

**PROVINCIAL GOVERNMENT**

**WESTERN CAPE**



**DEPARTMENT OF HOUSING**

**STRATEGIC PLAN**

**2003/04 to 2005/06**

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## **PART A : STRATEGIC OVERVIEW**

### **A1 Statement of policy and commitment by MEC**

The Constitution of our country recognises that every person has inherent dignity and the right to have that dignity respected and protected.

It is my mission as the Minister of Housing in the Western Cape to restore the dignity of the thousands of people who have been forced to live in undignified conditions for so many years, by providing quality living environs in the shortest possible time with the resources at my disposal.

I commit myself to the development and empowerment of the people of the Province through the concept of iKapa Elihlumayo and to the delivery of services to especially the poor.

Communities can only be sustainable if their environments meet their physical needs. It is therefore of critical importance to me that integration of the planning and development of human settlements takes place. Housing cannot be provided in isolation any longer.

To give substance to this, the Department's strategic objectives include the promotion of integrated development in conjunction with sister departments and municipalities. I call on my colleagues at these organs of state to make every effort to make this a reality.

Development of our people can only be successful if they are empowered to make informed decisions about the betterment of their lives. To bring the empowerment of our communities to fruition, capacity building of beneficiaries will take place through a communication campaign at grassroots level.

Empowerment of provincial and municipal officials will focus on their real needs and skills development to expedite the delivery of quality housing products within the constraints of the various subsidy amounts.

It is a well known fact that the success of housing delivery is measured by the number of housing units provided to families in need. I am committed to maximise the number of housing opportunities in each municipality on an equitable basis and especially to give further impetus to the People's Housing Process, which in turn further empowers the people.

Furthermore, concerted efforts, in conjunction with municipalities, will be made to upgrade identified informal settlements in order to restore the inhabitants' dignity and reduce their waiting time to reside in safe, quality environs.

I am confident that this strategic plan contributes to the attainment of the Western Cape Cabinet's ten strategic goals and to the "Growing Cape".

I give my wholehearted support to this strategic plan.

**MS. N HANGANA**  
**MINISTER OF HOUSING**  
**DATE:**

## **A2 Overview by Accounting Officer**

This strategic plan is the result of a continuous, interactive process within the Department since January 2002, wherein the minister and staff members participated.

The strategic plan sets out to address the internal and external environments within which the Department functions.

The Department has, in recent years, suffered from a lack of capacity in terms of staff numbers, which resulted in a number of shortcomings in its monitoring and control systems as identified in recent Auditor-General's reports.

Recent changes to policy directives, notably the financial contribution to be made by beneficiaries to qualify for a subsidy, the application of the Housing Consumer Protection Measures Act to subsidy housing, the procurement policy and impetus gained by the People's Housing Process, have highlighted the inappropriate organisational structure of the Department, to meet these new responsibilities effectively.

Seen in the international context, as emanated from the World Summit on Sustainable Development, the focus is moving away from providing merely houses, to creating sustainable human settlements. This change needs to be reflected in the organisational structure to make this vision a reality.

A very important and troubling matter is the prevalence of allegations of corruption in the housing environment.

The strategic plan sets out as a strategic goal the review and restructuring of the organisational establishment to effectively deal with the recent and possible future policy changes and the evil of corruption.

Sustainable communities require that housing provision should be integrated with the provision of other community facilities. To achieve integrated development, budgets of various funding sources have to be aligned. The Department sets for itself the strategic objective of promoting the alignment of different departmental budgets to achieve some measure of integration.

A matter of continuous concern to the Department is the fact that many recipients of subsidy houses, sell their houses for a pittance or lose them due to debt. This mindset should be changed. To counter this phenomenon as well as a number of other capacity building issues relating to housing, a communication campaign will be run to empower people to make informed decisions.

Coupled to this communication campaign will be the phenomenon of rental arrears in provincial housing stock.

It is common cause that insufficient funding is available on an annual basis to eradicate the housing backlog in the foreseeable future. For this reason, it is imperative that all options to maximise the provision of safe, quality housing opportunities be considered. It is our goal to i) maximise the number of housing opportunities within the constraints of the housing budget and policy directives, ii) improve the living conditions of the people in informal settlements with the aid of the Handbook for the Upgrading of Informal Settlements, iii) give better effect to the People's Housing Process which has already gained unprecedented momentum.

The achieving of the objectives and outputs reflected in this strategic plan will support the strategic goals of the Western Cape Government and contribute to iKapa Elihlumayo.

**JOHN WILLIAM AFRICA, Pr. Eng.**  
**HEAD OF DEPARTMENT AND ACCOUNTING OFFICER**  
**DATE:**

### **A3 Vision**

Stable communities in well-developed residential environments.

### **A4 Mission and strategic goals**

The mission of the Department is to promote and facilitate the provision of adequate housing development and sound administration.

The following strategic goals and objectives should contribute to this mission:

- Review organisational structure in line with the changing environment;
- Establishment of a well trained and developed personnel corps;
- Ensure sound management and good governance;
- Facilitate the delivery of the maximum housing opportunities;
- Provide a range of subsidy and tenure options to beneficiaries;
- Develop and communicate policy, legislation and guidelines.
- Promote and facilitate capacity building of municipal officials and communities;
- Facilitate and promote the upgrading of informal settlements;
- Co-ordinate planning and development between the Department, sister departments and municipalities;
- Ensure sound management of housing assets;
- Promote an orderly rental housing market;

### **A5 Values**

The supporting philosophy in the pursuance of our mission is vested in the following values:

- Honesty and integrity
- Fairness
- Diligence and dedication
- Discipline
- Efficiency and effectiveness
- Co-operation
- Transparency
- Service delivery (Batho Pele)
- Accountability
- Responsibility
- Professionalism

### **A6 Legislative and other mandate**

#### **ADMINISTRATION, TRANSVERSAL**

- Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)
- Constitution of the Western Cape, 1998 (Act 1 of 1998)
  - The fair, equitable and transparent service delivery
- Public Finance Management Act, 1999 (Act 1 of 1999) (as amended by Act 29 of 1999) and the National Treasury Regulations
- Division of Revenue Act (Annual)
  - Good governance and sound financial management



- Public Service Act, 1994 (Act 103 of 1994) and Public Service Regulations of 2000
  - Organisational structuring, personnel management and strategic planning
- Skills Development Act, 1998 (Act 97 of 1998)
- Skills Levy Act, 1999 (Act 90 of 1999)
  - Training and development of personnel
- Employment Equity Act, 1998 (Act 55 of 1998)
  - Equity in the workplace and affirmative action
- Labour Relations Act, 1995 (Act 66 of 1995)
- Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
- Occupational Health and Safety Act, 1993 (Act 85 of 1993)
  - To regulate relationship between employer and employee
- Promotion of Access to Information Act, 2000 (Act 2 of 2000)
  - Promote transparency

## **HOUSING**

- Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)
- Constitution of the Western Cape, 1998 (Act 1 of 1998)
  - Right to access to housing on a progressive basis
- Housing Act, 1997 (Act 107 of 1997) as amended
- Western Cape Housing Development Act, 1999 (Act 6 of 1999)
  - Promote, facilitate and finance housing facilities
- Rural Areas Act, 1987 (Act 9 of 1987)
- Transformation of Certain Rural Areas Act, 1998 (Act 9 of 1998)
  - Administration of twelve Act 9/87 rural areas
- Rental Housing Act, 1999 (Act 50 of 1999) and Regulations
  - Regulating relationships between owners and tenants
- Less Formal Township Establishment Act, 1991 (Act 113 of 1991)
  - Shortened process of township establishment
- Prevention of Illegal Eviction and Unlawful Occupation of Land Act, 1998, Act 19 of 1998.
  - Prescribed legal remedy in dealing with land invasions
- Restitution Act, 1994 (Act 22 of 1994)
- Grootboom Constitutional Court judgment
  - Access to shelter within available resources
- Ndlovu Appeal Court Judgment
  - Mandatory applications of judgment in case of tenants being in contractual default

## **A7 Description of status quo**

### **A7.1 Summary of service delivery environment and challenges**

- Poor and unemployed clients
- Lack of capacity at municipalities
- Implication of the interpretations of Schedules 4 and 5 of the Constitution
- Increasing cost of land and infrastructure
- Increasing demand for housing
- Synchronising provincial housing plan with municipal Integrated Development Plans (IDP's)
- Changing policy and legal framework

#### A7.2 Summary of organisational environment and challenges

- Inappropriate organisational structure
- Insufficient funding
- Inadequate management systems
- Problems with the practical implementation of policies

### **A8 Description of strategic planning process**

The strategic planning process started with a two day workshop of senior management and the executive authority, facilitated by a consultant, from 30 January 2002 to 1 February 2002 at Lambertsbaai.

This workshop was preceded by a number of workshops run by each of the senior managers with other middle management and staff and was informed by information gathered throughout the previous year from visits to municipalities.

A further workshop was held on 25<sup>th</sup> July 2002 at Ganzekraal regarding the organisational structure to optimise the implementation of the budget programme structure proposed by national Treasury.

This strategic plan was consulted with the trade unions within the Department as required by PSCBC resolution 7/2002.

## **PART B: PROGRAMME AND SUBPROGRAMME PLANS**

### **B1 Strategic objectives**

#### **Programme 1: Administration**

Strategic Goal 1: Ensure sound management and good governance

##### **STRATEGIC OBJECTIVES**

1. To review and restructure organisational establishment.
2. To establish a well developed and effective personnel corps.

#### **Programme 2: Planning and Subsidy Administration**

Strategic Goal 1: The delivery of the maximum number of housing opportunities

##### **STRATEGIC OBJECTIVES**

1. To allocate funds to 30 municipalities on an equitable basis.
2. To promote housing policy, advise and assist the municipalities and developers in submitting applications.
3. To evaluate and approve the maximum number of projects and conclude agreements.

Strategic Goal 2: Develop and communicate policy, legislation and guidelines

##### **STRATEGIC OBJECTIVES**

1. To research and develop policy as and when required.
2. To conduct communications campaign and information session regarding policy.

Strategic Goal 3: Promote and facilitate capacity building of municipal officials and communities

##### **STRATEGIC OBJECTIVES**

1. To conduct skills audits and gap analyses of housing functionaries at all municipalities.

#### **Programme 3: Housing Subsidy Programmes**

Strategic Goal 1: Provide housing subsidies to qualifying beneficiaries

##### **STRATEGIC OBJECTIVES**

1. To process and approve 10 000 project-linked subsidies.
2. To process and approve 1 500 individual credit-linked subsidies.
3. To process and approve 2 000 People's Housing Process subsidies.
4. To process and approve 3 000 consolidation subsidies.
5. To process and approve 1 000 institutional subsidies.
6. To process and approve payments in respect of 3 hostels.
7. To process and approve 400 relocation subsidies.
8. To process and approve payments in respect of emergency assistance.
9. To process and approve 100 rural subsidies.
10. To process and approve 1 000 savings linked subsidies.

#### **Programme 4: Urban Renewal and Human Settlement Redevelopment**

Strategic Goal 1: To create integrated and functional human settlements

##### **STRATEGIC OBJECTIVES**

1. To facilitate and promote the upgrading of informal settlements.
2. To support the macro-planning of identified urban nodes.
3. To promote alignment of different departmental budgets.

#### **Programme 5: Old Business (Rental Housing)**

Strategic Goal 1: To ensure sound management of rental stock

##### **STRATEGIC OBJECTIVES**

1. To complete the compendium of debt management policies.
2. Promote an orderly rental housing market.
3. Effective administration of housing assets.

#### **Programme 6: Restructuring**

Strategic Goal 1: Effectively manage excess staff

##### **STRATEGIC OBJECTIVES**

1. To redeploy excess staff.
2. To grant severance packages.

## B2 Measurable objectives, strategies/activities, outputs, measures and monitoring mechanisms

<b>Table 1</b>					
1	2	3	4	5	6
Programme structure Measurable Objectives	Output	Performance Measures			
		Cost Measure	Quantity Measure	Quality Measure	Timeliness Measure
<b>1. Programme 1: Administration</b>	<b>The overall management of the Department and to maintain an effective and efficient transformed administration</b>				
1.1 Subprogramme 1.2	Corporate Service				
A work-study investigation and implementation of recommendations	Restructured establishment	Cost of investigation to be borne by Vote 1 (Personnel Cost) and implementation costs to be borne by programmes 1-5	A fully staffed restructured establishment	Effective service delivery	Approval of new establishment by 31 July 2003 Implementation in accordance with budget provisions
Develop and implement a skills development plan	A well developed and effective personnel corps	Costs to be borne by programmes 1-5 with a minimum of 2% of salary account	Personnel as identified	Improved work performance and service delivery	Development of plan by end of August 2003 Roll out on a continuous basis

<b>Programme 2: Planning and subsidy administration</b>	<b>To facilitate housing delivery</b>					
2.1 Subprogramme: 2.1	Planning					
Allocate funds to 30 municipalities	Fair distribution of funding based on the provincial housing plan	Personnel and administration expenditure are the main costs drivers	In terms of statistics regarding backlogs as provided by the housing plan	Housing Subsidy System and monthly financial reports	Publication in the government gazette as prescribed	
Promote housing policy , advise and assist municipalities and developers	Financially empowered municipalities able to plan housing provision appropriately		Expenditure of the conditional grant for housing within cash-flow projections		Continuous evaluation and monitoring of expenditure	
Evaluate and approve projects	Implementation of approved projects		Number of applications received	Projects that conform to Housing Code and are reflected in the IDP's of municipalities	Continuous process	
Evaluate and approve projects	Capacitated developers and municipalities Project applications		Number of projects and housing opportunities approved	Speedy submission of housing project applications that are within the predetermined cost constraints	Within six weeks after receipt of NHBRC approval	
Evaluate and approve projects	Approved projects and signed agreements			The Housing Code and Provincial Housing Strategy		

Research, develop and communicate policy	Effective policies Well informed housing functionaries	Personnel and administration expenditure	Number of workshops  Number of visits to municipalities		Continuous
Undertake skills audit and gap analysis at municipalities	Training and development programmes Empowered municipal officials		Number of courses conducted and officials empowered	Number of certificates issued	Continuous
Present Western Cape Housing Plan to municipalities	Synergy in housing development at municipal level		Number of municipalities	Empowered municipalities	Continuous
<b>2.2 Subprogramme 2.2</b>	<b>Subsidy administration</b>				
Process subsidy applications and pay claims	Beneficiaries approved and subsidies paid out	Personnel and administration expenditure as the main costs drivers	Number of subsidy applications processed and payments made	In terms of the Housing Code	Within 30 days
Ensure that housing funds are spent in terms of applicable procedures and principles	All funds are spent (in terms of the prescribed guidelines)  Housing product that conforms to prescribed norms and standards		Number of housing opportunities	In terms of Housing Code, Norms and Standards	Continuous

<b>Programme 3: Housing Subsidy Programmes</b>	<b>To provide housing subsidies to qualifying beneficiaries</b>				
<b>3.1 Subprogramme 3.1:</b>	<b>Project Linked</b>				
Provide project linked subsidies to qualifying beneficiaries in terms of housing policy	Project linked subsidies to beneficiaries	R237,807 million	10 000 subsidies	In terms of the Housing Code	Continuous
<b>3.2 Subprogramme 3.2:</b>	<b>Individual Subsidies</b>				
Provide individual subsidies to qualifying beneficiaries in terms of housing policy	Individual subsidies to beneficiaries	R30 million	1 500 subsidies	In terms of the Housing Code	Continuous
<b>3.3 Subprogramme 3.3:</b>	<b>People's Housing Process (PHP)</b>				
Provide People's housing process subsidies to qualifying beneficiaries in terms of housing policy	People's Housing Process subsidies to beneficiaries	R30 million	2 000 subsidies	In terms of the Housing Code	Continuous
<b>3.4 Subprogramme 3.4:</b>	<b>Consolidation Subsidies</b>				
Provide consolidated subsidies to qualifying beneficiaries in terms of housing policy	Consolidation subsidies to beneficiarie.	R60 million	3 000 subsidies	In terms of the Housing Code	Continuous
<b>3.5 Subprogramme 3.5:</b>	<b>Institutional Subsidies</b>				
Provide institutional subsidies to qualifying beneficiaries in terms of housing policy	Institutional subsidies to beneficiaries	R26 million	1 000 subsidies	In terms of the Housing Code	Continuous
<b>3.6 Subprogramme 3.6:</b>	<b>Hostel Subsidies</b>				
Provide subsidies to upgrade hostels in terms of housing policy	Hostels upgraded to single and family quarters	R5 million	3 hostels	In terms of the Housing Code	Continuous
<b>3.7 Subprogramme 3.7:</b>	<b>Relocation Subsidies</b>				
Provide relocation subsidies to qualifying beneficiaries in terms of housing policy	Relocation subsidies to beneficiaries	R8,5 million	400 subsidies	In terms of the Housing Code	Continuous
<b>3.8 Subprogramme 3.8:</b>	<b>Disaster/ Emergency Programme</b>				
Provide emergency assistance to municipalities	Families assisted Improved living conditions	R3,175 million (0,75% of Subsidy Grant)		Audited financial statements from municipalities	As and when required
<b>3.9 Subprogramme 3.9:</b>	<b>Rural Housing</b>				
Provide rural housing subsidies to qualifying beneficiaries in terms of housing policy	Rural subsidies to beneficiaries	R2,5 million	100 subsidies	In terms of the Housing Code	Continuous



3.10 Subprogramme 3.10:	Savings-Linked				
Provide savings-linked subsidies to qualifying beneficiaries in terms of housing policy	Savings-linked subsidies to beneficiaries	R20,3 million	1 000 subsidies	In terms of the Housing Code	Continuous

<b>Programme 4: Urban renewal and Human Settlement Redevelopment</b>	<b>To create integrated and functional human settlements</b>				
4.1. Subprogramme 4.1:	Urban renewal				
Promote and support the upgrading of informal settlements	Access to basic services	Personnel and administration expenditure	Number of settlements / townships	In terms of prescribed norms and standards	Continuous
	De-densified settlements (in certain cases)	Human Settlement Redevelopment Grant	Number of families		
Support the macro-planning of identified urban nodes	Functional and integrated formal townships	Settlement Assistance Allocation	Mitchell's Plain and Khayelitsha as identified urban renewal nodes		In terms of approved business plans
4.2 Subprogramme 4.2:	Human Settlements				
Create integrated and functional settlements	Improved living environment	Personnel and administration expenditure	Number of housing opportunities	In terms of the policy, housing code and the HSRP standards	Continuous
	Access to basic services				
	De-densified settlements	Human Settlement Redevelopment Grant	Number of sustainable townships		
		Housing Subsidies			
Promote alignment of different budgets	Integrated development	Personnel costs Housing allocations	Number of integrated projects	Integrated plans	Continuous
Support the administration of Act 9/1987 Rural Areas as well as the finalisation of the transformation process	Autonomous management of commonage areas integrated into municipalities (Repeal of Act 9 , 1987)	Personnel and administration expenditure	Number of transformed Rural Areas	In terms of Transformation of Certain Rural Areas Act 94 , 1998	Continuous until 12 identified areas completed

<b>Programme 5: Old business (rental housing)</b>	<b>Management of rental housing</b>				
5.1 Subprogramme 5.1:	Administration				
Complete the compendium of debt management policies	A compendium of debt management policies	Personnel and administrative expenditure	Amounts collected	In terms of policies and legislation	Continuous
Effectively administer Western Cape housing assets	Increased rental income				Continuous
Promote an orderly rental housing market	An awareness campaign regarding the Western Cape Rental Housing Tribunal  Improved relationships between owners and tenants		Number of disputes and complaints resolved		Continuous
5.2 Subprogramme 5.2:	Maintenance				
Ensure Western Cape housing assets are effectively maintained	Well-maintained properties Fewer complaints	Budgetted amount	Number of properties maintained and capital spent	Satisfied tenants and communities	Continuous
5.3 Subprogramme 5.3:	Transfer of Rental Stock				
Facilitate the transfer of the maximum number of properties to individuals	Properties transferred Increased home ownership	Valuations, surveys, transfer costs	Number of properties to individuals	Home ownership Economic empowerment	Continuous
5.4 Subprogramme 5.4:	Sale of Rental Stock				
Sell maximum number of properties	Properties sold Increase home ownership	Valuations, surveys, transfer costs	Number of properties sold	Ownership Economic empowerment	Continuous
5.5 Subprogramme 5.5:	Management of Rental Stock				
Ensure an effective and efficient debt management process	Reduced debt Regular payment of rental Increased funding for housing	Income budgetted Budget in respect of rates and services	Quarterly statements issued  Reduction in debt  Amounts collected and paid	In terms of policies  Improved debtor management	Continuous

5.6 Subprogramme 5.6:	Devolution of Rental Stock				
Devolve housing stock and other properties to municipalities	Units and properties devolved  Reduced rental income  Reduced rates and service costs	Transfer costs	Number of properties devolved	In terms of policy and legislation	Continuous

<b>Programme 6: Excess staff</b>	<b>Restructuring</b>				
Effectively manage excess staff	Suitable placement of staff  Granting of Severance Packages	Personnel and administration expenditure	Reduction in number of excess staff	DTT and IDTT reports	In terms of Resolution 7/2002

### B3 Performance targets and MTEF budgets

<b>Table 2</b>									
Objective	Output	Performance Measure	Monitoring Mechanism	2001/02 Actual (R'000)	2002/03 Actual (R'000)	2003/04 Target (R'000)	2004/05 Target (R'000)	2005/06 Target (R'000)	% change over MTEF
<b>1. Programme 1</b>				17 374	17 155	18 292	19 182	21 085	15,3
1.1: Office of the Minister of Housing				1 731	1 787	2 100	2 250	2 300	9,5
Conduct and manage the Office of the Minister of Housing	An efficient and well-run Ministry A satisfied Minister	Efficient and timeous response to queries, correspondence Speedy response to questions raised in the legislature	Regular management meetings with minister						
1.2: Corporate: Service				15 643	15 368	16 192	16 932	18 785	16,0
A work-study investigation and implementation of recommendations	Restructured establishment	The costs within the pre-determined personnel cost structure and to be completed in terms of timeframes	Applicable legislation, regulations and workstudy principles						
Develop and implement a skills development plan	A well developed and effective personnel corps	Completion of tasks Efficient service delivery	Personnel as identified						

<b>2. Programme 2</b>				20 682	26 341	25 939	28 285	29 977	15,6
2.1: Planning				8 273	10 536	10 376	11 314	11 991	15,6
Allocate funds to municipalities	Fair distribution of funding based on the Provincial Housing Plan	In terms of statistics as provided by the housing plan	Continuous evaluation monitoring of expenditure.						
	Financially empowered municipalities able to plan housing provision appropriately	Expenditure of Conditional Grant	Publication in the government gazette.						
	Implementation of approved projects		Housing Subsidy System and monthly financial reports.						
			IDP's of municipalities						
Promote housing policy and assist municipalities and developers	Capacitated developers and municipalities	Number of applications received	Housing Code IDP's						
	Project applications								
Evaluate and approve projects	Approved projects and signed agreements	Number of projects and housing opportunities approved	Housing Code IDP's NHBRC						
Research, develop and communicate policy	Effective policies	Number of policies	Effectivity and applicability of policy to changing environment and needs of						
	Well informed housing functionaries	Empowered municipalities							
		Number of Workshops	beneficiaries						

Undertake skills audit and gap analysis of municipalities	Training and development programmes  Empowered municipal officials	Number of officials empowered	Number of courses offered  Number of project applications						
Present Western Cape Housing Plan to municipalities	Synergy in housing development at municipal level	Visits to municipalities	Housing Subsidy System  Number of project applications						
2.2: Subsidy administration				12 409	15 805	15 563	16 971	17 987	15,6
Process subsidy applications and pay claims	Effective and efficient subsidy administration process  Maximum number of beneficiaries approved and subsidies paid out	Personnel and administrative costs  Number of subsidy applications processed  Number of housing opportunities	Housing Code						
Ensure that housing funds are spent in terms of applicable procedures and principles	All funds are spent  Housing product that conforms to norms and standards	Number of housing opportunities	Housing Code and Standards						



<b>3. Programme 3</b>				325 861	378 860	423 282	446 035	473 136	11,8
<b>3.1: Project Linked</b>				323 417	376 019	237 807	233 690	249 587	5,0
To provide project linked subsidies to qualifying beneficiaries in terms of housing policy	10 000 subsidies approved and processed	Number of applications received, processed and paid out	Housing Code Housing Subsidy System						
<b>3.2: Individual Subsidies</b>						30 000	30 000	30 000	0,0
To provide individual subsidies to qualifying beneficiaries in terms of housing policy	1 500 subsidies approved and processed	Number of applications received, processed and paid out	Housing Code Housing Subsidy System						
<b>3.3: People's Housing Process</b>						30 000	40 000	50 000	66,7
To provide subsidies to qualifying beneficiaries in terms of housing policy	2 000 subsidies approved and processed	Number of applications received, processed and paid out	Housing Code Housing Subsidy System						
<b>3.4: Consolidated Subsidies</b>						60 000	60 000	60 000	0,0
To provide consolidated subsidies to qualifying beneficiaries in terms of housing policy	3 000 subsidies approved and processed	Number of applications received, processed and paid out	Housing Code Housing Subsidy System						
<b>3.5: Institutional Subsidies</b>						26 000	30 000	30 000	15,4
To provide institutional subsidies to qualifying beneficiaries in terms of housing policy	1 000 subsidies approved and processed	Number of applications received, processed and paid out	Housing Code Housing Subsidy System						
<b>3.6: Hostel subsidies</b>						5 000	5 000	5 000	0,0
To provide subsidies to upgrade hostels in	Refurbished hostels to single	Number of units upgraded	Monthly and quarterly reports						

terms of housing policy	and family quarters		Local negotiating groups						
3.7: Relocation Subsidies						8 500	10 000	10 000	17,7
To provide relocation subsidies to qualifying beneficiaries in terms of housing policy	400 subsidies approved and processed	Number of applications received, processed and paid out	Housing Code Housing Subsidy System						
3.8: Disaster/ Emergency relief				2 444	2 841	3 175	3 345	3 549	11,8
To provide emergency assistance to municipalities	Families assisted Improved living conditions	Amounts spent	Audited financial statements from municipalities						
3.9: Rural Housing						2 500	4 000	5 000	100
To provide rural housing subsidies to qualifying beneficiaries in terms of housing policy	100 subsidies approved and processed	Number of applications received, processed and paid out	Housing Code Housing Subsidy System						
3.10: Savings-Linked						20 300	30 000	30 000	47,8
To provide savings subsidies to qualifying beneficiaries in terms of housing policy	1 000 subsidies approved and processed	Number of applications received, processed and paid out	Housing Code Housing Subsidy System						

<b>4. Programme 4</b>				7 182	26 890	15 000	15 810	13 711	(8,6)
<b>4.1: Urban renewal</b>						1	1	1	0,0
Promote and support the upgrading of informal settlements	Access to basic services  De-densified settlements (in certain areas)	Personnel and administration expenditure  Settlement assistance allocation  Number of families with access to basic services	Monthly monitoring and site inspections						
Support the macro planning of identified urban nodes	Functional and integrated formal townships	Settlement Assistance allocation	In terms of approved business plans						
<b>4.2: Human Settlements</b>				7 182	26 890	14 999	15 809	13 710	(8,6)
Create integrated and functional settlements	Improved living environment  Access to basic services  De-densified settlements	Spend total HSRP allocation on approved projects within guidelines  Housing subsidies  Number of sustainable townships	HSRP prescripts  Housing Code  Norms and Standards						
Promote alignment of different budgets	Integrated development	Number of integrated projects	Integrated plans						

Support the administration of Act 9/1987 Rural Areas as well as the finalisation of the transformation process	Autonomous management of commonage areas integrated into municipalities	Number of transformed areas	12 identified Act 9/1987 areas						
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<b>5. Programme 5</b>	<b>Old Business (Rental Housing)</b>			10 154	10 107	36 040	37 357	37 955	5,3
<b>5.1: Administration</b>				10 154	10 107	11 040	12 357	12 955	17,4
Effective and efficient administration of rental housing	Increased income Improved debtor records Improved owner/tenant relationship	Personnel and administration cost  Amount collected  Number of complaints and disputes	Approved policies Legislation						
<b>5.2: Maintenance</b>						3 000	3 000	3 000	0,0
Ensure Western Cape housing assets are effectively maintained	Well-maintained properties  Fever complaints.	Budgetted amount	Number of complaints received						
<b>5.3: Transfer of rental stock</b>						3 000	3 000	3 000	0,0
Transfer of the maximum number of properties to individuals	Units transferred  Increased home ownership	Number of properties transferred	In terms of the Housing Act 107, 1997 (as amended)  In terms of approved policies						
<b>5.4: Sale of rental stock</b>						2 000	2 000	2 000	0,0
Facilitate the sale of the maximum number of housing assets	Properties sold  Increased home owners  Income generated	Number of properties sold  Income received	Approved policies						

5.5: Management of rental stock						14 000	14 000	14 000	0,0
Ensure an effective and efficient debt management process	Reduced debt Regular payment of rental Increased funding for housing Improved debtor management	Income received against budge.  Budget in respect of rates and services	Approved policies  Budgetted income						
5.6: Devolution of stock						3 000	3 000	3 000	0,0
Devolve housing stock and other properties to municipalities	Units and properties devolved  Reduced rental income  Reduced rates and service costs	Number of properties devolved	Policy and legislation						

<b>6. Programme 6</b>				793	833	977	351	-	(100)
6.1:Restructuring				793	833	977	351	-	(100)
Effectively manage excess staff	Rationalised staff complement  Suitable placement of staff  Severence Packages	Reduction in number of supernumeraries	Quarterly monitoring on PERSAL  DTT and IDTT reports						

#### B4 Reconciliation of budget plan by programme

<b>Table 3</b>								
Subprogramme	Year-2 2000/01 (actual)	Year-1 2001/02 (actual)	Base year 2002/03 (Estimated actual)	Average Annual change (%) <sup>1</sup>	Year 1 2003/04 (budget)	Year 2 2004/05 (MTEF projection)	Year 3 2005/06 (MTEF projection)	Average Annual Change (%) <sup>2</sup>
1.1 Office of the Provincial Minister	866	1 731	1 787	53,2	2 100	2 250	2 300	14,4
1.2 Corporate Services	10 222	15 643	15 368	25,2	16 192	16 932	18 785	11,1
<b>Total Programme: 1</b>	<b>11 088</b>	<b>17 374</b>	<b>17 155</b>	<b>27,4</b>	<b>18 292</b>	<b>19 182</b>	<b>21 085</b>	<b>11,5</b>
2.1 Planning	7 809	8 273	10 536	17,5	10 376	11 314	11 991	6,9
2.2 Subsidy Administration	11 714	12 409	15 805	17,5	15 563	16 971	17 986	6,9
<b>Total Programme: 2</b>	<b>19 523</b>	<b>20 682</b>	<b>26 341</b>	<b>17,5</b>	<b>25 939</b>	<b>28 285</b>	<b>29 977</b>	<b>6,9</b>
3.1 Project Linked <sup>(3)</sup>	341 466	323 417	376 019	5,1	237 807	233 690	249 587	(16,8)
3.2 Individual					30 000	30 000	30 000	
3.3 People's Housing Process					30 000	40 000	50 000	
3.4 Consolidation					60 000	60 000	60 000	
3.5 Institutional					26 000	30 000	30 000	
3.6 Hostel Subsidies					5 000	5 000	5 000	
3.7 Relocation Subsidies					8 500	10 000	10 000	



Subprogramme	Year-2 2000/01 (actual)	Year-1 2001/02 (actual)	Base year 2002/03 (Estimated actual)	Average Annual change (%) <sup>1</sup>	Year 1 2003/04 (budget)	Year 2 2004/05 (MTEF projection)	Year 3 2005/06 (MTEF projection)	Average Annual Change (%) <sup>2</sup>
3.8 Disaster/Emergency Programme					3 175	3 345	3 549	
3.9 Rural Housing					2 500	4 000	5 000	
3.10 Savings-linked					20 300	30 000	30 000	
<b>Total Programme: 3</b>	341 466	325 861	378 860	5,5	423 282	446 035	473 136	12,4
4.1 Urban Renewal					1 <sup>(4)</sup>	1	1	
4.2 Human Settlements	9 998	7 182	26 890	84,5	14 999	15 809	13 710	(24,5)
<b>Total Programme: 4</b>	9 998	7 182	26 890	84,5	15 000	15 810	13 711	(24,5)
5.1 Administration	8 405	10 154	10 107	10,1	11 040	12 357	12 955	14,1
5.2 Maintenance					3 000	3 000	3 000	
5.3 Transfer of rental stock					3 000	3 000	3 000	
5.4 Sale of rental stock					2 000	2 000	2 000	
5.5 Management of rental stock					14 000	14 000	14 000	
5.6 Devolution of rental stock					3 000	3 000	3 000	
<b>Total Programme: 5</b>					36 040	37 357	37 955	
6.1 Restructuring	881	793	833	(2,7)	977	351		(50,0)
<b>Total Programme: 6</b>	881	793	833	(2,7)	977	351		(50,0)
<b>TOTAL VOTE</b>	391 361	382 046	460 186	8,8	519 530	547 020	575 864	12,6

1. Average annual change between year-2 and base year.
2. Projected average annual change between base year and year 3.
3. Until 31 March 2003 the funds were transferred in bulk to the Western Cape Housing Development Fund (WCHDF). As from 1 April, the WCHDF was disestablished, all expenditure is now reflected in more detail under this programme, however it is not possible to reflect past transfers to the same extent.
4. Only a nominal R1 000 is provided for as business plans are subject to approval by the national Department of Housing.

## B5 Medium-term revenues

### B5.1 Summary of revenue

#### **SUMMARY OF REVENUE: DEPARTMENT HOUSING**

R'000	2000/2001 (Actual)	2001/02 (Actual)	2002/03 (Est. Actual)	2003/04	2004/05 MTEF	2005/06 MTEF
Voted By Legislature	39 720	44 655	67 613	57 586	61 598	65 440
Conditional grants	350 976	336 991	392 360	436 782	460 345	485 347
Other (Own Revenue)	665	400	213	25 162	25 077	25 077
<b>Total Revenue</b>	<b>391 361</b>	<b>442 335</b>	<b>460 186</b>	<b>519 530</b>	<b>547 020</b>	<b>575 864</b>

### B5.2 Departmental revenue collection

#### **DEPARTMENTAL REVENUE COLLECTION: DEPARTMENT HOUSING**

R'000	2000/2001 (Actual)	2001/02 (Actual)	2002/03 (Est. Actual)	2003/04	2004/05 MTEF	2005/06 MTEF
CURRENT REVENUE						
Tax revenue						
Non-tax revenue	665	400	213	25 162	25 077	25 077
<b>Departmental Revenue</b>	<b>665</b>	<b>400</b>	<b>213</b>	<b>25 162</b>	<b>25 077</b>	<b>25 077</b>

### B5.3 Conditional grants

The Department receives two conditional grants.

- 1 Housing Subsidy Grant used for housing subsidies in terms of the subsidy programmes.
- 2 The Human Settlement Redevelopment Grant is used to eradicate dysfunctionalities in human settlements.

## **B6 Co-ordination, co-operation and outsourcing plans**

### B6.1 Interdepartmental linkages

- The Department has linkages with the national Department of Housing and other provincial departments.
- The Department formulates legislation and policy within the national legislation and policy guidelines set by the national department.
- Co-ordination is done through regular heads of housing and task team meetings and reports to national Department of Housing when requested.

### B6.2 Local government linkages

- Housing funds are allocated to municipalities as determined in the Provincial Housing Plan.
- The Department allocates funds to municipalities for development of housing projects.

### B6.3 Public entities

The Department is responsible for the Western Cape Housing Development Board.

### B6.4 Public, private partnerships, outsourcing

None

## **B7 Financial management**

### B7.1 Strategies to address audit queries

Audit queries are addressed and finalised within 14 days of receipt.

### B7.2 Implementation of PFMA

A Chief Financial Officer (CFO) for the Department was appointed on 1 March 2001 to assist the Accounting Officer in his responsibilities as set out in part 2 of Chapter 5 of the PFMA.

In the process of restructuring the Department is considering the establishment of a financial inspectorate to ensure compliance with the PFMA and housing code and other prescripts.

# **PART C: BACKGROUND INFORMATION**

## **C1 Appendix one: Analysis of service delivery environment**

The service delivery environment comprises of the following external elements:

- Existing housing and development related policies and legislation
- Municipalities
- Financial institutions and organisations
- Beneficiary communities
- Contractors
- Incidence of HIV/AIDS

Housing delivery takes place in terms of laws and policies that are determined at national level. The Department, along with other provinces are represented on various national task teams.

Municipalities are responsible for rendering municipal services to their communities and, in terms of the procurement policy applicable to housing, are now also expected to act as developers in the housing delivery process. Very few municipalities, if any, have sufficient capacity to take up the role as developer.

Financial institutions and organisations involved in the funding of house construction are very important role players who have to date, not taken up their full role and they are under huge pressure to provide the necessary finance.

Beneficiary communities, who are the potential owners of the products provided with state funding are poor and in many instances not able to afford the maintenance of the houses that they are getting from the state, which results in informal sales that are not officially recorded. It is possible that a person who has received a subsidy can lose his/her property and not be eligible for state assistance in future. The environment is further affected by the ever-increasing incidence of HIV/AIDS in this province, as in the rest of the country.

All the above mentioned elements impact upon the ability of the Department to perform its functions.

### **C1.1 Policy changes and trends**

In the housing environment, policy changes occur continuously and adjustments have to be made accordingly. The impact of the changes varies from minimal to huge and they have a distinct impact on the ability of the Department and also the developers to fulfil all their obligations. The latest changes to have significantly influenced performance have been those surrounding the introduction of the new procurement procedures for subsidised housing as well as the introduction of a cash contribution to be made by beneficiaries in order to qualify for the capital subsidy. The impact has been a reduction in the number of new projects that have been approved during the 2002/03 financial year. Another burning issue at present centres around the right of owners to evict defaulters from rental units. The impact of this is that the provision of rental accommodation by municipalities under certain housing programmes as well as the Institutional Subsidy Programme is expected to become a far less attractive option to developers than it had been previously.

## C1.2 Environmental factors and emerging challenges

### C1.2.1 Demographic profile of the province

#### HOUSING BACKLOG

The estimated housing backlog in the Western Cape as at 2001 is 316 000. The spread of the backlog is as shown in table 4. The backlog per population group is not available as housing development is undertaken on an integrated non-racial basis and separate figures are not kept for the specific race groups.

**Table 4: Backlog per district municipal area**

	<b>Backlog</b>	<b>%</b>
<b>Cape Town</b>	218 040	69
<b>Breede River</b>	31 600	10
<b>Overberg</b>	12 640	4
<b>Central Karoo</b>	12 640	4
<b>South Cape</b>	25 280	8
<b>West Coast</b>	15 800	5
<b>TOTAL</b>	<b>316 000</b>	<b>100</b>

### C1.2.2 Employment, income and other information

On average the economic situation in the Western Cape is better than most other provinces. As a result of this, along with better than average health and education services, the province experiences an influx of people in search of a better life. The impact of this on the housing environment is an unprecedented incidence in informal settlements and aggravated demand for housing. A further complication is that informal settlements are often on land that is unsuitable for housing that necessitate relocation on a priority basis because of flooding and other health risks. This is construed by long-term residents to be queue-jumping and causes tensions and violence in and between communities.

**Table 5: Backlog per income band**

<b>Income Band</b>	<b>Backlog</b>	
	<b>Number</b>	<b>%</b>
<b>R3 500 – R2 500</b>	45 504	14,4%
<b>R2 500 – R1 500</b>	70 468	22,3%
<b>R1 500 – R1 000</b>	65 412	20,7%
<b>R1 000 – R0</b>	134 616	42,6%
<b>Total</b>	<b>316 000</b>	<b>100%</b>

**Table 6: Backlog per Urban/Rural split**

Area	2001 Backlog	
<b>A. Urban</b>	<b>270 500</b>	<b>85%</b>
City of Cape Town	218 040	
Other major towns (7)	39 960	
Coastal Towns	12 500	
<b>B. Rural areas</b>	<b>45 500</b>	<b>15%</b>
Rural towns	30 500	
Other rural	15 000	
<b>Total</b>	<b>316 000</b>	

### C1.2.3 Housing profile of people in the province

The most important health aspects to be taken into account in the housing programme, are the incidence of HIV/AIDS and Tuberculosis.

The Department has policies in place that provide for housing support of HIV/AIDS victims and orphans. This policy ranges from the availability of land to welfare organisations to housing subsidies for HIV/AIDS sufferers.

The factors such as overcrowding, poor ventilation, dampness, etc., compounding tuberculosis are addressed by the norms and standards.

The greatest housing need in the Western Cape is in the Cape Metropolitan area. Nearly 70 % of the backlog is in this area. The Cape Metropolitan area is characterised by a prevalence of informal areas. Many persons also live in garages, rooms or backyard shacks and are major participants in the informal rental housing market.

### C1.3 Evaluation of current implementation performance

There has been considerable progress with initiatives identified to improve the quality of life of inhabitants of flood-prone areas on the Cape Flats, with the project for the installation of services to 5 000 sites at Mfuleni having been substantially completed. Furthermore, two portions of land were purchased at Wallacedene and a project consisting of 8500 units has been conditionally approved.

The Department, along with other role-players, completed a handbook dealing with the upgrading of informal settlements that will serve as guideline to municipalities. This handbook will be of significant use to municipalities throughout the province and, possibly, throughout the country.

The Western Cape Housing Strategy and 3 year Business Plan was accepted by the Standing Committee and submitted to the national Department of Housing as the official plan for housing delivery in the Province.

During the 2002/03 financial year a total of 26 000 subsidy applications were screened and approved.

In order to ensure orderly housing development, municipalities have been advised of the funds to be made available to them over the entire MTEF period so that they can plan and initiate housing delivery projects on a structured basis in line with their integrated development plans.

Given the significant changes in housing policy during the 2002/03 period, sound communication between all role-players within the housing arena became of critical importance. Five workshops were held, attended by 351 municipal and provincial officials, at which policy changes in housing, such as the procurement policy, the role of the National Home Builders Registration Council in subsidised housing and the Phasing Out programme, were communicated. In addition to this, a series of eight workshops were held throughout the province attended by 380 municipal officials, councillors, developers and other interested parties.

Two formal courses on Housing Management were presented at the Stellenbosch Business School. A total of 98 officials attended.

The Rental Housing Tribunal functioned well and a total of 2468 complaints were received and investigated.

A draft policy on the provision of housing to HIV/ Aids victims and orphans was completed and workshops held with sister departments and other role-players in housing.

The Department visited various municipalities in order to conduct informative work sessions on the proactive and reactive management of land invasions and unlawful occupation of land. In addition, a handbook dealing with preventative or proactive and reactive steps regarding land invasions or unlawful occupation of land, for use by municipalities and other interested parties, was completed.

An amount of R 1,971 000 was allocated to municipalities in the form of transfer payments regarding settlement assistance (rudimentary services: toilets and water for domestic use) in Elsiesrivier, Red Hill, Southfield and Wallacedene informal settlements.

The amended to the Western Cape Housing Development Act has been initiated to provide for the disestablishment of the Western Cape Housing Development Board and to provide for the establishment of as Advisory Panel to the Minister.

The debtor system was improved to such and extent that the Department is able to provide all its debtors with quarterly statements reflecting their financial obligations.

## **C2 Appendix two: Organisational information and the institutional environment**

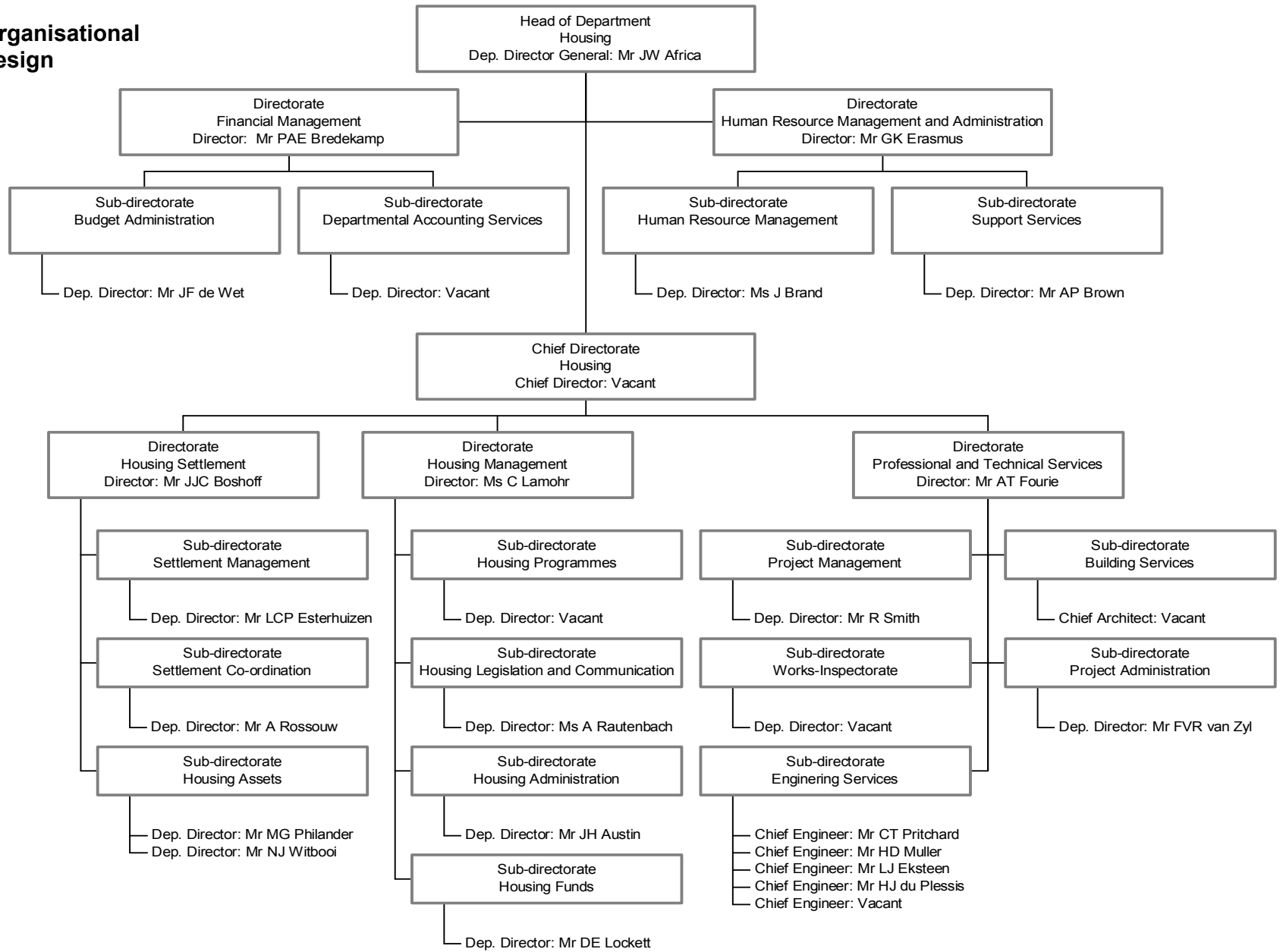
The internal environment is as follows:

- Inappropriate organisational structure;
- Insufficient funding;
- Inadequate management systems;
- Problems with the practical implementation of policies.

The strategic objectives of the Department address the shortcomings in respect of the organisational structure. Although the Department is accessing all possible sources of funding such as the separate operating accounts of municipalities and loans to municipalities by the Development Bank of South Africa , it must be conceded that both these measures are inadequate given the housing demand in the province.

The national Department of Housing is the principal of the management systems such as the Financial Management System (FMS), Debtor System and Housing Subsidy System (HSS). The shortcomings have been brought to their attention and are being addressed. Problems with the practical implementation of policies have been addressed by the adoption of an interim policy that will serve until such time as proper guidelines are in place.

## C2.1 Organisational design





## C2.2 Delegations

All delegations are in place and are on record . These delegations relate to:-

- (1) Finance;
- (2) Human Resource Management;
- (3) Procurement;

Monitoring and management of delegations are done by the Chief Financial Officer, Internal as well as External Auditors.

## C2.3 Capital investment, maintenance and asset management

### C2.3.1 Long term capital investment and asset management plans

The Department has a number of housing properties, details of which are reflected in a property register. The condition of housing stock is generally speaking in a medium state of repair, with backlog maintenance continuously being attended to whilst day-to-day and emergency maintenance are done on demand.

A compendium of housing property policies is in place. The Department is engaged in an on-going process of devolving properties to municipalities in terms of applicable housing legislation.

### C2.3.2 Capital investment plan

None

## C2.4 IT systems

### **Acquisition of information technology**

All computer systems and management information systems that enable the Department to monitor and fulfil its core functions are taken up in the Master Systems Plan (MSP) of the Department. This MSP is updated regularly taking into account changes in need, budgetary constraints, changing environment, etc. This plan was compiled and is adjusted in collaboration with the Chief Directorate: Information Technology (Department of Provincial Administration) and approved by the Central Information Technology Committee (CITCOM).

### **Expansion of information technology**

Any expansion of the computer systems and management information systems is done in collaboration with the Chief Directorate: Information Technology (Department of Provincial Administration) and approved by CITCOM.

## C2.5 Performance management system

The Department applies the Staff Performance Management System for all staff including SMS members as developed by the DPSA and adapted by the WCPA. The system is based on a performance appraisal having pre-set and agreed objectives and outcomes. The system makes provision for four appraisal interviews per year and an incentive scheme based on prescribed guidelines.

## C2.6 Financial management

All staff members were introduced to the new financial legislation by means of information sessions by the Provincial Treasury, applicable documentation and training sessions in order to ensure that they have a background knowledge of the norms and standards of the Public Finance Management Act (PFMA), the National Treasury Regulations (NTR's) and the Provincial Treasury Instructions (PTI's). All newly appointed staff will, in future, also undergo similar training and personnel will also be nominated for courses presented by the Provincial Treasury. Structured departmental information sessions were also introduced in the middle of the financial year.

A Chief Financial Officer (CFO) for the Department was appointed on 1 March 2001 to assist the Accounting Officer in his responsibilities as set out in part 2 of Chapter 5 of the PFMA.

Regular reporting is done to the Provincial Treasury to ensure that the Department is on track with the implementation of the PFMA. The centralised Internal Audit Component of the Provincial Administration also monitors the implementation of the PFMA in the Department.

Financial delegations in terms of part 3 of Chapter 5 of the PFMA, as well as in terms of the new NTR's (9 April 2001) and PTI's were updated and issued during the financial year.

Financial processes and procedures in respect of the Treasury Instructions and the Exchequer Act have been adapted and issued in terms of the PFMA, NTR's and PTI's. As the need arises, new procedures are developed and issued in terms of the new legislation and regulations.

An amended Fraud Prevention Plan was implemented on 30 June 2001 in terms of the Public Finance Management Act, 1999 (Act No 1 of 1999) (as amended) and has as objective that:

- (a) the policies, procedures, rules, regulations and other government prescripts, including human resources policies be strictly adhered to;
- (b) the disciplinary code and procedures be applied and supervisors be trained in the application of the process thereof;
- (c) the prescribed internal control measures within policies, procedures, rules, regulations and other official prescripts be applied and adhered to;
- (d) a risk management plan be implemented in liaison with the Internal Audit Unit of Provincial Administration: Western Cape;
- (e) structured programme of ongoing risk assessment be introduced and maintained;
- (f) a Fraud Prevention Committee be established with terms of reference as set out in appendix 4 of the Plan;
- (g) the code of ethics and business conducts, as well as the Code of Conduct for the Public Service be respected and applied by all officials;
- (h) the Fraud Policy and Response Plan be supported and adhered to and that officials foster a culture of zero tolerance to corruption, fraud, theft and mal-administration by all individuals;
- (i) record be kept in respect of all allegations of fraud, as well as losses or damages suffered through criminal or possible criminal acts or omissions. In this regard officials were made aware of the Fraud Line 080-122-6545;

- (j) physical security be tightened. Officials again be made aware of the Search Policy;
- (k) an awareness campaign be lodged, firstly by means of educational workshops and secondly by the use of posters, and
- (l) ongoing maintenance and review of the Plan be done.

The Plan was developed by the Internal Audit component of the Province.

## C2.7 Audit queries

No formal audit queries were issued by the Office of the Auditor-General over the past few years in respect of the Vote. Management letters were replied on to the satisfaction of the Office of the Auditor-General. The reports were tabled in the Provincial Parliament as part of the Annual Report of the Department.

## C2.8 Internal audit

### **Legal requirements**

The Public Finance Management Act, 1999, was implemented with effect from 1<sup>st</sup> of April 2000, and Section 38 (1) (a) requires accounting officers to "... ensure an effective, efficient and transparent system of financial and risk management and internal control, as well as a system of internal audit under the control and direction of an audit committee....".

Treasury Instruction 3.1.11 (a) requires the audit committee to evaluate the financial statements of the Department for reasonability and accuracy, and to report on the effectiveness of internal controls of the Department.

### **Management responsibility**

The accounting officer is responsible for guiding departmental strategy, major plans of action, risk policies, annual budgets and business plans, monitoring departmental performance and establishing best management practices.

### **Audit Committee responsibility**

The Provincial Administration of the Western Cape has a centralized Audit Committee and internal audit component. The Audit Committee has adopted a written charter that sets out the scope of their activities and authorities. During the first year of implementation the audit committee addressed their responsibilities in terms of the charter.

The activities of the Internal Audit component are mandated, although it is not adequately resourced to audit all the high-risk areas in the Department.

The work performed by the Internal Audit component, which complies with the requirements of the Institute of Internal Auditors to audit both the adequacy and effectiveness of internal controls.

### **Risk management and internal control mechanisms**

The control framework is designed to provide reasonable assurance regarding the achievement of departmental objectives in the following categories:

- The maintenance of proper accounting records and the reliability of financial information used within the Department;

- Compliance with applicable laws, regulations and codes of conduct;
- The detection and minimizing of significant risks associated with fraud, potential liability and loss, including the safeguarding of assets;
- Managing potential conflicts of interest of management; and
- The effectiveness of operations. The key internal control procedures could be summarized as follows:

#### *Risk management*

A risk model was prepared for the Department indicating high-level risks that will impact on achieving objectives. Further developments included the breakdown of the risk model onto processes of corporate governance, risk management and control. The process level risk model will be completed during the new financial year.

#### *Information and communication*

The Department has a comprehensive process of annual budgets and detailed monthly reporting. The accounting officer and his management team review the annual budget and actual expenses on a continuous basis.

#### *Monitoring processes*

The system of internal control is continually monitored and where necessary modified. The Department's systems are designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorisation. Monitoring processes include management review and testing by internal auditors. Testing of financial transactions are performed by the external auditors.

#### *Compliance*

The Department maintains a system of compliance auditing with relevant laws, regulations and policies, and with the code of conduct. A fraud prevention plan was developed and implemented during the 2001/02 financial year. The internal auditors assess the effectiveness of internal controls independently and recommend improvements.

#### *Overall effectiveness*

The effectiveness of internal control systems within the Department is subject to inherent limitations, including the possibility of human error and deliberate overriding controls. It is thus recognised that internal control systems can only provide reasonable assurance against any material misstatement and loss.

Management maintains adequate accounting records, although effective management information is not consistently available to ensure the achievement of objectives. Management continues to maintain systems of internal control through a regular and pro-active process of auditing and correction.

### C2.9 Implementation of PFMA

#### ACTION PLAN FOR THE IMPLEMENTATION OF THE PUBLIC FINANCE MANAGEMENT ACT, 1999

#### **Key performance measure (KPM): Compliance with norms and standards TEN (10) IMMEDIATE STEPS**

1. Establish effective support organisational structures for the CFO by 1 April 2003.
2. In-year management, monitoring and reporting.
3. Completing departmental implementation plans.
4. Compliance with existing internal controls ( National Treasury Regulations, Provincial Treasury Instructions and Departmental Finance Instructions).
5. Improve planning and control of transfers.
6. Control suspense accounts.
7. Delegations of responsibilities to relevant officials and train them on the delegations.
8. Clear up audit queries.
9. Finalise financial statements by 31 May 2003 for 2002/2003 financial year.
10. Ensure oversight over Public Entities as prescribed by the PFMA, 1999.