



housing

Department:
Housing
REPUBLIC OF SOUTH AFRICA

ANNUAL REPORT 2005-2006

VISION

A nation housed in sustainable human settlements with access to socio-economic infrastructure.

MISSION

To establish and facilitate a sustainable process that provides equitable access to adequate housing for all, within the context of affordability of housing and services, and access to social amenities and economic opportunities.

ISBN: 0-621-36727-3
RP 141/2006

BREAKING NEW GROUND IN HOUSING DELIVERY
** houses * security * comfort*



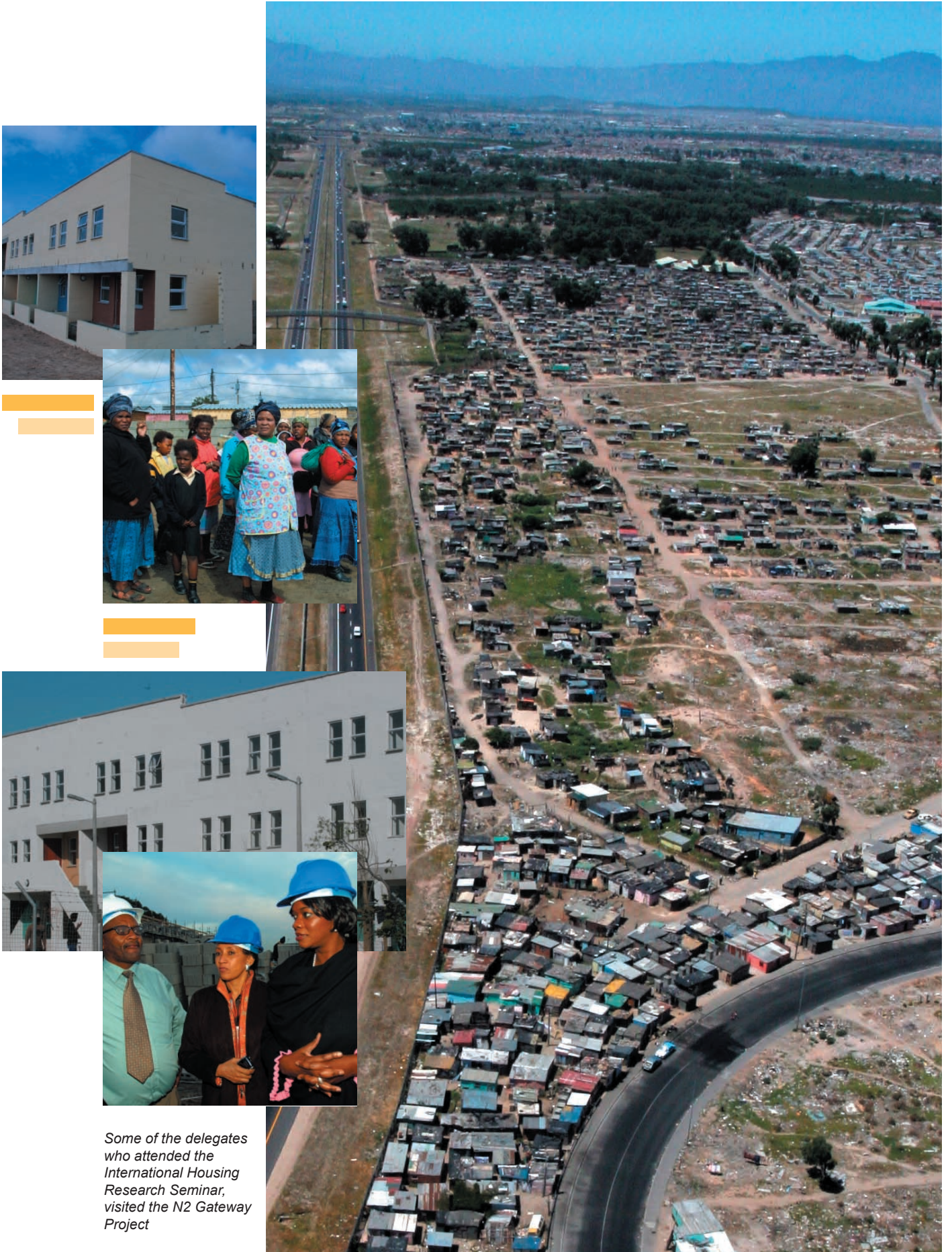
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Some of the delegates who attended the International Housing Research Seminar, visited the N2 Gateway Project

PART 1. GENERAL INFORMATION

1.1 Foreword by the Minister of Housing

The financial year 2005/06 has been the most exciting and yet severely challenging in housing. We implemented the Breaking New Ground strategy in all the provinces and received support from the banks in this regard. We also received tremendous support from community and non-governmental organisations and the private sector all of whom signed the Social Contract for the acceleration of the delivery of houses. But as implementation was the key focus significant challenges emerged. We had to deal with these in a manner that enabled us to keep focus on the main objective of the strategy to accelerate delivery whilst extracting lessons at the same time.

From this report the public will be able to glean the kind of activities that we had to be involved in to make certain that implementation indeed took place and that we mobilised all the necessary stakeholders for the purpose. I, therefore, would like to express gratitude to all the stakeholders for the manner in which they took part in implementation. Thus making it possible for us to report progress on our activities.

As per our constitution, housing is a right to be enjoyed by all. This then places an obligation on all of us to do what we can to make it possible for all South Africans to have a decent, secure and comfortable home. This consideration is also important if looked against the need to grow our economy. For housing generates income and employment and plays an important role in the growth of the economy.

Housing returns the dignity of people and enables them to fully play a part in community and political activities.



Lindiwe Sisulu, Minister of Housing

A handwritten signature in black ink, appearing to read 'Lindiwe Sisulu'.

Lindiwe Sisulu, MP
Minister of Housing



SUBMISSION TO THE MINISTER OF HOUSING

DR L SISULU, MP, MINISTER OF HOUSING, I HAVE THE HONOUR OF SUBMITTING THE 2005/06 ANNUAL REPORT OF THE NATIONAL DEPARTMENT OF HOUSING, IN TERMS OF THE PUBLIC FINANCE MANAGEMENT ACT, 1999

1.2 Introduction by the Director-General and submission of the annual report to the executive authority

The Comprehensive Plan for the Development of Sustainable Human Settlements remains the anchor of all our programmes and initiatives. The implementation of the Comprehensive Plan demands a new paradigm of values, attitudes, and spirit among all stakeholders and functionaries as we all respond to the undeniable need to fast-track the delivery of sustainable human settlements in the context of current socio-economic and demographic reality in the country.

Through the Comprehensive Plan for the Development of Sustainable Human Settlements, the Department continues to seek more responsive and effective delivery arrangements. The vision of the Department to promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing remains firmly entrenched and pursuant of the goals to:

- accelerate the delivery of housing as a key strategy for poverty alleviation;
- utilise the provision of housing as a major job creation strategy;
- ensure that property can be accessed by all as an asset for wealth creation and empowerment;
- leverage growth in the economy;
- combat crime, promote social cohesion and improve the quality of life of the poor;
- support the functioning of the entire single residential property market to reduce the duality within the sector by breaking the barriers between the first economy residential property boom and the second economy slump; and
- utilise housing as an instrument for the development of sustainable human settlements in support of spatial restructuring.

We are firm in our conviction that the Comprehensive Plan continues to represent a holistic approach to housing and human settlements development.

Initiatives embarked upon in line with the Comprehensive Plan include:

- The financial modeling of the Plan to inform decisions around funding and programming of delivery targets.



Mr Ithumeleng Kotsoane,
Director-General,
Department of Housing

- Considerable and varied progress was realised on Pilot projects in all nine Provinces, aimed at fast-tracking delivery and guiding further policy development through lessons learnt.
- Consistent with the need to achieve expeditious delivery, investigations into the delivery value chain yielded insights into possible optimal delivery arrangements and interventions to transcend delivery bottlenecks.
- Enhancements to the organisational structure that are at an advanced stage and pending approval by the Executing Authority.

The formation and maintenance of strategic alliances, together with both national and international partnerships, remains one of the cornerstones of success in achieving our human settlements objectives.

Engagements with the key housing sectors continued nationally and resulted in a number of commitments to form partnerships to address the housing backlog and build sustainable settlements that are so vital to support a vibrant economy. This engagement process has, inter alia, resulted in the following:

- Following the signing of a Memorandum of Understanding between the Department and major South African banks through which the banks pledged R42 billion to be released to the low-income housing market by 2008, several operational and interpretation considerations had to be attended that threatened progress.
- A partnership with non-governmental organisations, as well as developers and the construction industry was bolstered through the signing of the Social Contract for Rapid Housing Delivery. Thus providing a structured and coherent platform for working with partners.
- A National Municipal Housing Indaba was convened to serve as an Intergovernmental platform to address key challenges affecting Housing delivery and to, secure consensus across government on priorities for achieving the objectives of the Comprehensive Plan.

On the international front we continued pursuing the objectives of the African Ministers' Conference on Housing and Urban Development (AM-CHUD), which serves to strengthen regional relationships between African countries, the African Union and the UN in the area of human settlement development.

The strategic "south/south" alliance between India, South Africa and Brazil continues to grow through a series of exchanges engagements.

During the year under review, housing delivery continued unabated and by 31 March 2006 the number of houses completed or under construction since 1994 stood at 2 081 694, with 2 848 160 subsidies approved.

While significant progress has been made, the challenges in the housing sector remain daunting. These include the growth in housing backlogs, limited resources and capacity in all three spheres of government, supply constraints in the construction industry, and challenges of transformation, alignment and coordination. The sector is also faced with the imminent challenge posed by mega Projects such as those related to 2010 Soccer World Cup, Gautrain and other infrastructure investments. In this regard



Mr John Tibasima Ateenyi, Minister of Urban Planning and Housing (DRC) and Minister Lindiwe Sisulu at the signing of the MOU at Sun City on 23 February 2006





the sector must find creative ways to ensure growth in delivery amidst potential competition for resources with these mega projects.

Furthermore, the Housing sector must address itself to challenges of increasing urbanisation and migration in a robust manner that transcends territorial/regional preferences. The improvement of alignment between planning tools and systems requires careful and focused collaborative effort by all organs of the state. Responding to land constraints for housing development (in the context of spatial restructuring and integration) calls for greater emphasis in collaboration.

Many of my colleagues within government and partners in the Housing sector are both challenged and invigorated by the enormity of the task before us all – the task of housing the nation. I also acknowledge the stewardship and dedication of my predecessors who have all steered the department and the sector to where we are able to catch a glimpse of the new dawn for Housing.

We are therefore confident in submitting this annual report outlining the performance of the National Department of Housing for the 2005/2006 financial year.

I W KOTSOANE
DIRECTOR-GENERAL
DATE: 31 MAY 2006

1.3 Information on the Ministry

1.3.1 Activities in which the Ministry was involved during the year under review

During the period under review the Minister sought to accelerate Housing delivery and access to housing finance. To this end the Minister brought the banking Association of South Africa as a partner in housing delivery. This resulted in the social contract and a pledge by the banking sector to infuse funding for housing development. The Social contract marked a strategic shift in line with the comprehensive plan on sustainable human settlements.

The Minister attended and delivered papers to the following conferences:

- 20th Session of the Governing Council of UN-Habitat, Kenya;
- Development Forum hosted by the Advisory Board for Developmental Cooperation, Ireland;
- CSD 13, New York; and
- UN-Habitat and UN Governing Council, New York.

During the period under review the Minister undertook the following study tours abroad:

- Celebrations of World Habitat Day, Singapore, as well as an official visit to Singapore.

In addition to the international engagements mentioned above and the Minister's parliamentary activities that include the presentations on the Budget Vote debates to both the National Assembly and the National Council of Provinces (NCOP) which took place on 17 and 19 May 2005 respectively and the participation and presentations in various media briefings and answering of parliamentary questions, the Minister's activities during the year under review included the following key presentations and speeches delivered at:

- the occasion of the 20th Session of the Governing Council of the United Nations Human Settlements Programme.
- the 13th Session of the United Nations Commission on Sustainable Development in New York as Chairperson of the African Ministerial Conference on Housing and Urban Development (AMCHUD).
- the 13th Session of the United Nations Commission on Sustainable Development on "Meeting the Millennium Development Goals".
- the opening of the National Forum of Homeless People.
- the opening of the International Housing Research Seminar.
- the Housing Summit of the Gauteng Provincial Department of Housing.
- the Financial Sector Transformation Conference by the Financial Sector Campaign Coalition.
- the occasion of handing over of keys to the beneficiaries of the Women Partnership Build.
- the opening of the IBSA workshop on mobilising resources for human settlements in middle income countries.
- the opening of the XXXIII IAHS World Congress on Housing.
- the Conference for the Development of Ireland's White Paper on development Cooperation.
- the occasion of the Holcim Awards for Sustainability in Construction.



Mr Mark Hildebrand (Programme Manager - Cities Alliance), Ms Lindiwe Sisulu (Minister of Housing), Mr Billy Cobbett (Manager - Cities Alliance) and Mr Dave de Groot (Manager - Human Settlements, World Bank) after the signing of the Cities Alliance MOU on 24 January 2006 in Pretoria





*The Minister
in Brazil,
April 2005*



*Olievenhoutbosch
Housing Project*



*Minister taking part in the
Cape Talk Radio Build Initiative,
14 November 2005*

- the Annual Conference of the Black Management Forum.
- the awards ceremony of the National Homebuilders Registration Council (NHBR).
- the opening of the National Municipal Housing Indaba.
- the Imbizo of the National Council of Provinces in Limpopo.
- Cape Talk's 8th birthday celebration and house build initiative.
- the ceremony to launch the Olievenhoutbosch Housing Project.
- the ceremony to launch the Solomon Mahlangu Housing Project.

In addition to the above, the Minister paid several site visits nationally to projects that have been implemented through the current housing programme since 1994 and Presidential Imbizos in the various provinces. During these visits, she witnessed the experiences of beneficiaries of the programme relating to the projects that were successfully implemented and where communities expressed appreciation of the impact this had on their lives. She also shared experiences with those communities within the areas where these projects were implemented who are awaiting their turn to benefit from the programmes, as well as those who are assisting government themselves in finding their own housing solutions.

She received first hand information and testimony of the communities who experienced problems of receiving houses that were built to substandard levels due in some cases to, unscrupulous partners who acted in some cases in collusion with and/or through lapses by government officials, resulting in many cases in the building of houses that did not meet the minimum norms and standards. In some instances cases are being pursued through the Task Teams investigating corruption and mal-administration in the implementation of the housing programme. These experiences provided the Minister with insight on her role in providing instructions for corrective and pro-active policy interventions to deal with some of the matters that were raised.

Imbizos were held in the following provinces:

- President's Imbizo at Sedibeng Municipality
- President's Imbizo at Khayelitsha
- Deputy President's Imbizo at Metsweding District Municipality.

1.3.2 Public Entities reporting to the Minister

The following Institutions report to the Minister of Housing:

- Servcon Housing Solutions (Pty) Ltd
- National Urban Reconstruction and Housing Agency
- National Housing Finance Corporation
- Social Housing Foundation
- National Home Builders Registration Council
- Thubelisha Homes
- Rural Housing Loan Fund
- People's Housing Partnership Trust

1.4 Legislative and other mandates

Departmental Vision and Mission Statement

Vision: A Nation housed in sustainable human settlement with access to socio economic infrastructure.

Mission: To establish and facilitate a sustainable process that provides equitable access to adequate housing for all within the context of affordability of housing and services and access to social amenities and economic opportunities.

1.4.1 Constitution of the Republic of South Africa (1996) (Act 108 of 1996)

Interms of section 26 of the Constitution everyone has the right to have access to adequate housing (Section 26(1)). The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right (Section 26(2)). The legislation that the Department of Housing has promulgated and implemented falls squarely within this Constitutional imperative.

i) The Housing Act, 1997 (Act No. 107 of 1997)

Through its legislation, existing and future, and the Housing Code, the Department of Housing is carrying out its legislative imperative as set out in the Housing Act, 1997. Section 2 of the Housing Act, 1997 (Act No. 107 of 1997) compels all three spheres of government to give priority to the needs of the poor in respect of housing development (section 2(1) (a)). In addition all 3 spheres of government must ensure that housing development:

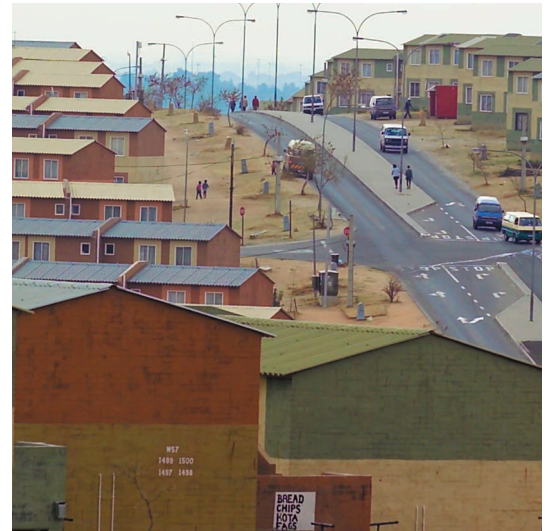
- (i) provides as wide a choice of housing and tenure options as is reasonably possible;
- (ii) is economically, fiscally, socially and financially affordable and sustainable;
- (iii) is based on integrated development planning; and
- (iv) is administered in a transparent, accountable and equitable manner, and upholds the practice of good governance (Section 2(1) (c)).

ii) Prevention of Illegal Eviction from and Unlawful Occupation of Land Act (1998)

The Prevention of Illegal Eviction from and Unlawful Occupation of Land Act was promulgated in 1998. The Act repeals the Prevention of Illegal Squatting Act no. 52 of 1951 and makes provision for a fair and equitable process to be followed when evicting people, who have unlawfully invaded land, from their homes. The Act also makes it an offence to evict without following the due process of law.

iii) The Housing Consumers Protection Measures Act of 1998

The Act provides for the establishment of a statutory body for homebuilders. The National Home Builders Registration Council registers builders engaged in certain categories of house construction and regulates the home building industry by formulating and enforcing a code of conduct. The implementation of the Act is monitored continuously.





iv) The Rental Housing Act of 1999

This Act repeals the Rent Control Act of 1976 and defines Government's responsibility in respect of rental housing property. It creates mechanisms to promote the provision of rental housing and the proper functioning of the rental housing market. To facilitate sound relations between tenants and landlords, it lays down general requirements for leases and principles for conflict resolution in the rental-housing sector. It also makes provision for the establishment of Rental Housing Tribunals and defines the functions, powers and duties of such Tribunals. Provincial housing departments have a duty to establish Rental Housing Tribunals.

v) Home Loan and Mortgage Disclosure Act of 2000

The Act provides for the establishment of the Office of Disclosure and the monitoring of financial institutions serving the housing credit needs of communities. It requires financial institutions to disclose information to enable it to identify possible discriminatory lending patterns. The act came into operation during 2003.

vi) Disestablishment of South African Trust Limited Act, 2002 (Act 26 of 2002)

The winding up of the South African Housing Trust and the transfer of the functions relating to financial obligations were completed by the beginning of 2003 in terms of the of Act 26 of 2002: Disestablishment of South African Trust Limited Act, 2002.

1.4.2 Public Entities reporting to the Department of Housing



Servcon Housing Solutions is a private company established as a product of the Record of Understanding between government and financial institutions or lenders where lenders pledged to re-enter the low income housing market. Servcon was established in terms of the Company's Act of 1973 and was mandated to provide exclusive management services with respect to the designated or ring-fenced portfolio comprising 33 306 Properties in Possession (PIP's) and Non-Performing Loans (NPL's) with a value of R1, 277 billion, for a period of 8 years from 1 April 1998 to 31 March 2006. It is expected that the remaining properties will be finalised and disposed of before the end of the first half of the next financial year.



Thubelisha Homes on the other hand is a section 21 company, established as a "special purpose vehicle to facilitate the acquisition of rightsizing housing stock and the disposal of these houses to Servcon clients".



The National Home Builders Registration Council is a public entity established in terms of the Housing Consumer Protection Measures Act of 1998 has been providing an exclusive regulatory function in the home building environment. It was established in November 1998 with the mandate to protect potential housing consumers from unscrupulous homebuilders. It has since been striving to regulate and provide better services to the consumers through registration of homebuilders and enrolment of homes.

There are three financial institutions that provide housing finance solutions

These are: National Housing Finance Corporation (NHFC), National Urban Reconstruction Housing Agency (NURCHA) and Rural Home Loan Fund (RHLF). It is envisaged that these institutions will still provide these services in the new housing plan.



The National Housing Finance Corporation (NHFC) was established as a result of a Cabinet decision in May 1996, as envisaged in the White Paper on Housing, which was approved by Cabinet on 7 December 1994. NHFC was established to search for new and better ways to mobilise finance for housing, from sources outside the state, in partnership with the broadest range of organisations.



Nurcha was established as a Section 21 Company and as an RDP Presidential Lead Project in 1995 by agreement between the South African Government and the Open Society Institute of New York. The primary function of Nurcha is to help release finance for low cost housing from financial institutions. Nurcha's main activity is to offer guarantees to banks to encourage them to make bridging finance loans available to developers in cases where banks are not prepared to approve such loans without additional security, and thus facilitate the flow of finance from financial institutions into low-income housing development.



Rural Housing Loan Fund is a section 21 company established to provide incremental loans to rural communities for housing purposes.



Social Housing Foundation is a section 21 company established to broadly develop and build capacity for social housing; to encourage networking both locally and internationally by bringing various players together in a range of different forums, to promote information and skills exchanges and cooperation and to develop a policy framework for social housing.



People's Housing Partnership Trust (PHPT) was established in 1997, to implement a capacity building programme to support the People's Housing Process. The main objective of the programme is to develop capacity at all levels of government, Non-Governmental Organisations (NGOs), Community Based Organisations (CBO's) and communities to support the People's Housing Process.

