

*The following report replaces the report of the Portfolio Committee on Human Settlements which was published page 27 in ATC No 56 dated 10 May 2017.*

**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 2017/18, dated 9 May 2017**

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 (the Department) on 14 March 2017 and its entities on 17 and 28 March 2017, 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 (No. 107 of 1997). This Act is read in conjunction with approved policies and Chapter 8 of the National Development Plan (NDP). This 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 just 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 8 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.

**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) 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:

- Upgrading of 2200 informal settlements;
- 750 000 households in informal settlements benefitting from the Informal Settlements Upgrading Programme;
- 563 000 individual units for subsidy housing market provided;
- 70 000 Finance Linked Individual Subsidy Programme subsidies allocated to approved beneficiaries 27 000 social housing units;
- 10 000 Community Residential Units;
- 35 000 private rental housing opportunities;
- 5000 non statutory military veterans housed;
- 10 000 of hectares of well-located land rezoned and released for new developments targeting poor and lower middle income households;
- 50 Catalytic Projects implemented;
- 22 mining towns supported on human settlements interventions;
- 818 057 pre-and post-1994 title deeds issued;
- 340 480 of new title deeds issued;
- 30% of the HSDG construction budget allocated to Women and Youth Contractors;
- 30% of the USDG construction budget allocated to Women and youth Contractors.

In addition, it was indicated that MTSF priorities would be translated into Strategic Plan Targets as indicated below

- A policy Framework for Human Settlements developed;
- A comprehensive human settlements legislation developed;
- A Human Settlements Bank Established;
- Policy compliance enforced on projects under implementation;
- Human Settlements Code developed;
- Seven evaluations of key human settlements strategic thrust completed;
- Research to support policy development conducted;
- An analysis of the functionality of the residential property market conducted;
- Human Settlements Capacity Development Programme Implemented.

The summary of targets for 2017/2018 Annual Performance Plan are as listed below:

- 50 catalytic projects implemented;
- 22 mining towns supported on human settlements development interventions;
- 400 feasibilities conducted in informal settlements;
- 300 Informal settlement upgrading plans developed;
- 150 000 households in informal settlements upgraded;
- 7 Provinces and 6 Metros supported in the implementation of PHP Policy;
- 1 700 non-statutory Military Veterans housed;
- 112 600 individual units for subsidy housing submarket provided;
- 327 300 pre-and post-1994 title deeds issued;
- 93 200 title deeds for new subsidy houses issued;
- 6000 Social Housing units delivered;
- 1 915 Community Residential Units delivered;
- 7920 private affordable rental housing opportunities delivered;
- 5 000 Finance Linked Individual Subsidy Programme subsidies allocated to approved beneficiaries;
- 3 000 hectares of well-located land acquired, rezoned, and released for new developments;
- A Policy Framework for human Settlements Developed;
- Housing Consumer Protection Bill 2017;
- The Home Loan and Mortgage Disclosure Amendment Bill 2016;
- Human Settlement Development Bank Bill 2017;
- Human Settlement Bill 2017;
- PIE Amendment Bill;

- Guidelines for Human Settlements Planning and Design revised;
- Programmes in the housing code reviewed;
- Research to support policy development conducted;
- Analysis of the functionality of the residential property market conducted;
- 5% of projects under implementation assessed for policy compliance;
- Human Settlements sector Capacity audit conducted;
- 7 Provinces and six Metros supported on the implementation of PHP Policy;
- 100 youth supported through a bursary Programme;
- 500 practitioners trained on Sustainable human settlements skills development programmes;
- Guideline Framework for Testing Project Readiness implemented;
- Operational integration of the 3 DFI's implemented;
- 30 per cent of the total HSDG construction budget allocated to women and youth Contractors;
- 30 per cent of the total USDG construction budget allocated to women and youth Contractor;
- Framework for to improve DFI lending developed;
- Framework to achieve private sector investment leveraging developed;
- Assessments on the volume of loans granted by DFIs for the affordable housing market conducted;
- Assessment of the current financing model on grants conducted;
- Employers' contribution towards Employer Assisted Housing assessed;
- 9 municipalities assessed for accreditation;
- 8 municipalities in secondary cities supported on the implementation of the Human Settlements Master Plan;
- 6 initiatives on international cooperative aligned to human settlements priorities serviced;
- 24 Intergovernmental fora coordinated in line with human settlements priorities;
- 40 Partnerships, mobilised towards Human Settlements;
- 100% of projects under implementation monitored and verified (HSDG and USDG);
- 1 evaluation study (UISP three year impact);
- All valid invoices paid within 30 days;
- Approved internal audit plan implemented;
- Approved risk management plan implemented;
- Approved Departmental anti-fraud and corruption plan implemented;
- Unqualified audit report 2016/17 with no matters of emphasis;
- Human Resource Plan implemented;
- Approved communication strategy implemented.

## 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).

## 2.7 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

During the 2017 SONA, President Zuma made specific reference to the sector by stating that:

- The South Africa government is actively involved in the property sector and has provided more than 4 million houses since 1994;
- The property sector in South Africa is valued at around R7 trillion, with the subsidised sector being valued at around R1.5 trillion;
- Less than 5 percent of the property sector is owned or managed by black and African people;
- A draft Property Practitioners Bill would be published by the Department for public comment in order to establish a more inclusive, representative sector, towards radical economic transformation;
- Key priorities for the 2017/2018 financial year would include addressing the delays and backlogs in registration and issuing of title deeds to beneficiaries of housing projects funded by the capital subsidy.

The strategic objectives relating to the human settlements sector in SONA 2017 correspond with the National Development Plan (NDP), the Medium Term Strategic Framework (MTSF) and the Medium Term Budget Policy Statement (MTBPS) as these objectives relate to transformation and inclusion. Chapter 8 of the NDP focuses on the transformation of human settlements and the national space economy. Its human settlements trajectory proposition states that by 2050 South Africa's human settlements would have transformed into equitable and efficient spaces with citizens living in close proximity to work and having access to social facilities and essential infrastructure. It also envisages that by 2030, measurable progress towards breaking apartheid spatial patterns would have been made.

The Department is therefore responsible for addressing the issue of transformation in the housing sector, and to ensure that the fractured housing and land markets are addressed. One way in which the issue of transformation in the sector is prioritised in SONA 2017, is the announcement that the draft Property Practitioners Bill would be released for public comment. This bill has been anticipated for a number of years, and has now been reprioritised.

The NDP highlights the spatial inequalities that exist in society as a major challenge to reducing inequality. A number of objectives were listed in order to transform the human settlements sector in line with the developmental vision for South Africa, as set out in the NDP. These include:

- A strong and efficient spatial planning system that is well integrated across the spheres of government;

- The upgrading of all informal settlements on suitable, well located land by 2030;
- More people living closer to where they work;
- Better quality public transport;
- More jobs in or close to dense, urban townships.

The NDP further recommended that bolder measures be instituted to address inequities in the land market that pose a challenge to the poor to access benefits of life in towns and cities. In light of this recommendation, the focus on addressing backlogs and delays in issuing title deeds during the 2017 SONA is of particular relevance, as home ownership is a critical factor for the poor to access land and housing and benefit from opportunities in towns and cities. Despite the strong emphasis on spatial integration and inclusion in the NDP, the strategic objectives raised in SONA 2017 in relation to the sector are centred mostly on economic transformation, and does not include specific suggested actions or plans for addressing the broader challenges of spatial integration and transformation.

Insofar as the 2017 SONA addresses the issue of delays and backlogs in issuing title deeds, there is a possibility that this may include a change in the systems used at deeds' offices. This could potentially, in part, address the vision for a strong and efficient spatial planning system that is integrated across the spheres of government and is likely to require a partnership between the Department and the Department of Rural Development and Land Reform.

## 2.9 Summary of the Strategic Plan

The Department's Strategic and Performance Plans for the 2015/16 financial years indicated 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 was exacerbated by the relentless trends towards urbanization that in most cases led 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 was one of the challenges in the country. Urban management trends continued to reinforce fragmentation and marginisation through the growth of peripheral formal and informal settlements.

The main challenge in South Africa was persisting spatial exclusion of low-income families from the main socio-economic facilities of cities and regions. Locations close to employment areas, opportunities and services were 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 was 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 showed that 13.6 percent of all dwellings were informal. This is lower than the 15.7 percent of 2005; but at that rate of delivery, the eradication of informal settlements, originally anticipated for 2014, was likely to be achieved only 2030. Causes of this included 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/was 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 demand remained 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 Development Grant (HSDG) and the Urban Settlement Development Grant (USDG), delivering at scale would 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.

While the departments' focus is at accelerating the delivery of adequate housing in quality living environments, the ability to meet the housings 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 Settlements Development Grant, delivering at scale would be a challenge. As part of accelerating delivery, over the MTSF the Department would focus on:

- 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 would 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 different 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 from 74, 4% in 2002 to 79, 4% in 2014, 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 was 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 were also experiencing challenges in spending patterns and recurring low savings. The low savings combined with consumers' credit-risks profiles contributed 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 was 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 was still lagging behind. This has resulted to increasing dependency from government as 68,8% households in rural areas and 30,9% of residents in urban areas are living in poverty. Only 30% of South Africans were 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 continued 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 from two perspectives. On the one hand, the Department seeks to address the housing crisis directly through the scale delivery of subsidized 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 Overview of the 2017/18 Budget and MSTF estimates

Table 1: Human Settlements expenditure per main programme 2017/18

Programme	Budget				Nominal Increase/D ecrease	Real Increase/ Decrease	Nominal Percent change	Real Percent change
	2016/17	2017/18	2018/19	2019/20				
R Million	2016/17	2017/18	2018/19	2019/20	2017/18	2017/17	2017/18	2017/18
Administration	460,1	457,7	450,2	479,8	-2,4	-29,5%	-0,52%	-6,42%
Human Settlement Policy, Strategy and Planning	88,1	93,6	89,8	95,7	5,5	0,0%	6,42 %	-0,05 %
Human Settlement Delivery Support	217,3	217,3	216,4	229,7	0,0%	-12,9%	0,00%	-5,93%
Housing Development Finance	29 930,09	32 695,8	34 658,3	36 642,2	2 764,9	827,1%	9,24%	2,76%
Total	30 696,4	33 464,4	35 414,7	37 447,4	2 768,0	784,7 %	9,02 %	2,56 %

Source: National Department of Human Settlements, 2017

The Department of Human Settlements' budget allocation for 2017/18 is R33.4 billion. This reflects a nominal increase of 9.02 percent or an increase of 2.56 percent in real terms when compared to the allocation of R30.6 billion for the 2016/17 financial year.

Real changes (calculating the effect of inflation) in expenditure of the four main programmes for 2016/17 is:

- Administration: -6.42 percent
- Human Settlements Policy, Strategy and Planning: -0.05 percent
- Human Settlements Delivery Support: -5.93 percent
- Housing Development Finance: 2.76 percent

The Housing Development Finance programme receives the largest allocation of R32 695, 8 million, which constitutes 97.7 percent of the Department's total budget.

#### 1.1. Performance Analysis

##### Programme 1(Administration)

Programme 1: Administration aims to provide strategic leadership, administrative and management support services to the Department.

In the 2017/18 financial year this Programme receives an allocation of R 457,7million. This allocation reflects a -0,52 percent decrease in nominal terms and -6,42 percent decrease in real terms.

Expenditure is dominated by both the Departmental Management and Corporate Services sub programmes, which jointly constitute more than 75 percent of the overall programme allocation. Property Management receives the smallest allocation of R 41.1 million, which constitutes 9.0 percent of the programme budget.

In terms of economic classification, the Administration programme budget includes current payments to the value of R454.1 million (99,2 percent of the programme budget), of which R224.8 million is to be spent on compensation of employees.

Further, R3.5 million has been allocated for the payments for the capital assets, this includes:

- Building and other fixed structures.
- Machinery and equipment.
- Software and other intangibles.

#### Programme 2 (Human Settlements Policy, Strategy and Planning)

Programme 2: Manages the development of policy, and compliance with human settlements sector delivery and intergovernmental relations frameworks, and oversee integrated human settlements strategic and planning services.

Programme 2 receives an allocation of R93.6 million for the 2017/18 financial year, which is the smallest portion of the departmental budget. This allocation reflects an increase of 6.24 percent in nominal terms and a decrease of -0.05 percent real terms.

Expenditure for Programme 2 for the 2017/18 financial year is now dominated by the following two sub-programmes:

- Human Settlements Strategy and Planning received the highest allocation of R53.7 million (57 percent of the programme budget), and this constitutes a nominal increase of 8.05 percent (or real terms 1.64 percent).
- Human Settlements Policy Frameworks received the second highest allocation within the programme, i.e. R32.1 million (34 percent of the programme budget), resulting in a nominal increase of 3.55 percent or a real decline of -2.59 percent.

In terms of economic classification, the Human Settlement Policy, Strategy and Planning programme budget includes current payments to the value of R89,9 million (96,0 percent of the programme budget), of which 63.9 million is to be spent on the compensation of employees.

However, in the previous financial years this programme has been struggling to meet its targets and due to under spending. For example, in 2016/17 financial year, it was allocated R77.4 million with an actual expenditure of R75.7 million, which was lower than the expenditure for 2015/16 (R 78.7 million).

Furthermore, the reasons for the under expenditure are as follows:

- Failure to implement the mine worker strategy.
- The failure to develop a policy and administrative systems that support individual transactions in the affordable housing market.
- The delay in purchasing of computer equipment due to posts that were frozen.

### Programme 3 (Human Settlements Delivery Support)

Programme 3: aims to support the execution, monitoring and evaluation of the implementation of human settlements programmes and projects as well as managing the building of capacity and skills in the sector and to provide oversight of public entities. This Programme consists of the following three sub-programmes:

- Management for Human Settlements Delivery Support.
- Programme Implementation Unit.
- Chief of Operations.

This programme receives an allocation of R217.3 million for the 2017/18 financial year, matches the allocation received in 2016/17. While there has been no nominal change in allocation from 2016/17, given the effects of inflation, Programme 3 in fact declines with -5.93 percent.

The allocation of this programme, is dominated by two sub-programmes, which are:

- The Programme Management Unit which receives the highest allocation in the programme of R159 million (or 73 percent of the programme budget), which constitutes a nominal increase of 4.38 percent (or a real decrease of -1.81 percent) from the previous year.
- Chief Operations which receives an allocation of R48, 2 million (or 22 percent of the programme's budget). This constitutes a nominal decrease of -12.36 percent (or real decrease of -17.56 percent) from the previous year.

In terms of economic classification, Programme 3's budget includes current payments to the value of R206, 4 million (94 percent of the programme budget), of which R74, 7 million is to be spent on compensation of employees.

However, this programme has been regarded as the worst performer in terms of spending in previous financial years. The 2015/16 Annual Report of the Department provides the following reasons for under-expenditure:

- Delays in finalising the agreements around the Youth Brigade training with the Department of Rural Development and Land Reform meant that R7.5 million allocated to training was not transferred.
  - Underspending in the National Upgrading Support Programme was reported and reasons provided include:
    - Some contracts running behind schedule due to slow responses from municipalities to approve work.
    - Some service providers submitted invoices late.
    - In a few cases the Department completed net draft RQFs but municipalities took long to approve these.
    - Due to capacity constraints the new capacity building programme could not be implemented.
  - Payments on the Bursary Scheme for non-employees was less than anticipated.
  - The purchasing of computer equipment was delayed due to frozen positions.
  - Expenditure was less than anticipated due to over estimation.
  - Expenditure on financial assets relates to approved losses approved by the loss control committee.
- 
- Programme 4 (Housing Development Finance)

Programme 4 funds the delivery of all housing and human settlements programmes, and manages all matters related to improving access to housing finance and developing partnership with the financial sector.

Programme 4 consists of six (5) sub-programmes, namely, Management for Housing Development Finance, Chief Investment Officer, Human Settlements Development Grant, Contributions and Urban Settlement Development Grant.

For 2017/18, Programme 4 receives an allocation of R 32.69 billion, compared to R29.93 billion in the 2016/17 financial year. This reflects an increase of 9.2 percent in nominal terms and a 2.76 percent increase in real terms. The bulk of expenditure in Programme 4 is in the form of transfers, i.e. 97.8 percent of the budget is transferred to provinces and municipalities (in the form of four Conditional Grants), as well as to the departmental entities.

- The Management for Housing Development Finance sub-programme, receives an allocation of R4, 1 million, compared to R3, 7 million in the previous financial year, resulting in a 4.24 percent real increase.
- Contributions sub-programme, makes transfers to certain public entities reporting to the Department, such as the Social Housing Authority and the Housing Development Agency. This programme received R 782.4 million in the previous financial year, which increased to R1.3 billion for the current financial year (2017/18). Nominal increase is 68.3 percent, and 58.35 percent real increase.

The following Conditional Grants are administered by the Department:

- Human Settlement Development Grant (HDSG), receives an allocation of R19.96 billion compared to R 18.28 billion in 2016/17 financial year (2.74 percent real increase). The service delivery output for this Grant is in ensuring that houses are completed and sites serviced.
- Urban Settlements Development Grant (USDG), receives an allocation of R11.38 billion, compared to R10.83 billion in 2016/17. Despite its 5.01 percent nominal growth from the previous year, the effects of inflation results in -1.22 percent decline.

In terms of economic classification, Programme 4's budget includes current payments to the value of R26.9 million (8 percent of the programme budget), of which 19.9 million is to be spent on compensation of employees.

Program 4 consistently shows good performance over the period with a spending of 98.5 percent in the 2015/16. However, there was underspending on the USDG in provinces such as Gauteng and Limpopo. This underspending is attributed to the following:

- The breakdown in the linkage between the funds -- the money that had gone to the metros, and the money from the national department to the provinces. That breakdown had interfered with getting good settlement functionality.
- There was also a breakdown in the Inter-Governmental Relations (IGR) planning interface.

#### 4. Briefing by the Department on the Strategic Plan, Annual Performance Plans and Budget 2017/18

During the meeting held, the Department presented to the Committee, the Director-General informed the Committee that to achieve the vision 2014-2019, Medium Term Strategic Framework focus on reforms aimed at achieving the following:

- Ensuring that poor households have adequate housing in better living environments
- Supporting the development of a functionally and equitable residential property market
- Improving institutional capacity and coordination for better spatial targeting

The priorities for 2017 – 2018 of the Department were to:

- Scaling up the delivery on Affordable/ Gap Housing
- Accelerate upgrading of informal Settlements
- Improved issuing of title deeds for new subsidy houses on occupation
- Eradication of the title deeds backlog by 2019
- Establishment of the Human Settlements Development Bank

The Chief Operating Officer, reported on the Departmental Budget Proposals to National Treasury

- Proposal that the Social and Rental allocations, Institutional subsidies and the Restructuring Capital Grant (RCG), be consolidated and disbursed as one funding stream to Municipalities and Social Housing Institutions;
  - This will enhance the integrated process between the planning, funding and implementation arrangements, thus expediting delivery outcomes;
  - Crowding and leveraging of private sector funding and contributions

- The Medium Term Strategic Framework (MTEF) target for the delivery of social and rental housing is 30 000 units;
- Actual delivery of social and rental housing units, as facilitated through the Social Housing Regulatory Authority (SHRA), is 8 452 as at 31 March 2016;
- The remaining number of units required to achieve the target is therefore 21 548.
- The available data shows that the average cost of a one (1)-bedroom unit has increased by 47% over the seven years while the RCG has remained static;
- To address the challenge, the Department is currently considering a proposal to increase the RCG quantum to R155 000 per unit.
- To improve performance and accountability the Department is considering proposals to improve checks and balances in the sector and this includes separation of the regulatory, grant making and allocation and investment functions.

The Chief Financial Officer, reported on financial aspects of the department. She reported on the Departmental budget and stated that it had been reduced as indicated below:

- The two grants (HSDG and USDG) were reduced by R3.7 billion over the Medium Term Expenditure Framework (MTEF).
  - R3.4 billion on the Human Settlements Development Grant;
  - R282.2 million on the Urban Settlements Development Grant as follows.
- Compensation of employees was further reduced by R20.6 mill over the MTEF.
- The goods and services net increase over the MTEF is R22.2 million.
- The increase is attributed to the R31.7 million reallocated from the Institutional Investment managed by Social Housing Regulatory Authority to fund Department programme and project management activities as well as monitoring, evaluation and reporting.

#### 4. Human Settlements Grants

##### 4.1 Human Settlements Development Grant

Provinces	2017/18			2018/19			2019/20
	DORA 2016 Published Allocation	Revised Allocation	Reduction	DORA 2016 Published Allocation	Revised Allocation	Reduction	Total Allocation by Province
EASTERN CAPE	2 460 660	2 339 371	-121 289	2 477 121	2 347 420	-129 701	2 483 385
FREE STATE	1 226 608	1 162 658	-63 950	1 306 077	1 237 692	-68 385	1 309 380
GAUTENG	5 967 208	5 656 103	-311 105	6 353 813	6 021 130	-332 683	6 369 878
KWAZULU-NATAL	3 843 228	3 642 858	-200 370	4 092 224	3 877 957	-214 267	4 102 571
LIMPOPO	1 368 289	1 296 952	-71 337	1 456 938	1 380 653	-76 285	1 460 622



MPUMALANGA	1 394 636	1 321 925	-72 711	1 484 992	1 407 238	-77 754	1 488 746
NORTHERN CAPE	412 682	391 167	-21 515	439 419	416 411	-23 008	440 530
NORTH WEST	1 926 133	1 825 712	-100 421	2 050 923	1 943 538	-107 385	2 056 109
WESTERN CAPE	2 460 899	2 332 597	-128 302	2 620 336	2 483 136	-137 200	2 626 961
<b>Total</b>	<b>21 060 343</b>	<b>19 969 343</b>	<b>-1 091 000</b>	<b>22 281 843</b>	<b>21 115 175</b>	<b>-1 166 668</b>	<b>22 338 182</b>

#### 4.2 Urban Settlements Development Grant

Provinces	Metros	2017/18			2018/19			2019/20
		DORA 2016 Published Allocation	Revised Allocation	Reduction	DORA 2016 Published Allocation	Revised Allocation	Reduction	Total Allocation by Province
EASTERN CAPE	Buffalo City	774 202	768 128	-6 074	813 335	806 857	-6 478	852 385
	Nelson Mandela	918 970	911 761	-7 209	965 421	957 731	-7 690	1 011 773
Sub Total		1 693 172	1 679 889	-13 283	1 778 756	1 764 588	-14 168	1 864 158
FREE STATE	Mangaung	767 326	761 307	-6 019	806 113	799 692	-6 421	844 816
GAUTENG	Ekurhuleni	2 000 706	1 985 010	-15 696	2 101 836	2 085 094	-16 742	2 202 750
	Johannesburg	1 879 476	1 864 731	-14 745	1 974 478	1 958 751	-15 727	2 069 277
	Tshwane	1 629 196	1 616 415	-12 781	1 711 548	1 697 914	-13 634	1 793 723
Sub Total		5 509 378	5 466 156	-43 222	5 787 862	5 741 759	-46 103	6 065 750
KWAZULU-NATAL	eThekweni	1 995 766	1 980 109	-15 657	2 096 646	2 079 946	-16 700	2 197 311
WESTERN CAPE	Cape Town	1 506 605	1 494 786	-11 819	1 582 760	1 570 152	-12 608	1 658 751
Grant Total		11 472 247	11 382 247	-90 000	12 052 137	11 956 137	-96 000	12 630 786

#### 4.3 Human Settlements entities allocation

Entities R`000	MTEF Allocation	Reduction	Revised MTEF Allocation
Social Housing Regulatory Authority: Operational	121 332	32 664	153 996
Social Housing Regulatory Authority:	93 654	(31 773)	61 881

Institutional Investment			
Social Housing Regulatory Authority: Restructuring Capital Grant	2 837 183	396 529	3 233 712
Social Housing Regulatory Authority: Regulations	28 560	-	28 560
Community Schemes Ombuds Services	93 352		- 93 352
Housing Development Agency	621 295	46 505	667 800
National Housing Finance Corporation	317 525	(87 525)	230 000
Rural Housing Loan Fund	158 762	(108 762)	50 000
<b>Total</b>	<b>4 271 663</b>	<b>247 638</b>	<b>4 519 301</b>

#### 4.3.1 Housing Development Agency (HDA)

Mr P Moloi, Chief Executive Officer, presented on behalf of the entity. He reported that the entity has requested to be a developer as stated in the Act. The mandate of the HDA has been amended as indicated below. The Housing Agency is the Ministries, the Departments and Governments Human Settlements Developer of Choice. It carries this mandate by being:

- A fully fledged Developer;
- An implementing agent; and
- A project manager

It was further stated that the entity had a proposed transformation and empowerment framework which was going to deal with:

- Radical response on catalytic transformation and or ownership agenda;
- Women empowerment (from material supply to construction);
- Structured youth programme;
- Preferred panel of material suppliers for catalytic project;
- Preferred panel of contractors and sub-contractors for catalytic projects.

He also presented the business model which illustrate the project identification; project selection; project packaging; delivery support (implementation) and closure and or handover.

The Committee welcomed the presentation and was of the view that HDA was a critical entity that was also promising. The Committee was pleased that the business case completed. In addition, that the entity was visible in the province the Committee has already visited, however, there was a confusion in some parts of Free State about the role of the entity in the mining towns programme. It was suggested that the entity should concretised and its role to be taken care of. The Committee appreciated the new model on transformation, however, needed to see the implementation on the ground.

#### 4.3.2 Community Schemes Ombud Services (CSOS)

Mr T Mthethwa, Chief Ombud tendered an apology on behalf of the Chairperson of the Board, Rev Mehana who could not attend the meeting due to prior arrangement. He then presented on behalf of the entity. The presentation was outlined as indicated below:

- Opening remarks and Situational Analysis;
- Strategic objectives and Programme Regulation;
- Focus area and programme indicators;
- Budget;
- Closing remarks.

The strategic objectives of the entity were to:

- Provide dispute resolution services to Community Scheme in South Africa;
- Take custody and control of Community Scheme's governance documentation;
- Ensure that the CSOS is effective, efficient and sustainable organisation;
- Promote good governance in Sectional Title and other Community Schemes;
- Provide stakeholder training, consumer education and public outreach programmes on Community Schemes in South Africa.

The budget of the entity was presented as indicated below:

Income Streams		Audited Actuals	Latest Estimates	ESTIMATED BUDGET	APPROVED BUDGET	MTEF ESTIMATES	
		2015/16	2016/17	2017/18	2017/18	2018/19	2019/20
		(R')	(R')	(R')	(R')	(R')	(R')
		40,835,000	25,468,000	57,348,000	39,603,000	42,328,000	45,110,000
Government Grant		39,521,000	23,920,000	29,400,000	29,400,000	31,105,000	32,847,000
CSOS Levy Income		-	-	25,000,000	8,500,000	9,350,000	10,285,000
CSOS Documentation		-	-	-	-	-	-

Fees							
CSOS Service Fees		-	-	-	-	-	-
Interest Income		1,141,000	1,548,000	2,448,000	1,703,000	1,873,000	1,978,000
Budget Commitments from Prior Year		-	-	-	-	-	-
Other Income		173,000	6 100 000	500,000	-	-	-

Source: Department of Human Settlements, 2017.

#### 4.3.4 Estate Agency Affairs Board (EAAB)

Mr N Biko, Chairperson of the Board led the delegation. Mr B Chaplog, the Chief Executive Officer presented on behalf of the entity. The presentation was outlined as indicated below:

- Strategic Overview;
- Strategic Outcome Goals and 17/18 priorities;
- Title deeds restoration Project;
- Transformation initiatives;
- Key Performance Annual Targets;
- EAAB Budget;
- EAFF Budget.

The entity reported that it had five strategic oriented outcomes goals which were as indicated below:

- Compliant Estate Agency Sector;
- Consumers are aware and understand all forms of property transactions;
- Sustainable Fidelity Fund for property consumer claims;
- Professional and capacitated estate agency sector;
- Transformed estate agency sector.

The entity also presented its priorities for the financial year which were to:

- Assist the Department of Human Settlements in the eradication of title deeds backlog by 2019;
- Implementation of a Research unit within the EAAB to support transactional support function and gain an understanding of illegal trading estate agents;
- Implementation of the new Transformation function activities and outputs;
- Ensuring that MTSF targets relating to the EAAB are achieved;
- Finalisation of the Property Practitioners Bill.

With regards to the title deeds restoration programme, the entity reported that the Title Deeds Restoration Task Team was appointed and the main task were as indicated below:

- Access to ALL records related to registration backlog within Province and Metros;
- Delivery Targets: Offer view and recommendations regarding expected delivery;
- Party to all new appointments of Service Providers (SPs), and assessment of performance of current Service Providers;
- Assume overall responsibility for TRP Dashboard;
- Annual targets to be included in Performance Agreements.

Mr Mmatong, Chief Financial Officer, presented the budget of the entity:

**ESTATE AGENCY AFFAIRS BOARD  
ANNUAL BUDGET FOR THE YEAR 2017/2018  
CONSOLIDATED FORECAST  
PROJECTED BALANCE SHEET AS AT 31 MARCH 2018**

	2018	2017	2016
	R	R	R
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>114 460 435</b>	<b>115 213 156</b>	<b>116 994 890</b>
Property, plant and equipment	104 387 514	104 415 458	105 246 043
Intangible Assets	166 921	891 698	1 842 847
Post - Retirement Benefit	9 906 000	9 906 000	9 906 000
<b>Current assets</b>	<b>51 313 617</b>	<b>47 397 066</b>	<b>53 696 449</b>
Trade and other receivables	6 334 819	5 920 391	5 533 076
Inventory	351 049	328 083	306 620
Cash and cash equivalents	10 026 749	11 348 592	10 359 257
Loan Fund	4 601 000	4 300 000	14 328 538
Investments	30 000 000	25 500 000	23 168 958
<b>TOTAL ASSETS</b>	<b>165 774 052</b>	<b>162 610 222</b>	<b>170 691 339</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>	<b>138 398 052</b>	<b>132 853 222</b>	<b>132 833 051</b>
Accumulated surplus	138 398 052	132 853 222	132 833 051
<b>Current liabilities</b>	<b>18 820 000</b>	<b>21 201 000</b>	<b>29 302 288</b>
Trade and other payables	15 000 000	18 000 000	24 176 226
Provisions	3 400 000	2 800 000	4 686 062
Post Employment Medical Aid Benefits	420 000	401 000	440 000
<b>Non-Current liabilities</b>	<b>8 556 000</b>	<b>8 556 000</b>	<b>8 556 000</b>
Post- Employment Medical Aid	8 556 000	8 556 000	8 556 000
	-	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>165 774 052</b>	<b>162 610 222</b>	<b>170 691 339</b>

#### 4.3.5 National Home Builders Registration Council (NHBRC)

Ms J Bayat, Acting Chairperson of the Board led the delegation. Ms T Ngqobe, Acting Chief Executive Officer presented on behalf of the entity. The presentation was outlined as indicated below:

- Core business;
- Vision; Mission; Motto;
- Strategic Objectives;
- Programme 1: Key performance indicators;
- Programme 2: Key performance indicators;
- Programme 3: Key performance indicators;
- Programme 4: Key performance indicators;
- Programme 5: Key performance indicators;

- Risk Management Plan;
- Finance or Budget.

The CEO presented the strategic objectives of the entity as indicated below:

- To improve cost effectiveness and internal efficiencies of operations;
- To ensure an effective regulatory compliance;
- Entrench a culture of compliance and ensure efficient enforcement mechanisms;
- To research and introduce innovative products methods and technologies within the homebuilding industry;
- To maintain a sustainable warranty fund.

The entity also presented the key business activities that have been factored into the budget for the planning period. Those were as indicated below:

- Commercial operation of SAP change request (R9m investment);
- NHBRC online (R10m);
- Unified communications (R60m for the next remaining 3 Years);
- Consumer education and awareness (R25m over 3 years);
- Outsourcing of inspectorate (R10m first year and R30 next 3 years);
- Centre for Innovation and Research (R20 m per annum);
- New inspectorate Mobile Devices R5m;
- Training Academy as part of turn-around strategy (R91 m over 3 years);
- Call Centre establishment (R 5m);
- Upgrading of Reception areas across provinces (R5m for 3 years).

The entity reported that it had ten Council priorities that were funded on the new budget. The total budget available for Top 10 Priorities of Council was R 74.8 million.

#### 4.3.6 Consolidation of Development Finance Institutions

A joint presentation for Rural Housing Loan Fund, National Housing Finance Corporation as well as National Urban Reconstruction and Housing Agency was presented. The three entities were forming part of the consolidation of Development Finance Institutions. The presentation was as indicated below:

Mr N Chaine, Acting Director-General for that day, tendered an apology for Mr M Tshangana, Director-General who could not attend the meeting. He requested Mr S Moraba, Chief Executive Officer: NHFC to present plans for the envisaged entity.

Mr Moraba, Chief Executive Officer: NHFC presented the consolidated strategic plans, budget and the annual performance plans for the envisaged entity. The presentation was outlined as indicated below:

- Summary of Capital Allocations over the MTEF;

- Draft Group Summary Statement of Financial Position;
- Overview and analysis of Draft Consolidated DFI.

The summary capital allocation would be R541 million that would be inclusive of NHFC, Nurcha and RHLF portions for 2015/16 to 2019/20. The Committee was also informed that both NURCHA and the RHLF were both not-for-profit entities and that were subsumed under the NHFC for which a tax exemption had been obtained, signed by the President.

The draft group financial position was as indicated below:

	CONSOLIDATED 2015 Actual R'000	CONSOLIDATED 2016 Actual R'000	CONSOLIDATED 2017 Fcst R'000	CONSOLIDATED 2018 Budget R'000	CONSOLIDATED 2019 Budget R'000	CONSOLIDATED 2020 Budget R'000
<b>Assets</b>						
Loans assets	2 671 812	2 477 087	2 861 436	3 046 093	3 310 649	3 419 076
Equity investments	112 301	145 095	157 142	160 449	169 019	178 436
Investment property	80 868	88 402	88 402	88 402	88 402	88 402
Properties developed for sale	190 438	95 694	101 487	76 722	54 958	32 947
Instalment sale receivable	102 596	129 075	127 774	125 472	123 170	120 867
Cash and money market investments	1 250 564	1 382 047	1 243 764	1 231 055	1 123 604	1 057 049
Other assets	77 602	108 844	70 430	101 527	101 951	101 043
<b>Total assets</b>	<b>4 486 181</b>	<b>4 426 244</b>	<b>4 650 435</b>	<b>4 829 720</b>	<b>4 971 753</b>	<b>4 997 820</b>
Equity	3 522 595	3 711 698	3 898 763	4 114 559	4 269 801	4 447 531
Financial liabilities	558 169	522 467	483 693	446 243	431 303	281 570
Funds under mangement	251 863	139 198	204 739	206 536	208 458	210 515
Other liabilities	153 554	52 881	63 240	62 382	62 191	58 204
<b>Total equity and liabilities</b>	<b>4 486 181</b>	<b>4 426 244</b>	<b>4 650 435</b>	<b>4 829 720</b>	<b>4 971 753</b>	<b>4 997 820</b>

Mr Moraba stated that the Department and the envisaged entity would need to present and defined to the Committee the capitalisation requirements as well as the Business Case.

#### 4.3.7 Social Housing Regularity Authority (SHRA)

Mr R Galligher, Chief Executive Officer led the delegation and presented on behalf of the entity. The presentation was outlined as indicated below:

- Strategic Planning Process;
- Strategic Outcome Oriented Goals and Strategic Objectives;
- SHRA's Programmes;
- Structure;
- Annual Performance Indicators and targets:



- Administration Programme;
- Compliance, Accreditation and Regulations Programme;
- Sector Development Programme;
- Project Development and Funding Programme;
- MTSF Target – Units delivered;
- Social Housing Delivery;
- Social Housing Pipeline of Projects;
- Enabling Factors to Support Delivery;
- Social Housing Projects to be tabled at TEC;
- MTEF;
- Expenditure Trends and Estimates.

He reported that the strategic oriented goals were to:

- To establish a well skilled, resourced and led organisation;
- To support policy and sectoral leadership within the social housing sector;
- To establish functioning and well managed delivery agents/entities delivering units that meet a landlords responsibilities to its tenants;
- To effectively regulate the social housing sector through a risk based, automated system;
- To deliver social housing units that result in the restructuring of cities and integrated communities.

The entity reported on its funding allocation for the financial year as indicated below:

	2016/17	2017/18	2018/19	2019/20
	R'000	R'000	R'000	R'000
Consolidated Capital Grant	424,388 (RCG only)	851,658	1,143,640	1,238,414
Operations	36,392	46,815	51,980	55,201
Regulations	-	8,000	10,000	10,550
Institutional Investment	34,183	20,490	20,132	21,259
<b>TOTAL</b>	<b>494,963</b>	<b>926,963</b>	<b>1,225,752</b>	<b>1,325,434</b>

The Committee felt that CSOS and the Department should present the detailed report on the R6.1 million which was a bail-out from SHRA. It stressed that Need to formalise the relationship between CSOS and SHRA. In addition, it was stated that there was need to ensure the financial stability of the CSOS using the same approach as was applied to the SHRA.

## 5. Committee deliberations and observations

The Committee, having been briefed by the Department and its entities on its Strategic Plans, Annual Performance Plans and Budget, deliberated and made the following observations:

- That the complexity of human settlements requires strong stakeholder engagement. Following this logic, there was a need for stronger integrated planning. That integration was not experienced in townships;
- Linked to that, all entities must be involved in planning to ensure smooth implementation of policy and programmes;
- That the Free State province builds state subsidy houses outside the prescribed 40m<sup>2</sup>, and that was observed during the oversight to the Free State province;
- That the issuing of title deeds was at snail-pace, even though it was a government priority. This should be up-scaled to ensure dignity and respect to the previously disadvantaged people. It was also observed that there were challenges of the lack of dedicated capacity or officials dealing with the backlog;
- The issue of under-spending of the Urban Settlements Development Grant (USDG) by the three metros, namely, the City of Cape Town, Ekurhuleni, and Ethekewini. 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. It was observed that protocol agreements were not signed with provinces and this would require to be done urgently;
- Most municipalities were still requiring to be capacitated with rare and technical skills;
- There was a challenge with dealing with student accommodation, the department should come with the policy to assist with this challenge;
- That there was a pipeline planning for human settlements. The Committee stressed that pipeline 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. That there was lack of relevant and technical capacity to implement mega and catalytic projects;
- That planning and implementation of Community Residential Units (CRUs) was slow;
- That the income categories of the qualification criteria does not reflect changes in economic or inflation. As a result, some people cannot afford houses;
- That some provinces and municipalities do not adequately plan for Finance Linked Individual Subsidy Programme (FLISP). This results in dissatisfaction by people in the “gap-market” – target population for the programme. The centralisation of FLISP should be done carefully to ensure that rural areas have access to the programme;
- That military veteran’s assistance should be standardised. This emerged from the Free State approach; of providing 100m<sup>2</sup> while other provinces provide 52m<sup>2</sup>. This could create conflicts;
- 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 the departmental budget was reduced, linked to that was an advise to optimally use the available capacity and ensure that “budget cuts” do not affect departmental operations and service delivery;
- Would the Department be able to achieve or address informal settlements by 2030, as set out in the NDP;
- That the Department should claim the work done to some existing mining town projects;
- That the Department should report on job creation as a result of human settlements projects;
- That reporting on human settlements should be in milestones because human settlements projects take time;

- That secondary cities, such as Welkom, be assisted with a fund similar to the USDG and Human Settlements Development Grant (HSDG). The department should ensure that secondary cities were financially viable and able to implement complex human settlements projects;
- That there were provinces that were not adhering to the 30day payment of invoices. This was important because lack of payment on time hampers the radical economic transformation trajectory;
- Wanted to know whether the hectares of land received were from the sister departments such as Department of Public Works. Concerns were raised on whether the land bought was going to benefit the previously disadvantaged.

## 6. 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 recommends that the Minister should:

- Up-scale the issuing of Title Deeds – Quarterly status report per municipality and per province as well as challenges that exist should be reported. Report on progress on both the pre-and post-1994 categories as well as on new title deeds;
- Finalise the plan to house non-statutory Military Veterans – Finalise the plan to house military veterans, as well as furnish an indication of figures broken down per municipality and per province.
- Expedite the upgrading of informal settlements – Consolidate the number of existing informal settlements that exist per province and per municipality. Categorise informal settlements and report on the current state which was to inform future plans. Further, to report holistically on a quarterly basis on number of informal settlements upgraded.
- Implement catalytic projects – develop a matrix for catalytic projects as well as furnish details of the status of each project.
- Accelerate implementation of Finance Linked Individual Subsidy Programme (FLISP) and of Government Employment Housing Scheme (GEHS) – Centralisation of FLISP and expedite implementation of GEHS as well as track progress and report on the progress made.
- Claim the work done to some existing mining town projects and also extend support to mining towns through implementation of human settlements interventions – Categorise transformation plans per programme and focus area as well as report on progress in line with transformation plans.
- Verify assets – The Department was going to conduct a survey on occupation of the human settlements stock since 1994. Therefore, quarterly reports were required.
- Adhere to the allocation of 30% of HSDG and USDG to women and youth contractors and to across all human settlements projects.
- Resolve Intergovernmental Relations (IGR) issues in terms of planning, implementation and coordination – Report on progress made in coordinating detailed plans per province in accordance with signed Delivery Agreements and concluded Memoranda of Agreement;
- Ensure the costing of plans as well as provide an indication of what can be achieved between 2017/18 and 2018/19, over the MTSF period;
- Report on jobs created per quarter by the use of a social accounting matrix.

Report to be considered.

