



ANNUAL REPORT

2016/2017



VISION

Vibrant communities living on well-located land



MISSION

Building partnerships to create integrated sustainable human settlements



OBJECTIVES

The HDA was established to address the land acquisition and assembly process so as to accelerate housing delivery and the human settlements. The specific functions of the agency are set out in Section 7 of the HDA Act, No. 23 of 2008)

THE TWO MAIN OBJECTIVES OF THE AGENCY ARE TO:

- Identify acquire, hold, develop and release well-located land and buildings
- Provide project management support and housing development services

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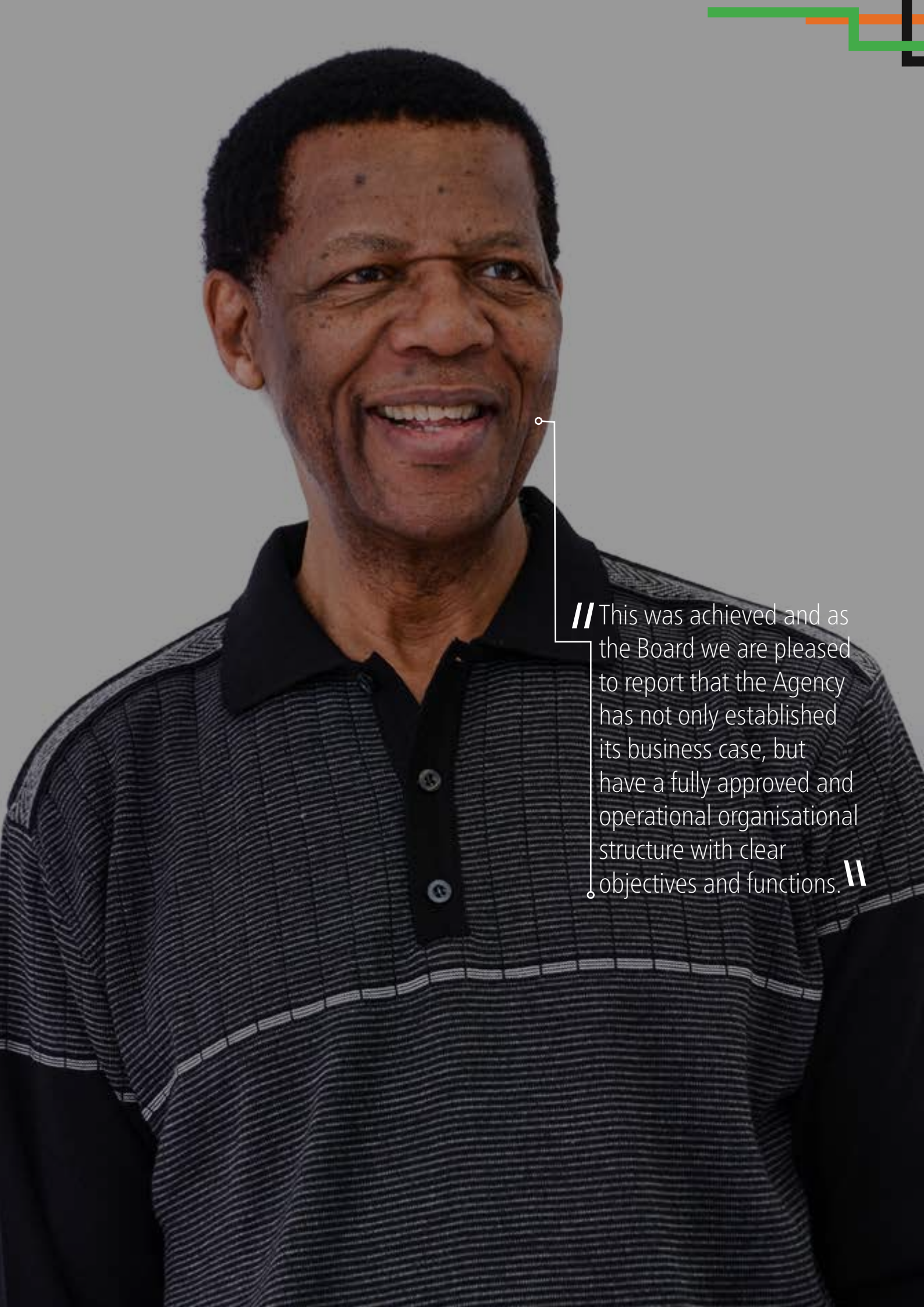
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FOREWORD BY THE CHAIRPERSON

The 2016/17 reporting period has been a very intense period for the Agency. The finalisation of the business case on the Developer Role, the signing off of the new mandate by the Executive Authority meant we needed to move with speed in restructuring of the Agency's competencies to give effect to the developer role.

This was achieved and as the Board we are pleased to report that the Agency has not only established its business case, but has a fully approved and operational organisational structure with clear objectives and functions.

Critical to this exercise was the finalisation of the Catalytic Projects assessments and related processes. During the reporting period the Board signed off on the government led projects as presented by the Chief Executive Officer and his management team. Subsequently these were submitted to the Executive Authority for approval and adoption. As the Board and the agency we have drawn critical lessons in this process and have streamlined our approach going forward. The Agency in the incoming reporting period will be engaging both the provincial and local government stakeholders as they sign various agreements to give effect to the HDA's envisaged role in the implementation of these projects.

The N2 Gateway project, which has been the hallmark of the HDA's effectiveness in the delivery of human settlements, is nearing its completion. The project has faced multiple delays but has since stabilised. The board noted the Agency's role in the response to the plight of residents in the Strand and Nomzamo.



Administrative hiccups were noted by the Board in the transfer of funds from the Eastern Cape provincial department to the Agency for the implementation of phases of the Zanemvula Project in the Nelson Mandela Bay Metropolitan Municipality (NMBMM). The board is encouraged by the implementation of the SMME Incubation Programme in the region as a way of opening up the sector and encouraging emerging contractors.


The Agency has grown since its establishment and as the Board has noted the need for it to ramp up its public visibility as it increases its footprint across the country. To

this end, we are encouraged by the robust engagement that took place at the Developers' Roundtable in November 2016 and we look forward to more stakeholder engagement sessions as the Agency takes the nation into confidence on the implementation of the catalytic projects programme.

The Board also undertook several project oversight visits to experience first-hand the Agency's operational environment. These were insightful as we grapple with the task of delivery in an environment where budgets are shrinking.

The Board is encouraged by the continued sound financial management and governance within the Agency. The structural changes have not impacted on compliance and we wish to congratulate the Chief executive working together with his executive management and the staff on another unqualified audit outcome.

Mr M Msimang
Chairperson



The Board was appointed on the 4 November 2015 and is committed to sound governance and ensures that the Agency's business is conducted in accordance with the highest standards of corporate governance. Risk management and internal control systems are key in ensuring good governance is practised, in place, designed in accordance with best practice and in compliance with King III recommendations, as well as the governance requirements of the HDA Act, no 23 of 2008, Companies Act, no. 71 of 2008 (Companies Act), Code of Conduct of Public Service. The HDA is in the process of ensuring that it incorporates the principles as espoused in the King VI report on corporate governance.

Governance principles and the main duties of the Chairman, Committees and Chief Executive Officer (CEO) are clearly documented. The Board Charter includes a schedule of matters reserved for the Board and the terms of reference of various board committees. The governance framework has been developed to meet the agency's strategic objectives, compliance requirements, balancing the interests of stakeholders, minimising and avoiding conflicts of interest, and practicing good corporate behaviour. Sound corporate governance practices are embedded in our values, culture, and processes.

The Agency is managed in an efficient, accountable, transparent, and ethical manner. This ethos is embedded in all the Agency's activities and thus the HDA's governance framework encompasses more than compliance with legislation.

Responsibility and accountability

The board provides leadership and strategic oversight, and oversees the internal control environment sustaining value to the company's shareholder and stakeholders. The Board ensures adherence to principles of good governance and accountability as espoused in King III, and now King VI and its Board Charter. All of the members of the board are individually and collectively aware of their responsibilities to the group's stakeholders, and each director brings experience, independence and judgement. The board ensures regular review of its performance and core governance.

The governance structure is as follows:

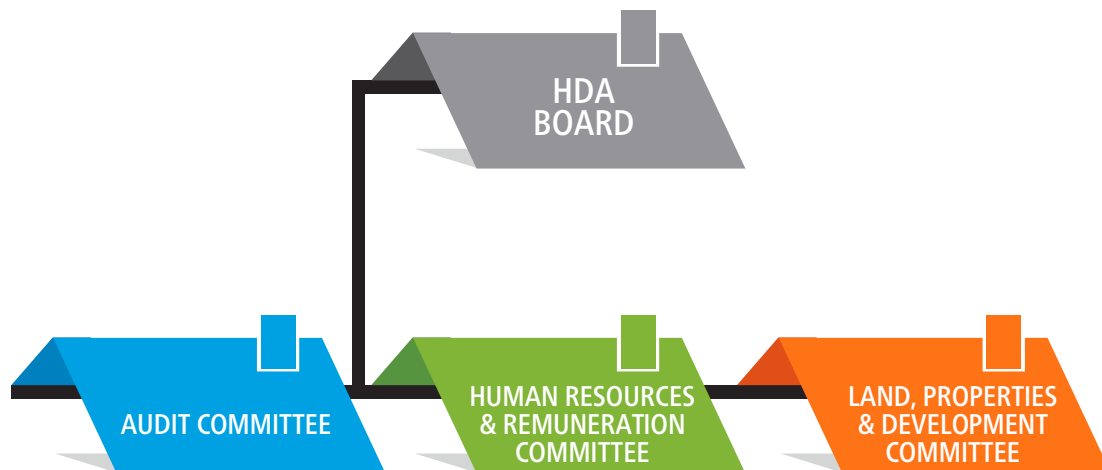
- The Board has delegated certain responsibilities to appropriate board committees to support itself in its oversight responsibility;
- The Executive Committee (EXCO), inclusive of Executives and Business Unit Heads, addresses critical and material business issues; and deals with operational issues.

A schematic illustration of the governance structure is depicted adjacent:



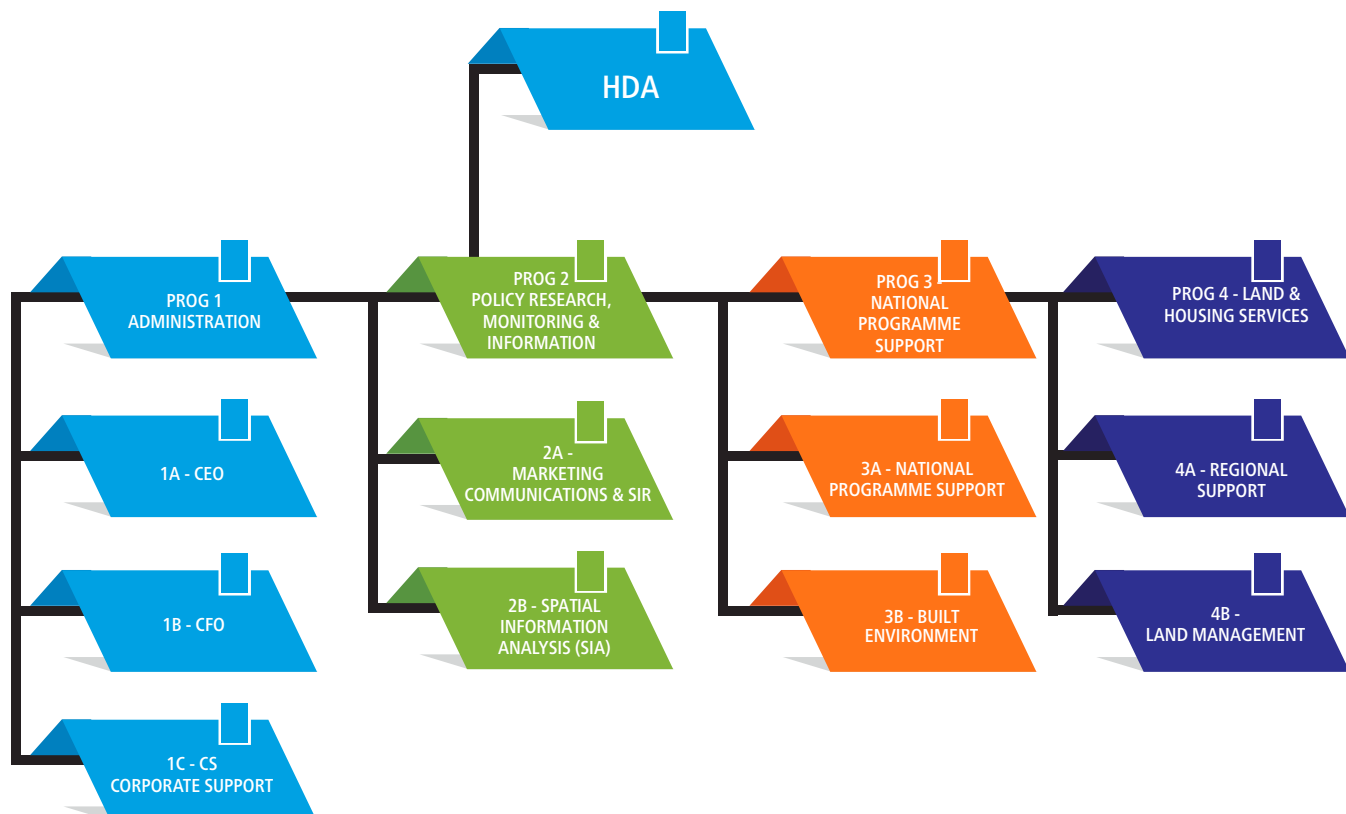
HDA BOARD AND SUB-COMMITTEE STRUCTURE

FIGURE 1:



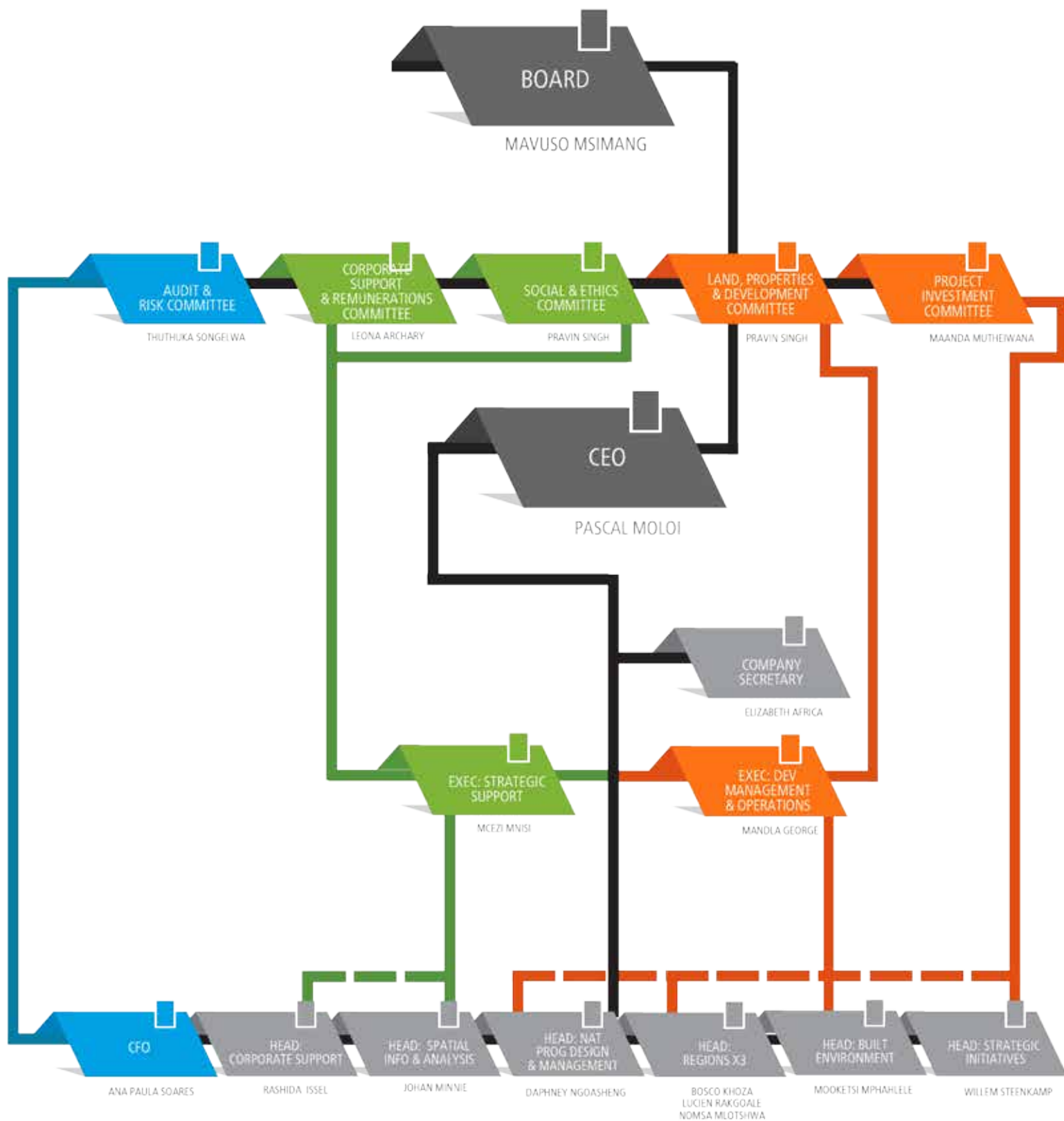
HDA BUDGET STRUCTURE ALIGNED WITH PROGRAMMES

FIGURE 2:



HDA LEADERSHIP FUNCTIONAL STRUCTURE

FIGURE 3:



BOARD STRUCTURE

The Agency has a unitary board, comprising of two executive directors, the CEO and the CFO, as well as five non-executive directors, who all meet the board's independence criteria in terms of being free from any business relationship that could generally hamper their objectivity or judgement on the business and activities of the HDA.



Appointment and retirement of directors

In terms of HDA Act, the shareholder appoints the chairman, CEO and non-executive directors. The remaining executive director is appointed by the Board with the approval of the shareholder.

The shareholder reviews the composition of the board on an annual basis, which ensures the rotation of directors at appropriate intervals and the Board remains dynamic in its thinking and abilities. The term of office for the non-executive directors is a period of three years. Retiring non-executive directors are eligible for re-appointment and their retirement is staggered to ensure continuity and stability.

The Executive Directors comprise the CEO and CFO, who both have five-year contracts.

The shareholder takes cognisance of the agency's needs in terms of skills, experience, diversity, size of the agency and demographics in appointing the non-executive directors.

Formalisation of director appointments and remuneration

The executives have contracts of employment with the company and are subject to HDA's conditions of service. The non-executive directors have their appointments formalised through a letter of appointment from the shareholder. The appointment letter indicates the non-executive directors' term of office, legislation governing their appointment, as well as information pertaining to their remuneration.

Remuneration for non-executive directors is determined by the shareholder based on the regulations and guidelines issued by the Minister for the Public Service and Administration and the National Treasury remuneration guidelines. The non-executive directors' fees are based on their attendance of Board and Committee meetings.

Directorial independence, effectiveness and performance evaluation

The areas that are assessed as part of the effectiveness review include:

- Board size and composition;
- Independence;
- Terms of reference;
- Agenda and meeting preparation;
- Board meetings;
- Board functioning and processes;
- Board committees;
- Leadership and support;
- Board effectiveness and evaluation; and
- Board orientation and development.

The independence of directors is considered with reference to ensuring that directors act in the best interest of the company as guided by the King III report, the HDA Act, the Companies Act and best practice. Accordingly, the independence of individual non-executive directors is considered at every board meeting and audited every year as part of the agency's audit by its external auditors. The board effectiveness review is done to ensure continual improvement of the board, as well as ensuring that governance best practice is applied.

The 2016/17 review confirmed that the Board was effective in performing its oversight role and that the necessary structures and processes are well established and functional. The overall opinion indicated that HDA has a well-functioning and effective board. The evaluation also highlighted that the board is fulfilling its role and responsibilities, and discharging its accountability satisfactorily. The results of the review were considered by the Board. These results were submitted to the shareholder representative to consider, as part of the decision regarding the composition of the board.

Managing conflict of interest

The board subscribes to the principle of effective management of conflicts of interest and that fundamental conflicts should be avoided. At each board and subcommittee meeting, directors declare their interests regarding any agenda item to prevent personal interests of a director taking precedence over those of the company. In addition, directors' interests are declared by the individual directors annually. Board members who have personal interests in a matter under discussion disclose their interests and recuse themselves from the meeting. For the period under assessment directors declared that they had no interests regarding any of the agenda items tabled at either the board or committee meetings. Similar practice applies to all employees of the HDA.

Board induction

New directors undergo a detailed induction to ensure a comprehensive understanding of HDA's legislative framework, governance processes, delegation of authority and business operations. Directors are continuously briefed on relevant new legislation and regulations. The induction and continuous training include the board meetings being held at regions, to allow the directors an opportunity to interact with business units' executives, including viewing the projects that the agency is involved in.

All non-executive directors have access to management and the records of the agency, as well as to external professional advisors, should the need arise.

BOARD MEETINGS

The board has four scheduled meetings annually, and special board meetings are also held as the need arises. All documents that are submitted to the board for discussions are meticulously prepared by the executives, taking into account matters arising from previous board meetings, ensuring completeness and other relevant matters for the board's consideration. Non-executive directors have unfettered access to the executive team and any other employees of the agency to seek explanations and clarifications on any matters prior to or following a board meeting. This facilitates the board's discussions and assists it in reaching speedy but informed decisions.

SUMMARY OF BOARD & SUBCOMMITTEE MEETINGS ATTENDANCE FOR THE FOURTH QUARTER 2016/17

SUMMARY OF BOARD & SUBCOMMITTEE MEETINGS ATTENDANCE

TABLE 1:

E 1:

MEMBER	BOARD MEETING				AUDIT				CORPORATE SUPPORT & REMUNERATION				LAND PLANNING & DEV				PROJECT INVESTMENT				SOCIAL AND ETHICS COMMITTEE			
	No of meetings	Attendance	Apology	Absent	No of meetings	Attendance	Apology	Absent	No of meetings	Attendance	Apology	Absent	No of meetings	Attendance	Apology	Absent	No of meetings	Attendance	Apology	Absent	No of meetings	Attendance	Apology	Absent
M Msimang	2	2	-	-	NA	NA	NA	NA	1	1	-	NA	NA	NA	NA	NA	NA	NA	NA	1	1	-	-	
LC Archary	2	0	1	1	NA	NA	NA	1	1	0	1	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
T Songelwa	2	2	-	-	1	1	-	-	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
P Singh	2	2	-	-	1	1	-	-	NA	NA	NA	NA	1	1	-	-	1	1	-	-	1	1	-	-
M Mutheiwana	2	2	-	-	1	0	1	-	1	1	-	-	1	1	-	-	1	1	-	-	NA	NA	NA	NA
P Moloi	2	2	-	-	1	0	1	-	1	1	-	-	1	0	1	-	1	1	-	-	1	1	-	-
APG Moola	2	2	-	-	1	0	1	-	NA	NA	NA	NA	1	1	-	-	1	1	-	-	1	1	-	-

Board Committees

The board has established and delegated specific roles and responsibilities to five standing committees, namely, the Audit & Risk Committee (A&R), the Corporate Service and Remuneration Committee (CS&R), and the Land Development and Planning Committee (LP&D), the Project Investment Committee (PIC), and the Social and Ethics Committee (S&E). All the standing committees are chaired by independent non-executive directors.

Each committee's role, responsibilities, and membership are in accordance with their terms of reference as approved by the board. These terms of reference are reviewed annually to ensure they remain in line with relevant regulations, agency requirements and best practice in corporate governance.

The A&R committee meets four times a year and the other board committees at a minimum meet three times a year. Executives are regular attendees at the board committee meetings in line with their roles and responsibilities.

The minutes of the committee meetings, including the chairpersons' reports are included in the board meeting pack for information to keep the board abreast of the activities of the committees. Significant matters discussed at these committee meetings are recommended and debated by the board prior to the board approving such matters.

Audit and Risk Committee

Membership of the A&R committee, including its chairman, comprises only independent non-executive directors, with the executive directors as standing invitees to the committee meetings. The Committee has also co-opted two independent financial experts to strengthen its membership. Members of the committee have considerable financial and risk management, commercial experience necessary to oversee and guide the board. These include the audit and risk functions, corporate governance, the governance of risk, and information technology (IT) risk.

The committee's terms of reference are reviewed and updated annually for relevant new legislation and best practice. The terms of reference include the committee's mandate, which is to ensure the integrity of financial reporting, the adequacy of governance, soundness of the internal control environment and the robustness of risk

management processes. The roles and responsibilities of the committee are detailed in the report of the A&R committee and include the following:

- Reviewing the consolidated annual financial statements, and considering reports of the auditors on the financial statements;
- Reviewing risk registers, paying attention to risks, mitigation actions, and overall risk management;
- Reviewing the effectiveness of the company's internal controls;
- Considering matters emanating from the company's ethics hotline, planned management actions and the results of enquiries;
- Agreeing the scope of the auditors' work and their fees;
- Monitoring the performance of the internal audit function;
- Considering the combined assurance model, assessing levels of assurance that is provided by auditors, regulators, management and other assurance providers; and
- IT governance.

The committee has an annual work plan to ensure that all relevant matters are covered by the agendas of the meetings planned for the year as laid out in its terms of reference. The invitees to committee meetings include the two executive directors, internal and external auditors, and other executives responsible for the company's operations, when necessary.

The A&R committee is also responsible for monitoring the line management, internal audit and external assurances, as well as audits performed by regulators. This model is used to assess the appropriateness of assurance over risk/controls provided to the board. Discussions regarding the extent to which the various assurance providers rely on each other's work or where overlaps are unavoidable, take place continuously.

Corporate Support and Remuneration Committee

The HDA is to ensure that all relevant issues are considered by the committee included in its oversight role, relating to personnel, remuneration, transformation, IT Governance, legal, and communication issues, therefore its referred to as the CS&R committee. The committee comprises independent non-executive directors and is responsible for:

- Evaluating the performance of the executive management, and for setting appropriate remuneration;
- Overseeing the group's performance in respect of EE, transformation and staff development, taking into consideration the legal requirements and monitoring of targets set by the company
- Overseeing the skills development and retention of critical skills and talent;
- Overseeing legal matters;
- Communication; and
- IT Governance.

The CS&R scope of responsibilities is detailed in the terms of reference of the committee and is reviewed and approved annually by the board.

Details of the company's EE practices and performance during the year, as well as the challenges in this regard, are provided in the people management section on page 46.

The performance of each executive is assessed relative to the prevailing business climate and market conditions, as well as key predetermined targets. In accordance with principles of good governance, the executives being evaluated are recused from the meeting. Full details of the agency's remuneration philosophy and payments for all directors are available on pages 105 and 106.

Standing invitees to the committee's meetings include the two Executive Directors, the Head Executive: HR, and any other executives whose roles and responsibilities are relevant to the matters under consideration.

The committee held three scheduled meetings and one special meeting during the 2016/17 financial year.

Land, Property and Development Committee

In terms of Section 4 of the HDA Act, the objectives of the Agency are to “(a) identify, acquire, hold, develop and release communal and privately held land for residential and community purposes and for the creation of sustainable human settlement; (b) to project manage housing development services for the purposes of creating sustainable human settlements.....”

In light of its cardinal role and core function, the HDA considered it imperative that a dedicated Board Committee on Land, Properties and Development be

established to attend to the specific oversight of all matters relating to the HDA's property acquisitions, management and development objectives as well as the functions related thereto.

It is to be noted that it is envisaged that a substantial amount and indeed the bulk of any capital allocation made to the HDA will be expended in the sphere of property acquisition and related development objectives. Such acquisitions and development will require necessary Board approval and oversight. Thus, in keeping with the principle of good corporate governance and oversight, with reference to the board applying its mind to substantial capital expenditure, the Land, Properties and Development Committee was established. Membership of the LP&D committee, including its chairman, comprises only independent non-executive directors, with the executive directors as standing invitees to the committee meetings.

The role of the Committee is as follows:

- Shall have strategic oversight of the acquisitions, management and development of land and properties.
- Will ensure that adequate internal controls are in place to manage risk, legal and compliance issues in respect of acquisitions, management and development of land and properties.
- Will ensure the overall compliance of the investment programme, both the capital and institutional investment, and will have final recommendations to the Board for authorisation of Investment decisions.
- Oversight of the management and mitigation of risks related to the Agency's role and functions pertaining to Acquisitions, Management and Development of land and properties.

The LP&D scope of responsibilities is detailed in the terms of reference of the committee and is reviewed and approved annually by the board.

The committee held three scheduled meetings and one special meeting during the 2016/17 financial year.

Project Investment Committee (PIC)

The HDA was mandated by the Minister of Human Settlements to reposition the HDA into an effective public sector human settlements development agency. In light of the HDA's expanded development role, it was considered imperative that a dedicated Board Investment Committee be established to attend to the specific oversight of all matters relating to the HDA's core development and investment functions.

Membership of the PIC, including its chairman, comprises only independent non-executive directors, with the Executive Directors as standing invitees to the committee meetings.

The Committee is responsible for the following matters:

- a) Approval of funding proposals;
- b) Amendments to approval decisions and Project terminations; and
- c) Consideration of Management Reports, relating to number of Projects approved and Geographic location, expenditure, Programme/ Projects Implementation and any HDA Interventions employed to support developments

The LP&D scope of responsibilities is detailed in the terms of reference of the committee and is reviewed and approved annually by the board.

The committee held three scheduled meetings and one special meeting during the 2016/17 financial year.

Social and Ethics Committee

The S&E committee comprises only independent non-executive directors, including the chairman. The executive directors are standing invitees to committee meetings and relevant EXCO members attend the committee meetings by invitation.

The committee advises the board on good corporate citizenship and ethical relationships, and report to the Board on the agency's commitment in this regard. The committee's terms of reference are reviewed and updated annually and its responsibilities include:

- Evaluating policies and measures in place to prevent fraud and corruption;
- Reviewing the corporate social investment (CSI) strategies and progress thereon;
- Evaluating the stakeholder engagement model, monitoring the status and from time to time assessing effectiveness;
- Reviewing the transformation strategies, progress on initiatives and improvement plans; and
- Reviewing occupational health and safety (OHS) policies and monitoring effectiveness.


The committee has an annual work plan and ensures that the committee meets all monitoring and reporting responsibilities within the annual cycle. The committee further considered the company's corporate and social investment, transformation and ED initiatives, OHS, stakeholder management, as well as the ethics policy.

Executive Committee

The EXCO is chaired by the CEO and includes all Business Unit Heads. The responsibilities of the committee include overseeing the day-to-day management of the agency's affairs, executing the decisions of the board, strategy development, and reviews of the agency's values, safety performance, operations, and financial performance. The committee meets on a monthly basis.

Code of Ethics

The HDA has strengthened policies and processes to ensure employees have clear guidance to make ethical choices and understand the due diligence required in all business decisions. The HDA's code of ethics was implemented during the year and sets clear expectations for directors, employees, suppliers and clients. Regular awareness training regarding the code and our ethical standards helps us to embed a culture of responsible business conduct throughout the company. The HDA aims to communicate openly and transparently with stakeholders regarding our approach to responsible business conduct. The agency has an independently-operated whistle-blowing mechanism that is operated by an independent organisation. External stakeholders have



also been made aware of the company's ethics policy and hotline, via our procurement and legal departments.

Internal control

The Board oversees the system of internal control within HDA, whereas the implementation and functioning of these systems rest with the executive management. The A&R committee is presented with a formal review of the effectiveness of the agency's internal controls on a regular basis. There are reports from management on specific areas, internal audit, external audit and other independent assurance providers that are tabled from time to time.

Internal Audit

The function of internal audit is to appraise the adequacy and effectiveness of HDA's systems of internal control. This function has been outsourced to an audit firm. There is an internal audit charter in place, which regulates the interaction between the agency, management, internal auditors, and the board. The charter is tabled annually to the A&R committee for consideration and approval.

The internal auditors report administratively to the CEO and have unrestricted access to the chairman of the A&R committee and to the Chairman of the Board, and regularly report to the A&R committee. The board is confident that the internal auditors have discharged their duties fully in terms of the internal audit charter.

FRAUD AND CORRUPTION

The HDA's values of integrity, the principles of the UN Global Compact and the requirement of the PFMA to prevent financial misconduct and fraud, inform the HDA's fraud and corruption prevention strategy. The S&E committee advises the board on good corporate citizenship and ethical relationships and oversees the implementation of the strategy. During the year, the HDA's fraud and corruption prevention strategy and policy was aligned with legislation and updated to improve detection, prevention and investigation of possible fraud and corruption.

Fraud and corruption awareness

The HDA has implemented a system of financial and operational controls including policies, such as the delegation of authority, procurement, and employee

ethics that promote ethical conduct with the aim of preventing fraud and corruption. The system includes security procedures to protect assets, and declaration of interests by employees and directors.

The HDA has adopted a transparent procurement process that consists of formal tender publications, as well as appointed adjudication committees to ensure segregation of duties, and procurement decisions are taken within the delegated authority.

The scope of the code of ethics and business conduct was broadened to include business partners and other stakeholders. As part of instilling a culture of good ethics and integrity, the HDA embarked on group-wide campaigns to communicate its values and fraud and awareness to employees.

Detection of fraud and corruption

Management continuously interrogates financial, HR, and inventory information to detect possible instances of fraud and corruption as part of the day-to-day control activities. In addition, external auditors and internal auditors include fraud detection in their audit procedures and have found no evidence of fraud and corruption for the year under review.

Whistle-blowing

The HDA has an independent, confidential hotline accessible to all stakeholders, through which fraudulent and unethical behaviour may be reported. The hotline number is published on the intranet and website, as well as on supplier and customer orders, in the company newsletter and communicated on noticeboards. However, the HDA is comfortable that the CCM process, diligent management assessments, as well as external and internal audit procedures which include the Auditor-General requirements of supply chain fraud risk assessment, highlighted no instances of fraud and are effective in complementing fraud and corruption detection.

Disclose any issues discovered and reported on hotline.

The HDA continues to promote anti-fraud and anti-corruption awareness among employees and stakeholders.



LEGAL, REGULATORY AND PUBLIC POLICY COMPLIANCE

The nature of HDA's business requires assessment of and integration of legal, regulatory and public policy requirements into the strategy and operational processes of the agency to meet its contractual, moral and corporate citizenship obligations. As a public entity, the observation of laws that govern the agency and its activities forms the foundation for good corporate governance and demonstrates stewardship and responsibility to the shareholder and other stakeholders.

The effectiveness of HDA's system of internal control, financial, operational and other regulatory controls is continuously assessed by and reported to the A&R committee to enable the board to discharge its oversight responsibilities.



LC ARCHARY

P MOLOI
Chief Executive Officer



APG SOARES
Chief Financial Officer

HDA BOARD



M MSIMANG
Chairperson



TS SONGELWA

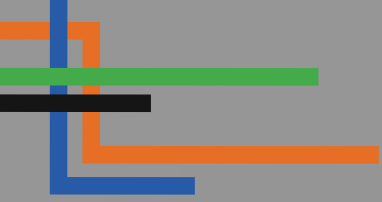


PA SINGH
Deputy Chairperson



ME MUTHEIWANA





// We are pleased to announce that the structure of the Agency as a Developer has been signed off by the Executive Authority and is partially filled. //

CHIEF EXECUTIVE OFFICER'S REPORT

The 2016/17 Financial Year was a very busy period for the HDA with the finalisation of the Catalytic Projects Programme (CPP) focusing on the government led ones in relation to the extensive consultation with other government spheres and institutions. This process has culminated in a detailed implementation plan that has been tabled at various structures for inputs and sign off. As we wrapped up the reporting period, the HDA had concluded the "administrative" process around the implementation plan.

In November 2016, the National Department of Human Settlements (NDHS) together with Human settlements MINMEC approved for delivery, a pipeline of 48 government-led projects as national priority human settlements projects. These approved catalytic projects are listed in the Annexures to this report.

During the 2016/2017 financial year, 48 government-led catalytic projects were approved by MINMEC. The HDA will assist the provincial departments and the municipalities with the implementation of these catalytic projects and our role over and above that of a programme manager will range from repackaging of some projects, acting as a developer, and taking over the implementation of the entire project in other cases.

During the 3rd quarter of 2016, the HDA launched a Strategic Initiatives Unit. This unit, staffed by private sector industry specialists, is tasked with identifying potential and strategic partnership across the entire value chain of integrated human settlements developments. Other than providing subject matter expertise to all other units within the HDA, to date, the unit has reviewed more than 80 potential partnership opportunities, including co-development, land availability agreements, local and international funding

options, deal facilitation, strategic property acquisitions and developments, many of which have already progressed to a point of imminent implementation. Private sector and specifically local authorities have embraced this initiative with open arms and we look forward to continuing with the identification, negotiation and implementation of key strategic partnerships across the entire human settlements value chain. Key achievements to date include amongst other the conclusion of a partnership with one of South Africa's largest investment and asset managers for the co-development, funding and implementation of 13 properties owned by the respective asset manager which will ultimately cater for a broad spectrum of human settlements beneficiaries.

All this was done as we resourced the functional structure of the organisation. To date we are pleased to announce that the structure of the Agency as a Developer has been signed off by the Executive Authority and is partially filled.

Over the past year, through our Stakeholder and Intergovernmental Relations Unit we made significant strides in building the confidence in the sector through building sustained services awareness in the sector, sustained engagement with stakeholders, improved coordination, as well as provided support to improving programmes responsiveness in addressing challenges and bottlenecks.

As part of the generating business opportunities and collaboration, the Agency formalises the partnerships by concluding cooperate agreements as a means of governing and maintaining the relationship with stakeholders, also using these to maintain the capability edge while mitigating against strategic and operational reputational risks.

During this period we also welcomed new Board members to our Board. Due to the change in the structure of the Agency it was necessary that we expand the Board committees to capacitate it to deal with the new functions of the Agency.

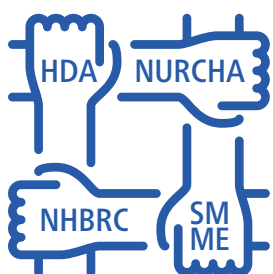
Our Organisational environment has been relatively stable with the alignment of business process and functions having been concluded by end of March. We have streamlined our performance contracting and assessment processing as we strive for a performance driven organisation with the right skills and people in the right positions.

Our operational costs have increased due to the

resourcing of our functional structure which has seen an expansion of some of our regional offices. This is expected to change as we bring on board our Mpumalanga and North West offices in the coming reporting period.



We also navigated challenging times in relation to our role at Implementing Agent in the Nelson Mandela Bay Metro. This highlighted the need for us to invest more in stakeholder relations to ensure synergies between us and the provinces we work with. Our delivery rate in the region speaks for itself and we are proud to have contributed to the Eastern Cape's overall delivery target as the Agency.



Our incubation programme continues in partnership with NURCHA and the NHBRC to further capacitate SMME contractors so that they are able to take advantage of economic opportunities as we roll out more work within the Zанемвула Mega Project.

The N2 Gateway project is in its last phase as it is due for completion in the 2018/19 reporting period. We acknowledge the continuing housing demand within the city of Cape Town and as an Agency we have continued with our technical support to the province in relation to the Nomzamo intervention. We are excited to bring on board Knysna and Bitou as part of our work in the Western Cape.

The Mining Towns Programme has gained momentum with various projects making the cut as part of the Catalytic Projects list. In the reporting period we focused on having an implementation plan and we are pleased to announce that this now exists and will undergo consultation within the broader structures of the Presidential Intervention in distressed mining towns.

The second anchor programme of the HDA is the National Upgrading Support Programme (NUSP). In line with the developer mandate, the HDA has identified at least five informal settlement projects as well as developed and approved business plans for the implementation in collaboration with the relevant Provinces.

The HDA produced a detailed Informal Support Upgrading (ISU) Project Pipeline for mining town informal settlements, including 54 Category A, informal settlements that are tracked continuously

for implementation. The pipeline spread-sheet will be customised into a programme and tracking tool system in the next financial year 2017/18.

Critical to our ability to package projects in the most efficient way is the need to have a credible and professional panel of contractors. Through our Built environment unit we have an expansive list of contractors and professional services consultants that will assist the Agency in various projects.

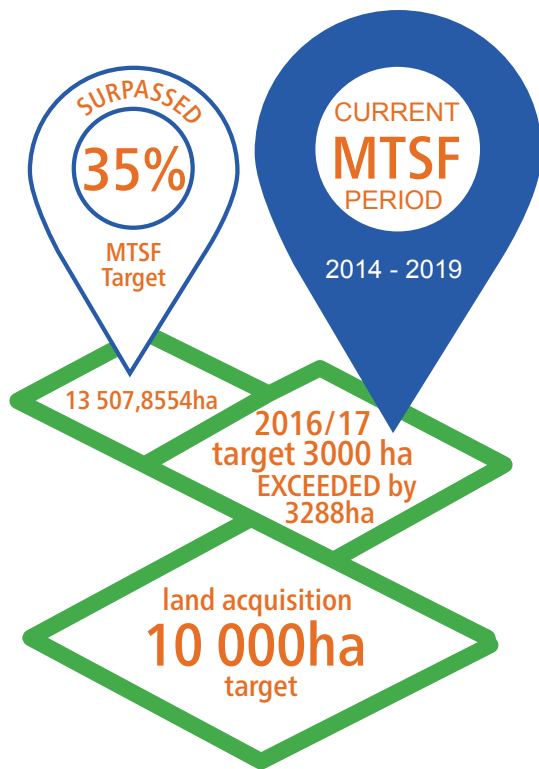


Our work leaves a trail of knowledge and research material. We have developed a live reporting dashboard which we will expand to users in the provinces so that we all report based on real information and generate a bird's eye view picture of our projects and support services delivery. The Master Spatial Plan dashboard and our GIS services continue to provide insightful planning information to our clients.

Our Knowledge Management and Research team has been assessing building maintenance and its impact on affordable housing in Integrated Residential Development Programme (IRDP). The findings reveal that should the State embrace a long-term investment approach, the return on investment (ROI) on IRDP projects will demonstrate a successful ROI averaging between 18% - 23% over the full project

The HDA delivers on its mandate through identifying well located land and putting forward compelling projects for provinces and municipalities to deliver on their mandate to provide affordable and decent housing. This requires us to have very close working relationships with various players in the provincial and local government, to this end we have undertaken an extensive exercise of better understanding who our stakeholders are and have developed a Stakeholder and Intergovernmental Relations Strategy. This will provide us with a blueprint as to what are the key things we must do as we engage.

One of the first stated objectives of the HDA is to "identify, acquire, hold, develop and release state, communal and privately owned land for residential and community purposes and for the creation of sustainable human settlements". Over the 2014 to 2019 MTSF period, the HDA has a land acquisition target of 10,000.00 Hectares. The 2016/2017 target of 3000 hectares was exceeded by 3250 hectares achieving a total of 6288 hectares in this reporting period. The Agency has further surpassed the MTSF target of 10 000 hectares by 35% achieving a



cumulative total of 13 507.8554 hectares of land acquired and released.

Financially the Agency has again achieved an unqualified Audit. We continue to review our internal financial controls to eliminate any adverse consequences.

We look forward to the incoming year that will see us roll out a public information multimedia campaign on the Catalytic Projects Programme. We will be engaging with our special groups through various targeted sessions.

In conclusion, I would like to extend our gratitude to the Staff at the HDA who work in challenging situations at times. Also our sincere thanks go to various spheres of government and other entities that co-operate with the HDA's requests and our Executive Authority for all the support.

P Moloi
Chief Executive Officer



P MOLOI
Chief Executive Officer



MCEZI MNISI
Executive: Strategic Support



JOHAN MINNIE
Head: Spatial Information
and Analysis



APG SOARES
Chief Financial Officer



MOOKETSI MPHAHLELE
Head: Built Environment



NOMSA MLOTSHWA
Regional Head Manager:
Region C



HDA EXCO MEMBERS



MANDLA GEORGE
Executive: Development
Management and Operations



LUCIEN RAKGOALE
Regional Head Manager:
Region B



DAPHNEY NGOASHENG
Head: National Programme Design
and Management



WILLEM STEENKAMP
Head: Strategic Initiatives



RASHIDA ISSEL
Head Corporate Support



BOSCO KHOZA
Regional Head Manager:
Region A



The HDA derives its primary mandate from the Housing Development Act. In addition, the Agency's mandate is derived from several policy prescripts, as well as the Medium Term Strategic Framework (MTSF) targets.

1.1 The Housing Development Agency Act No 23 of 2008

The Housing Development Agency Act provides for the establishment of the HDA and sets out the objects, roles, powers and duties of the Agency. In the preamble the Act identifies the following key factors as the reason for establishing the HDA, inter alia:

- A significant factor in the lack of adequate delivery of housing to low-income earners has been the delay in the identification, acquisition, assembly, and release of state-owned and private land.
- There is a need therefore to establish the Housing Development Agency which must fast-track the processes of housing development.
- It is further acknowledged that there are serious challenges that hinder the realisation of housing for all and that there is a need to accelerate the delivery of housing. There is an urgent need for government to address the increasing backlog in respect of housing delivery together with a critical shortage of skills and capacity to provide housing in some provinces and municipalities.

The Housing Development Agency Act No. 23 of 2008 outlines the purpose or object of the HDA as being to:

- Identify, acquire, develop and release state, communal and privately owned land for residential and community purposes and for the creation of sustainable human settlements (clause 4(a))
- Project manage housing development services for the purposes of the creation of sustainable human settlements (clause 4(b))
- Ensure and monitor that there is centrally coordinated planning and budgeting of all infrastructure required for housing development (clause 4(c))
- Monitor the provision of all infrastructure required for housing development (clause 4(d))

In terms of the Act the role of HDA is as follows:

- The Agency must, in consultation with the relevant owner, identify, acquire, hold, develop and release state, privately and communal owned land for residential and community purposes for the creation of sustainable human settlements (clause 5(1)).
- The Agency must ensure that there is funding for the provision of all infrastructure that is required for housing development in which it is involved (clause 5(2)).
- The Agency may offer assistance to an organ of state in order to fulfil its objects. In addition, the Minister may, in consultation with the relevant MEC, where there is lack of capacity in any organ of state to identify, acquire, hold, develop and release land for residential and community purposes for the creation of sustainable human settlements advise the organ of state to conclude an agreement with the Agency to offer assistance in terms of the Agency's skill and expertise; or direct the Agency to engage with the organ of state with a view to concluding an agreement (clause 5(3)).

In Section 7(1) the HDA Act identifies some 12 functions to be undertaken by the HDA as set out below.

- Develop a development plan to be approved by the Minister in consultation with the relevant authorities in the provinces and municipalities (7(1) (a)).
- Develop strategic plans with regard to the identification and acquisition of state, privately and communal owned land which is suitable for residential and community development (7(1) (b)).
- Prepare necessary documentation for consideration and approval by the relevant authorities as may be required in terms of any other applicable law (7(1) (c)).
- Monitor progress of the development of land and landed property acquired for the purposes of creating sustainable human settlements (7(1) (d)).
- Enhance the capacity of organs of state including skills transfer to enable them to meet the demand for housing delivery (7(1) (e)).
- Ensure that there is collaboration and intergovernmental and integrated alignment for

housing development services (7(1) (f)).

- Identify, acquire, hold, develop and release state, privately and communal owned land for residential and community development (7(1) (g)).
- Undertake such project management services as may be necessary, including assistance relating to approvals required for housing development (7(1) (h)).
- Contract with any organ of state for the purposes of acquiring land for residential housing and community development for the creation of sustainable human settlement (7(1) (i)).
- Assist organs of state in dealing with housing developments that have not been completed within the anticipated project period (7(1) (j)).
- Assist organs of state with the upgrading of informal settlements (7(1) (k)).
- Assist organs of state in respect of emergency housing solutions (7(1) (l)).

The Act indicates that in performing its functions the HDA must:

- Ensure that residential and community developments are sustainable, viable and appropriately located (7(2) (a)).
- Establish compliance and fraud prevention mechanisms to ensure the integrity of the Agency (7(2)(b))
- Ensure that job creation is optimised in the process of residential and community development (7(2)(c))
- Introduce and manage a land inventory and information system (7(2) (d))
- Ensure that community participation takes place (7(2) (e))
- In terms of section 5 of the Act, the Minister may authorise the Agency to perform any additional function that is consistent with the Act. Furthermore, the Minister, in consultation with various MECs, may direct the Agency to conclude land assembly and/or project management agreements with organs of state that lack the capacity to do so.

1.2 Five-year written mandate between the Minister and the HDA board

Section 8 of the HDA Act requires that a written mandate is concluded between the Minister of Human Settlements and the HDA which sets out the operational and performance indicators against which the performance of the HDA is measured.

A new written mandate between the Minister of Human Settlements and the HDA Board is being prepared for signing by the two parties. The performance indicators and targets specified in this mandate can be seen in the table below.

PERFORMANCE INDICATORS	TARGET (MTSF PERIOD)
Number of hectares of well-located land released for human settlement development (targeting poor and middle income households)	10 000 ha
Number of national priority programmes provided with oversight and implementation support (Mining towns, Catalytic project, NUSP)	3 national programmes supported
Number of provinces supported with HDA services	9 provinces
Develop, implement & maintain an approved Master Spatial Plan (MSP) for the human settlements sector	Ongoing

In addition, the mandate indicates the following additional functions to be undertaken by the HDA:

- Management of the N2 Gateway Project in the Western Cape Province in terms of the approved Business Plan and related project agreements.
- Management of the Zanemvula Project in the Eastern Cape Province in terms of the approved Business

- Plan and related project agreements.

Over and above the mandate, the Minister has additional expectations as indicated in a number of discussions and presentations. The key components of these expectations that directly relate to the HDA are as follows:

- The HDA will be responsible for the revitalisation programme for **22 mining towns**.
- **HDA will be part of a team responsible for identifying and implementing 50 megaprojects over the next five years (termed catalytic projects)**. These are seen to be catalytic projects comprising at least 10,000 housing units and 5,000 informal settlement upgrades. The projects need to be selected on the basis that they will have a significant impact on the environment.

10 000  5 000

- **N2 Gateway to be refocused as a national priority project.** The lessons learnt from the project need to be documented and the project closed.
- **A credible housing database** covering both housing and land needs to be established.
- **The HDA should be restructured so as to become a fully-fledged developer** whose job is not only to acquire and prepare land, but to facilitate land development and project manage agreed projects.
- **The HDA is responsible for developing a strategic (master) spatial plan for the country** which will create a framework within which project funding will flow.

1.3 Medium Term Strategic Framework (2014)

On the basis of the new Medium Term Strategic Framework (2014-2019) the HDA anticipates being directly responsible for the acquisition of 10 000 hectares of well-located publicly owned land and buildings released for human settlement development. In addition the HDA will be required to contribute towards the provision of 1.5 million housing opportunities in quality living environments by 2019, as well as the implementation of 50 catalytic projects.

1.4 Other policy mandates

The core policy approaches underpinning South Africa's national housing programme are reflected through the following policy documents and legislation and therefore directly impact on the HDA:

- The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- The Housing Act, 1997 (Act No. 107 of 1997 as amended in 1999 and 2001)
- The Comprehensive Plan for the Development of Sustainable Human Settlements - Breaking New Ground - in Housing Delivery', National Department of Housing, September 2004
- Outcome 8, Sustainable Human Settlements and an improved quality of household life, 2010 and as amended in 2015
- The National Development Plan, Vision for 2030, National Planning Commission, November 2011

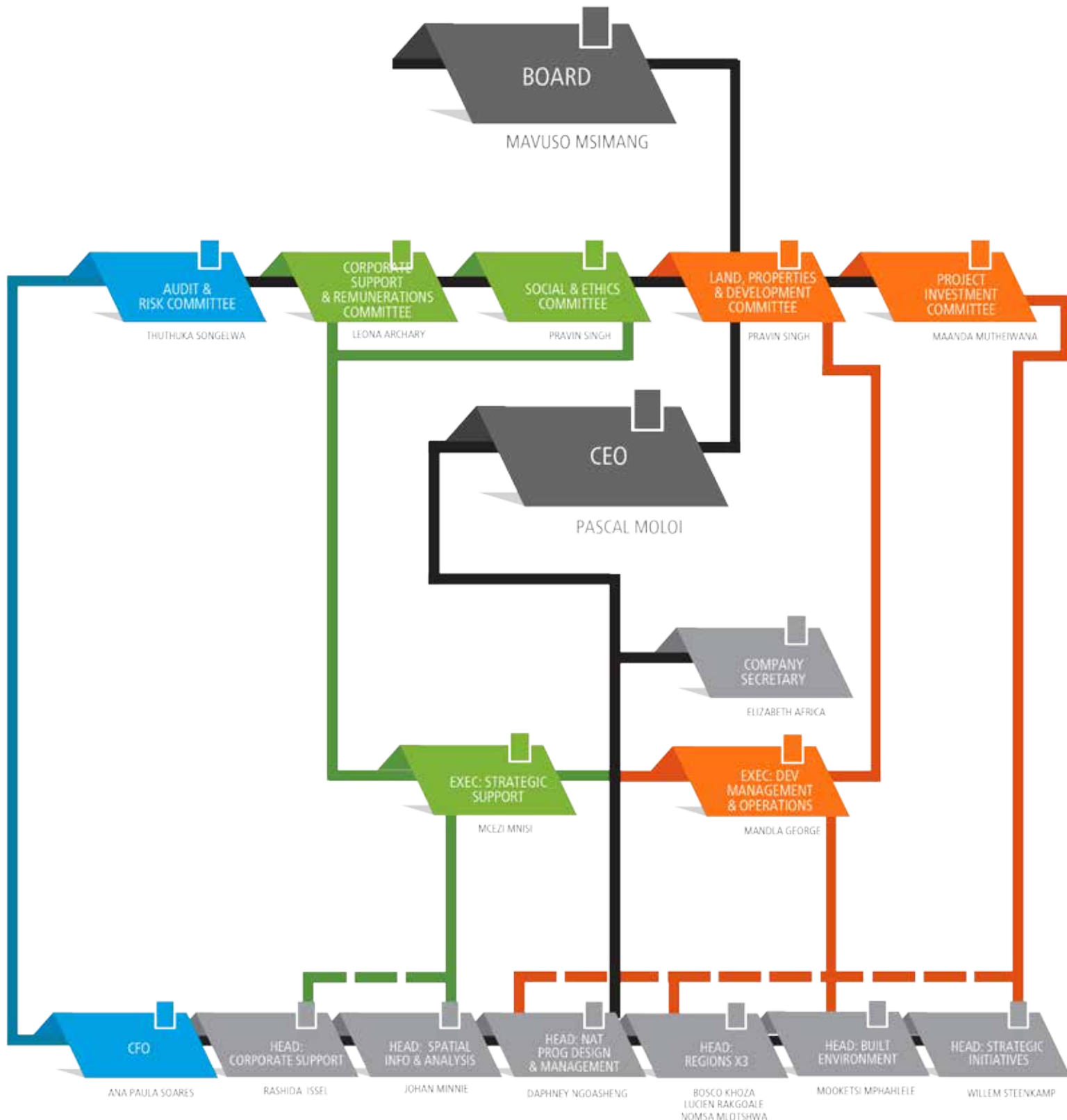
¹ Financial and Fiscal Commission, Options analysis: Alternative paradigms for housing delivery in South Africa, Final Report, October 2012

2. OVERVIEW OF ORGANISATIONAL ENVIRONMENT

2.1 Organisational Structure

The governance of the HDA is entrusted to a Governing Board, with the Minister of Human Settlements being the executive authority responsible for the Agency.

The HDA has arranged its key functions into four budget Programmes and Sub-Programmes as follows:

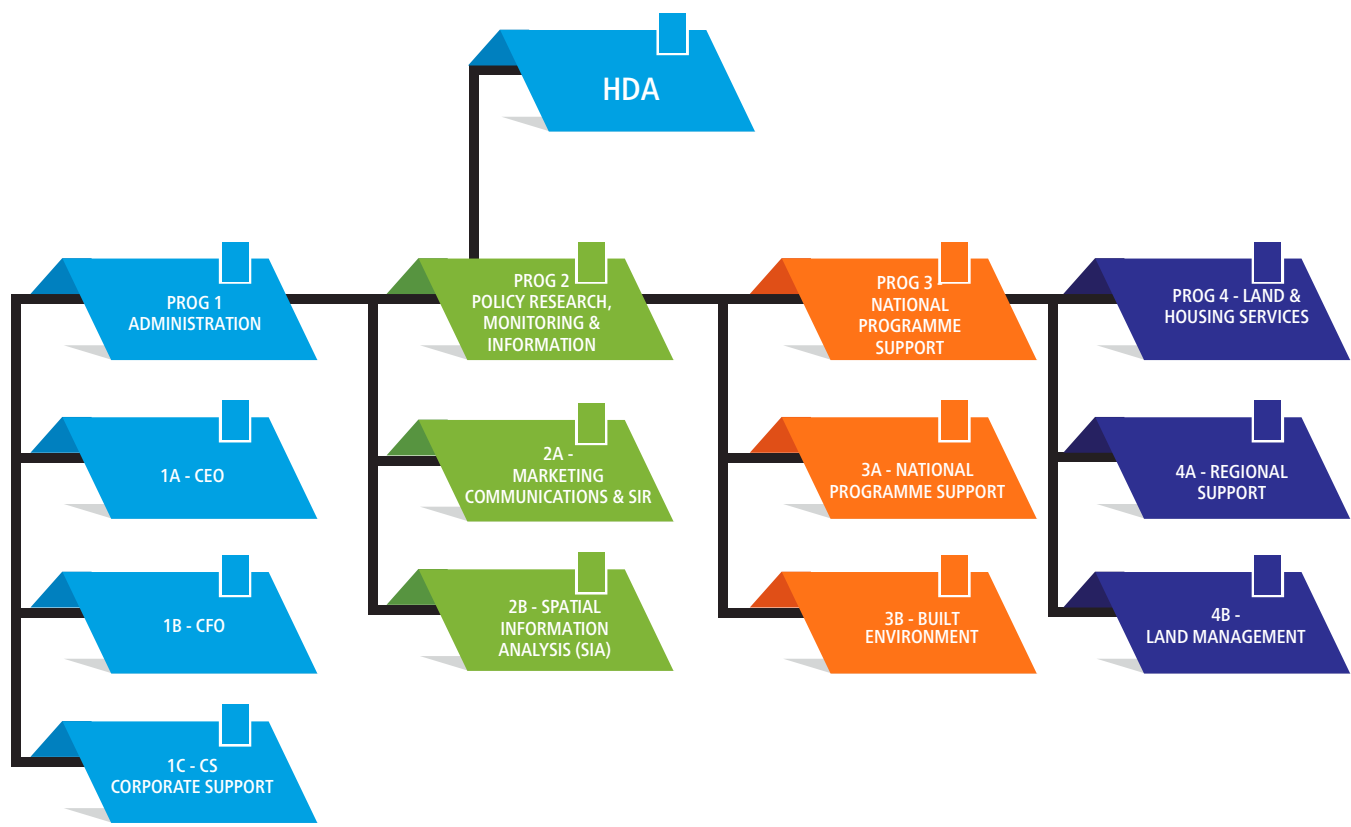




For the 2017/2018 financial year, and going forward, in line with the expansion of the HDA's mandate to incorporate a human settlements developer role, the HDA has revised its' budget programmes as follows:

HDA BUDGET STRUCTURE ALIGNED WITH PROGRAMMES

FIGURE 4:



2.2 Organisational Environment

HDA STAFF STATISTICS (1 April 2016 – 31 March 2017)

HDA STAFF NUMBERS: EMPLOYMENT EQUITY STATS AS AT THE *END OF MARCH 2017*

Categories	AF	AM	CF	CM	IF	IM	WF	WM	**D	Total
Top management (%)	1.2	3.6	0.6	0.0	0.6	0.0	0.0	1.2	0	7.14
No. of employees (F-EU)	2	6	1	0	1	0	0	2	0	12
Senior management (%)	0.6	4.2	0.0	1.2	0.6	0.6	0.6	0.0	0.0	7.74
No. of employees (EL)	1	7	0	2	1	1	1	0	0	13
Professionals, specialists & mid-mgt (%)	13.1	15.5	1.8	3.0	0.6	0.6	1.2	0.6	0.6	36.90
No. of employees (DU-DL)	22	26	3	5	1	1	2	1	1	61
Skilled, qualified workers, Supervisors (%)	20.8	10.7	4.2	1.8	0.0	1.19	4.2	0.00	0	42.86
No. of employees (CU - CL)	35	18	7	3	0	2	7	0	0	72
Semi-skilled workers (%)	1.8	1.8	0.0	0.6	0	0	0	0	0	4.17
No. of employees (B-BL)	3	3	0	1	0	0	0	0	0	7
Unskilled workers (%)	1.19	0.60	0	0	0	0	0	0	0	1.79
No. of employees (A-AU)	2	1	0	0	0	0	0	0	0	3
Total Percentage (%)	38.7	36.3	6.5	6.5	1.8	2.4	6.0	1.8	0.6	100%
Total Staff as at end March 2016	65	61	11	11	3	4	10	3	1	168
Total Staff Percentage	75%		13.1%		4.2%		7.7%		20.6%	
National Target Percentage	75.20%		10.60%		3.10%		10.80%		2%	
HDA Priority Grouping	*√		*√		*√		*√		*√	

*√ : areas of recruitment priority

**D: Disability

Please note that the disable employee is reported under WF and not added twice in the total calculation.



3.1 The HDA in the Human Settlements Sector

The HDA contributes to the realisation of the human settlement development priorities working in collaboration with various other stakeholders. As shown in the figure below, the HDA operates in a unique space being the only public entity with a specific focus on land issues.

FIGURE 5:



3.2 Challenges on the Human Settlements Sector

There are significant challenges in the human settlement sector including the following:

The need for housing is extremely high. In terms of Census 2011, 13% of South Africa's households (2 million households) are living in informal housing circumstances either in informal settlements or backyard rental (see figure 6 ahead).

- In addition 76% of households (10,9 million households) live in formal housing circumstances either owned or rented. Of these 6,1 million earn below R6,400 per month and anecdotal evidence indicates that such households are living in accommodation where there is high levels of overcrowding and poor access to basic services.
- The above households (together with new family formation) are currently the primary focus of Government's human settlements programme.

OVERVIEW OF SERVICE DELIVERY ENVIRONMENT

Table 2: Census 2011: Housing circumstances in South Africa by income

MONTHLY INCOME	R0 - R 3 200	R 3 200 - R 6 400	R 6 400 - R 13 000	R 13 000 - R 26 000	R 26 000 - Plus	Unspecified	Total
A: Formal (Owned)	2 345 700 16 %	1 030 532 8 %	774 015 5 %	673 762 5 %	1 344 640 9 %	32 678 0 %	6 201 527 43 %
B: Formal (Rented, plus room/flatlet not in backyard)	1 908 744 13 %	899 039 6 %	705 977 5 %	524 357 4 %	643 362 5 %	11 548 0 %	4 693 027 33 %
C: Informal Settlement (regardless of weather it is owned or rented)	766 069 5 %	276 497 2 %	146 779 1 %	42 181 0 %	17 784 0 %	461 0 %	1 249 771 8 %
D: Backyard Dwelling (Regardless of weather it is owned or rented)	400 117 3 %	167 198 1 %	101 059 1 %	31 378 0 %	12 889 0 %	316 0 %	712 955 5 %
E: Traditional Dwelling (regardless of weather it is owned or rented)	724 303 5 %	271 968 2 %	88 243 1 %	28 283 0 %	26 277 0 %	830 0 %	1 139 904 8 %
G: Other	222 961 2 %	95 368 1 %	63 159 1 %	35 693 0 %	34 330 0 %	759 0 %	452 268 3 %
Total	6 367 894 44 %	2 740 598 19 %	1 879 232 13 %	1 335 654 9 %	2 079 462 14 %	46 592 0 %	14 449 452 100 %


Government's key focus is on households earning below R3,500 living in informal settlements and backyard dwellings, as well as new family formation. Government also focuses to a lesser extent on the affordable housing sector, often termed 'gap' housing (see figure below).

The primary focus of the private sector is the provision of housing for ownership and rental for middle to upper income households. There is limited provision of housing for lower income households.


There is a need to reposition the HDA into an effective public sector human settlements development agency that will coordinate and bridge Government and the private sector areas of focus.

Figure 6: Government and private sector areas of focus


MONTHLY INCOME	R0 - R 3 200	R 3 200 - R 6 400	R 6 400 - R 13 000	R 13 000 - R 26 000	R 26 000 - Plus	Unspecified	Total
A: Formal (Owned)	2 345 700 16 %	1 030 532 8 %	774 015 5 %	673 762 5 %	1 344 640 9 %	32 678 0 %	6 201 527 43 %
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Total	6 367 894 44 %	2 740 598 19 %	1 879 232 13 %	1 335 654 9 %	2 079 462 14 %	46 592 0 %	14 449 452 100 %




**Governments main
area of focus**



**Governments secondary
area of focus**



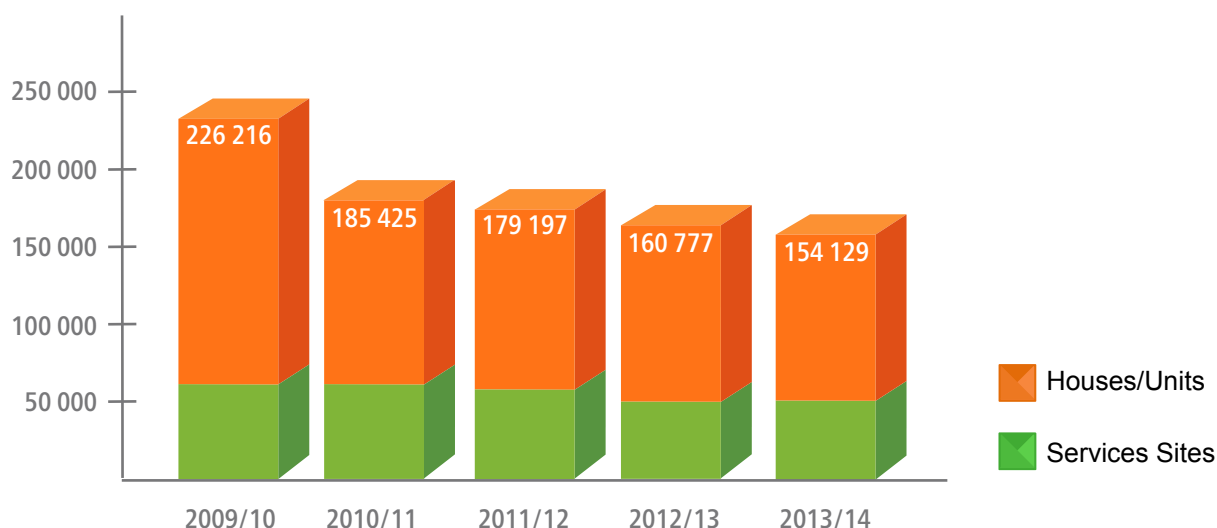
**Private Sector
secondary area
of focus**



**Private Sector
main area
of focus**

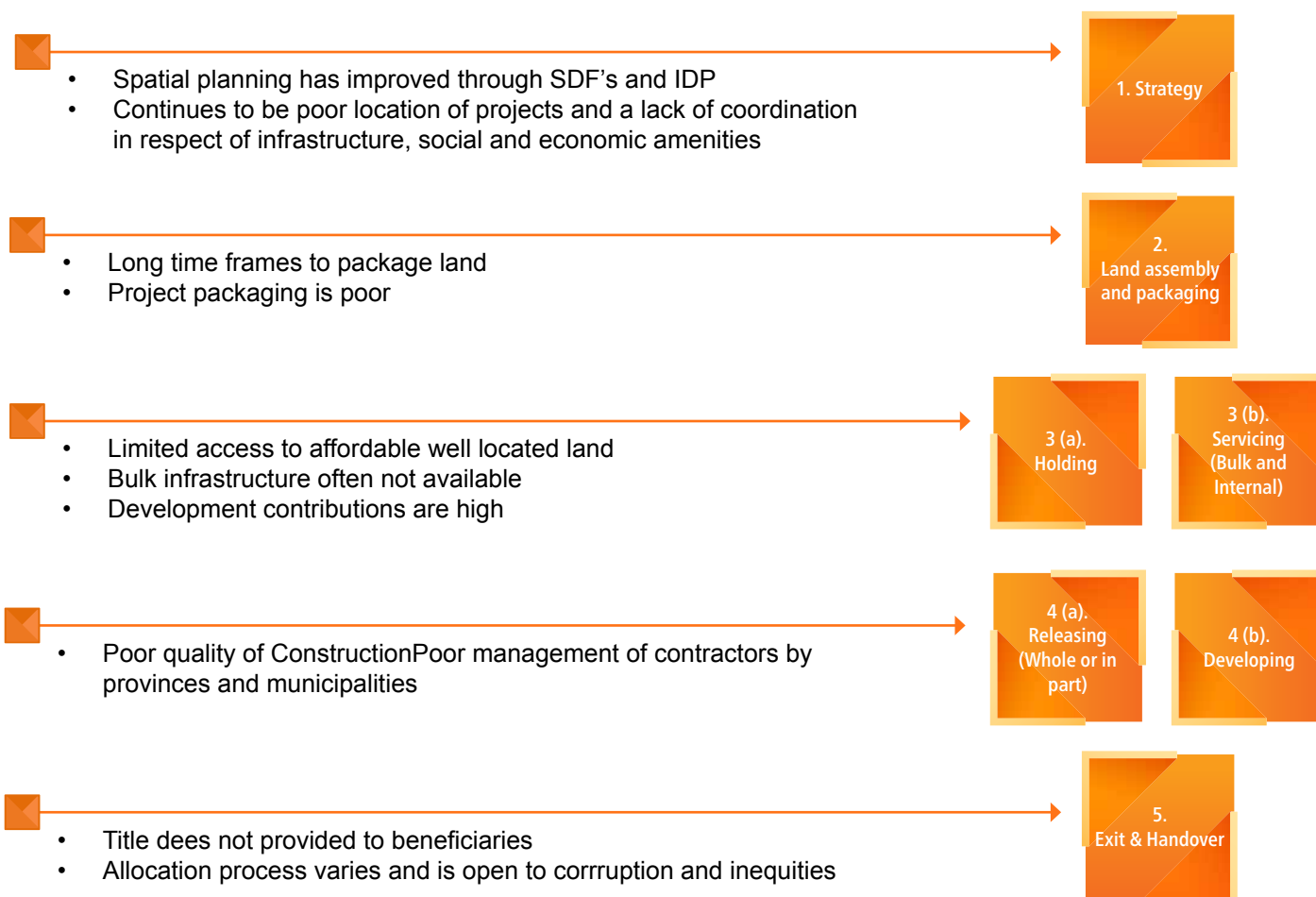
2) Insufficient delivery by the public sector: There is insufficient delivery by the public sector to meet the need and this delivery has decreased significantly over the last five years. On average over the last five years, the public sector has delivered 181,000 units per annum. At this rate of delivery, it will take 11 years to address households living in informal circumstances alone. Of greater concern is the fact that the rate of delivery is decreasing from 226 000 units/sites per annum in 2009/10 to 154,000 in 2013/14 (see figure below). The slowdown in delivery results in insufficient spending of government resources and frustrated communities, beneficiaries and political principals. In addition, the MTSF target set for the human settlement sector of 1.4 million more households living in new or improved housing conditions by 2019 is unlikely to be achieved.

FIGURE 7:



The decline in delivery is as a result of problems, blockages or challenges in every part of the human settlements value chain in every province and municipality (see figure 8 below).

FIGURE 8:



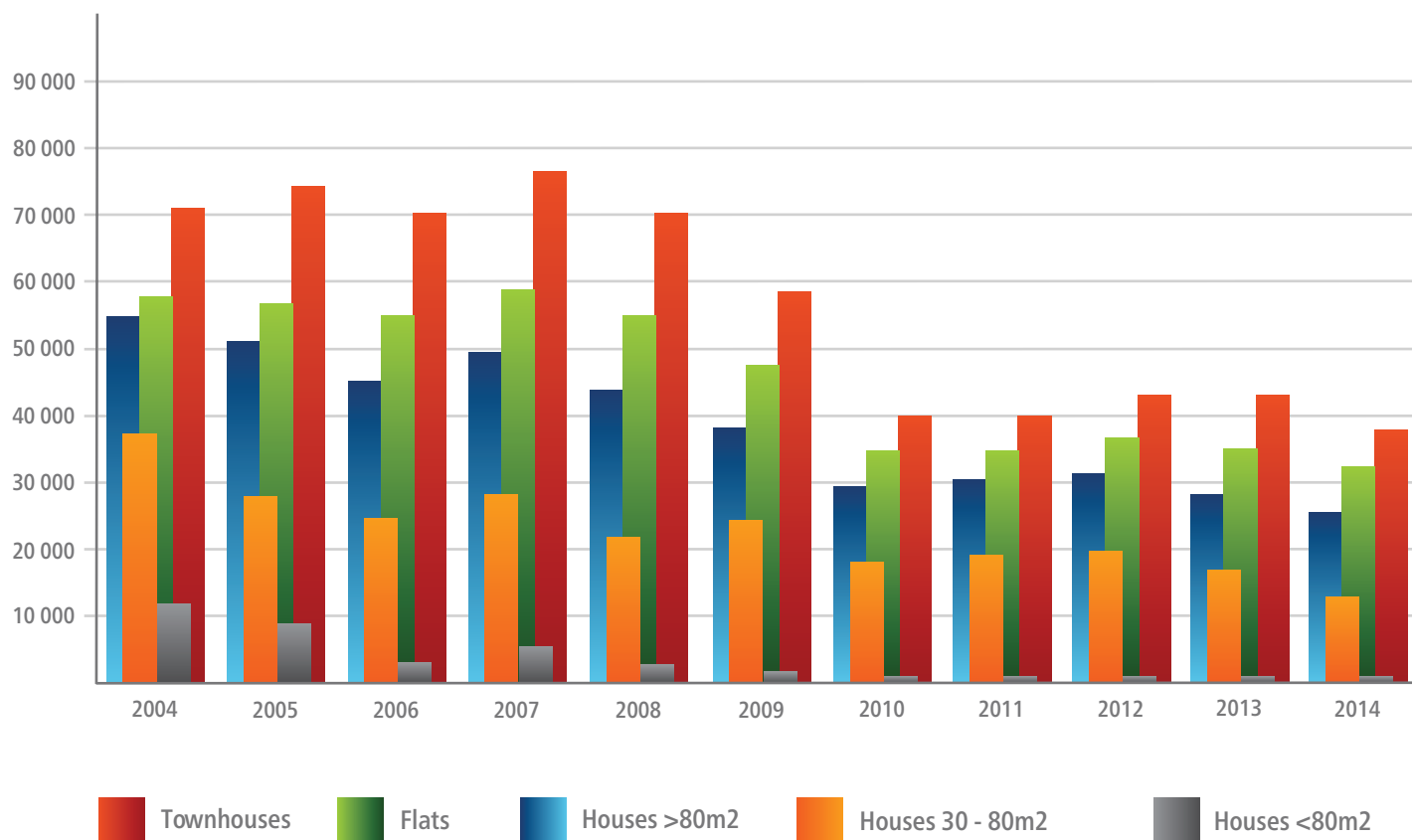
3) Declining supply by the private sector: The human settlement sector can be categorized into the following three market segments:

- Subsidised market segment which comprises households earning below R3,500 per month.
- The affordable market segment which comprises households earning between R3,500 and R15,000 per month.
- Private market segment which comprises households earning above R15,000 per month.

The private sector operates predominantly in the affordable and private market segment. Housing supply by the private market in these market segments is occurring but is also declining (see figure below). In respect of properties smaller than 30 m² annual supply since 2007 has plummeted. In respect of properties between 30m² and 80m² (predominately “affordable market”) supply has been declining since 2004.



FIGURE 9:



Source: Perspectives on South Africa's Affordable Housing Market, K Rust, 2013 & Filling the Gaps: al+hdc and Cities Network, 2013.

The table below sets out the reasons for the decline in private sector delivery.

TABLE 2: CONSTRAINTS TO PRIVATE SECTOR DELIVERY

SUPPLY SIDE CONSTRAINTS:	DEMAND SIDE CONSTRAINTS:
<ul style="list-style-type: none"> • Inadequate bulk Infrastructure inhibits the development of new stock and availability of well-located affordable land can be problematic in some areas • Extended periods for municipal planning and proclamation approvals delays development and increases holding cost. • Lack of access to bridging finance for Developers • Transactional uncertainty related to affordability and creditworthiness constraints and unrealistic market expectations impact risk appetite of developers (sell on plan) • Poor municipal level management and capacity: Developers often have to take over the supply of community services for example building schools and parks. 	<ul style="list-style-type: none"> • Lack of access to affordable end user mortgage finance. • Limitations on the housing ladder market: The eight year restriction on the sale of properties that received subsidization and backlogs in registering subsidised housing ownership • Marketing Distortion as a result of Subsidy Housing. Developer are concerned about market willingness to pay - why would anyone pay R1500–R2000 pm for 20 years if those earning less can get it for free? • Unreliability of the FLISP subsidy administration. Currently this subsidy is allocated at a provincial level annually and is not topped up. Allocations vary significantly from year to year. • Indebtedness of consumers is extremely high, 9.22 million consumers have impaired records (47% of 19.6 million credit active consumers) due to increasing use of unsecured credit

4) Poor human settlements outcomes: A key issue identified in respect of housing development through the national public sector programme is the location of housing projects within the city. Projects are generally located on the periphery of cities in order to keep land costs down. As a result, they are seen as continuing the apartheid city alienation of the poor and as not integrating poor people into the city. The poor's location with respect to access to work opportunities, social services, and transportation networks is seen as creating an added burden onto the poor¹.

In response to this in 2004, the Comprehensive Plan for the creation of sustainable called for a dramatic shift towards a more comprehensive approach to housing delivery. The plan introduced the need for integrated sustainable human settlement developments. In this policy document, these terms mean the provision of housing together with the full range of services, improved location of housing projects and the creation of mixed-income environments.

Despite good intentions it has been extremely difficult for provinces and municipalities to fulfil these requirements primarily due to difficulties in aligning the budgets of different departments such as transport, health, education, economic development etc. In addition, the funding framework (national subsidy programme) within which housing development is undertaken is insufficient to enable these types of developments and is paid out in a manner whereby there is insufficient funding upfront and a consistent funding flow throughout the life of the project does not occur.

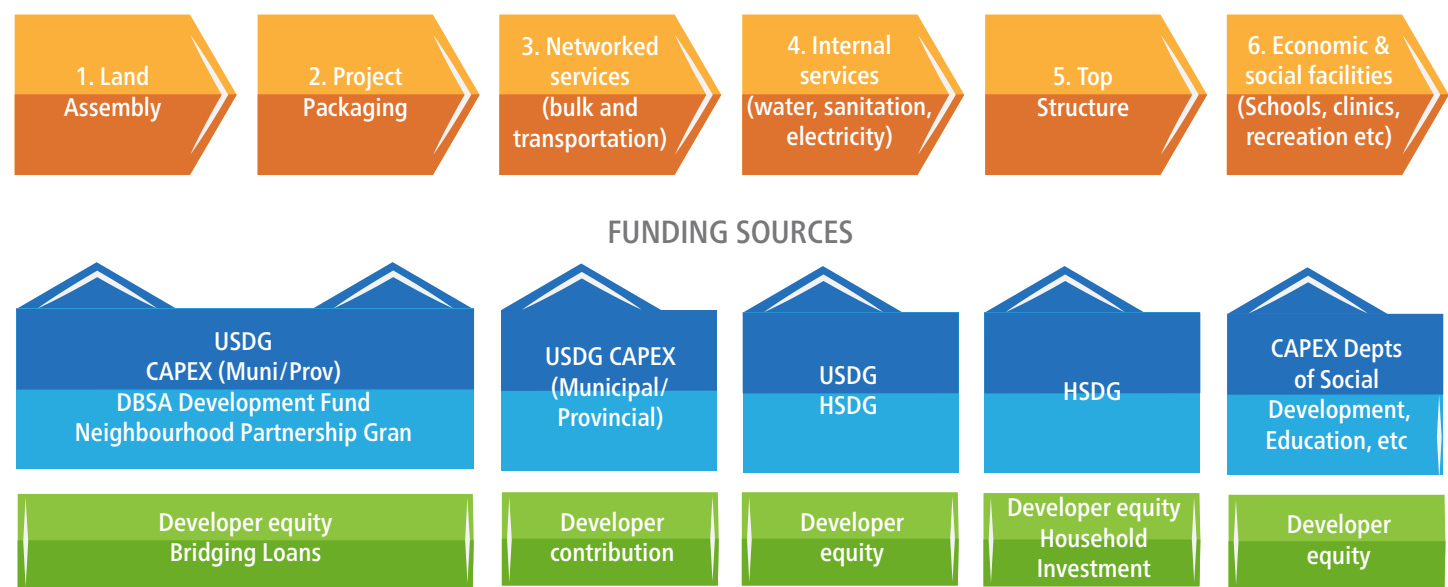
There have been a few cases where integrated development has occurred for example Cosmo City in Johannesburg. The learning from this development has been that success was the result of a partnership between the public and private sector and significant financial investment by both the partners. Further that success was enabled due to a consistent flow of funds and a time line that was more than five years².

¹ Rust K with support from Melzer I and Moothilal R, 2008, Investigation into the perceived impact of market distortions ostensibly created within the residential housing market as a result of government subsidies
² DPME Evaluation of the IRDP, 2015



5) Fragmented funding framework: The funding framework for human settlements³ development is fragmented making it extremely difficult to structure and implement projects. Funding comes from a range of different sources and funding mechanisms (see below). The basis by which subsidies are allocated is not consistent to enable a mixed-income development to be implemented and to attract private sector investment. In particular, the delayed as well as differential timing of different grants across government mitigate against viable sustainable human settlement development. From the perspective of the private sector such delays (especially in respect of bulk infrastructure funding) result in significant holding costs.

FIGURE 10:



6) Untransformed Human Settlement Sector The Humans Settlement Sector is currently dominated by developers who are primarily white and male. In order to transform the Human Settlement Sector, developers will be required to have strong empowerment credentials, with a minimum percentage of direct ownership by black people with specific focus on women, youth persons with disability and communities. Where developers fall short of this transformation and empowerment requirements, they will be required to commit to increasing black ownership, and management to levels that will be determined and agreed upon in the transformation and empowerment implementation framework. The Transformation and Empowerment Framework will influence change in the supply chains of the sector.

3 National Department of Housing, September 2004

3.3 The HDA's Role in addressing Human Settlement challenges

The table 3, below illustrates the HDA's response to the Human Settlement Sector challenges

TABLE 3:

SECTOR CHALLENGES	HDA RESPONSES
High Need for Housing	<ul style="list-style-type: none"> • Improved national spatial planning • More rapid urban / new settlement planning and development • Better integrated and sustainable settlement
Insufficient Public Sector Delivery	<ul style="list-style-type: none"> • Land acquisition • Mobilisation of technical, programme and project management skills • Improved financial packaging and fund mobilisation
Declining Private Sector Delivery	<ul style="list-style-type: none"> • De-risking projects through unblocking and related interventions (e.g. expediting plans) • Securing funding for critical infrastructure • Ensuring funding (esp. subsidy) flows
Poor Human Settlement Outcomes	<ul style="list-style-type: none"> • Improved spatial planning • Better programme, project as well as contract management • Building public-private partnerships
Fragmented Funding Framework	<ul style="list-style-type: none"> • Improving IG coordination and funding packaging • More effective fund management • Mobilising other public and private resources (in addition to HSDG)
Untransformed Human Settlement Sector	<ul style="list-style-type: none"> • Contribute to the creation of black industrialists with specific focus on women, youth, persons with disability and communities • Influence changes to materials supply chains • Change mindsets

Cutting across all of these responses is a need for the HDA to play a role as a public sector human settlements development manager particularly to address housing supply where the public sector is failing to perform or the private sector is reluctant to invest.

Given the extent of need, the role has to be carefully framed and scoped so as to partner with and not crowd out the private sector. There is significant development capacity in the private sector both in respect of large developers and contractors. If higher levels of delivery are to be achieved it is critical that the HDA and private sector both contribute.



Exhibitions and Publications

Successful showcase of the new MSP Dashboard at the United Nations (UN) Habitat Thematic Meeting hosted by South Africa in April 2016



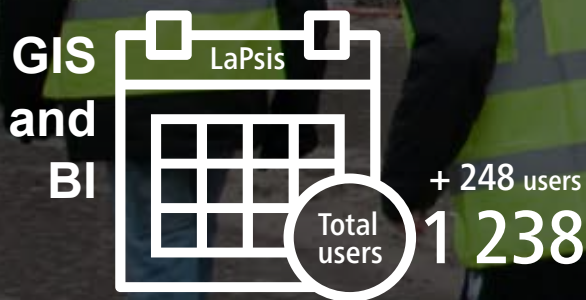
Web content development and social media

Since the launch in March 2017 it has seen more than 5000 views each day.



Public and Stakeholder Engagement

During the 2015/16 reporting period the HDA undertook a process of repositioning into a fully-fledged developer.






National Upgrading Support Programme (NUSP)

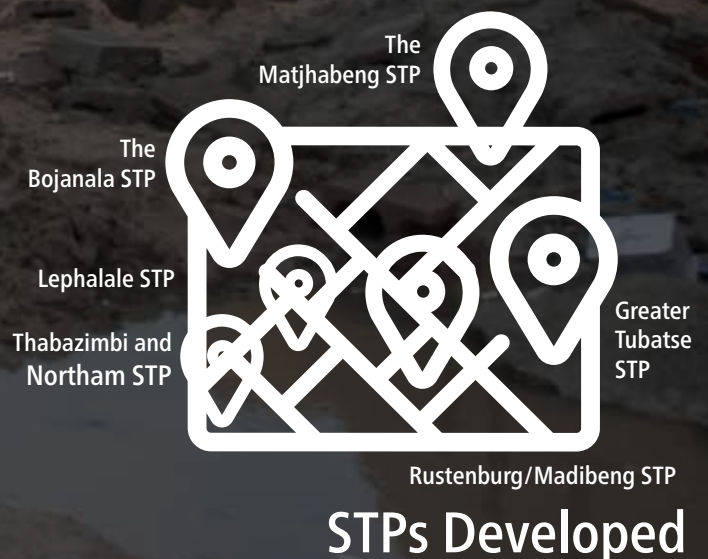


4. PERFORMANCE HIGHLIGHTS

MACRO INDICATORS

MACRO INDICATORS	ASSOCIATED PROGRAMME	2015/16 BASELINE	ALIGNED 2016/17 TARGET	2016/17 ACTUAL PERFORMANCE	
Number of hectares of well-located land released for human settlement development (targeting poor and middle-income households)	3b	3000 hectares	3000 hectares	ACHIEVED 6288.065 hectares of well-located land released for human settlement development.	
COMMENT Exceeded annual target by 3288.065ha. A substantial piece of land was released by the KZN Provincial government to the Local Municipality for Human Settlements development. As the release of public land for human settlement purposes takes years, it was not anticipated that the Provincial Government will release the Indaka land for Human Settlement purposes.					
National priority programmes provided with programme management and technical project support	3a	Provide 274 informal settlements with technical support.	Provide 274 informal settlements with technical support.	ACHIEVED 356 informal settlements provided with technical support.	
COMMENT Exceeded annual target by 82.					
National priority programmes provided with programme management and technical project support	3a	Technical support to projects in 22 mining towns.	2 Reports	ACHIEVED Technical support to projects in 22 mining towns provided.	
COMMENT Of the 22 mining towns, 6 were supported with development of spatial transformation plans					
National priority programmes provided with programme management and technical project support	3a	Identification of 50 catalytic projects.	50 catalytic projects supported.	ACHIEVED Support provided to 99 catalytic projects.	
COMMENT 48 Catalytic Projects approved for implementation.					
Number of provinces provided with capacity support as per MTOPs and business plans	4	9 provinces provided with capacity support as per MTOPs and business plans.	9 Provinces provided with capacity support as per MTOPs and business plans	ACHIEVED 9 Provinces provided with capacity support as per MTOPs and business plans.	
COMMENT MTOPs provide the basis on which the HDA can conduct business in provinces .					

PROVINCES PER REGION



4. PERFORMANCE SUMMARY

For the 2016/2017 reporting period, the HDA's main activities continued to be focused on their core mandate of the delivery of housing units. In addition, focus was also placed on the implementation of the Medium Term Strategic Framework targets set by the National Department of Human Settlements.

4.1 Delivery of Sustainable Human Settlements

During the period under review, Region A delivered Housing Units and Serviced Sites in Gauteng. The Region was acquired this business after the APP planning for the financial year was concluded as such these projects were not included in the APP.

4.2 Performance Against Medium Term Strategic Framework Targets

The 2014 to 2019 MTSF targets of the HDA are illustrated in the table below:

PERFORMANCE INDICATORS		TARGET (MTSF PERIOD)	2016/2017 ANNUAL TARGET	2016/2017 PERFORMANCE
Land Acquisition	Number of hectares of well-located land released for human settlement development (targeting poor and middle income households)	10 000 ha	3 000 ha	Achieved
National Priority	Number of national priority programmes provided with oversight and implementation support (Mining towns, Catalytic project, NUSP)	3 national programmes supported	3 national programmes supported	Achieved
Support for Provinces	Number of provinces supported with HDA services	9 Provinces	9 Provinces	Achieved
Master Spatial Plan	Develop, implement & maintain an approved Master Spatial Plan (MSP) for the human settlements sector	Ongoing	MSP	Achieved

The HDA's performance against the above four MTSF targets is as follows:

4.2.1 Land Acquisition

One of the first stated objectives of the HDA is to "identify, acquire, hold, develop and release state, communal and privately owned land for residential and community purposes and for the creation of sustainable human settlements". Over the 2014 to 2019 MTSF period, the HDA has a land acquisition target of 10,000.00 hectares. The 2016/2017 target of 3000 hectares was exceeded by 3288.065 hectares achieving a total of 6288.065 hectares was achieved in this reporting period. The Agency has further surpassed the MTSF target of 10 000 hectares by 35% achieving a cumulative total of 13 507.8554 hectares of land acquired and released.

4.2.2 Support For National Priority Programmes

The National Department of Human Settlements (NDHS) 2014 to 2019 Medium Term Strategic Framework (MTSF) mandated the HDA to implement 3 National Priority Programmes. These are namely, the NUSP (National Upgrading Support Programme), the Catalytic Projects Programme and the Revitalization of Distressed Mining Communities Programme. The Housing Development Agency has been tasked to provide oversight, direction and implementation of the programmes.

The Catalytic Projects Programme

The National Department of Human Settlements (NDHS) 2014 to 2019 Medium Term Strategic Framework (MTSF) requires “the identification and implementation of national priority catalytic projects to deliver mega, high impact integrated and sustainable human settlements that clearly demonstrate spatial, social and economic integration”. The underlying principle for catalytic projects is that they must be spatially, economically and socially targeted interventions whose main objective is to intervene to deliberately restructure settlement patterns and impact on the environment.

The Housing Development Agency, as the appointed programme manager, undertook detailed technical assessments on each of the initial 101 projects that had been approved through an adjudication process. The detailed technical reports formed the basis of anticipating the delivery and scale of each of the projects with the core issues requiring focused attention and collective agreements on ensuring the project implementation.

48 projects were identified as being driven by the various spheres of government and during the November 2016, Human settlements MINMEC approved for delivery, a pipeline of these 48 projects as national priority human settlements projects as part of the catalytic projects programme. Following the Housing Development Agency has entered into Implementation Protocols with the various municipalities and provinces. Table no 2 below contains the approved projects and can be view in the Annextures section on page 114.

National Upgrading Support Programme (NUSP)


One of South Africa’s greatest human settlement challenges is that informal settlements continue to grow faster than the rate of low income housing delivery. This growth in informal settlements is most notable in mining areas in South Africa. In response to this challenge, the National Mining Towns in Distress Presidential Intervention was formulated and announced by the President. In 2013 the NDHS mandated the HDA to implement the National Upgrading Support Programme (NUSP) in Mining Towns. NUSP provides technical and capacity support to provinces and municipalities for the implementation of informal settlement upgrading across the country through the use of the Upgrading of Informal Settlement Programme (UISP) together with other housing programmes.

The programme is in its third year and has evolved from having provided support in determining the potential for each informal settlement as defined in the programme parameters to now seeking to institute a co-ordinated programme of implementation. The complexities around the management of the social facilitation in delivering a viable product to the communities within the informal settlements as well as the organisations and organs of state that seek to collectively address poverty alleviation, improved services and living conditions as well as finding solutions to securing tenure for the occupants has been the nucleus of the programme.

The Housing Development Agency has sought to bring 5 projects into the focus of development. This is achieved by having identified and enumerated the settlements and planned for the future development through securing land and access to services. The final stage is to ensure funds are made available to undertake physical delivery. A detailed ISU project pipeline for mining towns in informal settlements was produced, including 54 category A informal settlements that are tracked continuously for implementation.

Revitalization of Distressed Mining Towns

The revitalisation of distressed mining towns programme was conceived by the NDHS as a response to the October 2012 Social Accord Signed by Government, Business and Labour, commonly known as the Special Presidential Package. In order to consider the implications of addressing solutions to the decline in the mining industry and the changes to the built environments



of the various mining towns, a range of built environment and social responses were needed.

The intervention has the following outcomes:


- Integrated sustainable human settlements in mining towns
- Improved socio-economic conditions of mine communities and labour sending areas
- Improve working conditions of mine workers and confidence in the labour market
- Decent living conditions for mine workers and the development trajectory of mining towns and labour sending areas

Each outcome is the responsibility of different national government departments but needs to be co-ordinated and aligned in order to address the overall objectives of the intervention. The objectives are interrelated and interdependent and cannot be addressed in isolation from one another. The National Department of Human settlements is responsible for directing the following outcomes:

- Integrated sustainable human settlements in mining towns
- Decent living conditions for mine workers and the development trajectory of mining towns

The objectives of the human settlements component of the intervention focused on the transformation of 22 identified mining towns into sustainable integrated human settlements. Currently, the HDA's intervention has focused on fast-tracking and supporting existing human settlement projects in the mining town areas. However, going forward, focus will shift towards spatial transformation planning to ensure the necessary impact and transformation in the mining towns and ensuring the creation of integrated sustainable human settlements.

The Housing Development Agency, six Spatial Transformation Plans were developed. These are:-

- The Bojanala ST
 - The Majhabeng STP
 - Greater Tubatse STP
 - Lephalale STP
 - Rustenburg/Madibeng STP
 - Thabazimbi and Northam STP
- 

A number of engagements are underway and are subject to Non-Disclosure Agreements. Three Memoranda of Understanding have been concluded. The objective of these agreements is to act as a driver in co-ordinating and ensuring that the various stakeholders commit to the planning and implementation of projects.

MINING HOUSE	NDA	MOU
Wesizwe	Completed	In progress
Lonmin	Completed	Completed
Platinum Group Metals	Completed	In progress
Anglo Platinum	Completed	Completed
Norplats	Completed	Completed
Kalagadi Manganese	Completed	In progress
AngloGold Ashanti	Completed	In progress township

4.2.3 Implementation Support for Provinces

The third MTSF target of the HDA is to support all nine Provinces in the implementation of their human settlements mandate. This entails a range of support activities aimed primarily at assisting Provinces to undertake land identification, development and release. Support activities are only undertaken through agreements, either Medium Term Operational Plans (MTOP's) or Implementation Protocols (IP's) and in response to requests made.

During the financial year 2016/2017, all nine Provinces were provided with human settlements support via the HDA's Provincial offices.

4.2.4 Maintenance of the Master Spatial Framework

Expanding on the Master Spatial Framework, the Framework for Spatial Investment for Human Settlements (FSIHS) was developed in order to identify how the MSP would be funded. To this end, during the 2016/2017 financial year, engagements were undertaken across the human settlements sector in order to workshop the FSIHS in order to strengthen it and ensure buy-in.

4.3 HDA Macro Performance Indicators

The primary performance focus of the HDA for the 2016/2017 reporting period across its key delivery budget programmes, is reflected in the organizations' macro performance indicators as follows:

MACRO INDICATORS	ASSOCIATED PROGRAMME	2015/16 BASELINE	ALIGNED 2016/17 TARGET	2016/17 ACTUAL PERFORMANCE
Number of monitoring and evaluation reports against the Framework for Spatial Investment for Human Settlements (FSIHS) based on the Master Spatial Plan (MSP)	2	Complete the Framework for Spatial Investment for Human Settlements (FSIHS) and produce two monitoring reports on the implementation of spatial targeting against the framework	2 Reports	ACHIEVED Two monitoring reports on the implementation of spatial targeting against the framework were finalised.
COMMENT Broad consultations successfully undertaken with key role players in the Human Settlements sector to facilitate input into the FSIHS and obtain buy in.				
Number of hectares of well-located land released for human settlement development (targeting poor and middle-income households)	3b	3000 hectares	3000 hectares	ACHIEVED 6288.065 hectares of well-located land released for human settlement development.
COMMENT Exceeded annual target by 3288.065ha.				
National priority programmes provided with programme management and technical project support	3a	Provide 274 informal settlements with technical support.	Provide 274 informal settlements with technical support.	ACHIEVED 356 informal settlements provided with technical support.
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COMMENT 48 Catalytic Projects approved for implementation.				
Number of provinces provided with capacity support as per MTOPs and business plans	4	9 provinces provided with capacity support as per MTOPs and business plans.	9 Provinces provided with capacity support as per MTOPs and business plans	ACHIEVED 9 Provinces provided with capacity support as per MTOPs and business plans.
COMMENT MTOPs provide the basis on which the HDA can conduct business in provinces .				

PERFORMANCE SUMMARY

MACRO INDICATORS	ASSOCIATED PROGRAMME	2015/16 BASELINE	ALIGNED 2016/17 TARGET	2016/17 ACTUAL PERFORMANCE
Implementation support provided to programmes and projects	4	2866 housing units	6912 housing units. Aligned Target: 7034	NOT ACHIEVED Western Cape: 1325 Housing Units Eastern Cape: 2616 Housing Units Limpopo: 0379 Housing Units Total: 4320 Housing Units
<p>COMMENT Progress on construction was hamstrung due to the Eastern Cape Department of Human Settlements not providing the requisite funding.</p> <p>Gauteng: 1997 Housing Units Total: 6317 Housing Units</p> <p>COMMENT Gauteng Housing Units were not included in the APP as the project was allocated to the HDA during the financial year.</p>				
Implementation support provided to programmes and projects	4	664 serviced sites	9539 Serviced sites. Aligned Target :8401	NOT ACHIEVED Western Cape: 1250 Serviced sites Northern Cape: 0000 Serviced sites (various stages of implementation) Total: 1250 Serviced sites
<p>COMMENT Progress on construction was hamstrung due to the Western Cape Departments of Human Settlements not providing the requisite funding. Procurement process was not finalised by the Northern Cape.</p> <p>Gauteng: 1646 Serviced sites Total: 2896 Serviced sites</p> <p>COMMENT Gauteng Serviced sites were not included in the APP as the project was allocated to the HDA during the financial year.</p>				
Built Environment Implementation	3b	1x HDA developer role business case and plan developed and approved by the HDA Board	5 projects prepared for implementation	ACHIEVED 5 projects implemented
<p>COMMENT The five projects implemented are: Lephalale (Altoostryd) Palm Ridge Extension 9 Payneville Hamawasha McKenzieville</p>				

PERFORMANCE INFORMATION

4.4 Programme Performance Information

The activities of the HDA are organised into budget Programmes and Sub-Programmes with the following strategic goals and strategic objectives:

MACRO INDICATORS		STRATEGIC GOAL	STRATEGIC OBJECTIVE
Programme 1: Administration	1 (a) CFO's office	Provide financial sustainability	Effective internal control systems
	1(b) Corporate Services	Provide, operational efficiency and service excellence	The HDA is an internally cohesive and effective public sector developer with systems that are stable and accessible
Programme 2: Policy Research Monitoring and Information		Build partnerships, a knowledge base and monitor and evaluate the performance of the human settlements sector in achieving key national strategic priorities	Provide information and research in support of promoting spatial targeting
Programme 3: National Programme Support	3(a) National Programme Support	Support national programmes and developments, and release well-located land for human settlements development	<ul style="list-style-type: none"> • Release of land for human settlements development • Specific support to national priority programmes - catalytic projects, mining towns and NUSP
	3(b) Built Environment Implementation	Develop and implement sustainable human settlement projects for the public sector	Development and implementation of sustainable human settlements
Programme 4: Land & Housing Services		Provide land and housing development support services to provinces and municipalities to enable them to fulfil their responsibilities in the human settlement sector	Enhancing capacity, support and technical skills of provinces and municipalities for human settlement development

4.4.1 Programme One: Administration

The Administration Programme incorporates the Finance and Corporate Services Sub-Programmes responsible for the administrative support functions of the organization. The CEO's Office, although not a designated programme, provides the strategic direction for the organization.

Sub-Programme 1A: Office of the CFO

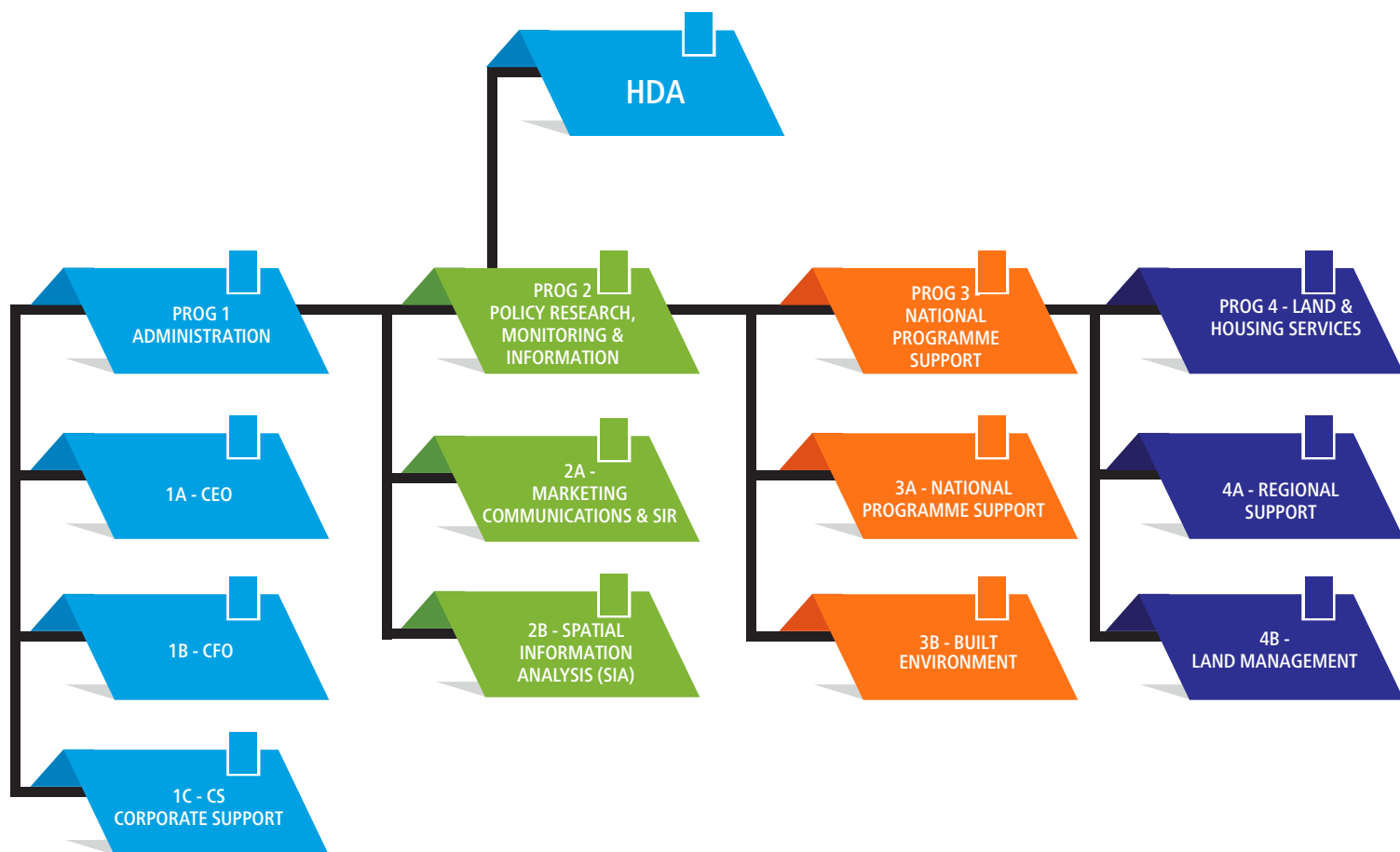
The Finance Department ensures that the HDA is financially sustainable and consistently achieves unqualified audit reports. The Finance Department is responsible for financial management, supply chain management, risk management and financial and compliance reporting.

Sub-Programme 1B: Corporate Support Services

The Corporate Support Services Sub-Programme provides the HDA with support that enables the core business units to perform their housing delivery function. Corporate Support includes Human Resources, Legal Services, and Information Technology and Facilities.

Human Resources Department

During the year under review, the focus of the Human Resources Department was to support the HDA in its strategic shift to incorporate its expanded mandate as a fully-fledged property developer. To this end, the focus of the department was to facilitate the restructuring of the organization to meet the demands of this expanded mandate. The revised organizational structure was approved by the Minister in December 2016.



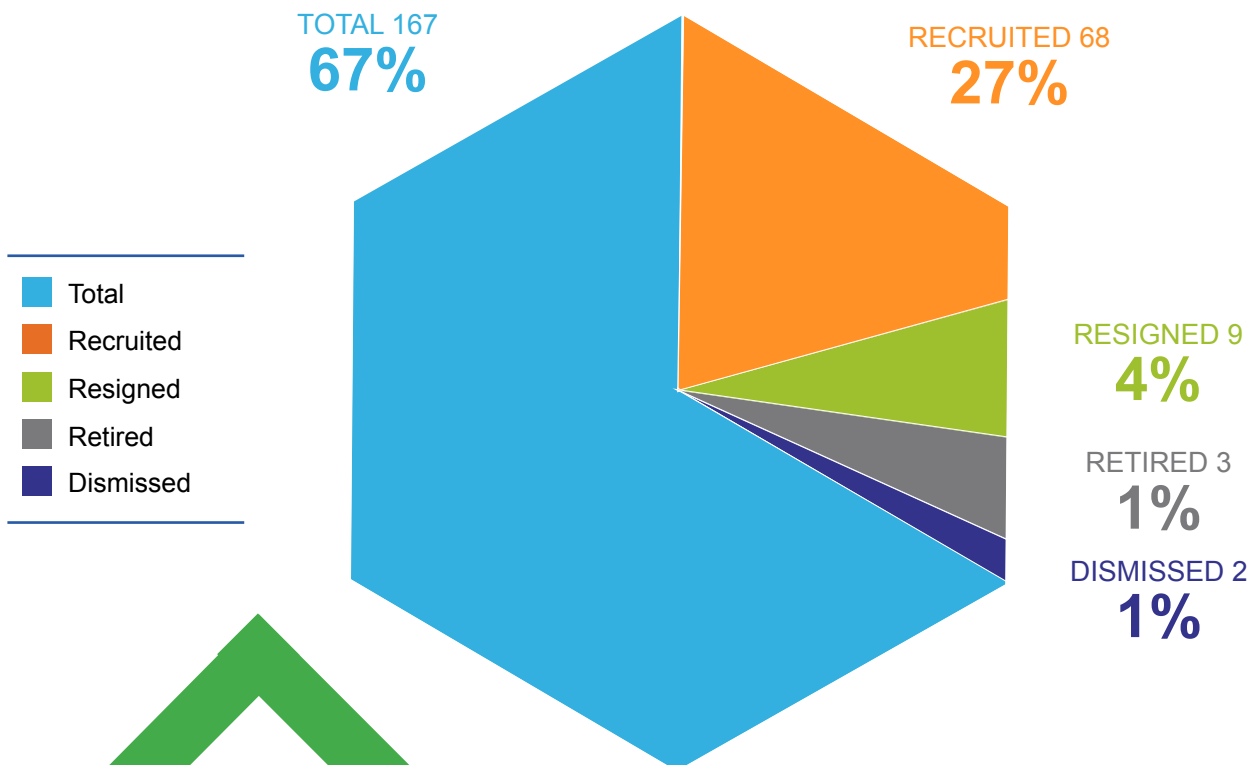
PROGRAMME 1: ADMINISTRATION

STAFF TURNOVER

	RECRUITED	RESIGNED	RETIRED	DISMISSED	TOTAL STAFF
March 2017	8	1	0	2	168
YTD	68	9	3	2	168

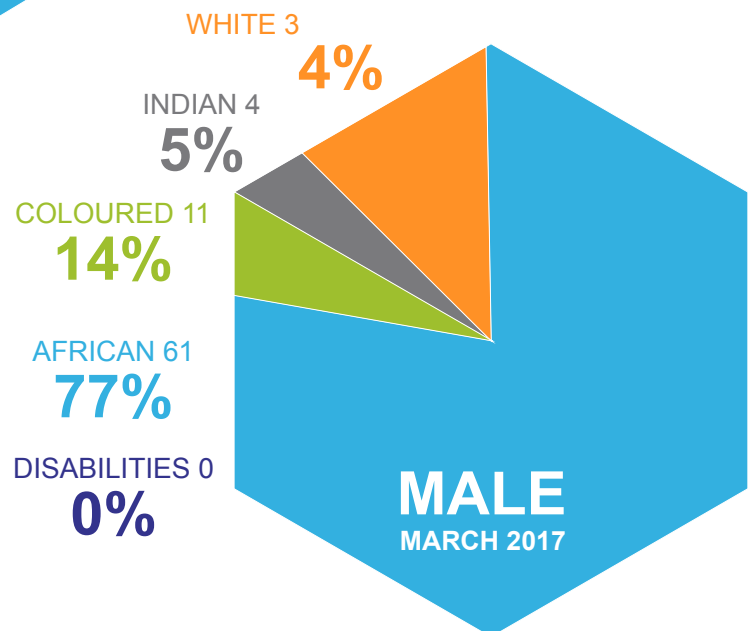
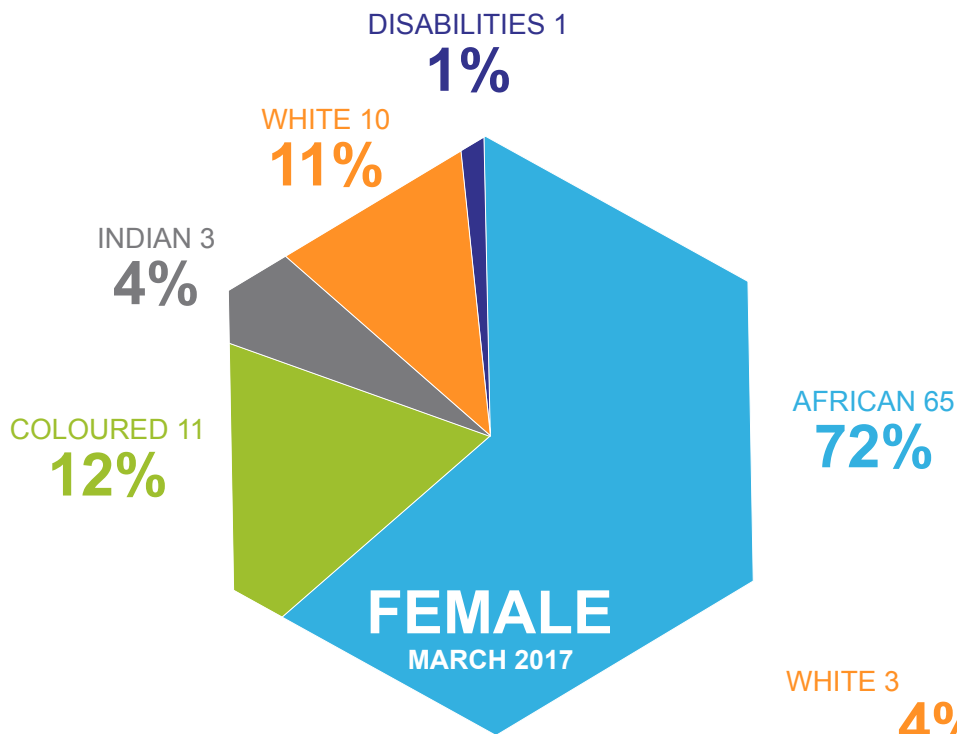
****We received 9 resignation, 2 dismissal and 3 retirement which is a total of 14 leaver****

YTD - March 2017



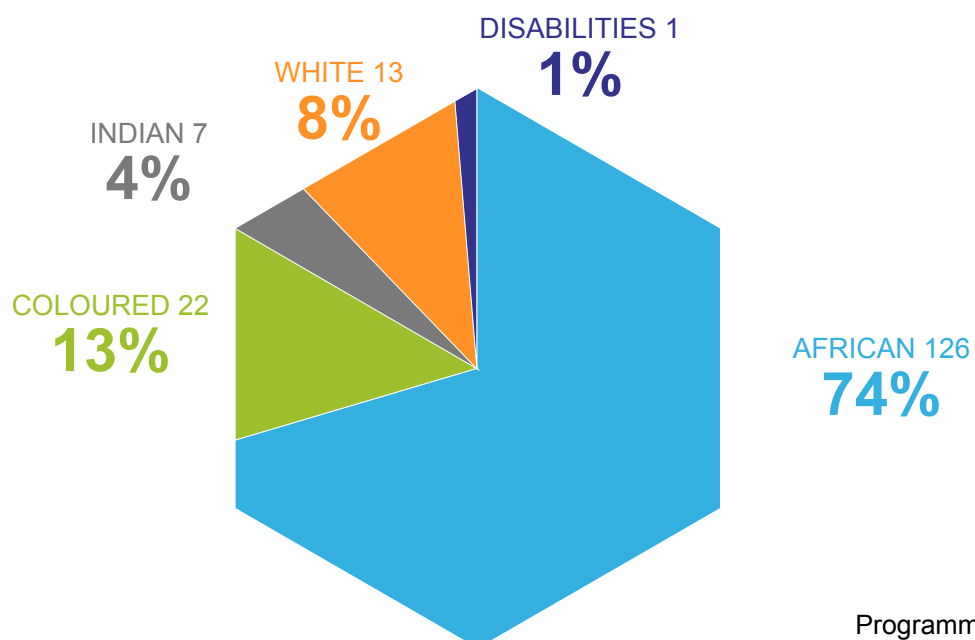
DISMISSALS AS AT END
MARCH 2017

NONE



- African
- White
- Coloured
- Indian
- Disabilities

HDA EE STATS AS AT END MARCH 2017



- African
- White
- Coloured
- Indian
- Disabilities



Corporate services

Corporate Legal Services

The main purpose of Corporate Legal is to provide sound legal analysis that advises, protects and ensures the integrity of the organization when carrying out its mandate. The following are the main highlights of the Corporate Legal Services Business Unit:

- In order to drive efficiency and to enhance the effectiveness of the unit, Standard Operating Procedures were developed and approved by the Executive Committee (EXCO)
- Working together with Corporate IT, an internal Legal Helpdesk was successfully developed. The legal helpdesk is currently being piloted with supply chain management, focusing on the processing of all service level agreements electronically through the system.

Information Technology

The Information Technology Business unit has overall responsibility for the efficient functioning of the HDA's ICT infrastructure services. In line with the current HDA strategic plan, IT focused on improving and enhancing the IT environment. The following was achieved;

1. 98% uptime achieved on all core information technology systems (email, Accpac and internet)
2. All HDA offices are part of the HDA core network, except the Northern Cape, as they share an office with a Provincial Department . This enables all regional offices to have share and access to realtime information at Head Office Video Conferencing was implemented across all HDA offices nationwide in order to reduce travel costs
3. A legal helpdesk was developed and implemented.
4. n electronic internal surveys was designed, developed and implemented.
5. An SCM Contract Management Database was developed and implemented.
6. The HDA intranet was re-designed
7. The IT Policy and Procedure manual was reviewed, updated and approved by the Board;

Strategic support

Stakeholder Management and Intergovernmental Relations

The Stakeholder Management and Intergovernmental Relations (SIR) programme is responsible for promoting and enhancing efficient and effective stakeholder management between the Agency and its stakeholders.

Over the past year, the unit has made significant strides in building the confidence in the sector through building sustained services awareness in the sector, sustained engagement with stakeholders, improving coordination, as well as providing support to improving programmes responsiveness in addressing challenges and bottlenecks.

As part of the generating business opportunities and collaboration, the Agency formalises the partnership by concluding cooperate agreements as a means of governing and maintaining the relationship holders, also using these to maintain the capability edge while mitigating against strategic and operational reputational risks.


During the year under review, the following highlights were recorded:

- Draft policy on Stakeholder Management and Intergovernmental Relations was presented and noted by Exco and is ready for the Board's approval

- Support was provided to the Catalytic Projects Programme and the following results were realised: Extensive consultations were carried out with the 9 Provincial Departments of Human Settlements and 21 municipalities mainly to facilitate the conclusion of the Cooperate Agreements.
- SIR had managed to confirm signatures on the Implementation Protocols from the North West Provincial Department Cooperative Governance, Human Settlements and Traditional Affairs (COGHSTA); the Matlosana Local Municipality; Umhlathuzi Local Municipality, Mpumalanga Department of Human Settlements; the Free State Provincial Department of Human Settlements; Dihlabeng; Metsimaholo and Mangaung Municipalities.

PROVINCE	MUNICIPALITY	MEMORANDUM OF AGREEMENT	IMPLEMENTATION PROTOCOL	STATUS
Free State	Dihlabeng Local Municipality	The MoA was signed by the MEC for Human Settlements and the Mayor of Dihlabeng Municipality.	The Head of Department, Municipal Manager and HDA CEO have signed the IP. An addendum to the IP has been sent to the provincial department and municipality for consideration.	In Progress
Free State	Metsimaholo Local Municipality	The MoA was signed by the MEC for Human Settlements and the Mayor of Metsimaholo Municipality.	The Head of Department, Municipal Manager and HDA CEO have signed the IP. An addendum to the IP has been sent to the provincial department and municipality for consideration.	In Progress
Free State	Mangaung Metropolitan Municipality	The MoA was signed by the MEC for Human Settlements and the Mayor of Mangaung Municipality.	The Head of Department, Municipal Manager and HDA CEO have signed the IP. An addendum to the IP has been sent to the provincial department and municipality for consideration.	In Progress
Kwa Zulu	Umhlathuze Local Municipality	The MoA was signed by the Mayor of Umhlathuze Municipality. The comments of the MEC for Human Settlements are awaited on the Cooperative Agreement (the MoA is now entitled the Cooperative Agreement at the request of the provincial department).	The Municipal Manager of Mhlathuze has signed the IP. An addendum has been sent to the provincial department and municipality for consideration.	In Progress
Mpumalanga	Kwa Zulu Natal Umhlathuze Local Municipality	The MoA has not been signed by all the parties	The Head of Department and HDA CEO signed the IP. An addendum to the IP has been sent to the provincial department for consideration.	In Progress
North West	Matlosana Local Municipality Mpumalanga	The MoA has not been signed by all the parties.	The Municipal Manager and HDA CEO have signed the IP.	In Progress

Engagements with various development financial institutions i.e. Industrial Development Cooperation (IDC), the National Economic Fund (NEF), the Pension Investment Cooperation (PIC) and the Development Bank of Southern Africa were undertaken to introduce the HDA's extended mandate and exploring areas of collaboration.



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Communication and Marketing

The HDA has in the past financial year sought to increase its public visibility especially in the regions where we are currently implementing projects. Central to our efforts on sharing information about what we do, how and why we do it, the Communications & Marketing Unit undertook the following activities:-

Exhibitions and Publications

The HDA successfully showcased its new MSP Dashboard at the United Nations (UN) Habitat Thematic Meeting hosted by South Africa in April 2016. The interest shown by international delegates in the various human settlements projects the HDA has overseen, particularly the implementation of the N2 Gateway was an indication that the HDA needs to be more visible in such conferences to showcase the achievements of the country. Very popular amongst the delegates were our various publications addressing issues, like Communal Land, How the state deals with unauthorised land occupation in relation to Human Settlements planning. We have sought to make our exhibitions interactive through the live demonstration of the Master Spatial Plan Dashboard which gives a "live" account of all Human Settlements projects currently underway in the country with accurate geospatial information.

Web content development and social media

Our focus over the reporting period was on making our information more accessible and easy to find, to this end, we undertook an overhaul of our website as a repository of information for the full range of stakeholders we work with and for. This was informed by the queries we receive on a daily basis from a spectrum of members of the public. Since the launch in March 2017 it has seen more than 5000 views each day. This is an indication that our stakeholders and the public in general have appetite for our offerings and services.


In November 2016 we launched our social media platforms. The intention of these is to reach out to more audiences who then assist in sharing our facts and offer their opinions about what we do.

Public and Stakeholder Engagement

During the 2016/17 reporting period the Agency undertook a process of repositioning into a fully-fledged developer. This necessitated that we go public and engage with our stakeholders on the new role. In November 2016 we hosted more than 300 stakeholders comprised of private developers, contractors, NGOs and other government department and agencies to explain what the new role means and get them on board.

The HDA was also part of the South African delegation to the UN Habitat Conference in Quito, Ecuador in October. The CEO participated in a critical panel discussion on Integrated Human Settlements and Development Planning, sharing the lessons that the country has learned over the 23 years of democracy and providing social housing to millions of South Africans. Again the HDA was critical to the SA Pavilion at the massive exhibition that member states were participating in. The volumes of visitors to the SA stand demonstrated that there is general acceptance that the country has indeed done a great deal of work in meeting the Millennium Development Goals (MDGs) of provision of decent housing for its citizens.

We can confidently say the HDA has over the reporting period increased its public visibility. In the 2017/18 reporting the Agency will focus its attention more on community engagement targeting its project beneficiary communities and local contractors. Furthermore the Agency will undertake an extensive multimedia public information campaign on the Catalytic Projects Programme. We will also meet with Black property developers, women in construction organisations and an extensive consumer education drive to our beneficiary communities.



4.4.2 PROGRAMME TWO: POLICY RESEARCH, MONITORING AND INFORMATION

The purpose of this programme is to build partnerships, a knowledge base and monitor and evaluate the performance of the human settlements sector in achieving key national strategic priorities. The unit provides information and research in support of promoting spatial targeting and monitoring and evaluation of land development to measure the effectiveness of spatial targeting, in human settlements. In order to do this, the unit employs Global Information Systems (GIS) technology to derive Business Intelligence (BI) that drives and supports spatial targeting.

GIS and BI

With regard to GIS and BI, several milestones were achieved during the 2016/17 Financial Year. These include providing support to various internal HDA programmes, as well as external requests. In total, 801 spatial and business information requests were supported throughout the year. The Business Intelligence (BI) component of the unit was established in the 2016/17 year as the need for such a unit was required towards the end of the previous financial year. Being in its inaugural year, this unit established and implemented the HDA Command Centre Dashboard, which is aimed at providing real-time reporting on progress of projects and programmes.

The HDA Command Centre Dashboard consolidates Programme information into a single organizational view that facilitates the seamless dissemination of information within the organization and to interested external parties. The Command Centre Dashboard also allows for ease of reporting, knowledge management and business intelligence

The GIS component of the unit, continued with the spatial support it provides to the organisation. The Land and Property Spatial Information System (LaPsis), increased by 248 users in the current financial year, bringing the total number of users on the system to 1 238. The government sector is still the largest users of the system, however, it has become apparent that there is a need for such a system in the private sector as well. Private sector users are limited to certain functionalities of the system.

Overall, 19 training sessions were held throughout the year, during which 49 new users were trained to

use the system optimally. In the current financial year, approximately 120 000 searches were conducted on the system, bringing the total number of searches to just over 670 000 since 2010. The month of March in particular achieved a 13-month record number of searches when almost 15 000 searches were conducted. The system uptime of LaPsis was 99.1% for the year.

1 961 maps were produced during the year, primarily for land identification in KwaZulu-Natal, for the MEC 10 000 project. The Western Cape made use of this project for alternative temporary relocations of informal settlement dwellers affected by informal settlements upgrade, or emergency housing. A large number of properties were also identified in North West and the Eastern Cape. In total 5 343 properties were profiled during the year which accounts to approximately 140 000 hectares of land.

The HDA supported the National Department of Human Settlements (NDHS), as well as the Social Housing Regulatory Authority (SHRA) with the mapping, identification and analysis of the 2016/17 Restructuring Zones. In doing so, the HDA supported the sector to achieve its target when these zones were approved by MINMEC in November 2016.

In conclusion, the team has conducted several trends analyses for various custodians throughout the year. The progress of the Master Spatial Plan (MSP) continued in this year, with the update of the MSP Dashboard, which was presented to the Minister of Human Settlements, Deputy Minister of Human Settlements and a number of mayors at various exhibitions throughout the year. Additionally, the GIS unit of the HDA in collaboration with the South African National Space Agency (SANSa) was invited to the UN Habitat III conference in Ecuador by the European Commission's Joint Research Centre (EC-JRC) to showcase how their spatial is used in the human settlements sector in South Africa, because South Africa one of the first users of the Global Human Settlements Layer (GHSL) outside Europe.

Monitoring and Evaluation

The Monitoring & Evaluation team has successfully undertaken 9 evaluations in 7 provinces respectively which relate to the utilisation of the land and evaluates how the human settlements development is contributing to the Spatial Transformation Agenda. 67% of these evaluations lend itself to successful and integrated projects which display adequate access to employment potential, transport networks, bulk infrastructure and equitable housing markets as per the guiding principles of the Master Spatial Plan. The outputs of these evaluations



have been crafted in various info graphics that characterise aesthetically and respond to the complexity of how the development of a human settlement project has enhanced people's livelihoods and transformed the spatial lay out of the area.

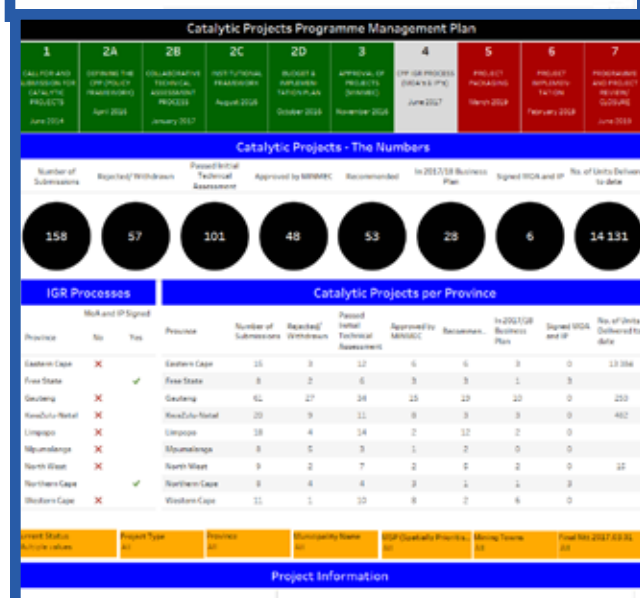
Another significant achievement is the support and approval of the Master Spatial Plan across various intergovernmental structures and clusters as in the Social Cluster, the Economic Cluster, the Director General Cluster and Governance & Administration Cluster etc. The Master Spatial Plan, anchored within the ambit of Human Settlements Legislations, is to be tabled at Cabinet for adoption in June 2017.

In addition, the team has developed a Theory of Change for Catalytic Projects: Monitoring Plan which provides a substantial body of evidence on project design and performance, execution mechanics, deployment operations and impact. The indicators churned out relate to project and construction management, spatial transformation and return on investment which undoubtedly will put the HDA as developer of choice on par with the private sector.

Furthermore, the team has gained full traction in the development of the National Human Settlements Planning Database. The team has successfully engaged with the selected 5 provinces and has obtained their lists of land acquisitions over the years. The National Human Settlements Planning Database is now comprehensive and provides an up to date reference tool to undertake land evaluations.

Moreover, the team has developed an architectural model of an Integrated and Sustainable Human Settlements that clearly depicts accessibility to employment potential, transport networks, bulk infrastructure and equitable housing markets as well as proximity to social and community networks. The model also shapes out the use of green technology and innovative building technologies.

Lastly, the Knowledge Management and Research team has been assessing building maintenance and its impact on affordable housing in Integrated Residential Development Programme (IRDP). The findings reveal that should the State embrace a long-term investment approach, the return on investment (ROI) on IRDP projects will demonstrate a successful ROI averaging between 18% - 23% over the full project.



4.4.3 PROGRAMME 3: NATIONAL PROGRAMME SUPPORT

The responsibility for the acquisition and release of land for human settlements development, as well as the management and oversight of the Catalytic Projects Programme, the Informal Settlements Upgrade Programme, and the Mining Towns Revitalization Programme, resides in this Programme.

4.4.3.1 Sub-Programme 3A: National Programme Support

Sub-Programme 3A comprises the three national priority programmes as follows:

Catalytic Projects Programme

In November 2016, the NDHS together with Human settlements MINMEC approved for delivery, a pipeline of 48 government-led projects as national priority human settlements projects as part of the catalytic projects programme. These approved catalytic projects are illustrated as follows:

During the 2016/2017 financial year, 48 government-led catalytic projects were approved by INMEC. The HDA will assist the provincial departments and the municipalities with the implementation of these catalytic projects and its role over and above that of a programme manager, will range from repackaging of some projects, acting as a developer, and taking over the implementation of the entire project in other cases.

National Upgrading Support Programme (NUSP)

One of South Africa's greatest human settlement challenges stems from the fact that informal settlements continue to grow faster than the rate of low income housing delivery. The need therefore for accelerated in-situ informal settlement upgrading is paramount. This growth in informal settlements is most notable in mining areas in South Africa.

In response to the announcement of the Special Presidential Package for the Distressed Mining Towns, the National Department of Human Settlements introduced the programme of the Revitalization of Distressed Mining Communities during 2013. The NDHS mandated the HDA to implement the National Upgrading Support Programme (NUSP) in the Mining Towns to fast-track implementation. The NUSP provides **technical and capacity support** to provinces and municipalities for the implementation of informal settlement upgrading across the country through the use of the Upgrading of Informal Settlement Programme (UISP) together with other housing programmes.

During the 2016/2017 financial year, the following progress was made with regard to the NUSP:

- All 356 informal settlements within Mining Towns were Assessed and Categorised. Additionally, the HDA through its MTOPs with the Free State and Limpopo Provinces has assessed all informal settlements in non-mining municipalities in the two provinces respectively.
- The HDA has identified five informal settlement projects in respect of which they will play a developer role. Business plans for the implementation of these projects have been approved.
- The HDA produced a detailed ISU Project Pipeline for mining town informal settlements, including 54 Category A informal settlements (*informal settlements in mining towns ready for imminent upgrading over a multi-year development phase*) that are tracked continuously for implementation.

Revitalization of Distressed Mining Towns

The HDA's programme to revitalize distressed mining towns was developed as a response by the NDHS to the October 2012 Social Accord signed by Government, business and labour (referred as the Special Presidential Package). The objectives of the human settlements component of the intervention requires the transformation of 22 identified mining towns through the creation of sustainable integrated human settlements. Currently, the HDA's intervention has focused on fast-tracking and supporting existing human settlement projects in the mining town areas. Spatial Transformation Plans (STP) for six Mining Towns namely, Matjabeng, Greater Tubatse, Lephalale, Thabazimbi/Northam, Rustenburg and Madibeng have been completed and the STPs for the remaining mining towns are being finalised.

However, going forward, focus will shift towards spatial transformation planning to ensure the necessary impact and transformation in the mining towns and ensuring the creation of integrated sustainable human settlements in partnership with the mining companies.

4.4.3.2

SUB-PROGRAMME 3B: BUILT ENVIRONMENT

Land Acquisition

One of the first stated objectives of the HDA is to "identify, acquire, hold, develop and release state, communal and privately owned land for residential and community purposes and for the creation of sustainable human settlements". Over the 2014 to 2019 MTSF period, the HDA has a land acquisition target of 10,000.00 hectares. The 2016/2017 target of 3000 hectares was exceeded by 3288.065 hectares achieving a total of 6288.065 hectares in this reporting period. The Agency has further surpassed the MTSF target of 10 000 hectares by 35% achieving a cumulative total of 13 507.8554 hectares of land acquired and released.

Of significance were the two parcels of land measuring 6.1984 hectares, within the City of Cape Town that were released directly to the Housing Development Agency by the National Department of Public Works and 56.344 hectares of SOC land also donated to the Housing Development Agency by SANRAL for human settlements development.

The HDA further registered transfers of over 40 properties including Sunway Village to Madibeng Municipality, 12 stands purchased from Anglo Gold and 1 property donated by Lonmin to Rustenburg Municipality.

Lastly, the Land Acquisition policy was approved by the Board and the land acquisition plan submitted to the National Department of Human Settlements.

Land/Project Packaging

The following 5 identified projects are already in implementation Phase:

a) Lephalale (Altoostryd)

The HDA has been appointed as Implementation Agent of the project. The feasibility studies are completed, the township layouts are being finalised, Bulk connectors at 96% completed and turnkey developer appointed for installation of services for phase 1.

b) Palm Ridge Ext 9.

Engineering services for 390 stands are being installed on this project.

c) Payneville Ext 1

Project for installation of roads and storm water underway (1075 stands).

d) Hamawasha

Town planning for this project is in progress. EIA and Geotech studies are complete and the draft layout has been presented to the stakeholder.

e) Mckenziville Ext 2

Notably, on this project installation of engineering services is underway for 600 stands. The project is at 98% implementation.

Land Holding

The land holding unit is currently managing 22 properties which are 956 Ha in extent. The unit has implemented 100% of the land holding plan to ensure that the HDA property portfolio is well maintained and managed. All the leases which were due to expire during the year were duly renewed/or formally terminated and the collection rate at the end of the year stood at 93%

Other work of the unit included undertaking 37 pre-acquisition land holding assessments on properties earmarked for acquisition by the HDA or other government organs or entities



4.5 PROGRAMME 4: LAND AND HOUSING SERVICES

The Land and Housing Services Programme is the on the ground delivery arm of the HDA. One of the MTSF targets of the HDA is to support all nine Provinces in the implementation of their human settlements mandate. This entails a range of support activities aimed primarily at assisting Provinces to undertake land identification, development and release. Support activities are only undertaken through agreements, either Medium Term Operational Plans (MTOPs) or Implementation Protocols (IPs) and in response to requests made. The support to Provinces via the implementation of MTOPs is also the responsibility of this Programme.

The Programme is sub-divided into three Regions comprising three Provinces per Region.

During the financial year 2016/2017, all nine Provinces were provided with human settlements support via the HDA's regional offices.

Region A

Encompassing the Cape Provinces (Western, Eastern and Northern), Region A has attained the delivery of 3,941 housing units and 1272 serviced sites.

Eastern Cape

The Agency has sustained the mandate of championing the implementation of the Nelson Mandela Bay Metro (NMBM) Human Settlements Programme. This Programme commenced on 30th June 2015, it is expected to run until 31 March 2019. As at the end of the period, 2 616 housing units have been completed in line with the Financial Year (2016/17) target of 3 017 units. There were also 793 units (in-progress) at various stages of construction. The significance is that within the end of the financial year 2016/17, the output has outpaced that of the previous financial years, namely, 2014/15 (1 281 units) and 2015/16 (1 035 units).

Northern Cape

By the end of the financial year the Heuningvlei Project (22 households) was at 60% completion. In addition, the procurement of a turnkey service provider for the Snake Park Project in Sol Plaatjie Municipality was completed.

Western Cape

Historically the HDA has been responsible for implementation of the N2 Gateway Project. Efforts afoot for the growth of the Programme as exemplified by various initiatives, notably, Knysna and Nomzamo (Lwandle) Projects.

For the year under review, a total of 1325 units completed and surpassed that of the financial year 2016/17 target (1302 units) with 475 units (in-progress) under construction at various stages under the N2 Gateway Project. A total of 1250 serviced sites completed against a target of 591 serviced sites.

Region B

Region B is responsible for managing the operations of the Agency in the Limpopo, Gauteng, and North West Provinces. The following is a summary of work undertaken by the Region in the respective provinces.

Limpopo Province

The Agency has an existing Implementation Protocol and Medium Term Operational Programme concluded with the Provincial Department of Cooperative Governance, Human Settlements and Traditional Affairs. The Agency has a Provincial office located in Polokwane. The Agency supports the human settlements programme of the Province and Municipalities within the Province. The Province has been assigned the HDA responsibility to implement the Peoples Housing Programme, Disaster Housing Programme and the Military Veterans Housing Programme. The Agency is also implementing the Altoostyd Catalytic project in Lephalale. Over and above programmes implementation, the Agency also assists the province in overall human settlements planning and projects preparation.

During the year under review, the Agency delivered 379 units in terms of the Disaster housing programme, 90 units delivered in terms of the Enhanced Peoples Housing Programme and 18 units delivered in terms of the Military Veterans Housing Programme. The Altoostyd Integrated Human Settlement project delivered 2000 sites serviced with water and 1700 serviced with sewer.

Gauteng Province

The Agency has existing Implementation Protocols and Medium Term Operational Programme concluded with the Provincial Department of Human Settlements. The Agency supports the Province and Municipalities within the Province with programmes and implementation support. During the year under review, the Agency cumulatively delivered 1997 housing units located within the area of jurisdiction of the Cities of Johannesburg, Tshwane and Ekurhuleni Metropolitan Municipality.

The Agency furthermore has concluded an Implementation Protocol with Ekurhuleni Metropolitan Municipality to facilitate the delivery the Metro's site and services programme funded from the USDG. To date 1646 site and services on four projects funded from the Urban Settlement Development Grant (USDG) are completed.

North West Province

The Agency has an existing Implementation Protocol and Medium Term Operational Programme concluded with the Provincial Department of Cooperative Governance and Human Settlements. The Agency has since 2011 assisted the Province to acquire various privately owned land parcels required for human settlements development. The Agency has furthermore assisted the Province to access state land required for human settlements tenure upgrading purposes. The role of the Agency during the year under review is to prepare acquired for human settlements development.



Region C

Region C comprises of the Free State, KwaZulu Natal and Mpumalanga province. Over the past year, Region C has been involved in Land Assembly and Development, informal settlement upgrading (ISU) programme, project pipeline development for the Free State Department of Human Settlements (FSHS) and packaging of catalytic projects. The Region has made great strides in the following areas:

With respect to Land Assembly and Development, both Free State and KwaZulu Natal (KZN) have completed the Provincial Master Spatial Plans (MSP) that were commissioned in 2016/17 financial year. Extensive stakeholder engagements on these Provincial MSPs have happened across KZN and the final steering committee for Free State was conducted in Bloemfontein in March 2017. Furthermore, Free State developed a Customised GIS solution for Matjhabeng Local Municipality in the form of a Spatial Transformation Plan for Matjhabeng local municipality and concluded the mapping in the 3rd quarter of 2016/17 financial year, the Mayoral Committee has subsequently committed to include the proposals in their integrated development plan and the spatial development framework.

The Provincial Land Pipeline and database was updated and this database includes the identified public and private land that was assessed according to the criteria for suitability to develop human settlements. Another important database concluded includes land acquired by FSHS since 1994 to date and land acquired by the HDA since 2012 to date and the potential human settlements to be yield in these land parcels. This database was presented to the National coordinating committee on Land, hosted by the National Department of Human Settlements.

In terms of the Region's programme on Hectares of land released and acquired, a total of 681.7522 hectares of private and public land were identified in Free State during 2016/17 financial year and captured in the Provincial Land Pipeline. Over 4 487 hectares were released during this period in KZN. In Mpumalanga, land was identified in Victor Khanye Municipality and assessments are underway.

In relation to Project Implementation support, the following has been done:

- Town Planning support provided to two Catalytic Projects in Free State the Region was involved in the submission of the township establishment application

for Baken Park extensions 6 & 7. The progress on this application has been slower than anticipated as the project was delayed by an array of challenges from objections to the township establishment to a land claim to Dihlabeng LM Municipal Planning Tribunal not being fully established, therefore not able to submit the Township Establishment application. The Region is in discussion with all the various stakeholders and envisage that an amicable resolution of these constraints can still be reached. In the meantime, the Region is proceeding with the detailed designs and the infrastructure installation is anticipated to commence in September 2017.

- The final Urban Design Framework for the Sasolburg Properties was presented to Metsimaholo LM Mayoral Committee and Council in March 2017 for adoption. The township establishment application for the Sasolburg Properties will commence in May 2017.
- An ISU strategy for the Greater Amaoti has been developed and a socio-economic study has been commissioned which will be used to inform the refinement of the project concept.
- On the Project Pipeline, Mining Towns Support and Project Implementation Support, the Region has been instrumental in the technical verification of prioritised human settlements projects. The Region uses this data to update the project pipeline spreadsheet which gets submitted to the Planning Division of FSHS and is also used to verify and report on the mining towns support programme. The Region also participated in the working session for the development of the Free State Project Readiness Matrix and Business Plan for the 2017/18 financial year and ensured the completeness of the project files for the Free State prioritized projects. The Region also completed the final draft of the FSHS Multi-Year Housing Development Plan (MYHDP) in February 2017, this final draft incorporated inputs made by the National Department of Human Settlements.

4.5.1 ANNUAL PERFORMANCE REPORT FOR PROGRAMME 1A: OFFICE OF THE CFO

PROGRAMME ONE: ADMINISTRATION

STRATEGIC GOAL: PROVIDE FINANCIAL SUSTAINABILITY

SUB-PROGRAMME 1A: OFFICE OF THE CFO

STRATEGIC OBJECTIVE	MEASURABLE OBJECTIVE (STRATEGIC ACTIVITIES)	PERFORMANCE INDICATOR	BASELINE	ANNUAL PERFORMANCE AGAINST TARGET		
				PERFORMANCE TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	REASON FOR VARIANCE / COMMENT
Effective internal control systems	Implement effective systems to manage: finance, budgets and performance management, SCM, risk management and compliance	Obtain unqualified financial audit opinion on the financial statements from external auditors	Obtain unqualified financial audit report for 2015/16 from external auditors published by 30 August 2014	The Head of Department, Municipal Manager and HDA CEO have signed the IP. An addendum to the IP has been sent to the provincial department and municipality for consideration.	Achieved	The Head of Department, Municipal Manager and HDA CEO have signed the IP. An addendum to the IP has been sent to the provincial department and municipality for consideration.

4.5.2 ANNUAL PERFORMANCE REPORT FOR PROGRAMME 1B: CORPORATE SUPPORT SERVICES

PROGRAMME ONE: ADMINISTRATION

STRATEGIC GOAL: PROVIDE FINANCIAL SUSTAINABILITY

SUB-PROGRAMME 1B: CORPORATE SUPPORT SERVICES

STRATEGIC OBJECTIVE	MEASURABLE OBJECTIVE (STRATEGIC ACTIVITIES)	PERFORMANCE INDICATOR	BASELINE	ANNUAL PERFORMANCE AGAINST TARGET		
				PERFORMANCE TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	REASON FOR VARIANCE / COMMENT
The HDA is an internally cohesive and effective public sector developer with systems that are stable and accessible	Capacitate the HDA as a public sector developer	Positions filled in line with approved establishment plan	100%	100% of positions filled in accordance with organisation structure requirements	Achieved 100%	All position filled in line with the approved staff establishment plan

4.5.3 ANNUAL PERFORMANCE REPORT FOR PROGRAMME 2: POLICY RESEARCH, MONITORING AND INFORMATION

PROGRAMME TWO: POLICY RESEARCH, MONITORING AND INFORMATION				STRATEGIC GOAL:		
STRATEGIC OBJECTIVE	MEASURABLE OBJECTIVE (STRATEGIC ACTIVITIES)	PERFORMANCE INDICATOR	BASELINE	ANNUAL PERFORMANCE AGAINST TARGET		
				PERFORMANCE TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	REASON FOR VARIANCE / COMMENT
To provide information and research in support of promoting spatial targeting	Promote, guide and monitor spatial investment for human settlements based on the framework for spatial investment for human settlements (FSIHS)	Number of monitoring and evaluation reports against the FSIHS	Produce two reports monitoring and evaluating the implementation of spatial targeting against the Spatial Investment framework (FSIHS)	2 reports	Achieved 2 Reports	Broad consultations successfully undertaken with key role players in the Human Settlements sector to facilitate input into the FSIHS and obtain buy in

4.5.4 ANNUAL PERFORMANCE REPORT FOR SUB-PROGRAMME 3A: NATIONAL PROGRAMME SUPPORT

PROGRAMME THREE: NATIONAL PROGRAMME SUPPORT				STRATEGIC GOAL: SUPPORT NATIONAL PROGRAMMES AND DEVELOPMENTS, AND RELEASE WELL-LOCATED LAND FOR HUMAN SETTLEMENT DEVELOPMENT		
SUB-PROGRAMME 3A: NATIONAL PROGRAMME SUPPORT				ANNUAL PERFORMANCE AGAINST TARGET		
STRATEGIC OBJECTIVE	MEASURABLE OBJECTIVE (STRATEGIC ACTIVITIES)	PERFORMANCE INDICATOR	BASELINE	PERFORMANCE TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	REASON FOR VARIANCE / COMMENT
Release of land for human settlements development	Release of well-located land for housing and human settlements targeting poor and lower middle income households	Number of hectares of well-located land released for human settlements development (targeting poor and middle income households)	2500 hectares of well-located land released	3000 hectares of well-located land released	ACHIEVED 6288.0651 hectares of well-located land released for human settlement development	Exceeded annual target by 32 88.065ha A substantial piece of land was released by the by the KZN Provincial government to the Local Municipality for Human Settlements development. As the release of public land for human settlement purposes takes years, it was not anticipated that the Provincial Government will release the Indaka land for Human Settlement purposes.

PROGRAMME THREE: NATIONAL PROGRAMME SUPPORT

SUB-PROGRAMME 3A: NATIONAL PROGRAMME SUPPORT

STRATEGIC GOAL: SUPPORT NATIONAL PROGRAMMES AND DEVELOPMENTS, AND RELEASE WELL-LOCATED LAND FOR HUMAN SETTLEMENT DEVELOPMENT

STRATEGIC OBJECTIVE	MEASURABLE OBJECTIVE (STRATEGIC ACTIVITIES)	PERFORMANCE INDICATOR	BASELINE	ANNUAL PERFORMANCE AGAINST TARGET		
				PERFORMANCE TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	REASON FOR VARIANCE / COMMENT
Specific support to national priority programmes - catalytic projects, mining towns and NUSP	Preparing and packaging of national priority programmes, namely catalytic projects, mining towns and NUSP	National priority programmes provided with programme management and technical project support		Provide 274 ISU with technical support	ACHIEVED 356 informal settlements provided with technical support	Exceeded annual target by 82. Support was provided to 356 in line with identified ISU projects
				Develop 3 x ISU guidelines	ACHIEVED 4 ISU guidelines developed	Sector Publication (Good practice guidelines were developed)
				Technical support to projects in 22 mining towns	ACHIEVED Technical support to projects in 22 mining towns provided.	Of the 22 mining towns which received support, Human Settlements Spatial Transformation Plans were also developed for 6 Mining Towns
				50 catalytic projects supported	ACHIEVED Support provided to 99 catalytic projects	48 Government-led Catalytic Projects were approved by MINMEC for implementation

4.5.5 THE ANNUAL PERFORMANCE FOR SUB-PROGRAMME 3B: BUILT ENVIRONMENT IMPLEMENTATION

PROGRAMME THREE: NATIONAL PROGRAMME SUPPORT				STRATEGIC GOAL: DEVELOPMENT AND IMPLEMENTATION OF SUSTAINABLE HUMAN SETTLEMENT PROJECTS FOR THE PUBLIC SECTOR		
SUB-PROGRAMME 3B: BUILT ENVIRONMENT IMPLEMENTATION				ANNUAL PERFORMANCE AGAINST TARGET		
STRATEGIC OBJECTIVE	MEASURABLE OBJECTIVE (STRATEGIC ACTIVITIES)	PERFORMANCE INDICATOR	BASELINE	PERFORMANCE TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	REASON FOR VARIANCE / COMMENT
Development and implementation of sustainable human settlements	Preparing and packaging of HDA developments	Number of projects implemented		5 projects implemented (not cumulative)	ACHIEVED 5 Projects implemented	The five projects implemented are <ul style="list-style-type: none"> • Lephalale (Altoostryd) • Palm Ridge Extension 9 • Payneville • Hamawasha • McKenzieville
		Number of projects implemented in line with approved project plans				

4.5.6 ANNUAL PERFORMANCE REPORT FOR PROGRAMME 4: LAND AND HOUSING SERVICES

PROGRAMME FOUR: LAND AND HOUSING SERVICES				STRATEGIC GOAL: PROVIDE LAND AND HOUSING DEVELOPMENT SUPPORT SERVICES TO PROVINCES AND MUNICIPALITIES TO ENABLE THEM TO FULFIL THEIR RESPONSIBILITIES IN THE HUMAN SETTLEMENTS SECTOR		
STRATEGIC OBJECTIVE	MEASURABLE OBJECTIVE (STRATEGIC ACTIVITIES)	PERFORMANCE INDICATOR	BASELINE	ANNUAL PERFORMANCE AGAINST TARGET		
				PERFORMANCE TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	REASON FOR VARIANCE / COMMENT
Enhancing capacity, support and technical skills of provinces and municipalities for human settlements development	Implement technical support and capacity enhancement programmes for human settlements development as agreed with provinces and municipalities covering the HDA services	Number of provinces provided with capacity support as per MTOPs and business plans	9 provinces provided with capacity support as per MTOPs and business plans	9 provinces provided with capacity support as per MTOPs and business plans	ACHIEVED All 9 Provinces were provided with capacity support	9 Provinces have been provided with technical and capacity support in line with MTOPs
		Implementation support provided to programmes and projects	2645 housing units in Zanamvula	Zanamvula Eastern Cape 2 652 Housing Units	NOT ACHIEVED 2 616 Housing Units delivered, a shortfall of 36 Housing Units	<p>VARIANCE:</p> <p>Progress was hamstrung by cashflow challenges experienced owing to the lack of receipt of attendant funds from the Eastern Cape Department of Human Settlements. There were also 793 units at various stages of construction (in-progress).</p> <p>The Zanamvula Project is now implemented under the auspices of the Nelson Mandela Bay Metro (NMBM) Human Settlements Programme.</p> <p>The total target in line with approved funding by ECDHS was 3017 units, comprising of 2652 for Zanamvula and 365 for new projects under the expanded mandate.</p> <p>Progress was hamstrung by cashflow challenges experienced owing to the lack of receipt of attendant funds from the Eastern Cape Department of Human Settlements.</p>

PROGRAMME FOUR: LAND AND HOUSING SERVICES

STRATEGIC GOAL: PROVIDE LAND AND HOUSING DEVELOPMENT SUPPORT SERVICES TO PROVINCES AND MUNICIPALITIES TO ENABLE THEM TO FULFIL THEIR RESPONSIBILITIES IN THE HUMAN SETTLEMENTS SECTOR

ANNUAL PERFORMANCE AGAINST TARGET

PERFORMANCE TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	REASON FOR VARIANCE / COMMENT
N2 Gateway 1464 Housing Units 591 Serviced Sites	NOT ACHIEVED 1 325 Housing Units delivered, a shortfall of 139 Housing Units. 1250 Serviced sites delivered	There was a shortfall of 139 housing units arising from an adjustment of target to 1302 by the Western Department of Human Settlements. An over performance on serviced sites of 659 was achieved.
Nelson Mandela Bay 2603 Housing Units 4000 Serviced Sites	NOT ACHIEVED 0 Housing Units, a shortfall of 2 603 Housing Units 0 Serviced Sites, a shortfall of 4 000 serviced sites	Progress was hamstrung by cashflow challenges due to the Eastern Cape Department of Human Settlements no making available the requisite project funds. There were also 179 units at various stages of construction (in-progress). The approved BP that included projects under the consolidation of Zanemvula and Nelson Mandela Bay Programme amounted to 3017.

As per final business plan agreed with ECDHS, the Agency was only assigned the mandate of housing construction. The construction of serviced sites was undertaken by the Nelson Mandela Bay Municipality.

STRATEGIC OBJECTIVE	MEASURABLE OBJECTIVE (STRATEGIC ACTIVITIES)	PERFORMANCE INDICATOR	BASELINE	ANNUAL PERFORMANCE AGAINST TARGET		
				PERFORMANCE TARGET 2016/17	ACTUAL PERFORMANCE 2016/17	REASON FOR VARIANCE / COMMENT
				Bela Bela Limpopo 150 Serviced Sites	NOT ACHIEVED 0 Serviced Sites delivered, a variance of 150 Serviced sites	The project could not be completed within the financial year
				Lephalale Limpopo 2000 Serviced Sites	NOT ACHIEVED 0 Serviced sites delivered in Lephalale, a shortfall of 2000 Serviced sites.	VARIANCE: The project could not be completed within the financial year.
				315 housing units completed in Limpopo	ACHIEVED 379 housing units delivered in Limpopo	Target exceeded by 64 housing units.
				Serviced sites and Housing Units delivered, but not planned for in the Annual Performance Plan due to Projects and funding being allocated in the middle of the year.	1646 Serviced sites delivered in Gauteng	Project was allocated to HDA in the middle of financial year, there was no planned target in the APP
					1997 Housing Units delivered in Gauteng.	Project was allocated to HDA in the middle of financial year, there was no planned target in the APP
				1660 serviced sites in Sol Plaatje, Northern Cape	NOT ACHIEVED 0 serviced sites delivered in Sol Plaatje, Northern Cape	Having been initiated in August 2016, procurement process was delayed due to terms of reference that had to be clarified, which resulted in tender being re-issued. The turnkey contractor was appointed on the 28 February 2017 and the offer was accepted on the 01 March 2017.
				1888 planned sites in Ga-segonyana, Northern Cape	NOT ACHIEVED	Council for Geoscience is conducting a dolomite investigation of the area to determine whether the land is suitable for development. The outcome of the investigation will determine whether the plan for serviced sites should be undertaken.

PROJECT PERFORMANCE JOUBERTON

INTERGRATION

SPOKEN LANGUAGE

Setswana **57.28%**
 IsiXhosa **17.93%**
 Sesotho **14.19%**
 English **2.09%**
 IsiZulu **1.96%**
 Afrikaans **1.87%**
 Sepedi **1.41%**
 Xitsonga **0.95%**
 IsiNdebele **0.73%**
 Sign language **0.55%**
 Siswati **0.35%**
 Tshivenda **0.11%**
 Other **0.57%**

POPULATION GROUP

Black African **98.45%**
 Coloured **1.14%**
 Indian/Asian **0.11%**
 White **0.23%**
 Other **0.07%**



TOTAL POPULATION: 15586



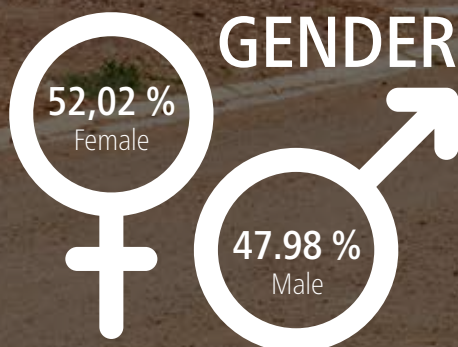
PRIVATE OWNED RESIDENTIAL COMPLEX

RECOMMENDATIONS

there needs to be cooperation from all stake holders namely:

- Department of Infrastructure Developments
- Department of Human Settlements
- Local Municipality

Local municipality needs to do regular inspections to prevent invasion and ensure that land is used for what it is zoned for.



SMME'S IN JOUBERTON



Residents work in town and in the mines: Hartebeesfontein Is a mining town

6,03% No income
 1,70% R 1 - R 4,8K
 2,81% R 4,8 K - R 9,6 K
 13,71% R 9,6 K - R 19,2 K
 17,63% R 19,2 K - R 38,4 K
 19,16% R 38,4 K - R 76,8 K
 21,38% R 76,8 K - R 153,6 K
 12,60% R 153,6 K - R 307,2 K
 3,51% R 307,2 K - R 614,4 K
 0,47% R 614,4 K - R 1 228 800 K
 0,76% R 1 228 800 K - R 2 457 600 K
 0,35% R 2 457 600 K - ABOVE



SPAZA
SHOP



CAR
REPAIRS



FAST
FOOD SHOPS



SUBSTANCE
FARM

LIVELIHOODS



TENURE STATUS

60, 82% Owned, Fully paid off
 4,33% Owned, Not paid off
 4,26% Rented
 8,50% Occupied rent free
 18,50% Other



HEADED HOUSEHOLDS

27 Ages 13 - 17
 1 451 Ages 18 - 34
 1 649 Ages 35 - 44
 1 448 Ages 45 - 64
 249 Ages 65 - 84



Medical Facilities within 3km:
 Jouberton Clinic
 Empillsweni Clinic
 Tsholofelo Clinic



Police Station within 3 km:
 SAPS Jouberton

SOCIAL AMENITIES



Education Facilities within 3km:
 Are-Fadimeheng Secondary School
 Zimele-Gege Primary School
 Khayaalethu Primary



Commercial Activities within 13km:
 437 activities







Transport Nodes:
 There are minibus taxis for commuters



Government Facilities within 13 km:
 4 Offices

BULK SERVICES

 95,4%
  73,25%
 98,63%
  89,97%

LAND USE

A few stands down the road from the abandoned crèche is a private owned crèche.



Erf 27275:
Zoned for business, used as church



Erf 27772:
Crèche on residential stand



Erf 27765 :
Abandoned Crèche



Erf 27397:
Zoned for school, used as dump & soccer field



HOUSES & STANDS



RENOVATED RDP HOUSE...

The stands are big enough to accommodate:

- Backyard dwellings
- Renovations and additions to RDP house
- SMME
- Vegetable patch



SEWER PLANT CLOSE TO HOUSES...

Erf 26458: A sewer plant is located 500 m to the closest house, there's an unpleasant smell coming from the plant. POTENTIAL HEALTH HAZARD...

BASELINE EVALUATION

HDA HUMAN SETTLEMENTS NATIONAL PRIORITY PROJECT IN KNYSNA

MONTHLY INCOME BANDS



No Income	9%
R 1 - R 500	7%
R 501 - R 1 500	29,1%
R 1 501 - R 3 500	45%
R 3 501 - R 7 500	9%
R 7 501 +	1%

1/3+
household in
the settlements
receives social
grants.

Project site is made up
of these areas:

- Phelindaba
- Phelindaba outskirts
- Rhobololo 1
- Rhobololo 2
- Rhobololo outskirts
- Concordia
- Love Corner



**PROJECT
SITE** Populated by
informal settlers



TOPOGRAPHY

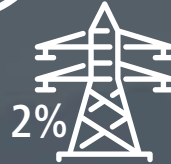
- Project site is characterised by steep slopes.
- Plateaus available for possible human settlement developments.
- Knysna Municipality has developed innovative methods to work the slope.



HEADED HOUSEHOLDS

18 - 24	11%	35 - 44	33%	55+ 6%
25 - 34	38%	45 - 54	12%	

! AREAS OF CONCERN



SERVITUDE

2%

1, 2868 ha (2%) of land is undevelopable
due to Eskom's overhead power lines.



SLOPE

89%

49. 2331 ha of the land has a steep slope with
contours that are 5 metres apart.
Costly methods and skills are needed to prepare
land for top structures.



BULK SERVICES

Sanitation system upgrade needed to service
proposed developments Bulk services installation
difficult & costly due to steep slope.

Estimation: developing the site for human
settlements will exceed amount subsidy amount
available from government.



SOCIAL AMENITIES

- Knysna Provincial Hospital
- Dorp Clinic
- Khayalethu Clinic
- SAPS Knysna
- Thembelitsha Primary School
- Witlokasie Primary School
- Knysna Mall, Garden Route
- Shopping centre & Boardwalk
- Siyafunda Educare Centre



PROPOSED PROJECT SITE

SPOKEN LANGUAGES

Afrikaans **34.9%**
English **34.0%**
IsiNdebele **0.7%**
IsiXhosa **55.4%**
IsiZulu **1.5%**
Sepedi **0.2%**
Sesotho **0.9%**

Setswana **0.3%**
Sign language **0.4%**
SiSwati **0.6%**
Tshivenda **0.0%**
Xitsonga **0.1%**
Other **1.8%**

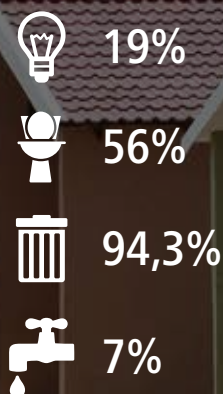
EXISTING STRUCTURES



757 STRUCTURES

ARE CURRENTLY ON THE PROJECT SITE BEING USED AS SHOWN ABOVE

BASIC SERVICES

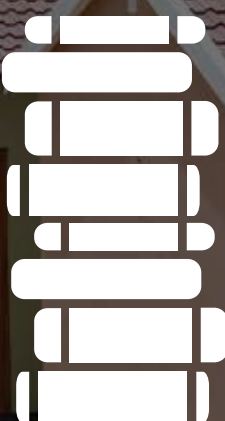


EDUCATION LEVEL

35 %
Completed Matric

3 %
Diploma

0 %
Degree

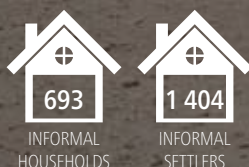
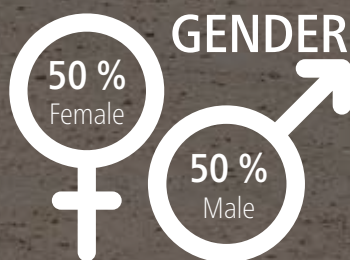


BENEFICIARIES

0,3 % Indian/Asian
65,7 % Black African
1,1 % Other
32,8 % Coloured
0,1 % White



GENDER



52 %
beneficiaries qualify
for a housing subsidy

PROJECT PERFORMANCE

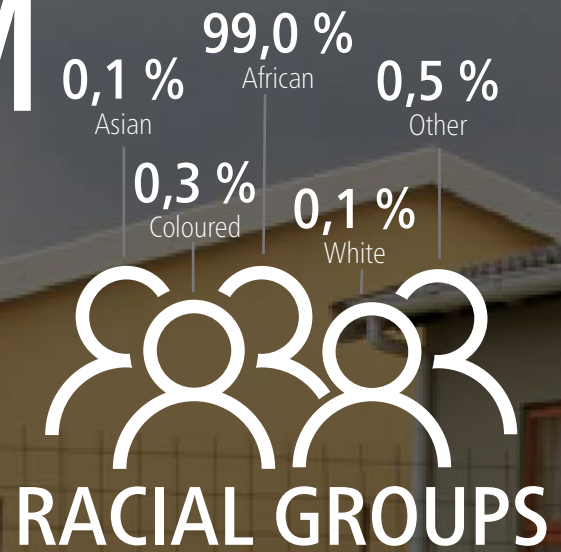
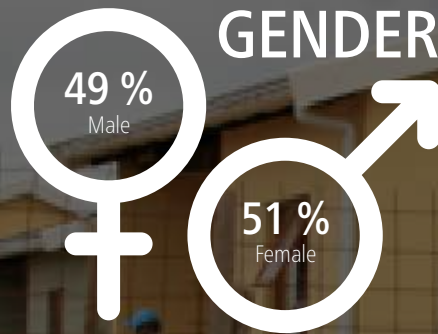
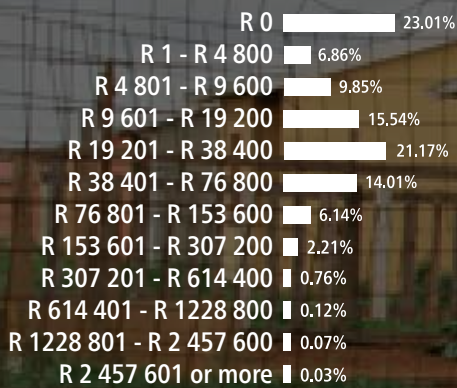
City of Johannesburg

ORANGE FARM

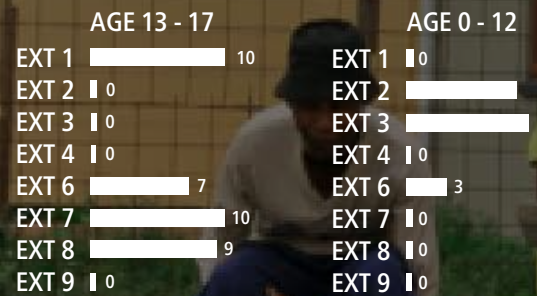
LIVELIHOODS

INCOME STATISTICS

ANNUAL INCOME



CHILD HEADED HOMES

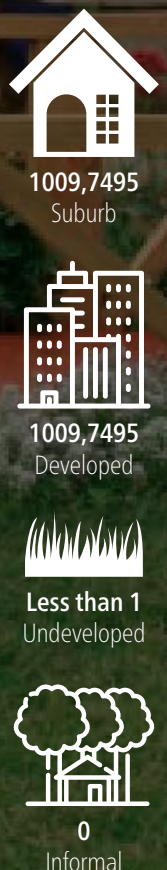


SPOKEN LANGUAGES

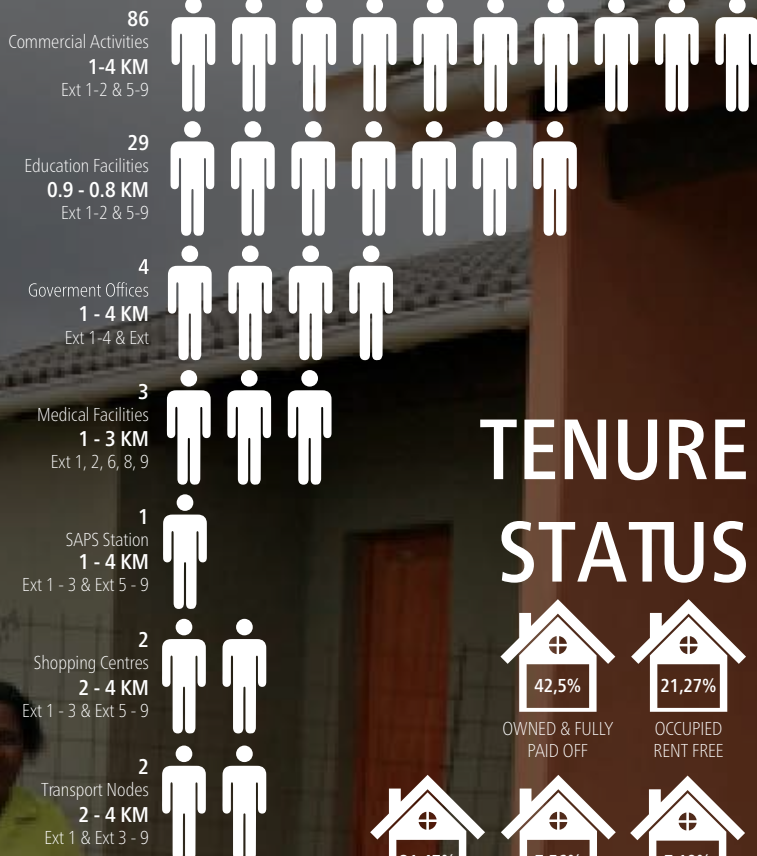
INTERGRATION



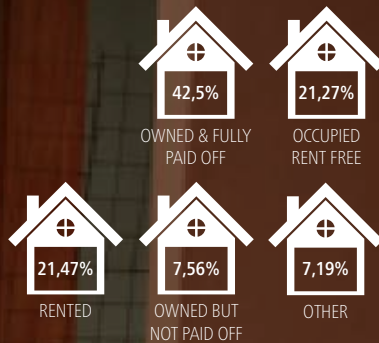
DEVELOPMENT STATUS (ha)



SOCIAL AMENITIES



TENURE STATUS

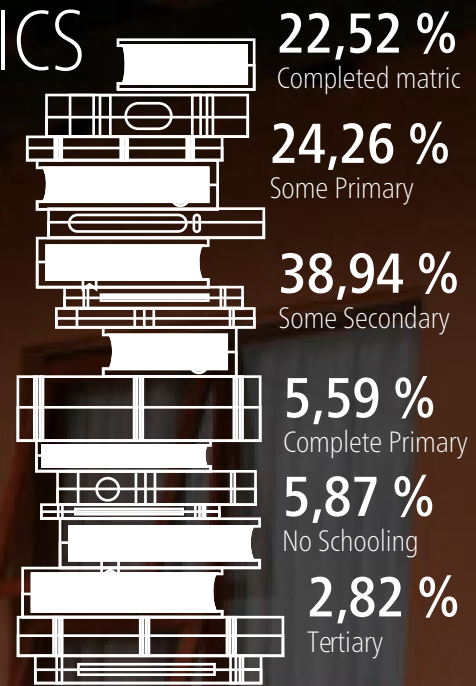


LITERACY STATISTICS

PUBLIC SCHOOLS in EXT 1 & 2

EXT 1:
4 Primary Schools & 2 Secondary Schools

EXT 2:
6 Primary Schools & 3 Secondary Schools



BASIC SERVICES

99,9% **40,4%**

70,4% **98,7%**

EMPLOYMENT OPPORTUNITIES

FORMAL

A number of shopping centres provide employment to a few of the population in Orange Farm.

INFORMAL

Out of all the regions in the City of Johannesburg, Orange Farm has the highest unemployment rate. There is a culture of self-sufficiency and entrepreneurship that exist in Orange, a significant number of people who run SSME's throughout the region. These are hair salons, backyard dwellings and various items sold on pavements along busy roads.



PUBLIC TRANSPORT FACILITIES

taxi rank in extension two is on Link Road, other modes of public transport include ventures also referred to as "locals" that transport commuters to various parts of orange farm. Stretford station gives commuters access to trains to various destinations



ORANGE FARM FIRE HOUSE 5

Services all the extensions in the area.



ORANGE FARM FIRE HOUSE 5

1 SAPS station services all the extensions in the area.



CHRIS HANI SPORTS COMPLEX

Home to Cricket Club, which serves all primary and high schools in the area



MEDICAL FACILITIES

Orange farm has private and public clinics but no hospitals.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017





CONTENTS

The reports and statements set out below comprise the annual financial statements presented to the Minister:

■ Index	72
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■ Report of the Audit and Risk Committee	75
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■ Statement of Cash Flows	85
■ Statement of Comparison of Budget information with Actual information	86
■ Accounting Policies	87
■ Notes to the Annual Financial Statements	95
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GENERAL INFORMATION

LEGAL FORM OF ENTITY	Schedule 3A entity listed in terms of the PFMA.
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management support services.
THE FOLLOWING IS INCLUDED IN THE SCOPE OF OPERATION	Identify, acquire, hold, develop and release well-located land and buildings, provide project management support and housing development services.
CONTROLLING ENTITY	National Department of Human Settlements.
MEMBERS OF THE ACCOUNTING AUTHORITY	M Msimang (Chairperson) LC Archary TS Songelwa ME Mutheiwana PA Singh PP Moloi (CEO) APG Soares (CFO)
PHYSICAL ADDRESS	Block A, Riviera Office Park 6-10 Riviera Road Killarney Johannesburg
BANKERS	First National Bank Ltd
AUDITORS	PricewaterhouseCoopers Inc.
BUSINESS ADDRESS	P.O. Box 3209 Houghton 2041

STATEMENT OF RESPONSIBILITY AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority acknowledges that they are ultimately responsible for the system of internal financial controls established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Accounting Authority sets standards for internal controls aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

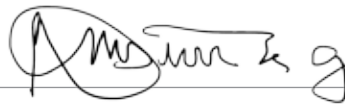
The Accounting Authority is of the opinion, based on the information and explanations given by management that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements.

However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2018 and in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 76 - 79.

The annual financial statements set out on pages 80 to 111, which have been prepared on the going concern basis, were approved by the Accounting Authority on 26 July 2017 and were signed on its behalf by:



M MSIMANG
Chairperson of the Accounting Authority



PP Moloi
Chief Executive Officer



REPORT OF THE AUDIT AND RISK COMMITTEE

The Accounting Authority of the Housing Development Agency (HDA) delegated certain responsibilities to the Audit and Risk Committee (Committee) and these are set out in the Audit Committee Charter.

The Committee's responsibilities are in line with the Public Finance Management Act, Act 1 of 1999 and the Treasury Regulations and it has discharged all its responsibilities set out in its Audit Committee Charter. The Committee has amongst other things reviewed the following during the 2016/2017 financial year:

- the effectiveness of the internal control systems;
- the activities of the internal audit function, including its annual work program, co-ordination with external auditors, the reports of significant findings and the response of management to specific recommendations;
- the adequacy, reliability and accuracy of financial information provided by management;
- any accounting or auditing concern identified as a result of an internal or external audit; and
- where relevant, the independence and objectivity of the external auditors.

The internal controls implemented by the HDA focus on identified key risk areas. Management monitors all internal controls closely and ensures that action is taken to correct deficiencies as they are identified. In the opinion of the Committee, these controls and procedures of the HDA were, during the year under review, appropriate in safeguarding the HDA's assets, ensuring the maintenance of proper accounting records and that working capital and resources were efficiently utilised. Nothing has come to the attention of the Committee to indicate that a material breakdown in the functioning of the internal controls, procedures and systems has occurred during the year under review.

Following our review of the Annual Financial Statements of the HDA for the year ended 31 March 2017, we are of the opinion that they comply in all material respects with the relevant provisions of the Public Finance Management Act and Generally Recognised Accounting Practice.

The Committee, at its meeting held on 19 July 2017 recommended these Annual Financial Statements, which were prepared on a going concern basis, to the Accounting Authority for approval.



TS SONGELWA
Chairperson of the Audit and Risk Committee



INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE HOUSING DEVELOPMENT AGENCY

Opinion

We have audited the financial statements of the Housing Development Agency (HDA) set out on pages 82 to 111, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Housing Development Agency as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa (Act No.1 of 1999)(PFMA).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the HDA in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to our audit in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Unaudited supplementary schedules

The supplementary information set out on pages 112 to 113 does not form part of the financial statements and are presented as additional information. We have not audited these schedules and accordingly, we do not express an opinion thereon.

Responsibilities of the Accounting Authority

The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the accounting authority is responsible for assessing the Housing Development Agency's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the Housing Development Agency or to cease operations, or has no realistic alternative but to do so.

*PricewaterhouseCoopers Inc., 32 Ida Street, Menlo Park 0081, P O Box 35296, Menlo Park 0102, South Africa
T: +27 (0) 12 429 0000, F: +27 (0) 12 429 0100, www.pwc.co.za*

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the entity's compliance with respect to the selected subject matters.

In addition to our responsibility for the audit of the financial statements as described in the auditor's report, we also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- conclude on the appropriateness of the board of directors, which constitutes the accounting authority, use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to us at the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and here applicable, related safeguards.

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information, which must be based on the approved performance planning documents of the Housing Development Agency. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that maybe included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the Housing Development Agency for the year ended 31 March 2017:

Programmes	Pages in annual performance report
Programme 3 - National Programme Support	59- 61
Programme 4 - Land & Housing Services	62 - 64

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

We did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 3 - National Programme Support
- Programme 4 - Land & Housing Services

Other matters

We draw attention to the matters below.

Achievement of planned targets

Refer to the annual performance report on pages 58 - 63 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the opinions expressed on the usefulness and reliability of the reported performance information in this report.



Adjustment of material misstatements

We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 3 - National Programme Support and Programme 4 - Land & Housing Services. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the Housing Development Agency with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

We did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Other Information

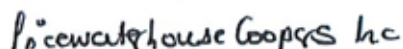
The HDA's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appear to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Internal control deficiencies

We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report. We did not identify any significant deficiencies in internal control.



PricewaterhouseCoopers Inc.

Director: Pravitha Persad

Registered Auditor

Pretoria

31 July 2017

ACCOUNTING AUTHORITY'S REPORT

The members of the Accounting Authority present their report for the year ended 31 March 2017.

1. MAIN BUSINESS AND OPERATIONS

The Housing Development Agency (HDA) was enacted via an Act of Parliament, the Housing Development Agency Act 23 of 2008. The HDA is listed as a schedule 3A entity in terms of the Public Finance Management Act 1, of 1999.

The Executive Authority of the HDA is the National Minister of Human Settlements. The HDA commenced operations on 1 April 2009.

The objectives of the Agency, as described in the HDA Act are to:

- identify, acquire, hold, develop and release state, communal and privately owned land for residential and community purposes and for the creation of sustainable human settlements;
- provide project management support and housing development services.

1.1 Corporate governance statement

The Accounting Authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting authority supports the highest standards of corporate governance and the ongoing development of best practice.

The salient features of the entity's adoption of the principles of the King Code on Corporate Governance are outlined below:

1.1.1 Accounting Authority (Board)

The Board:

- retains full control over the entity, its plans and strategy
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;

- is of a unitary structure comprising:
 - non-executive members, all of whom are independent directors as defined in the principles of King Code; and
 - executive members

1.1.2 Chairperson and Chief Executive Officer

The Chairperson is a non-executive and independent member (as defined by the principles of the King Code). The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

1.1.3 Human Resources and Remuneration Committee

The Chairperson of the Human Resources and Remuneration Committee is Ms LC Archary, who is a non-executive member. The other non-executive members of this committee are Mr M Msimang and Mr ME Mutheiwana.

The committee operates in accordance with its approved charter and has been constituted to oversee the formulation of a remuneration philosophy and human resources strategy to ensure that the HDA enjoys the best human capital relevant to its business needs and maximises the potential of its employees.

1.1.4 Audit and Risk Committee

The Chairperson of the Audit and Risk Committee is Ms TS Songelwa, who is a non-executive member, the other non-executive member is Mr ME Mutheiwana. Independent members of this committee are Ms SY Boulton, Mr SAH Kajee and Mr PT Phili.

The Audit and Risk Committee operates under an approved audit committee charter.

1.1.5 Land, Planning and Development Committee

The Chairperson of the Properties and Development committee is Mr PA Singh, who is a non-executive member. The other non-executive members are Ms LC Archary, Mr ME Mutheiwana and Ms TS Songelwa. The committee has an approved terms of reference.

1.1.6 Social and Ethics Committee

The Chairperson of the Social and Ethics Committee is

Mr PA Singh, who is a non-executive member, the other nonexecutive members are Mr M Msimang and Ms TS Songelwa.

1.1.7 Project Investment Committee

The Chairperson of the Project Investment Committee is Mr ME Mutheiwana, who is a non-executive member, the other non-executive members are Mr PA Singh and Ms TS Songelwa. Independent member of this committee is Mr PT Phili.

1.2 Internal audit

The HDA's internal auditors is Rakoma and Associates Inc. who was appointed on 1 June 2015 to perform the internal audit services at the HDA in accordance with the requirements of the PFMA, Treasury Regulations and the Standards of the Institute of Internal Auditors.

1.3 Compliance with legislation

The Board complies with the mandatory legislation applicable to it such as the Public Finance Management Act 1 of 1999 and the HDA Act 23 of 2008.

2. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. EVENTS AFTER REPORTING DATE

There are no reportable events after reporting date.

4. MEMBERS OF THE ACCOUNTING AUTHORITY INTEREST IN CONTRACTS

To our knowledge none of the members had any interest in contracts entered into during the period under review.

5. FINANCIAL RESULTS

The HDA 's operating results and financial position are reflected in the attached annual financial statements.

6. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless, wasteful and irregular expenditure amounting to R1 167 000 is reported in the current year (See note 29).

7. MEMBERS OF THE ACCOUNTING AUTHORITY

The members of the Accounting Authority of the HDA during the accounting period and up to the date of this report were as follows:

NAME	DATE OF APPOINTMENT	DATE OF RESIGNATION/END OF TENURE
MW Msimang (Chairperson)	04.11.2015	
LC Archary	04.11.2015	
TS Songelwa	04.11.2015	
ME Mutheiwana	04.11.2015	
MG Seitisho	04.11.2015	07.04.2016
PA Singh	04.11.2015	
PP Moloi (Executive)	01.10.2015	
APG Soares (Executive)	01.09.2014	

The CFO, Ms APG Soares was seconded to CSOS, an entity of the Human Settlement Department, effective 02 May 2017 and Mr B Chaplog seconded as the HDA CFO.

8. AUDITORS

The Auditors-General has given the HDA permission to appoint external auditors on their behalf. the HDA has reappointed PricewaterhouseCoopers Inc. for financial year 2016/17. The appointment is granted for one financial year as contemplated in terms of section 25(4) of the Public Audit Act, Act No. 25 of 2004.

STATEMENT OF FINANCIAL POSITION

Figures in R '000	Note(s)	2017	2016
Assets			
Non-Current Assets			
Property, plant and equipment	3	5 500	4 037
Long-term land inventory	4	27 905	27 905
Total Non-Current Assets		33 405	31 942
Current assets			
Land inventory	5	98 036	96 336
Receivables from exchange transactions	6	1 710	739
Projects receivables	7	258 242	96 462
Cash and cash equivalents	8	708 897	552 324
Total Current Assets		1 066 885	745 861
Total Assets		1 100 290	777 803
Net Assets and Liabilities			
Revaluation reserve		111	57
Accumulated surplus		7 524	21 236
		7 635	21 293
Non-Current Liabilities			
Finance lease obligations	9	730	-
CURRENT LIABILITIES			
Payables from exchange transactions	11	27 375	24 325
Provisions	12	15 572	12 471
Current portion of finance leases	9	468	42
Projects Payables	13	60 817	115 105
Projects obligations	14	889 657	508 231
Land inventory funding	15	98 036	96 336
Total Current Liabilities		1 091 925	756 510
Total Net Assets and Liabilities		1 100 290	777 803

STATEMENT OF FINANCIAL PERFORMANCE

Figures in R '000	Note(s)	2017	2016
Operating Revenue			
Revenue from non-exchange transactions - operational grants	16	202 315	162 868
Revenue from exchange transactions - project management fees	17	23 280	7 519
Interest income		4 679	312
Total operating revenue		230 274	170 699
Expenditure			
Land and related costs	18	10 176	10 514
Operating expenses	19	61 519	50 824
Project services	20	59 604	45 790
Finance costs		290	444
Employee costs	21	117 834	91 327
Deficit on disposal of property, plant and equipment		44	20
Total Expenditure		249 467	198 919
Other income			
Surplus on disposal of property, plant and equipment		-	13 698
Sundry income	22	5 481	5 433
Total other income		5 481	19 131
Deficit for the year	24	(13 712)	(9 089)

STATEMENT OF CHANGES IN NET ASSETS

Figures In R '000	Revaluation reserve	Accumulated surplus	Total
Balance at 1 April 2015	57	30 325	30 382
Deficit for the year	-	(9 089)	(9 089)
Balance at 31 March 2016	57	21 236	21 293
Balance at 1 April 2016	57	21 236	21 293
Deficit for the year	-	(13 712)	(13 712)
Revaluation of Paintings	54	-	54
Balance at 31 March 2016	111	7 524	7 635

STATEMENT OF CASH FLOW

Figures in R '000	Note(s)	2017	2016
Cash flows from operating activities			
Receipts		231 076	175 820
Grants		202 315	162 868
Management fees		23 280	7 519
Other receipts		5 481	5 433
Payments		(240 925)	(187 694)
Employee costs		(117 838)	(91 327)
Other payments		(123 087)	(96 367)
Cash utilised in operations	25	(9 849)	(11 874)
Interest received		4 679	312
Interest paid - Finance charges on finance leases		(292)	(12)
Net cash flows from operating activities		(5 462)	(11 574)
Cash flows from investing activities			
Property, plant and equipment acquired		(4 479)	(2 722)
Proceeds on disposal of property, plant and equipment		-	29 865
Net cash flows from investing activities		4 479	27 143
Cash Flows From Financing Activities			
Increase in funding receivables for projects		(161,780)	(76,461)
(Decrease)/increase in payments for projects payable		(54,288)	107,181
Increase in projects obligations		381,426	450,872
Increase/(decrease) in lease liability		1,156	(230)
Cash flows from financing activities		166,514	481,362
Increase in cash and cash equivalents		156,573	496,931
Cash and cash equivalents at beginning of the year		552,324	55,393
Cash and cash equivalents at end of the year	8	708,897	552,324

STATEMENT OF COMPARISON OF BUDGET INFORMATION WITH ACTUAL INFORMATION

Figures in R '000

Note(s)

2017

		ACTUALS	BUDGET	VARIANCE	% VARIANCE	ADJUSTMENT	APPROVED ANNUAL BUDGET
Operating Revenue							
Operational grants	1	202 315	249 450	47 135	19%	-	249 450
Project management fee	2	23 280	28 564	5 284	18%	-	28 564
Other income							
Interest income		4 679	2 376	(2 303)	(97%)	-	2 376
Sundry income		5 481	1 900	(3 581)	(188%)	-	1 900
Total Revenue		235 755	282 290	46 535	16%	-	282 290
Expenditure							
Land and related costs		10 176	9 228	(948)	(10%)		9 228
Operating expenses		61 519	67 172	5 653	8%		67 172
Technical and project		59 604	58 386	(1 218)	(2%)	-	58 386
Finance costs		290	954	664	(69%)		954
Employee costs		117 884	146 444	28 610	20%		146 444
Deficit on disposal of property, plant and equipment		44	106	62	58%		106
Total expenditure		249 467	282 290	32 823	12%	-	282 290
Deficit for the year		(13 712)	-	13 712	-	-	-

Variances explanation

1 Anticipated funds budgeted for catalytic projects were not received.

2 Management fee underrecovered as work still continuing at project level.

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

General information

The Housing Development Agency is a section 3A entity of the PFMA, Act 1 of 1999. The principal activity is accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management and support services.

Basis of preparation

The annual financial statements have been prepared in accordance with the effective South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) for the accrual basis of accounting, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The following are the principal accounting policies of the HDA, adopted in preparation of the annual financial statements. The historical cost convention has been

used, except where indicated otherwise.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of the GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Use of estimates and judgements

Management has used assessments and estimates in preparing the annual financial statements - these are based on the best information available at the time of preparation. The annual financial statements have been prepared on a going-concern basis. All amounts have been presented in the currency of South African Rand, which is the functional currency of the HDA.

Standards and pronouncements comprising the GRAP Financial Reporting Framework

The following standards have been approved but are not yet effective as at 31 March 2017. The impact that these standards will have on the entity is detailed below.

A list of these standards is provided below:

GRAP	STANDARDS	IMPACT	EFFECTIVE DATE
GRAP 20	Related party disclosures	Disclosure will be affected as the HDA has transactions with related parties.	No effective date.
GRAP 108	Statutory Receivables	Disclosure may be affected.	No effective date.
GRAP 109	Accounting by Principals and Agents	Disclosure will be affected as the HDA has principal-agency agreements with other organs of state.	No effective date.

The following are interpretations issued but not yet effective:

INTERPRETATIONS	EFFECTIVE DATE
Preface to the interpretations of the SA Standards of GRAP	No effective date.

2.

2.1 Revenue recognition

The HDA is financed from money appropriated by Parliament and other sources as indicated below:

Revenue from exchange transactions

Revenue from exchange transactions refers to the revenue that accrued to the HDA directly in return for services rendered, the value of which approximates the consideration received or receivable. Revenue is recognised based on cost recovery.

Revenue arising from the use by others of entity interest yielding assets is recognised when:

- it is probable that the economic benefits or service potential with the transaction will flow to the entity; and
- the amount of revenue can be measured reliably.
- Interest income is recognised as it accrues on a time apportionment basis taking into account its effective yield. Other income comprises tender fees and insurance claims and is recognised when consideration is received.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the HDA received revenue from another party without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants from government are recognised at fair value when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Grants relating to projects approved for funding but not yet transferred are accrued for as project receivables.

Management fee is recognised as revenue as services rendered are based on agreed funding agreements.

2.2 Taxation

The HDA is not required to make provision for SA Normal Taxation in the annual financial statements, since it is exempted in terms of Section 10(1) cA (i) of the Income Tax Act 58 of 1962 as amended.

The HDA is defined as a public authority in terms of the VAT Act 89 of 1991 as amended and is not required to register for VAT (Value Added Tax). The HDA is also exempt from paying Skills Development Levy in terms of Section 4 (d) of the Skills Development Levies Act no. 9 of 1999.

2.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired at no or nominal cost, its cost is its fair value as at the date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses.

Recognition of costs in the carrying amounts of an item of property, plant and equipment ceases when an item is in location and condition necessary for it to be capable of operating in the manner intended by management.



the asset is ready for its intended use.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately. Where the carrying value is greater than estimated recoverable amount, it is written down immediately to its recoverable amount. The useful lives of all the assets are assessed on an asset by asset basis.

The major categories of assets are depreciated over the following average useful lives:

ITEM	AVERAGE USEFUL LIFE
Computer equipment	3 - 4 years
Office equipment	4 - 5 years
Furniture & fittings	10 - 12 years
Electronic hardware	4 - 5 years
Property	20 - 25 years

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.

Paintings

Paintings are carried at fair value and not depreciated.

The revaluation method is used.

Revaluations are made regularly, every three (3) years by an independent valuator.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

2.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity, and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are purchased computer software that is stated at cost less accumulated amortisation and any accumulated impairment losses. It is amortised over its estimated life of three (3) years using the straight-line method.

The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the assets; and
 - * Residual value can be determined by reference to that market; and
 - * It is probable that such a market will exist at the end of the asset's useful life.

Useful lives, amortisation methods and residual values of assets are re-estimated annually to finite periods. The depreciable amount of an intangible asset with finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use. The assets are then amortised over their re-assessed useful lives.

An intangible asset shall be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss on derecognition on an intangible asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

At each statement of financial position date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that those assets may have been impaired. If the fair value less costs to sell of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its fair value less costs to sell. An impairment loss is recognised immediately in surplus or deficit.

2.5 Land held as current assets

Land held as current assets is classified as such when the carrying amount will be recovered principally through a sale transaction or disposal rather than through continuing use.

2.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Classification of leases is done at the inception of the lease agreement.

Finance leases – lessee

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease assets are carried at the initial cost

recognised less accumulated depreciation and impairment losses. Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease term unless the asset is expected to be used by the entity beyond the term of the lease.

The major categories of leased assets are depreciated using the following range of useful life:

ITEM	AVERAGE USEFUL LIFE
Office equipment	2 - 3 years

Operating leases – lessee

Leases for assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.

2.7 Provisions

Provisions are recognised when:

- the entity has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

2.8 Leave pay provision

Employee entitlement to annual leave is recognised when it accrues to employees. A provision, based on total employment cost, is raised for the estimated liability as a result of services rendered by employees up to date of the statement of financial position.



2.9 Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the entity, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

2.10 Land inventory

Initial recognition and measurement

Land inventory is a tangible asset that is held for sale or distribution in the ordinary course of operations.

Land inventory shall be recognised as an asset if, and only if:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the inventory can be measured reliably.

Inventories that qualify for recognition as assets shall initially be measured at cost. Inventories are measured at the lower of cost and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be fair value as at the date of acquisition.

Subsequent measurement

Inventories shall be measured at the lower of cost or current replacement cost where they are held for distribution at no charge or for a nominal charge.

Long-term land inventory

Land purchased by the HDA for the purpose of release for human settlements and where there is uncertainty regarding date of release is classified as long-term land inventory.

Short-term inventory

Land registered in the HDA name and where there are conditions attached is classified under current assets as short-term land inventory.

2.11 Related parties

The HDA operates in an economic environment

currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties. Only transactions with such parties which are not arm's length and not on normal commercial terms are disclosed.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of Executive Committee up to the Accounting Authority are regarded as key management. Close members of the family of persons related to the entity may influence, or be influenced by them in their transactions with the entity.

2.12 Financial instruments

Initial recognition and measurement

Financial instruments are initially recognised at fair value. Transaction costs on financial instruments, measured at fair value through surplus or deficit, are recognised in surplus or deficit.

2.12.1 Receivables

Receivables are classified as loans and receivables and are initially measured at fair value. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are subsequently measured at amortised cost using the effective interest rate method. The allowance for debtor impairment is determined as being the difference between the present value of the expected future cash receipts and the carrying value. Bad debts are written off when concrete cases of default are identified. Gains and losses are recognised in surplus and deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.12.2 Payables

The entity's financial liabilities include payables which are initially measured at fair value and subsequently measured at amortised cost.

2.12.3 Cash and cash equivalents

Cash and cash equivalents, for the purpose of the cash

flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts, all of which are available for use unless otherwise stated. These are initially and subsequently recorded at fair value.

Offsetting

Transactions are only offset when such offsetting reflects the substance of the transaction or event. Where a legally enforceable right of offset exists for recognised financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. As the indicators are subject to uncertainty and as such may change in future financial periods. Such changes in estimates may have the effect of decreasing impairment losses recognised. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Impairment losses are recognised in surplus or deficit.

Derecognition

A financial asset (or, where applicable, a part of a financial asset) is derecognised when:

- the rights to receive cash flow from the asset have expired;
- the entity retains the right to receive cash flow from the asset, but has assumed the obligation to pay them in full without
- material delay to a third party under a “pass-through” arrangement, or
- the entity has transferred its right to receive cash flows from the asset and either

* Has transferred substantially all the risks and

rewards of the assets, or

- * Has neither transferred nor retained substantially all the risks and rewards of the assets, has transferred control of the asset.

A financial liability is derecognised when an obligation under the liability is discharged, cancelled or expires.

On derecognition, the difference between the carrying amount of the financial assets and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets, is included in the surplus or deficit for the period.

2.13 Employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The HDA is a member of the Government Employees Pension Fund.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payment as a result of past performance.

2.14 Accruals

Accruals are recognised as liabilities when the entity has taken receipt of the related goods or services without a corresponding invoice having been issued.

The amount of accruals is the present value of the expenditure required to settle the obligation. Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the accruals. Accruals are not recognised for future operating deficits.

2.15 Grants accrued

Grant accrued represents funds committed and allocated to specific projects for which contracts have been entered into and which await cash payments in terms of payment agreed contracts.

2.16 Projects in progress (conditional grants)

Projects in progress represent grants received from the Department of Human Settlements for funding programme projects. The conditional grants are treated as liabilities in the statement of financial position in the year it was received or accrued and released to revenue as the expenses are incurred or to the extent that the conditions are met.

2.17 Significant estimates and judgement made by management in applying accounting policies

The preparation of annual financial statements in conformity with SA Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Significant judgement has been exercised in determining the following:

Fair value estimation

The amortised cost (using the effective interest method), less impairment provision of receivables and payables approximate their fair values. The present value of future cash flows (using the effective interest method) approximate the fair value of revenue and expenditure transactions.

Impairment testing

Initial recognition

An asset is impaired when the carrying amount exceeds the recoverable service amount. At each reporting date, the HDA assesses whether there is an indication that an asset may be impaired.

In assessing whether an asset may be impaired, HDA considers the following minimum requirements:

- External source information

- * Cessation or near cessation of need for services provided by an asset
- * Significant long term changes in technology, legal or government policy environment

- Internal source information

- * Physical damage of an asset

Application of approaches

The approach used by the HDA will depend on whether, after assessment, enough information is available and the nature of impairment:

- Cessation or near cessation of need for services provided by asset. The depreciated replacement cost method will be used
- Significant long term changes in technology, legal or government policy environment. The depreciated replacement cost method will be used
- Physical damage of an asset. The restoration cost method will be used

Recognition and measurement

The impairment loss is not applicable if the asset is classified as paintings which uses the revaluation model.

If the recoverable amount is less than the carrying amount, the carrying amount will be reduced to the recoverable service amount. That reduction is the impairment loss.

An impairment loss will be recognised immediately in the surplus or deficit.

Provisions

Management used available information to determine estimations for provisions. These are measured at management's best estimate of the expenditure required to settle the obligation at reporting date.

2.18 Budget information

The HDA is typically subject to budgetary limits in a form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are prepared on the same basis of accounting. Therefore a reconciliation between the statement of financial performance and the budget is not required.

2.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

2.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) the PFMA;
- (b) the Treasury Regulations;
- (c) a National Treasury Instruction, issued in terms of section 76 of the PFMA; and
- (d) a Provincial Treasury Instruction issued in terms of section 18(2)(a) of PFMA.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the

financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the CEO or accounting authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Property, plant and equipment

Figures in R '000

	Cost	Accumulated depreciation	2017 Carrying Value	Cost	Accumulated depreciation	2016 Carrying value
Assets						
Furniture and fittings	3 404	1 592	1 812	3 446	1 027	2 419
Electronic hardware	2 434	2 285	149	2 424	2 016	408
Office equipment	695	210	484	278	122	156
Computer equipment	4 078	2 351	1 727	2 652	1 898	754
	10 611	6 438	4 172	8 800	5 063	3 737
	Cost	Accumulated depreciation	2017 Carrying Value	Cost	Accumulated depreciation	2016 Carrying value
Capitalised leased assets	2 085	1 076	1 009	595	560	35
	Fair Value	Revaluation	2017 Carrying Value	Fair Value	Revaluation	2016 Carrying value
Paintings	265	54	319	265	-	265
Total	12 961	7 461	5 500	9 660	5 623	4 037

The carrying amounts of property, plant and equipment can be reconciled as follows for 2017:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2017 Carrying value at end of year
Assets					
Furniture and fittings	2 419	896	(183)	(1 321)	1 811
Electronic hardware	408	9	-	(268)	149
Office equipment	156	416	-	(87)	485
Computer equipment	754	1 668	(147)	(548)	1 727
	3 737	2 989	(330)	(2 224)	4 172
	Carrying value at beginning of year	Additions	Revaluation	Depreciation	2017 Carrying value at end of year
Paintings	265	-	54	-	319

3. Property, plant and equipment (Continued)

Figures in R '000

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2017 Carrying value at end of year
Capitalised leased assets	35	1 490	-	(516)	1 009

	Carrying value at beginning of year	Additions	Revaluation	Disposals	Depreciation	2017 Carrying value at end of year
Total	4 037	4 479	54	(330)	(2 740)	5 500

The carrying amounts of property, plant and equipment can be reconciled as follows for 2016:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2017 Carrying value at end of year
Assets					
Furniture and fittings	1 020	2 174	-	(775)	2 419
Electronic hardware	885	4	-	(481)	408
Office equipment	79	122	-	(45)	156
Computer equipment	795	422	(20)	(443)	754
Property	16 167	-	(16 167)	-	-
	18 946	2 722	(16 187)	(1 744)	3 737
	Carrying value at beginning of year	Revaluation			
Paintings	265	-	-	-	265
	Carrying value at beginning of year	Additions	Disposals	Depreciation	2017 Carrying value at end of year
Capitalised leased assets	254	-	(2)	(217)	35
	19 465	2 722	(16 187)	(1 961)	4 037

Pledged as security

Except for leased assets, none of the assets above have been pledged as security or have restrictions on title. The paintings are shown at fair value. These were evaluated in March 2017 by an independent valuer, Crouse Art. The valuation was done using market values. The next valuation is due in March 2020.



Figures in R '000	Note(s)	2017	2016
4. Long-term land inventory			
Land inventory - various		27 905	27 905
		27 905	27 905

Land inventory - various

The HDA in terms of a directive received from the National Department of Human Settlements, had purchased various land and properties from Servcon.

Land purchased comprises, at acquisition value:

Description

Erf 13120 Queenstown	3 540	3 540
Portion 237 of 78 farm Hartbeestpoort No.328JR	9 914	9 914
Portions 78, 89, 90, 151 Daspoort 319JR	7 158	7 158
Erf 10509 Cape Town	2 257	2 257
Erf farm 755/2 Michael Heyns-Swartland Cape Town	5 036	5 036
	27 905	27 905

5. Land inventory

Inventories comprise:

Land inventory - Bela Bela	65 400	65 400
Property inventory-various	32 636	30 936
	98 036	96 336

Bela-Bela land

The HDA acquired portion 170 portion and portion of the current portion 5 of Farm Roodeport 467 KR - Limpopo Province (Bela Bela) in extent of 72, 5875 hectares for R65,4m (Refer also to Note 15)

Property inventory-various

Property inventory, registered in the name of HDA comprises, at acquisition value:

Description

Erf 1816 Bethlehem township	4 400	4 400
Erf 4919 Kroonstad Ext 30 township	3 300	3 300
Erf 5246 Kroonstad	1 733	1 733
Erf 229 Kroonstad	2 338	2 338
Ptn 37 of the farm Welkom	4 365	4 365
Erf 4049 Portion 20 Bethlehem	2 100	2 100
Farm 654 Portion 1 Bloemfontein	10 200	10 200
Erf 2116 Portion 3	2 500	2 500
Erven 17845, 243, 17847, 18093 and 17844 Knysna	1 700	-
	32 636	30 936

The properties were acquired by the HDA at no cost and were valued after the transfer occurred.
The assets were acquired based on an agreed protocol and carry a corresponding liability disclosed in Note 15.

Figures in R '000	Note(s)	2017	2016
6. Receivables from exchange transactions			
Receivables		491	53
Sundry receivables		867	334
Deposits		352	352
		1 710	739

The carrying amount of receivables approximates fair value.

7. Projects receivables

Limpopo Provincial Government	6 040	28 859
Lonmin-Western Platinum Mining	860	-
Eastern Cape Provincial Government	102 716	-
Ekurhuleni Metro Municipality	25 961	-
SANRAL 41	328	-
Northern Cape Provincial Government	12 000	-
Gauteng Provincial Government	11 329	47 603
North West Provincial	99 008	20 000
	258 242	96 462

8. Cash and cash equivalents

Petty cash	56	63
Bank Balances	708 841	552 261
	708 897	552 324

9. Finance lease obligations

Lease of photocopiers and faxes with Konica Minolta	730	-
	730	-

Repayable within one year, transferred to current liabilities	468	42
	1 198	42

Reconciliation between the total of the minimum lease payments and the present value:

Minimum lease payments	1 563	42
- No later than 1 year	716	42
- Later than 1 year and no later than 5 years	847	-
Future finance charges on finance leases	(365)	-
	1 198	42

10. Obligations under operating leases

The future minimum office lease payments, which escalate at 8% p.a are as follows:

Johannesburg-Head Office

	2 998	6 323
- No later than 1 year	2 998	3 325
- Later than 1 year and no later than 5 years	-	2 998

The future minimum office lease payments, which escalate at 10% p.a are as follows:

Port Elizabeth

	1 181	2 254
- No later than 1 year	1 181	1 073
- Later than 1 year and no later than 5 years	-	1 181

The future minimum office lease payments, which escalate at 10% p.a are as follows:

Cape Town

	584	1 950
- No later than 1 year	584	1 366
- Later than 1 year and no later than 5 years	-	584

The future minimum office lease payments, which escalate at 10% p.a are as follows:

Bloemfontein

	973	1 106
- No later than 1 year	542	133
- Later than 1 year and no later than 5 years	431	973

The future minimum office lease payments, which escalate at 8% p.a are as follows:

Durban

	451	836
- No later than 1 year	416	385
- Later than 1 year and no later than 5 years	35	451

The future minimum office lease payments, which escalate at 8% p.a are as follows:

Johannesburg

	-	1 808
- No later than 1 year	-	954
- Later than 1 year and no later than 5 years	-	854

The future minimum office lease payments, which escalate at 9% p.a are as follows:

Polokwane

	968	1 437
- No later than 1 year	511	469
- Later than 1 year and no later than 5 years	457	968

7 155**15 714**

Figures in R '000

2017

2016

Lease terms and conditions per office	Expiry date	Lease term
Johannesburg	31-Jan-18	3 years
Port Elizabeth	31-Mar-18	3 years
Cape Town	31-Aug-17	3 years
Bloemfontein	31-Dec-18	3 years
Durban	30-Apr-18	3 years
Johannesburg	31-Jan-18	2 years
Polokwane	31-Jan-19	3 years

11. Payables from exchange transactions

Payables	27 375	24 325
	27 229	24 325

Trade and other payables include retentions amounting to R2,4m which relates to amounts withheld from contractors in respect of construction projects completed. The amounts are withheld for the duration of the period agreed upon with the contractors.

12. Provisions

Provisions are reported as follows:

	Leave	Bonus	2017	2016
Assets				
Carrying amount at the beginning of the year	5 164	7 307	12 471	9 844
Increase in provision	2 650	5 461	8 111	9 539
Amounts incurred and charged against the provision	(869)	(4 141)	(5 010)	(6 912)
Carrying amount at end of year	6 945	8 627	15 572	12 471

The provision for leave on termination is expected to realise during the 2018 financial year. The provision for leave on termination was not discounted as the provision is already reflected at its present value at the reporting date. When the provision for leave is calculated it is based on the employees' salary scales as at the reporting date, but when the provision realises during the 2018 financial year, it may realise at the employees new salary scales as per the HDA Human Resources policy.

The provision for bonus is based on the employee's performance. This is payable in September of each year.

13. Projects Payables

Payables	60 817	115 105
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Projects payables relates to contractors' invoices received for projects and not yet paid.



Figures in R '000	Note(s)	2017	2016
14. Projects obligations			
Eastern Cape Provincial Government		(11 370)	108 110
Free State Provincial Government		8 794	12 083
Limpopo Provincial Government		225 561	101 565
North West Provincial Government		114 270	19 059
National Upgrading Support Programme		(169)	1 707
Kwazulu-Natal Provincial Government		7 645	14 811
Northern Cape Provincial Government		43 591	29 589
Gauteng Provincial Government		453 825	209 303
Western Cape Provincial Government		(2 072)	1 921
Catalytic projects		19 451	-
Ekurhuleni Municipality		20 048	-
Lwandle project		10 083	10 083
		889 657	508 231

Below is a reconciliation of each project obligation:

Eastern Cape Provincial Government

Opening balance	108 110	12 274
Income	149 623	126 801
Amount owing	102 716	-
Expenditure	(371 820)	(30 965)
Closing balance	(11 370)	108 110

Free State Provincial Government

Opening balance	12 083	6 981
Income	21 916	15 308
Amount owing	-	-
Expenditure	(25 205)	(10 206)
Closing balance	8 794	12 083

Limpopo Provincial Government

Opening balance	101 565	203
Income	321 801	133 148
Amount owing	6 040	28 859
Expenditure	(203 845)	(60 645)
Closing balance	225 561	101 565

North west Provincial Government

Opening balance	19 059	377
Income	415	-
Amount owing	99 008	20 000
Expenditure	(4 212)	(1 318)
Closing balance	114 270	19 059

Figures in R '000

2017

2016

National Upgrading Support Programme(NUSP)

Opening balance	1 707	16 038
Income	10 043	347
Amount owing	-	-
Expenditure	(11 919)	(14 678)
Closing balance	(169)	1 707

Kwazulu-Natal Provincial Government

Opening balance	14 811	-
Income	-	18 000
Amount owing	-	-
Expenditure	(7 166)	(3 189)
Closing balance	7 645	14 811

Northern Cape Provincial Government

Opening balance	29 589	10 201
Income	38 916	25 702
Amount owing	12 000	-
Expenditure	(36 914)	(6 314)
Closing balance	43 591	29 589

Gauteng Provincial Government

Opening balance	209 303	-
Income	375 258	252 425
Amount owing	11 329	47 603
Expenditure	(142 065)	(90 725)
Closing balance	453 825	209 303

Western Cape Provincial Government

Opening balance	1 921	771
Income	14 679	16 195
Amount owing	-	-
Expenditure	(18 672)	(15 045)
Closing balance	(2 072)	1 921

Ekurhuleni Municipality

Opening balance	-	-
Income	109 825	-
Amount owing	25 961	-
Expenditure	(115 738)	-
Closing balance	20 048	-



Figures in R '000	Note(s)	2017	2016
Western Cape - Lwandle			
Opening balance		10 083	10 083
Income		-	-
Amount owing		-	-
Expenditure		-	-
Closing balance		10 083	10 083
Catalytic projects			
Opening balance		-	-
Income		37 352	-
Amount owing		-	-
Expenditure		(17 901)	-
Closing balance		19 451	-
15. Land inventory funding			
Funding for land acquisition Bela-Bela		65 400	65 400
Properties held in trust		32 636	30 936
		98 036	96 336

Funding for land acquisition Bela-Bela

The HDA acquired land on behalf of the Limpopo Provincial Government (LPG). LPG initiated the request to purchase a particular parcel of land, fixed the purchase price and the terms and supplied the funding. The HDA is obliged to release and render such land available to the Department and/or the Municipality for human settlement development.

16. Revenue from non-exchange transactions - operational grants

Revenue from non-exchange transactions is made up as follows:

Operational grant - Department of Human Settlements	110 160	104 615
Operational grant -Section 29 projects CT	18 998	15 045
Operational grant - Limpopo Provincial	17 571	11 072
Operational grant - Free State Provincial Government	11 174	9 877
Operational grant - Northern Cape Provincial Government	3 610	3 057
Operational grant - Catalytic projects	20 647	-
Operational grant - NUSP	9 171	14 678
Operational grant - North West Provincial Government	3 818	1 335
Operational grant - Kwazulu-Natal Provincial Government	7 166	3 189
	202 315	162 868

Figures in R '000

	2017	2016
17. Revenue from exchange transactions - project management fees		
Eastern Cape Provincial Government	12 577	1 198
Limpopo Provincial Government	2 127	2 001
Ekurhuleni municipality	5 511	-
Northern Cape Provincial Government	1 102	-
Gauteng Provincial Government	1 963	4 320
	23 280	7 519

Management fees are earned as per agreements signed between the HDA and relevant organs of state.

18. Land and related costs

Insurance	82	169
Maintenance costs	1 368	1 473
Conveyancing and valuation costs	2 768	3 267
Projects operational contractors	5 112	4 944
Development planning and feasibility studies	846	661
	10 176	10 514



Figures in R '000	Note(s)	2017	2016
19. Operational expenses			
Accounting other services		1 091	958
Advertising and marketing		2 203	2 608
Agency support - outsourcing		2 501	4 207
Assets below R5 000 expensed		297	206
Auditors remuneration		1 919	1 304
Bad debts		-	5
Bank charges		79	58
Board costs		750	539
Catering		1 475	1 073
Communications		888	688
Computer expenses		3 947	2 767
Consultants		5 046	6 591
Contractors - operational		2 870	1 342
Depreciation		2 741	1 961
Insurance		335	361
Leasing Charges		910	-
Legal fees		1 083	729
Office rentals		10 440	8 850
Penalties		4	3
Printing, publications and stationery		1 457	960
Repairs and maintenance		305	244
Repairs - office refurbishment		238	156
Research and publication		96	638
Staff recruitment		5 845	4 550
Staff welfare		181	83
Other office expenses		1 894	1 092
Training and staff development		1 017	643
Travel and accommodation		11 907	8 208
		61 519	50 824
20. Project services			
Technical services		59 599	45 541
Project support services		5	249
		59 604	45 790

Figures in R '000	Note(s)	2017	2016
21. Employee costs			
Basic salary		94,956	70,537
Performance awards		7,313	8,449
Temporary staff		1,350	1,382
Leave payment		2,520	2,374
Allowances		2,667	2,057
Employer's contributions		8,885	6,389
Other payroll expenses - COID		143	139
		117 834	91 327
22. Sundry income			
Rental income		2,074	1,876
Tender document fees		3,407	3,557
		5 481	5 433

23. Executive and non- executive members remuneration

2017	Basic Salary	Bonus	Pension/ provident fund	Risk benefits	Allowances	Total
Executive Members						
PP Moloi-Chief Executive Officer	3 024	-	336	57	30	3 447
APG Soares-Chief Financial Officer	2 044	-	173	38	21	2 276
MD Mnisi-Executive: Strategic Support	1 577	-	133	29	30	1 769
MB George-Executive: Development Management and Operations	842	-	94	16	17	969
Total executive management remuneration	7 487	-	736	140	98	8 461
Senior Management						
OJ Crofton-GM: Land and Housing Support	666	-	30	6	5	707
R Issel-Head: Corporate support	1 813	-	153	33	21	2 020
JB Minnie-Head: Business information systems	1 452	-	123	27	30	1 632
LS Rakgoale-RM: Region B	1 452	-	123	27	30	1 632
BM Khoza-RM: Region A	1 549	-	131	29	30	1 739
MJ Mphahlele-Head: Built Environment (from 1 August 2016)	962	-	107	18	20	1 107
N Mlotshwa-RM: Region C (from 1 August 2016)	843	-	93	16	17	969
Total senior management remuneration	8 737	-	760	156	153	9 806
Total	16 224	-	1 496	296	251	18 267



2016						
Executive Members	Basic Salary	Bonus	Pension/ provident fund	Risk benefits	Allowances	Total
TM Adler-Chief Executive Officer (resigned 31 May 2015)	454	269	45	7	4	779
T Zulu-Chief Executive Officer (from 1 June to 30 September 2015)	-	-	-	-	65	65
PP Moloi-Chief Executive Officer (from 1 October 2015)	1 251	-	82	9	13	1 355
APG Soares-Chief Financial Officer	1 948	201	164	36	21	2 370
MD Mnisi-Executive: Strategic Support (from 1 March 2016)	122	-	10	2	3	137
Total executive management remuneration	3 775	470	301	54	106	4 706
Senior Management	Basic Salary	Bonus	Pension/ provident fund	Risk benefits	Allowances	Total
OJ Crofton-GM: Land and Housing Support Services (terminated 6 May 2016)	1 969	192	166	36	30	2 393
R Issel-Head: Corporate support	1 729	180	144	32	21	2 106
JB Minnie-Head: Business information systems	1 383	121	117	26	30	1 677
LS Rakgoale-RM: Region B	1 383	137	117	26	30	1 693
BM Khoza-RM: Region A	1 475	140	125	27	30	1 797
Total senior management remuneration	7 939	770	669	147	141	9 666
Total	11 714	1 240	970	201	247	14 372

This represents the total cost to company, the choice of salary structure is that of the employee.

Non- executive members of accounting authority

M Msimang (Chairperson)	104	120
CF Platt	-	100
GGL Leissner	-	5
SAH Kajee	15	15
MP Malunga	-	34
TS Songelwa	94	12
PA Singh	75	12
ME Mutheiwana	88	16
LC Archary	9	-
SY Boulton	19	-
PT Phili	18	-
Total non-executive members and co-opted specialists	422	314

24. Deficit for the year

The HDA incurred a deficit of R13.7m for the year ended 31 March 2017.

Deficit is reconciled as follows:

HDA deficit	(3 750)	(374)
Deficit from the EC office	(9 962)	(8 715)
Reported deficit	(13 712)	(9 089)

25. Cash generated/(utilised) from operations

Net deficit	(13 712)	(9 089)
Adjustment for:		
Depreciation	2 741	1 961
Interest received	(4 679)	(312)
Deficit on disposal of property, plant and equipment	44	20
Surplus on disposal of property, plant and equipment	-	(13 698)
Assets below R5000 assets that were capitalised	286	-
Interest paid	292	12
	(15 028)	(21 106)

Movements in working capital

	5 179	9 232
Increase in payables	3 050	5 415
Increase in provisions	3 100	2 626
(Decrease)/ increase in receivables	(971)	1 191
Cash utilised in operations	(9 849)	(11 874)

26. Contingent liabilities

Labour court dispute involving an ex-employee. The matter has not been finalised by the labour court. No provision was raised as the outcome of the case is unknown.

27. Comparative figures

No comparative amounts have been reclassified.

28. Related party transactions

During the year, the HDA entered into the following transactions:

	OPERATIONAL GRANT RECEIVED		AMOUNTS OWED BY THE RELATED PARTY AT YEAR-END	
	2017	2016	2017	2016
National Department of Human Settlements	157 512	104 615	-	-

By virtue of the HDA being a national public entity, it is presumed that all other government entities within the national sphere are related to it. However, only transactions that occurred outside the normal terms available to the broader public are disclosed in accordance with IPSAS 20: Related Party Disclosures.

29. Irregular, fruitless and wasteful expenditure

Fruitless and wasteful expenditure

Eyesizwe	192	-
Other	4	-
South African Revenue Services (SARS)	-	3

Supplier payment made to a fraudulent account and interest paid on late payments to suppliers.

Irregular expenditure

Opening balance	-	-
Irregular expenditure - current year	971	170
Less amounts condoned	-	(170)
Irregular expenditure awaiting condonation	971	-
Total	1 167	3

Supply Chain Management processes not followed.

The irregular expenditure has not been condoned by the Board.

30. Events after statement of financial position date

The CFO, Ms APG Soares was seconded to CSOS, an entity of the Human Settlement Department, effective 02 May 2017 and Mr B Chaplog seconded as the HDA CFO.

The Head of Spatial Information Analysis, Mr J. Minnie was seconded to the National Department of Human Settlement effective 01 July 2017.

31. Financial risk management

The HDA, in the course of normal operations, has limited exposure to the financial risks, e.g liquidity risks, credit risks and interest rate risks. However, the HDA attempts to manage the following financial risks:

Liquidity risks

Liquidity risk refers to the risk that sufficient liquidity is not available when required. The goal of the entity is to maintain adequate liquidity at all times.

The HDA is exposed to liquidity risk only with regards to the payment of its payables. The payables are all due within a short time. The HDA manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in a money market account.

The HDA manages liquidity risk according to its investment policy and working capital management, expenditure versus forecasted cash flows. The amount of cash invested in call deposits of 30 days, 60 days and 90 days is guided by the projected future cash requirements.

The maturity analysis of payables at reporting date were as follows:

Payables

Not past due	79 638	135 844
Past due 60 days	670	-
Past due 90 days	4 174	90

Finance lease obligations

Projected repayment - less than 1 year	468	42
Projected repayment- 31 March 2019	730	-

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, currency risk, interest rate risk and other price risk. The entity is only exposed to interest rate risk. See cash and cash equivalents below.

Interest Rate Risk

Interest rate risk results from the cash flow and financial performance uncertainty arising from interest rate fluctuations. Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits.

This is a risk that fair value or future cash flows from financial instruments will fluctuate as a result of changes in the market interest rates. Values in the financial instruments may change, thus resulting in both potential gains and losses. The HDA's activities do not expose it to significant market interest rate risks. Therefore, there are no procedures in place to mitigate these risks.

Cash in the bank account is kept at a minimum in order to maximise interest earned on cash.

The HDA has invested any surplus cash in a short-term money market account. The interest rates on this account fluctuates in line with movements in current money market rates.

Credit Risk

Credit risk consists mainly of cash deposits, cash and cash equivalents, derivative financial instruments and trade debtors. The HDA deposits cash only with major banks with high quality credit standing and limits exposure to any other counter party.

The HDA receives grant funding from the government through the National Department of Human Settlements, therefore, its exposure to credit risk is minimal.

Receivables

The receivables are exposed to a low risk and amounts overdue are owing by other government institutions and are recoverable.



Figures in R '000

2017

2016

Receivables

Not past due	221 735	20 430
Past due 60 days	1 986	47 721
Past due 90 days	35 552	41 643

Cash and Cash equivalents

Cash and deposits are regarded as having insignificant credit risk. The balances of cash and cash equivalents are as follows:

Bank	Type	Interest rate %	Balance as at 31 March 2017	Balance as at 31 March 2016
First National Bank	Current account	2.5	2 671	1 461
First National Bank	Corporate cheque account	4.5	-	457
First National Bank	Commercial Nstd Call	4.5	89 199	102 558
First National Bank	Commercial Fixed Maturity	5.2	57 167	120 823
Standard bank	Money Market Call	6.5	237 365	86 603
Standard bank	Current account	2.5	147	14
Nedbank	Current account	7	405	546
Nedbank	Just Invest	7	310	300
Nedbank	Moneytrader	7	318 539	237 024
Stanlib	Extra Income ABIL Retention Fund	4	3 038	2 475
Cash	Cash	-	56	63
			708 897	552 324

Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Receivables and sundry receivables	917	405
Bursaries paid in advance	793	334

Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Payables and other payables	27,375	24,325
Designated income received in advance	889,657	508,230

SUPPLEMENTARY INFORMATION

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

Figures in R '000

2017

2016

Revenue

Grants received

	202 315	162 868
Grant received from the National Department of Human Settlements	110 160	104 615
Operational grant - Catalytic projects	20 647	-
Operational grant - Free State	11 174	9 877
Operational grant - Kwazulu Natal	7 166	3 189
Operational grant - Limpopo	17 571	11 072
Operational grant - North West	3 818	1 335
Operational grant - Northern Cape	3 610	3 057
Operational grant - NUSP	9 171	14 678
Operational grant -Section 29 projects	18 998	15 045
Project management fees	23 280	7 519

Gross revenue

225 595

170 387

Other income

Investment income	4 679	312
Sundry income	5 481	5 433
Surplus on disposal of property, plant and equipment	-	13 698
	10 160	19 443

235 755

189 830



Figures in R '000	Note(s)	2017	2016
Expenditure			
Accounting other services		1 091	958
Advertising and marketing		2 203	2 608
Agency support - outsourcing		2 501	4 207
Amortisation - Intangible assets		-	-
Assets under R5 000		297	206
Auditors remuneration		1 919	1 304
Bad debts		-	5
Bank charges		79	58
Board costs (fees and travel & accomodation)		750	539
Catering		1 475	1 072
Communications		888	688
Computer expenses		3 947	2 767
Consultants		5 046	6 591
Consultants - technical		59 604	45 790
Contractors- Operational		2 870	1 342
Deficit on disposal of property, plant and equipment		44	20
Depreciation - property, plant and equipment		2 741	1 961
Finance costs		290	444
Insurance		335	361
Land & related costs		10 176	10 514
Leasing Charges		910	-
Legal fees		1 083	729
Office rentals		10 440	8 850
Other office expenses		1 890	1 093
Penalty		4	3
Printing, publications and stationery		1 457	960
Project services		-	-
Repairs and maintenance		305	244
Repairs refurbishment - offices		238	156
research and publications		96	638
Salaries		117 834	91 327
Staff recruitment		5 845	4 550
Staff welfare		181	83
Training and staff development		1 017	643
Travel and accommodation		11 907	8 208
		249 467	198 919
Deficit for the year		(13 712)	(9 089)

1. Delivery of Sustainable Human Settlements

REGION A

SERVICED SITES			
	TARGET	ACTUALS	
WC	591	1250	■
EC	0	0	■
NC	1660	22	■
TOTAL	2251	1272	■

HOUSING UNITS			
	TARGET	ACTUALS	
WC	1464	1325	■
EC	2652	2616	■
NC	0	0	■
TOTAL	4116	3941	■

REGION B

SERVICED SITES			
	TARGET	ACTUALS	
LP	2150	0	■
TOTAL	2150	0	■

HOUSING UNITS			
	TARGET	ACTUALS	
LP	315	379	■
TOTAL	315	379	■

REGION B

SERVICED SITES			
	TARGET	ACTUALS	
Gauteng	0	1646	■
TOTAL	0	1646	■

HOUSING UNITS			
	TARGET	ACTUALS	
Gauteng	0	1997	■
TOTAL	0	1997	■



2. Approved implementation protocols with the various municipalities and provinces

PROVINCE	MUNICIPALITY	PROJECT NAME
1 Eastern Cape	Buffalo City Metro	Duncan Village
2 Eastern Cape	NMBM	Algoa Park -
3 Eastern Cape	NMBM	Jachtlakte
4 Eastern Cape	NMBM	KwaNobuhle -
5 Eastern Cape	NMBM	N2 Nodal Development
6 Eastern Cape	NMBM	Zanemvula
7 Free State	Dihlabeng	Baken Park X5, 6 and 7
8 Free State	Mangaung	Mangaung Estoire
8 Free State	Mangaung	Mangaung Airport node
9 Free State	Sasolburg	Sasolburg properties
10 Gauteng	City of Johannesburg	Alexandra Renewal Project
11 Gauteng	City of Johannesburg	lion park Ext 4
12 Gauteng	City of Johannesburg	Lufhereng Project
13 Gauteng	City of Johannesburg	Malibongwe ridge
14 Gauteng	Ekurhuleni	Brakpan Old Location
15 Gauteng	Ekurhuleni	Chief Albert Luthuli ext. 6
16 Gauteng	Ekurhuleni	Esselen Park
17 Gauteng	Ekurhuleni	John Dube Village Extension 1
18 Gauteng	Ekurhuleni	Leeuwpoot (Remainder of)
19 Gauteng	Emfuleni/Sedibeng	Evaton - sedibeng
20 Gauteng	City of Tshwane	Fort West Extensions 4 and 5
21 Gauteng	City of Tshwane	Kirkney Andeon South
22 Gauteng	City of Tshwane	Olivenhoutbosch ext. 60
23 Gauteng	City of Tshwane	Zithobeni 8 and 9 (Including Zithobeni Heights)
24 Gauteng	Westonaria	Syferfontein
25 KwaZulu-Natal	Empangeni	Waterstone (Empangeni)
26 KwaZulu-Natal	eThekweni	Greater Amaoti Housing Development
27 KwaZulu-Natal	eThekweni	Greater Cornubia
28 KwaZulu-Natal	eThekweni	eThekweni Inner city catalytic project
29 KwaZulu-Natal	eThekweni	Greater KwaMashu Urban Hub
30 KwaZulu-Natal	eThekweni	Umlazi Urban Regeneration
31 KwaZulu-Natal	KwaDukuza	Hyde Park Country Estate
32 KwaZulu-Natal	Newcastle	JBC Mega Housing
33 Limpopo	Lephalale	Lephalale
33 Limpopo	Lephalale	Marapong CRU
34 Limpopo	Polokwane	Bendor Ext 100

	PROVINCE	MUNICIPALITY	PROJECT NAME
35	Mpumalanga	Emalahleni	Klarinet integrated Development
36	North West	Matlosana	Matlosana N12 Corridor Development township
37	North West	Rustenburg	Bokamosa
38	Northern Cape	Gasegonyana	Galowe 5223
39	Northern Cape	Sol Plaatjie	Lerato Park
40	Northern Cape	Tsantsabane	Postmansburg 3500
41	Western Cape	City of Cape Town	North eastern corridor
42	Western Cape	City of Cape Town	Southern Corridor N2 Phase 2
43	Western Cape	Worcester	Transhex
44	Western Cape	City of Cape Town	Voortrekker Integration Zone social housing
45	Western Cape	George	Thembaletu, Syferfontein, Wilderness heights
46	Western Cape	Paarl	Vlakkeland
47	Western Cape	City of Cape Town	Vredenburg urban
48	Western Cape	City of Cape Town	Belhar CBD



3. Land Acquisition

PROVINCE	MUNICIPALITY
North West	Rustenburg Madibeng Moses Kotane Matlosana Kgetlengrivier
Free State	Matjhabeng
Limpopo	Fetakgomo Greater Tubatse Elias Motsoaledi Lephalale Thabazimbi
Gauteng	Mogale City Westonaria Randfontein Merafong
Norhtern Cape	Gamagara Tsantsabane Ga-segonyana Kgatelopele

ABBREVIATIONS AND ACRONYMS

BAC: Bid Adjudication Committee	MSP: Master Spatial Plan
BEP: Bucket Eradication Programme	NAHSLI: National Human Settlements Land Inventory
BEPP: Built Environment Performance Plan	NDHS: National Department of Human Settlements
CFO: Chief Financial Officer	NDPW: National Department of Public Works
COJ: City of Johannesburg	NHBRC : National Home Builder Registration Council
CPP: Catalytic Projects Programme	NLAS: National Land Assembly Programme
CSIR: Council for Scientific and Industrial Research	NUSP: National Support Programme
DPAD: Development Planning and Area Design	PAA: Productive Asset Allowance
DRDLR: Department of Rural Development and Land Reform	PFMA: Public Finance Management Act
EE: Employment Equity	PHDA: Priority Housing Development Areas
GIS: Geographic Information Systems	PPT: Project Preparation Trust
GM: General Manager	RGTL: Rapidly Growing Towns and Locations
GRAP: Generally Recognised Accounting Practice	
HDA: Housing Development Agency	
HR: Human Resources	
HSDG: Human Settlements Development Grant	
HSF: Human Settlement Forum	
IGR: Intergovernmental Relations	
IGRFA: Intergovernmental Framework Act	
IGR&SA: Intergovernmental Relations and Strategy Alignment	
IP: Implementation Protocol	
ISA: International Standard on Auditing	
ISSAI: International Standards of Supreme Audit Institutions	
ISU: Informal Settlement Upgrading	
IT: Information Technology	
HOD: Head of Department	
HS: Human Settlements	
JCC: Joint Cooperating Committee	
JOSHCO: Johannesburg Social Housing Company	
KZN: KwaZulu-Natal	
LA: Local Authority	
LAPSIS: Land and Property Spatial Information System	
LHSS: Land Housing Support Services	
LIR: Land Identification Register	
LIS: Land Information Services	
LM: Local Municipality	
LPA: Land Planning and Assembly	
M&E: Monitoring and Evaluation	
MEC: Member of the Executive Council	
MINMEC: Ministers and Member of Executive Council	
MTEF: Medium-term Expenditure Framework	
MTSF: Medium-term Strategic Framework	
MTOP: Medium-term Operational Plan	

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WORKING FOR INTERGRATION

