

1. General Information

1.1 Submission of the annual report to the executive authority

I hereby submit the annual report for the Department of Housing for the financial year 2003/04 to Minister Marius Fransman, provincial Minister of Local Government and Housing, in accordance with section 40(1)(d) of the Public Finance Management Act, 1999 (PFMA). The Annual Report contains the activities, performance indicators, financial statements of, and the Auditor General's report on the Department.

It is important to note that in terms of Section 65(1)(a) of the PFMA you must submit the Annual Report to the Western Cape Parliament by 23 September 2004.

1.2 Introduction by the Head of the Department

During the 2003/04 financial year the Department of Housing functioned as an independent department. Although the split from Local Government and Development Planning dated back to August 2002, it should be noted that the placement and transferring of staff still continued during the 2003/04 cycle. The Executive Authority for Housing remained with Minister NE Hanga for the report period.

The post of Chief Director was finally filled after being vacant for 11 months. This brought welcome relief to the officials who had to act in the position on a rotation basis. With the various Directors permanently back in their posts and a new person leading them, the Department could once again begin to focus on delivery.

The Department's budget, excluding conditional grants, amounted to R84, 717 million. Furthermore, the Department received a conditional grant from the National Department of Housing to provide housing subsidies. This grant amounted to R423, 282 million. A Conditional grant of R13,5m (R32, 613m, including roll-overs of R19,113m) was also received for the Human Resettlement and Redevelopment Programme.

Housing faced many challenges over the past year that impacted negatively on delivery. This resulted in the widely publicised under spending of approximately R141 million. In reality, these funds were committed, but for various reasons were never utilized at municipal level owing to various reasons mentioned below.

The first relates to the signing of the agreement between the National Home Builders Registration Council (NHBRC) and the Western Cape

Housing Development Board (WCHDB). The NHBRC became a partner in the process of housing delivery and provides a five-year warranty on houses that have been registered with them. This measure is aimed at protecting housing consumers against shoddy housing workmanship in accordance with the Housing Consumers Protection Measures Act. Although the measure is well intended, it unfortunately led to a long and complex process of project enrolment that resulted in project approvals taking much longer than before. As the Western Cape was also one of three Provinces that were the first to enroll with the NHBRC, we were unavoidably affected by the teething problems of project enrollment. By the end of the financial year, as an example, there were two projects that had been through the full approval process and many others following closely behind.

During 2002 a compulsory contribution of R2 479 was introduced. The impact of the R2 479 beneficiary contribution was felt this past year, with many projects converting to the Peoples Housing Process (PHP) in an attempt to circumvent the contribution. (The PHP does not require the R2 479 contribution and is a housing delivery process that requires beneficiaries to contribute through their own sweat equity, materials and savings.) The full impact of the introduction of the compulsory capital contribution of R2 479 by beneficiaries as a condition for accessing a housing subsidy in contractor built houses, was felt by the entire housing delivery programme. The result has been a substantial increase in the number of PHP projects approved. This resulted in severe pressure on the Department's understaffed PHP section to facilitate, approve and monitor the increase of project applications.

The Department started to implement new PHP Business Plans/Project Applications guidelines in an attempt to effectively manage the assessment of PHP project applications and implementation of projects. This measure will also serve to guide the groups that submit applications to ensure that the relevant information is contained in the applications.

Another attempt to accelerate delivery was the formation of an internal task team to investigate interventions that could have a positive impact on the spending pattern of the Department. During December 2003, the National Department of Housing appointed consultants to all the Provinces for the same purpose. CSM Consulting was appointed to assist the Western Cape. Both the task team and the consultants made various recommendations that resulted in the Province spending approximately 68% of its budget. One of the achievements of this intervention has been the commitment of all funds to projects in the current 2004/05 financial year.

To accelerate delivery and to ensure that the beneficiary receives the full benefit of the increased subsidy amount every year, the Department embarked on a process of splitting projects: separating services and top-

structure contracts. Although this process is more taxing on the administrative staff, it does ensure the best possible product for the beneficiary and should prevent projects from grinding to a halt because of a shortage in funds.

Although the challenges in the housing delivery process resulted in an under spending of R141 million for the past financial year, a positive outcome is that officials have been forced to think innovatively and to find solutions rather than to look for excuses. The Department is building on this changed mindset to prevent the same scenario of under spending in the next financial year.

1.3 Information on the Ministry

The Department has been supportive of the Ministry over the reporting period. Meetings were held monthly between the Minister and management of the Department. The Minister also had bilateral meetings with the Head of Department as well as with the Chief Director. Two middle management officials were designated to deal with Ministerial enquiries from the public and with parliamentary questions.

During 2003 the Minister paid a lot of attention to the capacity of municipalities for housing delivery. There were a series of visits to municipalities that culminated in a Local Government and Housing Workshop held in October 2003. A total of 29 municipalities attended this workshop resulting in delegates agreeing that municipalities have a clear responsibility to be involved in housing delivery.

In 2003 the Minister also promoted the piloting of the Assisted PHP to accelerate housing delivery. The pilot projects were the Saldanha Project (Laingville/ Ongegund), Oudtshoorn and Strand Nomzamo Sanco. All these projects were launched in the reporting year and a total of approximately 500 housing units were delivered. The Ministry also facilitated major land transfers to communities, for housing development. One was the land transfer in Covie- Plettenberg Bay and Pelican Park-Grassy Park.

1.4 Mission Statement

To promote and facilitate the provision of adequate housing development and implement and maintain sound administration by:

- Enabling and empowering municipalities and communities
- Communicating effectively and efficiently

1.5 Legislative Mandate

The following legislation is directly and indirectly applicable to housing:

- Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)
- Constitution of the Western Cape, 1998 (Act 1 of 1998)
- Public Finance Management Act, 1999 (Act 1 of 1999) (as amended by Act 29 of 1999) and National Treasury Regulations
- Division of Revenue Act (Annual)
- Public Service Act, 1994 (Act 103 of 1994) and Public Service Regulations, 2000.
- Skills Development Act, 1998 (Act 97 of 1998)
- Skills Levy Act, 1999 (Act 90 of 1999)
- Employment Equity Act, 1998 (Act 55 of 1998)
- Labour Relations Act, 1995 (Act 66 of 1995)
- Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
- Occupational Health and Safety Act, 1993 (Act 85 of 1993)
- Promotion of Access to information Act, 2000 (Act 2 of 2000)
- Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)

Line Functions

- Housing Act, 1997 (Act 107 of 1997) as amended
- Western Cape Housing Development Act, 1997 (Act 95 of 1999)
- Housing Consumers Protection Measures Act, 1998 (Act 95 of 1998)
- Rural Areas Act, 1987 (Act 9 of 1987)
- Transformation of Certain Areas Act, 1998 (Act 9 of 1998)
- Rental Housing Act, 1997 (Act 50 of 1999)
- Less Formal Township Establishment Act, 1991 (Act 113 of 1991)
- Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, 1998 (Act 19 of 1998)
- Home Loan and Mortgage Disclosures Act, 2000 (Act 63 of 2000)

1.6 Public Entity

The public entity mainly responsible for housing development is the Western Cape Housing Development Board, established in terms of the Western Cape Development Act, 1999 (Act no 6 of 1999). The functions of the Board are varied, including to:

- Assist and support the provincial Minister of Local Government and Housing.
- Consider and approve the financing of housing projects
- Interpret and evaluate national and provincial housing policy

- Manage the assets that pass to it in terms of the Western Cape Housing Development Act, 1999 (Act 6 of 1999).

The Board does not have permanent staff and therefore the Department provides secretariat support to the Board.