

# The National Housing Code

## FINANCIAL INTERVENTIONS

### Accreditation of Municipalities

Enhanced Extended Discount Benefit Scheme

Individual Subsidies

Operational Capital Budget

Integrated Development Plans Part 1

Integrated Development Plans Part 2

Provision of Social and Economic Facilities

Rectification of Pre-1994 Residential Properties

Subsidy Quantum - Financial Intervention



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Volume 3

## TABLE OF CONTENTS

<b>ACRONYMS .....</b>	<b>5</b>
<b>PART A: ACCREDITATION FRAMEWORK.....</b>	<b>9</b>
<b>1 OVERVIEW .....</b>	<b>9</b>
<b>2 ACCREDITATION PRESCRIPTS AND PROVISIONS .....</b>	<b>13</b>
<b>2.1 OBJECTIVES OF ACCREDITATION.....</b>	<b>13</b>
<b>2.2 PRINCIPLES OF ACCREDITATION .....</b>	<b>13</b>
<b>3 APPLICATION PROCEDURE .....</b>	<b>19</b>
<b>3.1 THREE LEVELS OF ACCREDITATION .....</b>	<b>19</b>
<b>3.1.1 LEVEL ONE ACCREDITATION .....</b>	<b>19</b>
<b>3.1.2 LEVEL TWO ACCREDITATION.....</b>	<b>20</b>
<b>3.1.3 LEVEL THREE ACCREDITATION.....</b>	<b>21</b>
<b>3.2 KEY ISSUES IN RESPECT OF THIS ACCREDITATION APPROACH.....</b>	<b>22</b>
<b>3.3 EXEMPTIONS.....</b>	<b>22</b>
<b>3.4 OBTAINING ACCREDITATION .....</b>	<b>23</b>
<b>3.5 ACCREDITATION CRITERIA.....</b>	<b>25</b>
<b>3.6 SUPPORT FOR CAPACITY BUILDING.....</b>	<b>26</b>
<b>4 INSTITUTIONAL ARRANGEMENTS.....</b>	<b>29</b>
<b>4.1 KEY ACCREDITATION FUNCTIONS .....</b>	<b>31</b>
<b>5 FUNDING ARRANGEMENTS .....</b>	<b>35</b>
<b>5.1 ALLOCATION OF HOUSING SUBSIDY FUNDS.....</b>	<b>35</b>
<b>5.1.1 CLAW BACK .....</b>	<b>36</b>
<b>5.1.2 FUNDING FOR INDIVIDUAL SUBSIDY MECHANISMS .....</b>	<b>36</b>
<b>5.2 OPERATIONAL FUNDING.....</b>	<b>36</b>
<b>5.3 FUNDING FLOWS.....</b>	<b>37</b>

5.3.1	<b>EQUITABLE SUBSIDY ALLOCATION</b>	<b>37</b>
5.3.2	<b>OPERATIONAL FUNDING - ACCREDITATION FEE</b>	<b>37</b>
5.3.3	<b>CAPACITATION FUNDING</b>	<b>37</b>
5.3.4	<b>HUMAN RESOURCES IMPLICATIONS AT PD LEVEL</b>	<b>41</b>
6	<b>CAPACITY SUPPORT</b>	<b>45</b>
6.1	<b>ACCREDITATION UNITS AT PD LEVEL</b>	<b>45</b>
6.2	<b>ACCREDITATION UNIT AT ND LEVEL</b>	<b>45</b>
7	<b>GOVERNANCE, REPORTING AND OVERSIGHT ARRANGEMENTS</b>	<b>49</b>
8	<b>CONFLICT RESOLUTION</b>	<b>51</b>
9	<b>SYSTEMS AND PROCEDURES</b>	<b>55</b>
9.1	<b>SUBSIDY REGISTRATION</b>	<b>57</b>
9.2	<b>FINANCIAL ADMINISTRATION</b>	<b>59</b>
10	<b>REPORTING AND MONITORING REQUIREMENTS</b>	<b>63</b>
11	<b>IMPLEMENTATION ARRANGEMENTS</b>	<b>65</b>
	<b>PART B: ACCREDITATION GUIDELINES</b>	<b>69</b>
12	<b>PURPOSE</b>	<b>69</b>
13	<b>ACCREDITATION FRAMEWORK</b>	<b>69</b>
14	<b>ACCREDITATION OBJECTIVES</b>	<b>69</b>
15	<b>LEVELS OF HOUSING ACCREDITATION</b>	<b>69</b>
15.1	<b>DEFINING LEVELS OF ACCREDITATION</b>	<b>69</b>
16	<b>FUNCTIONS AND SKILLS REQUIRED FOR EACH LEVEL OF ACCREDITATION</b>	<b>70</b>

<b>17</b>	<b>PROCEDURE FOR ACCESSING ACCREDITATION</b> .....	<b>75</b>
<b>18</b>	<b>ELIGIBILITY CRITERIA</b> .....	<b>76</b>
<b>19</b>	<b>ACCREDITED FUNCTIONS AND HUMAN RESOURCE CAPACITY IMPLICATIONS</b> .....	<b>78</b>
<b>19.1</b>	<b>ACCREDITED FUNCTIONS</b> .....	<b>78</b>
<b>19.2</b>	<b>KEY CAPABILITIES</b> .....	<b>80</b>
<b>19.3</b>	<b>CAPACITY REQUIREMENTS</b> .....	<b>81</b>
<b>19.4</b>	<b>SYSTEM REQUIREMENTS</b> .....	<b>81</b>
<b>20</b>	<b>MUNICIPAL PROCEDURES ONCE FUNCTIONS HAVE BEEN DELEGATED</b> ...	<b>87</b>
<b>21</b>	<b>MONITORING AND REPORTING</b> .....	<b>89</b>
<b>21.1</b>	<b>PERFORMANCE MONITORING</b> .....	<b>89</b>
<b>21.2</b>	<b>MUNICIPAL REPORTING</b> .....	<b>90</b>
<b>21.3</b>	<b>PROVINCIAL MONITORING AND REPORTING</b> .....	<b>92</b>
<b>22</b>	<b>MUNICIPAL OPERATIONAL COSTS</b> .....	<b>92</b>
<b>23</b>	<b>ANNUAL FUNDING CYCLE</b> .....	<b>93</b>
<b>24</b>	<b>TEMPLATES</b> .....	<b>94</b>



**ACRONYMS**

Accreditation Business Plan	ABP
Division of Revenue Act (Annual)	DORA
Housing Subsidy System	HSS
Integrated Development Plan, incorporating the municipality's Housing plan	IDP
Information Technology	IT
In-Year Monitoring report of expenditure against budget and funds transferred required to be submitted before the 20th of every month in terms of DORA and Treasury requirements	IYM
Key Performance Area	KPA
Provincial Member of the Executive Council responsible for human settlement	MEC
Committee of the Minister, the nine MECs and a Councillor representing organised local government	MINMEC
Municipal Finance Management Act	MFMA
Municipal Housing Committee delegated responsibility for housing affairs by the municipal council	MHC
Municipal Infrastructure Grant	MIG
Medium Term Expenditure Framework	MTEF
National Department of Human Settlements	ND
National Housing Subsidy Data Base	NHSDB
Provincial Department responsible for human settlement	PD
Public Finance Management Act	PFMA
Supply Chain Management	SCM



# Accreditation of Municipalities

## PART A: Accreditation Framework

- 1 Overview**
- 2 Accreditation Provisions and Prescripts
- 3 Application Procedure
- 4 Institutional Arrangements
- 5 Funding Arrangements
- 6 Capacity Support
- 7 Governance, Reporting and Oversight Arrangements
- 8 Conflict Resolution
- 9 Systems and Procedures
- 10 Reporting and Monitoring Requirements
- 11 Implementation Arrangements



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## **PART A: ACCREDITATION FRAMEWORK**

### **1 OVERVIEW**

The rationale behind the move towards the accreditation of municipalities is dictated to primarily by provisions in the Constitution, and further, by the logic of cooperative governance and current constraints in the housing delivery process.

Thus, consistent with Section 156(4) of the Constitution of the Republic of South Africa 1996, the accreditation of municipalities to administer National Housing Programmes has been emphasised as a key government priority. In support of an overall principle for cooperative governance, it is government's policy intention to locate the decision-making authority and funding capacity for local development at the most local sphere of government.

The accreditation of a municipality involves the delegation and, subsequently, assignment of certain clearly defined functions in respect of the administration of National Housing Programmes, leading to eventual assignment of all the functions by formal proclamation of assignment by the Premier in the Government Gazette. This does not detract from any housing functions or powers a municipality may already have, as set out in Part 4, Section 9 of the Housing Act 1997; and, does not include the power to design housing programmes to be funded from national housing subsidy funds.

Accreditation involves the delegated authority to exercise functions relating to the administration of National Housing Programmes at the municipal sphere. This will enable municipalities to plan the implementation of the range of their developmental functions on a coordinated basis. In order for accreditation to be effected, municipalities must have the capacity required to take on the ensuing functions, which implies:

- an enhanced capacity building, supporting and monitoring and evaluation role for the PD's as they assist municipalities in taking on their new-delegated functions, and monitor and evaluate their progress in this regard.
- that the ND (assisted by the PD's) will expand its financial administration, capacity building, monitoring and evaluation role beyond the nine provinces to also include accredited municipalities as they will become responsible for determining the focus of National Housing Programmes in their municipal areas.

In order to ensure that municipalities achieve the capacity necessary for assignment in the long term without compromising their delivery capacity in the

short term, a process of progressive delegation towards ultimate assignment is adopted.

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### **PART A: Accreditation Framework**

- 1 Overview
- 2 Accreditation Provisions and Prescripts**
- 3 Application Procedure
- 4 Institutional Arrangements
- 5 Funding Arrangements
- 6 Capacity Support
- 7 Governance, Reporting and Oversight Arrangements
- 8 Conflict Resolution
- 9 Systems and Procedures
- 10 Reporting and Monitoring Requirements
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## 2 ACCREDITATION PRESCRIPTS AND PROVISIONS

### 2.1 OBJECTIVES OF ACCREDITATION

Accreditation seeks to achieve two inter-linked objectives:

#### **Coordinated development (horizontal integration):**

- By relocating the decision making authority with regards to the implementation of National Housing Programmes to the local sphere, municipalities will be able to coordinate these decisions with other decisions that relate to the broader sustainability of human settlements.
- Municipalities are ideally situated for the effective alignment of inter-departmental and inter-governmental funding streams.
- With the authority to take such decisions, opportunities for the application of innovative planning principles arise contributing to the potential for the development of integrated and sustainable human settlements within municipal jurisdictions.
- This is a key emphasis of the Comprehensive Plan for the Development of Sustainable Human Settlements, (Comprehensive Plan) “Breaking New Ground”, as well as the Intergovernmental Relations Framework Act, 2005.

#### **Accelerated delivery (vertical integration):**

- The efficiencies associated with creating certainty in respect of funding allocations and devolving delivery authority to the local sphere should lead to accelerated delivery and improved expenditure patterns.
- This should result in a reduced requirement to roll over unspent funds as well as a more coordinated approach to planning approval and implementation.

The rationale and usefulness of any specific approach to accreditation (and delegation) must be measured against these two objectives.

### 2.2 PRINCIPLES OF ACCREDITATION

The accreditation framework is based on the following principles:

- **Logical application of roles and functional delegation and assignments:**
  - The motivating basis for accreditation is that it has potential to make delivery more efficient and effective.

- As a result of a concentration of funding at the local level, municipalities will be better equipped to make productive decisions on the developmental progress in their areas of jurisdiction.
- In order to ensure that these expectations are achieved by the delegation and subsequent assignment of specific responsibilities, identified municipalities must be accredited to take on such responsibilities.
- **Authority and accountability must accompany responsibility:**
  - Accreditation would entail a progressive transfer of responsibility in respect of decision-making in the administration of National Housing Programmes and must be accompanied by the progressive transfer of accountability for such decision-making, and crucially, the progressive transfer of real authority to perform in that role.
- **Accreditation follows capacity:**
  - In order to ensure that delivery is not interrupted or undermined, accreditation must only be granted on the basis of (existing or created) capacity within the municipality concerned.
  - Capacity requirements will be dependant on the level of accreditation being sought, and will include the ability to undertake budgetary planning for and to allocate subsidies to subsidy projects within the municipal area, procurement capacity and municipal financial administration capacity.
  - The ND and PD's will therefore be responsible for the periodic facilitation of the necessary capacitation processes within municipalities that have been identified for accreditation, prior to accreditation being granted.
- **Funding follows function:**
  - It is important that municipalities have sufficient funding to operate within the new roles for which they become accredited.
  - Therefore, systems efficiency is an important principle that must be pursued so that municipalities receive funding consistent with their delivery performance and success.
  - In addition, municipalities must have sufficient funding to create the necessary capacity to perform the delegated functions associated with accreditation.

- **Funding arrangements must be consistent, certain, and beyond interrogation:**
  - It would be counter-productive for the funding arrangements, including the annual allocation of housing subsidy funding to the accredited municipality, to be an annual cause for negotiation and dispute between the province and the municipality.
  - Funding arrangements must first be linked to the MTEF through the DORA, with annual budgets on a three-year rolling basis.
  - The calculation of housing funds to accredited municipalities must be transparent and consistently applied without exception.
  - If any accredited municipality fails to utilise its housing subsidy budget in a particular budget year, the relevant PD (i.e. Level One and Level Two accreditation) and the ND (i.e. Level Three accreditation) may reallocate under-utilised portions to another municipality during a particular financial year.
  
- **Efficiency:**
  - The accreditation of a municipality, and the delegation of authority to administer National Housing Programmes, in respect of either level one, two or three accreditation must result in improved efficiencies in the housing delivery process.
  - It is accepted, therefore that some municipalities might not seek Level Two or Three accreditation, given the level of housing demand in their area of jurisdiction which may not allow them to achieve economies of scale.
  
- **Prioritised universal and flexible application across the country:**
  - The accreditation framework will be equally applicable to prioritised metropolitan (Category A), local (Category B) and district (Category C) municipalities across South Africa.
  - In this regard, the framework will accommodate the variety of housing intentions being expressed at a local level, and the varying capacity that exists to realise these intentions.
  - If a PD wishes to accredit a District municipality, for instance, it may do this so that the accredited municipality then acts on behalf of all or some of the local councils that operate in their area of jurisdiction.



- **Cooperative government:**

- Having regard for the constitutional origins of accreditation, a fundamental component of the accreditation process is that it supports enhanced cooperation across the three spheres of government.
- Notwithstanding the delegation and possible assignment of key housing functions to the municipal sphere that accreditation envisions, the housing functions remain a concurrent function (and shared mandate) that is dependant on sound intergovernmental relations.

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### **PART A: Accreditation Framework**

- 1 Overview
- 2 Accreditation Provisions and Prescripts
- 3 Application Procedure**
- 4 Institutional Arrangements
- 5 Funding Arrangements
- 6 Capacity Support
- 7 Governance, Reporting and Oversight Arrangements
- 8 Conflict Resolution
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### 3 APPLICATION PROCEDURE

#### 3.1 THREE LEVELS OF ACCREDITATION

The fact that all municipalities do not operate with uniform capacity, necessitated the creation of three levels of accreditation.

The three levels are:

- **Level One:** Beneficiary management, subsidy budget planning and allocation, and priority programme management and administration (delegated functions)
- **Level Two:** Full programme management and administration of all housing instruments/ programmes (in addition to Level One) (delegated functions)
- **Level Three:** Financial administration (in addition to Level Two) (All functions – Levels one, two and three are assigned)

Municipalities will thus, depending on their capacity, determine to which level they become accredited and the pace at which they access accreditation for such levels. PD's, as well as National Government, as part of a national programme, will co-operatively process their intentions.

- Accreditation levels are both functionally and programmatically defined. All levels are meaningful in terms of how they respond to the principles of accreditation, given the various capacity constraints that might be experienced by different municipalities.
- In Levels One and Two, functions are initially delegated to the municipality.
- In Level Three, all functions can be assigned to the municipality, based on capacity created for Level Three and their track record in respect of delegated Level One and Two functions.
- Progressive levels require a higher degree of capacity, which the municipality must demonstrate to the satisfaction of an external auditor.

##### 3.1.1 LEVEL ONE ACCREDITATION

**To achieve level one accreditation a municipality must possess the capacity for:**

- **Subsidy budget planning and allocation, and priority programme management and administration:** which includes the delegation of housing subsidy budgetary planning functions across National and Provincial Housing Programmes and projects; the delegation of

subsidy/fund allocations, and the delegation of project identification functions. The annual budget allocation will be published in DORA, providing the municipality with budget certainty.

- **Priority programme management and administration:** which includes the delegation of programmes and project evaluation and approval functions for (a) specific priority programme(s); and for contract administration, subsidy registration (where agreed), programme management including cash flow projection and management and technical (construction) quality assurance functions for that/those priority programme(s).
- These municipalities may, on an annual basis, progressively increase the complement of priority programmes that they administer, as incremental steps towards Level Two. This is the most significant step that can be made within the capacity constraints that exist at municipal level and the extensive requirements of the National Housing Programme, both in terms of delegating responsibility and enabling integration and coordination to take place.
- Level One Accredited municipalities must carry out their new responsibilities in addition to, and not instead of, its existing Housing Act 1997 responsibilities. In this regard, beneficiary management, the definition of local housing priorities, and the management of all public stock remain a municipal function even with the addition of Level One accreditation functions. This will include focused internal capacity to commission, produce and implement housing strategies, plans and budgets. The municipality will also be required to do the range of tasks associated with project identification and preliminary project assessments.
- MECs, in consultation with priority municipalities, will need to programme an appropriate and ordered accreditation process in their provinces.

### 3.1.2 LEVEL TWO ACCREDITATION

**To achieve level two accreditation a municipality must possess the capacity for:**

- **Programme management and administration:** which includes the delegation of project evaluation and approval functions for all ND and PD housing programmes, the delegation of contract administration, subsidy registration, programme management including cash flow

projection and management and technical (construction) quality assurance functions.

- This involves the additional delegation of responsibility for programme management and administration of all National and Provincial Housing Programmes. In order to undertake the functions associated with this level of accreditation, municipalities will require the necessary capacity to commission, produce and implement project feasibility assessments, which will be undertaken by professional engineers, town planners or certified project managers etc.
- Municipalities will also require programme administration capability (skills and experience) in line with the scale of activities planned for the municipality including project cash flow management. With Level Two accreditation, subsidy registration via the HSS into the NHSDB is also delegated to the municipality. This means that the municipality will be required to install the standardized programme management systems and a municipal HSS.
- Municipalities with Level One and Level Two accreditation will not, however, undertake the financial management of their budgets. This will continue to be undertaken by the PD, which has the capacity and systems necessary for that function to be performed efficiently.
- Legislative provisions, in DORA, will ensure that PD's will be obliged to allocate housing subsidy funding as prioritized and programmed by the accredited municipality, in a manner that is both effective and efficient and which does not delay the municipality's ability to operate within their sphere of responsibility.

### 3.1.3 LEVEL THREE ACCREDITATION

**To achieve level three accreditation a municipality must possess the capacity for:**

- **Financial administration:** which involves the formal assignment by Provincial Gazette of all Level One and Level two functions, and the additional assignment of responsibility for financial administration. This includes subsidy payment disbursements, and financial reporting and reconciliation. In order to undertake the functions associated with the financial administration, municipalities will require focused internal financial management and administrative capacity.
- In addition, the municipality will be required to have in place financial systems that are compliant with national specifications. A standard

subsidy financial administration package, including reporting systems, management information systems, standard accounting procedures, and so on will be required.

### 3.2 KEY ISSUES IN RESPECT OF THIS ACCREDITATION APPROACH:

- **Accreditation based on priority:** Prioritised municipalities will be entitled to be accredited and subsequently delegated functions in respect of each level, once they meet the eligibility criteria, corresponding capacity and governance requirements. The assessment of whether or not a municipality meets the requirements will be done by the municipality's external auditor.
- **Principle of efficiency:** There will be instances, in which it will be inefficient to delegate progressive functions to a municipality – for instance, when a municipality finds that it will be unable to deliver the service economically. In such cases, subsequent levels of accreditation and delegation beyond Level One or Two may not be sought, although delegation of Level One and/or Level Two functions may be effected. Such decisions will be made jointly by the municipality and the province concerned co-operatively.
- **PD's roles and responsibilities:** In assigning municipalities a particular level of accreditation, the PD's monitoring and oversight role will grow accordingly. PD's and the ND will have the authority to stop payments in cases where there is clear evidence of financial or programmatic mismanagement. Where Level One and Level Two accredited municipalities are involved, the MEC may withdraw the delegation when necessary.

At the same time, PD's and ND will be responsible for supporting the capacity development of municipalities, and must monitor and evaluate their performance to identify areas for support and/or intervention.

### 3.3 EXEMPTIONS

Notwithstanding the progressive approach to accreditation, the following functions and programmes are better retained at a PD level:

- **Special approval of non-eligible individual beneficiaries:** While the subsidy registration function will be devolved to a municipality, the PD will retain responsibility for the approval of extraordinary applications (i.e. special approval of non-qualifiers). This will guard against any conflict of interest.
- **Individual subsidies:** The administration of the Individual Subsidy Programme (both in terms of credit linked and non-credit linked subsidies) should be

retained at the PD level. The reason for this relates primarily to the need to support residential mobility and support administrative efficiency and simplicity within a policy framework that encourages secondary market transactions and the linking of credit with subsidies.

### 3.4 OBTAINING ACCREDITATION

All priority municipalities shall be entitled to a particular level of accreditation, depending on their ability to meet certain capacity criteria. The following process will apply:

- **Prioritisation by Minister and MECs:**
  - MECs will prioritise specific municipalities in the province to be accredited and advise the Minister accordingly.
  - PD's will facilitate the applications from priority municipalities culminating in a letter of intent to the MEC.
  - The MEC must provide a formal response to this application, stating when such accreditation is likely to be granted and on what conditions.
- **Accreditation application:**
  - Municipalities will indicate they want to be accredited in respect of a particular level of accreditation – starting at level One.
  - To do so, they must already have their housing plan approved by the council as part of the municipal IDP.
  - Municipalities that have already submitted an application for accreditation, in terms of the previous requirements as set out in the National Housing Code, will have to go through the new process as set out in terms of this framework.
- **Pre-accreditation capacitation:**
  - On the basis of the municipality's stated accreditation intention and identified capacity needs in order to carry out this intention, the PD will provide technical assistance towards the development of the accreditation business plan.
- **Accelerated Municipal Housing Delivery Plan:**
  - A business plan is then developed for the particular level of accreditation that is being sought with the technical support of the PD, if necessary, and submitted to the PD for review.



- **Endorsement of Accelerated Municipal Housing Delivery Plan, and capacitation funding:**
  - Once the business plan is finalised, it is reviewed and approved on the basis of the accreditation guidelines. The PD then provides capacity funding to enable the municipality to implement the capacity requirements of the business plan (hiring of staff, development of new systems, etc.).
- **Implementation of Accelerated Municipal Housing Delivery Plan:**
  - On the basis of the approved plan, the municipality implements the business plan and provides monthly progress reports to the PD.
- **Compliance certification:**
  - Within a specified time frame, the municipality implements the capacity requirements and an external auditor confirms compliance by issuing a compliance certificate.
  - This certificate confirms that the municipality has fulfilled the capacity requirements in terms of the business plan and is entitled to receive full accreditation for the delegation of functions related to the level of accreditation applied for.
- **Accreditation approval:**
  - The compliance certificate is submitted to the PD, on the basis of which the MEC delegates, for Level One and Level Two, the respective functions, or for Level Three, recommends to the Premier to issue a proclamation, assigning the municipality all functions provided for in this framework (Levels One, Two and Three).

A municipality may seek accreditation in respect of each level on a consecutive basis, or with the approval of the MEC, Levels One and Two concurrently, depending on its own capacity parameters and housing intentions. However, no municipality may seek accreditation in respect of Level Three without already being accredited or seeking accreditation for Levels One and Two. Similarly, municipalities seeking Level Two accreditation must already be accredited for Level One, or be seeking Level One accreditation in the same application.

The Premier must, in the Provincial Gazette, proclaim the assignment of functions following Level Three accreditation.

### 3.5 ACCREDITATION CRITERIA

Municipalities must meet the following specific criteria in order to be accredited for a particular level.

#### **Level One Delegation: Subsidy budget planning and allocation process & priority programme administration**

- Approved housing strategy, plan and budget
- Accreditation business plan – section for Level One
- Necessary capacity to be enhanced, confirmed by an auditor, including:
  - Ability to draft a business plan for Level One accreditation.
  - Ability to produce and implement housing strategies, plans and budgets, or commission and manage such functions.
  - Ability to do project identification and assessment.
  - Ability to produce and undertake project feasibility assessments (undertaken by professional engineers, town planners or certified project managers (in-house or contracted) for priority programme(s).

Programme administration skills/experience relevant to the priority programme(s) and in line with the scale of activities planned for the municipality.

#### **Level Two Delegation: to undertake full programme management/ administration**

- Approved housing strategy, plan and budget
- Accreditation business plan – section for Level Two
- HSS in place and ability to undertake subsidy registration function
- Necessary capacity to be enhanced, including:
  - Ability to draft a business plan for Level Two accreditation
  - Ability to produce and undertake project feasibility assessments (undertaken by professional engineers, town planners or certified project managers (in-house or contracted) for all programmes.
  - Programme administration skills/experience in line with the scale of activities planned for the municipality.

### **Level Three: Financial administration - assignment**

- Approved housing strategy, plan and budget
- Accreditation business plan – section for Level Three
- Necessary capacity to be enhanced, confirmed by an auditor, including:
  - Ability to prepare or commission a business plan for Level Three accreditation.
  - Financial management with ability to review, report and manage subsidy disbursements and financial reporting and reconciliation.

### **3.6 SUPPORT FOR CAPACITY BUILDING**

The following are the various capacity building stages to support accreditation:

- **Pre-accreditation support:** Over time, and within a prioritised framework that acknowledges the diverse range of capacity enjoyed by the various municipalities, it is envisaged that prioritised municipalities seeking Level One accreditation will require capacity enhancements. In support of their intentions, the PD's will establish a pre-accreditation support programme with the following objectives:
  - To support the municipality in undertaking a capacity audit of its housing department or division;
  - To identify and source the capacity necessary to assist the municipality in drafting an accreditation plan;
  - To support municipalities that are unable to undertake current housing functions and assist with the drafting of a Housing Strategy and Plan where necessary; and
  - To offer any other form of support that may be required by the particular municipality concerned.
- **Accreditation implementation support:** Once the PD has, in principle, approved a municipality's accreditation business plan, it will support the sourcing of the capacity necessary to implement this plan - including personnel, business systems etc.
- **Ongoing accreditation support:** PD's will maintain an Accreditation Management Unit that will constantly liaise with municipalities with reference to particular aspects of their delegated functions.

## Accreditation of Municipalities

### **PART A: Accreditation Framework**

- 1 Overview
- 2 Accreditation Provisions and Prescripts
- 3 Application Procedure
- 4 Institutional Arrangements**
- 5 Funding Arrangements
- 6 Capacity Support
- 7 Governance, Reporting and Oversight Arrangements
- 8 Conflict Resolution
- 9 Systems and Procedures
- 10 Reporting and Monitoring Requirements
- 11 Implementation Arrangements



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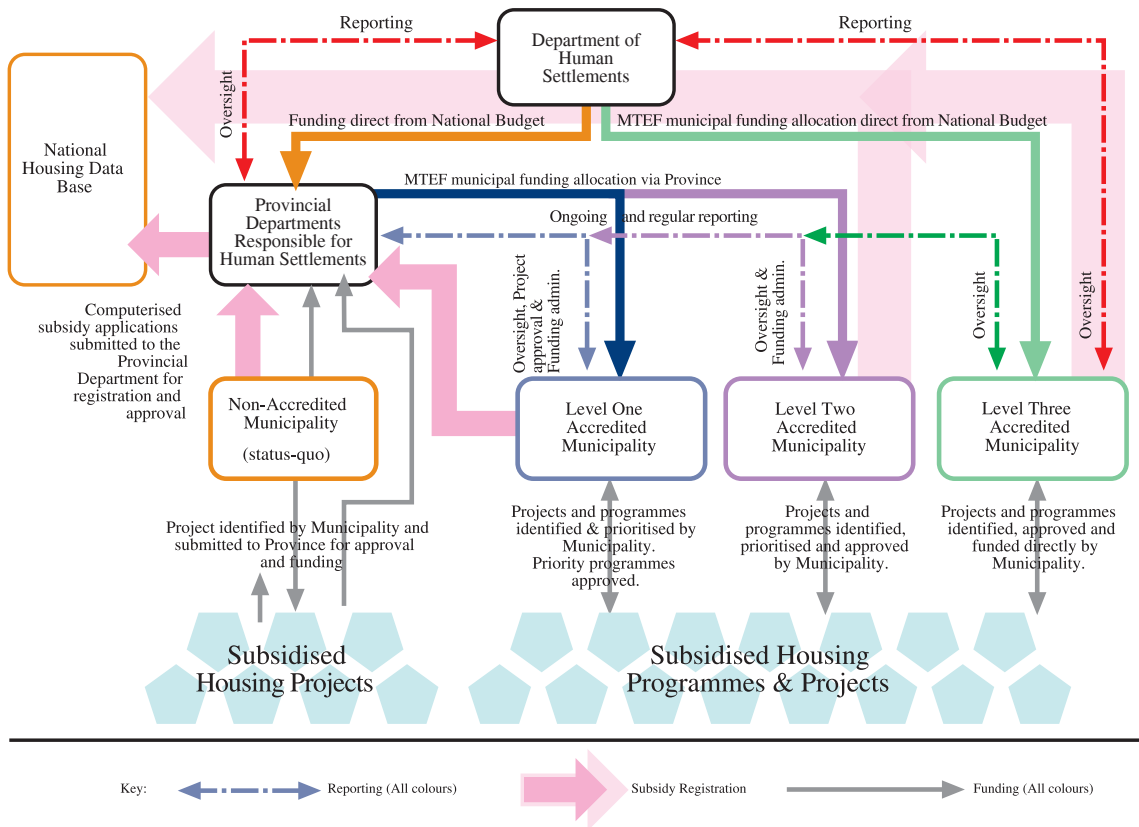
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#### 4 INSTITUTIONAL ARRANGEMENTS

- The roles and responsibilities of the three spheres of government change depending on the level of accreditation achieved by a particular municipality.
- In terms of non-accredited municipalities, housing subsidy funding is allocated to the PD by the ND, on the basis of a formula, articulated in the annual DORA.
- Municipalities, acting in terms of the procurement procedures for the delivery of subsidised housing, may apply to the PD to carry out subsidised housing projects.
- The interaction of the various governmental spheres and the various levels of accreditation is illustrated in the following diagram. In this diagram, the thick, coloured lines represent funding flows, while the thin dotted lines represent lines of reporting, oversight and accountability.

Figure 1: Accreditation Institutional Arrangements



**Level one accredited municipalities:**

- Will have to identify and plan for local housing programmes and projects and allocate housing subsidy funds from their annual housing subsidy funding allocation to these. In this regard, Level One accreditation delegates the authority and responsibility, to respond to national housing policy directly.
- Will have to determine their housing plans (approved as part of the municipalities' IDP by Council resolution, taking into account comments by the PD) which identify the specific programmes and projects to be undertaken within the fiscal year in their municipal area. These accredited Level One municipalities must develop specific individual housing project plans for submission to PD's for approval. Following the PD's approval, the municipality proceeds with implementation on the basis of funding disbursements from the PD on a cash flow basis.
- Will also have the responsibility for evaluating and approving housing projects in respect of pre-determined priority programme(s).

**Level two accredited municipalities:**

- Will have the added delegated responsibility for evaluating and approving specific housing projects against pre-determined project criteria and undertaking the housing subsidy registration function, for all National and Provincial Housing Programmes. Responsibility for housing subsidy registration will require that municipalities also put in place municipal housing subsidy systems that will be the extension of the NHSDB.
- Will need to establish their own governance arrangements to allow for the necessary checks and approvals, and these will be among the criteria set out in the guidelines for achieving Level Two accreditation.
- Following internal approval of the housing project plan the municipality proceeds with implementation on the basis of a cash flow funding disbursements from the PD.

**Level Three accredited municipalities:**

- Will have the added authority for all Level One and Two functions, and the authority and responsibility for the financial administration of housing development in their area. The municipal fund allocation will be disbursed on a cash flow basis to the accredited municipality directly from the ND. In line with governance arrangements and in compliance with the MFMA, 2003 (Act No. 56

of 2003), the municipality will report directly to the ND in respect of housing draw-downs and financial reconciliation.

- Will provide a regular financial reconciliation report to the PD on their progress in respect of delivery, as ongoing reporting, monitoring and evaluation is fundamental to the accreditation process.
- Will also report to the ND. The ND and PDs will need to establish a dedicated monitoring and evaluation function within their structures to engage in this process.

#### 4.1 KEY ACCREDITATION FUNCTIONS

The key accreditation (delegated) functions to be performed per level of accreditation are outlined in the following table, together with an outline of existing functions that are performed at municipal and PD level. New municipal functions are highlighted in bold in the table opposite.

**As illustrated below the accreditation relates directly to three categories of functions:**

- Subsidy budget planning and allocation process, as well as priority programme management: Level One accreditation
- Full programme management and administration: Level Two accreditation
- Financial administration: Level Three accreditation (pre-condition for full assignment)

The remaining categories of functions are not included in the municipal accreditation programme and therefore remain as currently defined:

- **Policy and planning:** Undertaken by both the PD and the municipality as it relates to their own specific areas of jurisdiction.
- **Subsidy and property administration:** Undertaken largely by the developer, this in almost all cases is the municipality or the PD.
- **Subsidy registration – special approvals:** The approval of special applications will continue to be undertaken by the PD.



Table 1: Summary of housing functions

<b>FUNCTIONS</b>	<b>Current</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Policy and planning				
Housing strategy: (IDP)	Municipality	Municipality	Municipality	Municipality
Housing plan and budget: (IDP)	Municipality	Municipality	Municipality	Municipality
Housing policies: Procurement, allocation, etc	Municipality	Municipality	Municipality	Municipality
<b>Level 1: Subsidy budget planning and allocation process and priority programme management / admin</b>				
Housing subsidy budget	PD	Municipality	Municipality	Municipality
Subsidy / fund allocations	PD	Municipality	Municipality	Municipality
Project identification	PD	Municipality	Municipality	Municipality
Priority programme management / admin	PD	Municipality	Municipality	Municipality
<b>Level 2: Full programme management / administration</b>				
Full Project / Programme approval	PD	PD	Municipality	Municipality
Full contract administration	PD	PD	Municipality	Municipality
Full programme management	PD	PD	Municipality	Municipality
Subsidy registration	PD	PD	Municipality	Municipality
Subsidy registration (Approval of special applications)	PD	PD	PD	PD
Full technical (construction) quality assurance	PD	PD	Municipality	Municipality
<b>Level 3: Financial administration</b>				
Subsidy disbursements	PD	PD	PD	Municipality
Financial reporting and reconciliation	PD	PD	PD	Municipality
<b>Subsidy &amp; property administration</b>				
Eligibility check	Developer	Developer	Developer	Developer
Subsidy applications	Developer	Developer	Developer	Developer
Allocation of subsidy / house	Municipality	Municipality	Municipality	Municipality
Transfer	Deeds Office	Deeds Office	Deeds Office	Deeds Office
Project management	Developer	Developer	Developer	Developer

## Accreditation of Municipalities

### PART A: Accreditation Framework

- 1 Overview
- 2 Accreditation Provisions and Prescripts
- 3 Application Procedure
- 4 Institutional Arrangements
- 5 Funding Arrangements**
- 6 Capacity Support
- 7 Governance, Reporting and Oversight Arrangements
- 8 Conflict Resolution
- 9 Systems and Procedures
- 10 Reporting and Monitoring Requirements
- 11 Implementation Arrangements



**human settlements**

Department:  
Human Settlements  
REPUBLIC OF SOUTH AFRICA



## 5 FUNDING ARRANGEMENTS

- Funding arrangements relate to the allocation of housing subsidy funds and to the administrative costs associated with the new responsibilities conferred through accreditation.
- At all levels, a critical component of accreditation is budgetary certainty, defined on a formula-basis over the MTEF period.
- Once a municipality becomes accredited for Level One, the direct budgetary allocation to that municipality is no longer subject to the PD discretion, but is determined by the existing formula for the equitable share and subsidy fund, as set out in DORA.
- The delegated discretion to allocate the budget in Level One does not include the assignment of cash management, which only occurs in Level Three.
- Budgetary certainty gives municipalities the opportunity to respond creatively to their housing responsibilities and local challenges and, ensure a coordinated and integrated delivery process.

### 5.1 ALLOCATION OF HOUSING SUBSIDY FUNDS

- National housing subsidy funds will be allocated from the IGR Transfer Allocations on the basis of the formula determined in the annual DORA, which is applied equally across all accredited municipalities and provinces. This will apply to all accredited municipalities, irrespective of their level of accreditation.
- Periodically, the MINMEC must agree on a universally applicable formula that takes into account the housing backlog and other agreed and quantifiable factors.
- Accredited municipalities and PD's are required to submit a budget every year, within the framework of the three-year MTEF.
  - For Level One and Level Two accreditation, allocations will be dedicated to the accredited municipality but held and administered by the PD and, disbursed against actual cash flow requirements.
  - For Level Three accreditation, allocations will be made to the accredited municipality directly from the ND (upon the Premier's proclamation) and disbursed on a cash flow basis.

### 5.1.1 CLAW BACK

- Where it is apparent that a particular accredited municipality will not be able to utilise the housing subsidy budget allocated to it in a particular budget year, the relevant PD shall in its discretion (i.e. Level One and Level Two accreditation) or after consultation with the ND (i.e. Level Three accreditation) be entitled to reallocate the projected unutilised portion during the particular budget year.
- In the event of this happening, the claw back of housing subsidy funding must be accompanied by targeted capacitation interventions from the PD to assist the accredited municipality to develop the necessary capacity to overcome its implementation challenges.
- The particular accredited municipality would then fund its delayed projects with allocations to subsequent years. Projects already approved should have first preference to any municipal housing subsidy allocation, unless the particular project is in fact formally cancelled.

### 5.1.2 FUNDING FOR INDIVIDUAL SUBSIDY MECHANISMS

- The administration of the Individual Subsidy mechanisms will remain the responsibility of the PD's.
- Funding for this will be accommodated in the formula calculations.
- The specific proportion to be dedicated to the Individual Subsidy mechanism will be agreed upon by the MECs and the Minister co-operatively, to encourage the growth of the secondary residential property market and the potential extension of mortgage finance.

## 5.2 OPERATIONAL FUNDING

- In accepting the wider responsibilities delegated upon accreditation at whatever level, municipalities will be incurring higher operational costs.
- In keeping with the principle that funding must follow function, an accreditation fee has been defined.
- Payment of the accreditation fee will be conditional on the receipt of the required reporting formats, as set out in the guidelines.

## 5.3 FUNDING FLOWS

Funding flows in respect of the equitable housing subsidy allocation, the PD housing subsidy supplement, the accreditation fee and, funding for capacity building throughout the accreditation process are set out below:

### 5.3.1 EQUITABLE SUBSIDY ALLOCATION

- For Level One and Level Two accreditation (delegation), budgetary allocations in respect of the equitable subsidy allocation (per national allocation formula) are dedicated to the accredited municipality, but held by the ND and administered by the PD, and disbursed against actual cash flow requirements from the relevant accredited municipalities.
- For Level Three accreditation (assignment), funds are disbursed to the accredited municipality directly from the ND.

### 5.3.2 OPERATIONAL FUNDING - ACCREDITATION FEE

- Accreditation will necessarily lead to expanded capacity requirements on the part of all spheres of government as each adapts to the new roles in respect of the accreditation arrangements, while also carrying on in respect of its current roles, for the balance of its responsibilities.
- The accreditation of municipalities is a National Housing Programme for which operational funding will be provided through the Operational Capital Expenditure (OPSCAP). The accreditation fee to cover operational costs will be paid out of the ND's housing subsidy budget, via the PD in terms of Level One and Level Two accreditation, and directly from the ND in terms of Level Three accreditation.
- The accreditation fee is for the accreditation-linked (delegated) functions only and not for the other housing functions that will form part of the municipality's normal responsibilities.
- The fee will be performance based linked to the subsidy expenditure achieved.

### 5.3.3 CAPACITATION FUNDING

- The success of the municipal accreditation programme is wholly dependent on sufficient capacity existing at each sphere of government to implement their new and enhanced functions effectively.

- While this framework envisions that each sphere will be responsible for providing the capacity support required by the next sphere, it is also envisioned that the entire cost of capacitation will be supported by national government.
- The ND will also develop an accreditation capacitation programme on the basis of which this budget can be expended.
- Funding for capacity building will come from the ND, but will be paid to the relevant accredited municipality via the appropriate PD.
- Three different sorts of capacitation funding are available:
- **Pre-accreditation support:** This is realised by a municipality when it participates in a PD's pre-accreditation support programme. Municipalities will seek funded provincial support to:
  - Undertake a capacity audit of its housing department or division
  - Identify and source the capacity necessary to assist the municipality in drafting an accreditation plan
  - Draft a Housing Strategy and Plan, if necessary; and
  - Undertake a range of other tasks associated with accreditation, based on the requirements of the particular municipality concerned
- **Accreditation implementation support:** This is realised by a municipality formally seeking a particular level of accreditation, once the PD has, in principle, approved that municipality's accreditation business plan. The PD will support the sourcing and appointment of the capacity necessary to implement this plan.
- **Ongoing accreditation support:** This is realised by a municipality on a basis to be agreed with the PD concerned. Support may be in the form of funding for ongoing capacity building programmes, or the purchase of specific facilities.

The arrangements for the four different funding flows (equitable subsidy allocation, provincial housing subsidy supplement, accreditation fee and capacitation funding) are illustrated opposite:

**Table 2: Accreditation Functions and HR capacity implications**

FUNCTIONS	HR capacity implications
Policy and planning	
Housing strategy: (IDP)	No change – existing arrangements apply.
Housing plan and budget: (IDP)	
Housing policies: procurement, allocation, etc.	
Level 1: Subsidy budget planning and allocation process & priority programme management / admin	
Housing subsidy budget	<ul style="list-style-type: none"> <li>• Ability to draft a business plan for Level One accreditation.</li> <li>• Ability to produce and implement housing strategies, plans and budgets, or commission and manage such functions.</li> <li>• Ability to do project identification and assessment</li> </ul>
Subsidy / fund allocations	
Project identification	
Priority programme management / admin	<ul style="list-style-type: none"> <li>• Ability to produce and undertake project feasibility assessments for the priority programme(s)</li> <li>• Programme administration skills/experience in line with the scale of activities planned for the municipality.</li> </ul>
Level 2: Full programme management / administration	
Project / Programme approval	<ul style="list-style-type: none"> <li>• Ability to draft a business plan for Level Two accreditation</li> <li>• Ability to produce and undertake project feasibility assessments (undertaken by professional engineers, town planners or certified project managers (in-house or contracted).</li> <li>• Programme administration skills / experience in line with the scale of activities planned for the municipality.</li> </ul>
Contract administration	
Programme management	
Subsidy registration	
Technical (construction) quality assurance	



FUNCTIONS	HR capacity implications
Level 3: Financial administration	
Subsidy disbursements	<ul style="list-style-type: none"> <li>• Ability to prepare or commission a business plan for Level Three accreditation</li> <li>• Financial management with ability to review, report and manage subsidy disbursements and financial reporting and reconciliation.</li> </ul>
Financial reporting and reconciliation	
Subsidy & property administration	
Eligibility check	No change: Existing arrangements apply.
Subsidy applications	
Allocation of subsidy / house	
Transfer	
Project management	
Subsidy registration	
Approval of special applications	No change: Functions remain responsibility of PD.

- When municipalities' applications are approved for accreditation for a particular level, they will receive provincial support to implement the capacity requirements of their accreditation business plan.
- These capacity requirements will be based on an analysis of the municipality's staffing requirements for the particular level of accreditation that is being sought and an audit of what needs to be filled with additional staff.
- Filling of posts could include the realignment of personnel within the municipality, the new appointment of specific, identified personnel, or the transfer of PD staff to the new posts established within the municipal department or division.
- The municipality will need to negotiate the approach to be taken with the PD, along the parameters defined by the Transfer of Staff to

Municipalities Act, 1998 (Act No. 17 of 1998) and any other applicable Public Service Policy and/or processes.

#### **5.3.4 HUMAN RESOURCES IMPLICATIONS AT PD LEVEL**

- The accreditation of municipalities will no doubt have an impact on the human resources arrangements at PD level. PD's will need to address this issue based on the agreements they make with the accredited municipality regarding the transfer of staff and other details.
- Accompanying each approval for accreditation by an MEC (as proclaimed by the Premier) should be a PD accreditation plan that addresses the consequential shifts in capacities and responsibilities in that PD, and how it will be managed.
- The drafting of the PD accreditation plan will be the responsibility of the PD accreditation unit.



## Accreditation of Municipalities

### **PART A: Accreditation Framework**

- 1 Overview
- 2 Accreditation Provisions and Prescripts
- 3 Application Procedure
- 4 Institutional Arrangements
- 5 Funding Arrangements
- 6 Capacity Support**
- 7 Governance, Reporting and Oversight Arrangements
- 8 Conflict Resolution
- 9 Systems and Procedures
- 10 Reporting and Monitoring Requirements
- 11 Implementation Arrangements



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Department:  
Human Settlements  
REPUBLIC OF SOUTH AFRICA



## 6 CAPACITY SUPPORT

- To ensure that delivery is not stalled as a result of the accreditation process, it is critical that the necessary capacity for the given level of accreditation is in place within the municipality before the specific roles and functions are assigned.
- PD's and municipalities are jointly responsible, for ensuring that such capacity either exists or is developed.

### 6.1 ACCREDITATION UNITS AT PD LEVEL

- PD's will do everything they can to facilitate the capacity development of all municipalities within their area of jurisdiction.
- Municipalities prioritised for accreditation will however be their priority. Consequently, PD's will establish specific accreditation units within their PD's, whose responsibility it will be to:
  - Implement capacity building and support programmes in those municipalities on the basis of the needs identified;
  - Resolve any changes in institutional arrangements, staffing and other details that must happen at provincial level as a result of the accreditation of a particular municipality; and
  - Resolve any provincial and municipal blockages to the accreditation process, identifying and responding to problems as they arise.
- PD accreditation units will also be responsible to ensure that all the necessary systems and procedures are in place, both within the PD and the accredited municipality.
- In this regard, the PD unit will need to have the necessary IT, programme and project management, and financial administration capacity to develop the required systems and procedures.

### 6.2 ACCREDITATION UNIT AT ND LEVEL

- An accreditation unit will also be established within the ND, with the responsibility of facilitating the Programme nationally as well as monitoring and evaluating progress of the National Accreditation Programme.
- This unit will interface with the capacity building, monitoring and evaluation, financial and system components within the ND's establishment to ensure the

capacity development of prioritised municipalities seeking accreditation as well as the establishment of the necessary reporting systems.

## Accreditation of Municipalities

### **PART A: Accreditation Framework**

- 1 Overview
- 2 Accreditation Provisions and Prescripts
- 3 Application Procedure
- 4 Institutional Arrangements
- 5 Funding Arrangements
- 6 Capacity Support
- 7 Governance, Reporting and Oversight Arrangements**
- 8 Conflict Resolution**
- 9 Systems and Procedures
- 10 Reporting and Monitoring Requirements
- 11 Implementation Arrangements



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Department:  
Human Settlements  
REPUBLIC OF SOUTH AFRICA

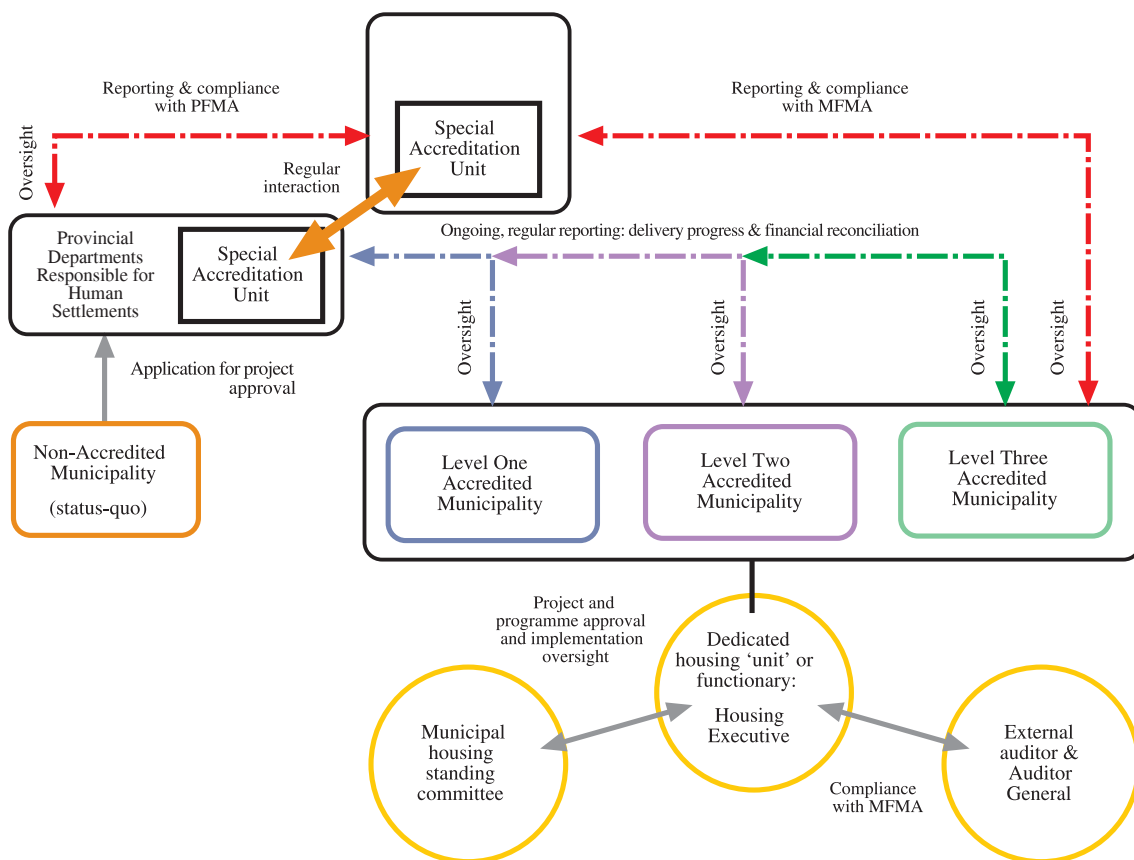




## 7 GOVERNANCE, REPORTING AND OVERSIGHT ARRANGEMENTS

- Municipalities operate in a statutorily defined, tried and tested set of governance arrangements.
- These have been developed over many years by municipalities and have been refined and encoded in the requirements of the Municipal Finance Management Act, 2003.
- All municipalities seeking accreditation must have established governance, reporting and oversight arrangements as illustrated in the following diagram:

**Figure 2: Governance, Reporting and Oversight Arrangements**



- As illustrated above, municipalities must establish a dedicated housing 'function' or assign a dedicated functionary to the housing functions in the accredited municipality.

- This functionary will engage with the municipal housing standing committee regarding programme and project prioritisation, subsidy budget planning, project approval and the implementation of other accreditation-linked functions.
- An accredited municipality may wish to invite the PD's official responsible for accreditation to participate as an observer in its housing standing committee in order to facilitate improved communication and interaction.
- Furthermore the accredited municipality's housing function will be subject to external audit, and the oversight of the Auditor General in respect of compliance with the MFMA, 2003.
- At the PD and the ND's level, the accreditation units will oversee the accreditation process and perform the necessary functions to ensure that it succeeds.
- The reporting requirements to be applied are as per those specified in the annual DORA, in the PFMA, 1999 and MFMA, 2003 and by the ND. As illustrated above, accredited municipalities will report both to their PD and the ND.
- The guidelines seek to streamline reporting so that where possible, the same report is prepared and submitted to both the PD and the ND. However, the reporting requirements to the different spheres of government have different intentions.
- Reporting to the PD is required in order to facilitate the PD's oversight role and to ensure that progress is consolidated into the PD's year end report against provincial plans.
- Reporting to the ND is required by Level Three accredited municipalities for accounting purposes and financial reconciliation.

## **8 CONFLICT RESOLUTION**

- It is envisioned that conflict may arise between the ND and the PD or municipality, between a PD and a municipality, between provinces, or between municipalities. In such cases, a clear conflict resolution procedure will assist in resolving the dispute timeously and without causing undue disruption in respect of the Accreditation Programme as a whole.
- Any dispute arising between the MEC and a municipality concerning the assignment of functions which cannot be resolved in accordance with the principles of co-operative government (as set out in Chapter 3 of the Constitution) must be referred to the Minister, for a decision on the matter. The Inter-Governmental Relations Framework Act, 2005 must prevail where the matter is not specifically covered in the Housing Act, 1997.



## Accreditation of Municipalities

### **PART A: Accreditation Framework**

- 1 Overview
- 2 Accreditation Provisions and Prescripts
- 3 Application Procedure
- 4 Institutional Arrangements
- 5 Funding Arrangements
- 6 Capacity Support
- 7 Governance, Reporting and Oversight Arrangements
- 8 Conflict Resolution
- 9 Systems and Procedures**
- 10 Reporting and Monitoring Requirements
- 11 Implementation Arrangements



**human settlements**

Department:  
Human Settlements  
REPUBLIC OF SOUTH AFRICA



## 9 SYSTEMS AND PROCEDURES

- Systems and procedures relate to the management information and administration systems, the IT and systems requirements, access to databases required, and so on.
- Minimum systems and procedures requirements, which must be fulfilled before a municipality is accredited, are set out in the table below.

**Table 3: Systems & Procedures**

FUNCTIONS	Expected systems & procedures
Policy and planning	
Housing strategy: (IDP)	No change. Existing systems apply.
Housing plan and budget: (IDP)	
Housing policies: procurement, allocation, etc.	
Level 1: Subsidy budget planning and allocation process & priority programme management / admin	
Housing subsidy budget	The implementation of a <ul style="list-style-type: none"> <li>• Budget tracking system, which tracks the total and annual budget allocations from the (1) equitable subsidy allocation and the (2) PD subsidy supplement, as well as calculates data required in terms of accessing the accreditation fee for operational funding.</li> <li>• Document management system, which manages all electronic and physical documentation generated in terms of accreditation, including how and where documents are filed and archived. This should be updated as the municipality registers for each successive level of accreditation.</li> <li>• Accreditation reporting system, which accredited municipalities' use to report to the PD on overall delivery progress and to provide financial reconciliation accounts.</li> </ul> Ability to get spatial planning information, via a Geographic Information System (GIS) which tracks the spatial location of programmes, projects and house project data, or some other kind of system (e.g. head or hut count).
Subsidy / fund allocations	
Project identification	
Priority programme management / administration	



FUNCTIONS	Expected systems & procedures
	Programme management systems installed. These should include a: <ul style="list-style-type: none"> <li>• Project tracking system for the priority programme(s)</li> <li>• Procedures and operations manual for the priority programme(s)</li> </ul>
<b>Level 2: Full programme management / administration</b>	
Project / Programme approval	Programme management systems installed. These should include a: <ul style="list-style-type: none"> <li>• Project tracking system, which tracks the status of all projects from application to close out, providing project data on a regular basis</li> <li>• Procedures and operations manual, including all the policies, procedures, procedural steps and pro-forma documentation for the entire housing subsidy administration programme. The manual must be updateable and a regular system for updates must be implemented.</li> <li>• Municipal HSS, which tracks the approved subsidy amount against the project and the payment of the subsidy against project payment milestones. This system should be linked with the NHSDB, the Deeds Register and Population Register.</li> </ul>
Contract administration	
Programme management	
Subsidy registration	
Technical (construction) quality assurance	
<b>Level 3: Financial administration</b>	
Subsidy disbursements	Financial systems compliant with specifications from the ND and PD in place, including a: <ul style="list-style-type: none"> <li>• Cash flow tracking system which tracks cash flow expenditure against budget for each project and programme, also tracking administration costs.</li> <li>• Reporting systems, management information systems, standard accounting procedures, etc.</li> </ul> In respect of these various systems, a standardized system common to all PD's and accredited municipalities must be implemented.
Financial reporting and reconciliation	
<b>Subsidy &amp; property administration</b>	
Eligibility check	No change – existing systems and procedures apply.
Subsidy applications	

FUNCTIONS	Expected systems & procedures
Allocation of subsidy / house	
Transfer	
Project management	
Subsidy registration	
Approval of special applications	No change – existing systems and procedures apply.

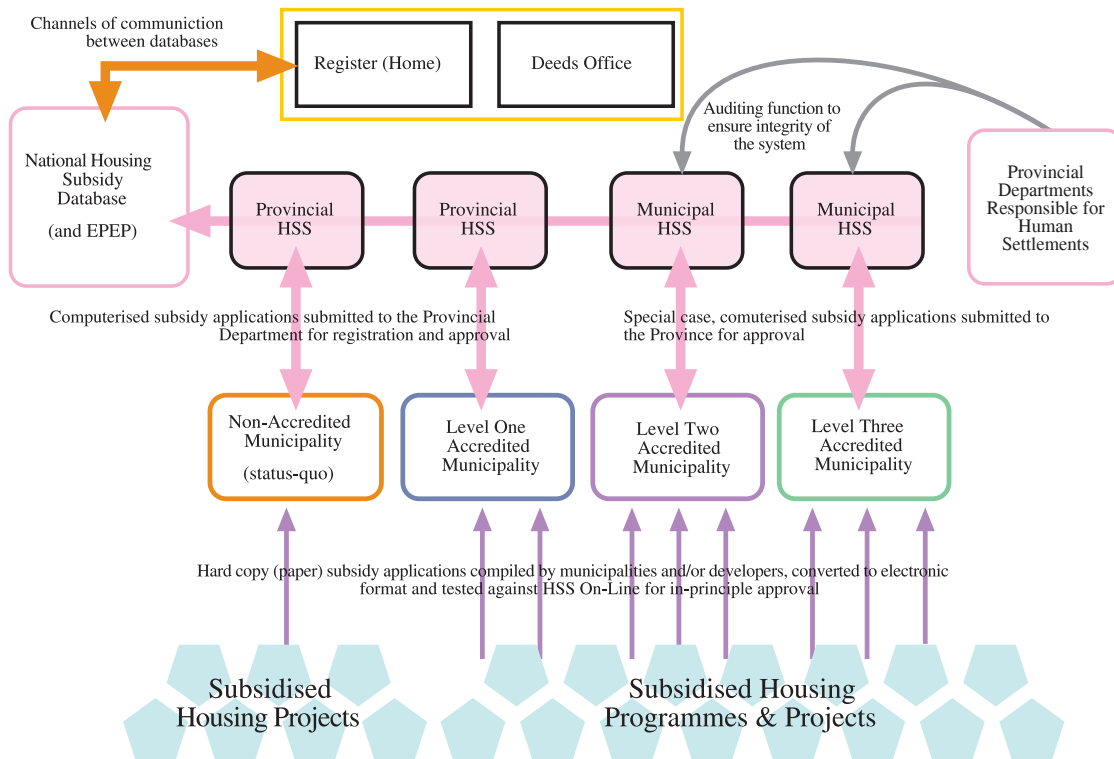
- To the extent that a municipality registers for successive levels of accreditation over time, the capacity developed in terms of the previous level must be updated to accommodate the demands of the subsequent level.
- Where it is deemed efficient, the ND or the PD may require that standardised systems, procedures and packages be implemented as a condition of accreditation to ease communication, reporting and monitoring between administrations and spheres of government.

### 9.1 SUBSIDY REGISTRATION

- Accredited municipalities will need to establish Housing Subsidy Systems (HSS) to engage with the NHSDB. The ND will assist in this regard.

The arrangements are illustrated below:

**Figure 3: Subsidy Registration**



In respect of the above diagram:

- The accredited municipality receives all documentation, checks that this is sufficient and adequate, verifies objective facts, and enters this into a pre-determined electronic application.
- The electronic application, including all the necessary information in the single electronic file is submitted to the system, HSS-Online, which confirms or denies eligibility.
- If the applicant is eligible for the housing subsidy, the Level Two and Level Three municipalities will enter the electronic file into its own HSS database which then links with the NHSDB. This also applies to Level One accredited municipalities in respect of their priority programmes; to the extent they have agreed with the PD that they will administer this function. For non-accredited, or Level One accredited municipalities, the PD remains responsible for this function. The accredited municipality then allocates and, if necessary, transfers the housing unit to the qualifying beneficiary.
- PD's will audit the management of accredited municipalities of their own HSS' and their engagement with the NHSDB to ensure that the integrity of the system is secure.

- In instances where an accredited municipality is seeking approval for non-qualifiers on the basis of an exemption from the qualifying criteria, PD's will make this decision, irrespective of the level of accreditation of the particular municipality.

## 9.2 FINANCIAL ADMINISTRATION

- The financial administration systems to be maintained by accredited municipalities will be standardised for each level of accreditation.
- This will facilitate efficient communication between spheres of government and assist in the overall administration, monitoring and evaluation process.
- All accredited municipalities will be required to submit annual budgets based on the three-year MTEF and, reconcile expenditure against these.
- The budgeting function includes:
  - The development of an administration (accreditation fee) and housing projects budget and project cash flows (based on the equitable subsidy allocation received).
  - The review and endorsement of the budget and cash flow by the Housing Executive and Housing Committee.
  - Submission of budget and cash flow to the PD and the review by the PD.
  - Monthly management of the expenditure and cash flow against the original budget; and
  - Reporting on expenditure and cash flow against budget.



## Accreditation of Municipalities

### **PART A: Accreditation Framework**

- 1 Overview
- 2 Accreditation Provisions and Prescripts
- 3 Application Procedure
- 4 Institutional Arrangements
- 5 Funding Arrangements
- 6 Capacity Support
- 7 Governance, Reporting and Oversight Arrangements
- 8 Conflict Resolution
- 9 Systems and Procedures
- 10 Reporting and Monitoring Requirements**
- 11 Implementation Arrangements**



**human settlements**

Department:  
Human Settlements  
REPUBLIC OF SOUTH AFRICA



## 10 REPORTING AND MONITORING REQUIREMENTS

- The intention of the municipal Accreditation Programme is to improve the coordination and overall rate of housing delivery. Ongoing and regular reporting, monitoring and evaluation are therefore a fundamental component of the Accreditation Programme and critical to its success.
- The reporting, monitoring and evaluation system will, at a minimum, encompass the following:
  - Compliance with ND and PD housing policy
  - Compliance with the Municipality's approved Housing Plan (incorporated in the municipal IDP)
  - Financial reconciliation, management and administration; and
  - critical areas for intervention on outputs and outcomes.
- Nationally standardised reporting systems and formats will apply specifically around the following:
  - Financial reports and reconciliation; and
  - delivery progress reports covering outputs and outcomes.
- On an annual basis, an assessment will be conducted of each of the accredited municipalities to verify compliance, effectiveness and impact of their housing programmes.
- To ensure that accredited municipalities participate as specified in the guidelines, the payment of the delivery-based tariff is linked to provincial receipt of the various required reports.





## 11 IMPLEMENTATION ARRANGEMENTS

- The accreditation of municipalities to administer National Housing Programmes will be dependent upon the satisfaction of certain capacity criteria and the subsequent delegation of functions for Levels One and Two, and the eventual assignment of Level Three functions by proclamation.
- The municipality's external auditor will be responsible for certifying that municipalities meet the required criteria for a given level of accreditation. The criteria for accreditation in respect of the three levels are set out in the guidelines.
- The auditor's certificate of compliance will then be submitted, together with the municipal housing plan, the accreditation business plan, and a request for accreditation, to the MEC of the province in which the municipality is situated.
- The MEC will review this documentation and in the case of Level Three accreditation, will advise the Premier and initiate the proclamation of the relevant assignment by the Premier in the Provincial Gazette. Such a proclamation could be in respect of more than one municipality if they are seeking Level Three accreditation simultaneously.
- The Constitution requires assignment to be by agreement. The Memorandum of Understanding concluded between the PD and the municipality will constitute the necessary agreement.
- MECs will prioritise specific municipalities in their areas of jurisdiction for accreditation. These municipalities will be invited to apply for accreditation in terms of Section 10 of the Housing Act, 1997 as amended.
- PD's will agree, periodically, with the ND in the context of the MINMEC on the municipalities prioritised for accreditation – this then becomes the basis on which they have to perform.



## Accreditation of Municipalities

### **PART B: Accreditation Guidelines**

- 12 Purpose**
- 13 Accreditation Framework**
- 14 Application Objectives**
- 15 Levels of Housing Accreditation**
- 16 Functions and Skills Required for Each Level of Accreditation**
- 17 Procedure for Accessing Accreditation
- 18 Eligibility Criteria
- 19 Accredited Functions and HR Capacity Implications
- 20 Municipal Procedures Once Functions Have Been Delegated
- 21 Monitoring and Evaluation
- 22 Municipal Operational Costs
- 23 Annual Funding Cycle
- 24 Templates



**human settlements**

Department:  
Human Settlements  
REPUBLIC OF SOUTH AFRICA



## **PART B: ACCREDITATION GUIDELINES**

### **12 PURPOSE**

The purpose of these guidelines is to provide guidance for the accreditation of municipalities to carry out the housing functions which includes a programmatic approach to the implementation of accreditation within these municipalities.

### **13 ACCREDITATION FRAMEWORK**

These implementation guidelines are based on the associated accreditation framework and should be read in terms of the framework. The salient components of the framework are summarised in these guidelines, however, should more detail be required one should refer to the framework.

### **14 ACCREDITATION OBJECTIVES**

To enable municipalities to plan, manage, and efficiently and effectively deliver sustainable and affordable housing, that meets the needs of the communities within the area of jurisdiction they serve.

### **15 LEVELS OF HOUSING ACCREDITATION**

- Given that the capacity of municipalities is not uniform, three levels of accreditation are defined.
- Municipalities will be entitled to determine to which level they wish to become accredited and the pace at which they wish to access accreditation for such levels.
- Their intentions will be supported by PDs, as well as the ND, as part of a focused capacity building programme.

#### **15.1 DEFINING LEVELS OF ACCREDITATION**

- Accreditation levels are both functionally and programmatically defined. All levels are meaningful in terms of how they respond to the principles of accreditation.

- Progressive levels require a higher degree of capacity, which the municipality must demonstrate to an external auditor.
- The three levels, and the functions they comprise, are set out in the following table.

**Table 4: Levels of Housing Accreditation**

Level	Components and Definition
<b>Level 1: Delegation</b>	<p>Subsidy budget planning and allocation and priority programme management and administration: This includes housing subsidy budgetary planning across programmes and projects; planning of subsidy/fund allocations, and project identification. It also includes programme management and administration functions for specific, prioritised programme(s) identified in consultation with the PD. As set out in the Housing Act, municipal responsibilities for local beneficiary management, local housing priorities and the management of public stock remain municipal responsibilities.</p> <p>Applicable to all national and provincial housing programmes, with the exception of the individual and relocation subsidy mechanisms, this remains the responsibility of the PD.</p>
<b>Level 2: Delegation</b>	<p>Programme management and administration: This includes project evaluation and approval, contract administration, subsidy registration, programme management including cash flow projection and management and technical (construction) quality assurance.</p> <p>Applicable to all national and provincial housing programmes, with the exception of the individual and relocation subsidy mechanisms, this remains the responsibility of the PD.</p>
<b>Level 3: Assignment</b>	<p>Assignment and Financial administration: This includes subsidy payment disbursements, and financial reporting and reconciliation, as well as the assignment of all Level One and Level Two functions.</p> <p>Applicable to all national and provincial housing programmes, with the exception of the individual and relocation subsidy mechanisms, this remains the responsibility of the PD.</p>

## 16 FUNCTIONS AND SKILLS REQUIRED FOR EACH LEVEL OF ACCREDITATION

### **Level 1 - Subsidy budget planning and allocation, and priority programme management and administration:**

- This is the most significant step, both in terms of delegating responsibility and enabling integration and coordination to take place.
- This will include focused internal capacity to commission, produce and implement housing strategies, plans and budgets. Further, municipalities will

be required to do the range of tasks associated with project identification and preliminary project assessments.

- Priority programme management and administration includes the delegation of programme and project evaluation and approval functions for (a) specific priority programme(s); and for contract administration, subsidy registration (where agreed), programme management including cash flow projection and management and technical (construction) quality assurance functions for that/those priority programme(s).

### **Level 2 - Full Programme management and administration:**

- Involves the additional delegation of responsibility for all programme management and administration.
- In order to undertake the functions associated with this level, municipalities will require the necessary capacity to commission, produce and implement project feasibility assessments, (which will be undertaken by professional engineers, town planners or certified project managers).
- With level two accreditation, subsidy registration via the HSS into the NHDDB is devolved to the municipality.
- Municipalities will also require programme administration skills and experience in line with the scale of activities planned for the municipality including project cash flow management and contract administration and they also will be required to install standardized programme management systems and a municipal HSS.
- Municipalities with level 1 and 2 accreditation will not, however, undertake the financial management of their budgets. This will continue to be undertaken by PDs, which has the capacity and systems necessary for that function to proceed efficiently.
- That said, legislative provisions in DORA will ensure that PDs will be obliged to allocate funding as prioritised and programmed by the accredited municipality, in a manner that is both effective and efficient and which does not delay the municipality's ability to operate within their sphere of responsibility.

### **Level 3 - Assignment and Financial administration:**

- Involves the full assignment of Level 1 and Level 2 functions, and the additional assignment of responsibility for financial administration thus completing the full extent of the housing function and so completing the assignment of the housing function to a specific municipality. In order to undertake the functions



associated with the financial administration, including subsidy payment disbursements and financial reporting and reconciliation, municipalities will require focused internal financial management and administrative capacity.

- In addition, the municipality will be required to have in place financial systems that are compliant with national specifications.
- A municipality may seek accreditation in respect of each level on a consecutive basis, or concurrently, depending on its own capacity parameters and housing intentions. However, no municipality may seek accreditation in respect of level three without already being accredited or seeking accreditation for levels two and one.
- Similarly, municipalities seeking level two accreditation must already be accredited for level one, or seeking level one accreditation in the same application.

## Accreditation of Municipalities

### **PART B: Accreditation Guidelines**

- 12 Purpose
- 13 Accreditation Framework
- 14 Application Objectives
- 15 Levels of Housing Accreditation
- 16 Functions and Skills Required for Each Level of Accreditation
- 17 Procedure for Accessing Accreditation**
- 18 Eligibility Criteria**
- 19 Accredited Functions and HR Capacity Implications**
- 20 Municipal Procedures Once Functions Have Been Delegated
- 21 Monitoring and Evaluation
- 22 Municipal Operational Costs
- 23 Annual Funding Cycle
- 24 Templates



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Department:  
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REPUBLIC OF SOUTH AFRICA



## 17 PROCEDURE FOR ACCESSING ACCREDITATION

All municipalities shall be entitled to apply for a particular level of accreditation, depending on their ability to meet certain capacity criteria. The process is set out in the table below.

**Table 5: Procedure for Accessing Accreditation**

Step	Description	Responsibility
<b>Step 1</b>	Identification by MECs and Municipalities: MECs and municipalities will identify from time to time specific municipalities in the province to be accredited. Municipalities may make their expectations known to the MEC in a letter of intent which must be considered by the MEC. The MEC must draft a formal response to this application, stating when such accreditation is likely to be granted and on what conditions.	MECs and Municipalities
<b>Step 2</b>	Accreditation Application – Municipalities indicate they want to be accredited in respect of a particular level of accreditation. To do so, they must already have their housing plan approved by their council after taking into account comments received from the PD. The municipality determines their pre-accreditation capacity needs in order to formulate an accreditation business plan (refer to pre-accreditation application template T01).	Municipality
<b>Step 3</b>	Pre-Accreditation Capacitation – On the basis of the municipality's stated accreditation intention and identified capacity needs in order to prepare and accreditation business plan, ND provides capacitation funding for the pre-accreditation phase through the PD in order to provide targeted technical assistance towards the development of the accreditation business plan (i.e. pre-accreditation capacitation funding)	PD
<b>Step 4</b>	Accelerated Municipal Housing Delivery Plan - The municipality prepares the accreditation business plan (see template T02) for the particular level (or levels) of accreditation that is being sought, with the technical support provided by PD, if necessary and submits the business plan to the province for review.	Municipality (supported by PD with capacitation funding from ND)
<b>Step 5</b>	Endorsement of Accelerated Municipal Housing Delivery Plan – The business plan is reviewed by the PD and provided it complies with the PD requirements is endorsed. Approval on the basis of the accreditation guidelines by the province and the MEC provides “conditional accreditation” to the municipality for the municipality to implement the business plan in pursuit of full accreditation for the level of accreditation applied for. The province provides capacity funding to enable the	PD

Step	Description	Responsibility
	municipality to implement the capacity requirements of the business plan (hiring of staff, development of new systems etc.).	
<b>Step 6</b>	Capacitation Funding – On the basis of the conditional accreditation approval, the ND provides capacity funding through the PD to enable the municipality to implement the capacity requirements of the business plan (hiring of staff, staff training, development of new systems, etc.)	PD (capacitation funding from ND)
<b>Step 7</b>	Implementation of Accreditation Business Plan – On the basis of the plan approval by the MEC and capacitation funding provided by PD, the municipality implements the business plan and provides monthly progress reports to PD (see template T03)	Municipality
<b>Step 8</b>	Compliance Certification – Within the time frame specified in the business plan, the municipality implements the capacity requirements on the basis of which the municipality’s auditors confirm compliance by issuing a “compliance certificate”. This compliance certificate confirms that the municipality has fulfilled the capacity requirements in terms of the business plan and therefore meets the requirements to receive full accreditation for the level applied for. This compliance certificate is submitted to the PD. (see template T04)	Municipality’s Auditors – initiated by the Municipality
<b>Step 9a</b>	Full Accreditation Approval (Level 1 and 2) – On the basis of the issued compliance certificate, the MEC delegates the functions relevant to the level of accreditation applied for	PD (MEC)
<b>Step 9b</b>	Full Accreditation Approval (Level 3): Complete Assignment – On the basis of the issued compliance certificate, the MEC approves the Level 3 accreditation of the municipality and Premier issues a proclamation, assigning the municipality the full housing function (subject to the National Housing Act) and in line with Section 156(4) etc. of the Constitution	MEC and Premier

## 18 ELIGIBILITY CRITERIA

Municipalities must meet specific criteria (including performance quality indicators) in order to be accredited for a particular level. These are summarised in the table below:

Table 6: Accreditation Eligibility Criteria by Level

FUNCTIONS	Criteria
<b>Level One: Subsidy budget planning and allocation process &amp; priority programme management / administration</b>	
Housing subsidy budget	<ul style="list-style-type: none"> <li>• Approved housing strategy, plan and budget</li> <li>• Accreditation business plan – section for Level One</li> <li>• Necessary capacity to be enhanced, confirmed by an auditor, including:                             <ul style="list-style-type: none"> <li>- Ability to draft a business plan for Level One accreditation.</li> <li>- Ability to produce and implement housing strategies, plans and budgets, or commission and manage such functions.</li> <li>- Ability to do project identification and assessment</li> <li>- Ability to produce and undertake project feasibility assessments (undertaken by professional engineers, town planners or certified project managers (in-house or contracted) for priority programme(s))</li> </ul> </li> <li>- Programme administration skills / experience relevant to the priority programme(s) and in line with the scale of activities planned for the municipality.</li> </ul>
Subsidy/fund allocations	
Project identification	
Priority programme management & administration: manage beneficiaries and manage stock / priority	
<b>Level Two: Full programme management / administration</b>	
Project/Programme approval	<ul style="list-style-type: none"> <li>• Approved housing strategy, plan and budget</li> <li>• Accreditation business plan – section for Level Two</li> <li>• HSS in place and ability to undertake subsidy registration function</li> <li>• Necessary capacity to be enhanced, including:                             <ul style="list-style-type: none"> <li>- Ability to draft a business plan for Level Two accreditation</li> <li>- Ability to produce and undertake project feasibility assessments (undertaken by professional engineers, town planners or certified project managers (in-house or contracted) for all programmes.</li> <li>- Programme administration skills / experience in line with the scale of activities planned for the municipality.</li> </ul> </li> </ul>
Contract administration	
Programme management	
Subsidy registration	
Technical (construction) quality assurance	
<b>Level Three: Assignment and Financial administration</b>	
Subsidy disbursements	<ul style="list-style-type: none"> <li>• Approved housing strategy, plan and budget</li> <li>• Accreditation business plan – section for Level Three</li> <li>• Necessary capacity to be enhanced, confirmed by an auditor, including:                             <ul style="list-style-type: none"> <li>- Ability to prepare or commission a business plan for Level Three accreditation</li> <li>- Financial management with ability to review, report and</li> </ul> </li> </ul>
Financial reporting and reconciliation	

FUNCTIONS	Criteria
	manage subsidy disbursements and financial reporting and reconciliation.

## 19 ACCREDITED FUNCTIONS AND HUMAN RESOURCE CAPACITY IMPLICATIONS

- Accredited municipalities must be able to carry out specific functions for the various accreditation levels and will thus require specific capacity and skills as well as systems to be able to carry out the accreditation functions.
- Municipalities may outsource some of the capacity requirements except for the core overall housing accredited functions if this provides a more efficient and economical solution.

### 19.1 ACCREDITED FUNCTIONS

The table below sets out the specific functions that municipalities will need to perform, and the key capacities that will be required for the various levels of accreditation.

**Table 7: Accreditation Functions and HR capacity implications**

FUNCTIONS	HR capacity implications
Policy and planning	
Housing strategy: (IDP)	No change – existing arrangements apply.
Housing plan and budget: (IDP)	
Housing policies: procurement, allocation, etc.	
<b>Level 1: Subsidy budget planning and allocation process &amp; priority programme management / admin</b>	
Housing subsidy budget	<ul style="list-style-type: none"> <li>• Ability to draft a business plan for Level One accreditation.</li> </ul>
Subsidy/fund allocations	<ul style="list-style-type: none"> <li>• Ability to produce and implement housing strategies, plans and budgets, or commission</li> </ul>

FUNCTIONS	HR capacity implications
Project identification	and manage such functions. <ul style="list-style-type: none"> <li>• Ability to do project identification and assessment</li> </ul>
Priority programme management / admin	<ul style="list-style-type: none"> <li>• Ability to produce and undertake project feasibility assessments for the priority programme(s)</li> <li>• Programme administration skills/experience in line with the scale of activities planned for the municipality.</li> </ul>
<b>Level 2: Full programme management / administration</b>	
Project/Programme approval	<ul style="list-style-type: none"> <li>• Ability to draft a business plan for Level Two accreditation</li> <li>• Ability to produce and undertake project feasibility assessments (undertaken by professional engineers, town planners or certified project managers (in-house or contracted)).</li> <li>• Programme administration skills / experience in line with the scale of activities planned for the municipality.</li> </ul>
Contract administration	
Programme management	
Subsidy registration	
Technical (construction) quality assurance	
<b>Level 3: Assignment &amp; financial administration</b>	
Subsidy disbursements	<ul style="list-style-type: none"> <li>• Ability to prepare or commission a business plan for Level Three accreditation</li> <li>• Financial management with ability to review, report and manage subsidy disbursements and financial reporting and reconciliation.</li> </ul>
Financial reporting and reconciliation	
Subsidy & property administration	
Eligibility check	No change: Existing arrangements apply.
Subsidy applications	
Allocation of subsidy / house	



FUNCTIONS	HR capacity implications
Transfer	
Project management	
Subsidy registration	
Approval of special applications	No change: Functions remain responsibility of PD.

## 19.2 KEY CAPABILITIES

In order to carry out the accredited functions set down in section 4 above, municipalities will require to have the suitably-qualified personnel in-house (or achieve this through outsourcing) for key capabilities set down in table 5 below. In this context capability refers to the specific skills required.

**Table 8: Key Accreditation Capabilities Required**

<b>Level 1: Subsidy Budget Planning and Allocation Process &amp; Priority Programme Management / Administration</b>
<p>Housing Management – overall responsibility for the housing accreditation function, requiring good overall management and administration experience and expertise, as well as specific understanding of the housing programmes, accreditation process and housing subsidy administration</p> <p>Housing Subsidy &amp; Budget Planning – requiring specific expertise in understanding of integrated planning to produce an IDP and housing plan, understanding of demographics, housing typologies and housing backlog determination, the National Housing Programmes and ability to prioritize housing budgets against various housing programmes to best implement the housing plan with the available budget</p> <p>Priority Programme Management &amp; Administration – requiring specific expertise as set out below, in respect of programme management, contractor administration, subsidy administration and quality control for the priority programme(s).</p>
<b>Level 2: Full Programme Management and Administration</b>
<p>Programme Management – requiring specific expertise to manage the housing programmes and carry out the contract management, including cash flow projection and management and programme monitoring, quality assurance of housing projects and reporting performance</p> <p>Contractor Administration – requiring specific skills in contract management and administration including performance and compliance monitoring, payment certification, contract expenditure</p>

<p>and budget management</p> <p>Subsidy Administration – able to register and ensure compliance of individual beneficiary subsidy applications, thorough operational understanding of the HSS, ability to administrate the filling of individual subsidy applications</p> <p>Quality Control – requiring specific skills in housing quality and contract compliance planning, monitoring and reporting</p>
<p><b>Level 3: Assignment &amp; Financial Administration</b></p>
<p>Financial Administration – requiring an overall and thorough understanding of the MFMA, DORA, the municipal accounting and financial management system, financial reporting requirements, housing subsidy reconciliation for the various housing programmes. Ability to administer the subsidy allocations, reconcile individual subsidies against project expenditures for each housing programme and project, able to provide monthly financial reports and operate the HSS.</p>

### 19.3 CAPACITY REQUIREMENTS

- Dependent on the scale of the housing programmes to be administered within the municipality, the capacity (i.e. number of functionaries/staff) needed, within the above capabilities, will vary significantly from metropolitan to local municipalities.
- In the former significant capacity and support services will be needed given the scale, scope and complexity of the housing programmes to be managed, whereas in the later it may be feasible for these functions to be provided by one or two experienced and skilled housing experts i.e. multi-skilled personnel responsible for more than one function.
- Municipalities must indicate their capacity requirements and associated operational costs within their accreditation business plans drawn on the basis of their IDP.

### 19.4 SYSTEM REQUIREMENTS

In order to carry out the accreditation functions, municipalities will require to have operational capacity in terms of various information and computer systems in order to manage and report. The system requirements for the various accreditation levels are set down in table below.

**Table 9: Accreditation System Requirements**

<b>Level 1: Subsidy Budget Planning and Allocation Process &amp; Priority Programme Management / Administration</b>
<p>Municipal accounting and financial management system – compliant with the MFMA and in which housing budgets and expenditure per individual project (and cost item within a project) can be tracked and in which the housing transfers and expenditures against the transfers are able to be individually tracked.</p> <p>Spatial planning system - from various sources (such as plans, waiting lists, settlement head and house counts etc.) or preferably via a Geographic Information System (GIS) which provides demographic information and the spatial location of services, facilities, projects and house project data</p> <p>Budget tracking system - which tracks the total and annual budget allocations from the (1) equi housing subsidy allocation and the (2) provincial subsidy supplement, as well as calculates data required in terms of accessing the delivery-based tariff for operational funding.</p> <p>Document management system - which manages all electronic and physical documentation generated in terms of accreditation, including how and where documents are filed and archived. This should be enhanced and expanded as the municipality registers for each successive level of accreditation.</p> <p>Accreditation reporting system - which accredited municipalities use to report to the provincial department on overall delivery progress and to provide financial summaries</p> <p>Housing Subsidy System (HSS) – comprising the modules of the HSS appropriate to Level 1 functions including IT links to the province and national department</p> <p>Priority Programme Management &amp; Administration – requiring specific expertise as set out below, in respect of a project tracking system, procedures and operations manual, quality assurance system, housing subsidy system and document management system for the priority programme(s).</p>
<b>Level 2: Full Programme Management and Administration</b>
<p>Project tracking system - which tracks the status of all projects from application to close out, including cash flow projection and tracking actual expenditure against projection and budget and which provides project data on a regular basis</p> <p>Procedures and operations manual - including all the policies, procedures, procedural steps and pro-forma documentation for the entire housing subsidy administration programme. The manual must be updateable and a regular system for updates must be implemented.</p> <p>Quality assurance system - which links with the project tracking system</p> <p>Housing Subsidy System (HSS) – comprising the modules of the HSS appropriate to level 2 functions including registration of individual beneficiary subsidy applications</p> <p>Document management system (DMS) – expansion of the Level 1 DMS to cater for the Level 2 functions in particular the project data and individual subsidy application documentation.</p>

### **Level 3: Assignment & Financial administration**

Municipal accounting and financial management system – as for level 1.

Cash flow tracking system – as for level 2 which tracks cash flow expenditure against budget for each project and programme, also tracking administration costs.

Housing Subsidy System (HSS) – comprising the modules of the HSS appropriate to level 3 functions

DORA reporting - requirements in terms of Treasury requirements including monthly In Year Monitoring (IYM) of budget transfers and budget as well as quarterly reporting of financials and outputs.



## Accreditation of Municipalities

### **PART B: Accreditation Guidelines**

- 12 Purpose
- 13 Accreditation Framework
- 14 Application Objectives
- 15 Levels of Housing Accreditation
- 16 Functions and Skills Required for Each Level of Accreditation
- 17 Procedure for Accessing Accreditation
- 18 Eligibility Criteria
- 19 Accredited Functions and HR Capacity Implications
- 20 Municipal Procedures Once Functions Have Been Delegated**
- 21 Monitoring and Evaluation**
- 22 Municipal Operational Costs**
- 23 Annual Funding Cycle**
- 24 Templates**



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## 20 MUNICIPAL PROCEDURES ONCE FUNCTIONS HAVE BEEN DELEGATED

Once a municipality has been delegated the functions for a particular level of accreditation, the municipality will be required to perform the accredited functions applicable to that level. These functions are set down in the table below for the levels of accreditation.

**Table 10: Municipal Accreditation-linked Procedures once Accredited**

<b>Level 1: Subsidy Budget Planning and Allocation Process &amp; Priority Programme Management / Administration</b>
<p>Annual Municipal Housing Budget Planning – On an annual basis in advance of and to coincide with both the municipal annual financial year (July to June) and the provincial MTEF budgeting cycle (August of each year) the municipal housing accreditation manager is required to allocate the municipal housing budget to the various housing programmes and projects operational within the municipality (and include an indicative 3 year allocation in terms of the MTEF budget cycle) taking the following into account:</p>
<ol style="list-style-type: none"> <li>1) The housing priorities in terms of the municipal Housing Plan and Provincial Housing priorities;</li> <li>2) Performance and constraints in meeting the housing backlogs in the previous year;</li> <li>3) Contractual commitments carried forward on projects &amp; programmes from previous year;</li> <li>4) The availability of MIG funding in support of the infrastructure needs of housing projects;</li> <li>5) Availability of funding and planned implementation of social facilities associated with new housing projects such as schools and community facilities which could pose constraints ; and</li> <li>6) Any other factors that will influence the budget allocation.</li> </ol>
<p><b>Action steps</b></p> <p>The following are the typical action steps which will be involved:</p> <ol style="list-style-type: none"> <li>a) Notification by PD of the annual housing budget allocated to the municipality including indicative MTEF 3 year budget allocation based on the budget allocation formula approved by MINMEC and the provincial priorities;</li> <li>b) Preparation of the Annual Housing Budget Allocation Plan by the municipal Housing Unit and submission to the Municipal Housing Committee (MHC) for approval;</li> <li>c) Review and approval by MHC;</li> <li>d) Approval by Municipal Executive Council (if required by the council in terms of its delegation and governance requirements);</li> <li>e) Submission of the approved Annual Municipal Housing Budget Allocation Plan to the PD;</li> <li>f) Reservation by PD of the budget allocations to the housing priorities set down in the municipality's approved budget allocation.</li> </ol> <p>Monthly Reporting - to the PD on any changes to allocations as well as the motivation/reasons for such changes.</p> <p>For Priority Programme(s) – specific activities and procedures as set out below, in respect of an annual housing implementation plan, contract administration and quality control for the priority programme(s).</p>



## Level 2: Full Programme Management and Administration

2.1 Annual Housing Implementation Management Plan – On an annual basis in advance of both the municipal annual financial year (July to June) and the provincial MTEF budgeting cycle (August of each year) the municipal housing programme manager is required to prepare an annual housing implementation management plan in response to the municipalities annual housing plan and budget allocation plan indicating how the annual housing targets will be achieved and how the housing programmes will be managed for the year ahead. The plan must take the following into account:

- 1) The housing priorities in terms of the municipal multi-year Housing Plan, as reflected in the Annual Municipal Housing Budget Plan, from which the annual and MTEF housing targets will be derived;
- 2) Performance and constraints in meeting the housing backlogs in the previous year;
- 3) Contractual commitments carried forward on projects and programmes from the previous year;
- 4) The availability of MIG funding in support of the infrastructure needs of the housing projects;
- 5) The availability of funding and planned implementation of social facilities associated with new housing projects such as schools and community facilities which could pose constraints;
- 6) Any other factors that will influence the annual housing implementation plan;
- 7) Resource requirements as well as the resources currently available to manage and implement the plan;
- 8) Analysis of risks and risk mitigation measures;
- 9) Time and milestones to be achieved within the year;
- 10) Key performance measures which will be monitored and reported;
- 11) Budget requirements (capital and operational) to manage and implement the plan;
- 12) Plan for managing quality in the implementation

### Action Steps

The following are the typical action steps which will be involved:

- a) Prepare Annual Housing Implementation Management Plan and submit to the Municipal Housing Committee (MHC) for approval;
- b) Review and approval by MHC;
- c) Approval by the Municipal Executive Council (if required by the council in terms of its delegation and governance requirements);
- d) Implementation of the annual housing implementation management plan by the accreditation unit;
- e) Monthly monitoring and reporting of progress and performance against the plan and ongoing planning for the remainder of the year by the housing programme manager.

2.2 Contract Administration – monthly administration of the programmes and projects comprising reviewing budgets, expenditure and variations against budget and cash flow and confirming performance against the contracts, payment certification of project payment claims, planning for the remainder of the year and reporting progress.

2.3 Quality Control – monthly verification of quality performance within each project and programme against quality standards set in the annual housing implementation management plan.

Reporting – monthly reporting of expenditure, progress, performance, constraints, risks and action plans to the municipal manager and PD.

Subsidy Administration – comprising the following key monthly activities:

- 1) Data capture of all individual beneficiary subsidy applications into the HSS;
- 2) Reconciliation of individual subsidies against projects for all project related subsidies (i.e. including not only project linked but also institutional, consolidation, hostels upgrading);
- 3) Confirming approval of the beneficiaries to receive subsidies including checks with the Deeds registry and Population Register via the HSS;
- 4) Filing of all subsidy related documentation both electronically and hard copies of beneficiary subsidy applications and supporting documentation within the subsidy application registry;
- 5) Monthly reporting from the HSS of beneficiary subsidy approvals;
- 6) Preparing motivations for beneficiary application exceptions to the PD for approval of exceptions by PD;
- 7) Monitoring decisions on exceptions from PD and responding with appropriate actions

### **Level 3: Assignment & Financial Administration**

3.1 Financial administration – comprising the following key monthly activities:

- 1) Monthly reconciliation of expenditure against budget for all housing related items including operational costs on the municipal accounting & financial management system;
- 2) Updating the HSS with the expenditure reflected in the municipal financial accounting and management system;
- 3) Monthly reporting of expenditure against budget and cash flow for all housing related costs per programme and per project;
- 4) Preparation of monthly In Year Monitoring (IYM) reports (in terms of DORA) to ND for incorporation by the ND into the IYM report as well as quarterly DORA report;
- 5) Preparation of monthly report from the HSS to PD and ND in the prescribed format;
- 6) Final reconciliation and financial close out of completed projects
- 7) Closure and archiving of completed project files

## **21 MONITORING AND REPORTING**

### **21.1 PERFORMANCE MONITORING**

- Performance of the municipal housing programmes should be monitored by the PD in order to provide early warning of problems so that they can be timeously rectified.
- Monitoring of performance and reporting against performance should be focused on the key performance indicators (KPIs) set down in the table below.

**Table 11: Key Performance Indicators for Performance Monitoring**

<b>Level 1: Subsidy Budget Planning and Allocation Process &amp; Priority Programme Management / Administration</b>
<ol style="list-style-type: none"> <li>1) Annual municipal housing plan produced and approved by the municipality and submitted to PD.</li> <li>2) Annual Municipal Housing Budget Allocation Plan prepared and approved by the municipal council and submitted to PD on time.</li> <li>3) All municipal housing budgets allocated to programmes and projects according to the time and projections set down in the budget allocation plan.</li> <li>4) Monthly progress reports provided on time by the municipality.</li> <li>5) Annual Housing Implementation Management Plan as set out below, for priority programme(s).</li> </ol>
<b>Level 2: Full Programme Management and Administration</b>
<ol style="list-style-type: none"> <li>1) Annual Housing Implementation Management Plan produced and approved by the municipality and submitted to PD on time.</li> <li>2) Monthly and annual subsidy targets achieved.</li> <li>3) Monthly and annual expenditure achieved.</li> <li>4) Cash flow projections achieved.</li> <li>5) Quality of housing products accepts and to specification.</li> <li>6) Monthly progress reports provided on time by the municipality.</li> <li>7) Individual beneficiary subsidy applications correctly registered on the HSS with correct supporting documentation.</li> </ol>
<b>Level 3: Assignment &amp; Financial Administration</b>
<ol style="list-style-type: none"> <li>1) Municipality received unqualified audit for housing function.</li> <li>2) HSS monthly reporting provided on time and to quality requirements.</li> <li>3) Monthly subsidy reconciliations provided on time and to quality requirements.</li> <li>4) Monthly reports provided on time and to quality requirements.</li> <li>5) Project completion reconciliations undertaken timeously.</li> </ol>

## 21.2 MUNICIPAL REPORTING

- Accredited municipalities are required to report monthly, quarterly and annually regarding the performance and progress of the housing programmes and projects of the municipalities.
- The reporting focuses on financial and subsidy data. Reporting is required for the following purposes:
  - To PD in order to comply with ND requirements focused on housing and financial issues;

- To PD in order to comply with DORA requirement focused on financial issues;
  - To the municipality for reporting of progress and performance.
- As far as possible the reporting should be streamlined in order to reduce duplication.
  - However, this cannot be totally avoided due to the need for different stakeholders to have the information in different formats to meet their specific needs.
  - The key reporting required is set down in the table below.

**Table 12: Reporting from Accredited Municipalities**

<b>Level 1: Subsidy Budget Planning and Allocation Process &amp; Priority Programme Management / Administration</b>
<p>1.1 Annual Municipal Housing Budget Allocation Report – progress during formulation to be provided on a monthly basis.</p> <p>1.2 Monthly Reporting – to the PD on any changes proposed to allocations as well as the motivation for such changes.</p> <p>1.3 Annual Housing Implementation Plan for priority programme(s)</p> <p>1.4 Monthly Implementation Report for priority programme(s)</p>
<b>Level 2: Full Programme Management and Administration</b>
<p>2.1 Annual Housing Implementation Management Plan - progress during formulation to be provided on a monthly basis.</p> <p>2.2 Monthly Implementation Report – of progress and performance against the plan, including progress, performance, constraints, risks and action plans to the municipal manager and PD.</p>
<b>Level 3: Assignment &amp; Financial Administration</b>
<p>3.1 Monthly In Year Monitoring Report (IYM) reports by the latest 15th of each month in terms of DORA to the ND for incorporation by the ND into the IYM report – format prescribed by National Treasury.</p> <p>3.2 Quarterly DORA Report – including both financials and outputs by 15th of the month after the end of the quarter in question – format prescribed by National Treasury. Quarters end in June, September, December and March of each year.</p> <p>3.3 HSS Monthly Report – from the HSS to PD and ND by the 15th of each month – format prescribed by ND.</p> <p>3.4 Annual Housing Report – from the HSS to PD and ND by the end of April of each year reflecting the annual March year end for provincial and national government – format prescribed by ND.</p> <p>3.5 Annual Municipal Report – as prescribed by the municipal manager reflecting the years housing performance against the annual housing plan for the municipal June year end.</p>

### 21.3 PROVINCIAL MONITORING AND REPORTING

- On an annual basis, after the provincial year end the PD and ND should carry out an assessment of each of the accredited municipalities to verify compliance, effectiveness and impact of their housing programme(s).
- The assessments should be issued to the municipalities for their inputs and in order to share lessons learnt.

### 22 MUNICIPAL OPERATIONAL COSTS

- In order to ensure efficiency in the administration of accredited functions by municipalities, the operational costs payable to municipalities for them to perform the accredited functions will be performance based linked to the subsidy expenditure (and delivery) achieved.
- The operational costs payable will be a percentage of the municipal housing allocation budget based on the projected operational cost set down in the business plan expressed as a percentage of the housing budget allocated to the municipality as set down below:
- Accreditation Fee % = (Projected annual operational cost/Municipal housing budget) X100
- Note the operational costs are for the accredited functions only and not for the other housing-related functions which form part of the municipality's normal responsibilities.
- Calculation of the Accreditation Fee is given in the example below:

#### Example 1

Projected annual accreditation operation cost = R500,000

Municipal housing budget = R25,000,000

Accreditation Fee % = (a. / b.) X 100 = R500,000 / R25,000,000) X 100

Accreditation Fee % = 2% of Municipal housing budget.

- The 2% Accreditation Fee in example 1 above is illustrative only and not the recommended quantum for the fee.
- The operational costs funding will be disbursed by the PD and/or the ND (in relation to level 3) to the municipality on a drawdown basis proportionate to the housing subsidy expenditure achieved by the municipality provided that:

- The projected operational cost is approved by the PD and within a norm prescribed by ND, which will be based on a typical operational costs norm.
- This norm will be determined by ND and reviewed on the basis of experience gained in the roll out of the accreditation;
- The municipality provides the monthly reports required i.e. on the principle of “no report no pay”.
- The calculation of the monthly operational costs payment is shown below in example 2.

### **Example 2**

A = Municipal housing budget R25,000,000

B = Total Subsidy expenditure to date R10,000,000

C = Total previous subsidy expenditure R8,000,000

D = Total subsidy expenditure this month = (B – C) R2,000,000

E = Accreditation Fee % = 2%

F = Accreditation Fee payable this month = D X E (i.e. R40,000)

## **23 ANNUAL FUNDING CYCLE**

- In order to ensure that the annual housing planning synchronizes within both the national/provincial and municipal annual fiscal cycles, the planning dates set down in 10 need to be adhered to by both the accredited municipality and PD.
- The municipal housing programme must run in terms of the national/provincial annual cycle (April to March) in order to fit within the DORA framework and therefore municipalities will have to do two reconciliations within the year for their housing programmes, in order to be able to report both in terms of the national/provincial financial year (April to March) as well as the municipal financial year (July to June).
- Likewise the quarterly reporting needs to be synchronized to the national/provincial quarters (1st Quarter April to June, 2nd Quarter July to September, 3rd Quarter October to December and 4th Quarter January to March).

**Table 23: Annual Housing Accreditation Planning Cycle**

Element	Date
1. National and Provincial financial year end	31 March
2. Municipal financial year end	30 June
3. Municipal annual housing plan approved by municipal council and submitted to PD	February
4. Municipal housing implementation plan prepared and approved by municipal council (linked to National / Provincial financial year)	March
5. Municipality commences annual housing programme aligned to national / provincial start of financial year	April
6. Municipality reconciles annual housing programme expenditure for period April to March to align with national / provincial annual financial year	April
7. Municipality reconciles annual housing programme expenditure for period July to June to align with municipal annual financial year	July

## 24 TEMPLATES

The following templates form a part of the housing accreditation guidelines:

Template Number	Template Name and Purpose
T01	<b>Pre-Accreditation Application</b> – prepared by the municipality to signal the municipality's intention to apply for accreditation, to indicate the proposed level/s of accreditation and to apply for pre-accreditation capacity support in order to assist the municipality to prepare an accreditation business plan
T02	<b>Accreditation Business Plan</b> – prepared by the municipality to set out the municipality's proposed plan of action to achieve accreditation, level of accreditation sought, transitional arrangements, capacity support requirements and operational costs
T03	<b>Accreditation Business Plan Progress Report</b> – prepared by the municipality to provide monthly progress reports to the PD during the implementation of the business plan

Template Number	Template Name and Purpose
T04	<b>Accreditation Compliance Certificate</b> – prepared by the municipality’s auditors to signal that the municipality has complied with the accreditation requirements set down in the accreditation business plan and is now eligible for full accreditation to the level applied for
T05	<b>Annual Municipal Housing Budget Allocation Report</b> – prepared by the municipality to determine the allocation of housing budget within the municipality to the various housing programmes and projects
T06	<b>Annual Housing Implementation Management Plan</b> – prepared by the municipality to set out the annual housing implementation targets and management plan for the implementation of the housing programmes
T07	<b>Monthly Progress Report</b> – prepared by the accreditation manager giving expenditure against budget and project cash flow, performance, constraints, risks and action plans



