

Report of the Portfolio Committee on Human Settlements on Budget Vote 38: Human Settlements, and on the strategic plans for the coming Medium Term Expenditure Framework (MTEF) period and Annual Performance Plan 2016-17, dated 26 April 2016

The Portfolio Committee on Human Settlements, having considered Budget Vote 38: Human Settlements, and the strategic plans for the MTEF period and the annual performance plans of the Department of Human Settlements (later referred to as the Department) and its entities, referred to it, reports as follows:

1. Introduction

The Constitution of the Republic of South Africa (1996) places an obligation on the State to provide access to adequate housing to its citizens. As the custodian of the housing sector, the Department derives its core mandate and responsibilities from section 3 of the Housing Act (1997), which allows the Department, in collaboration with provinces and municipalities, to establish and facilitate a sustainable national housing development process. The Department does this by, determining the national policy, national norms and standards for housing and human settlements development, setting broad national housing delivery goals, and monitoring the financial and non-financial performance of provinces and municipalities against these goals, building the capacity of provinces and municipalities and promoting consultation with all the stakeholders in the housing delivery chain, including civil society and the private sector.

In order to ensure the progressive realization of its mandate and the goal of sustainable and integrated human settlements, the Department has subsequently developed strategies, policies and programmes. The comprehensive plan for the development of sustainable human settlements, approved in 2004 and the revised Housing Code, published in 2009, mark a conceptual shift away from the mandate of providing shelter, to supporting the residential property market. The Housing Code allows for access to housing and services for low-income families and ensures greater choice in quality, location and ownership. Subsequently, chapter eight of the National Development Plan (NDP) provides a roadmap for the achievement of sustainable human settlements in South Africa by 2030. The Department has thus strategically aligned its plans with the NDP.

To ensure its oversight role, the Committee received briefings from the Department of Human Settlements and its entities on their strategic plans, budgets and annual performance plans. The Department was also requested to present the business plans from nine Provincial Departments of Human Settlements. The Committee also received a briefing from the office of the Auditor-General South Africa (AGSA) on annual performance plans of 2014/15 and 2015/16 financial years.

2. Department of Human Settlements

2.1 Aim and mandate of the Department

The mandate of the Department was to determine, finance, promote, co-ordinate, communicate and monitor the implementation of housing policy and human settlements. Since the formulation of the Comprehensive Housing Plan in 2004, the Department has conducted various initiatives to enhance the creation of comprehensive, integrated, coordinated and sustainable human settlements and quality housing. These initiatives include the review of the National Housing Code, which determines national norms and standards in respect of housing development, as well as the provision of the Farm Worker/Occupier Housing Assistance Programme and the establishment of the Housing Development Agency.

Subsequent to that and during the course of January 2010, the Cabinet approved an outcomes-based performance approach to the mandate of the Department with the adoption of Outcome 8 – Sustainable Human Settlements and Improved Quality of Household Life. The Outcome 8 has sub-outcomes that the Department has to adhere to such as the provision of adequate housing and improved quality living environments; a functionally equitable residential property market and enhanced institutional capabilities for effective coordination and spatial investment decisions. The Outcome 8 approach sets targets for Government in respect of four areas:

- Accelerated delivery of housing opportunities with a focus on upgrading of informal settlements and providing affordable rental housing stock;
- Providing access to basic services as part of the National Bulk Infrastructure Development Programme;
- Ensuring more efficient land utilization with a target of the acquisition of 6250 ha (net) state owned land; and
- Facilitating an improved property market through the supply of affordable housing finance.

While the timeframe of the Outcome 8 in terms of targets ended in 2014, the policy approach and focus remain relevant.

2.2 National Development Plan

Chapter 8 of the National Development Plan (NDP) 8 outlines a vision for human settlements and housing towards 2030. The emphasis in the NDP is on a government-led strategy to fast-track the development of housing and human settlements whilst at the same time improving the quality of life of citizens.

Key recommendations contained in the NDP are:

- Strengthen the spatial planning system.
- Initiate a national conversation about cities, towns and villages – the media and civil.
- Institute bolder measures to achieve sustainable human settlements.
- Develop a more coherent and inclusive approach to land.
- Radically revise the housing finance system.
- Revise the regulations and incentives for housing and land use management.
- Recognize the role of informal settlements and enhancing the existing national programme for informal settlement upgrading by developing a range of tailored responses to support their upgrade.
- Support the transition to environmental sustainability.
- Support rural spatial development.
- Initiate spatial interventions to support agricultural development.
- Building an active citizenry to rebuild local place and community.

2.3 Medium Term Strategic Framework

The Medium Term Strategic Framework (MTSF) serves as the principal guide to the planning and allocation of departmental resources across all spheres of government. The MTSF outlines a vision of sustainable human settlements and an improved quality of household life. Priorities for 2014 – 2019 are the following:

- 1,495 million more households living in new or improved housing conditions by 2019.
- 110 000 new housing units delivered in the affordable gap market by 2019.
- 49 municipalities assigned or accredited with the housing function.
- 63 000 new subsidy units will receive title deeds and the backlog of 900 000 title deeds in the integrated residential housing programme will be transferred over the five-year period.
- 750 000 households will benefit from the informal settlement upgrading programme, ensuring basic services and infrastructure in about 2 200 informal settlements.

In addition, the MTSF indicates that the following will be addressed:

- Existing housing instruments and subsidies to be reviewed and improved to better direct housing and human settlements investments.
- Public transport planning aligned with residential development is key to achieving social and economic transformation.
- A multi-segmented social-rental housing programme envisaged, which includes backyard rentals.
- Barriers to more rapid residential construction will be addressed, together with support for broadening access to housing credit, especially for first time home buyers.
- In mining towns, housing solutions will be sought through partnership between Government, municipalities, employers and financial institutions.
- Improving access to affordable housing within the public service and private sector could be supported through remuneration allowances or credit enhancement.

2.4 Revision of legislative and other mandates

The mandate and core business of the Department of Human Settlements is underpinned by the Constitution and all other relevant legislation and policies applicable to the department. In addressing the mandate for integrated sustainable human settlements, the review of policies particularly the development of the White Paper of Human Settlements and revision of the Housing Act to Human Settlements Act would enhance the department's efforts in the provision of adequate housing by:

- Providing a framework for the realization of sustainable human settlements and improved quality of household life;
- Providing a foundation for the establishment of viable, socially and economically integrated communities that are located in areas allowing convenient access to economic opportunities, health, educational and social amenities.

2.5 Policies

The mandate of the Department is set out in the Housing Act. Section 2 of the Housing Act compels all three spheres of government to give priority to the needs of the poor in respect to housing development. In addition, all three spheres of government must ensure that housing development:

- Provides as wide a choice of housing and tenure options as is reasonably possible;
- Is economically, fiscally, socially and financially affordable and sustainable;
- Is based on integrated development planning; and
- Is administered in a transparent, accountable and equitable manner, and upholds the practice of good governance.

The following mandate of the Department remains the same except for the inclusion of the:

- Estate Agency Affairs Act, 1976

Following a Presidential Proclamation, the Department took over the oversight functions of the Estate Agency Affairs Act, 1976 from the Department of Trade and Industry during May 2012. The objectives of the Act are to:

- Establish the Estate Agency Affairs Board (EAAB) to regulate the conduct of estate agents;
- Establish the Estate Agents Fidelity Fund;
- Monitor trends within the real estate industry; and
- Render education and training to estate agents and consumers.

2.6 Policy Mandates

Other specific constitutional, legislative and policy mandates of the Department including government policy frameworks are:

- Constitution of the Republic of South Africa;
- Housing Act, 1997 (Act No 107 of 1997);
- Comprehensive Plan for the Creation of Sustainable Human Settlements (BNG);
- The Housing Consumer Protection Measures Act, 1998 (Act No 19 of 1998);
- The Housing Development Agency Act, 2008 (Act No 23 of 2008);
- Public Finance Management Act, 1999 (Act No 1 of 1999-as amended by Act No 29);
- The Social Housing Act, 2008 (Act No 16 of 2008);
- The Division of Revenue Act, 1999 (Act No 50 of 1999);
- Home Loan and Mortgage Disclosure Act, 2000 (Act No 63 of 2000);
- Inclusionary Housing Bill;
- Sectional Titles Schemes Ombud Service Act (Act 9 of 2011);
- Intergovernmental Relations Framework (Act No 13 of 2005);
- The National Development Plan (NDP);
- Spatial Planning and Land Use Management Act, 2013 (Act No 16 of 2013).

2.6.1 Relevant Court Rulings

There are court rulings affecting the operations of the human settlements sector, though they are not impacting directly and the achievement of targets. These cases are but not limited to the following:

- Government of the republic of South Africa vs Irene Grootboom and Others: CCT 11/00. (Rights of access to adequate housing);
- Thubelitsha Homes, Minister of Housing and Minister of Local Government and Housing, Western Cape vs Various Occupants;
- HLA 8/3/2/109 – 2014 CASE NO.2011/19 the EMM had brought a joinder application in the Constitutional Court seeking to join the Department in the proceedings instituted by Bapsfontain Community;
- The City of Cape Town and FirstRand Bank Limited: CCT 22/08 (eviction of 20, 000 residents of Joe Slovo informal settlements) Bio-watch Trust vs registrar Genetic resources and others: CCT 80/08 (Promotion of access to information Act) Dingaani Hendrik Nyathi verses MEC of the Department of Health, Gauteng, and Minister of Justice and Constitutional Development: CCT 19/07.

2.6.2 Planned policy initiatives over the long term:

- Development of the White Paper on Human Settlements;
- The review of the Housing Act into Human Settlements legislation;
- The review of the Housing Code into Human Settlements Code.

2.7 Outcome 8: Sustainable human settlements and an improved quality of household life

While the timeframe of targets stated in Outcome 8 ended in 2014, the Department is of the view that the policy approach and focus of the document remains relevant.

The following targets apply:

- Accelerated delivery of housing opportunities with a focus on the upgrading of informal settlements and providing affordable rental housing stock.
- Access to basic services as [part of the National Bulk Infrastructure Development Programme.
- More efficient land utilisation with a target of acquiring 6 250 hectare of State-owned land.
- An improved property market through the supply of affordable housing finance.

2.8 State-of-the-nation address (SONA) and the Budget Speech

The President announced a number of austerity measures to reduce expenditure by government departments, which include: limiting international travel partnered with strong motivations of how this will benefit the country, reducing the size of delegations for international trips, restrictions on conferences, entertainment and social functions, as well as abolishing budget vote dinners hosted by departments.

2.9 Summary of the Strategic Plan

The Department's Strategic and Performance Plans for the 2015/16 financial years indicate the following focus areas:

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

The strategic objectives would be implemented through the following four programmes:

- Programme 1: Administration;
- Programme 2: Human Settlements Strategy, Policy and Planning;
- Programme 3: Programme Management Unit; and
- Programme 4: Housing Development Finance.

2.10 Updated Situational Analysis

South Africa reached a tipping point in the early 1990's when just over 50 percent of the total population resided in urban areas. Throughout, there has been a steady pace towards greater urbanization and today 63 percent of South Africans live in urban areas, (20 Year Review: 1994-2014). Even though government provided just 2, 8 million housing opportunities through subsidy assistance to poor households, inadequate housing remains as one of the main problems facing the country. This is exacerbated by the relentless trends towards urbanization that in most cases lead to proliferation of informal settlements, social exclusion and the inability of municipalities to provide basic infrastructure to the urban poor households. Access to the poor to urban land and housing is one of the challenges in the country. Urban management trends continue to reinforce fragmentation and marginalisation through the growth of peripheral formal and informal settlements.

The main challenge in South Africa is still the spatial exclusion of low-income families from the main socio-economic facilities of cities and regions. Locations close to employment areas, opportunities and services are not accessible to all people because of issues such as high land costs, limited availability of space, limited to planning and financial instruments, and lack of infrastructure in appropriate places. Notwithstanding the efforts to transform South Africa's urban areas, major challenges regarding the sustainability of human settlements development continues to exist. The country's human settlements patterns remain dysfunctional across the country, the housing market is fractured with inequitable access to its workings and benefits, and there is an on-going property affordability problem across various housing-markets. The rapid urbanization rate resulting in the proliferation of informal settlements around urban centres exacerbates the need for housing.

The 2013 General Household Survey shows that 13.6 percent of all dwellings are informal. This is lower than the 15.7 percent of 2005; but at the current rate of delivery, the eradication of informal settlements, originally anticipated for 2014, is likely to be achieved only 2030. Causes of this include the rise in property prices between 2000 and 2007, which made housing unaffordable for many low-income families; and supply-side constraints such as access to suitable land, finance and basic services infrastructure. Government's comprehensive plan for the development of sustainable human settlements has shifted the state's focus from delivering commoditized housing to supporting the entire property market and ensuring that housing is delivered in sustainable and habitable settlements. Underpinned by policy that responds to demand and to

the needs of poor households, sustainable human settlements can be achieved through integrated planning and good governance that supports optimal land use and stimulates private investment.

While the department's focus is at accelerating the delivery of adequate housing in quality living environments, the ability to meet the housing challenge remains a challenge. Addressing this challenge requires extensive attention to the credit markets and the reality of over-indebtedness. Given the state's constraints and the recent budget cuts on the Human Settlements Grant and the Urban Settlement Development Grant, delivering at scale will be a challenge. As part of accelerating delivery, over the MTEF the department will focus on: Given the provincial decline in the human settlements budget over the MTSF the Department cannot sustain the current housing provision model. A new, alternative and more cost effective model is needed to meet demand provincially and nationally. The National Department of Human Settlements (NDoHS) has identified expanding social and rental housing opportunities as an alternative solution to the housing problem:

- Scaling up of the informal settlement-upgrading programme;
- The transfer of all title deeds for subsidy units;
- Locating new human settlements developments closer to major transport nodes and corridors, economic opportunities and social amenities by implementing Catalytic Projects together with the private sector;
- Increasing the development of housing in the gap market by developing partnerships with the private sector to improve delivery;
- Strengthening coordination to ensure sustainable integrated human settlements. Although this is a radical strategy to deal with the housing problem and also to drive local economy by creating jobs, unblocking the property market requires much more than the government in partnership with the private sector to lay a stronger foundation for growth and stability for a functional residential property market. This includes the use of existing instruments to accommodate citizens particularly those that are in the gap market and currently not sufficiently catered for by government subsidies or mortgage financing. The informal settlements upgrading programme is proving to be a viable instrument in dealing with rapid growth of urbanization.

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- Scaling up of the informal settlements-upgrading programme;
- The transfer of all title deeds for subsidy units;
- Locating new human settlement developments closer to major transport nodes and corridors, economic opportunities and social amenities by implementing Catalytic Projects together with the private sector;
- Increasing the development of housing in the gap market by developing partnerships with the private sector and encouraging greater investment in social housing projects and integrated housing and mixed used developments;
- Deal with the affordable market and strengthen partnerships with the private sector to improve delivery;
- Strengthening coordination to ensure sustainable integrated human settlements. The identified priorities will be implemented in collaboration with provinces, municipalities, entities and private sector.

2.10.1 Performance Delivery Environment

The dawn of democracy in 1994 created a new dispensation in which access to basic services such as housing, water and sanitation was recognized as a fundamental human right. South Africa inherited high levels of poverty and it continues to be confronted with unequal and often inadequate access to resources, infrastructure and social services. The Bill of Rights enshrined the right to basic services and commanded that the state must take reasonable measures to achieve the progressive realization of these rights.

The characteristics of the dwellings in which households live and their access to various services and facilities provide an important indication of the well-being of household members. It is widely recognised the shelter satisfies a basic human need for physical security and comfort. According to the 2014: General Household Survey, the percentage of households that fully owned the dwellings they inhabited increased was accompanied by a decrease of about five percentage points for households that rented accommodation. Households that maintained other tenure arrangements increased from 11,7% in 2002 to 12,4% in 2014.

In 2014, more than three-quarters (79,4%) of South African households lived in formal dwellings, followed by 12,9% who lived in informal dwellings, and 6,8% in traditional dwellings. The highest concentration of households in Limpopo (93,6%) lived in formal dwellings, followed by the households in Mpumalanga (88,1%). Although the highest concentrations of informal dwellings were found in North West (21%) and Gauteng (19,2%), it is worth noting though that majority of households in these two provinces lived in formal dwellings and 78% of North West living in formal households. More than one-fourth of households (27,7%) in Eastern Cape resided in traditional dwellings compared to 17% of households in KwaZulu-Natal.

The department's delivery environment is in the main influenced by the increase in urbanization resulting in the increase demand for housing. Even though South Africa has progressively accommodated an additional 4.1 million households in formal dwellings, an upward growth from 74,4% in 2003 to 79,4% in 2014, demand for housing continued to exist. Households are also experiencing challenges in spending patterns and recurring low savings. The low savings combined with consumers' credit-risk profiles contribute to the inability of access credit particularly for mortgages. This offers evidence of vulnerability of low income earners to access credit particularly mortgage loans which is the main form of funding for housing development. With the increase of the repo rate by 0,25 basis points in November 2015, the prime interest rate by commercial banks increased to 9,5%. The increase in interest rate has had a severe impact on disposable income for individuals with mortgages and other forms of credit exposure. The report by International Monetary Fund (IMF) indicates that in 2014, the South African economy was estimated to have grown by just 1,4% after expanding by 1,9% in 2013, 2,5% in 2012, 3,6% in 2011, and 3,1% in 2010.

Even though South Africa has had the second biggest economy in the continent over the past ten years, the country's GDP growth is still lagging behind. This has resulted to increasing dependency on government as 68,8% of households in rural areas and 30,9% of residents in urban areas are living in poverty. Only 30% of South Africans are able to afford a house of more than R 500 000 as house prices, inflation, and income have affected the affordability levels. Low-income earners have found it increasingly difficult to enter the property market because of stringent lending regulations and declining levels of disposable income arising from increasing interest rates. Supply constraints continue to bedevil both subsidy and affordable housing market segments. The current offering is neither sustainable (fiscal sustainability), nor has the required critical mass been achieved, with the result that housing backlogs within both the subsidy and affordable housing arises from two perspectives. On the one hand, the department seeks to address the housing crisis directly through the scale delivery of subsidised housing for low income households. On the other hand, government seeks to create an environment conducive for the operations of the subsidised housing market within the larger economic outlook. With the resources at the disposal of government and of the department, dealing with housing demand could take longer.

3. Budget analysis

3.1 Budget allocations per programmes

This budget analysis used both the nominal and real value of allocations to programmes and sub-programmes. The nominal value referred to a value expressed in money terms, i.e. a currency such as Rand value. The real value, however, adjusts nominal value to remove effects of price changes over time, for instance, the effects of inflation. Real increases or decreases in allocations would, therefore, take into account the effects of inflation on the monetary allocation to a programme or sub programme:

3.1.1 Overall Departmental Expenditure

Table 1: Human Settlements expenditure per main programme 2016/17

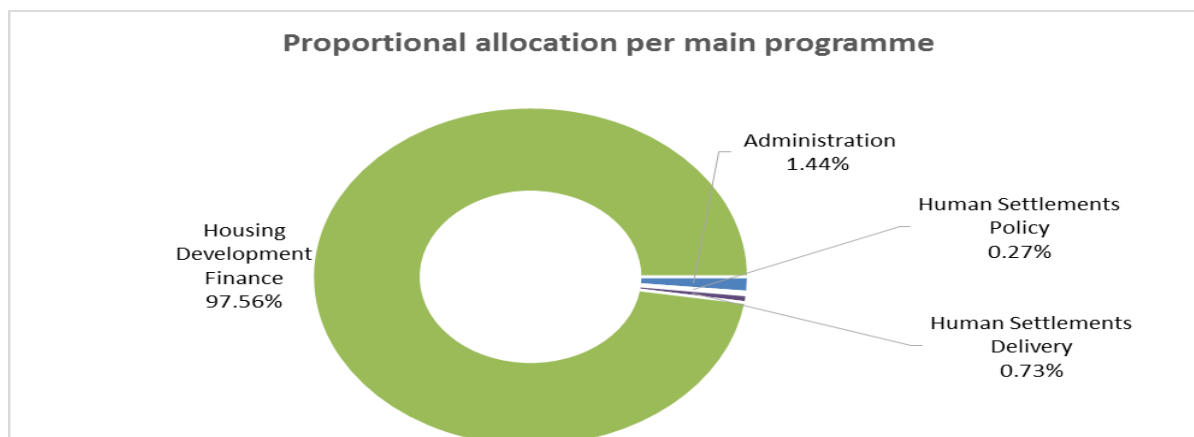
Programme	Budget (R million)		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2015/16	2016/17	2015/16 – 2016/17		2015/16 – 2016/17	
1. Administration	420.6	442.3	21.7	- 5.7	5.16	-1.35
2. Human Settlements Policy, Strategy and Planning	73.5	83.1	9.6	4.5	13.06	6.06
3. Human Settlements Delivery	185.6	224.6	39.0	25.1	21.01	13.52
4. Housing Development Finance	29 863.6	92 940.9	77.3	- 1 776.5	0.26	-5.95
TOTAL	30 543.3	30 690.9	147.6	- 1 752.6	0.48	-5.74

Source: Department of Human Settlements, 2015.

The above Table 1 indicates the following:

- The Department’s overall allocation increased from R30.54 billion the previous year, to R30.69 billion in the current financial year;
- This allocation, while increasing in monetary value, was not above inflation and thus the Department’s budget declines in real terms with 5.74 per cent;
- The strongest real growth was recorded for Programme 3: Human Settlements Delivery, which increases with 13.52 per cent from the previous year;
- As illustrated in the figure below, the departmental expenditure was dominated by transfers through Programme 4: Housing Development Finance. This programme constitutes 97.6 per cent of the Department’s expenditure for 2016/17;
- An allocation of R83.2 million under Programme 2: Human Settlements Policy, Strategy and Planning constitutes less 0.3 per cent of the overall departmental budget;

Figure 1: Human Settlements proportional allocation for each programme 2016/17



Source: Department of Human Settlements, 2015.

The above presents the proportional allocation of the main programmes of the Department of Human Settlements. It indicates that the Housing Development Finance received 97.56% of the allocation; administration was 1.44%; Human Settlements Policy was 0.27%, and; Human Settlements Delivery was 0.73.

Table 2: Human Settlements expenditure in terms of the economic classification for selected items, 2016/17

	2015/16	2016/17	Nominal percent change in 2016/17	Real percent change in 2016/17
	(R'million)			
Compensation of employees	320.8	383.5	19.5	12.1
Advertising	19.7	23.9	21.3	13.8
Computer services	54.2	56.7	4.6	-1.9
Consultants, Business and advisory services	112.8	117.8	4.4	-2.0
S&T	47	50.9	8.3	1.6

Source: Department of Human Settlements, 2015.

The above table indicates the following:

- Expenditure on compensation of employees increased well above inflation with 12.1 per cent (real growth), from R320.8 million in 2015/16 to R383.5 million currently. The intention was to strengthen the Department's line function activities, specifically the programme management unit, which provides support with project planning and readiness. In this regard, it is anticipated that project management and evaluation systems would improve, as well as support to provinces and municipalities;
- Increased funding to consultants and related services was below inflation, and shrinks in real terms with 2 per cent from the previous financial year. The national informal upgrading programme would provide technical support to 53 municipalities per year for planning the upgrade of informal settlements. This support would be provided through consultants. The upgrading of informal settlements programme was in accordance with the MTSF priorities;
- The Department's advertising budget also shows strong growth from the previous year, from R19.7 million the previous year to R23.9 million in the current year. Growth in real terms is set at 13.8 per cent;
- Expenditure on computer-related services and consultants decreases in real terms, and should perhaps be viewed in the context of commitments made on cost-cutting measures in the 2016 SONA;
- Expenditure on travel and subsistence (S&T), while rising from R47 million the previous year to R50.9 million currently, showed 1.6 per cent real growth.

• **Programme 1: Administration**

The Programmes aims to provide strategic leadership, administrative and management support services to the Department. In the 2015/16 financial year this Programme received an allocation of R435.1 million. This allocation reflects a 1.8 per cent increase in nominal terms and a decline of – 18.1 in real terms. Expenditure was dominated by both the Departmental Management and Corporate Services sub-programmes, which constitutes 70 per cent of the overall programme allocation. This programme consisted of the following 10 sub-programmes: Executive Support, Internal Audit; Risk Management and Special Investigations; Advisory Services; Enterprise Architecture; Corporate Support Services; Legal Services; Human Resource Management; Information Management Services and Information technology; Communications; and Financial Management.

• **Programme 2: Human Settlement Policy, Strategy and Planning**

This Programme was responsible for the following: compliance with human settlements governance frameworks, norms and standards, the drafting of the human settlements macro strategy as contained in the NDP, by 2015/16. It was also tasked with the assessment of 21 municipalities for accreditation and 9 metropolitan municipalities for assignment by 2017/18, thereby improving the cooperation and collaboration in the sector relations. Although Programme 2 constitutes the smallest portion of the Departmental allocation (0.24 per cent). Expenditure in Programme 2 declined from R87 million the previous year to R74.3 million the current financial year, resulting in a -14.6 nominal per cent and -18.51 in real change per cent.

The sub-programme consists of Operational Frameworks; Governance Framework; Human Settlements Strategy and Research, Stakeholder and IGR Engagement and Human Settlements Planning. Human Settlements Strategy and Research dominates expenditure in Programme 2, with a budget of R39.9 million, representing a decline of -5.2 on average growth, over an MTEF period (2014/15 to 2017/18). This could be attributed to a recent decision by the Department to review the accreditation process, the assignment of housing function and to withhold transfers to the six metropolitan municipalities.

- **Programme 3: Programme Management Unit**

This programme was to build, oversee, support and monitor the sector institutional capability and capacity to deliver human settlements programmes and projects. This programme consists of the following eight sub-programmes: Programme and Project Planning; Programme Implementation Facilitation; Programme Monitoring and Evaluation; Programme Management Office; Public and Private Rental; Technical Capacity Development; Regulatory Compliance Services; and Self-build Methodology Programme (PHP).

Compared to the previous financial year, budget allocation for Programme 3 has decreased from R 183.5million in 2014/15 to R 169.8 million. This reflects a decrease of 7.52 percent in nominal terms, and 11.75 per cent decrease in real terms, compared to the previous years. This could be attributed to the Departments' turnaround strategy resulting in the realignment and reprioritization of programmes within the Department. Expenditure on consultants and professional services has declined from R74.1 million in the previous year 2014/15 to R 73.7 million, resulting in a nominal decrease of 1.47per cent (real 5.98 per cent). This significant decrease was due to the shifting of sanitation function from the Department of Human Settlements to the Department of Water Affairs and Sanitation (DWAS), meaning that sanitation related grants have also been shifted to DWAS.

Compensation of employees shows a negative growth over the medium term (2015/16– 2017/18), declining with 13.98 per cent in nominal terms (17.92 in real terms) from R70 million the previous financial year to R60.3 million in the current financial year. This decline was as result of under-spending in the Department's budget for the compensation of employees in the previous years. The number of funded posts was also expected to decrease to 645 over the MTEF period as result of the Cabinet approved reductions to the Department's budget for the compensation of employees.

- **Programme 4: Housing Development Finance**

This Programme aims to provide funding for the delivery of all human settlements programmes in line with approved policies, planning and strategies. The consists of seven sub-programmes, namely; Management for Housing Development Finance; Chief Investment Officer; Human Settlements Development Grant; Contributions; Urban Settlement Development Grant. For 2015/16, Programme 4 received an allocation of about R 30.5656 billion compared to R28.7140 billion in the 2014/15 financial year. This reflects an increase of 6.45 per cent in nominal terms and 1.57 per cent increase in real terms. The bulk of expenditure in Programme 4 was in the form of transfers, i.e. 97.8 per cent of the budget was transferred to provinces, municipalities (through four conditional grants), as well as to the Departmental entities. The following conditional grants were administered by the Department:

- Human Settlement Development Grant (HDSG), which receives R 18.2027 billion. The service delivery output for this grant was ensuring that houses were completed and sites serviced;

- Urban Settlements Development Grant (USDG), which receives R10.554.3 billion. The service delivery output for this grant was ensuring bulk infrastructure was installed;
- Contributions, makes transfers to certain public entities reporting to the Department, such as the Social Housing Authority and the Housing Development Agency; and
- Municipal Human Settlements Capacity Grant which received R100 million. This was a new grant aimed at developing capacity of municipalities expected to be assigned the housing function.

Expenditure under Programme 4 was dominated by the Human Settlements Development Grant sub-programme, which increases from R 17.084 billion in 2014/15 to R18.2027 in 2015/16. This reflects a nominal increase of 6.5 per cent and 1.57 percent decrease in real terms. The Urban Settlements Development Grant increases in real terms with 2.62 per cent nominal change and a decline in real term of -2.08 from R10.5543 billion in the 2014/15 to R11.0759 billion. The four types of grants located in Programme 4 were critical for giving effect to the commitments articulated both in the 2015 State of the Nation Address, as well as Outcome 8. In this regard, South Africa should make strides in ensuring that 400 000 informal settlements were upgraded by 2014.

3.2 Delivery agreements for Outcome 8 for 2015/2016 (planned targets)

Objective of Outcome 8 was to manage a comprehensive human settlements programme with multiple projects that covers extensive geographical spread aiming to improve the workings of the space economy. This would be achieved by:

- Providing poor households with adequate housing in better living environments;
- Supporting the development of functional and equitable residential property market; and
- Improving the institutional capacity & coordination for better spatial targeting.

Housing delivery: In terms of the Outcome 8 MTSF for Human Settlements, a total number of 1, 5 million housing opportunities will be delivered over the MTSF period of five years. The 1. 5 million housing opportunities would consist of:

- 750 000 households in informal settlements upgraded;
- 563 000 individual units for subsidy market;
- 110 000 loans (70 000 FLISP plus 40 000 DFIs)
- 27 000 social housing;
- 10 000 CRU; and
- 35 000 affordable rental.

3.2.1 Other targets

- 2 200 informal settlements would be assessed; and
- 10 000 ha of well-located land would be rezoned and released for new developments targeting poor and lower to middle income households.

4. Allocations over MTSF by economic classification

Total allocation R' 000	2016/17	2017/18	2018/19
	Indicative allocation		
Departmental Operational	764 390	782 111	769 063
Compensation of employees	383 491	387 519	381 216
Goods and services	375 433	388 852	381 817
Payment for Capital assets	5 466	5 740	6 030
Payments for financial assets	-	-	-
Grants and transfer payments	29 926 466	33 784 215	35 850 964
Grants	29 123 459	32 532 590	34 333 980
Human Settlements Development Grant	18 283 991	21 060 343	22 281 843

Urban Settlements Development Grant	10 839 468	11 472 247	12 052 137
Municipal Human Settlements Capacity Grant	-	-	-
Entities	792 395	1 240 485	1 505 196
Social Housing Regulatory Authority: Operational	36 392	38 212	40 428
Social Housing Regulatory Authority: Restructuring Capital Grant	424 388	768 715	1 006 064
Social Housing Regulatory Authority: Institutional Investment Grant	40 183	38 490	40 722
Housing Development Agency	167 512	215 668	228 177
Community Schemes Ombuds Services	23 920	29 400	31 105
National Housing Finance Corporation	100 000	100 000	105 800
Rural Housing Loan Fund	-	50 000	52 900
Departmental Transfers	10 612	11 140	11 788
Bursaries Scheme	9 355	9 822	10 392
UN Habitat	1 211	1 272	1 346
Transfer to Households	46	46	50
Total	30 690 856	34 566 326	36 620 027

Source: Department of Human Settlements, 2015.

5. Grant allocation

5.1 impact of the reduction of the Human Settlements Development Grant (HSDG) Provincial Allocations for 2016 - 2019

Provinces	2016/17			2017/18	2018/19
R`000	DORA 2015 Published Allocation	Revised Allocation	Reduction	Total Allocation by province	Total Allocation by province
EASTERN CAPE	2 167 156	1 991 457	-175 699	2 332 862	2 334 906
FREE STATE	1 210 630	1 098 411	-112 219	1 285 972	1 364 176
GAUTENG	5 473 336	5 022 669	-450 667	5 769 301	6 161 483
KWAZULU-NATAL	3 414 957	3 124 702	-290 255	3 632 106	3 857 283
LIMPOPO	1 311 709	1 208 370	-103 339	1 362 651	1 482 446
MPUMALANGA	1 419 973	1 314 645	-105 328	1 488 961	1 579 219
NORTHERN CAPE	402 276	371 109	-31 167	427 374	453 421
NORTH WEST	2 297 286	2 151 817	-145 469	2 435 403	2 579 011
WESTERN CAPE	2 186 668	2 000 811	-185 857	2 325 713	2 469 898
Total	19 883 991	18 283 991	-1 600 000	21 060 343	22 281 843

Source: Department of Human Settlements Strategic Plan.

5.3 Municipal Human Capacity Grant (MSCG)

The Department of Human Settlements reported that the grant was still active until the end of municipal financial year (30 June 2015/16). This grant would be phased out due to poor performance. The grant has been under-performing since its inception. It was further reported that the issue of capacity would be factored in as 3% in the Urban Settlements Development Grant.

6. Provincial Human Settlements Development Grant Business Plans and Urban Settlements Development Grant Analysis for the 2015/16 Medium Term Expenditure Framework

6.1 Eastern Cape and its Metropolitan Municipality

The Head of the Eastern Cape Department of Human Settlements presented the fourth quarter report of the department and the Annual Performance Plans for 2016/17. He informed the Committee that the department had exceeded its targets which were set for 2015/16 financial year. While the budget allocation was R1 962 billion and there was an additional funding of R5 000 000 million which was a transfer. The total budget was R2 462 billion and the expenditure was at R2 458 billion, 99%.

He further indicated that the overall budget for the province was R1, 991 billion. This amount included the R 100 000 million for the Declared Disaster Grant. The province had planned to deliver 13 180 completed housing units and 10 606 service site for the financial year 2016/17. The completed units would be located in various housing typologies (State Subsidy Houses, Breaking New Ground, Social and Rental Housing Units and Financed Link Individual Subsidy Programme). An amount of R170 311 million was set aside for rectification of 1 899 units. The province, as per its Project Readiness Matrix, had 531 projects which were in different milestone. The province was also advised to align the regional allocation to the backlog; to reduce rectification allocation in line with sector decision to scale down and to increase military veteran programme.

He stated that issues that hinder delivery performance were budget reduction; equitable share informed by apex priorities reduction; beneficiary administration management challenges; bulk services and municipal readiness. However the province had opportunities to implement catalytic projects; deed of sales should be issued with National Home Builders Registration Council enrolment, the agreement with Minister, MEC and Mayor; social housing pipeline; closing of projects, value for money and the Duncan Village Redevelopment Initiative.

Budget Allocation

The Committee welcomed the confidence demonstrated by the province to spend its budget and acknowledge that in terms of size and state of development of the province, that is, in regard to its geographical size and pervasive poverty, the province should request a much bigger share of the budgetary allocation as the province was reported to be exceeding its targets.

However, the Committee enquired as to whether there has been any improvement with regard to coordination between the province and its metros concerning planning and reported a status report especially with regard to the Buffalo City Metropolitan Municipality. Reference was made to the issue of the authority responsible for land acquisition in the Buffalo City Metro, which was said not to be located within the Human Settlements Unit but with the Planning Unit which was said to be posing a problem for human settlements development in the metro. With regard to the Nelson Mandela Bay Metro, the Committee wanted to know what the metro was intending to do with the request for the additional R4.4 billion.

The Committee insisted that there was a need to pay particular attention to the Finance-Linked Subsidy Programme (FLISP) and called for improvement on the performance of this programme as there was a real need by the

emerging middle class. Reference was made to a social housing project in Warmer, in the NMBM which the Committee advised that it needed to be replicated as it represented a project that is well-located and of high quality.

Inner City Development

The Committee raised the issue of inner city development within the Buffalo City Metro, particularly related to Duncan Village project which had been allocated R53, 9 million. It also wanted to know how much of the allocated amount had been spent to date and how much was envisaged to be spent during the remaining two months of the financial year. The Committee welcomed developments pertaining to Duncan Village, especially related to C Section. It expressed happiness now that it had been reported that the area was receiving the necessary attention through a dedicated programme.

Title Deeds

The Committee expressed a view that the issue of the title deeds programme should not only be the responsibility of municipalities but a joint undertaking by both municipalities and the relevant province. It welcomed the programme on the verification of title deeds.

Informal Settlements Upgrading

The Committee welcomed the issue of categorising informal settlements in the Buffalo City Metro as reported. However concern was expressed on the reported interruption of project development by some Small Medium and Micro Enterprises (SMMEs). The Committee stressed the need for intervention especially on the part of local political leadership by political heads (mayors and MECs) to find resolution to any issue of contention. The Committee wanted to know whether the problem around contractors had been solved in the human settlements development space, especially as it relates to their appointment and payment.

The Committee also raised an issue concerning the declaration of a project as being “non-active” by the province. It wanted to know whether this meant decommissioning of a project and how this was communicated to beneficiaries, that is, whether there was a strategy to communicate such as well as the issue of consolidation of subsidies. The Committee requested an update on the issue of the “toilet city” as witnessed during the oversight visit to the province in 2015 as well as the undertaking by the Head of the Department of the province to complete housing development in the area.

Concern was expressed by what the Committee referred to as a statement “to stop housing development in rural areas”. For the Committee this was unacceptable as it created the impression that this was favouring urban areas at the expense of needy rural areas (urban bias). Reference was made to rural municipalities of King Sabata Dalindyebo, O R Tambo and Alfred Nzo areas that had funding shifted to somewhere else yet there were some areas that had been affected by disasters with houses being damaged. The Committee also added that the Rural Household Institutional Grant (RHIG) was not performing as expected and wanted to know the reason for that as well as to why it was being shifted.

For the Committee it was concerning that there was no budgeting for land identification and acquisition, The issue of challenges facing the Buffalo City Metro was also concerning to the Committee and it wanted to know how it was affecting the appointment of contractors when there were still challenges related to capacity, cash-flow management, SARS clearance certificate. Also raised was the status report update on the work being done on the road leading from the East London Airport to the Central Business District (CBD). There was also the issue of electrification that was still going to be effected as witnessed during the oversight visit by the Committee to the Buffalo City Metro in 2015 the Committee wanted know whether the electrification of the project had been completed.

Rectification Programme

The Committee enquired as to the status of the Rectification programme in the Nelson Mandela Metro. Clarity was sought on the issue of refunds as demanded by those beneficiaries who had done their own rectification.

Military Veterans

Clarity was sought on projects earmarked for military veterans.

Responses

On the issue of land acquisition, the Committee was informed that the province had ceased the practice of buying land instead it was within the competency of the Housing Development Agency. He also reported that the province was in agreement with its metros not to implement projects proactively as they had also agreed on better coordination which was to be the basis for more systematic planning. He also indicated that the province was set to achieve its target for the current financial year as well as those set for the three-year period.

Regarding the FLISP, as represented by the project in Warner which the Committee had requested it be replicated elsewhere, it was reported that there were six other similar projects in the province with one called Calypso Heights which was reported as posing cash-flow challenges.

On the issue of conflict with and stoppages instigated by emergent contractors, the Committee was informed of a Steering Committee set up to assess the situation and undertake analysis for the creation of a database. Following the analysis, the conclusion was that, those behind the instigations and responsible for much of the noise, were not really contractors. However, he stressed the need for oneness of mind and purpose with the support of political principals. On the issue of administrative instability, it was explained that there were opportunists without legitimate claims against the government who sought to create destabilise administrative processes within government.

On the issue of decommissioning of inactive projects, he stated that this had huge legal implications. He also stressed that there was specific criteria required for a credible beneficiary list that should have council approval as well as the need to clarify basic planning issues. On the issue of the perceived rural – urban bias, it was explained that more funds had been spent in rural areas and that there was a need to ensure fairness and a scientific response to the demand for housing development. In addition, the point was made that money must follow the need. An undertaking was also made to commit sufficient funding in the Alfred Nzo and OR Tambo municipal areas.

With regard to Title Deeds, the issue of the backlog remains a problem but there was a commitment to ensure that the backlog was not allowed increase and that municipalities were instructed that on issuing title deeds a copy had to be retained by the municipality. Further, it was indicated that the five-year target set for the period 2015 – 2019 was 77 000 and that the province together with its metros were confident of its realisation. It was also reported that the title deeds were being issued to beneficiaries in the Nelson Mandela Bay Metropolitan Municipality during the week of the meeting.

On the issue of the Rectification Programme, there was an admission of policy violation by the Nelson Mandela Bay Metropolitan Municipality.

In regard to the road from the East London Airport to the CBD (Fitzpatrick Road), it was reported that it was being attended to through the use of the Urban Settlements Development Grant and that Phase One had been completed. With regard to the Duncan Village Project, it was reported that work was on-going and that the appointed implementing agent was ASLA.

Regarding the Khayamandi Project in the Nelson Mandela Bay Metro, discussions had been held with Coega and that delivery was to be up-scaled for the outer years. In conclusion, it was stated that the province was committed to ensure a procurement regime that was fair, transparent and equitable as strive to ensure control while cleansing the system.

6.2 Free State and its Metropolitan Municipality

The Head of Department led the delegation and presented on behalf of the province. He reported the on achievements of 2015/16 financial year as per the set targets per the programmes. He stated the plans of the province for the 2016/17 financial year and the budget allocation. He reported that there were some programmes that required funding, such as National Home Builders Registration Council enrolments, disaster relief and accreditation of municipalities. He cited the budgetary cut; cost of construction and the partnering with the private sector in the delivery of houses as challenges or risk. However, he also mentioned that in terms of budget cut an additional funding was sourced from the provincial government.

Comments by the Committee:

Military Veterans

The issue of the size of houses for military veterans was raised. According to the Committee houses constructed for military veterans in the province were said to be of much bigger size than those built in other provinces and these were said to be much bigger than what the policy allows which is fifty square metres. The other issue was that of the need for better coordination and improved cooperation with military veterans and as well as to ensure that they are built houses in areas where they come from instead of uprooting them an act that may have unintended negative consequences.

Title Deeds

The Committee requested a breakdown on the status of the issuing of title deeds, whether any impact was being made to deal with the historical backlog and whether a plan was in place to address the issue once and for all. Clarity was sought on the amount of R900 000 for dealing with the pre-1994 stock. The other issue of concern for the Committee was that the report presented by the Mangaung Metro did not speak to the figures presented by the Province.

Rectification Programme

The Committee expressed concern on the reported cost of the Rectification Programme in the Province and wanted know whether any strides were being made to reduce the cost on this programme. It commended the *in situ* upgrading of informal settlements. However clarity was sought the NHBRC enrolment, how much has been budgeted for and how much has been utilised.

Cost of Community Residential Units

The Committee wanted to know what the contributing factor was to the high costs of constructing CRUs as it appeared that it was costing more to build CRUs in the province.

Funding for Disaster Relief

The Committee wanted to know whether there was any funding set aside for disaster relief in the province.

Responses:

With regard to the size of houses constructed for military veterans, it was reported that a resolution was taken by the province to “top up” the subsidy amount hence houses whose size was bigger than the fifty square metres allowed for by policy. The Committee was also informed that the issue of assistance for military veterans was located in the Premier’s office.

On the issue of title deeds for new developments, the subsidy quantum did not provide for the issuing of title deeds as this already factored in the development cost. The figures presented by the province were said to exclude the Mangaung Municipal area and that the metro was using its own funds on the issuance of title deeds. The Committee was also informed of a good cordial relationship between the two spheres.

On the issue of rectification, both the province and the metro as per the Ministerial directive, undertook to comply and that there would be no more rectification undertaken going forward. It was also explained the high costs on rectification included the cost of demolition of existing structures.

The information and figures provided on CRUs was a report on completed units and that all projects undertaken had to be enrolled with the NHBRC

The Committee was informed of an operational agreement with the Housing Development Agency which was supposed to inform the project pipeline. Further, mention was also made of the existence of inadequate capacity within the metro as well as the presence of multi-year plans.

6.3 Gauteng and its Metropolitan Municipalities

The MEC: Gauteng Department of Human Settlements' opening remarks. He informed the Committee that he was delighted to come and account. He further informed the Committee that the Provincial Department did not perform well. The Acting Head of Department presented the fourth quarter report of 2015/16 financial year. He also presented the strategic plans, annual performance plans as well as budget for 2016/17. He stressed that the province failed to implement project that was set as targets due to lack of bulk infrastructure.

City of Tshwane – reported that the issue of hostel redevelopment remains a challenge in the metro, as there was a delay regarding the allocation of completed units in Mamelodi. It was stated that Professional Resource Teams (PRTs), had been appointed to assist in the construction of family units, as there had been some delays to complete some projects due largely to capacity constraints. The metro was also working closely with the provincial Department of Rural Development and Land Reform on the issue of land transfer. There also the issue of cross-boundaries which said to impact on the transfer of stock to rightful homeowners.

The Committee expressed a word of appreciation for the fact that the MEC was in attendance and upfront on the state of the province's performance, which was characterised as being poor. A word of caution was extended by the Committee on failure to spend, for the Committee there a risk of fiscal dumping.

Budget Expenditure Patterns

Reference was made to the failure to spend R1.4 billion during the 2014/15 financial year and failure to spend R1.2 billion during the 2015/16 financial year, the Committee inquired as to what was to be done to improve spending patterns by the Gauteng Province going forward.

The Committee also wanted to know what the plan was to improve budget spending in Ekurhuleni as it appeared that an amount of R3, 6 million might not be spent. The Committee's concern was the possibility of fiscal dumping particularly on the funds earmarked for the hostel redevelopment programme.

With regard to the City of Tshwane, concern was expressed with the current spending which was at 58% with barely two months left of the municipality's end of financial year as it appeared there was no provision and plans in place to deal with this. For the Committee it was apparent that there was no dialogue between the province and the metro to deal with the issue of potential under-spending. The City of Johannesburg was commended on its spending to date.

The Committee insisted on the need for pipeline planning as well as on the need to spend on correct programmes and avoid expenditure on unfunded mandates. For the Committee it was imperative to have collaborative effort with other departments in its pipeline planning particularly to expedite approval of plans, environmental impact assessments, township establishment etc. The Committee noted the need for a collaborative effort to short-circuit approval of plans in particular. The issue of pipeline was seen as critical going forward both the province and its metros in order to improve spending patterns. The Committee bemoaned the fact that an amount of R400 million

had been shifted from the province during the previous financial year due to the failure to spend as expected, and the funds were allocated to the Nelson Mandela Bay Metropolitan Municipality.

Hostel Redevelopment, Accreditation, Capacity

The issue of hostel redevelopment was also raised as the Committee was concerned that it appeared that there were no plans for this as there was no budget set aside. Reference was made to hostels in Soweto (Diepkloof, Dube and Meadowlands) which were said to be standing empty for some time without being occupied. The Committee also requested an update on accreditation of the metros in the province.

Informal Settlements Upgrading, Provision of Bulk Infrastructure and Blocked Projects

The Committee expressed concerns on issues related to lack of bulk infrastructure in Dark City, Zithobeni, Kliptown Informal Settlement and parts of Mamelodi and whether there were plans to deal with this. Projects were said to fail due to the absence of bulk infrastructure, however the Committee requested that this issue be unpacked for better understanding. The Committee wanted to know which informal settlements were to be cleared or upgraded and what were the plans for the area called Setswehla informal settlement. There was also an enquiry on the Slovo Park informal settlement court judgment which ordered both the City of Johannesburg and the Province to upgrade the informal settlement. The issue of blocked projects was witnessed during the Committee's oversight visit to the province and its metros in 2015 and the Committee sought clarity on the progress made.

The Committee also remarked that there was a need to look closely at the metros as the province was currently faced with influx of migrants and that for the country the Gauteng province was experiencing the most rapid urbanisation. Consequently, the role played by social housing institutions was critical in providing more rental stock as part of a broad strategy to deal with rapid urbanisation.

Title Deeds Backlog

The Committee enquired on the progress made and current status in dealing with the issue of historical title deeds by the metropolitan municipalities.

The Director-General informed the Committee that two metros, namely the City of Ekurhuleni and the City of Cape Town, were affected by the shifting of funds as approved by MINMEC. However, National Treasury indicated that there was insufficient time to execute the task of shifting funds, that is, of re-allocating funds from Ekurhuleni to the City of Johannesburg. The Director-General also stated that there was an option on the table for the City of Ekurhuleni, which was the prioritisation of hostel upgrading in the metro.

On the issue of Accreditation, reference was made to a Ministerial directive that metropolitan municipalities had to first demonstrate their capability in the delivery of human settlements at scale.

On the issue pertaining to the Joe Slovo Park Court Ruling, it was stated that it had huge implications countrywide and the decision was to go slow on the matter for now as the Ministerial Advisor was currently seized with the case and was set to advise on the way forward.

MEC for Human Settlements – Gauteng – informed the Committee that it had decided to commit the province's budget for 2016/17 right at the outset. He reported that spending currently at 63% and that contractors were to be on site on all approved projects. He also indicated that the plan was focused on and concerned more with managing over-expenditure as opposed to under-expenditure. He also made reference to a programme managed by the Office of the MEC aimed at cutting the red tape as well as collaboration with other sister departments in the province.

The MEC also made mention of collaboration between the province and the metros especially Ekurhuleni on hostel redevelopment. He also stated there was a need for a new approach to build new rental units that were affordable. He also pointed out that some of the hostel residents were willing to be moved to RDP or BNG housing units. He also expressed a desire to turn things around by 2019 by doing away with the hostels as they were historically

known. He also mentioned that private sector funding through partnerships was key in the provision of more rental stock. He also undertook to look into the issue of unoccupied hostels in the areas that were listed by one of the Members of the Committee (see above). The MEC has also made the matter of the title deeds backlog a central focus of his administration as the province was aiming to clear up its existing title deeds by the end of the 2018/2019 financial year. In his concluding remarks, the Province was to report back to the Committee later in the year.

City of Tshwane – It reported that the issue of hostel redevelopment remains a challenge in the metro, as there was a delay regarding the allocation of completed units in Mamelodi. It was stated that Professional Resource Teams (PRTs), had been appointed to assist in the construction of family units, as there had been some delays to complete some projects due largely to capacity constraints. The metro was also working closely with the provincial Department of Rural Development and Land Reform on the issue of land transfer. There also was the issue of cross-boundaries which said to impact on the transfer of stock to rightful homeowners.

City of Johannesburg - Current expenditure was said to be at 58% of the budget and the metro was confident to spend all the allocated funds at the end of the financial year. The Committee was also informed that the metro had adopted an approach that requires contractors to have an engineering certificate upfront and the emphasis was on the need for synchronised planning.

On the specific issue of the Setswehla informal settlement, the Committee was informed that area had been earmarked for de-densification while for Kliptown, tender has been awarded, currently dealing with legalities and contracting. It was pointed out that the USDG was directed towards social amenities for the creation of sustainable human settlements.

6.4 KwaZulu-Natal and its Metropolitan Municipality

The Chief of Operation Officer led the delegation and tendered an apology for the Head of Department who was going to join the meeting later due to other commitments. He reported the achievements for 2015/16 financial year and plans of the province for the 2016/17 financial year. He further indicated that there were some programmes that required funding. She provided the list of the projects to be funded through the Urban Settlements Development Grant.

Comments by the Committee:

The Committee welcomed the honesty as well as for being upfront on areas where there were shortcomings, and reference was made to the issue of title deeds to which an appeal was made that both spheres of government should make strides. It also stressed the importance of engaging with those who were obstructing development. In this regard, the role of mayors, MMMs and MECs, that is, both political and administrative leadership was highlighted.

Expenditure

The Committee asked for clarity with regards to zero figures under certain programmes while noting that the province had exceeded its targets. However the issue of overspending of an amount of R230 million and the Committee enquired as to what the source was for this additional amount.

Hostel Redevelopment

Concern was expressed for the state and living conditions at KwaMashu and Glebelands hostels as these were said to be breeding grounds for strife and were contributory factor to violence. The Committee enquired whether there were any plans to deal with this challenge from the Metro and the Province.

Blocked Projects & Rectification Programme

The Committee wanted to know why there was no mention of blocked projects in the presentation and also enquired on the status of the rectification programme particularly houses in eNqutu.

An update was also requested on informal settlements, farm-residents assistance as well as temporary relocation structures as their budget was not reflected on the presentation.

Urban Settlements Development Grant

The issue of the R1, 8 billion budgeted for the USDG was also raised and the Committee pointed out that plans to improve spending on this grant were not factored in. It also bemoaned the fact that there was no mention was made of housing assistance for military veterans; there was also no clarity on the issuing of title deeds.

Land Identification & Acquisition

The Committee wanted to know whether there was a relationship in place with the Housing Development Agency on issue of land identification and acquisition.

Title Deeds

The issue of title deeds was raised a matter of concern as the targets were not reflecting the existing backlog. For the Committee, this was an indication that the issue was not a priority for both the metro and the province. Both the metro and the province were asked to explain the zero figures on the new development.

Responses:

The Director-General stated that as far as the matter of reallocation of the budget, there were three metros in total that were not performing, namely: City of Cape Town; City of Ekurhuleni and for the first time, the City of eThekweni. The City of eThekweni was reported as struggling with its procurement and contracting aspects of its pipeline projects during this current financial year. He also intimated that the eThekweni Metro had always been a star performer for the last four years as was confirmed by the Metro being awarded the Govan Mbeki Award. Mention was made of 150 projects which were reported as being problematic.

Provincial Head of Department (KZN) – informed the Committee that the provincial budget was R3, 3 billion plus an additional allocation from the national department of an amount of R230 million.

It was reported that it was a problem to issue title deeds for the land under the custodianship of the Nkonyama Trust. On the other hand, it was possible to issue title deeds for land in urban areas. It was stated that the matter of lack of bulk infrastructure was impacting on the construction of houses in urban areas whereas other projects were becoming stalled due to social and political unrest. There was also the issue of rural dwellers insisting on being allocated houses in urban areas, yet issue of land for housing development was becoming more of a challenge especially with the shortage of infill land

The Provincial Head of Department also brought to the attention of the Committee a finding that the pre-1994 housing stock had not been constructed in accordance with township establishment principles. This was supported by the Metro which stated that the manner in which planning was done for the pre-1994 stock was posing a major challenge especially as it relates to township proclamation and establishment processes which tended to be long-drawn as the Metro sought to ensure formalization of the houses constructed pre-1994.

With regard to the post-1994 stock, it was reported that 16 000 units were delivered successfully but at a cost of issuing title deeds. It was reported that farm residents were allocated the full 40m² rural houses. The military veterans housing allocation had challenges in prioritizing beneficiaries as the issue the old vis-à-vis the young was proving to be a hindrance.

With regard to KwaMashu and Glebelands hostels, that there was an admission to a series of killings in these hostels at eThekweni Metro. It was also stated that the prevailing living conditions were not conducive to address human settlements despite the fact that there was a budget set aside for Community Residential Units within the

Human Settlements Development Grant. Overcrowding, violence, illegal occupation, illegal renting of beds etc. were contributory factors to the violence at these hostels.

On the relationship with Abahlali Basemjondolo which was a civic forum, it was reported that a series of meetings with the leadership of the structure through the office of the MEC were held at which service delivery related issues were raised. It was stated that the relationship was still not good enough.

On the relationship with the Housing Development Agency, it was reported that there had been close collaboration with the entity on some of the projects undertaken. On blocked projects, it was stressed that those projects without bulk infrastructure were not to be approved in future.

6.5 Limpopo

The Acting Head of Department led the delegation and made some opening remarks. He then handed over to Deputy Director-General, to present on behalf of the province. He reported on the achievements of 2015/16 financial year and the plans for the 2016/17 financial year and the budget allocation. The province had planned to service sites, using the R57 765 million. For the People Housing Process, the province planned to deliver 100 at R8300 million. In the rural housing programme, the province had planned to deliver 8,836 and only delivered 3,598.

For the 2016/17 financial year the province had planned to service 2524 sites and in the IRDP there were 2326 sites to be delivered. In the rural housing - Communal Land Right the province was targeting to deliver 7934 units; 256 FLISP units; 358, emergency housing programme; 200 military veteran and 13, 218 title deeds for post 1994 units.

There were proposed programmes not to be funded by HSDG included the rectification of pre 1994 stock, at an amount of R33, 541 million; and planned to deliver 500 in CRU at an amount of R34 900 million and lastly to procure land parcels that will accommodate 20,627 sites.

Comments by Members:

Social Protests - The Committee appreciated progress that was being made by the province. However concern was expressed on the issue of violence linked to community protests over service delivery as well as the issue of a municipal boundary affecting the area of Malamulele. The Committee wanted to know what the provincial department had planned for the area.

Title Deeds – Concern was expressed on the issue of title deeds backlog as there was no mention of the status for both the pre-1994 and the post-1994 title deeds.

Budget – Clarity was sought on the issue of what seemed to be the allocation of the budget without planning for it.

Rectification Programme – The province had set a target of 500 units for rectification yet it was still to seek Ministerial approval. It was enquired as to whether there was a recovery action instituted against contractors responsible for shoddy workmanship and non-completion of units. The Committee sought clarity on what were happened to contractors that were responsible for uncompleted houses and whether there were any consequences for such underperforming.

Informal Settlements – The Committee enquired as to whether there was any consideration to deal with the issue of cross-border migration which was contributing to the emergence of more informal settlements and whether the province had a plan to deal with this situation.

Accreditation of Municipalities – The Committee welcomed the accreditation of municipalities to either level one or two, for the Committee this was an encouraging development.

Responses

The delegation provided the following responses:

- Regarding the issue of Malamulele, the Committee was informed that an Inter-Ministerial Committee (IMC) had been established to deal with the issues affecting the area. It was also reported that there were various programmes and projects that were implemented within the area and that quarterly progress reports (on inspections and assessment carried out);
- Regarding uncompleted units, payments towards involved contractors were withheld and some were blacklisted;
- On the issue of blocked projects, the NHBRC had been appointed to audit of approximately 500 units. The NHBRC was reported to conduct quality inspections and assurance before any payment was made to any contractor;
- For the 2015/16 financial year, no funds were surrendered and the province was committed to ensuring that no funds would be surrendered going forward;
- The Committee was also informed that 2200 title deeds had been issued to date and that going forward a target of 3000 had been set. Further, it was reported that the provincial MEC responsible the Human Settlements portfolio had been issuing title deeds in Makhado recently;
- Regarding cross-border migration, it was stated that the province had been recognised as a gateway to Africa hence the influx of economic migrants from some of the neighbouring countries into the province. In an effort to deal with the situation, more sites were being serviced and that effort to integrate migrants into local communities was also afoot.

6.6 Mpumalanga

The Head of Department presented the fourth term report, the Annual Performance Plan, and the Budget for 2016/17. The Director-General indicated that all provinces had been requested to present a state of readiness of their projects as well as assist to track the state of performance of projects.

Comments by the Committee:

The Committee provided the following responses:

- The Committee stressed the need to ensure that once targets were set, it was advisable to at least ensure that plans meet the set targets, even strive to exceed them;
- Clarity was sought on Community Residential Units figures as presented for 2015/2016;
- Concern was expressed as it appeared that there were no sites set aside for the upgrading of informal settlements in the province;
- With regard to Military Veterans, the province had planned for 15 units, but in the presentation, the number was less than this figure, an explanation was sought. The Committee also wanted to know whether the Province had a project pipeline in place;
- Concern was expressed on the possibility of under-spending and as non-achievement of targets. The issue for the Committee was that there were no indication that variances were to be covered by municipal allocations;
- In the case of overspending, the Committee wanted to know what the recovery plan was;
- Concern was also expressed on the failure to complete and achieve the target of 40 units set for under the non-credit-linked individual subsidy programme;

Despite of the shortcomings as reported, the Committee commended the Province for its presentation as it explained the nature of the shortfalls.

Responses:

The Delegation provided the following responses:

- In responding to some of the issues, the Director-General explained that all the provinces were struggling in dealing with the Title Deeds issue which was a strategic objective of the government. He reported that National Treasury was approached to have a budget ring-fenced for the issuing title deeds. He reiterated that discussions were on-going on the matter;
- The Provincial Head of Department, he reported that a farmer in the province had donated land for farm residents housing. Lastly, he bemoaned the challenge of municipal competencies in the province, as most of the municipalities were faced with lack requisite technical skills to implement projects.

6.7 Northern Cape

The presentation by the province was withdrawn by the national department due to discrepancies in performance and expenditure, as identified by the Committee. There were confusions in relation to planned targets, performance, and budget. As result, the Committee agreed with the department that the presentation ought to be withdrawn; to allow the province to rectify these discrepancies identified. Following this logic, the national department committed to conduct project level verification and conduct audits of previous financial year performance. The national department also confirmed that there were serious inefficiencies and project management challenges. The national and the provincial department would need to meet and come with revised Annual Performance Plan for 2016/17 and audited work for the previous financial year. Both were given two weeks to consolidate and report to the Committee.

Notwithstanding the Committee decision, the Director-General informed the Committee that the budget for the Province was R400 million and stated that a decision to conduct an audit on the work done during the 2015/2016 financial year as figures presented were not talking to each other had been taken. Further, there would also be project –level verification.

Challenges facing the province were also outlined as follows:

- Transport costs were said to be very high due to the sparseness of the Province;
- Presence of inefficiencies within the provincial department;
- Project management challenges;
- Lack of value for money;

6.8 North West

The Head of Department led the delegation. He reported the on achievements of 2015/16 financial year, plans for the 2016/17 financial year, and the budget allocation.

Comments by the Committee

The Committee expressed appreciation of the province's planning approach but expressed a number of concerns on a number of issues. It also stated that the presentation of the province was not as detailed. The Committee questioned the data (zeros) relating to Integrated Residential Development Programme and requested an explanation. It also raised the issue of blocked projects as this was not presented and the fact that nothing pertaining to the pre-1994 title deeds backlog was mentioned. The Committee also felt that there was very minimal delivery on priority projects, a sign that the province was failing to meet its own targets. The Committee made the following comments:

- **Finance-Linked Individual Subsidy** – The Committee insisted on need to embark a marketing and promotional activity for the programme as there was a real knowledge about the programme;
- **Mining Towns** – The Committee stated that there was a need to plan ahead in order to ensure that illegal occupation of completed units was prevented. That completed houses were to be secured prior to being allocated to the right beneficiaries. Reference was made to the illegal occupation of completed housing units in Marikana and status report on the matter was requested. However, the Committee expressed concern that there were also 'politics at play' in Marikana that contributed to the challenges in Marikana;
- **Rectification Programme** – Clarity was sought on the report that a site was being rectified, the Committee wanted to know what exactly was being rectified. For the Committee there was a need to clarify exactly what needed to be rectified as sometimes this included rectification of infrastructure;
- **Farmworker Assistance** – Concern that nothing had been reported on the matter;
- **Emergency Housing Programme & Disaster Relief** – The report showed no indication of any budget;

- **Blocked Projects** – Clarity sought on blocked projects as well as a need to define exactly what blocked projects were;
- **Land Acquisition** – A status report was requested on land parcels that had been acquired for human settlements development as there was also a need to improve living conditions in informal settlements as well as their *in situ* upgrading Information was also requested on priority projects;
- **Failure to meet targets** – To the Committee this a reflection of weakness and lack of adequate capacity on the part of the provincial department hence the failure to meet own targets. The Committee wanted to know what the challenges were that led to failure to meet targets as well as the nature of support that the national department was extending to the province.

Responses:

The Delegation provided the following responses:

- The Director-General informed the Committee of a recent meeting held in **Marikana** with the provincial Head of Department and others on the challenge facing Marikana. On the issue of rental stock, there was a need to agree on stock management, including devising a best model of managing and maintaining rental stock and the Committee was also informed of a meeting between the Presidency and Lonmin on the issue of rental determination. The Committee was reassured that it was not the rental stock that had been invaded. That both the province and the municipality were commended for a “sterling job” on the beneficiary list as there was an approved beneficiary list for both the rental stock and the BNG stock. The Committee was further informed of a forthcoming meeting which was to take place on Friday, 15 April 2016, and that the Social Housing Regulatory Authority had been invited on board.
- **On the issue of the Ministerial directive on rectification**, it was explained that the directive did not mean that work had to stop but prior approval had to be sought and obtained in order to allow for costs of the exercise to be assessed upfront. This was also to ensure that work undertaken on rectification and blocked projects must not be at the expense of new projects;
- On the related **issue of the NHBRC enrolment**, the Committee was informed of the projects that could not get off the ground hence the shortfall in enrolment as reported;
- The issue of **capacity** remained a challenge in the province as there were still a number of senior officials in acting capacity. However, with the appointment of the new Head of Department, there was optimism that there would be improvement;
- It was also reported that the **Housing Development Agency (HDA)** had been asked to assist the province to manage the Mining Towns programme. Marikana was cited as characterised by preponderance of social protests and work stoppages which had a negative impact on project completion. The Committee was also informed of an area called Kgetleng River which had topographical challenges though the land purchase process had been completed for human settlements development;
- **On the issue of title deeds**, the Committee was informed that an occupancy audit had been conducted to establish who was occupying the allocated houses in order to issue title deeds. Further, it was reported that the Registrar at the Deeds Office had also expressed willingness to assist in expediting the process of title deed restoration. It was also reported that an estimated 15 000 title deeds are to be issued during the current financial year and that a budget of R81million had been set aside for this exercise as well as for the Military Veterans programme;
- **Regarding Farmworker Housing Assistance**, the Committee was informed that this had not been budgeted for previously but there has since been an allocation set aside towards this in the current financial year;

- **On the issue of FLISP**, the Committee was informed that the main challenge has been the issue of non-qualifying beneficiaries. One of the difficulties cited was the issue of obtaining approvals for finance from banks. However, efforts on this programme were beginning to yield some positive results. For instance, it was reported that at the end of the previous financial year, 225 beneficiaries had been approved for FLISP;
- **With regard to Military Veterans**, the challenge had to do with some of them not being on the data base as well as information on income. Thus there was still a need to resolve the issue of qualifying criteria for Military Veterans as well difficulty in acquiring suitable sites. It was suggested that perhaps there needs to be better alignment between the Department of Human Settlements and the Department of Defence & Military Veterans for improved delivery;
- **On the issue of Blocked Projects**, it was reported that there was lack of funding to deal with the issue however, these were being audited and quantified. The Committee was also informed that the province was engaging municipalities in an effort to resolve the issue of blocked projects.
- With regard to **Integrated Residential Development Programme**, a number of challenges hindering progress were cited such as the issue related to land transfer, land availability, lack of bulk infrastructure etc. It was also stated that there was a difficulty in obtaining serviced sites from municipalities however engagements were continuing to improve the situation as the province was committed to meet its targets.

6.9 Western Cape and its Metropolitan Municipality

The Head of Department led the delegation. He reported the on achievements of 2015/16 financial year, the plans for the 2016/17 financial year, and the budget allocation.

Comments by the Committee:

The Committee provided the following concerns:

- **Budget** -The Committee requested that the province should elaborate more on areas of overspending and under-spending. Reference was also made to the City of Cape Town's under-spending of an amount of R150 million and the Committee wanted to know whether there was any recovery plan in place. It also noted the proposal for the consideration to raise the subsidy bracket to a maximum amount of R7 000. Concern was expressed on the persistent low expenditure on the Urban Settlements Development Grant by the metro.
- **Title Deeds** - It also wanted to know whether there was any budget had been set aside for title deeds on new developments. The other issue was that targets set were reported to be low.
- **Farmworker Assistance** - The Committee also wanted to know why there had been no mention of farmworker housing assistance in the presentation. The Committee welcomed the initiatives undertaken to assist farmworkers who had been evicted from farms. However, it suggested that it was high time for the naming and shaming of those farmers that continue to evict farm residents;
- **Finance-Linked Individual Subsidy Programme (FLISP)** – The Committee welcomed and appreciated the improved performance on the FLISP and invited the national department to also assist on sharing the lessons with other provinces. However, it was pointed out that targets set be revisited for the purpose of being revised as they were low. Thus the Committee was of the view that the province needed to set higher targets for this programme;
- **Land Release**– Clarity was sought on information presented on land parcels released. Whether this was for the current financial year or over a period of time as the issue of suitable land availability remained a challenge. A further enquiry was on the transfer of a piece of land sold to a school by the provincial Department of Public Works;

- **Rectification Programme** – Explanation was requested for the Ministerial directive on rectification;
- **Housing Assistance for Military Veterans** - The Committee expressed a view that a clear directive was required for this programme;
- **Upgrading of Informal Settlements** – The Committee wanted to know which informal settlements were upgradeable and which were not;
- **Social Protests in Du Noon** – Concern was expressed on the current social protests taking place around the Du Noon area. The Committee enquired as to whether there were any plans to resolve issues that have led to the social protests in the area;
- **Municipal Capacity Grant** –The Committee also expressed concern that there had been no spending on this grant by the City of Cape Town Metro. It asked for an explanation for this as none of the metros had highlighted inability to spend the Municipal Capacity Grant;
- **Stalled Housing Project in Belhar** – The Committee requested information on the status of the housing project in Belhar that had been reported to have stalled;
- The Committee requested an explanation of what was meant by the concept of 'subdivision'.

Responses:

The Delegation provided the following responses:

- **Director – General** – informed the Committee that the institutional grant subsidy was to be tabled at the next MINMEC to consider possible change to the subsidy bands. That the head of policy unit in the national department, was seized with the matter;
- With regard to the **land in Sea Point**, formerly owned by the provincial Department of Public Works, the Committee was informed that he had objected to the sale of the land in his capacity as the provincial Head of the Department of Human Settlements at the time when the land was offered for sale. In his view, the land offered the government an opportunity for integration as it was well-located. He also reported that a feasibility study on the land had been undertaken with the help of the Social Housing Regulatory Authority;
- He indicated that the metro was at 43% expenditure and the metro had under-spent by an amount of R150 million and he would recommend that the funds be shifted to the province if the metro was unable to spend the amount;
- Head of Department – He informed the Committee that the province adopted a regional approach to deal with the issue of farm residents;
- **Regarding FLISP**, this was dealt with in accordance with the Division of Revenue Act (DORA).With respect to title deeds, approximately 14 000 title deeds had been issued though there were contested issues that still needed to be dealt with and specific targets for the Military Veterans programme were required;
- **In regard to informal settlements**, it was indicated that there were categories of informal settlements, those that could be upgraded and those that could not be upgraded. On the issue of suitable well-located land in the city was under private ownership, and was often sold at a high price. He regretted the unwillingness to release some of the land owned by the Department of Public Works such as the Wingfield Military Base for human settlements development;

- **Regarding the issue of social protests in the Du Noon area**, the root cause was said to be around land scarcity faced by the residents. The Committee was informed that the province was exploring the possibility of relocating communities to a piece of land close to Parklands. However, the challenge was the unintended consequence of moving people further from employment opportunities. In an effort to find an amicable solution to the problem, the problem was currently in discussion with developers who are owners of the land in the area. It was reported that they were not keen to release the land for low-income housing development;
- **With regard to the Belhar Housing Project**, it was stated that the project had 340 sites however the contractor was moving very slowly on the project, a development that necessitated a decision to terminate the contract hence the contractor was no longer on site. The province was in the process of reappointing a new contractor in order to expedite the completion of the project;
- The term 'subdivision' was explained as referring to the practice of subdividing larger sites into smaller portions.

7. Human Settlements entities annual performance plan and budget

7.1 Housing Development Agency (HDA)

The Chief Executive Officer presented the achievements of 2015/16 financial year, the target set for 2016/17 financial year, the annual performance plan, and the budget. He reported that during 2016/17 the HDA was going to reposition itself by playing a more direct role in property and land development. The entity was awaiting for the approval of the Minister on the new direction which may result in the realignment of functional structure. However, up until then the entity would execute its responsibilities within the existing goals, objectives and functional structure.

The entity had targeted to acquire 3000 hectares of well-located land and release for human settlements development targeting the poor to middle income households. As part of its national priority programmes the entity would provide technical support to 247 informal settlements; 22 mining towns also support 50 catalytic projects. The entity would provide 9 (nine) with capacity support and business plans. With regards to implementation support provided to programmes and projects, the entity would support in the construction of 6 912 houses and 9 539 serviced sites. In the built environment implementation the entity would assist in the preparation of 5 (five) projects.

The entity would receive an operational budget from the Department of Human Settlements of R104 615 million. It would increase to R167 512 million with National Upgrading Support Programme with R20 million and with Priority Projects of R51 568 million. It would also increase further increase with various other operation initiatives or programmes including MTOPs to R403, 729 million. The entity emphasised that it would be worth noting that for it to be effective developer the Operational budget needed to be reviewed. An investment budget was required to capitalise the entity to play a more direct role in property and land development. In conclusion, the entity stated that it would only achieve the 1, 5 million housing opportunities and realise the Minister's vision when it became a fully-fledged developer.

7.2 Social Housing Regulatory Authority (SHRA)

The newly appointed Chief Executive Officer presented the 2015/16 achievement, the annual performance plans, and the budget for 2016/17 financial year. He reported that the entity needed to ensure that it had the requisite system and capacity to implement the new strategy and to ensure enhanced performance of the entity. He further reported that the entity had improved in the following areas: stimulation of social housing delivery; effective risk-based and automated regulatory system; professionalised social housing sector and enhanced performance of the entity. It was reported that in 2015/16 financial year, the entity through its Social Housing Investment Programme approved 7 (seven) projects and 1 979 approved units and an amount of R248 592 was allocated.

An amount of R424 288 million was allocated as the Restructuring Capital Grant; R40 183 was allocated for Institutional Investment Grant and R36 392 was allocated for Operational Grant. The entity reported that during the 2016/17 financial year it would address the strategic areas such as Scale and pace of housing delivery; Integrity of programme pipeline; the optimal programme design to enhance coordinated and alignment; Municipal and provincial

human settlement strategies; Budget alignment to provincial and municipal governments and National Housing Finance Cooperation; and determine the capacity the entity (SHRA) requires to deliver on the National Social Housing Programme. The entity reported that it was challenged by the lack of coordinated planning as well as the integrity of accreditation process.

7.3 Rural Housing Loan Fund (RHLF)

The Chief Executive Officer accompanied by the Chief Financial Officer presented the annual performance plans and the budget for 2016/17. The entity reported that it was drafting a Credit Life Insurance Regulations (according to 106(1)(a) of the National Regulations Act) which will cover for death; temporary and permanent disability; unemployment and inability to earn income.

For the 2016/17 financial year, an amount of R43 187 million was allocated. The entity informed the Committee that it has achieved its mandate within the constraints of its funding resources and the current challenges faced by the economy. It was further stated that the target market was huge and more needed to be done to significantly increase market coverage. The tough market conditions and high level of indebtedness pose challenge outlook.

7.4 National Housing Finance Corporation (NHFC)

The Chief Executive Officer led the delegation and presented on behalf of the entity. He was accompanied by the Chief Financial Officer and the Executive Manager: Strategy. The entity reported that its Annual Performance Plan for 2016/17 was aligned to the Medium Term Strategic Framework (MTSF) and the approved Strategic Plan which covers the period 2014/15 to 2018/19. The NHFC, through its programmes as well as other interventions, such as its equity investments, was supportive of the National Development Plan (NDP) commitment of revising the housing system. Examples of these are:

- Provision of housing finance options (private and social rental, home ownership, installments sale agreements, incremental loans);
- Inner-city developments;
- Leveraging of private sector funding into the affordable market;
- Critical to the success of the imminent DFI consolidation, was the establishment of a consolidated entity that is optimally capacitated to further support effective and efficient delivery on a “radically revised housing finance regime”.

Summary of contributions to MTSF targets

	NHFC Approved Strategic Plan Target	NDOHS MTSF Target	% MTSF *	Forecast NHFC MTSF Target	Forecast NHFC % MTSF Target
Number of Social Housing Units	5 899	27 000	22%	6 110	23%
Number of Private Rental Housing Units	15 390	25 000	62%	21 796	87%
Total Rental	21 289			27 906	
Number of Affordable Housing Units	9 110			10 200	
Number of Incremental Housing Loans	17 498			41 369	

Total Affordable Housing	26 608	110 000	24%	51 569	47%
Total	47 897			79 474	

7.5 Estate Agency Affairs Board (EAAB)

The acting Chief Executive Officer presented on behalf of the EAAB. The presentation focused on the strategic overview; key performance annual targets; strategic risk register and the budget for the Medium Term Expenditure Framework. It was critical to note that EAAB was also self-funded. The strategic orientation and projected expenditure of the entity was presented in the following table:

Strategic Outcome Oriented Goal number 1	Compliant Estate Agency Sector.
Goal Statement	Perform inspections on 50% of Estate Agencies over the 2014 to 2019 financial period in order to increase compliance levels of estate agents
Strategic Outcome Oriented Goal number 2	Property consumers are aware and understand all forms of property transactions
Goal Statement	The EAAB will ensure that at least 2 million consumers are made aware of property transactions through media publications and television by the end of 2018/19.
Strategic Outcome Oriented Goal number 3	Sustainable Fidelity Fund
Goal statement	The EAAB will ensure that the Fidelity Fund is efficiently and effectively operated to achieve aggregate growth rate of 5% per annum against the 2013 baseline by the end of 2018/19.
Strategic Outcome Oriented Goal number 4	Professional and capacitated Estate Agency Sector

**THE ESTATE AGENCY AFFAIRS
BOARD
PROJECTED INCOME AND EXPENDITURE
BUDGET
FOR THE YEAR ENDING 31 MARCH
2017**

	2014/2015 Budget	2014/2015 Actual	2015/2016 Forecast	2016/2017 Budget	2017/2018 Forecast	2018/2019 Forecast
Turnover	118 362 667	94 668 393	123 039 608	131 048 339	140 221 723	150 037 243
FFC Renewals	32 713 625	15 165 334	16 193 042	27 092 453	28 988 924	31 018 149
New Registrations	3 285 089	2 380 549	3 268 725	3 667 697	3 924 436	4 199 146
Examinations and CPD	19 208 800	11 629 566	43 595 590	33 489 300	35 833 551	38 341 900
Interest Income	1 980 630	2 486 842	1 968 343	2 209 851	2 364 540	2 530 058
Other Income	61 174 524	63 006 102	58 013 908	64 589 038	69 110 271	73 947 990
Operating costs	113 321 769	97 270 803	124 431 885	128 121 150	137 097 130	146 702 179
Admin expense	35 304 587	37 065 850	50 234 963	42 083 131	45 028 950	48 180 977
Other operating expense	1 710 562	948 299	784 517	1 558 065	1 674 630	1 800 104
Staff costs	73 157 676	57 384 330	70 805 236	81 788 770	87 513 984	93 639 963
Board Members Remuneration	3 148 944	1 872 324	2 607 169	2 691 183	2 879 566	3 081 136
Total Operating Costs	113 321 769	97 270 803	124 431 885	123 321 769	137 097 130	146 702 179
Surplus/(Deficit) before CAPEX	5 040 899	-2 602 410	-1 392 277	2 927 189	3 124 592	3 335 064
Capital Expenditure	4 835 000	2 693 553	3 612 667	2 650 000	1 450 000	1 300 000
Surplus/(Deficit) after CAPEX	205 899	-5 295 963	-5 004 944	277 189	1 674 592	2 035 064

Source: EAAB presentation

Comments by the Committee:

The Committee provided the following comments:

- That the strategic plan of the entity did not reflect on the implementation of title deeds. The Committee strongly felt that EAAB should be more involved in the title deeds programme;
- The Committee sought clarity on progress on the implementation of the One-Learner- One-estate-Agent programme;
- What the entity was doing to deal with racism and discrimination in the human settlements sector.

Responses:

The entity provided the following responses:

- That both the department and the entity requested time to present a comprehensive report on the eradication of title deeds;

- That the programme was not necessarily attractive to young people. This was due to the perception that the estate space was reserved for old people. As a result proper packaging was important. The entity was in consultation with provincial departments and municipalities on the best packing approach. However, the entity indicated that more time was required for to present progress made in this regard;
- There was a Task Team set out to deal with issues of racism. This Task Team consisted of the Departments of Human Settlements and Justice, the Estate Agency Affairs Board and Human Resource Council.

7.6 National Home Builders Registration Council (NHBRC)

The Deputy Director-General – Chief of Operations, Department of Human Settlements informed the Committee that the contract of the Chief Executive Officer, Mr M Mnyani has come to end. The Chairperson was acting as an accounting officer. The Chairperson led the delegation to present the annual performance plans of the entity presented the budget allocation. The entity reported that it had set itself short and medium plans in order to address a number of short-coming in the execution of the mandate, which is to:

- Implementation and full execution of the inspection model;
- Alignment of NHBRC deliverables with the MTSF(Medium Term Strategic Framework) targets for 2014-2019;
- Provide Technical Support within NHBRC and built environment Sector;
- Enforcement and Compliance with provisions of the Housing Consumers Protection Measures Act, 1998(Act No.95 of 1998);
- Full implementation of Training Strategy;
- Grow and Sustain the Warranty Fund;
- Operationalization of the Centre for Research and Housing Innovation;

The entity has targeted to enroll 53,994 homes; to enroll 140,196 subsidy homes; late enrollment of non-subsidy 1,474; project enrolments for subsidy 54, 469; inspection for non-subsidy homes 212,869; inspection for subsidy homes 408,312; registration of homebuilders 3,933 and the renewals of registration of new homebuilders 16,945. The entity also undertook to train 1, 500 homebuilders; train 2,000 youth; train 440 home inspectors; train 351 artisans, train 900 women; train 100% people with disabilities and to train 180 military veterans.

The entity was self-funded. It had indicated that it had a total revenue of R818 850 million, operating expenses of R710 162 million and an operating profit of R108 687 million.

7.7 National Urban Reconstruction and Housing Agency (NURCHA)

The Managing Director informed the Committee that the entity was implementing a turnaround intervention strategy. Nonetheless, the loan book was still good. The entity was also dealing with the retention strategy for its staff since the entity was part of the entities affected by the consolidation of DFIs.

The Executive Director and the Chief Financial Officer presented on behalf of the entity. The presentation outlined the introduction; strategic pillars, socio-economic backdrop; core business; affordable housing objectives and targets; subsidy housing objectives and targets; programme and fund management objectives and targets; actuals for 2011/15/16; budget outputs for 2016/17 quarterly breakdown.

7.8 Community Schemes Ombud Services (CSOS)

The Chairperson of the SCOS Board led the delegation. He was accompanied Chief Ombud and presented on behalf of the entity. The entity reported that it had five strategic pillars; which were, to provide a Dispute Resolution service for Community Schemes in South Africa; to take custody and control of Community Schemes' governance documentation; to ensure that the CSOS is an efficient, effective and sustainable organisation; to promote good

governance in Sectional Titles and other Community Schemes in South Africa; to provide stakeholder training, consumer education and public outreach programmes on Community Schemes in South Africa. The major stumbling block for the entity was implementation the enabling Act. This was because the entity could not implement the Act without the approved regulations. As a result, the Committee suggested that entity should liaise with the department, in order to fast-track the tabling of these regulations. The approval of these regulations was critical on the grounds that the entity depended on them (regulations) to collect levies, and subsequently be self-sustaining.

8. Committee deliberations and observations

The Committee, having been briefed by the Department and its entities on its strategic plans, annual performance plans and budget, provincial business plans and the metropolitan municipalities, deliberated and made the following observations:

8.1 Observations

- The Northern Cape had challenges with the delivery performance as well as challenges in spending the money allocated to it. The Committee noticed that there were discrepancies in performance and expenditure. There were confusions in relation to planned targets, performance, and budget. As a result, the national department requested the provincial report to be withdrawn; to allow the province to rectify the discrepancies identified;
- Even though there was a cut in the budget allocation the national, provincial and the metropolitan municipalities did not drop the figures or the target set in the delivery of housing opportunities;
- The snail pace in the issuing of title deeds. Resulting in the deprivation of most beneficiaries to have ownership of their houses. There seemed to be a bias towards eradicating the backlog at the expense of new development. This subsequently leads to an increased backlog.
- That there was a general practice of over- and under-spending in human settlements programme. This was attributed by lack of planning;
- That illegal occupation of state provided houses was problematic. Home invasion was a problem in the Marikana human settlements project;
- The issue of non-utilization of the USDG in the three metros, namely, the City of Cape Town, Ekurhuleni, and EThekweni. The Committee was concerned about this because it results in the shifting of funds. It was stressed that this practice was linked to lack of proper planning in relation to the USDG;
- That there was a pipeline planning for human settlements. The Committee stressed that pipeline the planning was a key ingredient for the development of mega and catalytic projects. The complexity of these projects required planning that was synchronized while taking into account the Environmental Impact Assessments requirements, geo-technical analysis, land administration processes, and other approvals;
- In the Limpopo province, there were discrepancies in the planned and delivered targets. For instance, in the 2015/16 MTSF performance, the province planned (Integrated Residential Development Programme) to deliver 1,627 sites and R57, 765m was spent, yet no sites were delivered;
- The issue of land release for human settlements purposes by other spheres of government and entities was a challenge. It was argued that land in hands of the Department of Public Works, Defence should be accessed for human settlements delivery. In this regard, it was stressed that the Housing Development Agency(HDA) can be utilized for that purpose;
- That the HDA should play a more direct role in land identification and acquisition;
- That planning and implementation of Community Residential Units (CRUs) was slow;
- That the income category of the qualification criteria does not reflect changes in economic or inflation. As a result, some people cannot afford houses;
- That contractors responsible of blocked projects should take responsibility of these projects;
- That there was a need of a credible and transparent beneficiary list. That human settlements projects should be informed by this list;
- In relation to Farm Workers Assistance. It was noted that development in farms should be inclusive of farm workers and farm residence. This would prevent disgruntlements in farms;
- That some provinces and municipalities do not adequately plan for Finance Linked Individual Subsidy Programme. This results in dissatisfaction by people in the “gap-market” – target population for the programme;
- That military veteran’s assistance should be standardised. This emerged from the Free State approach; of providing 100m² while other provinces provide 52m². This could create conflicts;
- That there was lack of relevant and technical capacity to implement mega and catalytic projects;

- Concerns about the influx of foreign Nationals, especially Zimbabweans, in the Limpopo province. This has direct implications towards the housing demand, budget and targets of the provincial department;
- Concerns about the impact of the Consolidation of Development Finance Institutions (DFIs) on employees of affected entities;
- That there was a confusion around Ministerial Directive in relation to the rectification programme. This confusion was twofold; that 10% of the budget could be allocated for rectification. Secondly, that rectification projects could be approved by the Minister;
- That there was a lack of visibility or marketing of human settlements entities. In addition the visibility is biased towards urban at the expense of rural areas;
- That some SMMEs were disrupting projects in the Eastern Cape. This was due to the perceived corruption in the allocation of human settlements projects in the province;
- The issue of accreditation of municipality emerged. Several municipalities were not accredited to level 2. This was a development problem because accreditation at this level gives municipal powers to manage their housing construction;
- The cross-cutting issue relating to lack of collaboration in planning amongst the spheres of government, especially in the implementation of hostel redevelopment programme was an issue;
- That there was a lack of public-private-partnership. There was minimal investment by the private sector in social and rental housing stock;
- It was also concerned about the absence of information with regards to the hostel conversion in eThekweni as most of the hostels were in dilapidated state and some were home to criminals due to lack of proper security;
- That to some degree, there was no coordinated planning between spheres of government which often leads to duplications.

8.2 Recommendations

The Committee, having been briefed and observed the challenges that the Department and its entities experienced in its strategic plans, annual performance plans and budget, provincial business plans and the metropolitan municipalities, recommends that the Minister should:

- Withdraw the Northern Cape report because of inconsistencies and lack of compliance with the presentation framework. The national department and the province should be instructed to rectify the presentation and present to the Committee;
- Fast-track the issuing of title deeds, including the eradication of the backlog (pre-and post-1994);
- Prioritise the construction of houses for military veterans as some were residing in appalling conditions;
- Prioritise the redevelopment of hostels in order to prevent hostel-related crimes;
- Ensure that provincial departments and municipalities allocate houses to rightful beneficiaries on time to prevent illegal occupation and vandalism;
- Ensure that political leadership in provinces attend to the complaints of the SMMEs so that they do not disrupt human settlements projects;
- Ensure that the national department and the North West Department of Human Settlements provide a report on Marikana housing initiative that was invaded.
- Ensure that the Gauteng province provides social and rental housing stock to accommodate the increasing housing demand due to high levels of urbanisation;
- Promote the coordination of plans between the spheres of government;
- Ensure involvement of the private sector in the provision of housing, especially rental and social housing stock;
- Ensure that provincial departments, municipalities and entities reflect the National Development Plan in their planning;
- Ensure that entities are visible in both rural and urban settings;
- Ensure compliance with legislation and policy imperatives to ensure sustainability of human settlements projects. This emerged from the Free State approach of providing 100m² while other provinces provided 52m², which could create conflicts.

Report to be considered.