



Housing Development Agency

Business Case
Activating the Development Agency Role

Board Approved
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Acronyms & Abbreviations

CEO	Chief Executive Officer
CFO	Chief Financial Officer
HDA	Housing Development Agency
IP	Implementation Protocol
JCC	Joint Coordinating Committee
LA	Local Authority
LAPGIS	Land and Property Spatial Information System
MEC	Member of Executive Committee
MTEF	Medium-Term Expenditure Framework
MTOP	Medium-Term Operational Plans
MTSF	Medium-Term Strategic Framework
NaHSLI	National Human Settlement Land Index
NDHS	National Department of Human Settlements
NUSP	National Upgrading Support Programme
PHDA	Priority Housing Development Areas
SCM	Supply Chain Management
SLA	Service Level Agreement
SOC	State Owned Corporations

Executive Summary

Introduction

In 2014, the national Minister of Human Settlements pronounced that the Ministry would like to see the Housing Development Agency (HDA) become *a fully-fledged property development agency*, whose job is not only to acquire and prepare land, but to be a developer and project manager to assist municipalities and any other sphere that might need support¹.

This document constitutes the Business Case for the HDA to re-position itself into a public sector developer and sets out the rationale for this expanded role. It also provides the details of the revised strategic, operational and organisational framework and arrangements.

It is envisaged that the HDA will commence its expanded role in the 2017/18 financial year. Arrangements to enable the expanded role will commence in the middle of the 2016/17 financial year.

Background

The HDA was established in 2009 in terms of the Housing Development Agency Act No 23 of 2008 (the HDA Act) as a juristic person operating as a national public entity which has been classified in terms of Schedule 3A of the Public Finance Management Act.

The HDA's business model has evolved since its establishment. The focus at inception was on the establishment of the organisation and the management of two Section 29 projects (N2 Gateway and Zanemvula). Over time project management support functions to Provinces and Municipalities became a key activity and was used as the basis by which land identification, development and release occurred. More recently the focus has shifted to land assembly.

Sector overview/mapping

The HDA contributes to the realisation of the human settlement development priorities working in collaboration with various other stakeholders. The HDA operates in a unique space being the only public entity with a specific focus on land issues. In addition the HDA has developed project implementation support capacity that is extremely effective in supporting all spheres of government in implementing integrated human settlement programmes.

¹ Ministers Budget vote National Assembly, 15 July 2014, and Ministers Budget vote Media statement 2014

Needs analysis

There are significant challenges in the human settlement sector. These challenges and the role HDA already plays in addressing them are set out in the table below.

Table 1: How the HDA contributes towards addressing sectoral challenges

Issues	HDA response
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)

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.

HDA as developer: Overall approach

The objective is to reposition the HDA into an effective public sector human settlements development agency. In this regard HDA will act as the project developer of sustainable, integrated human settlements on behalf of government to drive delivery, undertaking the following key functions:

- Accessing land for human settlements projects
- Packaging of human settlements projects
- Establishing delivery partnerships with the private sector
- Mobilising, coordinating and investing funds on behalf of the public sector
- Facilitating the resolution of blockages
- Monitoring the implementation of human settlements projects

An initial assessment is that the current legal framework for the HDA (principally the HDA Act) provides sufficient mandate to undertake the developer role in addition to the existing roles already being performed.

The overall approach recommended is the following:

- Developer capacity and expertise will be incrementally established within the HDA focused **in the short-term on real achievable developments / projects with short-to-medium term delivery potential**. This will be undertaken through partnership and panel contracting arrangements to bring in capacity and minimise overhead and fixed costs.
- All existing roles and functions will continue to be undertaken and all Implementation Protocols (IPs) and Medium Term Operational Plans (MTOPs) will be fulfilled. Over an agreed time frame, functions that are not in direct alignment with the expanded role will be phased out or limited especially if they are not cost recoverable.
- The key focus of the developer role will be to implement a selected number (five to ten) strategic / catalytic developments that aim to achieve scale delivery of formal housing. The developments will include private sector mobilization (finance and capacity) and be mixed income sustainable integrated developments.
- Developments should be selected on the basis that implementation can commence as soon as possible. Having said that, it is acknowledged that these projects are long term (generally in excess of five years). The developments should be declared section 29 projects by the Minister or Priority Housing Areas.
- In packaging developments the HDA should have the mandate and funds to overcome key blockages that are currently inhibiting implementation.
- The private sector developer partner should be required to invest in the development and bear some risk. The extent should be determined on a development by development basis.
- A key element of the development role is that it should be sufficiently independent to enable the HDA to make technical and investment decisions that are not influenced by political pressures.

HDA's role should primarily be the investor and project manager on behalf of government. In this regard the HDA should package the development, form the

partnerships, invest funds on behalf of the public sector, facilitate the resolution of blockages and monitor implementation.

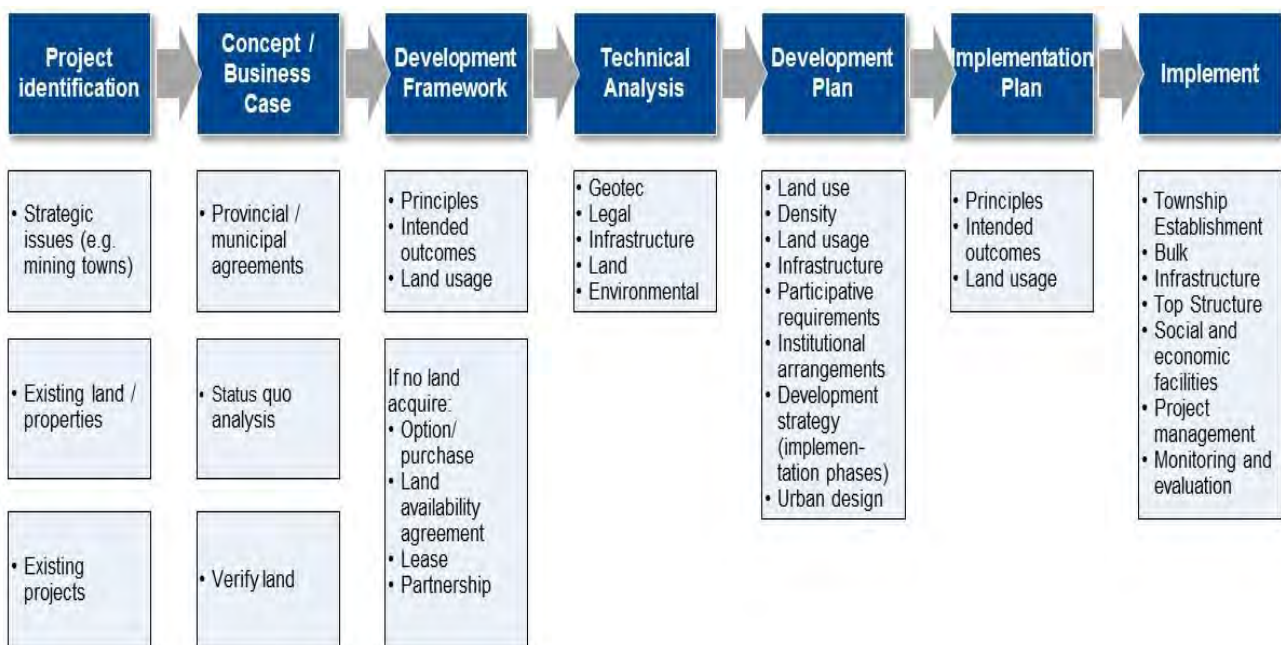
Strategic framework

It is proposed that the current vision, mission, guiding values and strategic objectives of the HDA are not changed and remain as they are. However an additional strategic objective in respect of the developer role is added as follows:

Programme 4: Public sector human settlements development agency: Implement strategic/catalytic developments that aim to achieve delivery of formal housing, ideally at scale or are transformative and mobilise the private sector (finance and capacity), and are mixed income, sustainable and integrated.

A developer role comprises the key activities shown in the figure below.

Figure 1: Developer role: Key activities



If HDA's current functions are compared to the above activities it is evident that HDA is already performing some of the functions required to fulfil the developer role, but will require additional capacity and resources in order to fully fulfil this role. These functions include:

- Development management:** This function includes managing the implementation of a project from inception to final completion.
- Financial modelling and funding mobilisation:** This function comprises formulating a financial model for a development and mobilising the required funding.

- **Procurement and implementation:** This function comprises procuring the required technical and contractor support in order to implement the development.

The intention is to shift the HDA's current resources and capacity towards undertaking the developer role. In the interim the HDA will undertake three main roles i.e. programme manager, implementing agent and developer. The key activities that will be undertaken in respect of each of these roles is as follows:

- **Programme Manager:** This comprises implementing the following existing programmes: Catalytic projects, Mining Towns, Informal Settlement Upgrading, Inner City and HSS Support Services.
- **Implementing Agent:** This comprises acting as the implementing agent in respect of the following Section 29 projects or interventions: Nelson Mandela Bay, Gauteng Province, Zanemvula, N2 Gateway and Lephalale.
- **Developer:** This comprises the new role of Developer in respect of the following developments: Five developments selected from the catalytic projects programme, Lanseria, Knysna, Tongaat, Brakpan Old Location and Kamagara.

The intensity and allocation of resources in respect of these three roles will shift over time.

Organisational arrangements

The current organisational structure will be revised to implement the developer role. Given the current fiscal context as well as government's moratorium on new post establishment the approach taken to the staffed structure envisages utilising the existing resources as efficiently as possible. Additional resources will need to be contracted for the development function, however a range of critical technical resources and project management support should only be contracted once funding has been secured.

Financial implications

The primary funding sources envisaged for the HDA are as follows:

- Core staff and administration to be covered from annual transfers
- Regional (MTO) support to be cost recovery paid for by clients
- Developments will be funded to a very limited extent (senior development managers) from core funding with all remaining project management and technical requirements to be funded from a development management fee (initially set at 5%).

In addition to the above operating income there will need to be access to capital for actual developments. A number of options are being considered.

Given the above an initial estimate of costs in respect of delivering 5 major catalytic projects is R33,4 billion of which R1,4 billion will be the development management fee for the HDA. The five projects have a R 27 billion capex delivering some 108,000 housing

units. The HDA's costs are expected to be recovered from a development management fee. However it has been assumed that in the short-term there will be shortfall in recovery as projects are packaged and funding is secured. The current budget for the development management functions at some R200 million per annum is sufficient to deliver some R4 billion capital.

1 Introduction

The Housing Development Agency (HDA) was established in 2008 as a public development agency focused on the acquisition and release of state, private and communally owned land and the provision of programme management services for the development of human settlements.

In 2014, the national Minister of Human Settlements pronounced that the Ministry would like to see the HDA become *a fully-fledged property development agency*, whose job is not only to acquire and prepare land, but to be a developer and project manager to assist municipalities and any other sphere that might need support².

This document constitutes the Business Case for the HDA to re-position itself into a public sector developer and sets out the rationale for this expanded role. It also provides the details of the revised strategic, operational and organisational framework and arrangements.

This business case has been developed with limited consultation from key stakeholders. It is envisaged that the business case will be used as a basis for more expanded consultation and will be amended in terms of the input received.

In formulating the business case, due consideration has been given to relevant legislative and policy guidelines, most notably the Housing Development Agency Act, Act No. 23 of 2008.

The programme envisages that the HDA will commence its expanded role in the 2017/18 financial year. Arrangements to enable the expanded role will commence in the middle of the 2016/17 financial year.

² Ministers Budget vote National Assembly, 15 July 2014 and Ministers Budget vote Media statement 2014

2 Background

2.1 Establishment of the HDA

The HDA was established in 2009 in terms of the Housing Development Agency Act No 23 of 2008 (the HDA Act) as a juristic person operating as a national public entity which has been classified in terms of Schedule 3A of the Public Finance Management Act.

The HDA is an agent of the National Department of Human Settlements (NDHS), and thus extends the Department's and the sector's capability with respect to the identification, planning, acquisition, holding and disposal of well-located land and buildings for the development of human settlements. It also extends the Department's capability with respect to associated project management and development services.

2.2 Legislative and other mandates

2.2.1 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.

2.2.2 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.

Table 2: Draft Mandate - Minister of Human Settlements and the HDA Board

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 **23 mining towns**.
- **HDA will be part of a team responsible for identifying and implementing 50 mega projects 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.
- **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 the development and project manage agreed projects.
- **The HDA is responsible for developing a strategic (master) spatial plan** which will create a framework within which project funding will flow.

2.2.3 Medium Term Strategic Framework (2014)

On the basis of the new Medium Term Strategic Framework (2014) 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.

2.2.4 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 HDA³:

- The Constitution 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 '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

2.3 Current status of the HDA

2.3.1 Current business process and work being undertaken

The HDA's business model has evolved since its establishment. The focus at inception was on the establishment of the organisation and the management of two Section 29 projects (N2 Gateway and Zanemvula). Over time project management support functions to Provinces and Municipalities became a key activity and was used as the basis by which land identification, development and release occurred. More recently the focus has shifted to land assembly.

The key elements of the HDA's current business practices include:

- **Project management of two Section 29 projects (N2 Gateway and Zanemvula):** This entails all activities to ensure the effective implementation of these projects within a defined budget and time frame. To support this activity HDA has established projects offices in these locations. A project management service fee is charged for this activity paid for by the NDoHS.
- **Providing implementation support to Provinces and Municipalities:** This entails a range of support activities aimed primarily at assisting Provinces or Municipalities to undertake land identification, development and release. The support activities are provided within the framework of the integrated development plans and strategic frameworks as formulated by the province or municipality. Activities are only undertaken through agreements (either Medium Term Operational Plans or Implementation Protocols) and in response to requests made. In order to provide the support the HDA has set up regional offices. These have been established through the agreements and with part funding from the

³ Financial and Fiscal Commission, Options analysis: Alternative paradigms for housing delivery in South Africa, Final Report, October 2012

relevant provincial government. An overview of the agreements currently in place and work being undertaken are shown in the table below.

Table 3: Agreements with Provinces and Municipalities

Province/municipality	Current agreement in place and work being undertaken
Gauteng	<ul style="list-style-type: none"> • The Gauteng Department of Human Settlements has over the last three years experienced challenges with regards to delivery of human settlements in the Province and in particular meeting its annual delivery targets. • Human Settlements MinMec resolved that R1,2 billion be reallocated from the Province of which R300 Million was allocated to the HDA for implementation of projects located within Gauteng Province. • Pursuant to the MinMec resolution referred to above, the HDA prepared and facilitated conclusion of an Implementation Protocol (IP) to give effect to the MinMec resolution. The Implementation Protocol was concluded by the National Department of Human Settlements, Gauteng Province and the HDA. The Protocol <i>inter alia</i> provides for the transfer of R300 Million from Gauteng Province to the Agency. • A pipeline of projects have been identified for implementation in respect of this IP.
Limpopo	<ul style="list-style-type: none"> • The Limpopo Department of Cooperative Governance, Human Settlements and Traditional Affairs (CoGHSTA) concluded an Implementation Protocol (IP) with the Housing Development Agency (HDA) in July 2010. • In September 2011, a Medium Term Operational Plan (MTOP) was then signed and agreed. An MTOP is a three year plan that specifies implementation methodology with activities and deliverable. It acts as a basis for performance of the HDA in the province. The MTOP has since been renewed with the current MTOP being for the period 2015/16 to 2017/2018. • Work being undertaken includes : <ul style="list-style-type: none"> - Bela Bela Ext 25: Implementation of interim services to 250 households, planning and detailed design of bulk infrastructure and social and community facilitation. - Delivery of Disaster Housing for 373 households - Lephalale Integrated Human Settlements Projects, Ellisras Extension 702 : Development of connector services, town planning and township registration, internal services design and construction, bulk electricity development and PMU for the Provincial Department

Province/municipality	Current agreement in place and work being undertaken
Free State	<ul style="list-style-type: none"> • An MTOP is in place for the period 2014/15 to 2018/19 at an estimated budget of R107.3 million. • The roles assigned to the HDA are as follows: <ul style="list-style-type: none"> - Analysis and mapping of human settlements trends and perspectives - Support the programming, planning and coordination of human settlements projects pipeline in the Province - Land assembly for human settlements - Serve as the project implementation and or management support on specific assignment development projects particularly mining towns and catalytic projects - Informal settlement upgrading support - Land holding support - Enhance inter-governmental collaboration and municipal support for human settlements development
KwaZulu – Natal	<ul style="list-style-type: none"> • An MTOP is in place for the period 2014/15 to 2017/18 at an estimated budget of R52 million. • The roles assigned to the HDA are as follows: <ul style="list-style-type: none"> - Land planning and assembly support for housing and human settlements - Land geo-spatial services - Project packaging and implementation support on specific assigned development projects including properties owned by the provincial Department of Human Settlements in eThekweni, Cornubia and provincial projects that have been delayed in the eThekweni metro, Msundusi and other growth nodes. - Capacity mobilisation and support for human settlement delivery in the eThekweni metro - Supporting the programming, planning and coordination of housing and human settlements projects pipeline in the province - Informal settlement upgrading support - Land holding support - Emergency housing support

- **National sector-wide land assembly strategy:** The HDA has developed a national sector wide land assembly strategy. This strategy ensures that well-located land is identified and released for development along a human settlement continuum. The strategy is supported by geospatial tools, namely Land and Property Spatial Information System (LAPSIS) and National Human Settlement Land Index (NaHSLI). The HDA's land assembly strategy forms the basis of a master spatial plan for human settlements which is intended to guide the sector.
- **National strategic projects :** The HDA is providing support to three strategic projects as follows:
 - **Informal settlement upgrading:** A range of support is provided both as part of the National Upgrading Support Programme (NUSP) programme and as part of agreements with the various provinces. Upgrading informal settlements is a key component of the new MTSF priorities and the Department intends to upgrade 2200 informal settlements, directly addressing the difficulties facing the poorest of the poor. The HDA is working in partnership with the Department on this programme, as well as also working directly with provinces where implementation protocols are signed and providing a technical support and oversight role to assist these provinces to meet their targets on informal settlements upgrading.
 - **Catalytic projects:** Catalytic projects can range from mega scale inclusionary neighbourhoods to small but high impact interventions. The underlying principle of all of these is that they are all spatially targeted interventions whose main objective is to *intervene to deliberately restructure settlement patterns and impact on the environment*. The projects were identified through inviting, provinces, municipalities and the private sector to submit projects. A total of over 150 projects were received and were evaluated by an Evaluation Committee using the Master Spatial Plan criteria. A total of 52 projects have now been identified for potential implementation. These projects will provide approximately 790,000 units. Most projects can be implemented within a five to ten year time frame. A schedule of these projects can be seen in Annexure A.
 - **Mining towns:** Mining Towns is a special presidential project that emerged out of a process when an Inter-ministerial Committee (IMC) for the Revitalisation of Distressed Mining Communities was established in late 2012. As part of this process the special

presidential project commenced in June 2014 to improve human settlement provision in specific mining towns.

The HDA was requested to support the process by the Minister of Human Settlements. The work being undertaken includes the following:

- 1) **Informal settlement upgrading:** The upgrading of 248 informal settlements supported by NUSP
- 2) **Project implementation:** The implementation of human settlements projects including both serviced sites and top structures.
- 3) **Partnerships with mining companies:** A range of partnerships are being entered into with private sector mining companies to both access land and undertaken projects.

2.3.2 Organisational arrangements

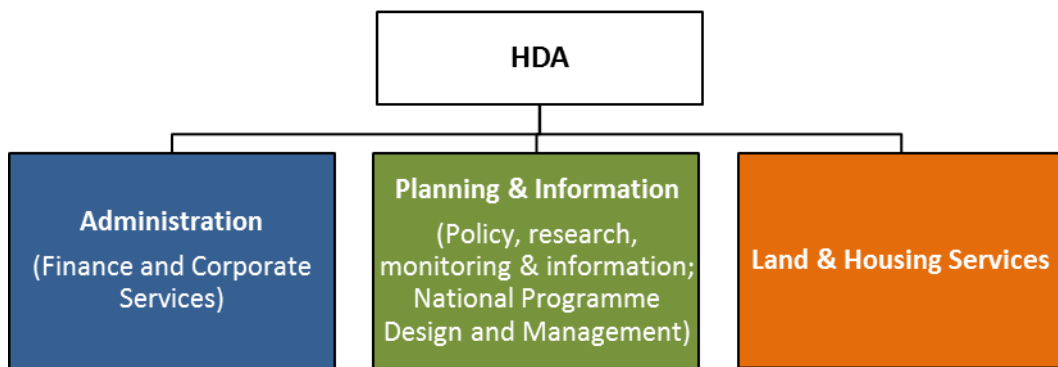
The governance of the HDA is entrusted to a Governing Board, with the Minister of Human Settlements being the executive authority responsible for the Agency. The HDA Board's term of office expired in December 2015. A new board was appointed by the National Minister in January 2016. The Board consists of nine members as follows:

- Two executive members (CEO and CFO)
- Seven non-executive members, which must include:
 - A member designated by the Minister responsible for Public Works
 - A member designated by the Minister responsible for Land Affairs
 - A member designated by the Minister responsible for Provincial and Local Government

The HDA Board has considered and approved the Board Charter which is compliant with the Department of Human Settlement's Public Entities Framework for Governance. The Board undertakes to align itself with the King 3 Report on Good Governance.

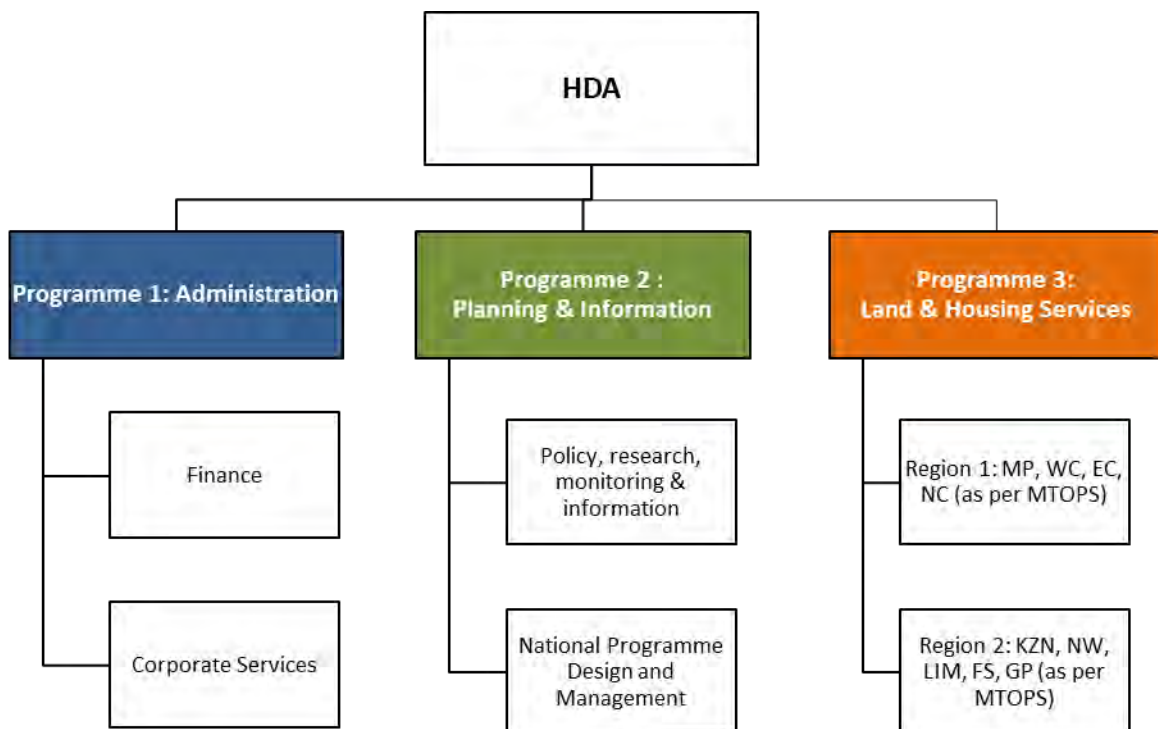
The HDA currently undertakes three key functions as outlined in section 2.3.1 above and shown in the figure below.

Figure 2: Current HDA functions



The HDA’s organisational structure has changed over time as the business model has evolved. The figure below details the HDA’s current functional structure.

Figure 3: Current HDA functional structure



The Agency is managed by the Chief Executive Officer assisted by a senior management team, which includes the Chief Financial Officer and the general managers. The Agency’s macro-organisational structure reflects the key operational functions as well as the key support capacity for the effective delivery on the Agency’s mandate.

2.3.3 Funding arrangements

In terms of section 25 of the HDA Act, the Agency must utilise its funds to defray expenses incurred by it in the performance of its functions. Accordingly, the Act provides for the funds of the Agency to consist of:

- a) Money appropriated by Parliament
- b) Donations or contributions received by the Agency with the approval of the Minister
- c) Interest on investments of the Agency
- d) Loans raised by the Agency, subject to section 26
- e) Proceeds from the sale of land
- f) Fees for services rendered based on cost recovery
- g) Subsidies and grants granted by the organs of state

The Agency only receives interest earned from its funds as held in an ordinary bank account.

No capital funding is as yet available directly to the Agency for land acquisition. In some instances land has been purchased at the request of provinces from provincially availed funds.

The MTEF allocation for 2015/16 is R 246,617 million. The estimated budget allocation for the five years is as follows:

Table 4: HDA Opex 2014/15 – 2018/19 (Rm)

<i>Year No.</i>	1	2	3	4	5
<i>Year</i>	2014/15	2015/16	2016/17	2017/18	2018/19
MTEF Allocation (Rm)	R 186,363	R 246,617	R 246,572	R 296,657	R 218,826

2.3.4 Impact to date

The key achievements of the HDA to date are as follows:

- In excess of 68 000 hectares of land has been identified.
- The HDA has facilitated the release of over 11 000 hectares of state-owned land for human settlement development.

- Two Johannesburg inner city buildings/properties have been transferred into the agency's name for development by a social housing institution for rental purposes.
- A Joint Coordinating Committee on State Land Release (JCC) has been established.
- A policy outlining the criteria for identifying land, and a procedure for the transfer of state-owned land to the HDA has been finalised with the relevant state departments.
- Policy options for compensation of SOCs for land released for human settlements are also being explored within the JCC and in particular the Department of Public Enterprises.
- The spatial analysis systems and capability developed by the HDA - LAPSIS (Land and Property Spatial Information System) and NaHSLI (National Human Settlements Land Index) is proving invaluable in support of the Agency's land identification and planning services and its work with the provinces.
- The Priority Housing Development Areas policy and regulations have been gazetted.
- Seventeen Implementation Protocols with Provinces and Municipalities have been formalised and signed.
- Five Medium Term Operational Plans arising from the implementation protocols have been signed with Northern Cape, Limpopo, Free State, Mpumalanga and KwaZulu-Natal.
- Zanemvula and N2 Gateway are performing well. As of January 2016 13,225 houses have been handed over in respect of the N2 Gateway project. In respect of Zanemvula during the 2015/16 financial year 1032 units will have been rectified, 1237 sites were serviced and 604 top structures were developed.
- The HDA has operated within the grant and other funds provided.
- The HDA has achieved unqualified audits since its inception.

3 Sector Overview / Mapping

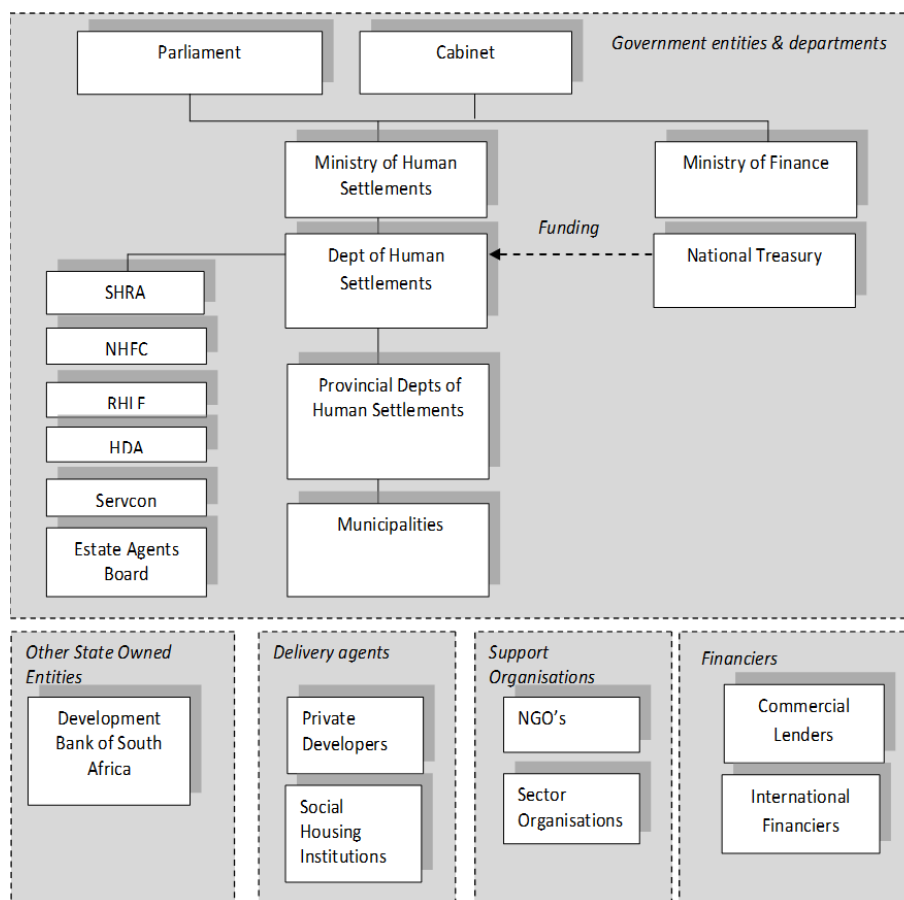
3.1 Human Settlements Sector

Section 26 of the Constitution of the Republic of South Africa, 1996, enshrines the inalienable right to housing, as follows: “(1) *Everyone has the right to have access to adequate housing. (2) The State must take reasonable legislative and other measures within its available resources, to achieve the progressive realisation of this right*”.

The Housing Code (2009) indicates that South Africa’s goal is to improve the quality of living of all South Africans with an emphasis on the poor and those who cannot independently satisfy their basic housing needs. The housing vision is the establishment of viable, socially and economically integrated communities, situated in areas allowing convenient access to economic opportunities, as well as to health, educational and social amenities in which all South Africans will, on a progressive basis, have access to:

- a) Permanent residential structures with secure tenure ensuring internal and external privacy and providing adequate protection against the elements; and
- b) Potable water, adequate sanitary facilities and domestic energy supply.

Figure 4: Overview of the human settlement sector



South Africa’s housing policy is a concurrent function and is implemented by all three spheres of government, State Owned Entities (see figure above), private sector and nongovernmental organizations.

3.2 Human Settlement Programmes

There are a number of Human Settlement Programmes that are being implemented so as to achieve the above legislative and policy intent. The table below shows the key programmes.

Table 5: Description of the HS Programmes included in the EPR analysis

Type	Universal Housing Programme Name	Housing Code Chapter & Name
Financial intervention	Rectification of Certain Residential Properties (1994 -2002)	No Chapter in Housing Code.
<i>Subsidy allocation R25,696.00</i>	<p>AIM: To provide for the rectification (minor repair, major repair or replacement) of subsidised serviced sites and/or RDP houses constructed between 1994 and 2002.</p> <p>FOCUS: To undertake minor or major repairs, or to completely replace defective subsidised units</p> <p>RESPONSIBILITY: Implementation by provinces and/or municipalities who access the funding from the Department of Human Settlements via the Human Settlements Development Grant (HSDG)</p>	
Incremental	Integrated Residential Development Programme (RDP)	Integrated Residential

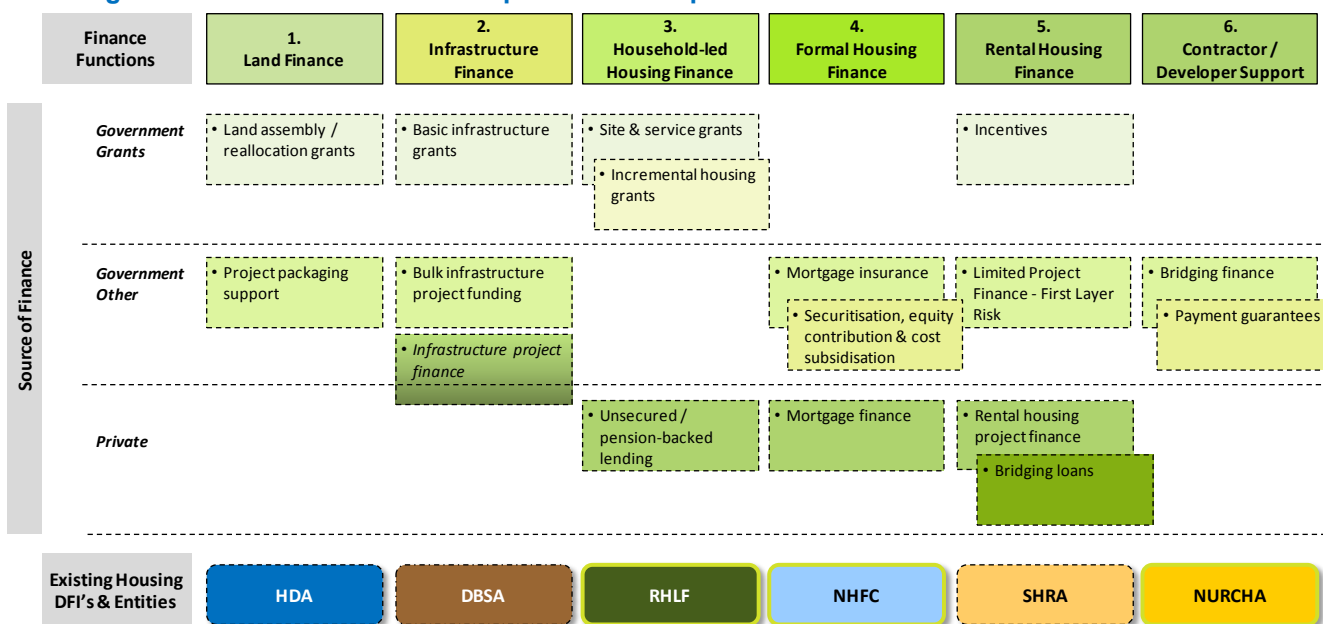
Type	Universal Housing Programme Name	Housing Code Chapter & Name
intervention	Houses Programme)	Development Programme
<i>Subsidy allocation R90,362.00</i>	<p>AIM: To facilitate the development of integrated human settlements in well-located areas that provide convenient access to urban amenities, including places of employment.</p> <p>FOCUS: Identification and planning of vacant land, and development of serviced sites and top structures to national (and provincial) norms and standards.</p> <p>RESPONSIBILITY: Implemented by municipalities who access the funding from Provincial Human Settlements Departments via the HSDG.</p>	
Incremental intervention	Upgrading of Informal Settlement Programme	Upgrading of Informal Settlements
<i>Subsidy allocation approx R33,769.00</i>	<p>AIM: To facilitate and fund the upgrading of informal settlements in order to upgrade the living conditions of poor people by providing secure tenure and access to basic services and housing.</p> <p>FOCUS: Regularisation of informal settlements, provision of secure tenure, installation of basic services and building of housing structures.</p> <p>RESPONSIBILITY: Implementation by municipalities who access the funding from Provinces via the HSDG</p>	
Social & Rental Intervention	Social Housing Programme	Social Housing Programme
<i>Subsidy allocation R330,000 (SHRA grant & Institutional subsidy)⁴</i>	<p>AIM: To establish, capacitate and capitalise social housing institutions which may develop, hold and administer affordable rental units within identified restructuring zones.</p> <p>FOCUS: Urban integration and re-structuring, through the provision of affordable rental. Grants must be invested by Social Housing Institutions accredited by SHRA that develop projects within designated Restructuring Zones.</p> <p>RESPONSIBILITY: Implemented by the Social Housing Regulatory Authority who accredits, regulates and provides funding to social housing institutions, and facilitates, approves and provides Restructuring Capital Grant Funds for social rental housing projects. Funds transferred directly to SHRA.</p>	
Social & Rental Intervention	Community Residential Units Programme (Conversion or New)	Community Residential Units Programme
<i>Subsidy allocation – not available</i>	<p>AIM: To facilitate the provision of secure, stable rental tenure for lower income persons/households earning below R3 500 pm. Includes conversion of public hostels, public rental stock, and existing dysfunctional, abandoned or distressed buildings.</p> <p>FOCUS: The programme provides a framework for dealing with the many different forms of existing public sector residential accommodation. Focus is on redevelopment of single-gender public hostels and development of new, affordable subsidised rental stock</p> <p>RESPONSIBILITY: Implementation by provinces or municipalities accessing funding for approved projects from Provincial Human Settlements Departments via the HSDG.</p>	

3.3 HDA in the HS 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.

⁴ SHRA State of the Sector report, 2013

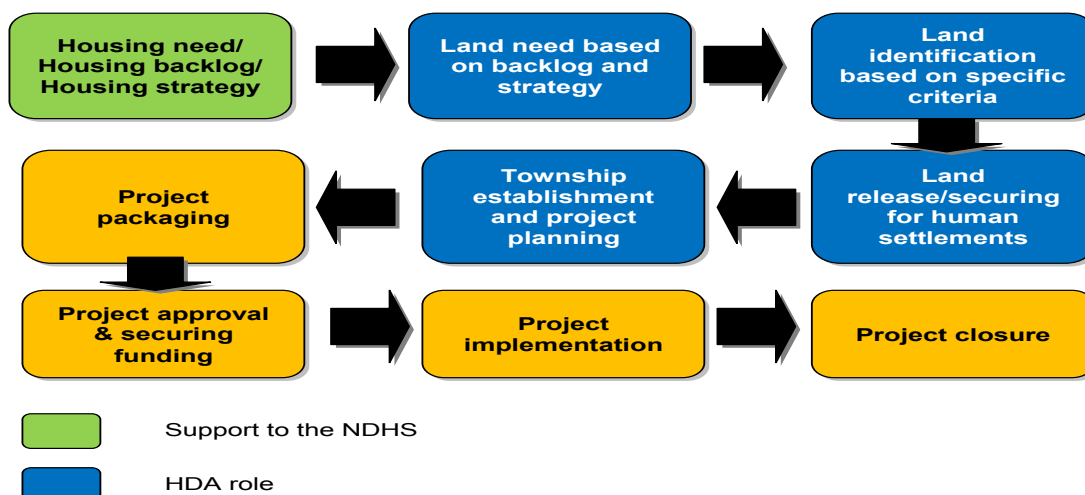
Figure 5: Role of the HDA as compared to other public entities



In addition the HDA has developed project implementation support capacity that is extremely effective in supporting all spheres of government in implementing integrated human settlement programmes.

The figure below indicates where the HDA currently fits into the human settlements value chain.

Figure 6: Where HDA fits in the human settlements value chain



4 Needs Analysis

4.1 Challenges on the HS sector

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

- 1) **High need:** 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 1 below).
 - 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 Governments human settlements programme.

Table 6: Census 2011: Housing circumstances in South Africa by income

<i>Mthly Income</i>	R0 - R 3200	R3200 - R 6400	R6400 - R13000	R13000 - R26000	R26000 plus	Unspecified	Total
A: Formal - owned	2 345 700	1 030 532	774 015	673 762	1 344 840	32 678	6 201 527
	16%	8%	5%	5%	9%	0%	43%
B: Formal - rented, plus Room/Flatlet not in backyard	1 908 744	899 039	705 977	524 357	643 362	11 548	4 693 027
	13%	6%	5%	4%	5%	0%	33%
C: Informal settlement - regardless of whether it is owned or rented	766 069	276 497	146 779	42 181	17 784	461	1 249 771
	5%	2%	1%	0%	0%	0%	8%
D: Backyard dwelling - regardless of whether it is owned or rented	400 117	167 196	101 059	31 378	12 889	316	712 955
	3%	1%	1%	0%	0%	0%	5%
E: Traditional dwelling - regardless of whether it is owned or rented	724 303	271 968	88 243	28 283	26 277	830	1 139 904
	5%	2%	1%	0%	0%	0%	8%
G: Other	222 961	95 366	63 159	35 693	34 330	759	452 268
	2%	1%	1%	0%	0%	0%	3%
Total	6 367 894	2 740 598	1 879 232	1 335 654	2 079 482	46 592	14 449 452
	44%	19%	13%	9%	14%	0%	100%

Governments' key focus is on households earning below R3,500 living in informal settlements and backyard dwellings, as well as new family formation. The Minister of Human Settlements has introduced the need to focus on mining towns and large mixed use projects. 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.

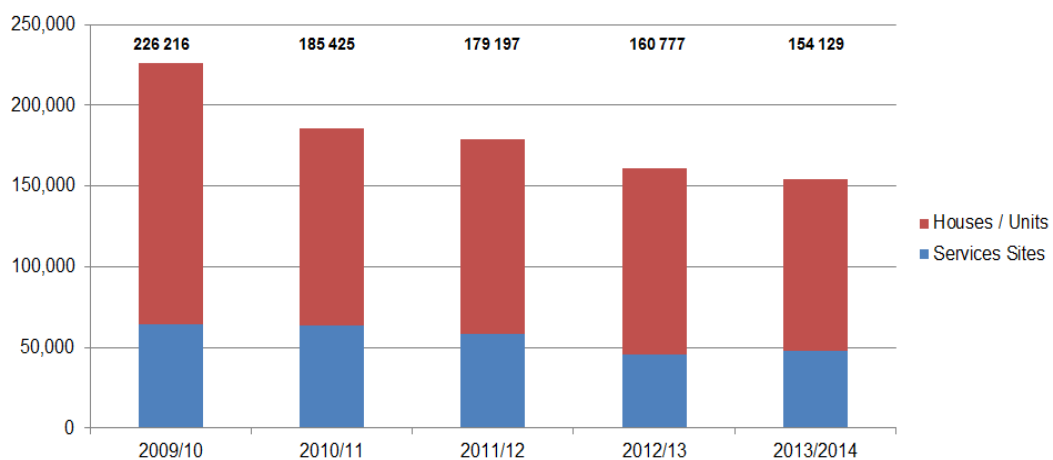
There is a need to reposition the HDA into an effective public sector human settlements development agency that will coordinate and bridge Government and the private sectors areas of focus.

Figure 7: Government and private sector areas of focus

Mthly Income	R0 - R 3200	R3200 - R 6400	R6400 - R13000	R13000 - R26000	R26000 plus	Unspecified	Total
A: Formal - owned	2 345 700 16%	1 030 532 8%	777 015 5%	673 762 5%	344 840 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%	524 351 4%	643 362 5%	11 548 0%	4 693 027 33%
C: Informal settlement - regardless of whether it is owned or rented	766 069 5%	277 497 2%	146 770 1%	42 181 0%	17 760 0%	461 0%	1 249 771 8%
D: Backyard dwelling - regardless of whether it is owned or rented	400 117 3%	1 719 619 1%	101 059 1%	31 378 0%	12 889 0%	316 0%	712 955 5%
E: Traditional dwelling - regardless of whether it is owned or rented	724 303 5%	271 968 2%	88 243 1%	25 283 0%	26 277 0%	830 0%	1 139 904 8%
G: Other	222 961 2%	95 366 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%	2 079 482 14%	46 592 0%	14 449 452 100%

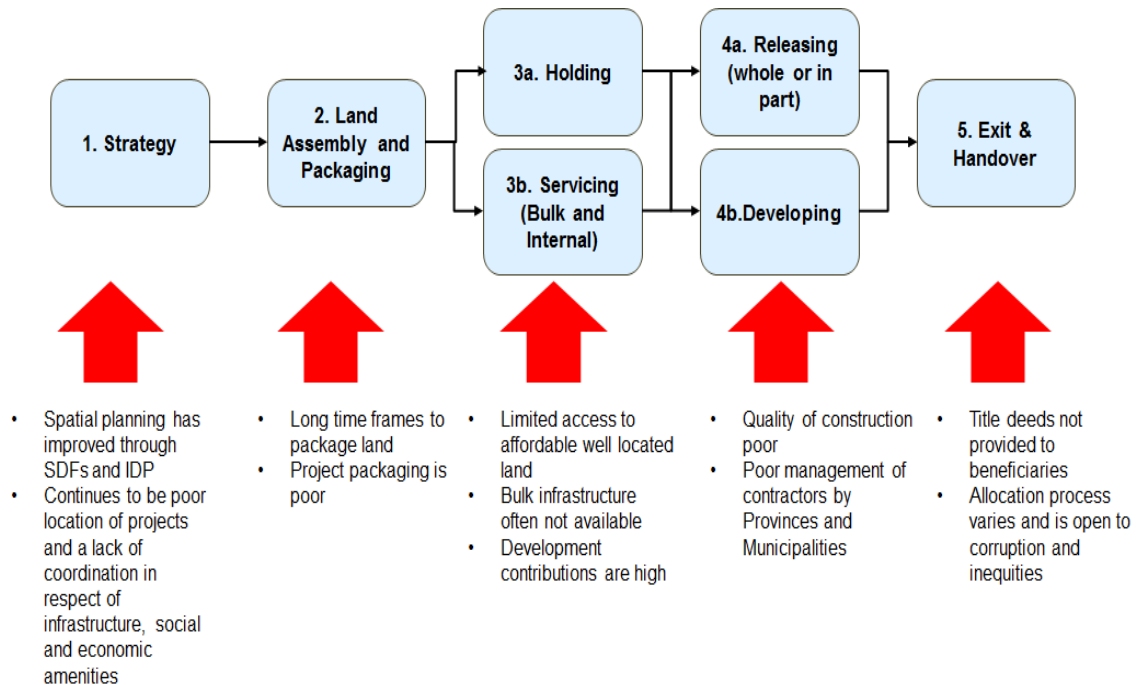
2) **Insufficient delivery by the public sector:** There is insufficient delivery by the public sector to meet the need and this delivery has decreased significantly over the last five years. On average over the last five years the public sector has delivered 181,000 units per annum. At this rate of 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 principles. 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 8: Delivery by the public sector: 2009/10 to 2013/14



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

Figure 9: Public sector delivery: challenges and blockages

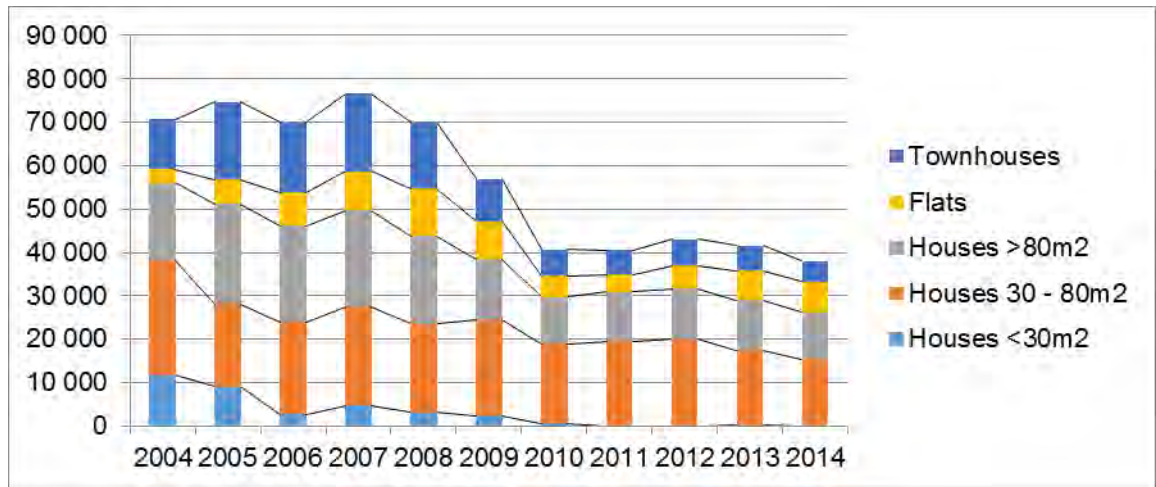


3) **Declining supply by the private sector:** The human settlement sector can be categorized into the following three market segments:

- 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 10: Delivery by the private sector



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 7: Constraints to private sector delivery

Supply 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.
Demand side constraints:	<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

	<p>subsidy is allocated at a provincial level annually and is not topped up. Allocations vary significantly from year to year.</p> <ul style="list-style-type: none"> • 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
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- 4) **Poor human settlement 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 poor⁵.

In response to this in 2004, the Comprehensive Plan⁶ 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.

Figure 11: Cosmo City layout plan



Despite good intentions it has been extremely difficult for provinces and municipalities to fulfill 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.

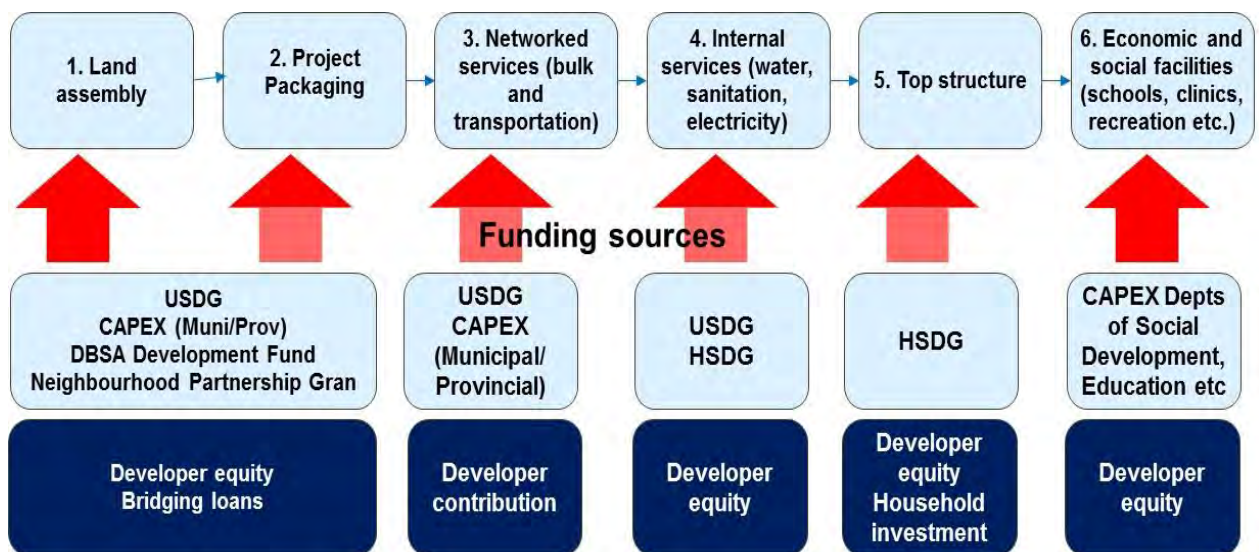
⁵ Rust K with support from Melzer I and Moothilal R, 2008, Investigation into the perceived impact of market distortions ostensibly created within the residential housing market as a result of government subsidies

⁶ National Department of Housing, September 2004

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 years⁷

- 5) **Fragmented funding framework:** The funding framework for human settlement development is fragmented making it extremely difficult to structure and implement projects. Funding comes from a range of different sources and funding mechanisms (see figure 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 12: Funding sources for human settlement development



⁷ DPME Evaluation of the IRDP, 2015

4.2 HDA's Role in addressing HS challenges

There are a number of areas where the HDA already plays a role in addressing key HS sector challenges (see 4.1 above), as set out in the table below:

Table 8: How the HDA can contribute towards addressing the sectoral challenges

Issues	HDA response
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)

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.

5 HDA as developer: Overall approach

5.1 Role

The objective is to reposition the HDA into an effective public sector human settlements development agency.

In this regard HDA will act as the project developer of sustainable, integrated human settlements on behalf of government to drive delivery, undertaking the following key functions:

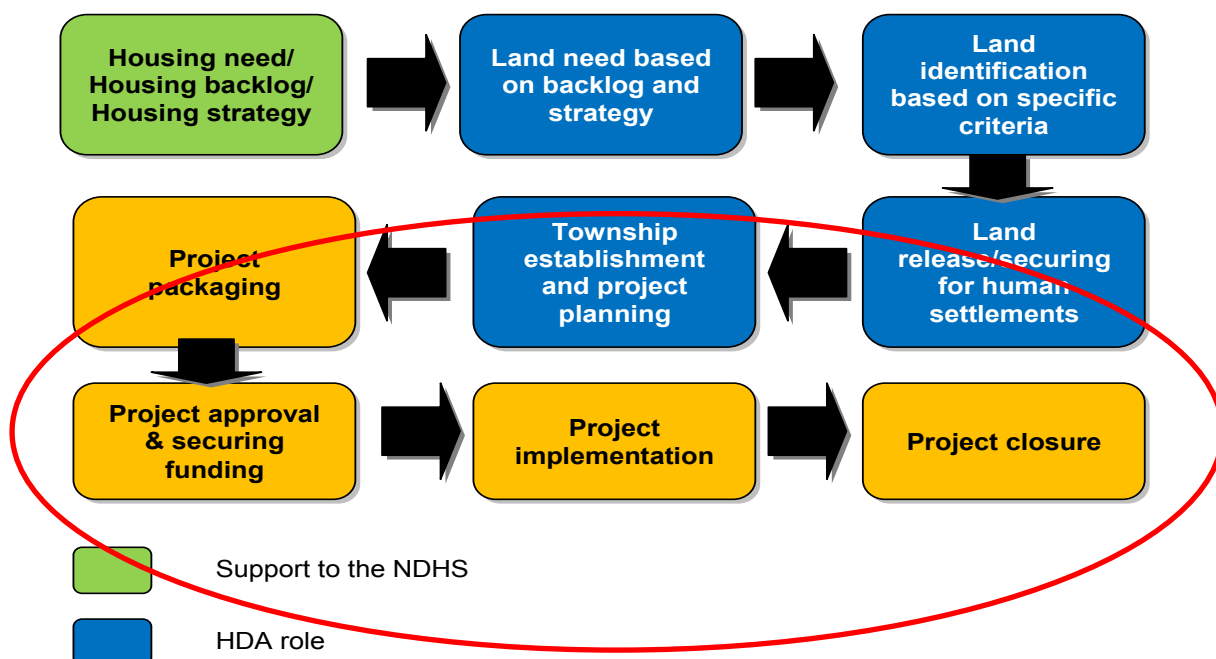
- Accessing land for human settlements projects
- Packaging of human settlements projects
- Establishing delivery partnerships with the private sector
- Mobilising, coordinating and investing funds on behalf of the public sector
- Facilitating the resolution of blockages
- Monitoring the implementation of human settlements projects

In respect of the above it is critical to define what is meant as a developer as opposed to a project management or implementing agent role.

- **Implementing agent** means the entity, organ of state, or business enterprise responsible for the implementation of the priority housing development area plan (HDA Act). HDA is currently undertaking this role.
- **Project managers** have the responsibility for planning, procurement and execution of a project (cost, time, scope and quality). HDA is also currently undertaking this role.
- **Developers** are responsible for **conceptualising, funding, planning, coordination and managing the process of property development from the beginning to end**. This means converting plans, needs and ideas into property including adding value and taking risk. This can include the acquisition of land, planning / designing, financing and construction, selling or managing. Developers typically work with many different counterparts along each step of this process, including architects, planners, engineers, surveyors, contractors, other developers and more.

What this means is that HDA will significantly expand its current role to include project packaging, project approval and securing of funding, project implementation and closure (see figure below).

Figure 13: HDA expanded role



It is critical to note that the developer role is not the construction / contractor role. It is not envisaged that the HDA appoint in-house human resources to actually build infrastructure and houses. In all cases this will be contracted out to private sector companies.

5.2 Implications in terms of legislation

An initial assessment is that the current legal framework for the HDA (principally the HDA Act) provides sufficient mandate to undertake the developer role in addition to the existing roles already being performed.

In Section 7(1) (a) - 7 (1) (l) of the Housing Development Agency Act 23 of 2008, there is language to empower the HDA as a schedule 3 public development agency to perform the following roles /functions:

- Land development
- Land acquisition
- Programme planning and management
- Technical capacity development support
- Leveraging additional assets, investments and resources from other spheres of government and Community development

In the foreseeable future **there is limited likelihood that the HDA will receive any legal authority to impose its services on any other sphere of**

government. What this means is the in order to fulfil the expanded role of a public sector human settlements development agency relationships with other public sector entities and the private sector will be key. In addition **demonstrated success will be a primary selling point.**

There may be a **need to review the HDA's borrowing / fund raising mandate and legal ability.** However in the short-term the focus should be on partnerships and effectively mobilising and coordinating existing funding resources.

5.3 Proposed intervention approach

The overall approach recommended is the following:

- Developer capacity and expertise will be incremental established within the HDA focused **in the short-term on real achievable developments / projects with short-to-medium term delivery potential.** This will be undertaken through partnership and panel contracting arrangements to bring in capacity and minimise overhead and fixed costs.
- All existing roles and functions (as set out in section 2.3) will continue to be undertaken and all IPs and MTOPs will be fulfilled. Over an agreed time frame, functions that are not in direct alignment with the expanded role will be phased out or limited especially if they are not cost recoverable.
- The key focus of the developer role will be to implement a selected number (five to ten) of strategic / catalytic developments that aim to achieve scale delivery of formal housing; private sector mobilization (finance and capacity) and mixed income sustainable integrated developments.
- Each development should be undertaken as a partnership with relevant entities that will enable their implementation. Such partnerships should include :
 - The relevant municipality and province under whose jurisdiction the project falls
 - A private sector developer(s)
 - Key financiers (NHFC, DBSA, CSP)
- The identification of developments will occur via a number of routes:
 - Ministerial designation (in terms of HDA Act)
 - Priority Housing Area Projects
 - On request
 - Through specific Programmes (e.g. Catalytic or Mining)

- Public-Private Partnerships
- Public tender process

Developments can originate either from the public sector (provincial, local or State Owned Entity) or the private sector.

- The HDA will review each development through a selection and prioritization process that assesses each development in terms of agreed criteria relating to impact, sustainability, current status etc.
- It is envisaged that the implementation of the developments selected will be undertaken in terms of two streams:
 - **Stream 1: Delivery focused:** This stream is delivery focused and is the first priority of the HDA. Its focus is on the rapid delivery of housing units through the unblocking of private or public sector developments/projects.

Intervention areas that will be undertaken by the HDA include political support, planning approvals, infrastructure, funding mobilisation and delivery, subsidy mobilization and flow and the provision of technical support.

The business model is that HDA services are funded from core funding and critical skills will be contracted out as required.

- **Stream 2: Packaging focused:** This stream focuses on packaging and de-risking of developments/projects to mobilise public funding and private sector participation as developers or contractors.

Intervention areas by the HDA include planning, design, fund mobilisation, securing land/rights, technical analysis and procurement support.

The business model is that HDA services are funded from a development management fee to be charged. Critical skills will be contracted out as required.

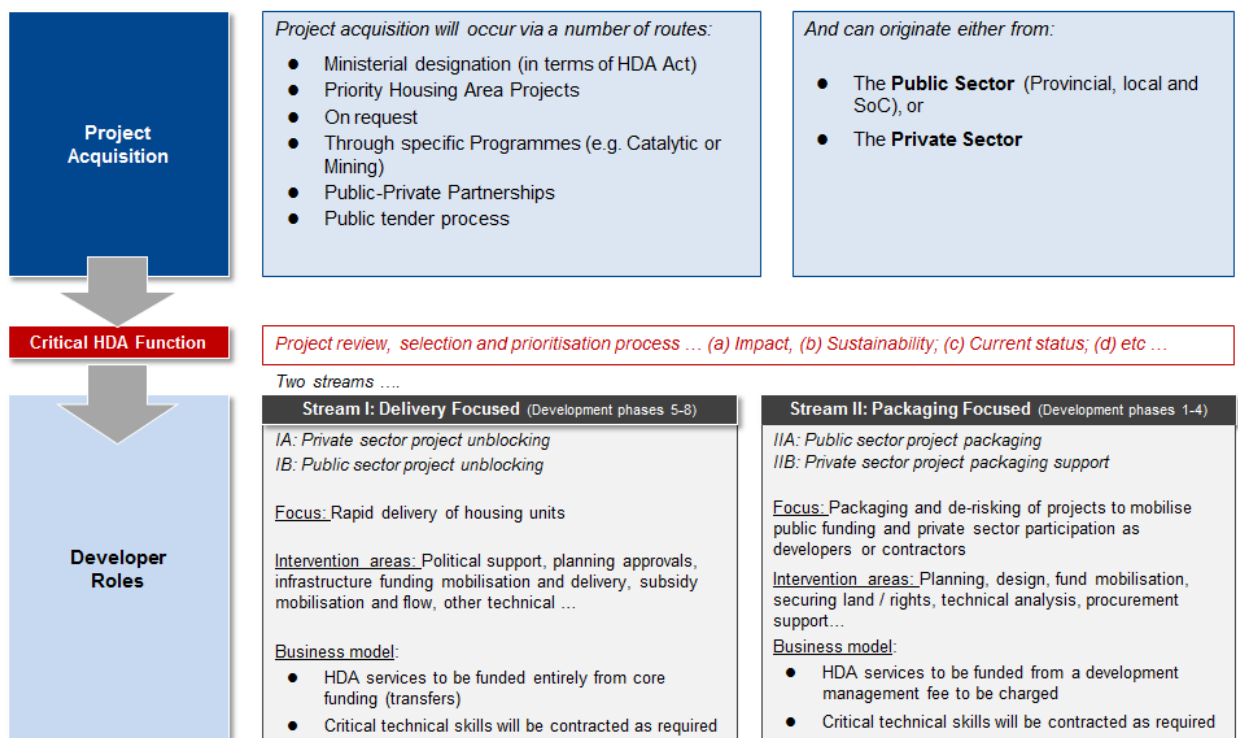
- Developments should be selected on the basis that implementation can commence as soon as possible. Having said that, it is acknowledged that these projects are long term (generally in excess of five years). The developments should be declared section 29 projects by the Minister or Priority Housing Areas.⁸

⁸ Priority Housing Development Areas (PHDA's) are declared by the Minister of Human Settlements to address specific housing needs to achieve sustainable human settlements, through a process of intergovernmental cooperation, integrated planning and coordinated programmed implementation aimed at fast tracking housing delivery. PHDA's are furthermore determined by the circumstances of housing needs which cannot be addressed in the current arrangement of existing housing programmes.

- In packaging developments the HDA should have the mandate and funds to overcome key blockages that are currently inhibiting implementation, including for example, the development of bulk infrastructure, accessing well located land etc. In addition the HDA must ensure that each development meets the objective of creating sustainable integrated human settlements. The HDA should be enabled to be innovative and change the way in which human settlement delivery is currently being undertaken.
- The private sector developer partner should be required to invest in the development and bear some risk. The extent should be determined on a development by development basis. The private sector developer should also be required to invest in social and economic facilities as part of the capital cost of the development and on the basis that the operational costs of the facilities will be borne by the relevant Department (Education, Health etc.) as part of their normal budgeting.
- A key element of the development role is that it should be sufficiently independent to enable the HDA to make technical and investment decisions that are not influenced by political pressures.

HDA’s role should primarily be the investor and project manager on behalf of government. In this regard the HDA should package the development, form the partnerships, invest funds on behalf of the public sector, facilitate the resolution of blockages and monitor implementation (see figure below).

Figure 14: HDA as Developer: Strategy and Approach



6 Strategic framework

6.1 Vision, Mission & Values

It is proposed that the current vision, mission and guiding values of the HDA are not changed and remain as they are:

- Vision statement: Vibrant communities, living on well-located land.
- Mission statement: Building partnerships to create integrated and sustainable human settlements.
- Guiding values:
 - Performance-orientated
 - Excellence
 - Accountability
 - Teamwork

These guiding values are supported by the following principles:

- Respect
- Trust
- Care
- Integrity

6.2 Strategic Objectives

It is proposed that the current strategic objectives of the HDA are not changed and remain as is. However an additional strategic objective in respect of the developer role is added. The existing and new strategic objectives are set out by programme in the table below.

Table 9: Strategic objectives

Programme		Strategic goal	Strategic objectives
Existing strategic objectives			
Programme 1: Administration	1 (a) Finance	Provide financial sustainability	<ul style="list-style-type: none"> • Effective internal control systems • Implement business and financial model
	1(b) Corporate Services	Provide, operational efficiency and service excellence	<ul style="list-style-type: none"> • The HDA is an internally cohesive and effective

Programme		Strategic goal	Strategic objectives
			<p>organisation with systems that are stable and accessible</p> <ul style="list-style-type: none"> • Congruent operational policies and processes
Programme 2: Planning and Information	Programme 2 (a) Policy, Research, Monitoring & Information	Build partnerships, a knowledge base and monitor and evaluate the performance of the human settlement sector in achieving key national strategic priorities	<ul style="list-style-type: none"> • Provide information and research in support of promoting spatial targeting • Monitoring and evaluation of land development to measure effectiveness of spatial targeting in human settlements
	Programme 2 (b): National Programme Design and Management	Support national programmes and developments, and release well-located land for human settlement 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
Programme 3: 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	<ul style="list-style-type: none"> • Enhancing capacity, support and technical skills of provinces and municipalities for human settlement development
New strategic objective			
Programme 4: Public sector human settlements development agency		<p>Implement strategic/catalytic developments that aim to:</p> <ul style="list-style-type: none"> • achieve delivery of formal housing, ideally at scale or are transformative , • mobilise the private sector (finance and capacity), and • are mixed 	<ul style="list-style-type: none"> • Identify five to ten strategic catalytic development • Package, unblock and oversee the implementation of the developments

Programme	Strategic goal	Strategic objectives
	income, sustainable and integrated.	

The developer objective should take precedence over the existing objectives and resources and activities should be redirected towards the packaging and delivery of the selected developments. Over time all existing supporting and related activities should be completely directed towards the implementation of the selected developments.

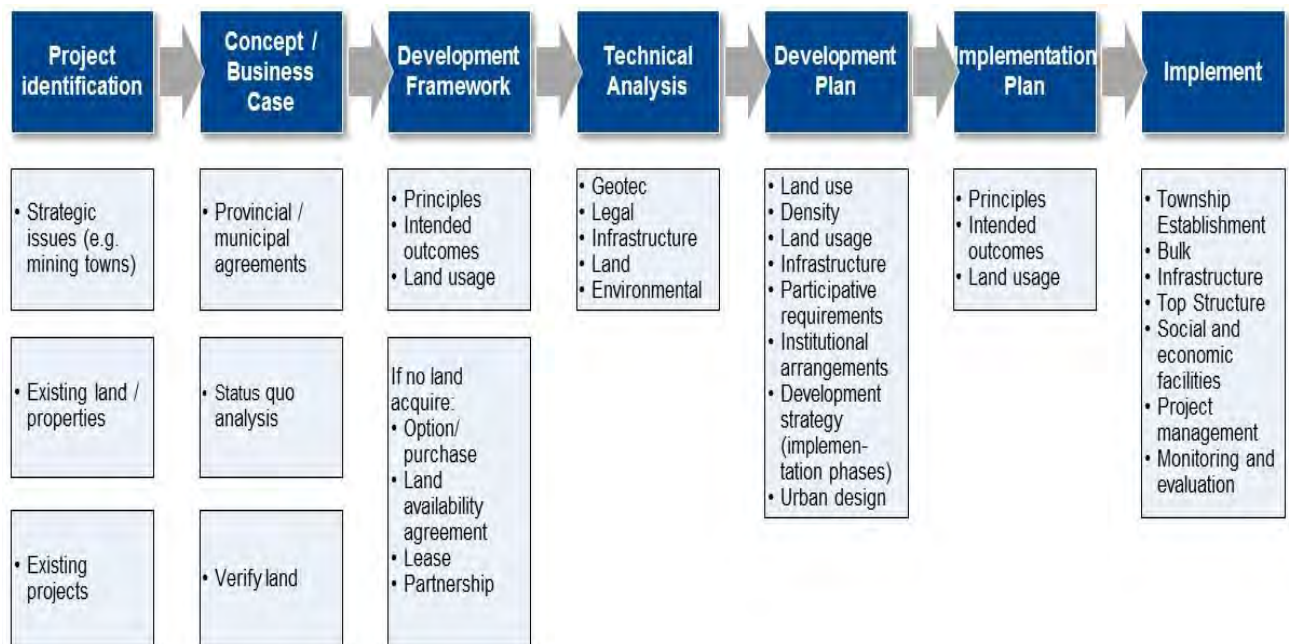
6.3 New HDA Business Model

A developer role comprises the following key activities (see figure below):

- **Project identification:** This comprises the identification and selection of the development. This can be in response to a strategic issue or the use of existing land or projects. As indicated in section 5.3 above projects will be identified through two streams:
 - Stream 1: Delivery focused: This stream is the first priority and focuses on the rapid delivery of housing units through the unblocking of private or public sector developments.
 - Stream 2: Packaging focused: This stream focuses on packaging and de-risking of developments to mobilise public funding and private sector participation as developers or contractors.
- **Concept/business case:** This comprises the development of a concept or business case setting out a status quo analysis, verification that the land is available and that any provincial or municipal agreements required are in place.
- **Development framework:** This comprises the framework for the development and outlines the principles and intended outcomes and the envisaged land uses. If the land has as yet not been acquired, the framework should set out the basis by which the land can be developed (i.e. option to purchase, land availability agreement, lease or partnership arrangement)
- **Technical analysis:** This comprises the undertaking of a technical analysis including geotechnical, legal, infrastructure availability and environmental.
- **Development plan:** This comprises the development of a detailed development plan including:
 - Land use and density

- Infrastructure to be provided
- Participation requirements
- Institutional arrangements
- Development strategy
- Urban design
- **Implementation plan:** This sets out the basis by which implementation should occur including any principles, phasing etc.
- **Implementation:** This comprises implementation of the development including :
 - Township establishment
 - Bulk infrastructure provision and infrastructure development
 - Top structure development
 - Social and economic facilities development
 - Project management of the above
 - Monitoring and evaluation

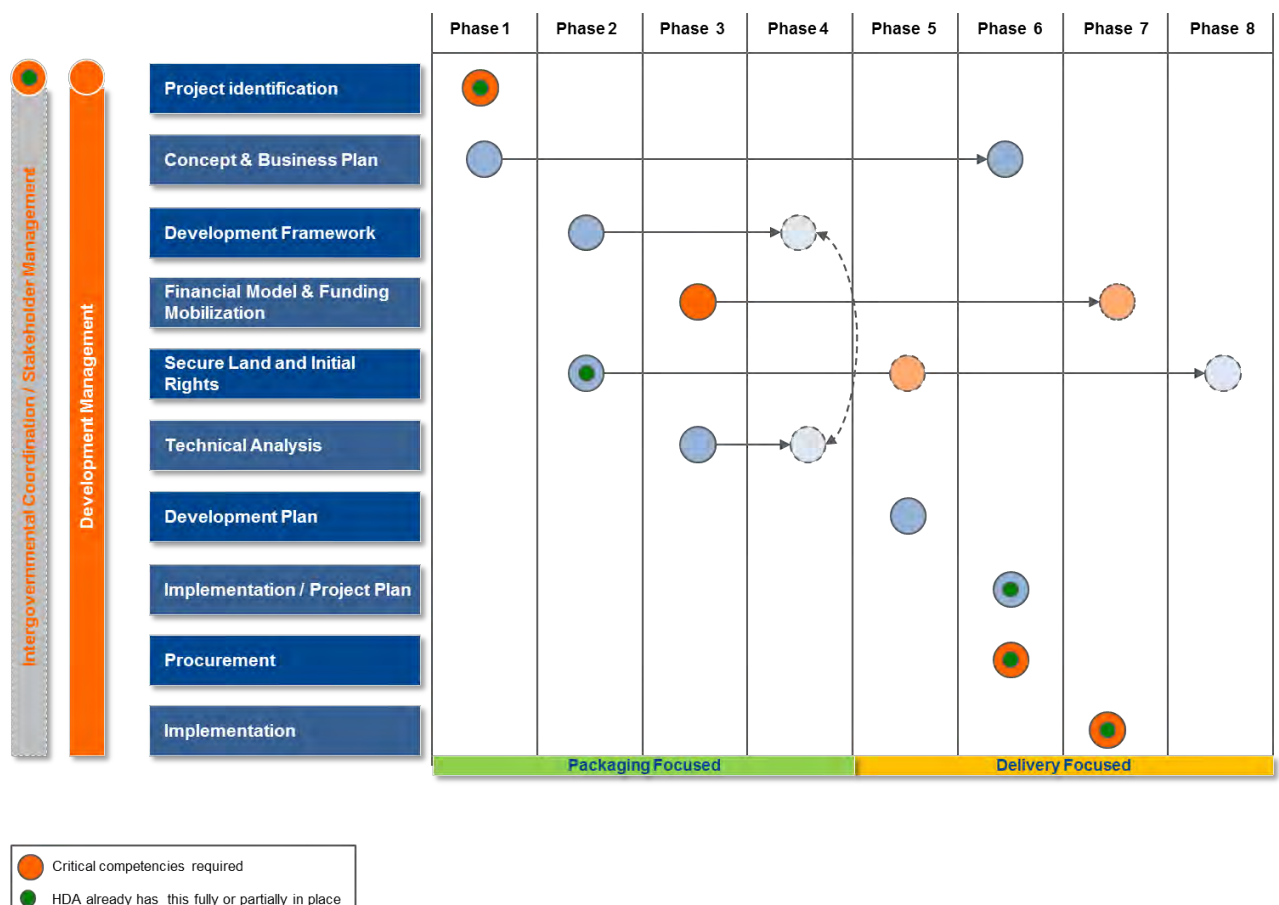
Figure 15: Developer role: Key activities



If HDA's current functions are compared to the above activities it is evident that HDA is already performing some of the functions required to fulfil the developer role, but will require additional capacity and resources in order to fully fulfil this role (see figure below). These functions include:

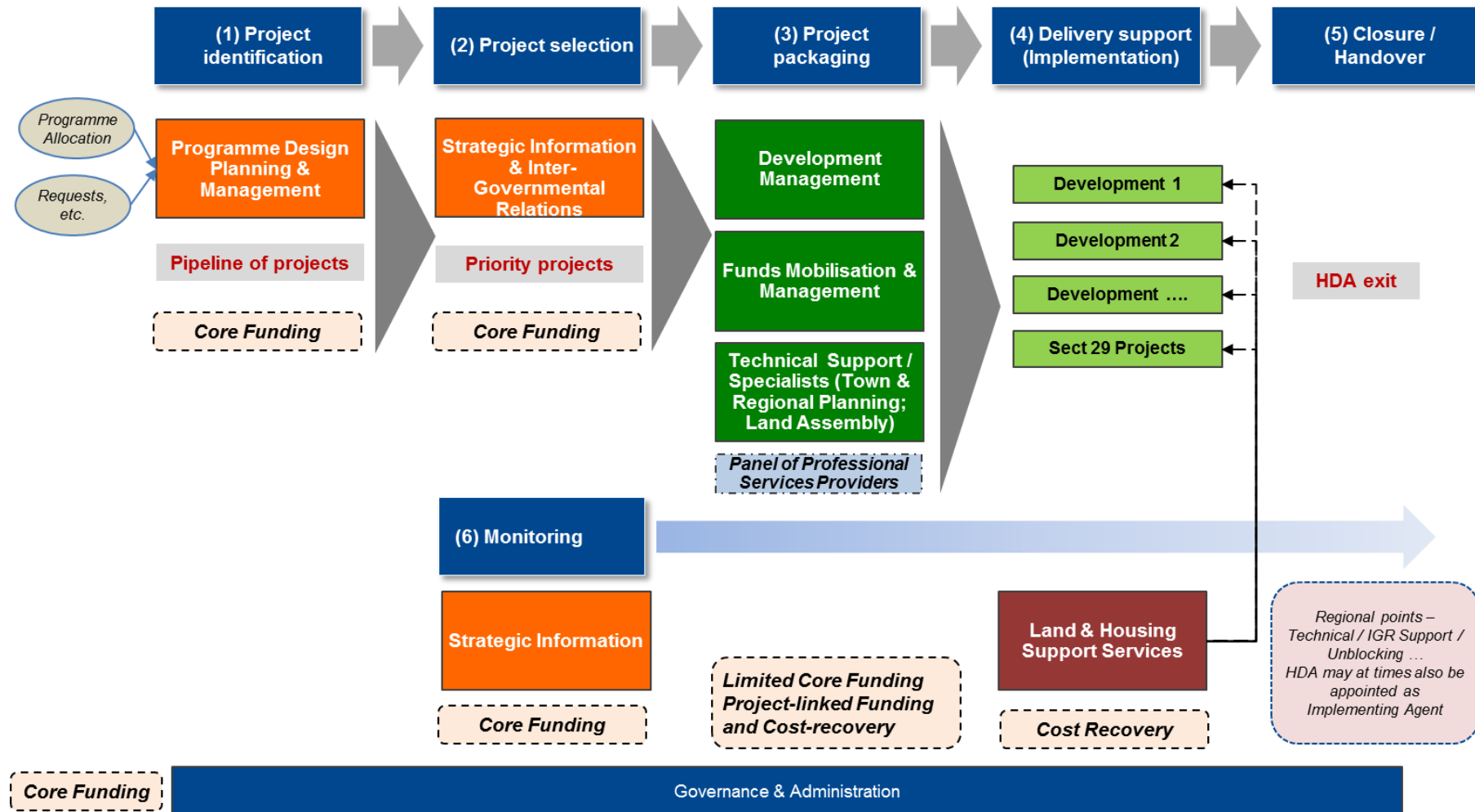
- Development management:** This function includes managing the implementation of a project from inception to final completion. The function required leading and taking full responsibility for the design and implementation of a project, ensuring that the project is delivered on time, within budget and to the required standards. The function includes an ability to make deals, develop and implement crosscutting systems and procedures, identify and manage all risks associated with implementation, as well as ensure the efficient management of and handover to clients and stakeholders.
- Financial modelling and funding mobilisation:** This function comprises formulating a financial model for a development and mobilising the required funding.
- Procurement and implementation:** This function comprises procuring the required technical and contractor support in order to implement the development.

Figure 16: Functions required undertaking the developer role



Given the above the proposed delivery model for the HDA based on its current functional structure is shown in the figure below and comprises the identification, selection and implementation of selected developments.

Figure 17: Towards a new HDA Business/Delivery Model



In implementing the above business model the following principles will be applied:

- Over a defined period all resources and activities within the HDA will be redirected towards the packaging and delivery of developments (projects)
- Existing supporting and related activities will be over a defined period directed towards the implementation of the selected developments
- Current programme management activities will be used to generate a pipeline of projects
- Current regional support and Section 29 activities will be over a defined period continued only if they can be funded on a cost-recovery basis and if not these resources will be redirected to support the selected developments.

6.4 Functions

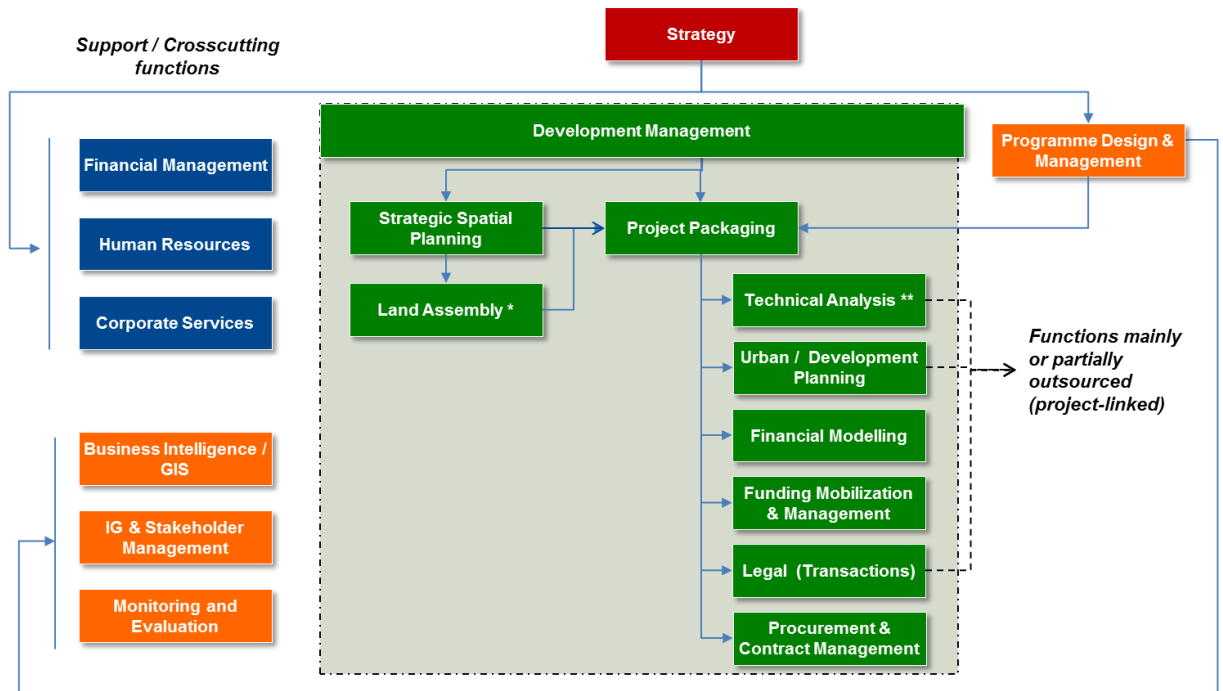
The business process for implementing a large mixed use development requires a high level of experienced capacity and resources. There will need to be extensive experienced capacity within the HDA, supplemented by contracted technical teams, including:

- An experienced property development senior deal maker
- A number of senior development managers - one for each development being undertaken.
- Key expertise and capacity : Town planning; Financial expert / modeller; Senior legal advisor

Critical and central is the idea that every development has a Development Manager responsible for its completion from beginning to end and the responsibility to draw on internal HDA as well as external specialist skills / resources as required. One Development Manager could be responsible for more than one project depending on their size. The HDA will need to procure these or access them from the private sector in the form of a strategic partnership.

The figure below indicates that many of the current HDA internal functions can be applied to fulfilling the developer role. However key functions will be required to be secured including development management, project packaging, funding mobilisation and financial modelling. It is recommended that these functions be secured on a contract basis that is performance linked. In addition the functions of legal, urban development planning and technical analysis if they cannot be undertaken by in house resources can be undertaken by an external service provider. This should be undertaken on a project linked basis.

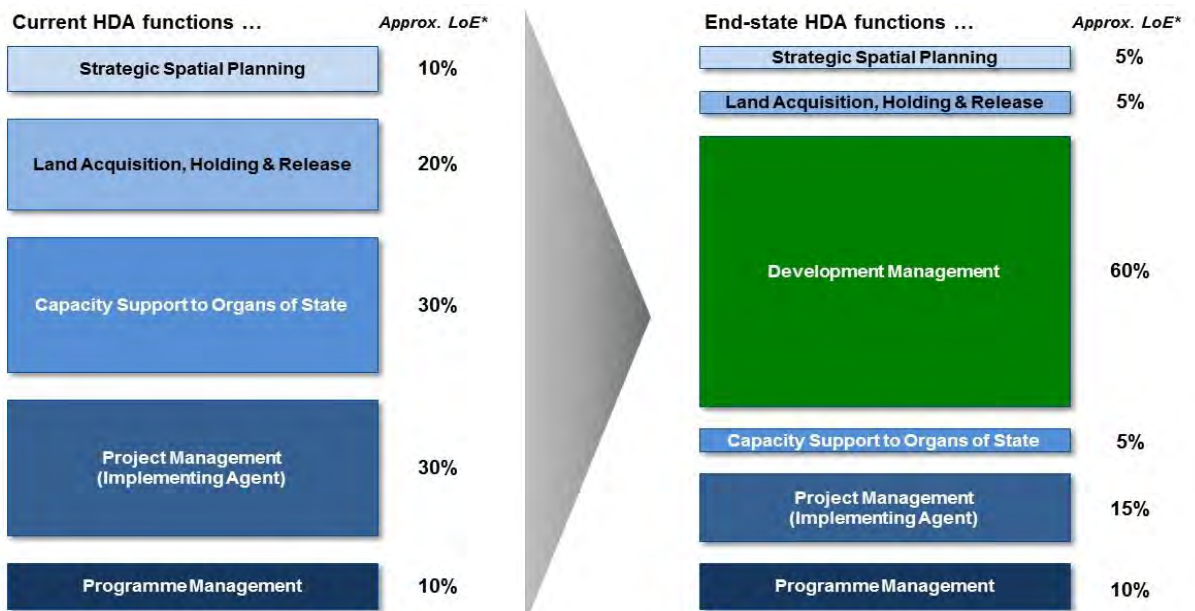
Figure 18: Functions required



* Includes: Acquisition; Holding; Release
** Includes: Includes: Spatial; Transportation; Economic; Geotechnical; Land Legal; Infrastructure; Environmental etc.

As indicated in Section 6.3 above the intention is to shift the HDA's current resources and capacity towards undertaking the developer role. The figure below indicates the intended shift over the MTEF period.

Figure 19: HDA core function shifts over MTEF period (illustrative)



* Estimate of resource allocation (staff and funding)

Over the period it is proposed that the HDA will undertake three main roles i.e. programme manager, implementing agent and developer. The key activities that will be undertaken in respect of each of these roles is as follows:

- Programme Manager: This comprises implementing the following existing programmes: Catalytic projects, Mining Towns, Informal Settlement Upgrading, Inner City and HSS Support Services.
- Implementing Agent: This comprises acting as the implementing agent in respect of the following Section 29 projects or interventions: Nelson Mandela Bay, Gauteng Province, Zanemvula and N2 Gateway.
- Developer: This comprises the new role of Developer in respect of the following developments: Five developments selected from the catalytic projects programme, Lanseria, Knysna and Cornubia.

The intensity and allocation of resources in respect of these three roles will shift over time (see figure below).

Figure 20: HDA: Three main roles



Given the above the functional structure of the HDA is shown in the figure below. The structure details the functions and NOT the organisational positions (which are outlined in Section 7 that follows). The functions have been structured so as to:

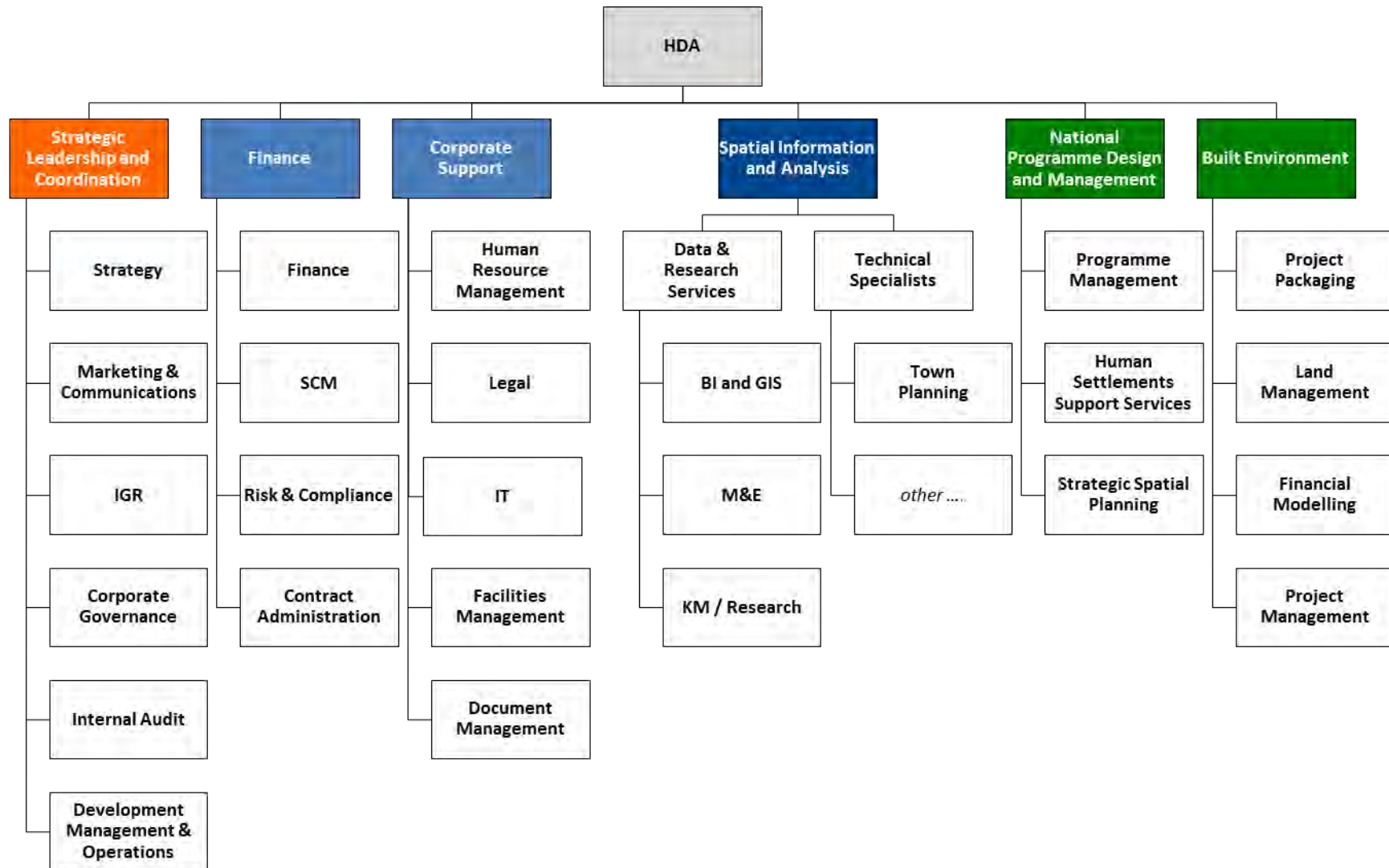
- Facilitate a clear definition and division of functions.
- Align the functions to strategy and support delivery

- Address current delivery commitments and future roles as defined by the business model
- Support effective and efficient organisational operations
- Support responsiveness, good governance and clear areas of control and responsibility
- Support effective integration of all components of the business

As set out in the figure the key functions to be undertaken are as follows:

- **Strategic leadership and governance:** This function comprises formulating and implementing overall strategy, marketing and communications, intergovernmental relations, corporate governance and the internal audit.
- Three functions that provide services to the HDA implementing functions:
 - **Finance:** This function comprises overseeing the finances of the HDA, SCM, risk and compliance and contract administration.
 - **Corporate Support:** This function comprises human resource management, legal, IT, facilities management and document management
 - **Spatial Information and Analysis:** This function comprises data and research services and technical specialists.
- **Two implementing functions** :
 - **National Programmes Design and Management:** This function will undertake the programme management and implementing agent activities (as per figure 20 above) as well as undertake strategic spatial planning (for example the master spatial plan).
 - **Built Environment:** This function comprises the developer role (see figure 20 above) and will include project packaging, land management, financial modelling and project management.

Figure 21: New functional structure



7 Organisational arrangements

7.1 Governance and accountability

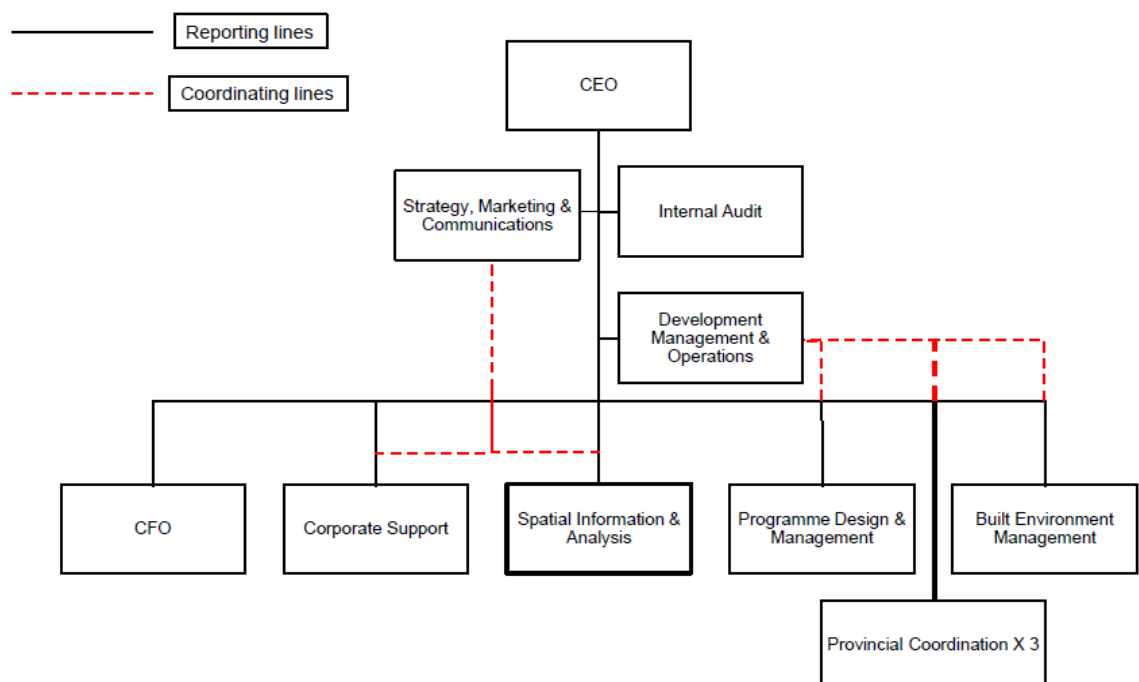
No change is required to the current governance structure of the HDA as set out in section 2.3.2.

However it is proposed that an additional Board sub-committee responsible for Development Management be created. Its mandate will be to approve projects for development and overview their implementation.

7.2 Proposed revised organisational structure

The revised overall organisational structure is shown in the figure below. The structure for each Programme is set out in **Annexure A**.

Figure 22: Overall organisational structure



Overall it is proposed that the HDA retain four programmes. However these are to be significantly restructured in respect of changed resource allocations and changed reporting lines. Matrix reporting will be applied so as to improve coordination between functions.

The overall structure comprises four overall functions:

- Strategic leadership – CEOs office

- Support functions – CFO's office and Corporate Services
- Technical support services (Panel of Expert) in support of delivery programmes as well as other functions requiring such expertise
- Core delivery functions – National Programme Design and Management and Built Environment

7.3 Operational arrangements

In shifting from the current business model to the new business model the following operational arrangements will apply:

- **Regional offices:** The HDA regional and project offices have been established in terms of set agreements (Medium Term Operational Plans (MTOPs) or Implementation Protocols (IPs)). The majority of staff employed in these offices are on contracts linked to the term of the agreements. Currently the offices are not fully financed through the agreement and require top up funding from HDA's core funding. HDA will continue to operate and part fund the regional offices to fulfil its obligations in terms of the current MTOPs and IPs. The regional offices will continue to function after the current contracts only if they are fully funded through the MTOP or IP. If this does not occur the regional offices will be closed.
- **Intergovernmental coordination:** High level intergovernmental coordination will be undertaken as part of the strategic function in the office of the CEO of the HDA. However this function is seen as being critical to the operations of the HDA in respect of all of the functions i.e. programme manager, implementing agent and developer. Accordingly in respect of programmes and developments it is a cross cutting function that must be undertaken in respect of each programme and development by the implementing manager.
- **Meeting of reporting targets:** The HDA will continue to report on and meet the targets set in the Medium Term Strategic Framework (2014). In this regard the HDA will report on the acquisition of 10 000 hectares of well-located publicly owned land and buildings released for human settlement development. Overtime the target will be revised to reflect more accurately delivery in respect of the developer role.

7.4 Resourcing approach

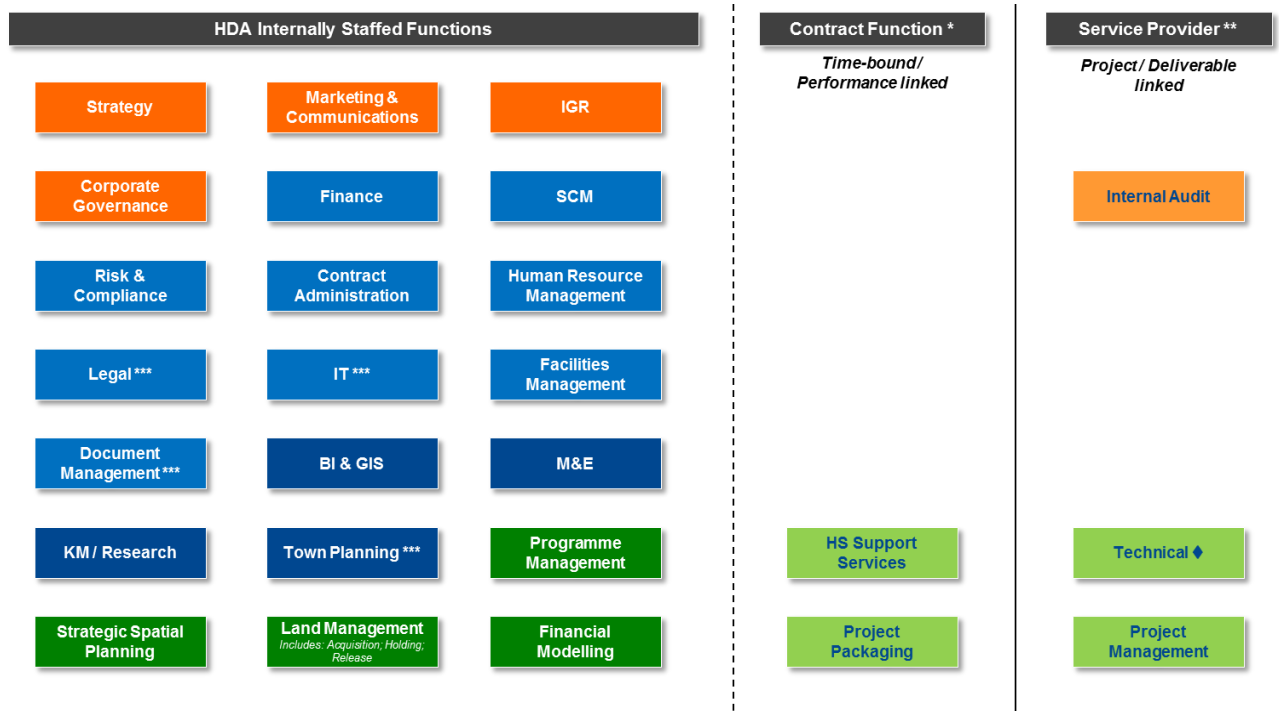
Given the current fiscal context as well as government's moratorium on new post establishment the approach taken to the staffed structure envisages utilising the existing resources as efficiently as possible.

Additional resources will need to be contracted for the development function, however a range of critical technical resources and project management support should only be contracted once funding has been secured.

Principles that have been applied to the staffing structure are the following:

- Division of responsibility to support good governance
- Reporting ratios aligned with good practice
- Career development supported
- Support accountability within roles
- Support delivery of the organisational mandate and strategy
- Focus is on few large projects headed by senior development managers
- Small core staff - outsourced professionals linked to projects
- Regional structures to be restructured over time to ensure cost recovery and move to development support

Figure 23: Resourcing approach per function



* Capacity contracted on a time-bound / performance basis

** External service provider or Panel of services providers to be utilized on a needs basis

*** Limited internal capacity supplemented by external service providers

♦ Includes: Spatial planning, Urban design, Transportation; Economic; Geotechnical; Land Legal; Infrastructure; Environmental etc.

7.5 Human resource implications

Set out below is the envisaged staffing requirement under the new functional structure.

The highlighted posts are new posts / contracts envisaged. Also indicated is the indicative cost to company and proposed grading.

Table 10: Staffing assumptions

Division	Position	Grade	No	Midpoint ZAR	TCOE per annum ZAR
Devp Mgt: N2	Office Assistant	A	1	96,518	96,518
Devp Mgt: Zanemvula	Office Assistant	A	1	96,518	96,518
Corp Serv	Receptionist	BL	1	160,158	160,158
Devp Mgt: N2	Subsidy Administrator	BL	2	160,158	320,316
Devp Mgt: N2	Receptionist	BL	1	160,158	160,158
Devp Mgt: Zanemvula	Receptionist	BL	1	160,158	160,158
CFO	SCM Administrator	BU	1	237,804	237,804
Corp Serv	HR Administrator	BU	1	237,804	237,804
CEO's Office	PA	CL	1	331,699	331,699
CFO	PA	CL	1	331,699	331,699
CFO	Accounts Clerk	CL	1	331,699	331,699
Corp Serv	PA	CL	1	331,699	331,699
Corp Serv	Documents and Records Management Specialist	CL	1	331,699	331,699
Tech Serv	GIS Technicians	CL	2	331,699	663,398
Tech Serv	GIS Administrator	CL	1	331,699	331,699
NPS: NC	Programme and Office Administrator	CL	1	331,699	331,699
NPS: NC	Assistant Town Planner	CL	1	331,699	331,699
NPS: FS	Programme and Office Administrator	CL	1	331,699	331,699
NPS: Lim	Programme and Office Administrator	CL	1	331,699	331,699
NPS: Lim	Project Coordinator	CL	2	331,699	663,398
NPS: Lim	Assistant Town Planner	CL	1	331,699	331,699
NPS: KZN	Programme and Office Administrator	CL	1	331,699	331,699
Devp Mgt	Coordinator	CL	1	331,699	331,699
Devp Mgt: N2	Programme and Office Administrator	CL	1	331,699	331,699
Devp Mgt: N2	Project Administrator	CL	3	331,699	995,097
Devp Mgt: N2	Inspector	CL	3	331,699	995,097
Devp Mgt: N2	Community Liaison Officer	CL	3	331,699	995,097
Devp Mgt: Zanemvula	Programme and Office Administrator	CL	1	331,699	331,699
Devp Mgt: Zanemvula	Project Administrator	CL	2	331,699	663,398
Devp Mgt: Zanemvula	Inspector	CL	2	331,699	663,398
Devp Mgt: Zanemvula	Community Liaison Officer	CL	2	331,699	663,398
CEO's Office	Communications Officer	CU	1	555,503	555,503
CFO	SCM Officer	CU	2	555,503	1,111,006
Corp Serv	HR Officer	CU	1	555,503	555,503
Corp Serv	IT Technician	CU	1	555,503	555,503

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Division	Position	Grade	No	Midpoint ZAR	TCOE per annum ZAR
Corp Serv	Office Manager	CU	1	555,503	555,503
Tech Serv	Coordinator	CU	1	555,503	555,503
Tech Serv	Researcher/M&E	CU	1	555,503	555,503
NPS	Coordinator	CU	1	555,503	555,503
Devp Mgt	Land and Conveyancing Officer	CU	1	555,503	555,503
Devp Mgt	Property Management Officer	CU	1	555,503	555,503
Devp Mgt	Project Financial Administrator	CU	1	555,503	555,503
Devp Mgt: N2	Project Manager	CU	3	555,503	1,666,509
Devp Mgt: N2	Subsidy Manager	CU	1	555,503	555,503
Devp Mgt: N2	Construction Bookkeeper	CU	1	555,503	555,503
Devp Mgt: Zanemvula	Project Manager	CU	2	555,503	1,111,006
Devp Mgt: Zanemvula	Subsidy Manager	CU	1	555,503	555,503
Devp Mgt: Zanemvula	Construction Bookkeeper	CU	1	555,503	555,503
CEO's Office	IGR Specialist	DL	1	793,875	793,875
CFO	Financial Accountant	DL	1	793,875	793,875
CFO	Budget and Risk Specialist	DL	1	793,875	793,875
Tech Serv	Town Planner	DL	1	793,875	793,875
NPS	Programme Manager	DL	3	793,875	2,381,625
NPS	Spatial Planning Specialist	DL	1	793,875	793,875
NPS	Project and Pipeline Specialist	DL	1	793,875	793,875
NPS: NC	Town Planner	DL	1	793,875	793,875
NPS: FS	Project and Pipeline Specialist	DL	1	793,875	793,875
NPS: FS	Engineer	DL	1	793,875	793,875
NPS: FS	ISU Specialist	DL	1	793,875	793,875
NPS: FS	Town Planner	DL	1	793,875	793,875
NPS: Lim	Project and Pipeline Manager	DL	1	793,875	793,875
NPS: Lim	Development Engineer	DL	1	793,875	793,875
NPS: Lim	Town Planner	DL	1	793,875	793,875
Devp Mgt	Land Acquisition Specialist	DL	1	793,875	793,875
Devp Mgt	Financial Modelling Specialist	DL	1	793,875	793,875
Devp Mgt: N2	Programme Manager	DL	1	793,875	793,875
Devp Mgt: N2	Town Planner	DL	1	793,875	793,875
Devp Mgt: Zanemvula	Programme Manager	DL	1	793,875	793,875
Devp Mgt: Zanemvula	Town Planner	DL	1	793,875	793,875
CFO	SCM Manager	DU	1	1,088,921	1,088,921
CFO	Finance Manager	DU	1	1,088,921	1,088,921
Corp Serv	HR Manager	DU	1	1,088,921	1,088,921
Corp Serv	IT Manager	DU	1	1,088,921	1,088,921
Corp Serv	Legal Manager	DU	1	1,088,921	1,088,921
Tech Serv	BI and GIS Manager	DU	1	1,088,921	1,088,921
Tech Serv	Policy, Monitoring, Research and Evaluation Manager	DU	1	1,088,921	1,088,921
NPS: NC	Project Manager: NC	DU	1	1,088,921	1,088,921
NPS: FS	Project Manager: ISU	DU	1	1,088,921	1,088,921

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HDA : Activating the Developer Role

11 March 2016

Division	Position	Grade	No	Midpoint ZAR	TCOE per annum ZAR
NPS: FS	Land Assembly Manager	DU	1	1,088,921	1,088,921
NPS: Lim	Project Implementation Manager	DU	1	1,088,921	1,088,921
NPS: Lim	Land Assembly Manager	DU	1	1,088,921	1,088,921
NPS: KZN	Project Manager: KZN	DU	1	1,088,921	1,088,921
NPS: KZN	Land Assembly Manager	DU	1	1,088,921	1,088,921
Devp Mgt	Land Manager	DU	1	1,088,921	1,088,921
Devp Mgt: N2	Development Manager: N2	DU	1	1,088,921	1,088,921
Devp Mgt: Zanemvula	Development Manager: Zanemvula	DU	1	1,088,921	1,088,921
CEO's Office	Strategy, Marketing and Communications Manager	EL	1	1,674,051	1,674,051
CEO's Office	Company Secretary	EL	1	1,674,051	1,674,051
NPS	Regional Manager	EL	1	1,674,051	1,674,051
NPS: FS	Project Manager: FS	EL	1	1,674,051	1,674,051
NPS: Lim	Project Manager: Limpopo	EL	1	1,674,051	1,674,051
Devp Mgt	Development Programme Manager	EL	2	1,674,051	3,348,102
CFO	CFO	EU	1	2,232,068	2,232,068
Corp Serv	GM Corporate Services	EU	1	2,232,068	2,232,068
Tech Serv	GM Technical Services	EU	1	2,232,068	2,232,068
NPS	GM National Programme Design and Management	EU	1	2,232,068	2,232,068
Devp Mgt	GM Built Environment	EU	1	2,232,068	2,232,068
CEO's Office	CEO	FL	1	3,200,000	3,200,000
TOTAL			117		87,262,242

8 Financial Implications

8.1 Financial assumptions

The initial financial implications set out below are based on the following key assumptions:

- Limit the budget implications, i.e. operate as far as possible within the existing budget envelope through re-allocating resources internally
- Limit overheads to maximise resources focused on project delivery
- Current regional support to become fully-cost recovery over time
- Retain a small core professional staff and outsource technical, project management and related resources linked to projects
- Cover the cost of development directly from projects (development management fees)

8.2 Funding sources

The primary funding sources envisaged for the HDA are as follows:

- Core staff and administration to be covered from annual transfers
- Regional (MTO) support to be cost recovery paid for by clients
- Developments will be funded to a very limited extent (senior development managers) from core funding with all remaining project management and technical requirements to be funded from a development management fee (initially set at 5%).

In addition to the above operating income there will need to be access to capital for actual developments. A number of options are being considered. (Note: this is to be expanded in the next iteration).

Indicated below is an initial estimate of costs in respect of delivering 5 major catalytic projects. These five projects have a R 27 billion capex delivering some 108,000 housing units.

Table 11: Major catalytic projects – indicative budget implications

Cost Category	Rate %	Amount
Total Project Cost		R 33,417,259,418
Development management	5%	R 1,358,425,180
Professional fees	18%	R 4,890,330,647
Project management	Incl. in Prof Fees	

Capex	81%	R 27,168,503,592
Total Project Cost		R 33,417,259,418

The full cost of these redevelopments will need to be raised from available resources including HSDG, MIG as well as private and other funding.

The HDA's costs are expected to be recovered from a development management fee. However it has been assumed that in the short-term there will be shortfall in recovery as projects are packaged and funding is secured. The current budget for the development management functions at some R200 million per annum is sufficient to deliver some R4 billion capital.

The forecast development management fee (at 5%) against the projected capex is set out in the table below.

Table 12: Estimate of Annual Budget Cost Categories

	Total Budget	Estimate of Total Budget Spend				
		2016/17	2017/18	2018/19	2019/20	2020/21
Development management	1,358,425,180	227,437,166	224,307,085	224,307,085	224,307,085	224,307,085
Professional fees	4,890,330,647	818,773,797	807,505,504	807,505,504	807,505,504	807,505,504
Capex	27,168,503,592	4,548,743,317	4,486,141,691	4,486,141,691	4,486,141,691	4,486,141,691
Total	33,417,259,418	5,594,954,280	5,517,954,280	5,517,954,280	5,517,954,280	5,517,954,280

8.3 HDA Budget implications

The initial budget implications for the HDA are set-out below.

This is based on a reallocation of resources across programmes as well as provision for additional resources.

The detailed budget line items and assumptions are set out in **Annexure B**.

Table 13: HDA budget implications

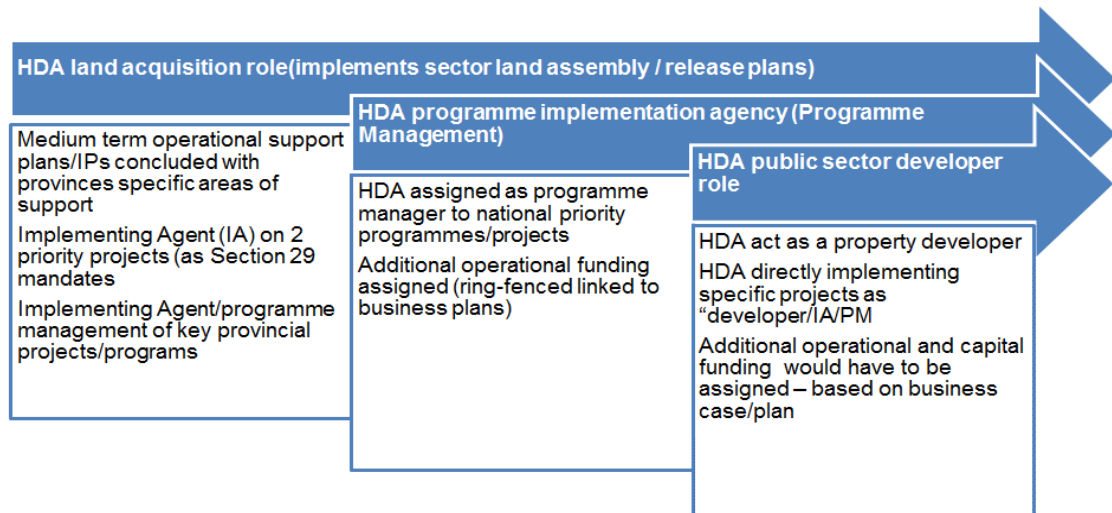
	CURRENT BUDGET	BUDGET including Previous Programme 5	RE-MAPPED BUDGET	FORECAST				
	Mar-16	Mar-17	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	
	Approved budget		New Proposed budget					
Financial Year	2015/2016	2016/2017	2015/2016	2016/17	2017/18	2018/19	2019/20	
	Current Budget	Proposed Budget	AMENDED BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
Total Revenue	R 512,167	R 543,921	R 512,167	R 542,897	R 575,471	R 609,999	R 646,599	
Total Expenses	R 512,167	R 1,401,006	R 521,197	R 547,256.65	R 574,619.49	R 603,350.46	R 633,517.98	
Surplus / (Deficit)	R 0	-R 857,085	-R 9,030	-R 9,572	-R 10,146	-R 10,755	-R 11,400	

Notes: Annual income escalated at 6%, annual costs escalated at 5%

9 Implementation Plan

It is proposed that the initial focus is on a limited number of projects to test the approach, mobilise resources and build partnerships. Overtime this should be expanded as shown in the figure below.

Figure 24: Implementation plan



To be revised and finalised with change management input.

10 Risk Analysis & Mitigation

Table 14: Key Risks & Mitigation

#	Risk	Risk Description	Mitigating Action
1	Inadequate programme and capital budget to acquire well-located land in the human settlement sector	Lack of funding to acquire well-located land in the human settlement sector	Preparation of a programme for land acquisitions
2	Slow release of state land	Slow release of land to the HDA and other Organs of State Slow land preparation process	Delivery agreements JCC processes Intergovernmental collaboration
3	Limited demand for HDA services	Limited demand for project services Lack of understanding of HDA service offering	Service offering plan to be communicated to stakeholders
4	Mobilisation of adequate capacity in response to requests	Unable to acquire required skill level in specified time frame. Dependency on HR and SCM processes	An annual plan for capacity assembly and a plan for ad hoc requests to be put in place
5	Lack of approval and lack of support for PHDA policy	No approval and support of identified policies	Constant follow-up with NDHS; pre-identification of possible PHDA with provinces
6	Sustainability of the HDA	Financial sustainability and Organisational sustainability arising from sector expectations and organisational growth	Diversifying funding streams Growth plan and business model
7	Misalignment of coordination with key organs of State	Lack of coordination of plans, activities and expectations with key organs of state Absence of protocols with key organs of state	Secure agreements for collaboration Undertaking joint planning and programming
8	Changes in political support for the Strategic Spatial Plan	Potential re-alignment of workstream to new objectives	Ensure decision makers have full awareness and understanding of the Strategic Spatial Plan
9	Endorsement by the	Adoption of the tools by the	Cement relationships with

#	Risk	Risk Description	Mitigating Action
	Department and the Ministry for spatial and monitoring tools	Department and the Ministry	key stakeholders

11 References

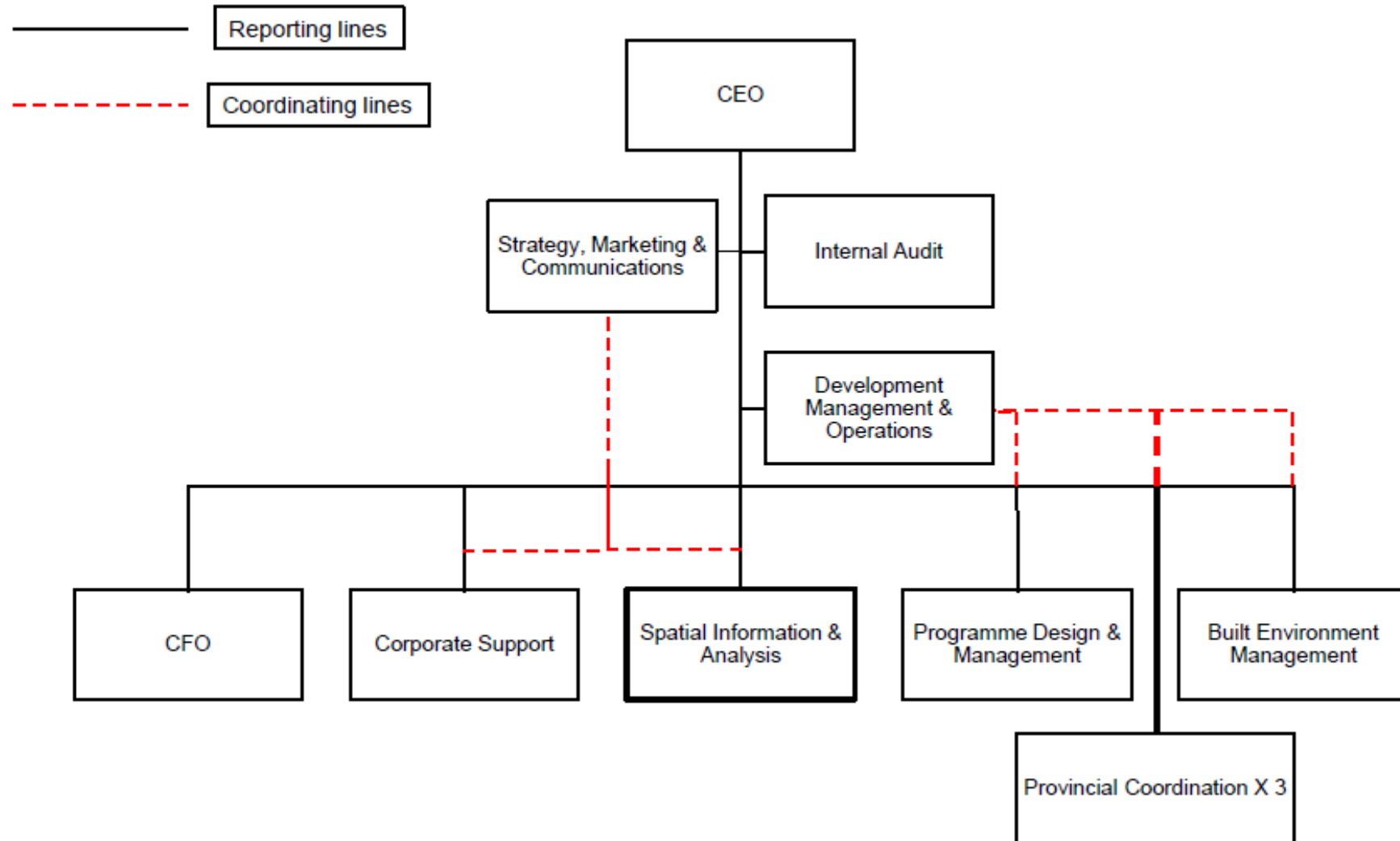
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12 Annexure A: Organisational structure: High Level

Figure 25: Organisational structure: CEO's office



13 Annexure B: Financial Modelling

Set out below is the revised budget (based on the submitted budget to accommodate the proposed changes).

	CURRENT BUDGET	BUDGET including Prog 5	RE-MAPPED BUDGET
Model ending period	Mar-16	Mar-17	Mar-16
Historic / Forecast Financial Year	Approved budget 2015/2016	2016/2017	Proposed budget 2015/2016
SUMMARY			
	Current Budget	Proposed Budget	AMENDED BUDGET
Total Revenue	R512,167	R543,921	R512,167
Total Expenses	R512,167	R1,401,006	R521,197
Surplus / (Deficit)	R0	-R857,085	-R9,030
REVENUE			
Sale of goods and services			
Administration Fees	R9,838	R10,448	R9,838
Tender documents			
Other income	R7,250	R7,700	R7,250
Investment income	R2,588	R2,748	R2,588
Other revenue	R15,720	R16,694	R15,720
Gains			

	CURRENT BUDGET	BUDGET including Prog 5	RE-MAPPED BUDGET
	Mar-16	Mar-17	Mar-16
Model ending period	Mar-16	Mar-17	Mar-16
Sale of fixed assets	R12,000	R12,744	R12,000
Interest, dividend & rent			
Interest			
Dividend			
Rent on land			
Unclassified revenue			
Rentals	R2,875	R3,053	R2,875
Other income	R845	R897	R845
<hr/>			
Transferred Received			
National government			
Executive Authority	R176,183	R167,512	R176,183
Realisation of deferred transfers			
Other government units			
Provincial governments	R310,426	R349,267	R310,426
Local governments			
<hr/>			
TOTAL REVENUE	R512,167	R543,921	R512,167
<hr/>			
EXPENSES			
ADMINISTRATION EXPENSES			
Employee compensation	R22,866	R21,855	R22,866
Salaries	R20,579	R21,855	R20,579
Contributions	R2,287		R2,287

	CURRENT BUDGET	BUDGET including Prog 5	RE-MAPPED BUDGET
Model ending period	Mar-16	Mar-17	Mar-16
Good and Services	R27,428	R31,557	R27,428
Agency and support/outsourced services	R2,692	R2,859	R2,692
Communication	R1,205	R1,280	R1,205
Computer services	R2,384	R2,532	R2,384
Consultants	R3,924	R16,216	R3,924
Contractors	R291	R309	R291
Inventory	R384	R408	R384
Lease payments	R0	R0	R0
Repairs and maintenance	R2,156	R2,290	R2,156
Research and development	R0	R0	R0
Training and staff development	R2,384	R2,532	R2,384
Travel and subsistence	R1,670	R1,774	R1,670
Other	R9,058	R0	R9,058
Depreciation	R1,244	R1,321	R1,244
Interest	R36	R38	R36
TOTAL ADMINISTRATION EXPENSES	R50,294	R53,412	R50,294
BUSINESS ACTIVITY			
Employee compensation	R11,702	R11,185	R11,702
Salaries	R10,532	R11,185	R10,532
Contributions	R1,170		R1,170

	CURRENT BUDGET	BUDGET including Prog 5	RE-MAPPED BUDGET
Model ending period	Mar-16	Mar-17	Mar-16
Good and Services	R9,380	R14,918	R9,380
Agency and support/outsourced services	R691	R734	R691
Communication	R256	R272	R256
Computer services	R110	R117	R110
Consultants	R1,561	R6,845	R1,561
Contractors	R100	R106	R100
Inventory	R0	R0	R0
Lease payments	R0	R0	R0
Repairs and maintenance	R29	R31	R29
Research and development	R2,195	R2,331	R2,195
Training and staff development	R32	R34	R32
Travel and subsistence	R669	R710	R669
Other	R3,714	R3,714	R3,714
Depreciation			
Interest	R23	R24	R23
TOTAL BUSINESS ACTIVITY	R21,082	R26,103	R21,082
PROG 4: NATIONAL PROGRAMMES SUPPORT	Current Budget	Proposed Budget	AMENDED PROG 4: NATIONAL PROGRAMMES SUPPORT
Employee compensation	R27,483	R57,130	R48,287
Salaries	R25,205	R53,768	R44,806.50
Contributions	R2,278	R3,362	R3,480.00

	CURRENT BUDGET	BUDGET including Prog 5	RE-MAPPED BUDGET
Model ending period	Mar-16	Mar-17	Mar-16
Good and Services	R116,822	R96,122	R189,172
Agency and support/outsourced services	R21	R22	R647.17
Communication	R93	R99	R599.80
Computer services	R1,160	R1,232	R1,044.09
Consultants	R58,635	R91,747	R155,207.50
Contractors	R156	R166	R1,055.57
Inventory	R33	R35	R77.03
Lease payments	R0	R0	R19.12
Repairs and maintenance	R331	R352	R305.68
Research and development	R32	R34	R16.00
Training and staff development	R2	R2	R176.23
Travel and subsistence	R2,216	R2,353	R2,921.37
3 Other	R54,068	R0	R27,034.00
Depreciation			R0.00
Interest	R75	R80	R68.00
TOTAL NATIONAL PROGRAMMES SUPPORT	R144,305	R153,252	R237,458
LAND AND HOUSING SUPPORT SERVICES	Current Budget	Proposed Budget	AMENDED LAND & HOUSING SS
Employee compensation	R43,885	R53,347	R0
Salaries	R39,203	R53,347	R0.00
Contributions	R4,682		R0.00

	CURRENT BUDGET	BUDGET including Prog 5	RE-MAPPED BUDGET
Model ending period	Mar-16	Mar-17	Mar-16
Good and Services	R252,601	R261,521	R0
Agency and support/outsourced services	R1,199	R1,273	R0.00
Communication	R1,042	R1,107	R0.00
Computer services	R874	R928	R0.00
Consultants	R192,928	R251,780	R0.00
Contractors	R1,841	R1,955	R0.00
Inventory	R114	R121	R0.00
Lease payments	R36	R38	R0.00
Repairs and maintenance	R264	R280	R0.00
Research and development	R0	R0	R0.00
Training and staff development	R330	R350	R0.00
Travel and subsistence	R3,415	R3,627	R0.00
Other	R50,501		R0.00
Depreciation			R0.00
Interest	R57	R61	R0.00
TOTAL LAND AND HOUSING SUPPORT SERVICES	R296,486	R314,868	R0
BUILT ENVIRONMENT IMPLEMENTATION	Current Budget	Proposed Budget	AMENDED PROG 5: BUILT ENVIRON IMPLEM
Employee compensation	R0	R846,414	R23,082
Salaries			R23,081.50
Senior Development Manager		R1,500	R0.00
Development manager		R5,000	R0.00

	CURRENT BUDGET	BUDGET including Prog 5	RE-MAPPED BUDGET
Model ending period	Mar-16	Mar-17	Mar-16
Project manager		R3,250	R0.00
Project coordinator		R920	R0.00
Senior legal expert		R15,000	R0.00
Financial expert		R1,200	R0.00
Financial Analyst		R650	R0.00
Project Financial Administrator		R120	R0.00
Professional Fees		R818,774	R0
Good and Services	R0	R6,957	R189,281
Agency and support/outsourced services			R647.17
Communication		R5,100	R599.80
Computer services			R1,044.09
Consultants			R155,207.50
Contractors			R1,055.57
Inventory			R77.03
Lease payments		R857	R19.12
Repairs and maintenance			R305.68
Research and development			R156.18
Training and staff development			R176.23
Travel and subsistence			R2,921.37
Other		R1,000	R27,034.00
Depreciation		R0	R0.00
Interest		R0	R37.50

	CURRENT BUDGET	BUDGET including Prog 5	RE-MAPPED BUDGET
Model ending period	Mar-16	Mar-17	Mar-16
TOTAL BUILT ENVIRONMENT IMPLEMENTATION	R0	R853,371	R212,363