

DEPARTMENT OF HUMAN SETTLEMENTS

Vote 30, Annual Report
for the year ended 31 March 2011

RP93/2011

ISBN 978-0-621-40113-4

The Honorary Mr T M G Sexwale (MP), Minister of Human Settlements

I have the honour of submitting the Annual Report of the National Department of Human Settlements for the period 1 April 2010 to 31 March 2011.

A handwritten signature in dark ink, appearing to be 'T Zulu', enclosed within a faint rectangular border.

T Zulu

Director-General: Department of Human Settlements

31 May 2011

CONTENTS

1. GENERAL INFORMATION	5
1.1 Vision	6
1.2 Mission	6
1.3 Values	6
1.4 Organisational structure	6
1.5 Legislative mandate	8
1.6 Entities reporting to the Minister	10
1.7 Minister's statement	13
1.8 Deputy Minister's statement	14
1.9 Accounting Officer's overview	15
2. INFORMATION ON PREDETERMINED OBJECTIVES	17
2.1 Overall performance	18
2.1.1 Voted funds	18
2.1.2 Aim to vote	18
2.1.3 Summary of programmes	18
2.1.4 Key strategic objectives achievements	19
2.1.5 Overview of the service delivery environment for 2010/2011	25
2.1.6 Overview of the organisational environment for 2010/2011	30
2.1.7 Key policy developments and legislative changes	30
2.1.8 Departmental revenue, expenditure and other specific topics	33
2.1.9 Departmental expenditure	34
2.1.10 Transfer payments	36
2.1.11 Conditional grants and earmarked funds	37
2.1.12 Capital investment, maintenance and asset management plan	39
2.2 Programme performance	39
2.2.1 Programme 1: Administration	39
2.2.2 Programme 2: Housing policy, research and monitoring	50
2.2.3 Programme 3: Housing planning and delivery support	60
2.2.4 Programme 4: Housing development finance	99
2.2.5 Programme 5: Strategic relations and governance	103
3. ANNUAL FINANCIAL STATEMENTS	119
3.1 Report of the Audit Committee	121
3.2 Report of the Accounting Officer(s)	123
3.3 Report of the Auditor-General	139
3.4 Appropriation Statement	142
3.5 Notes to the Appropriation Statement	167
3.6 Statement of Financial Performance	170
3.7 Statement of Financial Position	171
3.8 Statement of Changes in Net Assets	172
3.9 Cash-flow Statement	173
3.10 Statement of Accounting Policies and Related Matters	174

3.11	Notes to the Annual Financial Statements (including Accounting Policies) . .	181
3.12	Disclosure notes to the Annual Financial Statements	191
3.13	Annexures (unaudited supplementary schedules)	200
3.14	Annual Financial Statements of other entities	208

4. HUMAN RESOURCE MANAGEMENT 215

5. OTHER INFORMATION 241

5.1	List of acronyms	242
5.2	Contact details	245
5.3	Additional information	247
5.3.1	Status Report: Achievement of Outcome 8 Outputs	247
	- 1 September to end December 2010	
5.3.2	Key stakeholders of the Department	282



GENERAL INFORMATION

1.1 Vision

A nation housed in sustainable human settlements

1.2 Mission

During the period under review the Mission of the Department was revised in line with the Department of Human Settlements Outcome 8, to read:

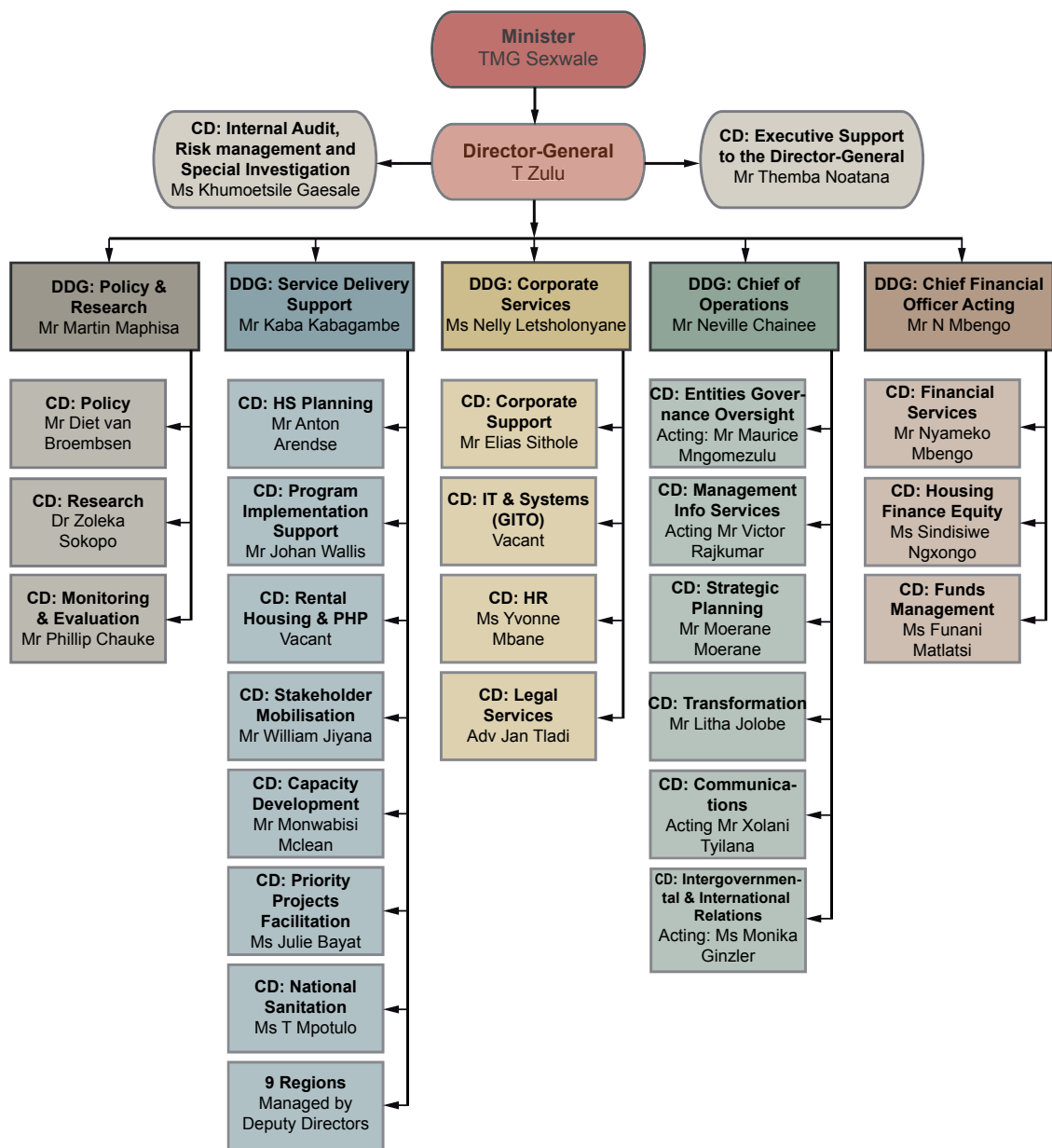
"TO FACILITATE THE CREATION OF SUSTAINABLE HUMAN
SETTLEMENTS AND IMPROVED QUALITY OF HOUSEHOLD LIFE."

1.3 Values

The Department's core values, based on the Constitution of the Republic of South Africa, are as follows:

- Accountability
- Fairness and equity
- Choice, quality and affordability
- Sustainability
- Innovation.

1.4 Organisational structure



1.5 Legislative mandates

Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996)

Section 26 (1) of the Constitution enshrines access to adequate housing as a basic right for all South Africans. The State is compelled to take reasonable measures within its available resources, including the introduction of legislation, to work towards ensuring that all South Africans enjoy this right [Section 26(2)]. The legislation that the Department of Human Settlements has promulgated and implemented falls squarely within this Constitutional imperative.

Section 26: Access to adequate housing a basic human right; Govt to ensure environment conducive to the progressive realisation of the right; Schedule 4: National and Provincial Governments have concurrent legislative competence. Section 28 and Bill of Rights Equality Clause (9)(3) with particular reference to youth and women.

Housing Act, 1997 (Act No 107 of 1997)

The Department of Human Settlements is carrying out its legislative imperative as set out in the Housing Act, 1997 through existing and future legislation and the Housing Code requires the Minister of Housing to determine national housing policy and programmes and negotiate funding for such programmes. In addition the Act requires of the Minister of Housing to establish housing institutions.

Comprehensive Plan for the Creation of Sustainable Human Settlements (BNG)

A blueprint for the Revised Housing Code which was approved by Cabinet in 2004, it reinforces the vision of the Department of Housing, to promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing. Key to realising the objectives of BNG is the vigorous engagement and participation of sector-specific stakeholders which include the Presidency (Chapter 9 Institutions), Government Departments, the private sector and civil society.

The Housing Consumers Protection Measures Act, 1998 (Act No 19 of 1998)

This 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 Department monitors implementation of the Act continuously.

The Housing Development Agency Act, 2008 (Act No 23 of 2008)

This Act provides for the establishment of a statutory body to identify, facilitate the acquisition and the holding of land and landed properties; facilitate the planning processes and coordinate funding for the land identified for sustainable human-settlement development in the various provinces and municipalities; which in the end has to fast-track the housing-development process. The Agency has been established and the Department will from 2009 henceforth monitor the implementation of the Act on a continuous basis.

Public Finance Management Act, 1999 (Act No 1 of 1999 - as amended by Act No 29 of 1999)

This Act provides for the effective management of public funds by public sector officials including those in public entities. The PFMA gives effect to financial management and places a greater implementation responsibility with managers and makes them more accountable for their performance. The department monitors adherence of its housing entities to the Act on a continuous basis.

The Social Housing Act, 2008 (Act No 16 of 2008)

This Act provides for the establishment of the Social Housing Regulatory Authority (SHRA). The establishment of this entity was underway and had been finalised by end of the 2009/2010 financial year. Once established and as with other housing entities. SHRA will report to the Minister of Human Settlements. The Department will monitor the delivery of its statutory mandate and provide governance oversight.

The Division of Revenue Act, 2011 (Act No 6 of 2011)

This act enforces the compulsory use of the Housing Subsidy System (HSS) as part of the conditions as gazetted.

The Rental Housing Act, 1999 (Act No 50 of 1999)

This Act repeals the Rent Control Act of 1976 and defines Government's responsibilities around rental housing property. It creates mechanisms that promote the provision of rental housing and the proper functioning of the rental housing market. To facilitate sound relations between tenants and landlords, the Act 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 these tribunals. The duty of establishing Rental Housing Tribunals resides with the provinces.

The social housing work programme will be informed by the Social Housing Act 16, 2008 and the Rental Housing Amendment Bill will be submitted to Parliament for enactment. Both these pieces of legislation form the framework and parameters within which the social/rental housing sector will operate.

Home Loan and Mortgage Disclosure Act, 2000 (Act No 63 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 it needs to identify possible discriminatory lending patterns. The Act has been in operation since 7 July 2007 simultaneously with the Regulations through Presidential Proclamation.

Inclusionary Housing Bill

The Inclusionary Housing Policy has been completed, a Bill has been drafted and will be sent to Cabinet for in-principle approval.

Sectional Titles Schemes Management Bill

This Bill in effect takes over the housing management provisions of the Sectional Titles Act which is administered by the Department of Rural Development and Land Reform. The Bill has been passed by Parliament.

Community Schemes Ombud Service Bill

This is linked to the Sectional Titles Schemes Management Bill and provides for a dispute resolution mechanism for sectional titles and other residential community schemes. The Bill has been passed by Parliament.

Against the background of the analysis of trends and emerging challenges in the housing environment, the outcome of the extensive stakeholder consultative process, Government priorities determined at the first post-election Cabinet Lekgotla (May 2009), the following macro elements form the pillars (strategic goals) of the Human Settlements Strategy.

Intergovernmental Relations Framework (Act No 13 of 2005)

The Act is meant to facilitate coordination by the three spheres of Government - national, provincial and local governments - in the implementation of policy and legislation.

Policy mandates

The Minister of Human Settlements' policy development mandate stems from the Housing Act, 1997 (ActNo 107 of 1997). Section 3 of the Housing Act, 1997 *inter alia* provides that:

The national Government acting through the Minister must, after consultation with every MEC and the national organisation representing municipalities as contemplated in section 163 (a) of the Constitution, establish and facilitate a sustainable national housing development process. For the purposes of subsec-

tion (1) the Minister must determine national policy, including national norms and standards, in respect of housing development.

In addition the Housing Act, 1997 provides for the authority of the Minister of Human Settlements to institute and finance national housing programmes. The funding allocated to provincial governments by the Minister of Human Settlements may only be utilised in terms of the provisions of national housing programmes and provincial housing programmes that are consistent with national housing policy.

Following the 2009 elections an extension to the mandate of the Department was approved by Cabinet in July 2009 as part of Medium Term Strategic Framework. During the course of January 2010 the Cabinet further approved an outcomes-based approach to the mandate and work of the Department with the adoption of the outcome - Sustainable Human Settlements and Improved Quality of Household Life.

Based on the expansion of the mandate of the Department, there are initiatives in the Department to publish a Green Paper on Human Settlements.

The following is a list of all legislation tabled in Parliament during 2010/2011 financial year:

- Sectional Titles Schemes Management Bill
- Community Schemes Ombud Service Bill
- Rental Housing Amendment Bill.

1.6 Entities reporting to the Minister

The following entities have been established by and report to the Department of Human Settlements:

SERVCON HOUSING SOLUTIONS

Servcon Housing Solutions was established in 1995 as a result of the "Record of Understanding", signed in October 1994. The company was established in terms of the Companies Act of 1973 and was mandated to provide exclusive management services effective from 1 April 1998, with respect to a documented "ring-fenced" portfolio of 33 310 properties comprising Properties in Possession (PIPs) and Non-Performing Loans (NPLs) worth R1,277 billion for a period of eight years from April 1, 1998 to March 31, 2006. During 2007 the institution undertook to assist provinces through a normalisation and regularisation programme.

Servcon is in the process of closure. The closure is guided by an approved closure plan. A Joint Transition Management Committee was appointed to oversee the closure process.

THUBELISHA HOMES

Thubelisha Homes 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". With the changing housing delivery landscape, Thubelisha was requested to act as project manager/developer and assist provinces and municipalities in the delivery of housing in line with the Comprehensive Plan on the Development of Sustainable Human Settlements (BNG).

Thubelisha Homes is in the process of closure. A closure plan for the closure of Thubelisha Homes was developed and approved. A Closure Steering Committee oversees the closure process of Thubelisha Homes.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL (NHBRC)

The Council is a public entity established in terms of the Housing Consumer Protection Measures Act (Act No 95 of 1998) and provides 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. Since its inception, it has been striving to regulate and provide better services to consumers through the registration of homebuilders, the enrolment of homes and home inspections. The institution continues to manage the Warranty Fund formed under Housing Consumer Protection Measures Act.

The Council commenced with an organisational restructuring process in the 2009/2010 financial year in order to ensure a match between the skills sets of staff to posts and ultimately to ensure a high level of customer service delivery. The Council is committed to continuous training of staff members to enhance the NHBRC's performance culture. The restructuring process continues and is expected to be completed in the 2011/2012 financial year. Other key outputs from the restructuring process are the enhancement of geo-technical and inspection services and internal quality assurance monitoring through the introduction of a new quality assurance division to the existing organisational structure.

NATIONAL HOUSING FINANCE CORPORATION (NHFC)

The NHFC was established following a Cabinet decision in May 1996, as envisaged in the White Paper on Housing, which was approved by Cabinet on December 7, 1994. The mandate of the NHFC is 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.

A review was undertaken by the executive committee to ensure the continued relevance of the corporation considering new developments in its operating environment.

During the 2010/2011 financial year the NHFC investigated the feasibility of the introduction of the Default Mortgage instruments to specifically address issues of affordability, accessibility and scale at end user level.

Going forward, the core business will be refocused to facilitate increased and sustained lending and contributions by the private sector. The refocusing will reposition business initiatives as follows: 60 per cent towards facilitation activities aimed at optimally leveraging private sector contribution and 40 percent towards traditional wholesale lending and project finance activities.

NATIONAL URBAN RECONSTRUCTION AND HOUSING AGENCY (NURCHA)

The NURCHA is the result of a partnership between the South African Government and the Open Society Institute of New York. The institution was established in 1995 as a Section 21 company in terms of the Companies Act (1973).

NURCHA's operations are arranged in three programmes, namely the subsidised-housing programme, the affordable housing programme and the infrastructure-and-community facilities programme. The institution differentiates between established and emerging contractors. Finance is provided to established contractors directly whilst a separate, specialised intermediary channel is used for the provision of finance to emerging contractors, resulting in the normalisation of risks associated with this market segment by the traditional financial institutions. In this regard, the intermediaries assist the emerging contractors with a range of construction support services.

Over the medium term the institution will support delivery in terms of the programme of action of Government through the continued provision of finance and project support to emerging and established contractors through the existing programmes.

In addition, NURCHA will continue to participate in the emerging contractor incubator programme, in order to secure contractor capacity for future construction projects.

RURAL HOUSING LOAN FUND (RHLF)

The RHLF is a development finance institution, established in August 1996 as an association not for gain. The company operates as a wholesale lender to retail intermediaries with the main aim to provide development finance to the low-income rural market, in order to create or improve housing opportunities. RHLF will focus on the following strategic priorities over the MTEF period: broadening and deepening the reach of rural housing finance and credit affordability.

The institution intends to continue to support and maintain its existing portfolio of intermediaries through structured disbursements and to expand its footprint into deep rural areas by providing wholesale loans to alternative community-based organisations. The entity intends to address end-user credit affordability by introducing wholesale loans to robust intermediaries at a discounted rate.

SOCIAL HOUSING FOUNDATION (SHF)

The SHF is a Section 21 company established to broadly develop and build capacity for social housing, to encourage local and international networking by bridging together various players in range of forums in order to promote information and skills exchanges and cooperation and to develop a policy framework for social housing.

Between 2007/2008 and 2009/2010 the strategic priority areas of the institution have been policy support, social housing research, technical support, coordination support, as well as monitoring and evaluation services to various public and private stakeholders.

The policy support activities of the entity culminated in the development of the Social Housing Act (2008). The Social Housing Act provides for the establishment of the Social Housing Regulatory Authority to regulate social housing institutions receiving public funds and to regulate the assessment, approval, administration and disbursement of institutional investment and capital grants to social housing institutions.

The SHF served its purpose by providing a firm base for the next phase in the development of the social housing sector in South Africa.

The entity commenced with the implementation of a closure plan in the 2010/2011 financial year and is expected to be dissolved by March 31, 2011. Relevant functions and related resources of the institution will be absorbed by the Department and the Social Housing Regulatory Authority respectively.

HOUSING DEVELOPMENT AGENCY (HDA)

The HDA was recently established in terms of the Housing Development Agency Act, 2008 (Act No 23 of 2008), effective from October 31, 2008.

The purpose of the Agency is to respond to the requirements of the Comprehensive Plan by identifying, acquiring, developing land; and the disposal of land and landed properties.

The agency is required to facilitate the acquisition of land in a way that supplements the capacities of Government across all spheres. It also provides project management expertise in human settlement projects and facilitates the development of projects through accelerated and innovative project packaging.

The strategic priorities of the Agency between 2010/2011 and 2013/2014 is to build and maintain inter-governmental relations, defining and mapping of priority housing development areas, land identification and acquisitions, special projects management and the development of a spatial and management information system.

THE SOCIAL HOUSING REGULATORY AUTHORITY (SHRA)

The Social Housing Act (Act No 16 of 2008), as promulgated on November 5, 2008 provides for the establishment of the SHRA. The institution will be required to promote the development of the social housing sector, to regulate all social housing institutions obtaining or having obtained public funds and to give statutory recognition to social housing institutions.

A priority of the Regulatory Authority is to capacitate the organisational structure in order to enable the institution to deliver on its mandate. Thereafter the main focus of the institution will be to implement the social housing regulations and to disburse and monitor the utilisation of capital and capacity grants to the social housing sector.

A major responsibility and task of the SHRA will be to ensure that the Departmental Priority of upscaling social and rental housing is achieved. A substantial reprioritisation of funding for social and rental housing has been approved. The SHRA in conjunction with the NHFC will be expected to take the lead in this matter, together with the provinces, cities and towns. The target set of eighty thousand units is onerous and will require collective and committed effort from both the public and private sector.

1.7 Minister's statement

Our goal of creating Sustainable Human Settlements is steadily taking shape *albeit* far distant from where we ought to be. Thus we note the following:

- A Human Settlements budget, beyond housing, is emerging with improved coordination.
- There is greater clarity on the nature and severity of the problems confronting the country's residential drive.
- Accelerated delivery of quality houses remains undiminished.

Important strides have been made, during the period under review. These include:

- Strategic municipalities being given authority to drive human settlements.
- Enhancing the financial architecture of municipalities, through the introduction of the Urban Settlements Development Grant(USDG).
- Introduction of new policy interventions, aimed at speeding up quality delivery through splitting the Human Settlements Grant in an 80/20 arrangement.
- Witnessing the beginnings of the use of alternative building methods.
- The passing of the two Bills: Community Schemes Ombuds Service; and the Sectional Titles Schemes Management Act.
- Commitment made with the President, through Outcome 8.
- The convening of the Special Presidential Coordinating Council on Human Settlements.
- Launching of projects that give better shape to our Human Settlements Goal.

“And yet critical barriers remain...”

Coexisting with the achievements we have recorded, are impediments threatening the decisive delivery of quality settlements. These relate to five broad barriers identified in our search for sustainable solutions, as we put the building blocks towards our Human Settlements Vision 2030. The Special Presidential Coordinating Council confirmed the barriers to be:

- Mobilising non-financial resources, including land.
- Exploring alternative funding models.
- Paying attention to capacity problems, including project management and bulk infrastructure.
- The need to address the legislative environment which is hindering progress.
- Focusing attention on alignment of critical mandates and functions.

The Annual Report is indeed a reflection of work in progress.



T M G Sexwale - MP
Minister of Human Settlements

1.8 Deputy Minister's statement

It gives me great pleasure to submit some of the work done by the Department during this period. I recall a series of meetings when we were trying very hard to conceptualise what human settlements is all about – in practical terms as well as its ramifications. There were times in which our new mandate seemed like an impossible mission. One thing which was crystal clear in all our minds is that it is indeed a mammoth task.

Ironically it took a lengthy series of sleepless nights to figure out that our mandate can only succeed with strong partnerships within the various spheres of government, private sector and organs of civil society. Human settlements is about the whole of South Africa working together in the provision of shelter for all. The provision of housing brings water, electricity, sanitation, roads and other basic services.

Human settlement is about bringing people closer to places of work, learning and playing. Our work provides the beneficiaries with schools, clinics, churches, playgrounds and police stations closer to where they live. In other words, we don't just build houses - we are building communities, as well.

Allow me to thank the people who made my work here at Human Settlements a little lighter than I had thought it would be. I would like to thank the Minister, Comrade Tokyo Sexwale for his visionary political leadership and direct support to me as his Deputy Minister.

I would also like to thank: the Director-General, Mr Thabane Zulu; Deputy Directors-General; Chief Directors; and the rest of the team, especially those who lead units under my portfolios. Your prompt and yet professional responses to my instructions have always been humbling.



Z Kota-Fredericks - MP
Deputy Minister of Human Settlements

1.9 Accounting Officer's Overview

The constitutional obligation to provide adequate shelter is the foundation of all strategies and policies of the Department of Human Settlements. The adoption of the comprehensive plan for the development of sustainable human settlements in 2004 marked a conceptual shift away from the mandate of providing a house on poorly located land that is far from economic activity and social services, to the provisioning of amenities to support the creation of functional communities, through access to transport, social services and jobs.

FROM HOUSING TO HUMAN SETTLEMENTS

The principles of human settlement development outlined by policy necessitated a re-look at the Housing Act of 1996. This resulted in efforts to repeal the Housing Act and for it to be replaced by the Human Settlements Act. This process takes into consideration the lengthy legislative process that was not concluded at the end of the financial year. Similarly, a service provider was engaged in the third quarter of the financial year to assist the Department to position itself to respond to the Human Settlements Mandate. This occurred in the space of the development of the Human Settlements 2030 Vision. Vision 2030 seeks to locate the role of the Department within the context of realising Government's transformation targets.

INSTITUTIONAL CHANGES IN THE HOUSING SECTOR

It must be appreciated that the shift to the new Human Settlements Mandate requires an institutional recognition of the housing delivery model, including a review of the Department and all relevant public entities; over the medium term, the Department of Human Settlements will focus on maximising cooperation and coordination between the built-environment sector Departments, where delivery is devolved to local government. This is supported by an accreditation framework in terms of Section 10 of the Housing Act (1997). While progress on the devolution of housing function to municipalities has been slow, six metropolitan municipalities have achieved Level 2 accreditation by April 2011, with the new metropolitan municipalities, Buffalo City and Mangaung, accredited to Level 1.

Within the Department, further institutional changes are in progress. The changes are underpinned by the Department's turnaround strategy to support the Government outcome related to human settlements. The strategy will be implemented in 2011/2012. The rationalisation of the development finance institutions reporting to the Department is under way to support the human settlements objective. The promulgation of the Social Housing Act (2008) and the Housing Development Agency Act (2008) establishes the Social Housing Regulatory Authority and the Housing Development agency. The Social Housing Regulatory Authority is expected to be operational in 2011/2012, and will regulate the social housing sector and administer the capital restructuring grant for social housing. The rationalisation of public entities reporting to the Department of Human Settlements is also underway. The closure of Thubelisha Homes, Servcon Housing Solutions and the social Housing Foundations is nearing finality.

THE OUTCOMES APPROACH

Despite the delivery of 2.8 million housing opportunities between 1994 and 2009/2010, the housing-subsidy programme has continued to entrench segregated spatial patterns, marginalising the poor from economic opportunity. As a result, the security of a house, as a potential wealth-create asset, has not alleviated poverty in poor households and communities. Through effective land use, choice of tenure and mixed-income developments, the Department of Human Settlements anticipates improved outcome from the housing-subsidy programme.

In terms of Government's Twelve (12) Outcomes, the Department of Human Settlements contribute to sustainable human settlements and improved quality of household life (Outcome 8). To accelerate the delivery of basic service, housing opportunities, and improving access to the property market, the Department of Human Settlements, together with provinces and municipalities, focused on the following outputs over the medium term: upgrading 400 000 units of accommodation within informal settlements (Output 1); improving

access to basic services by providing universal access to sanitation (Output 2); facilitation the provision of 80 000 affordable social and rental housing units of accommodation in well-located areas; facilitating the provision of improved housing finance opportunities for 600 000 households within the gap market for people earning between R3 500 and R12 800 (Output 30) and realising 6 250 hectares of public-owned land for housing development.

UPGRADING INFORMAL SETTLEMENTS

Given the trend in migration, the role of metropolitan municipalities in the upgrading of informal settlements will be strengthened over the medium-term period. The creation of the new urban-settlement development grants to cities allows for the six Metropolitan Municipalities and two Districts to improve efficiency, maximise the developmental outcomes and achieve a coordinated approach to built-environment management. With greater flexibility to accelerate service delivery, the grant seeks to supplement the capital budgets of large cities to ensure integrated national, provincial and municipal planning to support the creation of sustainable human settlements and improve quality of household life.

To provide support and assistance to implement the upgrading of informal settlements, a national upgrading support programme was established in 2009. In addition to assessing and refining the existing policy framework, the support programme developed manuals for implementing projects and designed a national capacity building programme by providing technical support to municipalities.

Of paramount importance for the period under review was for the Accounting Officer to contribute and find solutions that will stabilise the housing market and stimulate job creation in the construction sector, thus positioning the Department of Human Settlements as an economic driver for social stability and cohesion. The Department's interface with Parliament during the financial year was positive with all invitations to account successfully honoured; the same applies for participation in the various clusters in coordinating Government programmes. Six Cabinet Memoranda were developed and canvassed with Cabinet in an effort to reshape the Department of Human Settlements.

The sections below, account for delivery programmes as captured in the 2010/2011 Estimate of National Expenditure (ENE) and the Departmental Strategic and Operational Plan. It accounts for the Programmes approved and the supportive budgets in terms of the Housing Act and supportive legislation in the coordination of Outcome 8 targets over the Medium Term Expenditure Frameworks(MTEF) period.



T Zulu

Director-General: Department of Human Settlements

31 May 2011



INFORMATION : PREDETERMINED OBJECTIVES

2.1 Overall performance

2.1.1 Voted funds

Programme	Main appropriation (R'000)	Adjusted appropriation (R'000)	Actual amount spent (R'000)	Over-/Under expenditure (R'000)
1. Administration	176 200	221 188	188 577	32 611
2. Housing Policy, Research and Monitoring	45 900	43 871	32 636	11 235
3. Housing Planning and Delivery Support	206 800	207 196	158 375	48 821
4. Housing Develop ment Finance	15 598 100	15 674 395	15 624 981	49 414
5. Strategic Relations and Governance	174 400	145 109	87 384	57 725
Total	16 201 500	16 291 759	16 091 953	199 806
Responsible Minister	Minister of Human Settlements			
Administering Depart- ment	Department of Human Settlements			
Accounting Officer	Director-General of Human Settlements			

2.1.2 Aim of the vote

The aim of the vote for the Department of Human Settlements is: determine, finance, promote, co-ordinate, communicate and monitor the implementation of housing policy and human settlements.

2.1.3 Summary of Programmes

2.1.3.1 Programme 1: Administration

Purpose: provide strategic leadership, administrative and management support services to the Department.

2.1.3.2 Programme 2: Housing Policy, Research and Monitoring

Purpose: to develop and promote policies on human settlement and housing supported by a responsive research agenda and to monitor and assess the implementation, performance and impact of national housing policies and programmes.

2.1.3.3 Programme 3: Housing Planning and Delivery Support

Purpose: to support implementation and delivery; build capacity; liaise and communicate with stake-holders for effective housing and human settlement programmes.

2.1.3.4 Programme 4: Housing Development Finance

Purpose: to fund programmes for housing and human settlement development; to provide financial and grant management services; to promote investment in housing finance; to mobilise and promote financial probity within housing institutions; and to manage all matters provided for by the Home Loan and Mortgage Disclosure Act (2000).

2.1.3.5 Strategic Relations and Governance

Purpose: to coordinate the Department's mandate within the intergovernmental relations framework; to manage international relations; promote good governance practices within the Department and its public entities; and to provide timely and integrated business information to the Department.

2.1.4 Key strategic objective achievements

Apart from providing strategic leadership, administrative and management support services and oversight, the following were the Departmental Key Strategic Objectives for the period under review:

- Develop and promote policies on human settlements and housing, supported by a responsive research agenda; and to monitor and assess the implementation, performance and impact of national housing policies and programmes.
- Support implementation and delivery; build capacity; and liaise and communicate with stakeholders for effective housing and human settlement programmes.
- Fund programmes for housing and human settlement development; to provide financial and grant management services; to promote investment in housing finance; to mobilise and promote financial probity within housing institutions; and to manage all matters provided for by the Home Loan and Mortgage Disclosure Act (2000).
- Coordinate the Department's mandate within the inter-governmental relations framework, manage international relations and promote good governance practices within the Department and its public entities, as well as providing timely and integrated business information to the Department.

Significant achievements during the period under review in relation to key strategic objectives stated above:

The year under review necessitated and ushered in, the need to undertake wholesale strategic realignment and/or turnaround. In pursuit of this exercise the department roped in the services of an outside consultant. PricewaterhouseCoopers (PwC) was selected as the best service provider to take the process forward. It was agreed between the service provider and the Department that the scope of work will cover consolidation of the meaning of Human Settlements and translation into the Departmental functional areas.

The following outcomes are expected of the service provider:

Scenario generation and planning: It is expected of the service provider to facilitate the generation and development of human settlements scenarios for the year 2030, to provide the Department with long-term planning options.

Strategy generation: It is expected of the service provider to facilitate the development of the Departmental strategy in line with macro-Governmental policy. Such strategy would be the basis upon which funding and resource mobilisation would be based. This would assist the Department in leading developments in spatial planning and human settlement.

Organisational design: the organisational design becomes an expression of Departmental strategy. It is expected of the service provider to facilitate the development of the organisational structure based on functions identified to carry the Departmental expanded mandate.

E-communication and IT solutions: It is expected of the service provider to advise/assist the Department in acquiring IT and e-communication solutions towards a paperless organisation.

Intergovernmental relations: Given the Department's legislated function as aptly captured in the Constitution and in the Housing Act of 1996, it is expected of the service provider to facilitate an organisational-design delivery model that would take into consideration the coordinative nature of Human Settlements, including monitoring and evaluation of delivery in the human settlements sector.

The Department also held a Mid-Term Departmental Strategic Planning and Performance Review Session from 25 to 26 October 2010. According to the Government Planning Cycle, Departments at this time review their plans and prepare for the submission of the Medium-Term Expenditure Frameworks (MTEF). The session also informed the preparation of the MTEF budget proposals and outlining of the output estimates and targets for the 2011/2012 financial year.

The Branches submitted three-year strategic plans and one-year operational plans in line with Public Finance Management Act (PFMA) prescripts, which were approved and incorporated in the Departmental three year strategic and operational plans.

During the afore-mentioned session, various components in the Department were asked to revise and adjust their operational plans and performance targets. The revised and adjusted operational plans and performance targets, which are a product of this session, are attached as Annexure A.

The revision and adjustment of operational plans and performance targets were made necessary by the new Departmental mandate, Outcome 8 of Cabinet, and the need to comply with the SMART principles as suggested by the Auditor-General.

Accreditation of municipalities

Though an ongoing accreditation capacity support programme, all accreditation priority municipalities are assisted to acquire the necessary capacity in order to comply with the policy requirements before functions are delegated or assigned. In this way, municipalities must prove that they have the capacity required to perform the functions. To date, all six metro municipalities have been assessed to determine compliance and capacity to perform the housing functions. These assessments confirmed that metropolitans have the capacity to administer national housing programmes.

Accreditation of municipalities takes into account the capacity of municipalities to deliver infrastructure, housing functions and services. This allows for a differentiated approach in unlocking the current capacity of Government to deliver. While metros and other big cities are prioritised - given existing capacity to implement the function - more efforts will be concentrated in supporting the weak-performing municipalities.

The table below indicates municipalities accredited and the functions delegated based on the level applied for:

Province	Municipality	Delegated Housing Functions
Gauteng	City of Johannesburg, Ekurhuleni, Tshwane	<p>L1: Subsidy-budget planning and allocation and priority programme management and administration: This includes housing-subsidy budgetary planning across programmes and projects; planning of subsidy/fund allocations; and project identification. It also includes programme management and administration functions for specific, prioritised programme(s) identified in consultation with the Province.</p> <p>L2: Programme management and administration: This includes project evaluation and approval, contract administration, subsidy registration, programme management - including cash-flow projection and management and technical (construction) quality assurance.</p>
Eastern Cape	Nelson Mandela Metro	<p>L2: Programme management and administration: This includes project evaluation and approval, contract administration, subsidy registration, programme management - including cash-flow projection, management and technical (construction) quality assurance.</p>
KwaZulu-Natal	eThekweni	<p>L2: Programme management and administration: This includes project evaluation and approval, contract administration, subsidy registration, programme management - including cash-flow projection, management and technical (construction) quality assurance.</p>
Western Cape	City of Cape Town	<p>L1: Subsidy-budget planning and allocation and priority programme management and administration: This includes housing-subsidy budgetary planning across programmes and projects; planning of subsidy/fund allocations; and project identification. It also includes programme management and administration functions for specific, prioritised programme(s) identified in consultation with the Province.</p> <p>L2: Programme management and administration: This includes project evaluation and approval, contract administration, subsidy registration, programme management - including cash-flow projection, management and technical (co-construction) quality assurance.</p>
Northern Cape	Frances Baard Pixley Ka Seme	<p>L1: Subsidy-budget planning and allocation and priority programme management and administration: This includes housing-subsidy budgetary planning across programmes and projects; planning of subsidy/fund allocations; and project identification. It also includes programme management and administration functions for specific, prioritised programme(s) identified in consultation with the Province.</p> <p>L2: Programme management and administration: This includes project evaluation and approval, contract administration, subsidy registration, programme management - including cash-flow projection, management and technical (construction) quality assurance.</p>

Nelson Mandela and eThekweni Municipalities were granted Level 1 accreditation in 2008 and 2009 respectively, hence the certification reflect Level 2 delegations.

Funding reform

The complex arrangement of institutional powers and functions requires the funding streams between the different spheres of Government to be properly coordinated. Better alignment between the Housing Subsidy Grant, the Municipal Infrastructure Grant and other critical funding streams may remove some of the main obstacles to the achievement of integrated planning for sustainable human settlements.

Recently the Department introduced a special metropolitan funding framework for human settlements development known as the Urban Settlements Development Grant (USDG). The establishment of the USDG compels greater, better and improved human settlements development planning between national, provincial and local spheres of government. On the basis of the issued compliance certificates the MEC delegates the housing functions to the municipalities in respect to level(s) of accreditation applied for, by signing off the compliance certificate as the accrediting authority.

For municipalities to play a greater role in the development of sustainable human settlements, the planning of the housing function needs to be carried out at municipal level. This will allow for better and more localised needs analysis, improved land identification, zoning and procurement, the introduction of integrated and inclusionary residential development, planning and delivery of public facilities, private investment, and the supply of bulk infrastructure and internal services. This will also lead to greater accountability at local level and broaden opportunities for cross-subsidisation and creative funding.

Accreditation of metropolitan municipalities in particular, as they have been undertaking some of the housing functions on behalf of their provincial departments, without the necessary funding associated with the functions, would offer the possibility to unlock the potential of government to increase pace and efficiency of backlog eradication.

During the 2010/2011 financial year, Provincial Human Settlements Departments were able to deliver a total number of 43 260 serviced sites in terms of the Upgrading of Informal Settlements Programme. In addition, 45 256 households were provided with formal top structures. This was possible because Provincial Departments were already prioritising the Upgrading of Informal Settlement Programme (UISP) and had suitable projects ready for implementation. Projects developed in terms of other approved Human Settlements Programmes also assist households currently residing in informal settlements and therefore contribute towards the realisation of Outcome 8 targets. Provincial Human Settlements have aligned their business plans for the 2011/2012 financial year with the principals of Outcome 8 and have put together a list of specific projects for the purposes of Outcome 8.

Nearly 81 percent of the targeted 49 municipalities were briefed on the National Upgrading Support Programme (NUSP), which was instituted to provide municipalities with technical support with regard to the UISP. The briefing of the outstanding municipalities is being delayed in view of the challenges experienced to confirm suitable dates with them. In view of the NUSP budget to be utilised for technical support (R85 million), which would only be available in the 2012/2013 financial year, the Department is currently investigating the possibility of utilising savings on its operational budget for the approximate amount of R19 million needed in the current financial year. Engagements with the HDA have also been initiated to assist with the implementation of the Capacity Programme, which is anticipated to be ready by the end of June 2011. The IT platforms are functional and operational at: <http://www.upgradingsupport.org>.

As far as the provision of affordable rental housing is concerned, good progress has been made with the provision of rental housing through the Social Housing Programme, the Institutional Subsidy Programme and the Community Residential Unit Programme; more than 85 percent, 96 percent and 174 percent of the respective targets have been reached. The budget allocation for SHRA has been increased to R1.1 billion over a three-year period which will enable SHRA to provide 9 160 units.

Regarding the accreditation of municipalities and metros, six metropolitan municipalities and two district municipalities in the Northern Cape received their Level 2 accreditation certificates on March 4, 2011.

As far as the provision of basic services is concerned, progress has been made to provide additional households with access to basic services. The Task Team on Basic Services has been established and will focus on the reconciliation of the different figures regarding the access to basic services in order to determine the actual need for an acceptable level of services. The finalisation of a list of specific projects will assist to accelerate delivery in this regard.

The HDA continues to identify well-located and suitable additional State-owned land to be prioritised for release for human settlements purposes. The Joint Coordinating Technical Committee on the Release of State Land is an operation to ensure continued performance. The release of Properties held by SOEs is subject to compensation. The model of compensation is currently being investigated.

Regarding the increase of urban densities, various housing policies such as the Social Housing Policy, the Project-linked Policy and the Integrated Residential Development Programme (IRDP) cater for the development of higher-density residential development, such as new multi-storey development, conversion of existing buildings in residential units or refurbishment thereof in decent rental accommodation. Municipalities can also build it into the design, for example row houses, semi-detached and multi-storey units.

Regarding the Land Use Management Framework, the Land Use Management Bill (2008) was never passed into law as a result of a number of challenges such as the dispute between provincial and local government regarding the authority to approve rezoning of land and township establishment. The Constitutional Court ruled in 2008 that approval of applications for rezoning and township establishment are elements of "municipal planning".

In order to provide a uniform, effective, efficient and integrated regulatory framework for spatial planning and land-use management which promotes public interest and provides directive principle, and compulsory norms and standards, the Department of Rural Development and Land Reform submitted the "Spatial Planning and Land Use Management Bill" (2011) to Cabinet - requesting approval for consultation purposes. Once approval has been obtained a comprehensive consultation process will be initiated.

As far as the Mortgage Insurance Guarantee Scheme is concerned, approvals from the NHFC Board and their shareholders have been attained. Meetings with key stakeholders were initiated, and first round of consultative/advisory forums is completed. All commercial banks have confirmed their interest in supporting the project implementation. The revision of the Finance Linked Individual Subsidy Programme (FLISP) policy has been completed and the NHFC, in collaboration with the National Department, will soon start with the consultation process. During the period under review, the RHLF has performed well in providing incremental loans and succeeded in realising more than 75 percent of the annual target.

Key areas where action is needed

With reference to the upgrading of informal settlements, the National Department is in the process of developing a categorisation system for informal settlements in collaboration with the HDA to, amongst other, determine the suitability of locations of informal settlements, to identify areas with the greatest need. This will also facilitate clearer planning and service provision. Interaction with Cooperative Governance and Traditional Affairs (CoGTA) is also planned in order to combine efforts from both Departments in this regard in order to finalise this process as soon as possible.

In terms of the NUSP Programme, discussions with provinces will be held in the first quarter of the 2011/2012 financial year regarding the establishment of provincial NUSP structures. The National Department is also exploring the possibility of securing donation funding for the NUSP Programme to accelerate implementation.

With regard to the provision of well located rental, the mandate of SHRA does not make provision for the entity to be involved in the provision of institutional subsidy, community residential or private rental housing. It is therefore necessary for the National Department to initiate a process to review the mandates and roles of the various entities, including that of SHRA. When this is completed, a capacity programme will be implemented to capacitate SHRA to fulfil its new mandate. SHRA has entered into informal engagements with the NHFC to put a process of negotiation with other stakeholders in place, to secure additional funding and ensure provision of private rental.

A formal decision in this regard will have to be taken by the relevant Boards. Access to well-located land is still a challenge and discussions with the HDA to assist in this regard have been initiated. The National Department of Human Settlements in collaboration with the Department of Performance Monitoring and Evaluation also identified the need for monitoring and verification capacity to confirm delivery reported.

There is currently no agreement on the definitions to measure the access to basic services and different percentages in terms of progress are reported from various role players. It is crucial that this be addressed urgently to obtain a reliable baseline from which the targets can be derived. In addition it is necessary to put a verification process in place to confirm whether progress reported is successfully implemented. The National Department of Human Settlements will engage with the Department of Performance Monitoring and Evaluation in this regard.

The Departments of Public Works and Rural Development & Land Reform are fast-tracking the release of identified State land to the HDA. The HDA has also begun a process of engagement with Provincial Human Settlements Departments to provide capacity to assist with prioritising the development of provincial-held land. A joint initiative between the DPE, HDA and Transnet is underway to package a proposal for the disposal of Transnet's non-core property assets for human settlements.

Various other studies have been conducted by institutions such as the Monetary Policy Committee (MPC), the Financial Sector Charter (FSC) and the National Department of Human Settlements (Economic Impact of Housing Subsidy Programme - research regarding the (DFI); revision of the *The Guidelines for Human Settlement Planning and Design - CSIR*, also known as the *Red Book*; former proposal on medium density; etc), which address aspects of higher density. The Department of Human Settlements is in the process of coordinating and consolidating this in a policy document that will address the dynamics of the changed built-environment and provide direction. The first draft of the policy document is already available with proposals on how to address medium and higher densification within a national and citywide context. The relevant proposals have been submitted to a Human Settlements Minister and MECs meeting (MinMEC) early in May 2011.

In terms of basic services, coordination with sector departments will take place in a re-constituted Sustainable Human Settlements and Basic Services Task Team (SHSBTT), to agree on uniform norms and standards. This is crucial for determining reliable baselines and targets. In addition a verification process will be put in place by the Department of Human Settlements with the assistance of the Department of Performance Monitoring and Evaluation.

Regarding the Mortgage Insurance Guarantee Scheme, further engagement with National Treasury was planned during April 2011. Application for FSB approval and South African Reserve Bank (SARB) recognition will receive attention in the next few months. In addition, the National Department of Human Settlements has earmarked an amount of R350 million in the MTEF period to re-capitalise NURCHA. The resultant effect will provide substantial impetus in achieving this output.

A process of engagement with public, private, social, community and labour stakeholders are also still to be arranged. It must be framed in such a way that it will respond to Output 1 and 4 of Outcome 8, the post-

FSC discussions led by National Treasury, the performances as mentioned in the Home Loan and Mortgage Disclosure Act (HLMDA), the recommendations of the review of the Housing Finance Entities and to ensure that relevant housing finance opportunities are collated and factored in to the achievement of this output.

There should also be a clearer framework for reporting by the various stakeholders related to this target. DHS and NHFC have initiated compliance processes to obtain approval from National Treasury. The financial implications for these processes to be put in place are a big concern and in depth discussions will have to take place with the responsible institutions in order to find a suitable solution. More information in tabular form on the achievements of objectives as outlined in Outcome 8 appear in Section 5(5.3) of this Performance Report.

2.1.5 Overview of the service delivery environment during 2010/2011

Notwithstanding the national achievements in redressing poverty, inequality and underdevelopment and the contribution of the National Department of Human Settlements (NDHS) towards these national objectives, a substantial effort is still required to ensure that the potential contribution which can be made by human settlement developments is harnessed and aligned towards the achievement of the broader national development objectives.

Following the establishment of the NDHS five key strategic levers were identified as requiring attention:

1. Alignment
2. Funding models for human settlement development
3. Capacity
4. Resource mobilisation
5. Legislative and policy reform.

Over the past year work has been undertaken on the strategic levers identified above, and work will continue in the Department.

Within the strategic lever on funding models, progress has been made with the consolidation of the Municipal Infrastructure Grant Cities (MIG Cities) in the Department, under the Urban Settlements Development Grant (USDG) and a portion of the Integrated Human Settlements Development Grant. This breakthrough arrangement is the beginning of the process to consolidate all grants required for the mandate of the Department. This development also puts South Africa in the forefront of progressive human settlements and built-environment; it is envisaged that over the next two years integrated transport and energy allocations will also be consolidated into the Department.

Progress has also been made with promoting intergovernmental and stakeholder alignment within the human settlements sector.

A key development impacting on the human settlements development sector is the conclusion of a performance agreement between the Minister of Human Settlements and the State President under Outcome 8. In addition there was the concomitant conclusion of delivery agreements between the Minister of Human Settlements and Provincial Members of Executive Councils responsible for human settlements. The key outcome in the conclusion of these agreements is to ensure that the stated outcome of "Sustainable Human Settlements and Improved Quality of Household Life" is achieved.

The adoption of the outcome-based approach in Government thus enjoins the Department and sector to ensure that current outcomes and outputs are improved and related activities are made more efficient and effective. The approach also makes it incumbent on the Department to improve intergovernmental relations to ensure that the stated outcomes required of the department, are achieved.

One of the key matters affecting the performance of the Department and achievement by the Department of its outcomes is fraud, corruption and maladministration. The Department has concluded an agreement with the Special Investigating Unit (SIU) to investigate matters related to fraud, corruption and maladministration. A National Audit Task Team has been set up to oversee not only the work of the SIU, but manage, monitor and evaluate proactive measures and steps taken by the Department to eradicate fraud, corruption and maladministration. The Department through its Chief Audit Executive will actively oversee the measures as proposed by the SIU and the Auditor-General to improve performance through the removal of all fraud, corruption and maladministration.

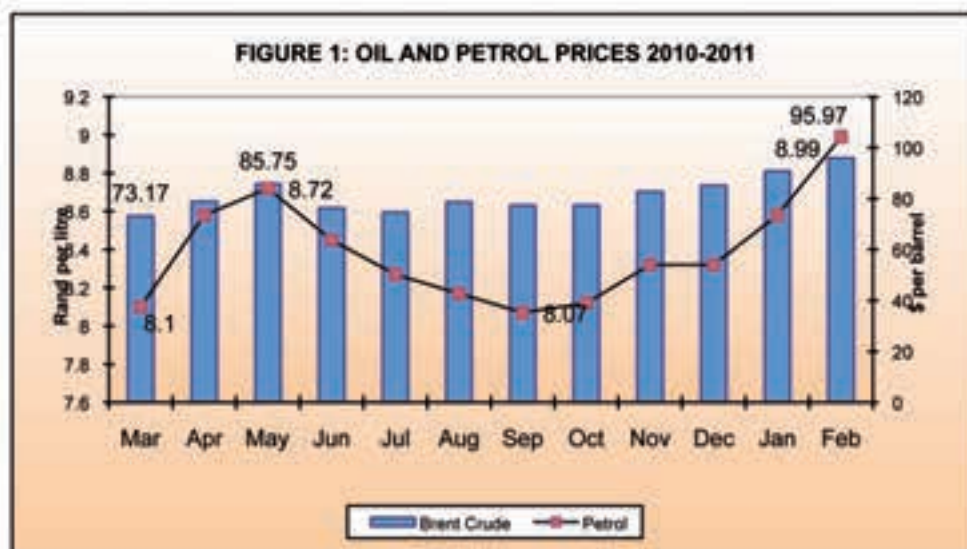
Global Economic Developments and their Impact on South Africa.

After the recession, the global economy is recovering. The biggest economy in the world United States of America (valued at US\$14.5 trillion) will rise between 3.4 percent and 3.9 percent in 2011, up from its November estimate of an increase of between 3.0 percent and 3.6 percent. Other big economies are set to be recovering well. China is estimated to have grown by 10.3 percent in 2010 while Japan and Germany is estimated to have grown by 3 percent, amongst others, according to the World Bank's Migration and Remittances *Fact Book* 2010.

The Rand exchange rate continued to be strong against major currencies since March 2010 to January 2011. Although this presents a challenge to demand for our exports, it played a positive role in cushioning the country against imported inflation. The turmoil in oil-producing countries like Libya is posing a greater risk of high oil prices and ultimately imported inflation. In March 2011 the oil price reached a high of \$116 a barrel.

Oil and petrol prices

The monthly average trend of the oil price has continued to increase in the past twelve months, thereby impacting negatively on fuel prices in the country (see *Figure 1* below). For the period January 2010 to February 2011, oil prices on a monthly average had increased from US\$74.31 a barrel to US\$95.97 a barrel. As a result, petrol prices increased from R7.86 a litre to R8.99 a litre in the same period (Department of Minerals and Energy, 2011). The direct result of these energy price hikes is a continuing negative impact on transportation costs and general inflation including costs of building houses. The results of petrol prices from June 2010 to January in 2011 also show that the Rand exchange rate had more positive impact in cushioning the country against imported inflation.



Source: Department of Minerals and Energy, March 2011

Inflation movements

The long-term trend in inflation continued to decline from 6.2 percent in January 2010 to 3.2 percent in September 2010 and slightly increased to 3.7 percent in January 2011 (Statistics South Africa, 2011). The Bureau for Economic Research (BER) predicted that overall consumer price inflation (CPI) would reach 4.7 percent in 2011 and 5.7 percent in 2012 (BER, 2011). If these predictions are correct, they indicate that for these two years, interest rates may remain unchanged, which would allow cost of credit to remain subdued.

The producer price inflation (PPI) had started to trend downwards since June 2010, as illustrated by a gradual decrease from 9.4 percent year-on-year in June 2010, to 5.5 percent in January 2011 (Statistics South Africa, 2011). This poses a possibility of keeping consumer inflation down. However, the concern of high-energy costs (high oil and petrol prices) reflects the lurking threat of higher inflation.

Building cost

The cost of building houses according to the Bureau for Economic Research (BER) continued to decline in 2010. Tender prices as measured by the BER reflects that the Building Cost Index declined by 6.3 percent year-on-year in the fourth quarter of 2010. The average decline for the year was subdued to -1.2 percent. The contributing factor to this decline in building cost is persistent, intensive competition in tendering which has forced building contractors to trim their profit margins severely during recent quarters. The tender prices are reported to be lower than two years ago. The fact that building costs were declining over the past two years, allowed the subsidy to remain unchanged. Despite the overall decline, the average production prices of building materials increased by 17.1 percent in the year to January 2009 and 2.3 percent in the year to October 2010 (BER, 2011). This means that these price increases were absorbed by the declining profit margins of contractors. In circumventing the decline of the profit margins contractors tend to use poor quality material which impacts negatively on the quality of Government-subsidised houses.

According to ABSA's *Housing Review* (2011) the building cost of a new house was up by a nominal 8.3 percent year-on-year in the fourth quarter of 2010 which was significantly above the average headline consumer price inflation rate of 3.5 percent in the same quarter. This was significantly more than a 5.6 percent building cost increase recorded in the third quarter of the same year. The report further indicated that the average price of an existing house was down by a nominal 0.7 percent to in the fourth quarter of 2010, which came to a real decline of 4 percent in the quarter. As a result, it was 33.8 percent cheaper to have bought an existing house than to built a new one in the same period (ABSA, 2011).

The quotation of building material requested from Builders Warehouse - for building 40m² - in the third quarter last year revealed that 84 percent of the subsidy allocated for top structure only covers building material costs. It is important that the adjustment of the subsidy quantum is in line with the cost reality so that it does not alienate contractors even further, causing their exodus in the subsidy market. International experience suggests that in countries where construction prices are fixed, developers tend to avoid those projects. It is imperative that, when the subsidy quantum is adjusted for the new financial year, a thorough investigation of building costs should be done for accurate adjustment.

The differences in the building material cost in different provinces also add to the challenges.

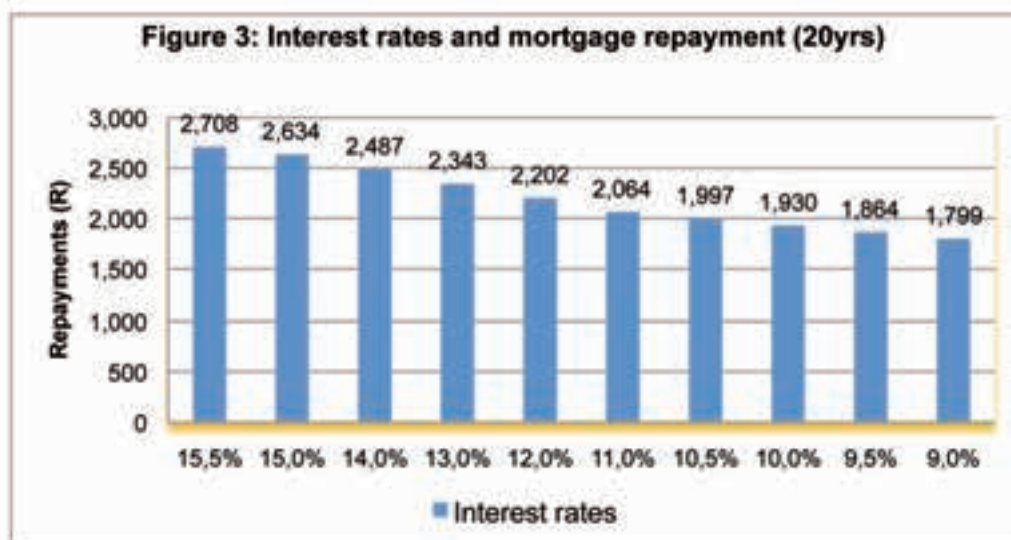
Cement prices

Cement is the major building product in the building industry, in particular the building of Government-subsidised housing. Therefore, developments in the cement price arena in particular will impact significantly on the delivery of Government-subsidised housing, as higher material costs adds to the total building cost of a house. In February 2011 a telephonic interview conducted with different hardware businesses to determine the cost of their 50kg bag of cement, revealed an increase ranging from 6.8 to 13 percent since the last interview in August 2010 (Department of Human Settlements, 2011).

Information from Builders Warehouse (BWH) and Cashbuild around the country showed that cement prices on average in both cheap and expensive cement differed from province to province. Eastern Cape was the most expensive, followed by Free State and Limpopo. The average price of cheap bags of cement in Eastern Cape was R75.98 compared to R64.72 in KZN - a difference of 17.4 percent. Gauteng's cheap bag of cement cost 14 percent less compared to the price in Eastern Cape (Builders Warehouse and Cashbuild, 2011).

Inflation movements and interest rates

During the fourth quarter of 2010, the South African Reserve Bank (SARB) reduced the repurchase rate by 50 basis points to 5.5 percent (SARB, 2011). This reflects a cumulative 650 basis points interest-rate cut since December 2008. The prime interest rate asked by commercial banks also declined to 9.0 percent, which is expected to alleviate pressure on disposable income of those who have mortgages and other forms of credit exposure. Based on the latest cut in interest rates, mortgage repayments will now be about 34 percent lower, compared to July 2008, when the mortgage rate was at a level of 15.5 percent. The graph below depicts changes in mortgage repayment as interest rates changes for a house valued at R200 000.



Source: SA Reserve Bank; and Department of Human Settlements 2011.

Credit Defaults

The Credit Bureau Monitor (National Credit Regulator - NCR) of September 2010 reported that the level of debt stress was easing in the third quarter of 2010, compared to the second quarter of 2010. Of the 18.35 million credit-active consumers, 53.7 percent (10.51million) were classified as "in good standing" compared to 53.1 percent recorded for the second quarter of 2010. The number of consumers with impaired records decreased slightly to 46.3 percent in the third quarter, from 46.9 percent in the second quarter of 2010 (NCR, March 2011).

Accounts with the status of "three months in arrears" declined to 17.0 percent from 17.3 percent, followed by adverse listing down to 15.4 percent from 15.6 percent; and judgments and administration orders remained unchanged at 13.9 percent (NCR, March 2011).

With the Credit Regulation Act it has become more difficult to access loans. The new approach by Government to offer cheap loans (at 3 percent below prime) through the Industrial Development Corporation - in

a bid to stimulate economic growth and help create jobs - is expected to go a long way in improving credit provision and its impact on driving economic development, along with job creation.

Economic growth and unemployment

Statistics South Africa (Stats SA) reported that the SA economy grew at a slightly faster than expected in the final quarter of 2010. Overall GDP increased by 4.4 percent quarter-to-quarter, compared to 2.7 percent growth recorded during the third quarter of 2010 (Stats SA, 2011). However, this rate of growth is still limited to impact significantly on job creation. Despite some improvement in the levels of employment in 2010, the rate of unemployment is still high at 24 percent, which compels Government to continue to provide some form of assistance, including housing assistance.

Developments in the property market in South Africa

The property market is showing some signs of recovery. The market in the middle-income segment is picking up faster than other segments as affordability improves, due to favourable interest rates. The level of increase in the house-price growth was 2.6 percent in the affordable market, 6.8 percent in middle segment and 1.3 percent in the luxury-house segment - in nominal terms this suggests that the level of demand is not far removed from that of supply; an indication that people are still sceptical to buy expensive properties, despite low interest rates.

Overview of the affordable housing market

Volume of stock

The property market analyst Lightstone indicated that the affordable-housing market currently represent 3.5 million properties with a collective value of R850 billion. Of these, 2.3 million properties stand at a lower level in the affordable segment (properties valued below R250 000) and 1.2 million properties stand at a higher level in the segment (properties valued at between R250 000 and R450 000). However, the report indicates that there is still a shortfall in the number of properties required to meet the demand. Lightstone estimates a shortfall of between 5 million and 6 million properties valued under R100 000; and a shortfall of 1 million properties valued in the range R100 000 to R200 000. The report furthermore indicates that the property market is very concentrated in key nodes, as more than half the housing stock is in Gauteng, Western Cape and KwaZulu-Natal (Lightstone, 2011).

Contribution of Government-subsidy housing in the property market

The subsidy-housing market constitutes a significant portion of the overall affordable segment, with Government-subsidised houses accounting for 1.2 million properties in the deeds registry; and 780 000 which derives from the 99-year-lease conversions of the previous Government dispensation. The total market is valued at R410 billion with Government-subsidised housing taking up 65 percent (R266.5 billion) of the total value (Lightstone, 2011). This means that 86 percent of the stock in the lower level of the affordable market segment stems from Government stock. Considering that Government-subsidised houses account for 1.2 million properties registered in the deeds office, against the overall delivery of more than 3 million housing opportunities (completed houses and stands), this means that Government's contribution to the affordable market is underestimated. This calls for an improvement of the rate of transfer of properties to beneficiaries.

According to the report by Lightstone (2011), Government-subsidised properties are well recognised by lending institutions, as 17 percent of Government-subsidised properties are bonded, while only 9 percent of 99-year-lease conversions are currently bonded. The total value of outstanding bonds in the Government-subsidised housing market is just over R50 billion - according to Lightstone. The average transfer price for Government-subsidised housing is R130 000 while for 99-year-lease conversions it is R150 000. There seems to be a significant opportunity to increase lending in this market.

2.1.6 Overview of the organisational environment during 2010/2011

During the period under review, the Department has embarked on a process of strategic alignment, in line with the human settlements emphasis shift. The strategic alignment will give rise to the 2030 Vision, a long-term plan to deliver human settlements. The process will inform the configuration of the Department structurally in view of the fact that the Department has a regional footprint in the delivery of sanitation service. This process is underway and will be concluded in the near future.

The process necessitated a moratorium on the filling of vacancies; only critical posts were identified and filled. The process will inform whether the Department will embark on a realignment or a restructuring process. However, capacity was augmented with short-term contract appointments, as well as the appointment of personnel from the then housing institutions, Thubelisha and Servcon.

The Chief Financial Officer of the Department was transferred to another Department in May 2011. This led to the appointment of an official in an acting capacity to close the gap and ensure financial accountability. The process of filling the position is at an advanced stage.

2.1.7 Key policy developments and legislative changes

In continuing to support Government's constitutional obligation to provide access to adequate housing, the development of sustainable communities remains the strategic anchor of the National Department of Human Settlements. In addition to improving spatial integration and social cohesion, housing provides low-income households with a key component of a sustainable livelihood.

At the service delivery level, the implementation of the comprehensive plan for sustainable human settlements requires provincial human settlement departments, municipalities and human settlement institutions to redefine and strengthen their service delivery models. The Department has realigned its organisation and budget structure, creating the Strategic Relations and Governance programme and strengthening the Housing Planning and Delivery Support Programme, to provide support for the development and implementation of these service delivery models.

Key challenges faced by the housing sector are inadequate intergovernmental coordination for accelerated housing delivery, specifically in relation to the ability of provinces and municipalities to deliver national objectives, and the lack of capacity to monitor and evaluate the implementation of housing programmes.

Another main challenge is creating a functioning housing market that allows low-income households to capitalise on the equity provided by the free house, while minimising the distortions housing subsidies create for households in other segments of the housing market.

Key policy developments

The Housing Development Agency Act (2008) and the Social Housing Act (2008) provide for the establishment of two new public entities, the Housing Development Agency (HDA) and the Social Housing Regulatory Authority (SHRA). The HDA aims to assist provinces and municipalities with land acquisition, project management and development, while the SHRA will regulate social housing institutions that receive funds from Government for the construction of low-income and medium-income rental housing.

The Ministerial National Norms and Standards were adjusted to provide for the installation of larger windows for the subsidy-financed houses.

Over the MTEF period, the Department of Human Settlements seeks to provide policy implementation guidance. This will include direct implementation support to provinces and municipalities, intervening in turnaround projects where there are blockages, and facilitating cooperation with the private sector. Refining

the role of municipalities in the housing delivery chain, as well as the mechanisms that will allow for the rollout of accreditation as provided for in the Housing Act (1997) are critical to accelerating delivery. The Department continues to provide assistance to provinces and municipalities in their planning of priority housing projects.

The Department developed and launched a number of instruments to guide the implementation of the Comprehensive Plan for Sustainable Human Settlements in all three spheres of government. These include monitoring, evaluation, impact assessment policy, implementation guidelines and the operating system for the policy and guidelines. The Department has also initiated a project-monitoring process to measure the performance of provincial human settlements departments against targets set in their business plans to identify constraints and assist with addressing them swiftly.

As a way forward there are some challenges that would need to be resolved, making way for new negotiations and engagements with the partners. However, these need to be considered with an understanding of the current social, economic and political context. In crafting the pointers for success and the approaches to achieve the targets it is important to consider the current context within which the Human Settlement Ministry needs to respond.

Some of the challenges are: Planning - inadequate planning, lack of coordination and integration of different government functions. Social cohesion and social capital - to a large extent housing delivery still negates the role of civil society and the citizens themselves, therefore undermining social capital and building dependency on the State while burdening the State and compromising its delivery capacity. Finance - despite the increase in the housing budget vote, the fiscus is not enough to effectively provide adequate shelter for the increasing number of households who are living in inadequate housing, given the new focus on delivering functioning human settlements that offer livelihood opportunities and building social cohesion.

By attending to the policy gaps outlined, it is hoped that the collective capacities of our economy can be brought together, from individuals, the private sector and the State, to resolve the enormous housing challenges that affect us all, so that all households realise their constitutional right of access to adequate housing on a progressive basis.

The strategic framework for developing sustainable human settlements aims to ensure responsiveness to the objectives of Government's medium-term strategic framework to expand social and economic infrastructure and build cohesive, caring and sustainable communities. The five-year framework (2009-2014) was developed in July 2009 to provide policy coordination, ensure accountability and improve planning across sector departments and the three spheres of government. Significant progress has been made in ensuring the alignment of norms and standards across sectors to improve intergovernmental coordination.

The Department also leads the Human Settlements and Basic Services Task Team in support of the Department's expanded mandate; through consultation and interaction with provincial departments sets priorities and monitors performance on the delivery of human settlements.

Legislative changes

The Department tabled the following pieces of legislation before Parliament:

■ **Sectional Titles Schemes Management Bill**

The Sectional Titles Schemes Management Bill was tabled before Parliament for deliberation and passing. The primary aim of the Bill is to provide for the establishment of bodies corporate to manage and control sections and common property in sectional titles and the determination of applicable rules. In addition, the Bills intends to establish a Sectional Titles Advisory Council to advise

the Minister on sectional titles schemes management matters. The Bill was passed and voted upon by the National Assembly. Thereafter, as the Bill is a Section 76 Bill, it was tabled in the National Council of Provinces for deliberation and passing.

■ **Community Schemes Ombud Service Bill**

The Community Schemes Ombud Service Bill was tabled before Parliament for deliberation and passing. The Community Schemes Ombud Service Bill aims to establish a national public entity with executive authority vested with the Minister of Human Settlements to resolve disputes arising within community schemes, to render consumer education on community schemes and to take custody of community schemes governance documentation. The Department has realised that there is an ever-increasing proportion of housing within which the community is involved, in the form of shared financial responsibility and shared facilities in terms of land and property within South Africa where disputes often arise. The Community Schemes Ombud Service is tasked with the responsibility to resolve disputes within these community schemes. The Bill was passed and voted upon by the National Assembly. Since the Bill is a Section 76 Bill, it was thereafter referred to the National Council of Provinces for deliberation and passing.

■ **Rental Housing Amendment Bill**

The Rental Housing Amendment Bill was tabled before Cabinet for public comment. Thereafter, Information Sessions were co-ordinated in all nine (9) provinces for purposes of consultation. Having incorporated all relevant comments received, the Bill will be tabled before Cabinet for approval to introduce the Bill in Parliament during the 2011/2012 financial year.

The outcomes approach

Despite the delivery of 2.8 million housing opportunities between 1994 and 2009/2010, the housing subsidy programme has continued to entrench segregated spatial patterns, marginalising the poor from economic opportunity. As a result, the security of a house, as a wealth-creating asset has not alleviated poverty in poor households and communities.

The human settlements outcome in Government's programme of action is Outcome 8: sustainable human settlements and improved quality of household life. Aimed at accelerating the delivery of basic services and housing opportunities and improving the property market, the Department of Human Settlements, together with provinces and municipalities intend to:

- Upgrade 400 000 units of accommodation in informal settlements.
- Facilitate 80 000 affordable social and rental housing units of accommodation in well located areas.
- Facilitate improved housing finance opportunities for 600 000 lenders in the affordable housing market.
- Release 6 250 hectares of public owned land for housing development.

Through effective land utilisation, choice of tenure and mixed income developments, the Department of Human Settlements anticipates improved outcomes from the housing subsidy programme.

Informal settlement upgrading

Given the trends in migration and urbanisation, the role of metropolitan municipalities in the upgrading of informal settlements will be strengthened over the 2011 MTEF period. The creation of the new Urban Settlements Development Grant to cities will allow for the eight (8) metropolitan municipalities to improve efficiency in maximising developmental outcomes and a coordinated approach to built-environment management. With greater flexibility to accelerate service delivery, the Grant seeks to supplement the capital budgets of large cities to ensure integrated national, provincial and municipal planning to support the creation of sustainable human settlements and improve the quality of household life.

To provide support and assistance in implementing the upgrading of informal settlements, a national upgrading support programme was established in 2009. In addition to assessing and refining the existing policy framework, the support programme will also include the preparation of manuals for implementation within the project environment and designing a national capacity building programme by providing technical support to municipalities.

The Department plans to commence with the development of a new Green Paper for Human Settlement Development.

The Department also plans to enhance the National Housing Programmes as well as the national Ministerial Norms and Standards in respect of Permanent Residential Structures. In regard to policy enhancements it is planned to introduce a new project-based development programme to cater for the special housing development circumstances found in informal settlements, where integrated development objectives are not necessarily achievable and/or to cater for the needs of smaller rural development projects where integrated development is not applicable.

In regard to integrated development needs, it is planned to change the current Integrated Residential Development Programme to enable the provision of A-grade municipal engineering services (high standard of services for roads, sanitation and streets) through the Programme to ensure the new townships attract people across all income segments, resulting in naturally integrated areas.

The adjustment of the Ministerial National Norms and Standards in respect of Permanent Residential Structures to cater for improved thermal performance of the dwellings and thus more energy-efficient housing is also planned.

Any policy initiatives that are being planned will be done in conjunction with the overall Government policy framework and guidelines. The upgrading of informal settlements was prioritised in 2004 in the Comprehensive Plan for the Development of Human Settlements. As part of Outcome 8, the priority given to informal settlement upgrading, and in particular the provision of secure tenure and access to basic services to 400 000 households in well-located settlements, was once again confirmed. The support function provided by the Department in relation to the unblocking of stalled housing projects derives its mandate from decisions of MinMEC and approval of the Departmental Structure during an intense Departmental restructuring exercise.

The National Planning Commission has initiated a programme plan which will culminate in November of 2011, in the launching of the National Planning Vision Statement and Plan. The Department has an important role to play in the programme and in all the Commission themes, which include human conditions, material conditions, institutions and governance, nation building and the economy. A key policy requirement of the Department will be to ensure that the human settlements policy perspective finds expression in the national planning vision statement and plan to be launched.

2.1.8 Departmental revenue, expenditure and other specific topics

2.1.8.1 Collection of Departmental revenue

The Departmental receipts were projected to amount to R1 184 000 in 2010/2011. Departmental receipts are mainly derived from the recovery of old debts from previous financial years and commission on insurance.

	2007/08 Actual (R'000)	2008/09 Actual (R'000)	2009/10 Actual (R'000)	2010/11		Devia- tion from target (%)
				Target (R'000)	Actual (R'000)	
Tax revenue	-	-	-	-		
Non-tax revenue	265	320	135	203	146	72
Sale of goods and services produced by the Department	222	74	90	154	123	80
Interest, dividends and rent on land	43	246	45	49	23	47
Sale of capital assets (capital revenue)	128	-	-	-	-	0
Financial transactions (recovery of loans and advances)	282	2 072	612	981	2 680	273
Total Departmental Receipts	675	2 392	749	1 184	2 826	239

2.1.9 Departmental expenditure

Departmental expenditure is set out in the table below.

Programme	Voted for 2010/11 (R'000)	Roll- overs and adjust- ments (R'000)	Virements (R'000)	Total voted (R'000)	Actual expendi- ture (R'000)	Vari- ance (R'000)
1. Administration	176 175	35 822	9 191	221 188	188 577	32 611
2. Housing policy, research and monitoring	45 907	1 779	-3 815	43 871	32 636	11 235
3. Housing planning and delivery support	206 831	18 390	-18 025	207 196	156 375	48 821
4. Housing development finance	15 598 126	51 069	25 200	15 674 395	15 624 981	49 414
5. Strategic relations and governance	174 442	-16 782	-12 551	145 109	87 384	57 725
Total	16 201 481	90 278	-	16 291 759	16 091 953	199 806

Programme 1: Administration

Programme 1 was initially allocated R176.1 million for the 2010/2011 financial year and was adjusted in the adjustment estimate with roll-overs as follows:

- R1.9 million for the renewal of Microsoft licenses which was delayed due to outstanding documents from SITA;
- R5.2 million for the purchasing of the server which was delayed as it had to be imported; and
- R5 million was also rolled over from Dept of Publics Works for office accommodation.

Additional funding of R1.4 million was also provided in the adjustment estimate process for salary increases. A virement from programmes 2,3,4 and 5 totalling R22.9 million for the Special Investigation Unit (SIU) was

made to fund the expanded mandate. A virement of R249 000 was made to Programme 5: Strategic Relations and Governance for the development of a turnaround strategy for the Department; and a virement of R13.4 million to Programme 4, Housing Development Funding, for SERVCON to fund part of its closure costs.

The total budget of Programme 1 amounted to R221.1 million. The variance of R32.6 million can be attributed to efficiency savings. The low spending in this programme is mainly on goods and services. The main cost driver under the item goods and services is travelling and subsistence and the payments to the SIU. Another factor that contributed to the underspending is the delay in securing an additional building, which resulted in the funds provided for leasing, refurbishment of offices, the moving of staff and the acquiring of furniture not being utilised. The non-availability of additional office space resulted in the non-filling of vacancies; and costs associated with posts could also not be incurred.

Programme 2: Housing Policy, Research and Monitoring

The programme was initially allocated R45.9 million for the 2010/2011 financial year and was adjusted in the adjustment estimate with a roll-over of R1.2 million for outstanding payments on tender VA 49/339: Impact Evaluation Study of the Upgrading of Informal Settlements Programme. Additional funding of R1.4 million was also provided in the adjustment estimate process for salary increases.

A R3.5 million virement was made to Programme 1: Administration for the Special Investigation Unit to fund the expanded mandate; a virement of R315 000 to Programme 4, Housing Development Funding, for SERVCON to pay its tax liability was made.

The variance of R11.2 million can be attributed to the cost-saving measures reducing travel and subsistence and other administration costs. Underspending in the programme can also be attributed to personnel and personnel-related costs owing to vacancies experienced throughout the year, as a result of staff turnover. Total spending on Programme 2 amounted to R32.6 million.

Programme 3: Housing Planning and Delivery Support

The programme's allocation of R206.8 million for the 2010/2011 financial year was adjusted in the adjustment estimate with a roll-over of R26.5 million to accommodate the sanitation function which was shifted from the Department of Water Affairs. Additional funding of R1.4 million was also provided in the adjustment estimate process for salary increases.

A R6 million virement was made to Programme 1: Administration for the Special Investigation Unit to fund the expanded mandate; a virement of R2.2 million was made to Programme 5: Strategic Relations and Governance for the development of a turnaround strategy for the Department; and a virement of R9.8 million to Programme 4, Housing Development Funding, for SERVCON to fund part of its tax liability.

The total budget of Programme 3 amounted to R207.1 million. The programme spent a total of R158.4 million. The R48.8 million underspending in the Programme was the result of delays in the implementation of the Accelerated Community Infrastructure Programme (ACIP). The implementation in certain municipalities was delayed. Due to compliance issues and procurement processes projects were delayed. Another contributing factor is that the programme expenditure was also affected by cost-saving measures introduced, which resulted in travel and subsistence expenditure and other administration costs, as well as costs associated with the non-filling of vacancies throughout the branch.

Programme 4: Housing Development Funding

The programme was allocated R15.5 billion, of which R15 billion was allocated to the Human Settlements Development Grant, R133.8 million to the Housing Disaster Relief Grant, R100 million to the Rural Household Infrastructure Development programme and R277 million to the Department's entities. In the adjust-

ment estimate a roll-over of R34.9 million was allocated for the establishment of the Social Housing Regulatory Authority. Additional funding of R1.4 million was also provided in the adjustment estimate process for salary increases.

A R4.4 million virement was made to Programme 1: Administration for the Special Investigation Unit to fund the expanded mandate. SERVCON allocation was increased to R29.6 million to fund part of its tax liability.

The total budget of Programme 4 amounted to R15.674 billion. The programme spent a total of R15.625 billion. The variance of R49.4 million can be attributed to delays in the implementation of projects on the Rural Household Infrastructure Grant. The procurement processes delayed the finalisation of appointing service providers. By the end of the financial year some of the work was completed but due to verification processes that need to be followed the implementing agents were not able to provide the Department with invoices before the end of the financial year. Another contributing factor is the late approval by National Treasury of R7.6 million virement for SERVCON which the Department could not transfer to SERVCON. The non-availability of additional office space resulted in the non-filling of vacancies and costs associated with posts could also not be incurred.

Programme 5: Strategy Relations and Governance

The programme was initially allocated R174.4 million for the 2010/2011 financial year and was adjusted in the adjustment estimate with a roll-over of R7.7 million to finalise the closure of Thubelisha Homes. Additional funding of R1,4 million was also provided in the adjustment estimate process for salary increases.

A R9 million virement was made to Programme 1: Administration for the Special Investigation Unit to fund its expanded mandate; and a virement of R6 million to Programme 4, Housing Development Funding, for SERVCON to fund part of its closure costs.

The total budget of Programme 5 amounted to R145.1 million. The programme spent R87.4 million. The variance of R57.7 million can mainly be attributed to delays in appointing service providers to maintain and render the necessary support to provinces on the HSS. SITA terminated the agreement with the Department and indicated that they are not willing to renew the contract. The Department had to advertise a bid to appoint a panel of service providers who would render the necessary support to provinces on the HSS. The bid did not yield good results and subsequently the Department approached SITA as an interim arrangement to assist the Department. Another contributing factor is the cost-savings measures that resulted in a reduction in foreign visits and the curtailment of media campaigns.

2.1.10 Transfer payments

Table: Transfer to public entities

Name of institution	Amount transferred R'000	Estimated expenditure R'000
NHFC	-	1
Social Housing Foundation	6 621	6 621
Social Housing Regulatory Authority	186 771	186 771
Rural Housing Loan Fund	49 500	49 500
Housing Development Agency	69 300	69 300
SERVCON	41 600	34 000
Total	353 792	353 793

NB: Full details of the services, as well as the narrative of the performance of the institutions, are outlined in Part 4 of this report.

2.1.11 Conditional grants and earmarked funds

There were two conditional grants administered under programme 4, namely the Human Settlements Development Grant and the Housing Disaster Relief Grant.

Human Settlement Development Grant (HSDG)

The goal of the HSDG is to facilitate the development of sustainable human settlements, through the provision of a conditional grant to fund housing programmes approved in terms of the national housing code.

The voted allocation for the Human Settlements Developments Grant for the 2010/2011 financial year amounted to R15 026 763 000 with an additional R15 000 million allocated to Gauteng Province for a priority project from the Departmental budget savings, resulting in the total available having increased to R15 041 763 000 for the 2010/2011 financial year.

Additional funding was allocated at the provincial sphere, bringing the total available funds to R15.2 billion as depicted in the table below:

Human Settlements Development Grant Allocations 2010/11						
Province	Voted Allocation	Adjustment during year				Total Available to Provinces
		National Appropriate additional	PT Adjustments	National Adjustments	Total Adjusted Voted Allocation	
	R'000	R'000	R'000	R'000	R'000	R'000
Eastern Cape	1 598 646	-	-	39 000	1 637 646	1 637 646
Free State	1 300 691	-	-	(263 000)	1 037 691	1 037 691
Gauteng	3 771 831	15 000	-	100 000	3 886 831	3 886 831
KwaZulu-Natal	2 714 109	-	77 024	(80 000)	2 634 109	2 711 133
Limpopo	1 234 750	-	11 400	130 000	1 364 750	1 376 150
Mpumalanga	975 863	-	35 170	-	975 863	1 011 033
Northern Cape	273 260	-	-	174 000	447 260	447 260
North West	1 288 770	-	203	(100 000)	1 188 770	1 188 973
Western Cape	1 868 843	-	83 878	-	1 868 843	1 952 721
Total	15 026 763	15 000	207 675	-	15 041 763	15 249 438

The total adjusted allocations of R15.041 billion was transferred to provinces as at March 2011, representing a transfer of 100 percent of the voted amount. The spending performance from the beginning of the financial year up to the end of the second quarter was significantly lower than the funds transferred to provinces in terms of the payment schedule as reflected by the graph below. MinMEC resolved that, to ensure service delivery in the country, funds be shifted from provinces that persistently underperform, to provinces that display the ability to perform. These performing provinces had projects and commitments that needed additional funding.

The withholding, stopping and re-allocation of Human Settlements Development Grant funds in terms of Section 16, 17&18 of the Division of Revenue Act was approved by the Minister of Finance. The above process led to the Free State's allocation being reduced by R263 million and KwaZulu-Natal's allocations

reduced by R80 million. The stopped amounts were re-allocated to Eastern Cape which increased their allocation by R39 million, while Limpopo and Northern Cape provinces' allocation increased by R130 million and R174 million respectively. The adjusted allocations to the voted amounts were gazetted by the Minister of Finance on February 15, 2011 under Gazette Number 34027.

Most provinces managed to spend their respective current financial year's allocations, as at the end of the financial year - except for three provinces namely Eastern Cape, Gauteng, North West. The unspent amounts will be requested for roll-over as they are committed to projects that could not be finalised before March 2011.

Grant Province	2010/11 voted	Total Adjusted Voted Allocation		Transfers to Prov- inces as per total adjusted	Spent by Provinces	Spent as % of total available to Prov- inces	Spent as % of transfer as per total adjusted	Unspent as at 28 March 2011
	R'000	R'000	R'000	R'000	R'000	%	%	R'000
Human Settlements Development Grant								
Eastern Cape	1 598 646	1 637 646	1 637 646	1 637 646	1 503 816	92	91.8	133 830
Free State	1 300 691	1 037 691	1 037 691	1 037 691	1 037 685	100	100.0	6
Gauteng	3 771 831	3 886 831	3 886 831	3 886 831	3 855 064	99	99.2	31 767
KwaZulu-Natal	2 714 109	2 634 109	2 711 133	2 634 109	2 711 234	100	102.9	(101)
Limpopo	1 234 750	1 364 750	1 376 150	1 364 750	1 264 584	92	92.7	111 566
Mpumalanga	975 863	975 863	1 011 033	975 863	1 011 033	100	103.6	-
Northern Cape	273 260	447 260	447 260	447 260	472 944	100	103.7	(25 684)
North West	1 288 770	1 188 770	1 188 973	1 188 770	1 040 163	87	87.5	148 810
Western Cape	1 868 843	1 868 843	1 952 721	1 868 843	1 940 037	99	103.8	(71 194)
Total	15 026 763	15 041 763	15 249 438	15 041 763	14 836 560	97	98.6	329 000

There has been some improvement noted with respect to the challenges experienced in the submission of monthly reports by provinces as compared to the previous financial year. Submission of the quarterly reports still proved a challenge as only about five provinces consistently met the submission deadline.

The Housing Disaster Relief Grant (HSD Grant)

The Housing Disaster Relief Grant has been earmarked for KwaZulu-Natal to provide emergency relief in support of reconstruction work to housing and related infrastructure damaged by storm.

The Housing Disaster Relief Grant has been allocated an amount of R133.8 million for 2010/2011 financial year, a 10.8 percent decrease from the 2009/2010 allocation of R150 million.

The information below represents the expenditure patterns for the period ending March 31, 2011 on this Grant.

Table 1: Overall spending analysis as at 31 March 2011

KwaZulu-Natal Disaster Relief Grant						
Month	Total Allocation	Transferred Amount	Expenditure Amount	Spent as % of transferred funds	Spent as % of total available	Variance
	R'000	R'000	R'000			R'000
April	-	11 150	753	7	1	10 397
May	-	11 150	5 918	53	4	5 232
June	-	11 150	3 638	33	3	7 512
July	-	11 150	2 176	20	2	8 974
August	-	11 150	895	8	1	10 255
September	-	11 150	5 787	52	4	5 363
October	-	11 150	2 594	23	2	8 556
November	-	11 150	2 443	22	2	8 707
December	-	11 150	2 598	23	2	8 552
January	-	11 150	861	8	1	10 289
February	-	11 150	106 139	952	79	-94 989
March	-	11 150	-	-	-	11 150
Total	133 800	133 800	133 802	100	100	-

The entire allocation was already fully expended as at end of February 2011. The disaster-related expenditure incurred in March was defrayed with the Human Settlements Development Grant and was reported to have the increased spending on that Grant. The spending on this Grant has drastically increased compared to the previous year.

2.1.12 Capital Investment, maintenance and asset management plan

None

2.2 Programme performance

2.2.1 Programme 1: Administration

Purpose

The purpose of the programme is to provide strategic leadership and administrative and management support services to the Department; and promote and facilitate the flow of information between the Department and its stakeholders.

The programme comprises the following areas of responsibility: Office of the Minister as the Executive Authority, Office of the Director-General as the Accounting Officer; as well as the Branch: Corporate Services, which houses the following chief directorates: Human Resource Management, Legal Services, Information Technology Systems and also Corporate Support.

Measurable objective

Administration is a non-core, but an essential component in the Department of Human Settlements. It renders support services to other line functions.