Integrated housing and human settlement development grant	1 698 496	1 789 439	1 937 392	2 539 980	3 295 179	3 941 137	4 612 329
<b>Fixed installations transferred to households</b>							
Integrated housing and human settlement development grant	2 547 743	2 684 158	2 906 088	3 809 969	4 942 767	5 911 705	6 918 494
<b>Total</b>	<b>4 246 239</b>	<b>4 473 597</b>	<b>4 843 480</b>	<b>6 349 949</b>	<b>8 237 946</b>	<b>9 852 842</b>	<b>11 530 823</b>

