

PC Housing
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17/10/07

**BREAKING NEW GROUND IN HOUSING DELIVERY
HOUSES, SECURITY & COMFORT**



housing

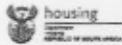
Department
Housing
REPUBLIC OF SOUTH AFRICA

**PRESENTAION ON THE 2006 / 2007
ANNUAL REPORT TO THE PORTFOLIO
COMMITTEE ON HOUSING**

*VISION: A NATION HOUSED IN SUSTAINABLE HUMAN SETTLEMENTS
WITH ACCESS TO SOCIO-ECONOMIC INFRASTRUCTURE*

*MISSION: TO ESTABLISH & FACILITATE A SUSTAINABLE PROCESS
THAT PROVIDES EQUITABLE ACCESS TO ADEQUATE HOUSING FOR ALL
WITHIN THE CONTECT OF AFFORDABILITY OF HOUSING & SERVICES
& ACCESS TO SOCIAL AMENITIES & ECONOMIC OPPORTUNITIES*

17 OCTOBER 2007



Structure of the presentation

1. Aim, Vision and Mission of the Department
2. Our Values
3. Our Mandates
4. Housing Legislation and Regulations
5. Our Policy Framework
6. Specific Priorities within the National Housing Programme
7. Service Delivery Trends and Budget Overview (2006/07), Programme Performance.
8. Conclusion



AIM

The aim of the Department of Housing is to determine, finance, promote, coordinate, communicate and monitor policy in respect of housing and human settlement.

Vision

A nation housed in sustainable human settlements

Mission

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



Our values, based on the constitution, are

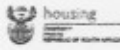
- Human dignity, equality, advancement of human rights and freedoms;
- Non-racialism and non-sexism;
- Supremacy of the constitution and the rule of law;
- Accountability, responsiveness and openness

• SA CONSTITUTION

- 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
- Botshabelo Housing Accord (1994) Signed by all housing stakeholders and subsequent white paper of 1994
- Reconstruction and Development Programme (RDP) – set out framework and principles for sustainable development

Housing development programme continues to operate in the following legislative framework:

- Housing Act 107 of 1997 (as amended);
- Prevention of Illegal Eviction from and Unlawful Occupation of Land Act No. 19 of 1998;
- Housing Consumers Protection Measures Act 95 of 1998;
- Rental Housing Act 50 of 1999;
- Home Loan Mortgage Disclosure Act 63 of 2000.



Housing Legislation

- Draft Bills and Regulations in process or finalised during period:
 - Housing Amendment Bill developed for approval to go to Cabinet;
 - Social Housing Bill;
 - Amendments to the Rental Housing Act;
 - Less Formal Township Establishment Amendment Bill.



Policy Framework

- Our overall policy framework continues to be as determined by the White Paper on a new housing policy and strategy for South Africa, 1994; and
- The Comprehensive Plan for the Creation of Sustainable Human Settlements (September 2004)

- **Economic Developments**
 - Despite better performance of the economy which recorded 5.5%, 25.5% of the working age population was still excluded from the mainstream economy
 - Unemployment rate of 25.5% excluding discouraged work seekers indicates that many South Africans still rely on government for assistance including housing;
 - Inflation continued to increase in response to increasing oil and petrol prices, weaker Rand, droughts and other factors thereby continuing to mount pressure on the value of the subsidy

- **Economic Developments**
 - Building costs has risen rapidly during recent years due to the high demand in the building industry:
 - Haylett index of BER which reflect builders various input costs (material, labour plant and fuel) rose by 12.2% in the year to January 2007,
 - Although tender prices moderated in 2006 as compared to 2005, it was still far above overall inflation,
 - Increasing building costs forces the subsidy to be adjusted by higher margins to ensure that the quality of houses is not compromised.

- During the financial year interest rates increased by 200 bases points from 11% to 13% thereby increasing loan installments:
 - This impact on ability to pay back loans as well as acquiring new loans including mortgage loans
 - An example is that affordability on the house values at R87 193 will decline by R10,373 to R76 820 due to 2% increase in interest rates only

- BER shows that bottlenecks prevail in the supply of skilled labour and building material
- Building plans past and completed in 2006 already indicated that focus of contractors have shifted away from residential dwellings
- The above have two major implications:
 - Fuelling costs of delivering housing projects
 - Housing projects under pressure due to increasing competition with other major capital projects developments with attractive returns

- The **Comprehensive Plan** is still setting the tone for housing policy and strategy:
 - Accelerate housing delivery;
 - Improve the quality of the products;
 - Furthering the establishment of a single housing market;
 - Create integrated human settlements;
 - Create jobs through the Programme;
 - Create asset wealth and empower beneficiaries

- **Key Policy Developments:**
 - Informal settlement upgrading remains a high priority and we are testing the policy through various pilot projects;
 - Intergovernmental support: We have developed planning tools for the provinces and municipalities. This was augmented by capacity building initiatives;
 - A social contract for rapid delivery: The implementation of this contract was pursued and will be further implemented in time to come

- **Key Policy Developments:**

- Accelerating delivery

- We have collapsed the subsidy categories;
- Increased the subsidy scope to R7000,00 pm income;
- Introduced coordinated planning processes;
- Introduced a needs oriented housing programme

- Improving the quality of houses

- A new house typology was introduced;
- Supported by a new funding dispensation

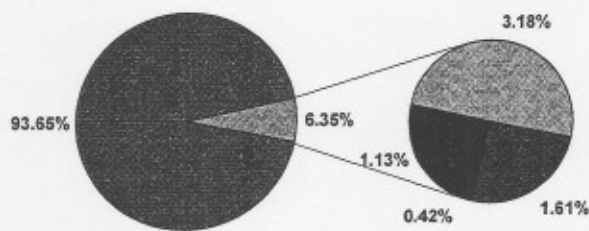
FINANCIAL PERFORMANCE AND BUDGET OVERVIEW

Budget overview

Programmes	2005/06		2006/07		
	Baseline	Original ENE 2005/06	Property Management	Additional Funding	New Baseline
1 Administration	83,737	92,248	7,420		99,668
2 Policy Planning and Research	24,634	26,112			26,112
3 Programme Management	90,294	69,893			69,893
4 Housing Sector Performance and Equity	141,323	196,564			196,564
5 Housing Development Funding	4,851,724	5,668,646		800,000	6,468,646
Total	5,191,712	6,053,463	7,420	800,000	6,860,883

Budget overview cont.

Allocation for 2006/07 financial year



- 1 Administration
- 2 Policy Planning and Research
- 3 Programme Management
- 4 Housing Sector Performance and Equity
- 5 Housing Development Funding

Adjustment Estimate overview

PROGRAMME R thousand	Original Allocation	Roll-overs	Unforeseen/ unavoidable	Virement	Other Adjustment	Adjusted Allocation
Programme 1: Administration	99,668	-	-	15,100	623	115,391
Programme 2: Policy Planning and Research	26,112	-	-	-	-	26,112
Programme 3: Programme Management	69,893	-	-	-	-	69,893
Programme 4: Housing Sector Performance and Equity	196,564	-	-	96,400	-	292,964
Programme 5: Housing Development Funding	6,468,646	372,000	16,206	-111,500	84,014	6,829,366
TOTAL	6,860,883	372,000	16,206	-	84,637	7,333,726

Adjustment Estimate overview

- Rollovers
 - R372 million was approved for the N2 Gateway Project in the City of Cape Town.
- Unforeseeable/unavoidable
 - R16,206 million Western Cape flood disaster
- Other adjustments
 - Emergency Funding in terms of Section 16 of the PFMA Act R84,014 million for 2,000 subsidised houses in the Bophirima district, Taung North West.
 - Self financing expenditure R623 000.



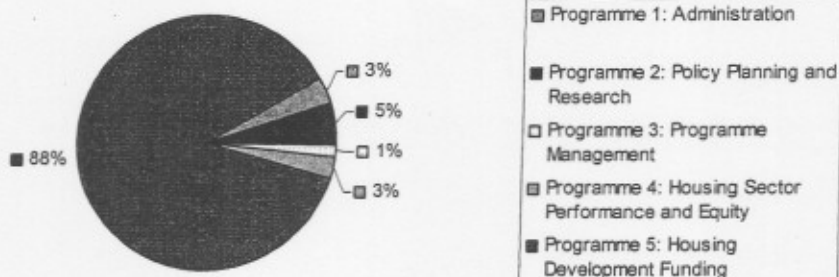
Financial performance as at 31 March 2007

PROGRAMME R thousands	Adjusted Allocation	Exp. as at 31 Mar 2007	Unspent	% Spent
Programme 1: Administration	117,391	111,837	5,554	95%
Programme 2: Policy Planning and Research	24,112	15,175	8,937	63%
Programme 3: Programme Management	69,893	67,411	2,482	96%
Programme 4: Housing Sector Performance and Equity	292,964	288,370	4,594	98%
Programme 5: Housing Development Funding	6,829,366	6,683,169	146,197	98%
TOTAL	7,333,726	7,165,962	167,764	98%



Financial performance as at 31 March 2007 cont.

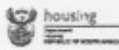
Unspent Funds per programme





Financial performance as at 31 March 2007 cont.

CLASSIFICATION	Adjusted budget R'000	Exp. as at 31 Mar 2007 R'000	Variance Unspent R'000	% spent
Current payments	273,959	254,068	19,891	93%
Transfers and subsidies	7,052,318	6,907,689	144,629	98%
Capital assets	7,449	4,205	3,244	56%
TOTAL	7,333,726	7,165,962	167,764	98%



Financial performance 2006/07 (cont.)

- This variance can mainly be attributed to:
 - R144,363,000 was saved on the Conditional Grant.
 - The Provincial Governments of Eastern Cape and Mpumalanga declared savings and funds were not transferred to the Provinces.
 - The saving was as a result of the incapacity factor and financial constraints of emerging contractors and material shortages, such as cement and bricks.

Programme 1

Sub-programme	2006/07			
	Final	Actual	Variance	Expenditure as % of final

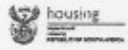
Programme 2

Sub-programme	2006/07			
	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation
	R'000	R'000	R'000	%
National Policy and Strategy	10,312	7,055	3,257	68%
Human Settlement Policy and Integration	6,604	3,266	3,338	49%
Housing Framework Legislation	2,959	1,969	990	67%
Research	4,164	2,812	1,352	68%
Contributions	73	73	-	100%
Total	24,112	15,175	8,937	63%

Programme 3

Subprogramme	2006/07			
	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation
	R'000	R'000	R'000	%
National Housing Subsidy Scheme	5,542	4,531	1,011	82%
Capacity Building	62,323	61,016	1,307	98%
Special Programme Support	2,028	1,864	164	92%
Total	69,893	67,411	2,482	96%

Housing Institutions	2,013	2,208	555	80%
Housing Equity	3,324	2,309	1,015	69%
Contributions	229,438	229,437	1	100%
Total	292,964	288,370	4,594	98%

Sub-programme	 Programme 5 <small>2000/01</small>			
	Appropriation	Expenditure	variance	final
Fund Funds	6,822,169	6,677,806	144,363	98%