human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA

ACCREDITATION FRAMEWORK FOR MUNICIPALITIES TO ADMINISTER NATIONAL HOUSING PROGRAMMES

Managing the incremental delegation of housing functions to local government

"working TOGETHER WE CAN do more"

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Abbreviations and Definitions

The following abbreviations and definitions are used within these guidelines.

ABP	Accreditation Business Plan
Accreditation	Accreditation is a concept within the Housing Act, 1997; Housing Code, 2000; and DORA, 2005. Accreditation as a concept relates to entities and their approval for a particular purpose in accordance with certain criteria.
Assignment	Assignment is a concept in the Constitution, and relates to the transfer of functions (including the authority in respect thereof) to another sphere of government
BNG	Breaking New Ground: The New Housing Strategy for Sustainable Human Settlements, approved by Cabinet in September 2004
Delegation	Delegation is the authority to exercise powers of another sphere of government.
DORA	Division of Revenue Act (Annual)
HSS	Housing Subsidy System
IDP	Integrated Development Plan, incorporating the municipality's housing plan
IT	Information Technology
IYM	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
KPA	Key Performance Indicator
Level	Level of accreditation applied for. There are three levels of accreditation.
MEC	Provincial Member: Executive Council responsible for housing
MINMEC	Committee of the Housing Minister, the nine housing MECs and a Councillor representing organised local government
MFMA	Municipal Finance Management Act
MHC	Municipal Housing Committee delegated responsibility for housing affairs by the municipal council
MIG	Municipal Infrastructure Grant
MTEF	Medium Term Expenditure Framework
NDHS	National Department of HumanSettlements
NHSDB	National Housing Subsidy Data Base
PDHS	Provincial Department of Human Settlements
PFMA	Public Finance Management Act
SCM	Supply Chain Management
SCM	Supply Chain Management

ACCREDITATION FRAMEWORK

The new human settlements plan envisages the accreditation of municipalities particularly the metropolitan areas... The framework will address various policy, constitutional and legislative aspects in order to enable municipalities to manage the full range of housing instruments within their areas of jurisdiction. In order to be accredited, municipalities will have to demonstrate their capacity to plan, implement, and maintain both projects and programs that are well integrated within IDPs and within the 3 year rolling capital investment programs mandated by the Municipal Finance Management Act (MFMA). (Breaking New Ground, Part B, Section 5.2 "Expanding the role of local government")

Rationale for Accreditation

The national government and provincial governments must assign to a municipality, by agreement and subject to any conditions, the administration of a matter listed in Part A of Schedule 4 or Part A of Schedule 5 which necessarily relates to local government, if (a) that matter would most effectively be administered locally; and (b) the municipality has the capacity to administer it. (The Constitution of the Republic of South Africa, 1996; Section 156(4) [the Constitution**]**

Consistent with the Constitution, 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 government. Reference to the critical need for accreditation has been made by the President, in his State of the Nation Address in 2004, by the Minister of Housing when she delivered her Budget Speech to Parliament in both 2004 and 2005, by the National Department of Human settlements in its new housing strategy "Breaking New Ground" and by National Treasury, in the Division of Revenue Act, 2005. All of these references clearly indicate that 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 rationale behind this move towards accreditation is rooted in the Constitution, and can be found further within the logic of good and cooperative governance, and current constraints in the housing delivery process that are leading to decelerated delivery and persistent provincial budgetary roll-overs.

Accreditation seeks to achieve two inter-linked objectives:

- **Coordinated development (horizontal integration):** First, by locating the decision making authority around the implementation of national housing programmes at the local sphere, municipalities can coordinate these decisions with other decisions that relate to the broader sustainability of human settlements. Municipalities are a logical site for the effective alignment of inter-departmental and inter-governmental funding streams. With the authority to take such deci-

sions, opportunities for the application of innovative planning principles arise and this contributes 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, "Breaking New Ground", as well as the Intergovernmental Relations Framework Act, 2005.

- **Accelerated delivery (vertical integration):** Second, 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.

Critically, the rationale and usefulness of any specific approach to accreditation (and delegation) must be interrogated against these two objectives.

It must also be noted that 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.   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; and, also does not include the power to design housing programmes to be funded from national housing subsidy funds.

Conceptual Framework

Before detailing the provisions of various laws impacting on accreditation it is necessary to explain certain legal concepts.

Accreditation, technically, is the recognition by an authority of the fact that an entity has met certain criteria and standards for purposes of fulfilling a particular function. Accreditation, in itself therefore does not transfer functions from one sphere of government to another. Legally, functions can only be transferred from one sphere of government to another through assignment or delegation.

Assignment involves a permanent transfer of the function, which includes the transfer of the authority role – and this includes the right to receive directly the funds and the assets necessary to perform the function.

Delegation, on the other hand, is not a permanent transfer of functions. It does not include the transfer of the authority role, nor does it entitle the entity to which a function has been delegated to legislate on the matter or to direct funding from the fiscus. Delegation merely entails the exercise of a function on behalf of the delegating authority. The ultimate authority still vest in the authority that delegates (who can revoke the delegation or exercise the function him or herself).

In this framework, the accreditation process is defined as a progressive process of delegation, evaluated against pre-agreed criteria, leading to eventual assignment of all the functions by formal proclamation of assignment by the Premier in the Gazette. Because the Constitution requires assignment of housing functions, and because a permanent transfer of functions and authority is envisaged as the ultimate objective/

end goal, this framework provides for assignment as the ultimate outcome. However, 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.

Legislative Framework

The legislative framework for the accreditation of municipalities to be delegated responsibility to administer national housing programmes is rooted in the Constitution and detailed in the Housing Act, 1997. Further to this, the annual Division of Revenue Act, 2005, and the draft guidelines to the Municipal Systems Act are also of relevance.

- **The Constitution of the Republic of South Africa, 1996:** The overall provision for the assignment of functions to municipalities is set out clearly in the Constitution. Section 156(4) of the Constitution provides that the National government must assign to a municipality, by agreement, and subject to any conditions, the administration of a matter listed in Part A of Schedule 4 or Part A of Schedule 5. Part A of Schedule 4 includes the item "housing". Once assigned, the municipality would also have the power to legislate in respect of what it is entitled to administer but only to the extent of its own administration thereof– this would not include the power to change the content or rules of the functions assigned. This provision arises from the constitutional principles of devolution and cooperative government (as set out in Chapter 3) and that, simply, specific matters and functions should necessarily relate to local government if such matters or functions would most effectively be administered locally and the municipality has sufficient capacity in this regard.

  In addition to Section 156(4), there are three further provisions of relevance:

  - o   Sections 99 and 126 of the Constitution allow for the assignment of an executive statutory power or function from national and provincial sphere to a municipality respectively.

  - o   Section 238 of the Constitution allows national or provincial government to delegate specific statutory functions and the power to exercise any power or perform any function for any other executive organ of state on an agency or delegation basis.

- **The Housing Act, 1997:** Section 10 of the Act deals explicitly with accreditation:

  10 (1) Any municipality may apply in writing to the MEC in the form determined by the MEC to be accredited under subsection (2) for the purposes of administering one or more national housing programmes. Further sub-sections of the Act go on to describe application, role, funding and monitoring of accredited municipalities.

- **The Division of Revenue Act (DORA):** This is an annual legislation which accompanies the national budget and sets the framework for financing arrange-

ments between the various spheres of government. The Division of Revenue Act, 2005, contains specific provisions relating to the accreditation of municipalities for purposes of the administration of national housing programmes.

- **Section 17 of the Act** deals specifically with integrated housing and human settlement development allocations, and provides for the accreditation of municipalities to administer national housing programmes within the 2005/2006 financial year.

- **The Proposed Guidelines Relating to Assignment and Delegation under the Municipal Systems Act:** A draft policy on assignments was adopted in 2003. On the 22nd April 2005, the Minister for Provincial and Local Government published draft assignment and delegation guidelines in Notice 636 of 2005; published in Gazette No 27518. This framework has been formulated with the guidelines in mind.

Principles of Accreditation

The accreditation framework is based on the following eight key principles:

1. **Logical application of roles and functional delegations and assignments:** The driving rationale behind accreditation is that it has potential to make delivery more efficient and effective, and that as a result of a concentration of funding at the local level, municipalities are better able to make productive decisions on the developmental progress in their areas of jurisdiction. To the extent that these expectations are achieved by the delegation and subsequent assignment of specific responsibilities, identified municipalities must be accredited to take on such responsibilities.

2. **Authority and accountability must accompany responsibility:** Accreditation, involving a progressive transfer of responsibility in respect of decision-making in the administration of national housing programmes must be accompanied by the progressive transfer of accountability for such decision-making, and critically, the progressive transfer of real authority to perform in that role.

3. **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 increase with the level of accreditation that is 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 NDHS and PDHS will therefore be responsible to facilitate the necessary capacitation processes among municipalities that have been identified for accreditation from time to time, before accreditation can be granted.

4. **Funding follows function:** It is important that municipalities have sufficient funding to operate within the new roles for which they become accredited. However, systems efficiency is also an important principle which 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.

5. **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 source of 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. Further, the calculation of housing funds to accredited municipalities must be transparent and consistently applied without exception. It is desirable that municipal housing budgets realised through accreditation be published annually in DORA. Notwithstanding the above, to the extent that any accredited municipality fails to utilise its housing subsidy budget in a particular budget year, the relevant PDHS [i.e. Level One and Level Two accreditation] and the NDHS [i.e. Level Three accreditation] may reallocate under-utilised portions to another municipality during a particular financial year.

6. **Efficiency:** The accreditation of a municipality, and the delegation 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.

7. **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 PDHS 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.

8. **Cooperative government:** In keeping with 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.

Overall Approach

Overall, 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.

- This implies an enhanced capacity building, supporting and monitoring and evaluation role for the PDHS as they assist municipalities in taking on their new delegated functions, and monitor and evaluate their progress in this regard.

- It implies that the NDHS (assisted by the PhDH'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.

Three Levels of Accreditation

Given that the capacity of municipalities is not uniform, three levels of accreditation are possible. Municipalities will determine to which level they become accredited and the pace at which they access accreditation for such levels. Their intentions will be co-operatively processed by PDHS's, as well as national government, as part of a national programme.

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. This approach is set out in more detail later on in the framework.

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)

Level One Accreditation

Subsidy budget planning and allocation, and priority programme management and administration: 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 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).

Municipalities may, on an annual basis, progressively increase the complement of priority programmes that they administer, as incremental steps towards Level Two.

This is therefore 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 accreditation is in addition to, and not instead of the municipality's existing Housing Act 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.

Level Two Accreditation

Programme management and administration: Includes the delegation of project evaluation and approval functions for all NDHS and PDHS 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 feasi-

bility assessments, which will be undertaken by professionals (engineers, town planners or certified project managers)

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 PDHS, which has the capacity and systems necessary for that function to proceed efficiently.

Legislative provisions, in DORA, will ensure that PDHS's will be obliged to allocate housing subsidy 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 Three Accreditation

Financial administration: This 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.

Key issues in respect of this accreditation approach are set out below:

- **Accreditation based on priority:** Prioritised municipalities will be entitled to be accredited and 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. This is explained later in the framework, in Section 2.2.1, below.

- **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 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 Two functions may be effected. Critically, this decision will be made jointly by the municipality and the province concerned co-operatively

- **PHD's roles and responsibilities:** In accrediting municipalities for a particular level of accreditation, the PDHS's monitoring and oversight role will grow. PDHS's and the NDHS will have the authority to stop payments in cases where there is clear evidence of financial or programmatic mismanagement. Furthermore, in the case of Levels One and Two delegation, the MEC may withdraw the delegation when necessary.

  At the same time, PDHS's and NDHS 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. This is addressed further in Section 5.2 of this framework.

- **Exemptions:** Notwithstanding the progressive approach to accreditation, some functions and programmes are better retained at a PDHS level. These are:

  o **Special approval of non-eligible individual beneficiaries:** While the subsidy registration function will be devolved to a municipality, the PDHS will retain responsibility for the approval of extraordinary applications (i.e. special approval of non-qualifiers). This will ensure against any conflict of interests.

  o **Individual subsidies:** The administration of the individual subsidy programme (both in terms of credit linked and non-credit linked) should be retained at the PDHS 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.

  o **Relocation subsidies:** The relocation subsidy mechanism refers to subsidies awarded in terms of the SERVCON rightsizing programme. As this programme involves a finite number of prospective beneficiaries and is being phased out, responsibility for administering this mechanism should be retained at PDHS level in the interests of administrative efficiency.

The Components and Definitions of the Three Levels of Accreditation are summarised in the following table:

Table 1: Levels of Housing Accreditation

Level	Components and Definition
Level 1: Delegation	**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 co-operatively in consultation with the PDHS. **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.** *Applicable to all national and provincial housing programmes, with the exception of excluded programmes (i.e. individual and relocation subsidy)*
Level 2: Delegation	**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. *Applicable to all national and provincial housing programmes, with the exception of excluded programmes (i.e. individual and relocation subsidy)*
Level 3: Assignment	**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. *Applicable to all national and provincial housing programmes, with the exception of excluded programmes (i.e. individual and relocation subsidy)*

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. PDHS'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 which 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 PDHS provides targeted 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 PDHS, if necessary, and submitted to the PDHS for review.

- **Endorsement of Accelerated Municipal Housing Delivery Plan, and capacitation funding:** Once the business plan is finalized, it is reviewed and approved on the basis of the accreditation guidelines. The PDHS 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 PDHS.

- **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 applied for.

- **Accreditation approval:** The compliance certificate is submitted to the PDHS, 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 provide 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 concurrence 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 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.

The assignment of functions following Level Three accreditation must be proclaimed by the Premier in the Provincial Gazette.

Criteria

Municipalities must meet specific criteria in order to be accredited for a particular level. These are summarised in the following table and addressed in greater detail throughout this framework. The table below considers the range of housing functions that a municipality will undertake in respect of each level of accreditation. Those related specifically to the three levels of accreditation are marked in different colours.

Table 2: Accreditation criteria by level

FUNCTIONS	CRITERIA
LEVEL ONE DELEGATION: Subsidy budget planning and allocation process & priority programme administration	

Housing subsidy budget
 	
Subsidy/
fund allocations
 	
Project identification
 	
• Priority programme management & administration
 	
• manage beneficiaries and manage stock
	• Approved housing strategy, plan and budget
	
	• Accreditation business plan – section for Level One
	
	• Necessary capacity to be enhanced, confirmed by an auditor, including:
	
	  o Ability to draft a business plan for Level One accreditation.
	
	  o Ability to produce and implement housing strategies, plans and budgets, or commission and manage such functions.
	
	  o Ability to do project identification and assessment.
	
	  o Ability to produce and undertake project easibility assessments (undertaken by professional engineers, town planners or certified project managers (in-house or contracted) for priority programme(s)
	
	  o Programme administration skills/experience relevant to the priority programme(s) and in line with the scale of activities planned for the municipality.

FUNCTIONS	CRITERIA
LEVEL TWO DELEGATION: to undertake full programme management/administration	
Project/Programme approval	• Approved housing strategy, plan and budget
	• Accreditation business plan – section for Level Two
Contract administration	• HSS in place and ability to undertake subsidy registration function
Programme management	• Necessary capacity to be enhanced, including:
Subsidy registration	o Ability to draft a business plan for Level Two accreditation
Technical (construction) quality assurance	o 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.
	o Programme administration skills/experience in line with the scale of activities planned for the municipality.
LEVEL THREE: Financial administration - assignment	
Subsidy disbursements	• Approved housing strategy, plan and budget
	• Accreditation business plan – section for Level Three
Financial reporting and reconciliation	• Necessary capacity to be enhanced, confirmed by an auditor, including:
	o Ability to prepare or commission a business plan for Level Three accreditation
	o Financial management with ability to review, report and manage subsidy disbursements and financial reporting and reconciliation.

Capacity Support towards Accreditation

The various capacity building stages to support accreditation are outlined as follows:

• **Pre-accreditation support:** Over time, and within a prioritised framework that acknowledges the diverse range of capacity enjoyed by the various municipalities, it is envisioned that prioritised municipalities seeking One accreditation will need capacity enhancements. In support of their intentions, PDHS's will establish a pre-accreditation support programme which has the following objectives:

o   Support the municipality in undertaking a **capacity audit** of its housing department or division;

o   Identify and **source the capacity necessary** to assist the municipality in drafting an accreditation plan;

o   Support for municipalities currently unable to undertake current housing functions. This include support in drafting a Housing Strategy and Plan; and

o   other forms of support required as demonstrated by the particular municipality concerned.

• **Accreditation implementation support:** Once the PDHS has approved a municipality's accreditation business plan in principle, it will support the sourcing of the capacity necessary to implement this plan - including personnel, business systems, and so on.

• **Ongoing accreditation support:** PDHS's will maintain an accreditation management unit to maintain ongoing liaison with municipalities to address particular aspects of their delegated functions. Further, in the spirit of cooperative governance, performance requirements for each sphere of government, as it performs throughout the accreditation process, will be included in the guidelines.

Institutional Arrangements

Changes to Housing Roles

The accreditation framework assumes a renewed definition of roles and responsibilities as set out in the table below.

Table 3: Revised Housing Roles with respect to Municipal Accreditation

	Existing Responsibilities (Housing Act, 1997)	Consequential responsibilities with accreditation
NATIONAL	*To establish and facilitate a sustainable national housing development process.* • National policy • Goals: Sets broad national housing delivery goals; facilitates the setting of provincial housing delivery goals, and where appropriate, facilitates the setting of housing delivery goals of a municipality. • Funding: Receives an annual budgetary allocation from the national budget and based on a formula set by DORA, determines conditional grant allocations for the national housing programme. • Performance monitoring: Monitors the performance of the housing sector against housing delivery goals and key indicators • Capacity support: Assists PDHS's to develop their administrative capacity; supports and strengthens the capacity of municipalities • Consultation: Promotes consultation between government and the housing sector. • Communication: Promotes effective communication in respect of housing development.	• **Funding: Determines housing grant allocations for the national housing programme to level three accredited municipalities.** The following existing functions become amplified: • Performance monitoring and evaluation • Capacity support • Consultation and accreditation facilitation • Communication • Management information systems formulation, management & enhancement

|	Existing Responsibilities (Housing Act, 1997)	Consequential responsibilities with accreditation
PROVINCIAL	*To promote and facilitate the provision of adequate housing in the province, within a framework of national policy, after consultation with the provincial organisations representing municipalities.* • Provincial policy • Provincial legislation • Housing development: to coordinate housing development in the province • Capacity support for municipalities • Intervention to perform municipal duties • Multi-year plan • Municipal accreditation • Provincial legislatures	**Non-accredited municipalities** • To build capacity in preparation for Level One accreditation. **In terms of Level One** • **Housing development:** Programme and project prioritisation and allocations delegated to municipality • **Capacity support** is strengthened • **Oversight** role established and strengthened to manage delegation of Level One functions • **Management systems** developed and maintained **In terms of Level Two municipalities** • **Housing development:** Programme administration and management, and subsidy registration is devolved to municipality. All national and provincial housing programmes, with the exception of individual and relocation subsidies, which remain the responsibility of the PDHS's. • **Capacity support** is strengthened • **Oversight** role established and strengthened to manage delegated functions • **Management systems** developed and maintained **In terms of Level Three municipalities:** • **Housing development:** Full function is devolved to municipality (allocation, management and financial administration). All national and provincial housing programmes, with the exception of individual and relocation subsidies, which remain the responsibility of the PDHS's. • **Capacity support** is strengthened • **Oversight** role established and strengthened further to monitor assigned functions • **Management systems** developed and maintained.

Existing Responsibilities (Housing Act, 1997)	Consequential responsibilities with accreditation
As part of the process of integrated development planning, to ensure within the framework of national and provincial housing legislation and policy, that the right to have access to adequate housing is realised on a progressive basis. • Housing delivery goals: To draft an annual Housing Plan as part of the mun • Housing development: To facilitate and expedite delivery in terms of that plan • Land for housing • Health and safety; efficient services; public environment; conflict resolution; bulk and revenue generating services and land use	**Non-accredited municipalities** • To build capacity in preparation for Level One accreditation. **Level One municipalities** **Subsidy budget planning and allocation:** Including housing subsidy budgetary planning across programmes and projects; delegation of subsidy fund allocations on a cash flow basis, and project identification functions. Applicable to all national and provincial housing programmes, with the exception of individual and relocation subsidies, which remain the responsibility of the PDHS's. • Programme management & administration, including project evaluation and programme approval, contract administration, programme management, and cash flow projection and management and technical (construction) quality assurance. Priority programme(s) only. **Level Two municipalities** • To apply the housing policy directly • **Subsidy budget planning and allocation process** • **Full programme management & administration**, including project evaluation and programme approval, contract administration, programme management, and cash flow projection and management and technical (construction) quality assurance. All national and provincial housing programmes, with the exception of individual and relocation subsidies, which remain the responsibility of the PHD's. • **Subsidy registration:** Municipalities alignment with the NHSDB – the NDHS will determine the specifications in this regard. • **Management systems** developed and maintained

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Existing Responsibilities (Housing Act, 1997)	Consequential responsibilities with accreditation
	Level Three municipalities • To apply the housing policy directly • **Subsidy budget planning and allocation process** • **Programme management & administration** • **Subsidy registration** • **Financial administration:** including subsidy payment disbursements, and financial reporting and reconciliation. All national and provincial housing programmes, with the exception of individual and relocation subsidies, which remain the responsibility of the PDHS's. • **Management systems** developed and maintained

Institutional Arrangements

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
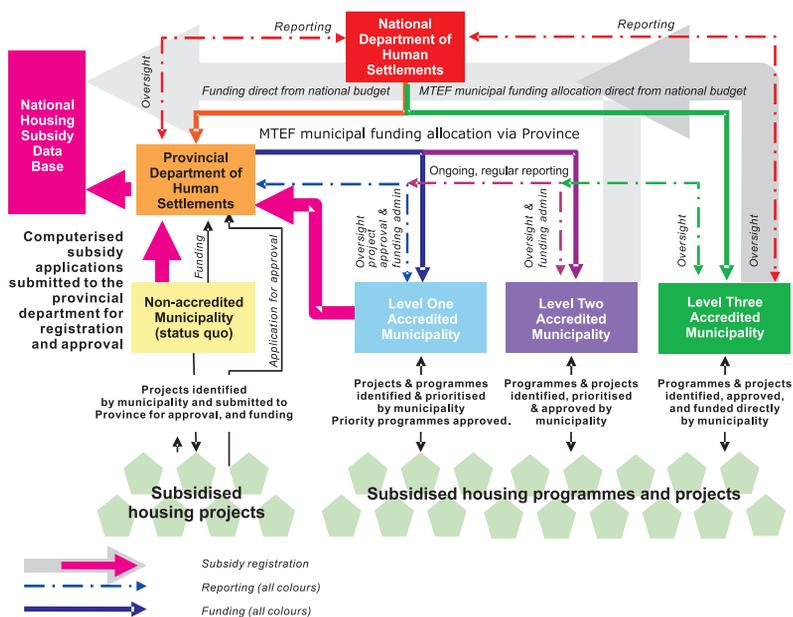
As illustrated above, the roles and responsibilities of the three spheres of government change depending on the level of accreditation achieved by a particular municipality.

In terms of non-accredited municipalities, housing subsidy funding is allocated to the PDHS by the NDHS, 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 PDHS to carry out subsidised housing projects

Level One accredited municipalities can 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.

Level One accredited municipalities determine their housing plans (approved as part of the municipalities IDP by Council resolution, taking into account comments by the PDHS) 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 PDHS's for approval. Following the PDHS's approval the municipality proceeds with implementation on the basis of funding disbursements from the PDHS on a cash flow basis.

Level One accredited municipalities also have the responsibility for evaluating and approving housing projects in respect of pre-determined priority programme(s).

Level Two accredited municipalities 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.

Municipalities 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 PDHS.

Level Three accredited municipalities 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 NDHS. In line with governance arrangements and in compliance with the MFMA the municipality will report directly to the NDHS in respect of housing draw-downs and financial reconciliation.

As ongoing reporting, monitoring and evaluation is fundamental to the accreditation process Municipalities must also regularly report to the PDHS on their progress in respect of delivery, and provide a regular financial reconciliation report. Level three municipalities will also report to the national department of Human settlements. The national department and provinces will need to establish a dedicated monitoring and evaluation function within their structures to engage in this process.

Summary of 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 PDHS level. New municipal functions are highlighted in bold in the table below.

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 PDHS 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 PDHS.

- Subsidy registration – special approvals: The approval of special applications will continue to be undertaken by the PDHS.

Table 4: Summary of housing functions

FUNCTIONS	Current	Level 1	Level 2	Level 3
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
Level 1: Subsidy budget planning and allocation process and priority programme management / admin				
Housing subsidy budget	PDHS	Municipality	Municipality	Municipality
Subsidy/fund allocations	PDHS	Municipality	Municipality	Municipality
Project identification	PDHS	Municipality	Municipality	Municipality
Priority programme management / admin	PDHS	Municipality	Municipality	Municipality
Level 2: Full programme management / administration				
Full Project/Programme approval	PDHS	PDHS	Municipality	Municipality
Full contract administration	PDHS	PDHS	Municipality	Municipality
Full programme management	PDHS	PDHS	Municipality	Municipality
Subsidy registration	PDHS	PDHS	Municipality	Municipality
Subsidy registration (Approval of special applications)	PDHS	PDHS	PDHS	PDHS
Full technical (construction) quality assurance	PDHS	PDHS	Municipality	Municipality
Level 3: Financial administration				
Subsidy disbursements	PDHS	PDHS	PDHS	Municipality
Financial reporting and reconciliation	PDHS	PDHS	PDHS	Municipality
Subsidy & property administration				
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

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 PDHS discretion, but is rather 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. Details regarding the funding arrangements are set out in the next section.

Allocation of Housing Subsidy Funds

National housing subsidy funds will be allocated from the IGR Transfer Allocations on a formula basis as determined in the annual DORA, which is equally applied across all accredited municipalities and provinces. This will apply to all accredited municipalities, irrespective of their level of accreditation.

Periodically, the Housing MINMEC must agree on a universally applicable formula which takes into account the housing backlog and other agreed and quantifiable factors. Accredited municipalities and PDHS's are required to submit a budget every year, within the framework of the three year MTEF.

- For Levels One and Two accreditation, allocations will be dedicated to the accredited municipality but held and administered by the PDHS and, disbursed against actual cash flow requirements.

- For Level Three accreditation, allocations will be made to the accredited municipality directly from the NDHS (upon the Premier's proclamation) and, disbursed on a cash flow basis.

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 PDHS shall in its discretion [i.e. Level One and Level Two accreditation] or after consultation with the NDHS [i.e. Level Three accreditation] be entitled to reallocate the projected unutilised portion during the particular budget year.

Should this ever happen, the claw back of housing subsidy funding must be accompanied by targeted capacitation interventions from the PDHS 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 call on any municipal housing subsidy allocation unless the particular project is in fact formally cancelled.

Funding for Individual and Relocation Subsidy Mechanisms

The administration of the individual and relocation subsidy mechanisms will remain the responsibility of the PDHS'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 of Housing co-operatively, to encourage the growth of the secondary residential property market and the potential extension of mortgage finance.

Operational Funding

It is recognised that 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. However, payment of the accreditation fee will be conditional on the receipt of the required reporting formats, as set out in the guidelines.

Funding Flows

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

Equitable Subsidy Allocation

For Levels One and 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 NDHS and administered by the PDHS 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 NDHS.

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 NDHS's housing subsidy budget, via the PDHS in terms of Level One and Two accreditation, and directly from the NDHS in terms of Level Three accreditation.

The accreditation fee is for the accreditation-linked (delegated) functions only and not for the other housing functions which will form part of the municipality's normal responsibilities.

The fee will be performance based linked to the subsidy expenditure achieved. Specifics will be set out in the guidelines.

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 NDHS 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 NDHS, but will be paid to the relevant accredited municipality via the appropriate PDHS. Three different sorts of capacitation funding are available:

- **Pre-accreditation support:** This is realised by a municipality when it participates in a PDHS's pre-accreditation support programme. Municipalities will seek funded provincial support to:
  - o Undertake a capacity audit of its housing department or division
  - o Identify and source the capacity necessary to assist the municipality in drafting an accreditation plan
  - o If necessary, draft a Housing Strategy and Plan; and
  - o 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 PDHS has approved that municipality's accreditation business plan in principle. The PDHS 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 PDHS concerned. Support may be in the form of funding for ongoing capacity building programmes, or the purchase of specific facilities.

Summary

The arrangements for the four different funding flows (equitable subsidy allocation, provincial housing subsidy supplement, accreditation fee and capacitation funding) are illustrated in Table 5:

Table 5: 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	• Ability to draft a business plan for Level One accreditation.
Subsidy/fund allocations	• Ability to produce and implement housing strategies, plans and budgets, or commission and manage such functions.
Project identification	• Ability to do project identification and assessment
Priority programme management/admin	• Ability to produce and undertake project feasibility assessments for the priority programme(s) • Programme administration skills/experience in line with the scale of activities planned for the municipality.
Level 2: Full programme management/administration	
Project/Programme approval	• Ability to draft a business plan for Level Two accreditation
Contract administration	• Ability to produce and undertake project feasibility assessments (undertaken by professional engineers, town planners or certified project managers (in-house or contracted).
Programme management	
Subsidy registration	
Technical (construction) quality assurance	• Programme administration skills/experience in line with the scale of activities planned for the municipality.
Level 3: Financial administration	
Subsidy disbursements	• Ability to prepare or commission a business plan for Level Three accreditation
Financial reporting and reconciliation	• Financial management with ability to review, report and manage subsidy disbursements and 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 PDHS.

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 PDHS 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 PDHS, 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.

Key personnel requirements are outlined in the guidelines.

Human Resources Implications at PDHS Level

The accreditation of municipalities will no doubt have an impact on the human resources arrangements at PDHS level. PDHS'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 PDHS accreditation plan which addresses the consequential shifts in capacities and responsibilities in that PDHS, and how it will be managed. The drafting of the PDHS accreditation plan will be the responsibility of the PDHS accreditation unit, as set out in 5.2.1 below.

Capacity Support

In order 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. PDHS's are responsible, together with municipalities, for ensuring that such capacity either exists or is developed.

Accreditation Units at PHD Level

PHD'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, PDHS's will establish specific accreditation units within their PDHS's, whose responsibility it will be to:

(1) Implement capacity building and support programmes in those municipalities on the basis of the needs identified;

(2) 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

(3) Resolve any provincial and municipal blockages to the accreditation process, identifying and responding to problems as they arise.

PDHS Accreditation Units will also be responsible to ensure that all the necessary systems and procedures are in place, both within the PDHS and the accredited municipality. In this regard, the PDHS Unit will need to have the necessary IT, programme and project management, and financial administration capacity to develop the required systems and procedures.

Accreditation Unit at NDoH Level

An accreditation unit will also be established within the NDHS, 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 NDHS's establishment to ensure the capacity development of prioritised municipalities seeking accreditation as well as the establishment of the necessary reporting systems.

Governance, Reporting and Oversight Arrangements

A fundamental point of departure is that 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. This framework does not seek to restate these arrangements but rather to indicate where they apply. 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
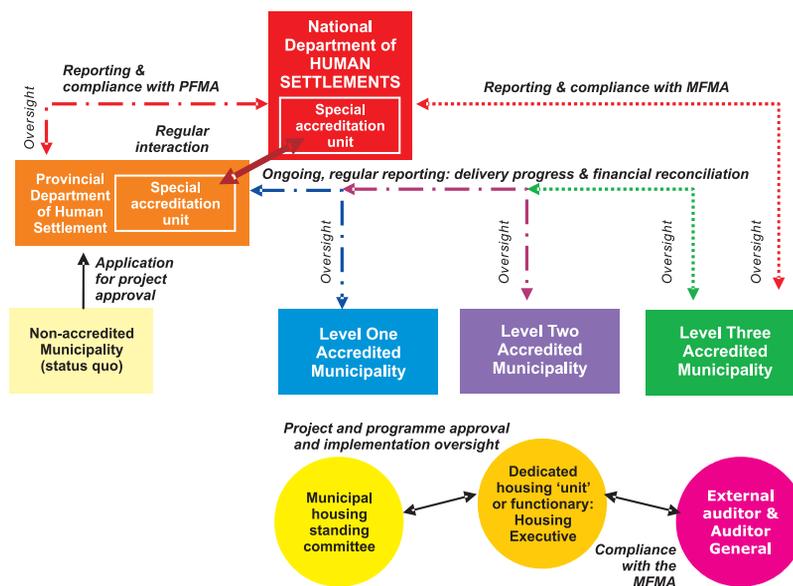
As illustrated in Figure 2, municipalities must establish a dedicated housing 'function' or assign a dedicated functionary to the housing functions in the accredited munici- pality. This functionary will engage with the municipal housing standing committee regarding programme and project prioritisation, subsidy budget planning, project ap- proval and the implementation of other accreditation-linked functions. An accredited municipality may wish to invite the PDHS'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.

At the PHD and the NDHS's level, the accreditation units will oversee the accredita- tion 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 and MFMA, and by the NDHS. As illustrated above, accredited municipalities will report both to their PDHS and the NDHS.

The guidelines seek to streamline reporting so that where possible, the same report is prepared and submitted to both the PDHS and the NDHS. However, the reporting requirements to the different spheres of government have different intentions.

Reporting to the PDHS is required in order to facilitate the PDHS's oversight role and to ensure that progress is consolidated into the PHD's year end report against provincial plans.

Reporting to the NDHS is required by Level Three accredited municipalities for ac- counting purposes and financial reconciliation.

Further details are set out in Section 6, below.

Conflict Resolution, Mediation and Arbitration

It is envisioned that conflict may arise between the NDHS and the PDHS or munici- pality, between a PDHS and a municipality, between provinces, or between munici- palities. In such cases, a clear conflict resolution procedure will assist in resolving the dispute timeously and without causing undue disruption in respect of the accredita- tion 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-opera- tive government (as set out in Chapter 3 of the Constitution) must be referred to the Minister of Housing, for a decision on the matter. The Inter-Governmental Relations Act, 2005 must prevail where the matter is not specifically covered in the Housing Act.

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 6: Systems & Procedures

FUNCTIONS	Expected systems & procedures
Policy and planning	
Housing strategy: (IDP)	No change. Existing systems apply.
Housing plan and budget: (IDP)	
Housing policies: pro-curement, allocation, etc.	
Level 1: Subsidy budget planning and allocation process & priority programme management/admin	
Housing subsidy budget Subsidy/fund allocations Project identification Priority programme management/ administration	The implementation of a: • **Budget tracking system**, which tracks the total and annual budget allocations from the (1) equitable subsidy allocation and the (2) PDHS subsidy supplement, as well as calculates data required in terms of accessing the accreditation fee for operational funding. • **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. • **Accreditation reporting system**, which accredited municipalities use to report to the PDHS on overall delivery progress and to provide financial reconciliation accounts. 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). **Programme management systems** installed. These should include a: • **Project tracking system** for the priority programme(s) • **Procedures and operations manual** for the priority programme(s)

Level 2: Full programme management/administration	
Project/Programme approval	Programme management systems installed. These should include a:
Contract administration	• Project tracking system, which tracks the status of all projects from application to close out, providing project data on a regular basis
Programme management	
Subsidy registration	• 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.
Technical (construction) quality assurance	• 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.

Level 3: Financial administration	
Subsidy disbursements	Financial systems compliant with specifications from the NDHS and PDHS in place, including a:
Financial reporting and reconciliation	• Cash flow tracking system which tracks cash flow expenditure against budget for each project and programme, also tracking administration costs.
	• Reporting systems, management information systems, standard accounting procedures, etc, In respect of these various systems, a standardised system common to all PDHS's and accredited municipalities must be implemented.

Subsidy & property administration	
Eligibility check	No change – existing systems and procedures apply.
Subsidy applications	
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 NDHS or the PDHS may require that standardised systems, procedures and packages are implemented as a condition of accreditation to ease communication, reporting and monitoring between administrations and spheres of government.

Subsidy Registration

Accredited municipalities will need to establish housing subsidy systems (HSS) to engage with the NHSDB. The NDHS will assist in this regard.

The arrangements are illustrated below:

Figure 3: Subsidy Registration
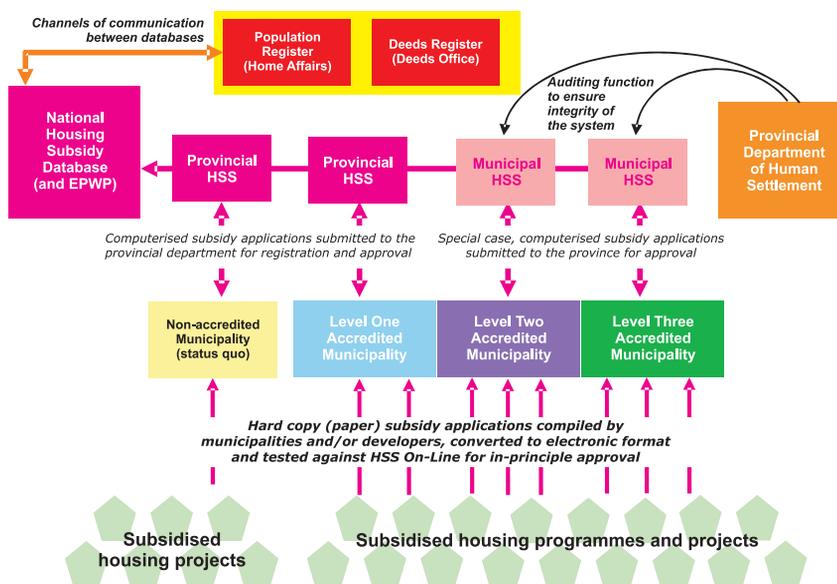
In respect of the above diagram:

- 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 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 PDHS that they will administer this function. For non-accredited, or Level One accredited municipalities, the PDHS remains responsible for this function. The accredited municipality then allocates and, if necessary, transfers the housing unit to the qualifying beneficiary.

- PDHS'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, PDHS's will make this decision, irrespective of the level of accreditation of the particular municipality.

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 PDHS and the review by the PDHS.

- Monthly management of the expenditure and cash flow against original budget; and

- Reporting on expenditure and cash flow against budget.

Ongoing 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 NDHS and PDHS 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 programme.

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.

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 for Housing 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 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 PDHS and the municipality will constitute the necessary agreement.

Identification of Municipalities for Accreditation

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 as amended.

PDHS's will agree, periodically, with the NDHS in the context of the Housing MINMEC on the municipalities prioritised for accreditation – this then becomes the basis on which they have to perform.