



PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS:
STRATEGIC PLANS AND ANNUAL PERFORMANCE OF THE
NATIONAL DEPARTMENT OF HUMAN SETTLEMENTS

18 April 2012

For an Equitable Sharing of National Revenue

PRESENTATION OUTLINE

1. Strategic outcomes of National Department of Human Settlements
2. Key Programmes
3. Expenditure Outcomes Per Programme
4. Integrated Housing and Human Settlements Development Grant
5. Public Entities
6. FFC Recommendations for 2012/13 DoR
7. FFC Hearings on Housing
8. Discussion issues
9. Summary and Suggestions

STRATEGIC OUTCOMES

Goal	Outcomes
Strategic Outcome Oriented Goal 1	<p>ACCELERATED DELIVERY OF HOUSING OPPURTUNITIES</p> <p>While FFC appreciates this goal, the department appears to be driven by its target of 400 000 by 2014 and as a result has set targets too high and has failed consistently to achieve this over the past years</p>
Strategic Outcome Oriented Goal 2	<p>IMPROVE ACCESS TO BASIC SERVICES</p>
Strategic Outcome Oriented Goal 3	<p>IMPROVED PROPERTY MARKET</p>
Strategic Outcome Oriented Goal 4	<p>MORE EFFICIENT LAND UTILISATION</p> <p>FFC supports this new goal and is inline with one of its recommendations for 2012/13 and is of the view that financial incentives should also be explored to accelerate this initiative</p>

KEY PROGRAMMES

R' Thousand	2010/11	2011/12	2012/13	2013/14	2014/15
Administration	188 577	233 111	243 106	254 253	269 127
Housing Policy, Research and Monitoring	32 636	39 442	46 719	43 609	46 041
Housing Planning and Delivery Support	158 375	195 011	236 460	273 729	288 938
Housing Development Finance	18 449 553	22 017 499	24 578 951	27 496 612	29 345 015
Strategic Relations and Governance	87 384	160 478	157 944	159 693	167 403
Total Expenditure Estimates	18 916 525	22 645 541	25 263 180	28 227 896	30 116 524

EXPENDITURE OUTCOMES PER PROGRAMME: 2010/11

Programmes	Budget R' Million	Expenditure R' Million	% Spent
Administration	221	189	85.5%
Housing Policy, Research and Monitoring	44	33	75%
Housing Planning and Delivery Support	207	158	76.3%
Housing Development Finance	15 674	15 625	99.7%
Strategic Relations and Governance	145	87	60.0%
Total	16 291	16 092	98.8%

Source: Department of Human Settlements Annual Report, 2010/11

INTEGRATED HOUSING AND HUMAN SETTLEMENTS DEVELOPMENT GRANT (IHHS DG)

- The main programme, consuming more than 90% of NDoHS budget is Housing Development Finance
 - Aims to speed up delivery of low income houses
 - 85% of funding under this programme is transferred to provinces through the IHHS DG
 - Programme expenditure increased from R12.8b in 2008/09 to R22.2b in 2011/12 (20.2% on average annual growth)
 - Mainly as result of increase in IHHS DG from R8.7b to R15.1b over 2008/09 – 2011/12 period (annual average growth 20.1 per cent)

IHSDG-PERFORMANCE

Housing Units Planned/Delivered	2008/09	2009/10	2010/11	2011/12
Allocation (Rand Billions)	8 727.6	10 819.3	13 032.1	15 121.5
Housing Units Planned	-	250 000	220 000	220 000
Number of Houses Completed and Construction	160 409	161 854	121 879	88 441 (up to Dec 2011)
Target Shortfall	-	(88 146)	(98 121)	-
Average Allocation Per Housing Unit	-	43 277	59 236	68 734

IHSDG PERFORMANCE

EXPENDITURE OUTCOMES PER PROVINCE

Province	Total Adjusted Allocation	Spending as % of Transfer (Adjusted)
Eastern Cape	1 637 646	91.8
Free State	1 037 691	100.0 (after reducing allocation by R263 m)
Gauteng	3 886 831	99.2
KwaZulu-Natal	2 711 133	102.9 (after relocation)
Limpopo	1 376 150	92.7 (reallocation of R130m)
Mpumalanga	1 011 033	103.6
Northern Cape	447 260	103.7
North West	1 188 973	87.5
Western Cape	1 952 721	103.8
Total	15 249 438	

IHSDG PERFORMANCE

- IHSDG consistently falls short of annual delivery targets in terms of housing units
 - Targets are set too high/ funding is inadequate
 - Number of housing units delivered decreases even when allocations are increasing rapidly
 - Housing units delivered decreased from 161 854 in 2009/10 to 121 879 units in 2010/11
 - Although figures for 2011/12 (88 441) are for 3 quarters, there is a possibility that units for 2011/12 could be lower than those delivered in 2010/11

EXPENDITURE OUTCOMES

- NDOHS has spent 98.8% of allocated funds during 2010/11 financial year and 98.3% in 2009/10
 - Spending has been achieved by reallocating funds (from FS and KZN- where spending was significantly low in first two quarters to EC , LM and NC)
 - While this was done to ensure service delivery, it is not clear whether plans were established to address capacity challenges in FS and KZN
- Programme 5 - Strategic Relations and Governance has under-spent by 40% and 14% in 2010/11 and 2009/10 respectively
 - Work in progress on establishment of Social Housing Regulatory Authority (SHRA) and reduction in foreign visit (2009/10)
 - Reduction in foreign visits and delays in the appointment of service providers (2010/11)

PUBLIC ENTITIES

- NDOHS has rationalized its public entities
 - The number of entities has been reduced with closure of Thubelisha Homes (functions transferred to the Housing Development Authority) and Social Housing Foundation (functions transferred to SHRA)
 - Servcon has been dissolved
 - NDOHS is in the process of consolidating NHFC, NURCHA and RHLF

ALLOCATIONS TO PUBLIC ENTITIES

R' Thousand	2010/11	2011/12	2012/13	2013/14	2014/15
SHRA	54 455	19 305	21 096	22 151	23 480
RHLF	49 500	49 500	51 975	—	—
HDA	69 300	89 100	92 336	97 497	103 108
NURCHA	—	100 000	100 000	100 000	—
SHFC	6 621	3 018	—	—	—
Thubelisha Homes	—	—	—	—	—
Servcon	34 000	—	—	—	—
Total	213 876	260 923	265 407	219 648	126 588

PUBLIC ENTITIES

Public Entity	Strategic Focus Over 2008/09-2014/15	Performance
NHBRC	Strengthening regulatory role, establishing quality assurance centres in all provinces and legislative review	409 082 homes enrolment and 14 771 new builders registered (between 2008/09-2011/12)
SHRA	Building its capacity, invest in and monitor social housing sector	Processed all applications for accreditation received
NURCHA	Developing new financial instruments to encourage private sector participation and improving effectiveness of service delivery to small constructors	Revenue declined at an average annual rate of 8.6 per cent between 2008/09 and 2011/12 attributed to the decrease in NURCHA's loan book as result of housing market slow down

PUBLIC ENTITIES

Public Entity	Strategic Focus	Performance
NHFC	Implement approved amendments to the finance linked programme and work closely with SHRA to facilitate the provision of debt finance for new social housing units	Number of loans disbursed decreased between 2008/9-2011/12 from 11 939 to 6 644

FFC RECOMMENDATIONS FOR 2012/13 & GOVERNMENT RESPONSE

FFC Recommendations	Government Response
<p>Government should actively and specifically pursue development of a more spatially compact urban form for cities, by developing and adopting appropriate policies and financing instruments including:</p> <ul style="list-style-type: none"> a. Wider use of development charges b. Public transport subsidies that specifically target high density low-income area c. Fiscal incentives for urban land development projects located within the existing urban form d. Fiscal incentives to promote densification and in-fill development 	<p>Agreed. There are initiatives already with recently launch of 512 newly build flats for the residents of Jabulani Hostel in Soweto and an indication from the Gauteng Premier that this forms part of government's long-term strategy of the provision of sustainable human settlements closer to places of work a new approach of ensuring that the focus is no longer only on building rows of houses but human settlements where all social amenities are within the community.</p> <p>FFC is of the view that fiscal incentives can be used to accelerate this initiative</p>
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FFC RECOMMENDATIONS FOR 2012/13 & GOVERNMENT RESPONSE

FFC Recommendations	Government Response
<p>Government should conduct a broad-based review of the efficacy of current housing finance arrangements in meeting housing needs within the context of creating sustainable and more compact human settlements.</p>	<p>Government is considering the efficacy of all housing financing instruments within the wider context of improving delivery of infrastructure and services to enhance built environments.</p> <p>NDoH is currently undertaking a review of the entire built environment funding</p>

FFC HEARINGS ON HOUSING

- In 2011, FFC decided to generate research and recommendations through comprehensive and extensive public hearing processes
 - Improves interaction with stakeholders
 - Allows FFC to understand challenges from stakeholders' perspective and needs of key stakeholders
 - Provides a platform for all key stakeholders to share ideas
 - Engages stakeholders and use their input to inform research agenda and development of recommendations
- 1st hearing was jointly hosted by FFC and Ekurhuleni Metropolitan Municipality on 13–14 October 2011

FFC HEARINGS ON HOUSING

- Some of the key explored at the public hearings
 - Understanding the extent of demand for housing in SA as indicated by backlogs, informal settlements and backyard dwellings
 - Presenting and debating issues on housing affordability of individuals (individuals qualifying for subsidized housing, gap market and mortgage)
 - Understanding demand and need for well located land to respond to the demand for housing
 - Understanding key drivers for land and housing demand

FFC HEARINGS ON HOUSING

- Insufficient delivery in terms of scale and sustainability issues
 - Stakeholders agreed with FFC that delivery of around 3 million fully subsidised houses since 1994 is insufficient;
 - The budget allocated has increased significantly but has not resulted in increased delivery
 - Backlogs remain at levels similar to those in 1994
 - As costs increase over time, more subsidies are required to deliver on promises, which makes the current housing finance policy unsustainable
- Fully subsidised housing creates perverse incentives and other related problems

FFC HEARINGS ON HOUSING

- Poor data and understanding of housing demand
 - Reliable data needed to improve understanding of the current situation and to inform housing policy
- Accepting informality as a reality and as a point of entry into the housing market
 - Stakeholders suggested that the 60% at the bottom of the market could access decent housing only through informal self-build and government financing assistance could have a real impact on reducing backlogs

FFC HEARINGS ON HOUSING

- Supply of and access to well-located land and bulk infrastructure as well as housing delivery chain inefficiencies
 - Stakeholders agreed with FFC that main challenges for affordable housing supply include access to well-located land and bulk infrastructure
 - Inefficiencies in the housing delivery chain
- Shift away from focus on ownership to all forms of housing supply is required
 - Instead of a narrow focus on ownership, there is need to consider other forms of tenure and incentivising them where possible

DISCUSSION ISSUES

- While reallocation of funding between provinces is good for service delivery
 - It is the poor who suffer and plans should be put in place to ensure that delivery and spending capacity is improved in underperforming provinces
 - One of the options would be to reimburse negatively affected provinces in the next allocation
- Current housing delivery system fails to deliver affordable housing on the scale required and in locations close to potential job opportunities

DISCUSSION ISSUES

- To eliminate housing backlog at a cost of R140 000 per unit, about R300 billion is required - a sum far beyond the fiscal capacity of the state (simply multiplication of 1.2 m by R140 000)
- Assuming a delivery rate of 250 000 houses per year, the annual budgetary implication is R35 billion
 - Even if Government combined housing and infrastructure subsidies and provided land for free, there would still be a budgetary shortfall
- FFC is of the view that annual housing units targets are not realistic
 - There has been consistent shortfalls on housing units delivered, compared to annual targets set
 - Need to be revised downwards or
 - More funding will be required to achieve them thus raising a question of fiscal affordability

SUMMARY AND CONCLUSIONS

- Department's strategy and annual plans in general do focus on key issues
 - Persistent inability of NDHS to reach annual delivery targets
- A new positive development is the Department's goal of focussing on more efficient land use which will change the way in which houses are delivered in cities and this is in line with FFC's recommendation
 - The FFC believes that this could further be accelerated by developing fiscal incentives or building these incentives into current housing subsidy tools
- Demand for housing in SA remains high and is estimated at 2.1 million housing units
- There is a need to look at other housing delivery options and their fiscal implications



– FFC intends to undertake an options analysis which will inform the Commission's second public hearing (August 2012)

Thank You!