

# Vote 8

## Human Settlements

R thousand	2016/17			
	Main appropriation	Adjusted appropriation	Decrease	Increase
Operational budget	3 485 112	3 530 377		45 265
MEC remuneration				
<b>Total amount to be appropriated</b>	<b>3 485 112</b>	<b>3 530 377</b>		<b>45 265</b>
<i>of which:</i>				
Current payments	422 620	437 371		14 751
Transfers and subsidies	3 028 198	3 066 788		38 590
Payments for capital assets	34 294	26 199	(8 095)	
Payments for financial assets	-	19		19
Responsible MEC	MEC for Public Works and Human Settlements <sup>1</sup>			
Administering department	Human Settlements			
Accounting Officer	Head: Human Settlements			

### 1. Vision and mission

#### Vision

The vision of the department is: *Together breaking new ground to achieve decent, integrated and sustainable human settlement patterns.*

#### Mission

The mission of the department is: *To deliver 200 000 suitably located housing opportunities and security of tenure over the next five years through collaborative partnership, legislative planning processes and empowerment of women in construction.*

### 2. Strategic objectives

**Strategic policy direction:** By focussing on its role of achieving decent, integrated and sustainable housing opportunities and security of tenure, the department seeks to align its operations and strategic position with the overall aim of government to achieve accountability and effective service delivery for all citizens. The strategic objectives of the department are summarised as follows:

- Ensuring the financial viability of the department.
- Provision of skilled human resources.
- Accelerating urban housing opportunities.
- Accelerating the creation of rental housing opportunities, and implementing projects that ensure spatial, social and economic integration.
- Identifying and implementing rectification projects to ensure transfers and home ownership.

### 3. Summary of adjusted estimates for the 2016/17 financial year

The main appropriation of the department was R3.485 billion in 2016/17. During the year, the department received an additional allocation totalling R45.265 million. The main reasons for this increase, as well as other adjustments, are summarised below, and are explained in detail in Section 4.

<sup>1</sup> The salary of the MEC for Human Settlements is budgeted for under Vote 14: Public Works

- *Virement between programmes:* The following virements were undertaken across programmes:
  - Savings of R1.216 million were identified in Programme 1: Administration under *Goods and services* in respect of various items, such as training and development, legal costs, communications, as well as travel and subsistence costs. The department had to reduce costs through cost-cutting and enforced savings due to expenditure pressures within the department.
  - Savings of R1.213 million were identified in Programme 2: Housing Needs, Research and Planning under *Goods and services* due to delays in the implementation of capacity building programmes against items such as training, reduction of costs in respect of travel and subsistence, as well as provision made for the purchase of minor assets such as office furniture, which was put on hold due to expenditure pressures in the department.
  - Furthermore, net savings of R2.803 million were identified in Programme 3: Housing Development, mainly under *Transfers and subsidies to: Households* in the Administration sub-programme due to slow progress in respect of servicing of sites which is the responsibility of the department in terms of the APP. Also contributing to the savings, was slow progress in respect of the restoration of title deeds in respect of a backlog in issuing of these title deeds. The departmental Serviced Sites Task Team has devised a strategy for this programme, via a policy that has been drafted. The department has engaged the Housing Development Agency (HDA) to assess department-owned sites to use such serviced sites using the Finance Linked Individual Subsidy Programme (FLISP) and other subsidy instruments. This is still in progress and, as a result, the procurement process for the professionals to undertake the servicing of sites was delayed thus resulting in savings against this programme.
  - The above-mentioned savings, totalling R5.232 million, were moved to Programme 4: Housing Asset Management, Property Management under *Transfers and subsidies to: Departmental agencies and accounts*, which relates to the KZN Housing Fund. The movement of savings provides for leave gratuities and severance packages of 43 officials who took early retirement as a result of the anticipated dissolution of the Extended Enhanced Discount Benefit Scheme (EEDBS) in 2017, as well as payment made to the GEPP for 15 of these officials.

In addition to the above virements, the department undertook virements across sub-programmes and economic categories within programmes, as explained in detail in Section 4 below.

These virements are permissible in terms of the PFMA and Treasury Regulations. However, Legislature approval is required for the decrease in *Transfers and subsidies to: Households*. The department also moved funds out of *Building and other fixed structures* and *Machinery and equipment*, as discussed in detail later in this report, and the net reduction in capital also requires Legislature approval. The increase in *Compensation of employees* and transfers and subsidies was approved by Provincial Treasury.

- *Shifts:* The department undertook several shifts across programmes and economic classification, and the main areas are as follows:
  - An amount of R745 000 was shifted to *Goods and services* in the Corporate Services sub-programme under Programme 1 from Programmes 2 (R104 000), 3 (R459 000) and 4 (R182 000) against *Goods and services*, as well as *Transfers and subsidies to: Departmental agencies and accounts* as funds relating to the KZN Housing Fund are allocated against *Transfers and subsidies to: Departmental agencies and accounts* in line with an Auditor-General (A-G) finding in the 2013/14 audit. This relates to the centralisation of office equipment leases costs, where the department took a decision to place this under the Information Management component in Programme 1. The purpose of the funds remains unchanged.
  - There was also a shift of R31.278 million from *Transfers and subsidies to: Households* to *Transfers and subsidies to: Public corporations and private enterprises* within Programme 3 under the Incremental Interventions sub-programme. This relates to funds allocated for the implementation of the Military Veterans' Housing Project. The department entered into an agreement with Ithala Development Finance Corporation (Ithala) as an implementing agent for the construction of houses for military veterans. The purpose of the funds remains unchanged.

- *Other adjustments:* The department's budget allocation was increased by a net amount of R45.265 million, as explained below:
  - o R6.916 million was allocated to the department relating to funds returned by the National Housing Finance Corporation (NHFC). The department transferred funds to the NHFC in 2011/12 in order to assess, administer and manage Social Housing Programmes on behalf of the department. On completion and close-out of each project, the NHFC had to repay any unspent funds together with interest earned to the department. As at the end of 2015/16, the NHFC had not completed projects for which funding was transferred. These funds were returned to the Provincial Revenue Fund in 2015/16 and are now allocated back to the department for spending on various housing projects. This amount was allocated to *Transfers and subsidies to: Households* under Programme 3.
  - o R26.015 million was allocated back to the department in respect of funds returned by Khuboni Shezi Attorneys. These funds were paid into the Provincial Revenue Fund in December 2015 by Khuboni Shezi Attorneys in respect of unspent funds transferred by the department to the attorneys for the purpose of purchasing the Four Seasons Hotel in Durban, but which transaction was cancelled. The transfer of the property was not finalised at the time due to apparent fraud and corruption and the subsequent investigations that were carried out. An amount of R11 million was originally transferred, but this has since earned interest and the full amount of R26.015 million was returned to the department to be used to assist in addressing the housing backlog. This amount was allocated to *Transfers and subsidies to: Households* under Programme 3.
  - o R1.029 million was allocated to the department relating to the above-budget 2016 wage adjustment in respect of a 7.6 per cent increase as opposed to the 7.2 per cent provided for in the budget, leaving a shortfall of 0.4 per cent which the department could not fund from within its existing allocation. This was allocated to *Compensation of employees* (R849 000) across Programmes 1 to 3, as well as to *Transfers and subsidies to: Departmental agencies and accounts* (R180 000) in Programme 4. This fully compensates the department for the wage adjustment in 2016/17.
  - o R19 000 was allocated to the department relating to a SARS refund received by the department. The department intends to utilise these funds to cater for write-offs in respect of debit balances in the Salary Tax Debt account. This amount was allocated to *Payments for financial assets* under Programme 3.
  - o R11.286 million was received from the Department of Military Veterans in 2013/14 and 2014/15 and held in a suspense account since then. These funds have now been paid into the Provincial Revenue Fund and are thus allocated back to the department for spending on the Military Veterans Housing Project. This amount was allocated to *Transfers and subsidies to: Public corporations and private enterprises* under Programme 3 for transfer to Ithala who is the implementing agent for this project.

Tables 8.1 and 8.2 reflect a summary of the 2016/17 Adjusted Appropriation of the Department of Human Settlements, summarised according to programme and economic classification.

Details of the economic classification are given in *Annexure – Vote 8: Human Settlements*.

**Table 8.1 : Summary by programmes**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Administration	190 054	-	-	(1 216)	745	490	19	190 073
2. Housing Needs, Research and Planning	16 111	-	-	(1 213)	(104)	52	(1 265)	14 846
3. Housing Development	3 096 492	-	-	(2 803)	(459)	44 543	41 281	3 137 773
4. Housing Asset Management, Property Management	182 455	-	-	5 232	(182)	180	5 230	187 685
<b>Total</b>	<b>3 485 112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45 265</b>	<b>45 265</b>	<b>3 530 377</b>
<b>Amount to be voted</b>								<b>45 265</b>

Table 8.2 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Current payments</b>	<b>422 620</b>	-	-	13 720	182	849	14 751	437 371
Compensation of employees	284 340	-	-	4 793	-	849	5 642	289 982
Goods and services	138 280	-	-	8 527	182	-	8 709	146 989
Interest and rent on land	-	-	-	400	-	-	400	400
<b>Transfers and subsidies to:</b>	<b>3 028 198</b>	-	-	(5 625)	(182)	44 397	38 590	3 066 788
Provinces and municipalities	86 087	-	-	50	-	-	50	86 137
Departmental agencies and accounts	200 455	-	-	5 232	(182)	180	5 230	205 685
Higher education institutions	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	57 436	31 278	11 286	100 000	100 000
Non-profit institutions	-	-	-	-	-	-	-	-
Households	2 741 656	-	-	(68 343)	(31 278)	32 931	(66 690)	2 674 966
<b>Payments for capital assets</b>	<b>34 294</b>	-	-	(8 095)	-	-	(8 095)	26 199
Buildings and other fixed structures	31 454	-	-	(9 700)	-	-	(9 700)	21 754
Machinery and equipment	2 840	-	-	1 605	-	-	1 605	4 445
Heritage assets	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>	<b>-</b>	-	-	-	-	19	19	19
<b>Total</b>	<b>3 485 112</b>	-	-	-	-	45 265	45 265	3 530 377
<b>Amount to be voted</b>								<b>45 265</b>

#### 4. Changes to programme purposes and service delivery measures

There are no changes to the department's programmes purpose.

It is noted that there have been a few minor changes to service delivery measures to align the targets originally published in the 2016/17 *EPRE* with the department's APP, which was published after the 2016/17 *EPRE*, and this is explained in each programme, where applicable.

##### 4.1 Programme 1: Administration

The purpose of this programme is to identify and eliminate bottle-necks, as well as continuously improve the flow of financial, administrative and management information.

The strategic objectives of this programme are to strengthen governance and service delivery.

The programme provides for only one sub-programme, namely Corporate Services.

Tables 8.3 and 8.4 reflect a summary of the 2016/17 adjusted appropriation of Programme 1 summarised according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall increase of R19 000 in respect of this programme, are provided in the paragraphs following the tables.

Table 8.3 : Programme 1: Administration

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Corporate Services	190 054	-	-	(1 216)	745	490	19	190 073
<b>Total</b>	<b>190 054</b>	-	-	(1 216)	745	490	19	190 073
<b>Amount to be voted</b>								<b>19</b>

Table 8.4 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	187 155	-	-	(3 454)	745	471	(2 238)	184 917
Compensation of employees	117 659			(107)		471	364	118 023
Goods and services	69 496			(3 747)	745		(3 002)	66 494
Interest and rent on land				400			400	400
Transfers and subsidies to:	902	-	-	581	-	-	581	1 483
Provinces and municipalities	295			50			50	345
Departmental agencies and accounts							-	-
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households	607			531			531	1 138
Payments for capital assets	1 997	-	-	1 657	-	-	1 657	3 654
Buildings and other fixed structures				-			-	-
Machinery and equipment	1 997			1 657			1 657	3 654
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets						19	19	19
Total	190 054	-	-	(1 216)	745	490	19	190 073
Amount to be voted								19

### Virement – Programme 1: Administration: (R1.216 million)

Virements were undertaken within the Corporate Services sub-programme in Programme 1, which resulted in a net decrease of R1.216 million against the main appropriation. These adjustments are discussed in more detail below:

- Savings of R3.854 million were identified as follows:
  - Savings of R107 000 were identified against *Compensation of employees* as a result of officials that took early retirement.
  - Savings of R3.747 million were identified against *Goods and services* in respect of various items such as training and development, legal costs, communications, as well as travel and subsistence costs. The department had to reduce costs relating to these items through cost-cutting and enforced savings due to expenditure pressures experienced by the department.
- These savings were moved within the programme, as follows:
  - *Interest and rent on land* was increased by R400 000 due to interest on overdue accounts to the GEPP for claims in respect of employees who took early retirement in previous years.
  - *Transfers and subsidies to: Provinces and municipalities* was increased by R50 000, as a result of under-budgeting in respect of motor vehicle licence fees.
  - *Transfers and subsidies to: Households* was increased by R531 000 to fund staff exit costs which were higher than anticipated.
  - *Machinery and equipment* was increased by R1.657 million due to the payment of invoices from 2015/16 paid in 2016/17 in respect of the purchase of additional computers.
- The remaining R1.216 million was moved to Programme 4 which relates to the KZN Housing Fund under *Transfers and subsidies to: Departmental agencies and accounts* to cater for leave gratuities and severance packages of 43 officials who took early retirement due to the anticipated dissolution of the EEDBS in 2017, as well as payment to the GEPP for 15 of these officials, as mentioned above.

These virements are permissible in terms of the PFMA and Treasury Regulations.

### Shift – Programme 1: Administration: R745 000

An amount of R745 000 was shifted to the Corporate Services sub-programme against *Goods and services* from Programmes 2, 3 and 4. This relates to the centralisation of office equipment leases costs,

where the department took a decision to place this under the Information Management component in Programme 1. The purpose of the funds remains unchanged.

### Other adjustments – Programme 1: Administration: R490 000

An amount of R490 000 was allocated to the Corporate Services sub-programme, as explained below:

- R471 000 was allocated to *Compensation of employees* for the above-budget 2016 wage adjustment.
- R19 000 was allocated against *Payments for financial assets* relating to a SARS refund received by the department. The department intends to utilise these funds to cater for write-offs in respect of debit balances in the Salary Tax Debt account.

## 4.2 Programme 2: Housing needs, Research and Planning

The purpose of this programme is to develop tools to guide the department's investment decisions and to provide policy and support to the housing delivery process. In addition, the programme provides for the facilitation and integration of housing sector planning, education of stakeholders in housing sector planning, alignment of the housing budget with the current and future housing needs, and the capacitation of housing stakeholders for housing delivery through mentorship and training.

Programme 2 consists of four sub-programmes, in line with the uniform budget and programme structure of the Human Settlements sector, namely Administration, Policy, Planning and Research.

Tables 8.5 and 8.6 reflect a summary of the 2016/17 adjusted appropriation of Programme 2, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in an overall decrease of R1.265 million, are provided in the paragraphs after the tables.

**Table 8.5 : Programme 2: Housing Needs, Research and Planning**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Administration	410			(13)			(13)	397
2. Policy	4 246			58	(51)	52	59	4 305
3. Planning	3 717			(68)	(25)		(93)	3 624
4. Research	7 738			(1 190)	(28)		(1 218)	6 520
<b>Total</b>	<b>16 111</b>	<b>-</b>	<b>-</b>	<b>(1 213)</b>	<b>(104)</b>	<b>52</b>	<b>(1 265)</b>	<b>14 846</b>
Amount to be voted								<b>(1 265)</b>

**Table 8.6 : Summary by economic classification**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Current payments</b>	<b>16 111</b>	<b>-</b>	<b>-</b>	<b>(1 266)</b>	<b>(104)</b>	<b>52</b>	<b>(1 318)</b>	<b>14 793</b>
Compensation of employees	12 986			151		52	203	13 189
Goods and services	3 125			(1 417)	(104)		(1 521)	1 604
Interest and rent on land							-	-
<b>Transfers and subsidies to:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provinces and municipalities							-	-
Departmental agencies and accounts							-	-
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households							-	-
<b>Payments for capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>53</b>
Buildings and other fixed structures							-	-
Machinery and equipment				53			53	53
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>16 111</b>	<b>-</b>	<b>-</b>	<b>(1 213)</b>	<b>(104)</b>	<b>52</b>	<b>(1 265)</b>	<b>14 846</b>
Amount to be voted								<b>(1 265)</b>

**Virement – Programme 2: Housing Needs, Research and Planning: (R1.213 million)**

The department moved funds between programmes, sub-programmes and economic classifications to offset spending pressures, resulting in a net decrease of R1.213 million against the main appropriation of Programme 2. These adjustments are discussed in more detail below:

The following virements were undertaken from Programme 2 to Programme 4:

- Savings of R1.213 million were identified against *Goods and services* under the following sub-programmes:
  - R23 000 from the Planning sub-programme due to enforced savings in respect of travel and subsistence, as a result of expenditure pressures experienced by the department.
  - R1.190 million from the Research sub-programme due to delays in the implementation of capacity building programmes on items such as training.
- The savings were moved to Programme 4 which relates to the KZN Housing Fund against *Transfers and subsidies to: Departmental agencies and accounts* to cater for leave gratuities and severance packages of 43 officials who took early retirement as a result of the anticipated dissolution of the EEDBS in 2017, as well as payment made to the GEPP for 15 of these officials, as mentioned above.

The following virements were undertaken within the programme between the sub-programmes and economic classification:

- Savings of R151 000 were identified against *Goods and services* in the following sub-programmes:
  - Administration was decreased by R13 000 due to enforced savings against travel and subsistence as a result of expenditure pressures experienced by the department.
  - Planning was decreased by R45 000 due to enforced savings against travel and subsistence as a result of expenditure pressures experienced by the department.
  - Policy was decreased by R93 000 due to the department delaying the purchase of minor assets such as office furniture to the new financial year, as a result expenditure pressures experienced by the department.
- These savings were moved to the sub-programme: Policy against *Compensation of employees* to correct under-budgeting for this category when the 2016/17 MTEF budget was prepared.
- Savings of R53 000 were identified within the sub-programme: Research against *Goods and services* due to delays in the implementation of capacity building programmes on items such as travel and subsistence, training, etc. These savings were moved to *Machinery and equipment* to cater for the purchase of furniture for the Deputy Director and Assistant Director: Capacity Building which was inadequately budgeted for.

These virements are permissible in terms of the PFMA and Treasury Regulations. The required Provincial Treasury approval was provided for the increase in *Compensation of employees*.

**Shift – Programme 2: Housing Needs, Research and Planning: (R104 000)**

An amount of R104 000 was shifted to Programme 1 under the Corporate Services sub-programme against *Goods and services* from the Policy, Planning and Research sub-programmes under this programme. This relates to the centralisation of office equipment lease costs, where the department took a decision to place this under the Information Management component in Programme 1. The purpose of the funds remains unchanged.

**Other adjustments – Programme 2: Housing Needs, Research and Planning: R52 000**

An amount of R52 000 was allocated under the Policy sub-programme against *Compensation of employees* for the above-budget 2016 wage adjustment.

**Service delivery measures – Programme 2: Housing Needs, Research and Planning**

Table 8.7 shows the service delivery information for Programme 2, as well as actual achievements in the first half of the year. The department made no changes to the 2016/17 APP in respect of this programme.

There are no outputs for most of the targets due to the fact that most of the outputs are set for the second half of the year.

**Table 8.7 : Service delivery measures – Programme 2: Housing Needs, Research and Planning**

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
Planning				
1. Improved planning to achieve integrated settlement developments	• A multi-year development plan developed by October each year	1	-	
	• No. of municipalities capacitated and supported with regard to human settlement development planning	25	47	
	• No. of research papers completed	4	-	
	• No. of municipalities capacitated on accreditation	7	-	
	• No. of catalytic projects	3	-	
	• No. of research papers completed	4	-	
	• No. of policies and/or guidelines approved	4	-	

**4.3 Programme 3: Housing Development**

This programme is responsible for the implementation and monitoring of housing delivery within all districts including the eThekweni Metro, through various subsidy mechanisms in terms of national and provincial policies.

This programme has a number of projects at various stages of implementation within each municipality. It is also expected to achieve certain key strategic objectives of the department through the implementation of projects using various subsidy instruments. The subsidy instruments implemented by the department are: individual, project linked, institutional, consolidation, relocation, disaster management, social housing, rectification, social and economic facilities and rural housing stock.

Programme 3 consists of the bulk of the Human Settlements Development Grant (HSDG), and the remainder of the grant falls under Programme 4.

Tables 8.8 and 8.9 reflect a summary of the 2016/17 adjusted appropriation of Programme 3, summarised according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall increase of R41.281 million, are given in the paragraphs below the tables.

**Table 8.8 : Programme 3: Housing Development**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Administration	89 535			(2 803)	(459)	326	(2 936)	86 599
2. Financial Interventions	420 009						-	420 009
3. Incremental Interventions	1 501 585					44 217	44 217	1 545 802
4. Social and Rental Interventions	225 490						-	225 490
5. Rural Interventions	859 873						-	859 873
<b>Total</b>	<b>3 096 492</b>	<b>-</b>	<b>-</b>	<b>(2 803)</b>	<b>(459)</b>	<b>44 543</b>	<b>41 281</b>	<b>3 137 773</b>
<b>Amount to be voted</b>								<b>41 281</b>



Table 8.9 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments	
<b>Current payments</b>	<b>219 354</b>	-	-	18 440	(459)	326	18 307
Compensation of employees	153 695			4 749		326	5 075
Goods and services	65 659			13 691	(459)		13 232
Interest and rent on land							-
<b>Transfers and subsidies to:</b>	<b>2 844 841</b>	-	-	(11 438)	-	44 217	32 779
Provinces and municipalities	85 792						-
Departmental agencies and accounts	18 000						-
Higher education institutions							-
Foreign governments and international organisations							-
Public corporations and private enterprises				57 436	31 278	11 286	100 000
Non-profit institutions							-
Households	2 741 049			(68 874)	(31 278)	32 931	(67 221)
<b>Payments for capital assets</b>	<b>32 297</b>	-	-	(9 805)	-	-	(9 805)
Buildings and other fixed structures	31 454			(9 700)			(9 700)
Machinery and equipment	843			(105)			(105)
Heritage assets							-
Specialised military assets							-
Biological assets							-
Land and subsoil assets							-
Software and other intangible assets							-
<b>Payments for financial assets</b>							-
<b>Total</b>	<b>3 096 492</b>	-	-	(2 803)	(459)	44 543	41 281
<b>Amount to be voted</b>							<b>41 281</b>

### Virement – Programme 3: Housing Development: (R2.803 million)

The department moved funds between programmes, sub-programmes and economic classifications to offset spending pressures, resulting in a net decrease of R2.803 million against the main appropriation of Programme 3 as follows:

The following virements were undertaken from Programme 3 to Programme 4:

- Savings of R2.803 million were identified against the following economic classifications of the sub-programme Administration:
  - R1.964 million from *Compensation of employees* largely due to two officials who took early retirement during the financial year.
  - R734 000 from *Goods and services* in various items such as computer services, operating payments, travel and subsistence due to enforced savings, as well as cost-cutting measures.
  - R105 000 from *Machinery and equipment* due to the purchase of office furniture being delayed to the new year because of expenditure pressures experienced by the department.
- These savings were moved to Programme 4 which relates to the KZN Housing Fund against *Transfers and subsidies to: Departmental agencies and accounts* to cater for leave gratuities and severance packages of 43 officials who took early retirement as a result of the anticipated dissolution of the EEDBS in 2017, as well as payment made to the GEPP for 15 of these officials, as mentioned.

The following virements were undertaken within the programme affecting the economic classifications:

- Savings of R69.287 million, offset by an increase in staff exit costs of R413 000, were identified against *Transfers and subsidies to: Households* due to projects such as Inanda Dam, Redcliff, Sun hills, Tshelimnyama Phase 4, Umbhayi, etc. where construction was planned to start during the year. The planning stage of the projects took longer than anticipated due to delays as a result of social challenges and friction in the communities. Also contributing to the savings, was slow progress in the restoration of title deeds in respect of a backlog in issuing of these title deeds, for which a provision was made. These savings were moved as follows:
  - R6.713 million to *Compensation of employees* under the Financial Interventions sub-programme to cater for the increase in personnel costs relating to the appointment of professional contract employees such as Construction Managers who are appointed on contract from the operational capital (OPSCAP) allocation in the HSDG to enhance service delivery.

- R4.725 million to *Goods and services* under the Financial Interventions sub-programme to cater for the implementation of the anti-land invasion strategy which has necessitated the safeguarding of departmental owned properties against illegal occupation.
- R57.436 million was moved to *Transfers and subsidies to: Public corporations and private enterprises* under the Incremental Interventions sub-programme. This relates to the implementation of the Military Veterans Housing Project. The department entered into an agreement with Ithala as an implementing agent for the construction of houses for military veterans.
- A further R9.700 million was identified in the sub-programme: Financial Interventions against *Buildings and other fixed structures*. The department has terminated contracts with the contractors appointed to undertake work in the uMkhanyakude, Amajuba and uMgungundlovu districts as a result of poor performance. However, the department is currently in the process of appointing new contractors for these projects. These savings were moved to *Goods and services* in the same sub-programme to cater for the implementation of the anti-land invasion strategy which has necessitated the safeguarding of departmental owned properties against illegal occupation.

All of these virements are permissible in terms of the PFMA and Treasury Regulations. Provincial Treasury approval was granted for the increase in *Compensation of employees* and *Transfers and subsidies to: Public corporations and private enterprises*, while the decrease in *Transfers and subsidies to: Households*, and the reduction in *Buildings and other fixed structures* and *Machinery and equipment* requires Legislature approval.

#### **Shift – Programme 3: Housing Development: (R459 000)**

The following shifts were undertaken under this programme:

- R459 000 was shifted to Programme 1 from this programme under the Administration sub-programme against *Goods and services* which relates to the centralisation of office equipment lease costs where the department took a decision to place these costs under the Information Management component in Programme 1.
- There was also a shift of R31.278 million from *Transfers and subsidies to: Households* to *Transfers and subsidies to: Public corporations and private enterprises* under Programme 3 within the Incremental Interventions sub-programme. This relates to the implementation of the Military Veterans Housing Project. The department entered into an agreement with Ithala as an implementing agent for the construction of houses for military veterans.

The purpose of these funds in both instances remains unchanged.

#### **Other adjustments – Programme 3: Housing Development: R44.543 million**

An amount of R44.543 million was allocated to this programme for the above-budget 2016 wage adjustment, as well as housing projects, and this is discussed in more detail below:

- R326 000 was allocated to the Administration sub-programme against *Compensation of employees* for the above-budget 2016 wage adjustment.
- R11.286 million was received from the Department of Military Veterans in 2013/14 and 2014/15 and held in a suspense account since then. These funds have now been paid into the Provincial Revenue Fund and are thus allocated back to the department for spending on the Military Veterans Housing Project against *Transfers and subsidies to: Public corporations and private enterprises* for transfer to Ithala who is the implementing agent for this project.
- Additional funding of R32.931 million was allocated back to the department, as follows:
  - R6.916 million was allocated to the department relating to funds returned by the NHFC. The department transferred funds to the NHFC in 2011/12 in order to assess, administer and manage Social Housing Programmes on behalf of the department. These funds were returned to the

Provincial Revenue Fund in 2015/16 and are now allocated back to the department for spending on various housing projects. This was allocated to *Transfers and subsidies to: Households*.

- o R26.015 million was allocated back to the department in respect of funds returned by Khuboni Shezi Attorneys. These funds were paid into the Provincial Revenue Fund in December 2015 by Khuboni Shezi Attorneys in respect of unspent funds transferred by the department to the attorneys for the purpose of purchasing the Four Seasons Hotel in Durban, but which transaction was cancelled. The transfer of the property was not finalised at the time due to apparent fraud and corruption and the subsequent investigations that were carried out. An amount of R11 million was originally transferred, but this has since earned interest and the full amount of R26.015 million was returned to the department to be used to assist in addressing the housing backlog. This amount was allocated to *Transfers and subsidies to: Households* under Programme 3.

### Service delivery measures – Programme 3: Housing Development

Table 8.10 shows the service delivery information for Programme 3. The table also shows the actual achievements in the first half of the year.

The department made some changes to service delivery targets to ensure alignment with the APP, as reflected under the column “2016/17 Revised target”, and as explained under Section 4: there were minor changes to service delivery measures to align the targets originally published in the 2016/17 EPRE with the department’s APP, which was published after the 2016/17 EPRE.

**Table 8.10 : Service delivery measures – Programme 3: Housing Development**

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
1.1 Finance linked individual subsidy programme	<ul style="list-style-type: none"> <li>No. of houses completed</li> <li>No. of serviced sites</li> </ul>	400 2 000	130 -	
1.2 Informal settlements upgrade programme	<ul style="list-style-type: none"> <li>No. of households connected to basic services (incl. PLS)</li> <li>No. of houses completed</li> </ul>	4 626 4 626	1 225 527	
1.3 Integrated Residential Development programme	<ul style="list-style-type: none"> <li>No. of new sites connected to basic water and sanitation services</li> <li>No. of houses completed</li> </ul>	2 974 2 974	170 832	
1.4 Peoples' housing process	<ul style="list-style-type: none"> <li>No. of houses completed</li> </ul>	2 355	1 775	
1.5 Disaster management rehabilitation (incl. OSS)	<ul style="list-style-type: none"> <li>No. of houses completed</li> </ul>	1 654	353	
1.6 Rectification programme (1994-2002)	<ul style="list-style-type: none"> <li>No. of units rectified</li> </ul>	838	27	
1.7 Affordable social housing (institutional subsidies)	<ul style="list-style-type: none"> <li>No. of units completed</li> </ul>	680	39	
1.8 Community Residential Units	<ul style="list-style-type: none"> <li>No. of units completed</li> </ul>	277	35	
1.9 Rural housing	<ul style="list-style-type: none"> <li>No. of houses completed</li> </ul>	7 927	3 969	
1.10 Military Veterans' Housing Programme	<ul style="list-style-type: none"> <li>No. of houses completed</li> </ul>	170	-	
1.11 Job creation	<ul style="list-style-type: none"> <li>No. of targeted persons days of work</li> <li>No. of target FTEs (Full Time Equivalent)</li> </ul>	980 000 4 500	70 289 473	
1.12 Access to land and densification	<ul style="list-style-type: none"> <li>No. of houses completed</li> </ul>	273	-	
1.13 All subsidy instruments	<ul style="list-style-type: none"> <li>No. of properties transferred</li> <li>No. of beneficiaries approved</li> <li>No. of serviced sites delivered per Human Settlements (housing) programme</li> <li>No. of new housing units (excluding rectification)</li> <li>No. of additional restructuring zones declared by the National Minister of Human Settlements</li> <li>No. of the HSDG business plan reviews undertaken to ensure that targets are realistic and in line with departmental priorities and budgets</li> <li>Three-year financial plan linked to HSDG business plan</li> </ul>	9 080 9 345 8 829 21 063 400 2 000 4 626	324 10 519 1 739 7 661 - - -	    2 2 1

#### 4.4 Programme 4: Housing Assets Management, Property Management

This programme is responsible for the management of Ex-Natal Provincial Administration and Own Affairs stock. This stock includes residential properties, vacant land and a variety of other non-residential properties, all of which belong to the KZN Housing Fund. In terms of its mandate, all properties will, on a progressive basis, either be transferred to individual occupants in terms of the EEDBS, or be disposed of in the open market. Some of these properties will also be devolved to municipalities. In cases where a transfer is not possible, such stock will remain rental stock. The KZN Housing Fund is in the process of being dis-established and, once this process is finalised, all assets and liabilities will be transferred to the Vote.

Programme 4 consists of three sub-programmes, largely in line with the uniform budget and programme structure of the sector. These are: Administration, Sale and Transfer of Housing Properties and Housing Properties Maintenance.

Tables 8.11 and 8.12 reflect a summary of the 2016/17 adjusted appropriation of Programme 4, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in an overall increase of R5.230 million, are provided in the paragraphs following the tables.

Note that all funds related to Programme 4 were moved in the 2016/17 EPRE to *Transfers and subsidies to: Departmental agencies and accounts* in line with the A-G finding in the 2013/14 audit.

**Table 8.11 : Programme 4: Housing Asset Management, Property Management**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Administration	49 516			5 232	(182)	180	5 230	54 746
2. Sale and Transfer of Housing Properties	2 452						-	2 452
3. Housing Properties Maintenance	130 487						-	130 487
<b>Total</b>	<b>182 455</b>	<b>-</b>	<b>-</b>	<b>5 232</b>	<b>(182)</b>	<b>180</b>	<b>5 230</b>	<b>187 685</b>
<b>Amount to be voted</b>								<b>5 230</b>

**Table 8.12 : Summary by economic classification**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Current payments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Compensation of employees							-	-
Goods and services							-	-
Interest and rent on land							-	-
<b>Transfers and subsidies to:</b>	<b>182 455</b>	<b>-</b>	<b>-</b>	<b>5 232</b>	<b>(182)</b>	<b>180</b>	<b>5 230</b>	<b>187 685</b>
Provinces and municipalities							-	-
Departmental agencies and accounts	182 455			5 232	(182)	180	5 230	187 685
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households							-	-
<b>Payments for capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Buildings and other fixed structures							-	-
Machinery and equipment							-	-
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>182 455</b>	<b>-</b>	<b>-</b>	<b>5 232</b>	<b>(182)</b>	<b>180</b>	<b>5 230</b>	<b>187 685</b>
<b>Amount to be voted</b>								<b>5 230</b>

#### Virement – Programme 4: Housing Assets Management, Property Management: R5.232 million

The department moved funds between programmes and economic classifications to offset spending pressures, resulting in a net increase of R5.232 million against the main appropriation of Programme 4 under *Transfers and subsidies to: Departmental agencies and accounts*, as detailed below:

- Enforced savings of R1.216 million were identified in Programme 1 under *Goods and services* in respect various items such as training and development, legal costs, communications, cost-cutting, as well as travel and subsistence costs, as mentioned. The enforced savings were made to provide for pressures under Programme 4.
- Savings of R1.213 million were identified in Programme 2 under *Goods and services* due to delays in the implementation of capacity building programmes in items such as training, reduction of costs in respect of travel and subsistence, as well as the department's decision to delay the purchase of minor assets such as office furniture.
- Savings of R2.803 million were identified in Programme 3, mainly under *Transfers and subsidies to: Households* due to the provision made for servicing of sites which is the responsibility of the department in terms of the APP. The departmental Serviced Sites Task Team has devised a strategy for this programme, via a policy that has been drafted. The department has engaged the HDA to assess department-owned sites to use such serviced sites using the FLISP and other subsidy instruments. This is still in progress and, as a result, the procurement process for the professionals to undertake the servicing of sites was delayed.
- This total of R5.232 million was moved to Programme 4 under the Administration sub-programme against *Transfers and subsidies to: Departmental agencies and accounts* in respect of leave gratuities and severance packages of 43 officials who took early retirement as a result of the anticipated dissolution of the EEDBS in 2017, as well as payment made to the GEPP for 15 of these officials.

These virements are permissible in terms of the PFMA and Treasury Regulations. Provincial Treasury approval was provided for the increase in *Transfers and subsidies*.

#### **Shift – Programme 4: Housing Assets Management, Property Management: (R182 000)**

R182 000 was shifted to *Goods and services* in Programme 1 from *Transfers and subsidies to: Departmental agencies and accounts* under the sub-programme Administration which relates to the centralisation of office equipment leases costs where the department took a decision to place it under the Information Management component in Programme 1. The purpose of the funds remains unchanged.

#### **Other adjustments – Programme 4: Housing Assets Management, Property Management: R180 000**

An amount of R180 000 was allocated to *Transfers and subsidies to: Departmental agencies and accounts* under the sub-programme Administration for the above-budget 2016 wage adjustment.

#### **Service delivery measures – Programme 4: Housing Assets Management, Property Management**

Table 8.13 shows the service delivery information for Programme 4, as well as actual achievements in the first half of the year.

The department made no changes as the measures are fully aligned to the 2016/17 APP under this programme.

**Table 8.13 : Service delivery measures – Programme 4: Housing Asset Management, Property Management**

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
1. To provide secure tenure to communities	• No. of units maintained	1 500	1 107	
	• No. rectified and or upgraded for pre-1994 units	1 205	487	
	• No. of rental units transferred	2 559	222	
	• No. of land parcels devolved to municipalities in terms of section 15 of the Housing Act, 1997	478	-	

## 5. Specifically and exclusively appropriated allocations

The department did not receive any specifically and exclusively appropriated allocations in 2016/17.

## 6. Gifts, donations and sponsorships

The department is not envisaging granting any gifts, donation or sponsorships exceeding R100 000 during 2016/17.

## 7. Infrastructure

Table 8.14 shows the summary of infrastructure payments per main category. Details of the main adjustments, which resulted in an overall decrease of R9.700 million, are provided in the paragraphs following the table. The capital allocation for the Vote as a whole was reduced by R8.095 million and this requires Legislature approval in terms of the PFMA.

**Table 8.14 : Summary of infrastructure payments by category**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Existing infrastructure assets</b>	-	-	-	-	-	-	-	-
Maintenance and repair: Current							-	-
Upgrades and additions: Capital							-	-
Refurbishment and rehabilitation: Capital							-	-
<b>New infrastructure assets: Capital</b>	<b>31 454</b>	-	-	(9 700)	-	-	(9 700)	21 754
<b>Infrastructure transfers</b>	<b>85 792</b>	-	-	-	-	-	-	85 792
Infrastructure transfers: Capital	85 792						-	85 792
Infrastructure transfers: Current							-	-
<b>Infrastructure: Payments for fin assets</b>							-	-
<b>Infrastructure: Leases</b>	<b>21 285</b>						-	21 285
Capital infrastructure	117 246	-	-	(9 700)	-	-	(9 700)	107 546
Current infrastructure	21 285	-	-	-	-	-	-	21 285
<b>Total</b>	<b>138 531</b>	-	-	(9 700)	-	-	(9 700)	128 831
<b>Amount to be voted</b>								<b>(9 700)</b>

- *Virement*: Savings of R9.700 million were identified from *New infrastructure assets: Capital*. The department has terminated contracts with the contractors appointed to undertake work in the uMkhanyakude, Amajuba and uMgungundlovu districts as a result of poor performance. However, the department is currently in the process of appointing new contractors for these projects and the projects are continuing in 2016/17. These savings were moved to *Goods and services* to cater for the implementation of the anti-land invasion strategy which has necessitated the safeguarding of departmental owned properties against illegal occupation.

## 8. Conditional grants

Tables 8.15 and 8.16 provide a summary of changes to conditional grants. Details of the main adjustments, which resulted in no change to the overall grant allocation, are given in the paragraphs following the tables. The virements and shifts are in line with the conditional grant business plan.

**Table 8.15 : Summary of changes to conditional grants**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>3. Housing Development</b>	<b>3 006 957</b>	-	-	-	-	-	-	3 006 957
Human Settlements Development grant	2 991 763						-	2 991 763
EPWP Integrated Grant for Provinces	15 194						-	15 194
<b>4. Housing Asset Management, Property Management</b>	<b>132 939</b>	-	-	-	-	-	-	132 939
Human Settlements Development grant	132 939						-	132 939
<b>Total</b>	<b>3 139 896</b>	-	-	-	-	-	-	3 139 896
<b>Amount to be voted</b>								<b>-</b>

Table 8.16 : Summary of conditional grants by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Current payments</b>	<b>130 009</b>	-	-	21 551	-	-	21 551	151 560
Compensation of employees	72 254			7 126			7 126	79 380
Goods and services	57 755			14 425			14 425	72 180
Interest and rent on land							-	-
<b>Transfers and subsidies to:</b>	<b>2 977 780</b>	-	-	(11 851)	-	-	(11 851)	2 965 929
Provinces and municipalities	85 792						-	85 792
Departmental agencies and accounts	150 939						-	150 939
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises				57 436	31 278		88 714	88 714
Non-profit institutions							-	-
Households	2 741 049			(69 287)	(31 278)		(100 565)	2 640 484
<b>Payments for capital assets</b>	<b>32 107</b>	-	-	(9 700)	-	-	(9 700)	22 407
Buildings and other fixed structures	31 454			(9 700)			(9 700)	21 754
Machinery and equipment	653						-	653
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
<b>Payments for financial assets</b>							-	-
<b>Total</b>	<b>3 139 896</b>	-	-	-	-	-	-	3 139 896
<b>Amount to be voted</b>								<b>-</b>

- **Virement:** The department moved funds between programmes and economic classifications to offset spending pressures within the HSDG. These movements are discussed in more detail below:
  - Savings of R69.287 million were identified against *Transfers and subsidies to: Households* due to projects where construction was planned to start during the year. The planning stage took longer than anticipated due to delays as a result of social challenges and friction in the communities. These projects include Inanda Dam, Redcliff, Sun hills, Tshelimnyama Phase 4, Umbhayi, etc. The savings were also due to slow progress in respect of servicing of sites which is the responsibility of the department in terms of the APP. Also contributing to the savings was slow progress in respect of the restoration of title deeds in respect of a backlog in issuing of these title deeds for which a provision was made.
  - Savings of R9.700 million were identified under *Buildings and other fixed structures*. The department terminated contracts with the contractors appointed to undertake work in the uMkhanyakude, Amajuba and uMgungundlovu districts as a result of poor performance. However, the department is in the process of appointing new contractors for these projects.

These savings total R78.987 million, and were moved within Programme 3 and the HSDG, as follows:

- R7.126 million to *Compensation of employees* to cater for the increase in personnel costs relating to professional employees such as Construction Managers who are appointed on a contract basis from the OPSCAP allocation in the HSDG to enhance service delivery.
- R14.425 million to *Goods and services* to cater for the implementation of the anti-land invasion strategy which has necessitated the safeguarding of departmental owned properties against illegal occupation.
- R57.436 million to *Transfers and subsidies to: Public corporations and private enterprises*. This relates to the Military Veterans Housing Project. The department entered into an agreement with Ithala as the implementing agent for the construction of houses for military veterans.

These virements are permissible in terms of the PFMA and Treasury Regulations. Legislature approval is required for the decrease in *Transfers and subsidies*, while Provincial Treasury approval was provided for the increase in *Transfers and subsidies*.

- **Shifts:** There was a shift of R31.278 million from *Transfers and subsidies to: Households* to *Transfers and subsidies to: Public corporations and private enterprises* within Programme 3 under

the Incremental Interventions sub-programme. This relates to the Military Veterans Housing Project. The department entered into an agreement with Ithala as the implementing agent for the construction of houses for military veterans.

## 9. Transfers and subsidies

Table 8.17 shows the summary of transfers and subsidies by programme and main category. Details of the main adjustments, which resulted in an overall increase of R38.590 million in the transfers and subsidies allocation, are provided in the paragraphs following the table.

**Table 8.17 : Summary of transfers and subsidies by programme and main category**

R thousand		Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
			Unforeseeable/			Other			
			Roll-overs	unavoidable	Virement	Shifts	adjustments		
<b>1. Administration</b>		<b>902</b>	-	-	<b>581</b>	-	-	<b>581</b>	<b>1 483</b>
Provinces and municipalities		295	-	-	50	-	-	50	345
Motor vehicle licences		295			50			50	345
Households		607	-	-	531	-	-	531	1 138
Social benefit					531			531	531
Other transfers to households (Bursaries)		607						-	607
<b>2. Housing Needs, Research and Planning</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3. Housing Development</b>		<b>2 844 841</b>	<b>-</b>	<b>-</b>	<b>(11 438)</b>	<b>-</b>	<b>44 217</b>	<b>32 779</b>	<b>2 877 620</b>
Provinces and municipalities		85 792	-	-	-	-	-	-	85 792
Operational costs for accredited municipalities		26 792						-	26 792
CRU programme		59 000						-	59 000
Departmental agencies and accounts		18 000	-	-	-	-	-	-	18 000
Housing Development Agency		18 000						-	18 000
Public corporations and private enterprises		-	-	-	57 436	31 278	11 286	100 000	100 000
Ithala: Military Veterans Housing Project					57 436	31 278	11 286	100 000	100 000
Households		2 741 049	-	-	(68 874)	(31 278)	32 931	(67 221)	2 673 828
Social benefit		45			413			413	458
Human Settlements Development grant		2 741 004			(69 287)	(31 278)		(100 565)	2 640 439
Other - Transfers from previous years							32 931	32 931	32 931
<b>4. Housing Asset Management, Property Management</b>		<b>182 455</b>	<b>-</b>	<b>-</b>	<b>5 232</b>	<b>(182)</b>	<b>180</b>	<b>5 230</b>	<b>187 685</b>
Departmental agencies and accounts		182 455	-	-	5 232	(182)	180	5 230	187 685
KZN Housing Fund		182 455			5 232	(182)	180	5 230	187 685
<b>Total</b>		<b>3 028 198</b>	<b>-</b>	<b>-</b>	<b>(5 625)</b>	<b>(182)</b>	<b>44 397</b>	<b>38 590</b>	<b>3 066 788</b>
<b>Amount to be voted</b>									<b>38 590</b>

- **Virement:** The department undertook the following virements resulting in a net decrease of R5.625 million, affecting transfers and subsidies:
  - Under Programme 1, the following movements were undertaken:
    - *Provinces and municipalities* increased by R50 000, as a result of an under-provision in respect of motor vehicle licence fees.
    - *Households* was increased by R531 000 to fund staff exit costs which were higher than anticipated.
  - Under Programme 3, the following movements were undertaken:
    - *Public corporations and private enterprises* increased by R57.436 million. This relates to the implementation of the Military Veterans Housing Project. The department entered into an agreement with Ithala as the implementing agent for the construction of houses for military veterans.
    - *Households* decreased by R68.874 million, as a result of savings of R69.287 million identified due to projects that were planned to start construction during the year. The planning stage took longer than anticipated due to delays as a result of social challenges and friction in the communities. Also contributing to the savings was slow progress in respect of the restoration of title deeds in respect of a backlog in issuing of these title deeds for which a provision was made. This was offset by an increase of R413 000 in respect of staff exit costs.



- o *Departmental agencies and accounts* under Programme 4 which relates to the KZN Housing Fund was increased by R5.232 million in respect of leave gratuities and severance packages of 43 officials who took early retirement as a result of the anticipated dissolution of the EEDBS in 2017, as well as payment made to the GEPP for 15 of these officials.

These virements are permissible in terms of the PFMA and Treasury Regulations. Legislature approval is required for the decrease in *Transfers and subsidies*, while Provincial Treasury approval was granted for the increased transfer to the KZN Housing Fund and Ithala for the construction of homes for military veterans.

- *Shifts*: The department undertook the following shifts resulting in a net decrease of R182 000, affecting *Transfers and subsidies*, and the purpose of the funds remains unchanged:
  - o R31.278 million was moved from *Households* to *Public corporations and private enterprises* within Programme 3. This relates to the implementation of the Military Veterans Housing Project. The department entered into an agreement with Ithala as the implementing agent for the construction of houses for military veterans.
  - o R182 000 was shifted from *Departmental agencies and accounts* under Programme 4 to *Goods and services* in Programme 1 which relates to the centralisation of office equipment leases costs where the department took a decision to place this under the Information Management component in Programme 1.
- *Other adjustments: Transfers and subsidies* was increased by R44.397 million as follows:
  - o R11.286 million was received from the Department of Military Veterans in 2013/14 and 2014/15 and held in a suspense account since then. These funds have now been paid into the Provincial Revenue Fund and are thus allocated back to the department for spending on the Military Veterans Housing Project. This amount was allocated to *Public corporations and private enterprises* under Programme 3 for transfer to Ithala who is the implementing agent for this project.
  - o R32.931 million additional funding was allocated back to the department, as follows:
    - R6.916 million was allocated to the department relating to funds returned by the NHFC. The department transferred funds to the NHFC in 2011/12 in order to assess, administer and manage Social Housing Programmes on behalf of the department. On completion and close-out of each project, the NHFC had to repay any unspent funds together with interest earned to the department. This amount was allocated to *Transfers and subsidies to: Households* for the implementation of various housing projects.
    - R26.015 million was allocated back to the department in respect of funds returned by Khuboni Shezi Attorneys. These funds were paid into the Provincial Revenue Fund in December 2015 by Khuboni Shezi Attorneys in respect of unspent funds transferred by the department to the attorneys for the purpose of purchasing the Four Seasons Hotel in Durban, but which transaction was cancelled. The transfer of the property was not finalised at the time due to apparent fraud and corruption and the subsequent investigations that were carried out. An amount of R11 million was originally transferred, but this has since earned interest and the full amount of R26.015 million was returned to the department to be used to assist in addressing the housing backlog. This amount was allocated to *Households* under Programme 3.
  - o *Departmental agencies and accounts* was increased by R180 000 in Programme 4 which relates to the KZN Housing Fund for the above-budget 2016 wage adjustment.

## 10. Transfers to public entities

Table 8.18 reflects transfers made by the department to public entities. Details of the main adjustments, which resulted in overall increase of R100 million in transfers to public entities, are provided in the paragraphs following the table.

Table 8.18 : Summary of transfers to public entities

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Ithala Development Finance Corporation				57 436	31 278	11 286	100 000	100 000
2. Housing Development Agency	18 000						-	18 000
<b>Total</b>	<b>18 000</b>	<b>-</b>	<b>-</b>	<b>57 436</b>	<b>31 278</b>	<b>11 286</b>	<b>100 000</b>	<b>118 000</b>
Amount to be voted								<b>100 000</b>

An amount of R100 million was transferred to Ithala against *Transfers and subsidies to: Public corporations and private enterprises* for the implementation of the Military Veterans Housing Project and was made up as follows:

- *Virement*: R57.436 million was moved from savings under *Transfers and subsidies to: Households to Transfers and subsidies to: Public corporations and private enterprises* in the Incremental Interventions sub-programme for the implementation of the Military Veterans Housing Project, using Ithala as an implementing agent.
- *Shifts*: There was also a shift of R31.278 million from *Transfers and subsidies to: Households to Transfers and subsidies to: Public corporation and private enterprises* within Programme 3 in the Incremental Interventions sub-programme, for the implementation of the Military Veterans Housing Project. These funds were allocated for the construction of houses for military veterans, but the department is now intending to use Ithala as the implementing agent. The purpose of the funds remains unchanged.
- *Other adjustments*: R11.286 million was received from the Department of Military Veterans in 2013/14 and 2014/15 and held in a suspense account since then. These funds have now been paid into the Provincial Revenue Fund and are thus allocated back to the department for spending on the Military Veterans Housing Project against *Transfers and subsidies to: Public corporations and private enterprises* for transfer to Ithala who is the implementing agent for this project.

## 11. Transfers to local government

Tables 8.19 to 8.21 show the details of transfers to local government. It is noted that the amount against *Transfers and subsidies to: Provinces and municipalities* in Table 8.17 includes provision for motor vehicle licences. This amount of R345 000 is excluded from the transfers to local government table, as these funds will not be transferred to any municipality. The department did not make any changes to its Main Appropriation in respect of *Transfers and subsidies to: Provinces and municipalities*.

Table 8.19 : Summary of transfers to local government

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
A KZN2000 eThekweni	59 000	-	-	-	-	-	-	59 000
Total: Ugu Municipalities	3 378	-	-	-	-	-	-	3 378
B KZN216 Ray Nkonyeni	3 378	-	-	-	-	-	-	3 378
Total: uMgungundlovu Municipalities	10 389	-	-	-	-	-	-	10 389
B KZN225 Msunduzi	10 389	-	-	-	-	-	-	10 389
Total: uThukela Municipalities	1 681	-	-	-	-	-	-	1 681
B KZN238 Alfred Duma	1 681	-	-	-	-	-	-	1 681
Total: Amajuba Municipalities	4 077	-	-	-	-	-	-	4 077
B KZN252 Newcastle	4 077	-	-	-	-	-	-	4 077
Total: King Cetshwayo Municipalities	2 154	-	-	-	-	-	-	2 154
B KZN282 uMhlathuze	2 154	-	-	-	-	-	-	2 154
Total: iLembe Municipalities	5 113	-	-	-	-	-	-	5 113
B KZN292 KwaDukuza	5 113	-	-	-	-	-	-	5 113
<b>Total</b>	<b>85 792</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85 792</b>
Amount to be voted								<b>-</b>

Table 8.20 : Transfers to local government - CRU

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
A KZN2000 eThekweni	59 000						-	59 000
<b>Total</b>	<b>59 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59 000</b>
Amount to be voted								<b>-</b>

Table 8.21 : Transfers to local government - Operational costs for accredited municipalities

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Unforeseeable/			Other			
		Roll-overs	unavoidable	Virement	Shifts	adjustments		
Total: Ugu Municipalities	3 378	-	-	-	-	-	-	3 378
B KZN216 Ray Nkonyeni	3 378						-	3 378
Total: uMgungundlovu Municipalities	10 389	-	-	-	-	-	-	10 389
B KZN225 Msunduzi	10 389						-	10 389
Total: uThukela Municipalities	1 681	-	-	-	-	-	-	1 681
B KZN238 Alfred Duma	1 681						-	1 681
Total: Amajuba Municipalities	4 077	-	-	-	-	-	-	4 077
B KZN252 Newcastle	4 077						-	4 077
Total: King Cetshwayo Municipalities	2 154	-	-	-	-	-	-	2 154
B KZN282 uMhlatuze	2 154						-	2 154
Total: iLembe Municipalities	5 113	-	-	-	-	-	-	5 113
B KZN292 KwaDukuza	5 113						-	5 113
Total	26 792	-	-	-	-	-	-	26 792
Amount to be voted								

## 12. Actual payments and revised spending projections for the rest of 2016/17

Tables 8.22 and 8.23 reflect actual payments as at the end of September 2016, projected payments for the rest of the financial year and the total revised spending in rand value and as a percentage of the Adjusted Appropriation per programme and economic classification. The tables also show the 2015/16 Audited outcome.

Table 8.22 : Actual payments and revised spending projections by programme

Table 6.22 Actual payments and revised spending projections by programme							
R thousand	2015/16 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		Projected actual
			April '16 - September 2016		October '16 - March 2017		
			% of budget		% of budget		
1. Administration	198 260	190 073	102 393	53.9	87 680	46.1	190 073
2. Housing Needs, Research and Planning	16 411	14 846	7 897	53.2	6 949	46.8	14 846
3. Housing Development	3 674 667	3 137 773	1 772 953	56.5	1 364 820	43.5	3 137 773
4. Housing Asset Management, Property Management	241 687	187 685	119 550	63.7	68 135	36.3	187 685
<b>Total</b>	<b>4 131 025</b>	<b>3 530 377</b>	<b>2 002 793</b>	<b>56.7</b>	<b>1 527 584</b>	<b>43.3</b>	<b>3 530 377</b>

Table 8.23 : Actual payments and revised spending projections by economic classification

R thousand	2015/16 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		Projected actual
			April '16 - September 2016		October '16 - March 2017		
			% of budget		% of budget		
Current payments	389 360	437 371	223 587	51.1	213 784	48.9	437 371
Compensation of employees	266 232	289 982	141 369	48.8	148 613	51.2	289 982
Goods and services	123 128	146 989	81 832	55.7	65 157	44.3	146 989
Interest and rent on land		400	386	96.5	14	3.5	400
Transfers and subsidies to:	3 726 625	3 066 788	1 775 346	57.9	1 291 442	42.1	3 066 788
Provinces and municipalities	163 157	86 137	78 191	90.8	7 946	9.2	86 137
Departmental agencies and accounts	259 644	205 685	119 550	58.1	86 135	41.9	205 685
Higher education institutions		-	-	-	-	-	-
Foreign governments and international organisations		-	-	-	-	-	-
Public corporations and private enterprises		100 000	100 000	100.0	-	-	100 000
Non-profit institutions		-	-	-	-	-	-
Households	3 303 824	2 674 966	1 477 605	55.2	1 197 361	44.8	2 674 966
Payments for capital assets	14 755	26 199	3 860	14.7	22 339	85.3	26 199
Buildings and other fixed structures	6 170	21 754	699	3.2	21 055	96.8	21 754
Machinery and equipment	8 585	4 445	3 161	71.1	1 284	28.9	4 445
Heritage assets		-	-	-	-	-	-
Specialised military assets		-	-	-	-	-	-
Biological assets		-	-	-	-	-	-
Land and subsoil assets		-	-	-	-	-	-
Software and other intangible assets		-	-	-	-	-	-
Payments for financial assets	285	19	-	-	19	100.0	19
Total	4 131 025	3 530 377	2 002 793	56.7	1 527 584	43.3	3 530 377

Mid-year spending for the vote was high at 56.7 per cent compared to the 50 per cent straight-line benchmark, despite receiving R45.265 million in additional funding in the Adjustments Estimate. This is mainly due to high spending against Programme 4, as well as *Interest and rent on land*, *Transfers and subsidies to: Public corporations and private enterprises*, and *Transfers and subsidies to: Provinces and municipalities* due to the following:

*Vote 8: Human Settlements*

- Interest on overdue accounts to the GEPF for claims in respect of employees who took early retirement in previous years.
- A transfer of R100 million made to Ithala for the implementation of the Military Veterans Housing Project.
- Invoices paid relating to operational costs of accredited municipalities which are based on the performance by the accredited municipality, in which case there was high performance by municipalities such as the Msunduzi Municipality.
- Unplanned staff exit costs under *Transfers and subsidies to: Households*.

The department is projecting a balanced budget at year-end after the adjustments have been made.

Table 8.A : Summary by economic classification : Human Settlements

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Current payments</b>	<b>422 620</b>	-	-	<b>13 720</b>	<b>182</b>	<b>849</b>	<b>14 751</b>	<b>437 371</b>
Compensation of employees	284 340	-	-	4 793	-	849	5 642	289 982
Salaries and wages	256 852	-	-	2 063	-	378	2 441	259 293
Social contributions	27 488	-	-	2 730	-	471	3 201	30 689
Goods and services	138 280	-	-	8 527	182	-	8 709	146 989
Administrative fees	430	-	-	187	-	-	187	617
Advertising	2 201	-	-	(740)	-	-	(740)	1 461
Assets less than capitalisation threshold	540	-	-	2 007	-	-	2 007	2 547
Audit cost: External	6 000	-	-	72	-	-	72	6 072
Bursaries: Employees	220	-	-	-	-	-	-	220
Catering: Departmental activities	1 568	-	-	3 132	-	-	3 132	4 700
Communication (G&S)	7 816	-	-	(600)	-	-	(600)	7 216
Computer services	12 162	-	-	(3 309)	-	-	(3 309)	8 853
Cons & prof serv: Business and advisory services	11 892	-	-	6 100	-	-	6 100	17 992
Cons & prof serv: Infras and planning	1 847	-	-	2 000	-	-	2 000	3 847
Cons & prof serv: Laboratory services	-	-	-	-	-	-	-	-
Cons & prof serv: Scientific and tech services	-	-	-	-	-	-	-	-
Cons & prof serv: Legal costs	2 747	-	-	300	-	-	300	3 047
Contractors	17 299	-	-	(183)	-	-	(183)	17 116
Agency and support / outsourced services	102	-	-	(26)	-	-	(26)	76
Entertainment	-	-	-	-	-	-	-	-
Fleet services (incl. govt motor transport)	4 591	-	-	(65)	-	-	(65)	4 526
Housing	-	-	-	-	-	-	-	-
Inventory: Clothing material and accessories	17	-	-	-	-	-	-	17
Inventory: Farming supplies	-	-	-	-	-	-	-	-
Inventory: Food and food supplies	87	-	-	(29)	-	-	(29)	58
Inventory: Fuel, oil and gas	-	-	-	-	-	-	-	-
Inventory: Learner and teacher support material	213	-	-	(12)	-	-	(12)	201
Inventory: Materials and supplies	81	-	-	353	-	-	353	434
Inventory: Medical supplies	9	-	-	(1)	-	-	(1)	8
Inventory: Medicine	-	-	-	-	-	-	-	-
Medsas inventory interface	-	-	-	-	-	-	-	-
Inventory: Other supplies	-	-	-	-	-	-	-	-
Consumable supplies	136	-	-	71	-	-	71	207
Consumable: Stationery, printing and office supplies	1 343	-	-	(81)	-	-	(81)	1 262
Operating leases	23 062	-	-	671	182	-	853	23 915
Property payments	20 378	-	-	2 183	-	-	2 183	22 561
Transport provided: Departmental activity	126	-	-	1 400	-	-	1 400	1 526
Travel and subsistence	15 171	-	-	(4 594)	-	-	(4 594)	10 577
Training and development	2 072	-	-	(905)	-	-	(905)	1 167
Operating payments	1 786	-	-	(139)	-	-	(139)	1 647
Venues and facilities	4 272	-	-	(3 765)	-	-	(3 765)	507
Rental and hiring	112	-	-	4 500	-	-	4 500	4 612
Interest and rent on land	-	-	-	400	-	-	400	400
Interest	-	-	-	400	-	-	400	400
Rent on land	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to</b>	<b>3 028 198</b>	-	-	<b>(5 625)</b>	<b>(182)</b>	<b>44 397</b>	<b>38 590</b>	<b>3 066 788</b>
Provinces and municipalities	86 087	-	-	50	-	-	50	86 137
Provinces	295	-	-	50	-	-	50	345
Provincial Revenue Funds	-	-	-	-	-	-	-	-
Provincial agencies and funds	295	-	-	50	-	-	50	345
Municipalities	85 792	-	-	-	-	-	-	85 792
Municipalities	85 792	-	-	-	-	-	-	85 792
Municipal agencies and funds	-	-	-	-	-	-	-	-
Departmental agencies and accounts	200 455	-	-	5 232	(182)	180	5 230	205 685
Social security funds	200 455	-	-	5 232	(182)	180	5 230	205 685
Entities receiving funds	-	-	-	-	-	-	-	-
Higher education institutions	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	57 436	31 278	11 286	100 000	100 000
Public corporations	-	-	-	57 436	31 278	11 286	100 000	100 000
Subsidies on production	-	-	-	-	-	-	-	-
Other transfers	-	-	-	57 436	31 278	11 286	100 000	100 000
Private enterprises	-	-	-	-	-	-	-	-
Subsidies on production	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-
Households	2 741 656	-	-	(68 343)	(31 278)	32 931	(66 690)	2 674 966
Social benefits	45	-	-	944	-	-	944	989
Other transfers to households	2 741 611	-	-	(69 287)	(31 278)	32 931	(67 634)	2 673 977
<b>Payments for capital assets</b>	<b>34 294</b>	-	-	<b>(8 095)</b>	-	-	<b>(8 095)</b>	<b>26 199</b>
Buildings and other fixed structures	31 454	-	-	(9 700)	-	-	(9 700)	21 754
Buildings	31 454	-	-	(9 700)	-	-	(9 700)	21 754
Other fixed structures	-	-	-	-	-	-	-	-
Machinery and equipment	2 840	-	-	1 605	-	-	1 605	4 445
Transport equipment	500	-	-	-	-	-	-	500
Other machinery and equipment	2 340	-	-	1 605	-	-	1 605	3 945
Heritage assets	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>	-	-	-	-	-	<b>19</b>	<b>19</b>	<b>19</b>
<b>Total</b>	<b>3 485 112</b>	-	-	-	-	<b>45 265</b>	<b>45 265</b>	<b>3 530 377</b>
<b>Amount to be voted</b>								<b>45 265</b>