



BRIEFING TO THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS

14 October 2014

For an Equitable Sharing of National Revenue

PRESENTATION OUTLINE

- Role and function of the Financial and Fiscal Commission
- Mandate, MTSF and Evolution Housing Policy
- Recent Housing Environment and housing affordability Prospects
- Housing Finance Report
- Budget Analysis and performance
- Conclusions
- Appendix
 - Past FFC recommendations

ROLE AND FUNCTION OF THE FFC

- The Financial and Fiscal Commission (FFC)
 - Is an independent, permanent, statutory institution established in terms of Section 220 of Constitution
 - Must function in terms of the FFC Act
- Mandate of Commission
 - To make recommendations, envisaged in Chapter 13 of the Constitution or in national legislation to Parliament, Provincial Legislatures, and any other organ of state determined by national legislation
- The Commission's focus is primarily on the equitable division of nationally collected revenue among the three spheres of government and any other financial and fiscal matters
 - Legislative provisions or executive decisions that affect either provincial or local government from a financial and/or fiscal perspective
 - Includes regulations associated with legislation that may amend or extend such legislation
- Commission must be consulted in terms of the FFC Act
- Current research strategy focuses on developmental impacts of IGFR



2. POLICY FRAMEWORK AND EVOLUTION OF HOUSING DELIVERY

MANDATE OF THE DOHS AND STRATEGIC GOALS FOR 2013/14

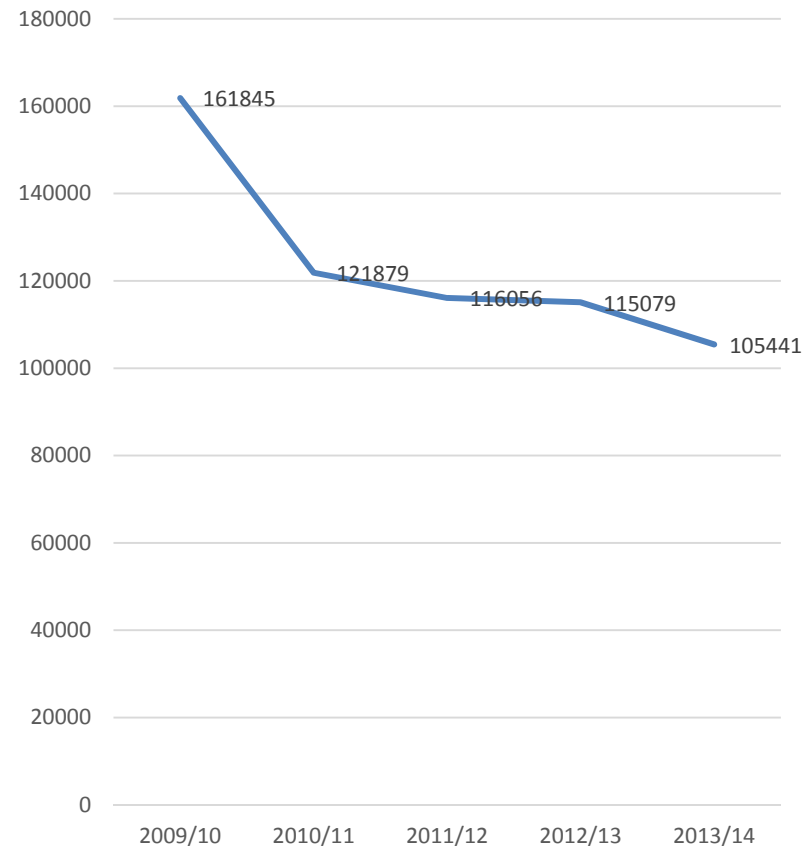
- **Aim** – Facilitate the creation of sustainable human settlements and improve the quality of the lives of households
- **Mandate**
 - Determine national policy including norms and standards
 - Determining national housing delivery goals
 - Monitor performance of provinces and municipalities
 - Assist in capacity building where necessary
- **Departmental strategic goals:**
 - Accelerated delivery of housing opportunities
 - Access to basic services
 - Efficient utilisation of land for human settlements development
 - Improved property market

MEDIUM TERM STRATEGIC FRAMEWORK 2014 -2019

- Medium Term Strategic Framework 2014-2019 seeks to achieve sustainable human settlements and improved quality of life and has the following priorities
 - Prioritise adequate housing and improved quality of life with approximately 1.4 million more households in new or improved housing conditions
 - Residential property market with a target of 110 000 new housing units delivered in the affordable gap market
 - Enhance institutional capacity with a target of 49 municipalities assigned or accredited with the housing function
 - Provide title deeds for all 563 000 new subsidised housing units and address the backlog of 900 000 title deeds
 - Expanding informal settlement upgrading to cover 750 000 households

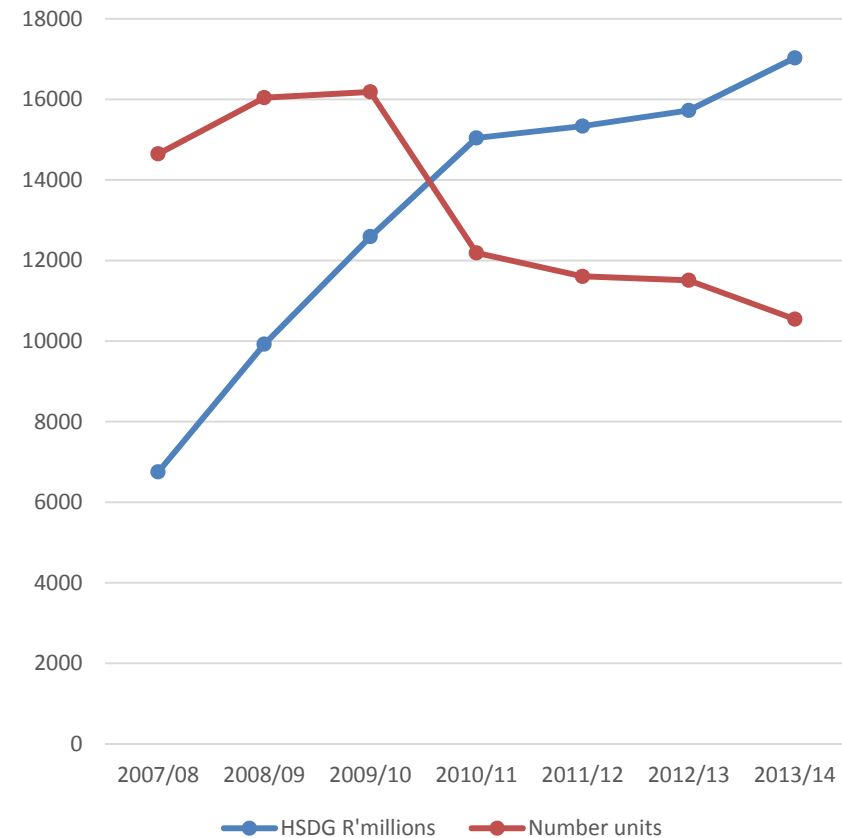
HOUSING POLICY REGIME AND DELIVERY

- Period post 2009
 - Adoption of Outcome 8 and NDP
 - State guarantee fund for the Housing Gap Market
 - Increasing contraction in the number of houses delivered per annum



HOUSING POLICY REGIME AND DELIVERY

- Rising allocations and decreasing housing units delivered
 - Rising input costs
 - Delivery inefficiencies
 - Increased housing N&S
- It is in this context that the Commission held the view that the current delivery practice is running out of steam and is not sustainable





FINANCIAL
AND FISCAL
COMMISSION

3. HUMAN SETTLEMENTS ENVIRONMENT AND THE ECONOMY

HUMAN SETTLEMENTS AND THE ECONOMY

- Macro-economic outlook plays a significant role in the human settlements sector
- 2008-2009 recession resulted in:
 - Residential market contraction (particularly on house > R500 000)
 - Increased level of indebtedness (reducing housing affordability and ability to borrow/access to mortgage bond)
 - Reduction in delivery of subsidised housing as rate of increase in allocations falls
- Housing market will remain under pressure into a foreseeable future

MORTGAGE FINANCE ACCESS BARRIERS

- High level of indebtedness
 - 75% of households are highly indebted
- High interest rate
 - Average interest rates for low income groups generally high
- Above inflation increase in building costs
- Challenges in Finance-linked Individual Subsidy Program (Flisp)
- Availability of and price of well-located land
- Cost of bulk services – water, electricity, etc
- Slow economic growth and high employment



4. HOUSING FINANCE REPORT

PUBLIC HEARINGS - SUMMARY OF FINDINGS

- The Commission held two sets of public hearings
 - In 2011 aimed at developing a common understanding of challenges within the sector and research
 - In 2012 intended to share the outcomes of the research on alternative financing options for housing
- The Commission used a model to analyse various housing finance and policy options per housing circumstance (existing and new supply-side interventions, demand-side interventions and investment interventions)
- Scenarios developed included: BAU/historic practice, lowest cost, Outcome 8 and the NDP scenarios

PUBLIC HEARINGS -SUMMARY OF RESULTS

- BAU scenario
 - Highest cost, highest state contribution but reaches the highest percentage of targeted households
 - Requires greatest additional land and contributes negatively to the compact cities indicator
- NDP
 - Second highest costs, state contribution is lower than BAU, reaches less number of targeted households than BAU
 - Number of households reached can be increased by vouchers but to a limited extent due to high level of indebtedness
- Outcome 8 – formalisation of informal settlements
 - Third highest cost, number of assisted households is similar to the NDP scenario, state contribution is lower
 - A large of households are assisted in the periphery – negative contribution on compact cities indicator and contributes less to gearing

PUBLIC HEARINGS - KEY RECOMMENDATIONS

- Effective monitoring systems for verifying housing projects delivered in all provinces should be developed
 - This improves the credibility of reporting and can be used to determine whether objectives are met
- Government should consider investing more resources in scenarios that are likely to stimulate additional funding from the private sector as well as household contributions towards housing delivery. These include:
 - Investment incentives using tax rebates
 - Upgrade of backyard rental (with incentive)
 - Housing vouchers



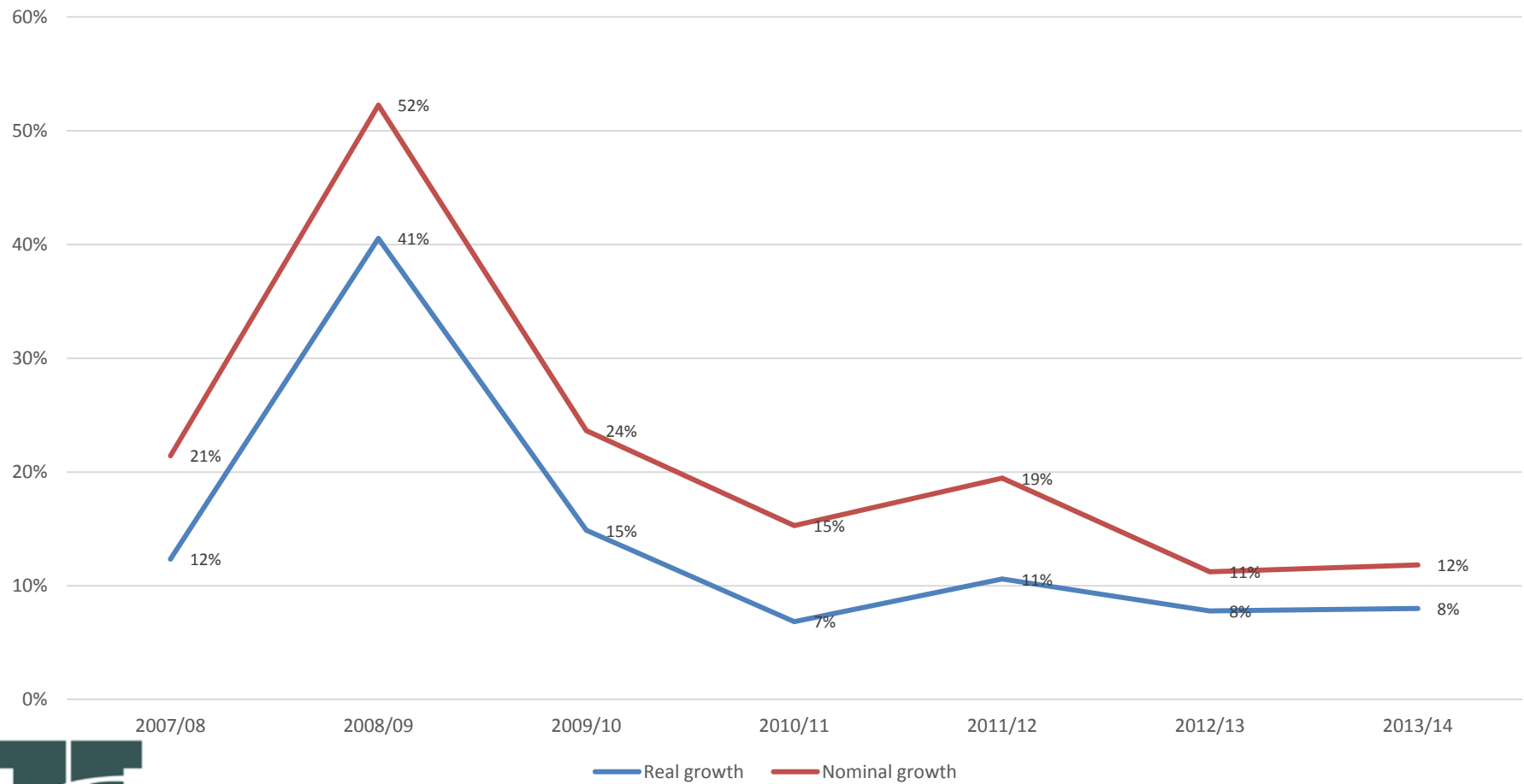
5. BUDGET ANALYSIS AND PERFORMANCE

NOMINAL BUDGET ALLOCATION (R' MIL)

- 2006/07 – 2016/17

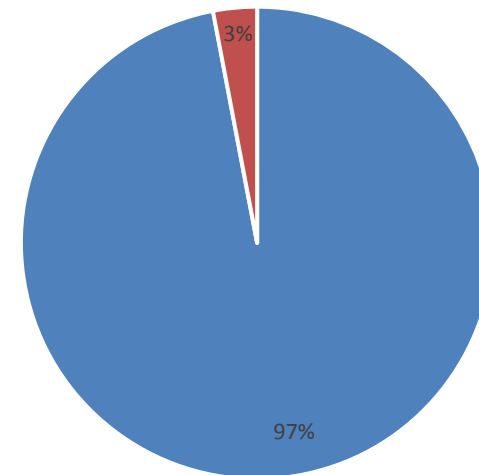
Financial year	Budget allocation (R' Millions)
2006/7	7 178
2007/8	8 716
2008/9	13 270
2009/10	16 407
2010/11	18 917
2011/12	22 599
2012/13	25 138
2013/14	28 111
2014/15	30 521
2015/16	32 842
2016/17	34 453

NOMINAL AND REAL GROWTH RATE - 2006/07 – 2013/14



DEPARTMENTAL ALLOCATION BY SOURCE – 2012/13

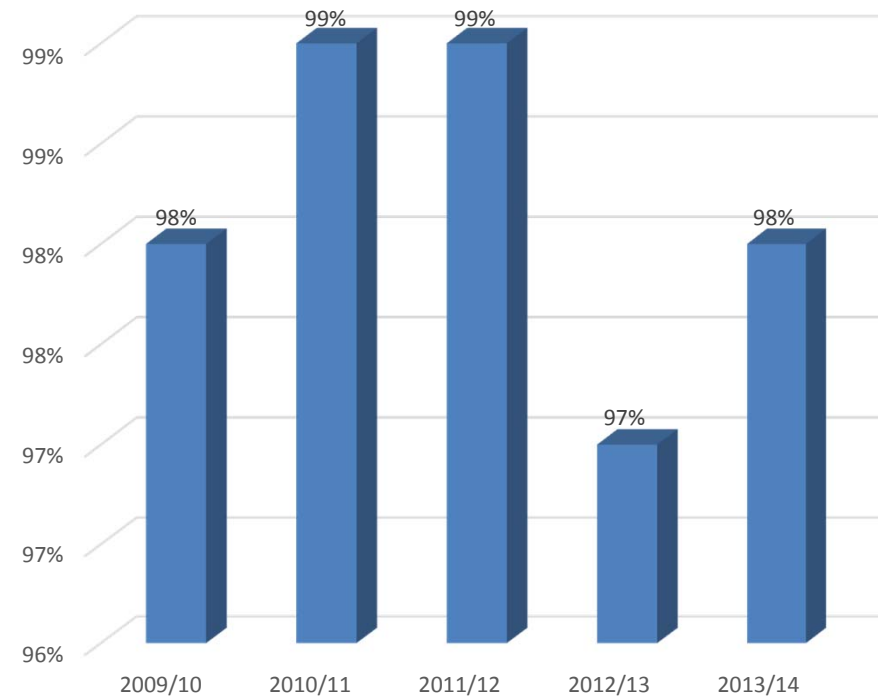
- Conditional grants (HSDG, USDG and RHIG) took R27.4 billion (97%) of the total allocation of R28.1 billion



■ Conditional Grants ■ Unconditional Grants

DEPARTMENTAL EXPENDITURE TRENDS – 2009/10-2012/13

- Average spending performance of the department is 98% of allocated funds
- Slight dip in performance in 2012/13 F/Y mainly attributed the poor performance of RHIG and stopped HSDG to Limpopo and Eastern Cape



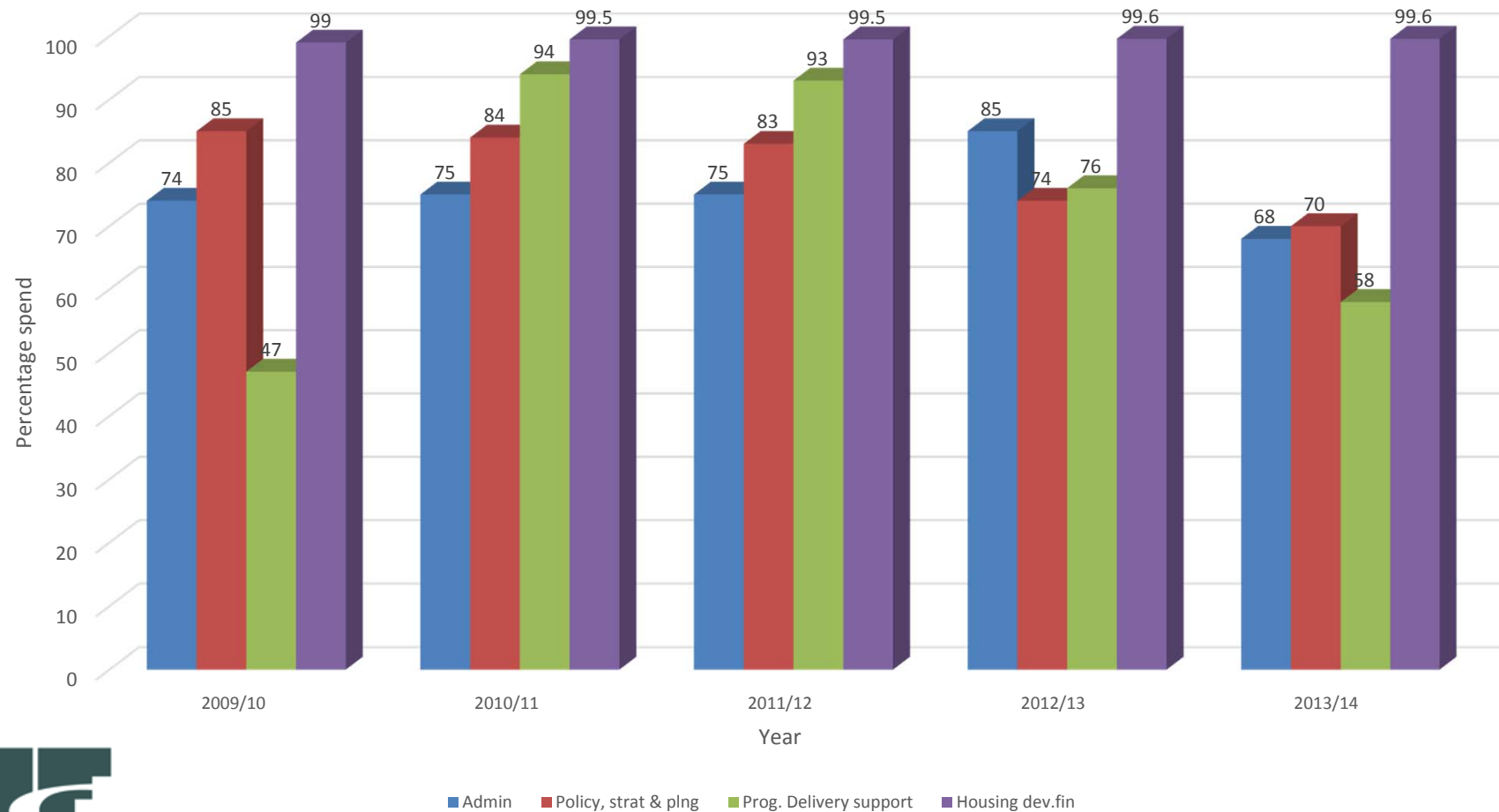
EXPENDITURE COMPOSITION BY ECONOMIC CLASSIFICATIONS – 2013/14

- Over 97% of the budget is allocated on transfers and subsidies
 - 96% - provinces and municipalities
 - The rest is allocated to agencies, universities, foreign governments etc
- Compensation of Employees accounts for 1.30 % of total department's allocation
- Goods and services account for 1.53 of the department's allocation
- The total department budget is driven by program 4 which accounts for 97% of funds under transfers and subsidies

BUDGET ALLOCATION BY PROGRAMS - 2013/14

Programme	Total Allocation R'000	Percentage
Administration	404,599	1.43%
Human Settlement Policy, Strategy & Planning	86,245	0.3%
Program Delivery Support	193,202	0.68%
Housing Development Finance	27,571,410	97.58%
Total	28,255,456	100%

SPENDING PERFORMANCE BY PROGRAM 2009/10– 2012/13...(1)



SPENDING PERFORMANCE BY PROGRAM – 2012/13...(3)

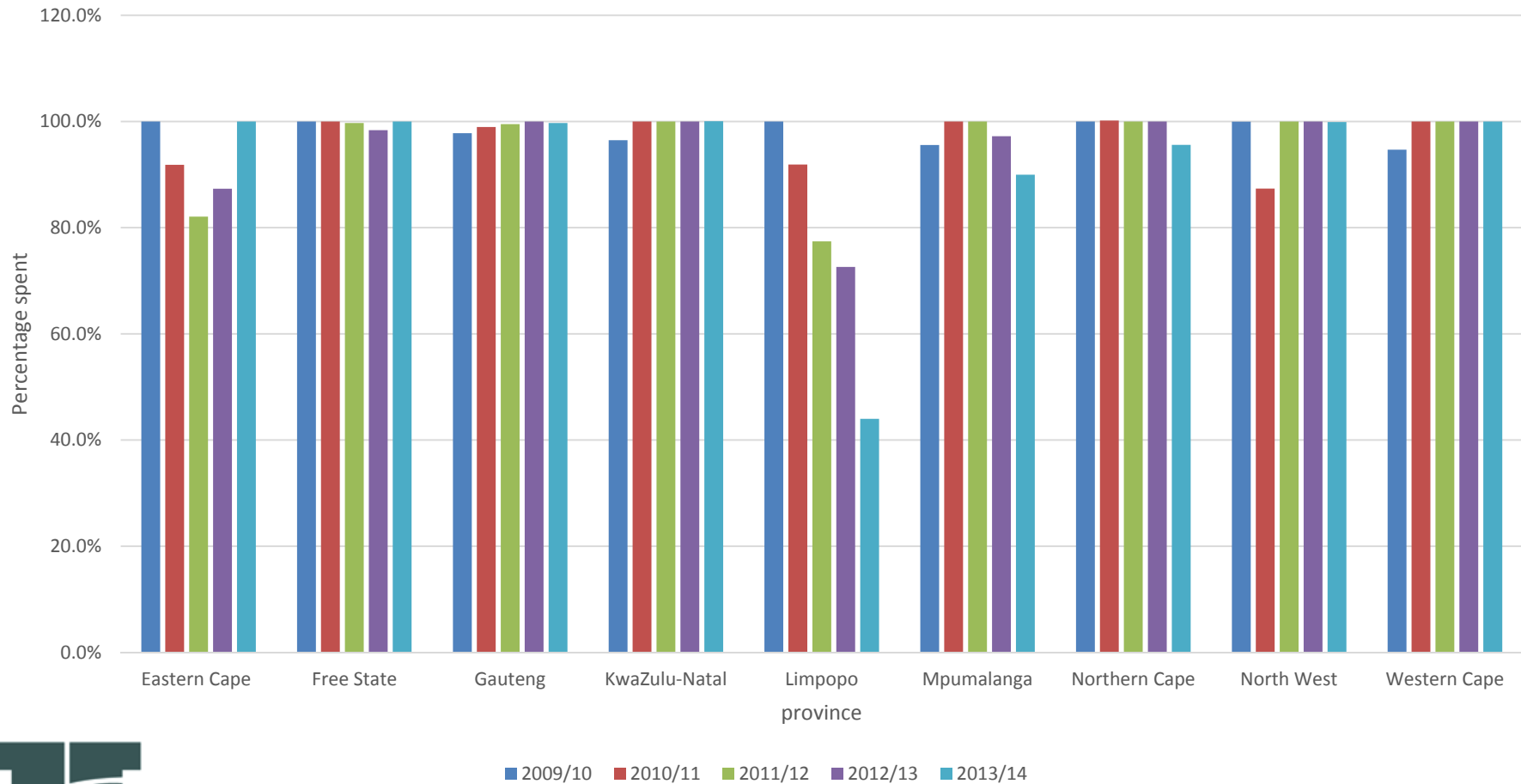
- Program 4 consistently shows good performance
 - under-spending of 1% between 2009/10 and 2011/12% in 2012/13, mainly driven by:
 - Poor performance of RHIG
 - HSDG-R330,9 million due to the Eastern Cape and Limpopo was stopped due to under-performance
 - In 2011/12, concerns were raised by the Commission on the EC and LIM – with 82% and 83% spending respectively
 - 2013/14 – though spending is about 99.6%, material underspending in of HSDG in Limp was experienced
 - 2013/14 – underspending of USDG by municipalities
- Concerns in program 1, 2 and 3 with under-spending of 26%, 31%, 36% and 19% respectively 2012/13
 - No filling of vacancies-this has also been a key driver of under-spending in 2011/12
 - Delayed invoicing
 - 2013/14 – underspending 26%, 15% and 53% - programs 1,2 and 3 respectively

CONDITIONAL GRANT EXPENDITURE PERFORMANCE

Name of a grant	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
HSDG	92.6%	99.9%	91.8%	99.8%	99.0%	97.0%	98.0%	98.0%	96.9%
RHIG	-	-	-	-	-	62.0%	31.0%	60.0%	90%
USDG	-	-	-	-	-	-	88.0%	96.0%	50.9%

USDG

CONDITIONAL GRANT EXPENDITURE PERFORMANCE



HSDG – PERFORMANCE

- Generally, there has been good performance over the past 5 year with respect to HSDG
- Of a concern is Limpopo where a consistent decline in terms of spending has been experienced over the past 5 years and Mpumalanga (particularly in 2013/14)
 - Limp – results show material underspending of 60% of reduced funding
 - Mpumalanga – preliminary results show material underspending of 10%
- Funds were withheld to Limpopo and Mpumalanga due to procurement irregularities and poor business plan
 - Limp - R1.3 b was with-held by NDoHS following a forensic investigation conducted in relation to the awarding of tender for the construction of low cost houses for the financial year 2013/14.
- Slow procurement processes, cash flow management and non-availability of suitable land for human settlements developments

HSDG - PROVINCIAL EXPENDITURE PERFORMANCE - 2013/14

Province	Tot. available (R' 000)	Amount spent (R' 000)	Percentage spent
EC	2 523 803	2 523 802	100%
FS	1 120 936(+230 000)	1 350 936	100%
GP	4 108 399	4 095 445	99.7%
KZN	3 275 584 (+57 000)	3 333 988	100%
LIM	1 326 110 (-644 000) 682 110	303 449	44%
MPU	1 126 096	1 013 077	90%
NC	395 724 (+207 900)	577 450	95.6%
NW	1 224 537 (+117 000)	1 341 523	99.9%
WC	1 927 137 (+32 100)	1 959 237	100%
Total	17 028 326	16 498 907	

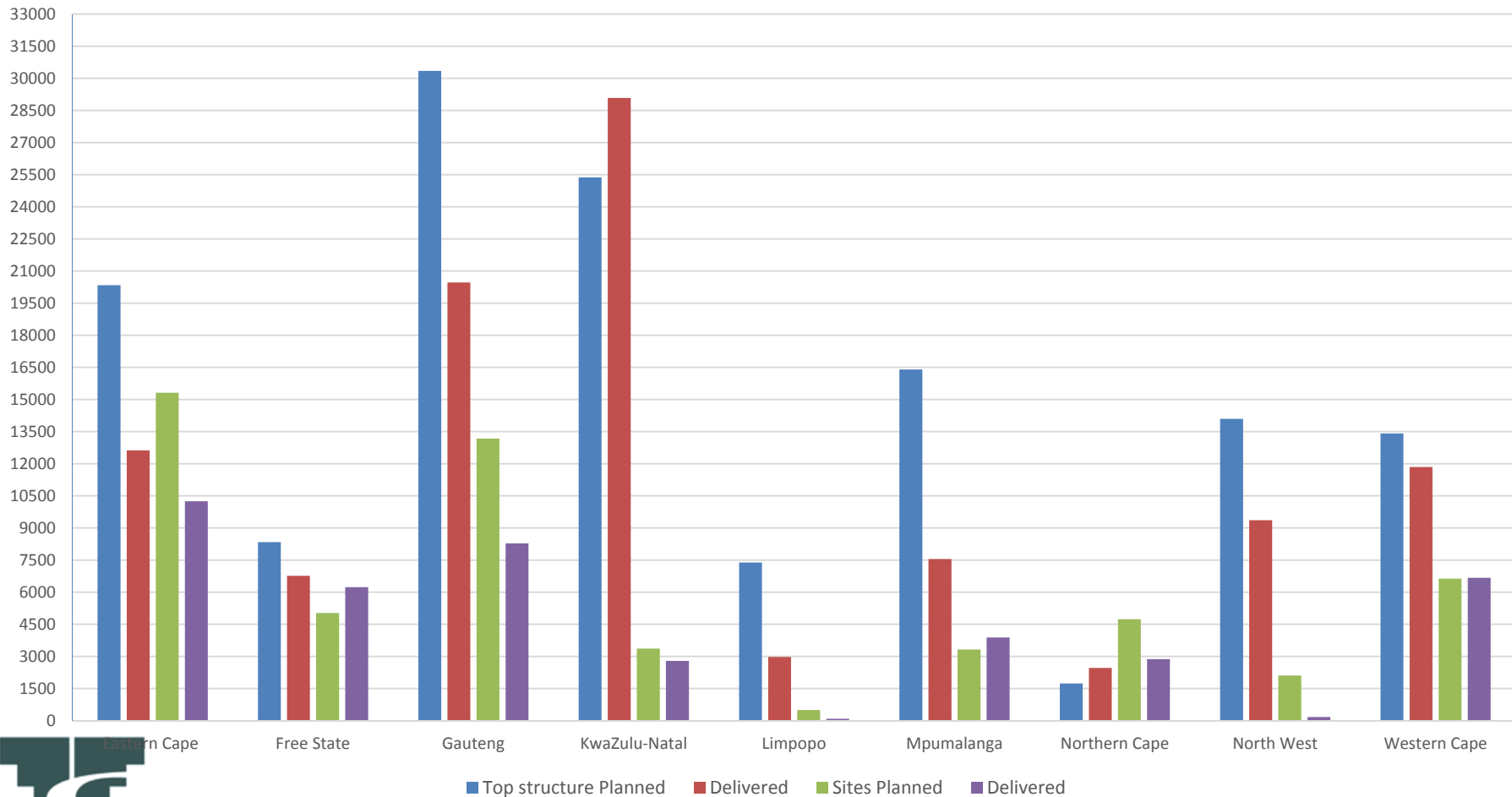
USDG – MUNICIPAL EXPENDITURE PERFORMANCE – 2012/13 & 2013/14

Municipality	% spent – 2012/13	% spent 2013/14 – 31 March 2014
Buffalo City	73%	67%
Nelson Mandela	100%	47%
Mangaung	80%	56%
Ekurhuleni	94%	57%
City of JHB	97%	41%
City of Tshwane	100%	61%
eThekwini	100%	64%
City of Cape Town	94%	41%

FINANCIAL PERFORMANCE OF PUBLIC CORPORATIONS AND ENTITIES

Name of Entity	Amount Transferred (R'000)	Amount Transferred (R '000)
SHRA	936 254	650 151 (R286 m not transferred due to concerns about financial management & control following AG's investigation)
NURCHA	100 000	100 000
HDA	97 497	97 497

OUTCOME PERFORMANCE -SITES AND UNITS TARGETS PLANNED AND DELIVERED 2013/14



OUTCOME PERFORMANCE - 2013/14

Planned targets	Delivered	% achieved	Comment on variance
FLISP – 3 080 units	207 units	6.7%	Not provided
Rectification – 2 334 sites and 11 188 units	1 375 sites & 10 579 units	58.9% & 5.2%	Not provided
Land parcels – 6 772 units	1 681 units	24.8%	Not provided
Blocked projects – 239 sites & 1 580 units	529 units	33.5%	Not provided
Disaster relief – 1 095 sites & 2 562 units	444 sites & 1 603 units	40.5% & 62.6%	Not provided
Priority projects – 4 566 sites & 3 715 units	1006 sites & 1 489 units	22.0% & 40.0%	Not provided

OUTCOME PERFORMANCE - 2013/14

Planned targets	Delivered	% achieved
Residential unit completed per year – 132 705	105 441	79.5%
Sites greenfield – 77 248	43 403	56%
Municipalities provided with technical assistance for informal settlements upgrade per year – 9 for 2013/14	30 municipalities	333%
Land prepared for HSD – 2000 ha (ENE), 2 100 (APP) & 2 084 ha (delivery agreement)	1 883 ha	
O-site sanitation in rural areas – 11 858 accreditation	12 101	102% - Some unit were started in 2012/13
Loans granted – affordable housing – 63 798 (ENE), 74 470 (APP) & 73 082 (Outcome 8)	167 112	224%

SELECTED AUDITOR-GENERAL FINDINGS

- 2013/14: Material underspending on program 2 – spending only 14% of allocated funds mainly due to vacancies
 - This is of a concern as the program continues to materially under-perform as it under-spent by 31% in 2012/13 mainly due to
 - No filling of vacancies-this has also been a key driver of under-spending in 2011/12
 - Delayed invoicing
- Poor performance of program 3 continues
 - From underspending of 36% in 2012/13 to 55% in 2013/14 mainly due to delays in the implementation of the National Upgrade Support Program (in both financial years)

SELECTED AUDITOR-GENERAL FINDINGS

- 2013/14: Material under-spending on Program 4 (sub-program RHIG) – R108 589 000 of R133 649 000 (81%)
 - 2012/13: R135 059 000 of R340 625 000 (40%) – There is some improvement
 - However, R106 721 000 was transferred to municipalities in March 2014 - possible fiscal dumping
 - This was also the case in 2012/13 – where R126 011 000 was spent in March 2013
 - Under-performance in 2012/13 was attributed to the appointment and performance of service providers, while in 2013/14 the reason given is the presence of rocks where project is implemented



6. CONCLUSIONS

CONCLUSIONS

- The department's overall performance has been good over the last 4 years - average spending over 98% of allocated funds
- Some targets set for 2013/14 have been achieved
- Of concern is Program 3
 - where under-spending was 36% in 2012/13 and increased to 55% in 2013/14
- It is difficult to fully assess whether targets were met in some instances as targets are not clearly determined
- Where department has under-performed, reasons are not always provided
 - Some of the reasons for under-performance in 2013/14 are similar to 2012/13

FFC'S WEBSITE: WWW.FFC.CO.ZA



FINANCIAL AND FISCAL COMMISSION

An Independent Constitutional Advisory Institution



[Home](#) [About](#) [Discussions](#) [Media & Events](#) [Research](#) [FAQs](#) [P.A.I.A](#) [Jobs & Tenders](#) [Links](#) [Contact](#)

You are here: [Home](#)



Submissions

- [Commission Submissions](#)
- [List of Recommendations](#)
- [Submission Chapters](#)
- [Budget Process](#)

Financial and Fiscal Commission
Intergovernmental Fiscal Relations Conference
10 - 13 August 2014

International Convention Centre,
Cape Town, South Africa

[Our Mandate](#)

More Publications

[Vote of Thanks 20th anniversary conference](#)

[Keynote Address - FFC 20th Anniversary Conference - Acting Chairperson](#)



THANK YOU.

*Financial and Fiscal Commission
Montrose Place (2nd Floor), Bekker Street,
Waterfall Park, Vorna Valley, Midrand,
Private Bag X69, Halfway House 1685*

www.ffc.co.za

Tel: +27 11 207 2300

Fax: +27 86 589 1038

Briefing to the Portfolio Committee on Human Settlements 14 October 2014

PAST RECOMMENDATIONS

Recommendation	Response	Progress
<p>Acceleration of accreditation where capacity does exist-This recommendation was first made by the FFC in 2005 and re-iterated in 2008</p>	<p>Accepted</p>	<p>Assignment of housing function to 6 metros in progress by 2014</p> <p>The Commission made its own Submission to the DOHS in 2013 – where a number of issues had to be addressed before the actual assignment</p>
<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 - This recommendation is consistent with NDP</p>	<p>Accepted</p>	<ul style="list-style-type: none"> •The Department has put efficient land utilisation as one of strategic outcome goal <p>Department launched 512 newly build flats for the residents of Jabulani Hostel in Soweto</p>

PAST RECOMMENDATIONS

- The Commission has made recommendations to the PCHS in 2011, 2012, 2013 & 2013/14 and they include:

Recommendation	Progress
The department should strengthen its monitoring and evaluation in the human settlements sector	Not fully addressed as even the AG continues to raise these issues
Development of monitoring system for verification of housing projects delivered in all provinces	Not fully addressed as even the AG continues to raise these issue.
Continue to review its annual targets in line with its capacity and resources to deliver	Addressed

2015/16 DOR RECOMMENDATIONS

1. Municipalities especially metros should invest in forward looking processes and systems that will enable such municipalities to accurately understand and disaggregate housing demand
2. Metros focus on planning for rental flats and creating new (or transform existing) neighbourhoods in intermediate suburbs, which have lower densities than in the inner city
3. Government's housing subsidy prioritises the most vulnerable groups, which include poor female-headed households with children below the age of 20 years and households containing adults who are permanently out of the labour market
 - Targets and indicators should be put in place and closely monitored annually
 - The national Department of Human Settlements should report on households benefitting from government housing programmes based on gender and by age group on a yearly basis