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AN OVERVIEW OF THE DEPARTMENT OF HOUSING ANNUAL REPORTS FOR 2007 AND 2008

24 October 2008

1. Introduction

The Department of Housing is mandated by the Constitution of the Republic of South Africa (Act 108 of 1996) to deliver adequate housing subsidies to the majority of South Africans living within a particular income range. Section 26 of the Constitution provides every citizen with a right to have access to adequate housing and for the State to take reasonable legislative and other measures to achieve the realization of this right.¹

This brief highlights the Department's achievements as well as existing challenges that hamper efficacy in housing delivery initiatives. It further outlines the interventions made by the Department to address capacity constraints and the manner in which financial resources were utilised.

2. Programme Performance for the 2006/07 and 2007/08 Financial Years

The Department restructured its programmes in the 2008 by incorporating programme monitoring into housing policy research and planning with an intention to accelerate the scale of housing delivery. As a result of this restructuring, the Department delivered on its mandate through four programmes in 2008, as compared five programmes in the previous years.

Administration

The Administration programme provides strategic leadership, administrative and management support services to the Department.

Achievements

The Department introduced and amended a number of Bills and Acts during the period under review. These include Prevention of Illegal Eviction From and Unlawful Occupation of Land (PIE) Amendment Act 19 of 1998, the Housing Consumers Protection Measures Act 95 of 1998, Social Housing Bill [B29-2007] and the Housing Development Agency (HDA) Bill [B1-2008]. Most importantly, the Department developed records management system, filled 90 per cent of critical vacant post and developed a draft Human Resource Plan. Its response time to housing-related queries was further reduced to 2 days.

Challenges

Notwithstanding the success made by the Department, some challenges still persist which are detriment to its work. The Department was unable to finalise the Social Housing Regulations, pending the promulgation of the Social Housing Act. It further anticipated to conduct four sessions on emergency awareness during the period under review, however only one emergency session was

¹ Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)



conducted by the Department. The reasons for non-achievement of this target were not provided in the annual report.

In the 2006/07 financial year, the Department did not achieve its target of completing National Housing Anti-Corruption Strategy. Subsequently, in 2008 the Department regarded the National Housing Anti-Corruption Strategy as one of pivotal tools for curbing corruption. It held corruption and ethical awareness programme in its national and provincial offices during the 2007/08 financial year.

Policy Planning and Research

The Policy Planning and Research programme aims to develop and promote national sustainable human settlements and housing policies, supported by a responsive research agenda; monitor and assess the implementation, performance and impact of national housing policies and programmes; and to provide integrated business information.

Achievements

The Department developed a comprehensive monitoring and evaluation policy and implementation guidelines, and the Monitoring and Evaluation and Impact Assessment (MEIA) System. Housing occupancy audits by Thubelisha Homes was conducted and impact assessments were done on the performance of the national pilot projects. The Department established national housing research team. It initiated and undertook research on identified pertinent issues on housing and human settlement, and completed its research report for the policy on indigenous building technologies. It produced reports on performance pertinent to the blocked projects, and approved a framework for provincial multi-year housing planning.

Challenges

The Department was faced by numerous challenges during the period under review. These include among other things, its inability to approval a policy on shared accommodation and to publish a new National Housing Code. The Department did not pursue publication of new White Paper on Housing and the provincial visits were not undertaken, which resulted in the programme for the policy interpretation model not implemented.

The Department rescheduled the investigation on rental market and development of rental policy in the 2006/07 to the 2007/08 financial year. It reported in the 2007/08 annual report that it has started investigations on a backyard rental programme but did not indicate the anticipated time frame of these investigations. The Department envisages considering or including the research findings in the future rental policy.

The Department stated in 2007 annual reports that it was unable to transfer to itself the Estate Agency Affairs Act and the Housing Development Schemes for Retired Persons Act from the Department of Trade and Industry. This remained a challenge in the 2007/08 financial year. The 2006/07 annual report envisaged completing the study to define the scope and nature of the current housing finance sector and its implications on access, affordability and efficiency of delivery of housing loans to low-income earners. However, this targeted objective was not achieved within the 2006/07 financial year and the progress was not reported in the 2007/08 financial year. The



implementation guidelines for Tenure Option Policy were awaiting finalisation in the 2006/07 financial year.² However, the Department stated in the 2007/08 annual report that a service provider has been appointed to execute this task but it does not provide time frames for the anticipated completion. It is also worth to indicate that this issue was under programme 3 in the 2006/07 financial year, and it was transferred to programme 2 in the 2007/08 financial year.

Delivery Support

The Delivery Support programme aims to provide implementation and delivery support, build capacity, liaise and communicate with stakeholders for the purpose of furthering housing and human settlement programmes.

Achievements

The Department trained 704 councillors on housing policy and programmes and the strategy for unblocking stalled projects was approved. Beneficiary empowerment programmes were sustained through the Housing Consumer Education programme and the Department facilitated the implementation of the sanitation, health and hygiene training programme. Furthermore, the Department established the Youth in Housing Forum in six provinces. It exceeded its targeted of 2000 housing beneficiaries of the People's Housing Process to 2205 and its targeted number of 1100 rental units to 1200 through the People's Housing Process.

Challenges

The Department was unable to ensure ongoing implementation support on housing projects and stalled housing projects due to resource and capacity constraints. The informal settlement upgrading policy was not completed because the Department is awaiting finalisation of appointment of international informal settlement upgrading experts by the World Bank under National Upgrading Support Programme (NUSP). As a result, the report on the best international practices to enhance the Comprehensive Housing Plan was not completed. It was unable to devise recovery strategies to address problem areas for pilot projects due to lack of capacity.

The Department was unable to implement a programme on the transfer of RDP houses in 2007 due to capacity constraints, however the progress made in this area was not indicated during the 2008 reporting period. In 2007/08, the Department developed a training programme on housing legislation, policies and guidelines but did not specify whether this training programme entails the transfer of RDP houses.

Housing Development Finance

The Housing Development Finance programme aims to ensure funding of national housing and human settlement development programmes in terms of the Housing Act 107 of 1997, provide financial grant and housing institutions management, and manage all matters provided for by the Home Loan and Mortgage Disclosure Act 63 of 2000.

Achievements

² Annual Report, 2007



The Department developed suspense accounts policy and enhanced the Supply Chain Management Service during the period under review. Twelve reconciliation reports were produced to update the fixed asset register (LOGIS & BAS). It submitted 12 reports to the National Treasury on bids achieved and succeeded in reviewing provincial monthly financial reports. The Department produced provincial quarterly financial reports and facilitated 20 help-desks in metropolitan and district municipalities. It implemented regulations espoused in, and provided secretariat function in terms of the Home Loans and Mortgage Disclosure Act 63 of 2000.

Challenges

The Department was unable to conduct creditors' reconciliations and to ensure effective and efficient systems of financial controls due to staff shortage. It was unable to ensure a 12 monthly system and document review reports, and reasons were not provided for in the annual report. The Department envisaged producing a report on disposals of assets and that objective was not achieved, neither the challenges that hampered the achievement of this targeted objective were provided. The Department was unable to analyse all provincial annual financial statement reviews due to the fact that Limpopo provincial department did not execute its financial statement review. The Department further envisaged producing an annual report to management on the information received and analysed from the financial institutions but this target was not achieved. It important for the Department to clarify to the Committee the reasons resulted to its inability to produce an annual report on the financial institutions' compliance with the Charter.

The Department produced a report on the Charter process aimed to promote housing finance equity and compliance of the financial institutions in terms of the Charter.³

3. Human Resource Management

The Department had a staff complement of 401 posts in the 2006/07 financial year. The number of post filled was standing at 315, resulting to the vacancy rate of 21.4 per cent vacancy rate or 86 posts. The highest vacancy rate of 33.6 per cent or 37 posts was reported on highly skilled production level. Senior management level reported for a vacancy rate of 12.5 per cent or 6 posts, while highly skilled supervision level reported for 25.6 per cent or 31 posts. Staff complement increased to 419 posts in the 2007/08 financial year. During this period, the department filled 317 posts with a vacancy rate 24.3 per cent or 102 posts. The highest vacancy rate of 43.5 or 50 posts was reported on highly skilled production level. Senior management level reported for a vacancy rate of 7.3 per cent or 4 posts, while highly skilled supervision level reported for 27 per cent or 34 posts.

4. Financial Information

Budget Overview

The Department was allocated R6.9 billion during 2006/07 financial year.⁴ This budget appropriation was adjusted to R7.3 billion, mainly as a result of R372 million roll-overs from the 2005/06 financial

³ Annual Report, 2008

⁴ Estimate of National Expenditure (2006)



year and unforeseeable expenditure of R16.2 million.⁵ Funds were rolled over for the N2 Gateway project and R16.2 billion was allocated for housing following floods in the Western Cape Province. The budget allocation was increased by R2 billion to R8.9 billion in 2008. Among other things, this increase was for informal settlement upgrading, integrated housing and human settlement to provinces and for introducing credit linked subsidies. The 2007/08 budget appropriation was adjusted by R105 million to R9 billion during the financial year. The adjustment amounted to R105 million for unforeseeable and unavoidable expenditure. These funds were allocated for emergency housing in the North West province.

Programme Budgeting and Expenditure⁶

The Department had five programmes in the 2006/07 financial year, which were reduced to four programmes in the 2007/08 financial year. The Departmental budget was allocated to these programmes according to their policy priorities. "Annexure A" lists the Departmental programmes and reflects the manner in which funds were allocated and spent, during 2006/07 and 2007/08 financial years.

The Department under-spent by R167.5 million in 2007 from the adjusted appropriation, which increased to R396 million in 2008 (annexure A). During 2007, the programme spending performance reflects under-spending of R10.9 million in housing policy research and planning, R2.5 million in programme management, R18.2 million in housing sector performance and equity and R146.2 million in housing development finance. The administration programme over-spent by R10.3 million.

The programme spending pattern remained the same in 2008 with changes in administration programme. Programme monitoring was incorporated to housing planning research and planning in 2007 and housing implementation support was introduced to provide for increased support in service delivery.⁷ It is worth to note that under-spending increased to R379 million in housing development finance, R8.3 million in administrative programme while housing implementation and housing policy research and planning under-spent by R3.5 million and R5.2 million, respectively (Annexure A). Among other things, this under spending is attributed to late payment of invoices, moratorium on filling vacant posts and Social Housing Regulatory Authority (SHRA) was not established as envisaged.⁸

Economic Classifications⁹

The Departmental expenditure comprises current payments, transfers and subsidies and payments for capital assets. Accordingly, the Department spent the allocated funds as follows during the period under review:

(a) Current Payments

The Department under-spent by R8.3 million on current payments during the 2006/07 financial year. This was due to the under-spending of R10 million for compensation of employees and

⁵ Adjusted Estimate of National Expenditure (2006)

⁶ Annexure A

⁷ Estimate of National Expenditure (2007)

⁸ Annual Report (2008)

⁹ Annexure B



overspending of R1.8 million in goods and services. The under-spending increased to R24.7 million in 2008 as a result of R11.7 million under-spending in compensation of employees and R13 million in goods and services. The committee should note that the reported R11.7 million under-spending in compensation of employees was prior the shifting of funds amounting to R11.2 million to other classifications. Under-spending in goods and services was attributed to among other things, personnel related costs, outsourcing some projects and investigation on the development of alternative tenure. It is not clear how these issues impacted on the under-spending and the committee should request clarification from the Department.

(b) Transfers and Subsidies

Transfers and subsidies reported an under-spending of R158.2 billion in the 2006/07 financial year. Funds amounting to R144.5 million were not transferred to provinces and R14 million was not transferred to the Departmental agencies. This under-spending increased to R372.8 million in the 2008 financial year. An amount of R193 million was not transferred to provinces due to the stoppage of R500 million and R100 million in respect of grants to Eastern Cape and Free State, respectively. National Treasury did not approve roll-over from 2007 and R150 million was not re-allocated. An amount of R180 million was not transferred to agencies due to the fact that SHRA had not been established while transfers to households exceeded budget by R700 000.

The committee should note that the Department under-spent in the Integrated Housing and Human Settlement Development Grant for both 2007 and 2008. The under-spending in this grant was R144.5 million in 2007, which increased to R193 million in 2008.

(c) Payment for Capital Assets

The overspending in capital assets for 2008 amounts to R1.4 million, as a result of overspending in machinery and equipment. This was attributed to the delays in filling vacant positions.

Movement of Funds

The Department shifted R3 million and R5 million from National Urban Reconstruction and Housing Agency (HURCHA) and Social Housing Foundation, respectively to Thubelisha Homes for costs related to eviction of illegal occupants at Delft. Funds amounting to R11.2 million were shifted from compensation of employees to payment for capital assets and goods and services.

Financial Management

The Department received unqualified audit opinion for both 2007 and 2008 financial years. Matters of emphasis related to asset management were raised in the 2007 financial year and governance matters were raised in 2008. The Department incurred an irregular expenditure of R25 000 in 2007 due to bypassing supply chain management process. Irregular expenditure amounting to R639 000 was reported in 2008 as a result of tax clearance certificated not obtained from supplier in procuring goods or services. No fraud case was reported during the period under review.

5. Conclusion



This brief entails challenges and successes of the Department for the period under review. It further provides an overview of programmes performed and the manner in which financial resources were utilised. Some issues of concern are highlighted and the committee is advised to follow these issues up with the Department. It is of utmost importance to indicate that the Department of Housing made a significant role in enabling the implementation of outstanding targets from the 2006/07.

Sources

Adjusted Estimate of National Expenditure, 2006

Adjusted Estimate of National Expenditure, 2007

Department of Housing, Annual Report, 2007

Department of Housing, Annual Report, 2008

Estimate of National Expenditure, 2006

Estimate of National Expenditure, 2007



Annexure A

Programme Expenditure for the 2006/07 and 2007/08 Financial Years

Budget Appropriation and Expenditure

Programme R' thousand	2006/07 Financial Year			2007/08 Financial Year		
	Adjusted Approp.	Actual Expend.	(over)/under spend.	Adjusted Approp.	Actual Expend.	(over)/under spend.
Administration	101,791	112,096	(10,305)	122,419	114,048	8,371
Housing policy research & planning	26,112	15,175	10,937	77,979	72,746	5,233
Programme management	69,893	67,411	2,482	-	-	-
Housing sector performance & equity	306,564	288,370	18,194	-	-	-
Housing development finance	6,829,366	6,683,169	146,197	8,638,034	8,259,067	378,967
Housing implementation support	-	-	-	143,926	140,411	3,515
Total	7,333,726	7,166,221	167,505	8,982,358	8,586,272	396,086

Source: National Treasury (AENE, 2006 & 2007) and Department of Housing (Annual Reports, 2007 & 2008)



Annexure B

Economic Classification Expenditure for the 2006/07 and 2007/08 Financial Years

Expenditure: Economic Classification

Economic Classification R'thousand	2006/07 Financial Year			2007/08 Financial Year		
	Adjusted Approp.	Actual Expend.	(Over)/ under Spending	Adjust. Approp.	Actual Expend.	(Over)/ under spending
Current Payments	262,307	254,025	8,282	377,175	352,487	24,688
Compensation of employees	86,550	76,475	10,075	108,973	97,241	11,732
Goods and services	175,757	177,550	(1,793)	268,202	255,246	12,956
Financial transactions	-	-	-	-	-	-
Trasfers & Subsidies	7,065,891	6,907,689	158,202	8,601,112	8,228,340	372,772
Provinces & municipalities	6,822,364	6,677,860	144,504	8,342,946	8,149,869	193,077
Departmental agencies	243,439	229,437	14,002	257,166	77,165	180,001
Foreign gov. & inter. Org	73	73	-	1,000	606	394
Households	15	245	(230)	-	700	(700)
Non-profit organisations	-	74	(74)	-	-	-
Payments for capital assets	5,528	4,205	1,323	4,071	5,445	(1,374)
Machinery & Equipment	5,528	3,952	1,576	3,958	5,343	(1,385)
Software & other intangible ass.	-	253	(253)	113	102	11
Total	7,333,726	7,165,919	167,807	8,982,358	8,586,272	396,086

Source: National Treasury (AENE, 2006 & 2007) and Department of Housing (Annual Reports, 2007 & 2008)