**5. Report of the Portfolio Committee on Human Settlements, Water and Sanitation on Budget Vote 38: Human Settlements, on the Strategic Plan for the coming Medium Term Expenditure Framework (MTEF) period and Annual Performance Plan 2019/20, dated 5 July 2019**

The Portfolio Committee on Human Settlements, Water and Sanitation, having considered Budget Vote 38: Human Settlements, the strategic plans for the MTEF period and the annual performance plans of the Department of Human Settlements (later referred to as the Department) on 3 July 2019, referred to it, reports as follows:

**1. Introduction**

The Constitution of the Republic of South Africa (1996) places an obligation on the State to provide access to adequate housing to its citizens. As the custodian of the housing sector, the Department derives its core mandate and responsibilities from section 3 of the Housing Act (1997), which allows the Department, in collaboration with provinces and municipalities, to establish and facilitate a sustainable national housing development process. The Department does this by, determining the national policy, national norms and standards for housing and human settlements development, setting broad national housing delivery goals, and monitoring the financial and non-financial performance of provinces and municipalities against these goals, building the capacity of provinces and municipalities and promoting consultation with all the stakeholders in the housing delivery chain, including civil society and the private sector.

In order to ensure the progressive realization of its mandate and the goal of sustainable and integrated human settlements, the Department has subsequently developed strategies, policies and programmes. The comprehensive plan for the development of sustainable human settlements, approved in 2004 and the revised Housing Code, published in 2009, mark a conceptual shift away from the mandate of providing shelter, to supporting the residential property market. The Housing Code allows for access to housing and services for low-income families and ensures greater choice in quality, location and ownership. Subsequently, chapter eight of the National Development Plan (NDP) provides a roadmap for the achievement of sustainable human settlements in South Africa by 2030. Consequently, the Department has strategically aligned its plans with the NDP.

To ensure its oversight role, the Committee received briefings from the Department and its entities on their strategic plans, budgets and annual performance plans. The Department was also requested to present the business plans from nine Provincial Departments of Human Settlements.

**2. Department of Human Settlements**

**2.1 Aim and mandate of the Department**

The mandate and core business of the Department is underpinned by the Constitution and all other relevant legislation and policies applicable to government, the Breaking New Ground Policy (BNG). In addressing the mandate for the provision of access to adequate housing, the following policies, legislation and regulations were enacted to give effect to the Constitutional housing rights of all South Africans in Section 26, which states that “Everyone has the right to have access to adequate housing”. The Constitution requires the state to take reasonable legislative and other measures, within its available resources, to achieve this right. Furthermore, no one may be evicted from their home, or have their home demolished, without an order of court made after considering all relevant circumstances. No legislation may permit arbitrary evictions.

**2.2 National Development Plan**

Chapter 8 of the National Development Plan (NDP) outlines the vision for human settlements and housing towards 2030. The emphasis in the NDP is on a government-led strategy to fast-track the development of housing and human settlements whilst at the same time improving the quality of life of citizens. Key recommendations contained in the NDP are:

* Strengthen the spatial planning system.
* Initiate a national conversation about cities, towns and villages – the media and civil.
* Institute bolder measures to achieve sustainable human settlements.
* Develop a more coherent and inclusive approach to land.
* Radically revise the housing finance system.
* Revise the regulations and incentives for housing and land use management.
* Recognize the role of informal settlements and enhancing the existing national programme for informal settlement upgrading by developing a range of tailored responses to support their upgrade.
* Support the transition to environmental sustainability.
* Support rural spatial development.
* Initiate spatial interventions to support agricultural development.
* Building an active citizenry to rebuild local place and community.

**2.3 Medium Term Strategic Framework**

The Medium Term Strategic Framework (MTSF) serves as the principal guide to the planning and allocation of departmental resources across all spheres of government. The MTSF outlines a vision of sustainable human settlements and an improved quality of household life. Priorities for 2014 – 2019 are:

* 1,495 million more households living in new or improved housing conditions by 2019.
* 110 000 new housing units delivered in the affordable gap market by 2019.
* 49 municipalities assigned or accredited with the housing function.
* 63 000 new subsidy units would receive title deeds and the backlog of 900 000 title deeds in the integrated residential housing programme would be transferred over the five-year period.
* 750 000 households would benefit from the informal settlement upgrading programme, ensuring basic services and infrastructure in about 2 200 informal settlements.

In addition, the MTSF indicates that the following will be addressed:

* Existing housing instruments and subsidies to be reviewed and improved to better direct housing and human settlements investments.
* Public transport planning aligned with residential development is key to achieving social and economic transformation.
* A multi-segmented social-rental housing programme envisaged, which includes backyard rentals.
* Barriers to more rapid residential construction will be addressed, together with support for broadening access to housing credit, especially for first time home buyers.
* In mining towns, housing solutions would be sought thought partnership between Government, municipalities, employers and financial institutions.
* Improving access to affordable housing within the public service and private sector could be supported through remuneration allowances or credit enhancement.

**2.4 Revision of Legislative and other mandates**

The mandate and core business of the Department is underpinned by the Constitution and all other relevant legislation and policies applicable to the department. In addressing the mandate for integrated sustainable human settlements, the review of policies particularly the development of the White Paper for Human Settlements and the revision of the Housing Act to Human Settlements Act would enhance the Departments’ efforts in the provision of adequate housing by:

* Providing a framework for the realisation of sustainable human settlements and improved quality of household life.
* Providing a foundation for the establishment of a viable, socially and economically integrated communities that are located in areas allowing convenient access to economic opportunities as well as health, educational and social amenities.

**Policies**

The mandate of the Department is set out in the Housing Act. Section 2 of the Housing Act compels all three spheres of government to give priority to the needs of the poor in respect of housing development. In addition, all three spheres of government must ensure that housing development:

* Provides as wide a choice of housing and tenure options as is reasonably possible;
* Is economically, fiscally, socially and financially affordable and sustainable;
* Is based on integrated development planning; and
* Is administered in a transparent, accountable and equitable manner, and upholds the practice of good governance.
* The legislative mandate of the Department remains the same except for the inclusion of the following:

Estate Agency Affairs Act, 1976.

Following a Presidential Proclamation, the Department took over the oversights function of the Estate Agency Affairs Act, 1976 from the Department of Trade and Industry during May 2012. The objectives of the Act are to:

* Establish the Estate Agency Affairs Board (EAAB) to regulate the conduct of estate agents;
* Establish the Estate Agents Fidelity Fund;
* Monitor trends within the real estate industry; and
* Render education and training to estate agents and consumers

**Policy Mandates**

Other specific constitutional, legislative and policy mandates of the Department including government policy frameworks are:

* Constitution of the Republic of South Africa
* Housing Act, 1997 (Act No 107 of 1997)
* Comprehensive Plan for the Creation of Sustainable Human Settlements (BNG)
* The Housing Consumer Protection Measures Act, 1998 (Act No 19 of 1998)
* The Housing Development Agency Act, 2008 (Act No 23 of 2008)
* Public Finance Management Act, 1999 (Act No 1 of 1999-as amended by Act No 29)
* The Social Housing Act, 2008 (Act No 16 of 2008)
* The Division of Revenue Act, 2011 (Act No 6 of 2011)
* The Rental Housing Act, 1999 (Act No 50 of 1999)
* Home Loan and Mortgage Disclosure Act, 2000 (Act No 63 of 2000)
* Inclusionary Housing Bill
* Sectional Titles Schemes Management Act (Act 8 of 2011)
* Community Schemes Ombud Service Act (Act 9 of 2011)
* Intergovernmental Relations Framework (Act No 13 of 2005)
* National Development Plan (NDP)
* Spatial Planning and Land Use Management Act, 2013 (Act No 16 of 2013)

**Relevant Court Rulings**

There are court rulings affecting the operations of the human settlements sector, though they are not impacting directly to the national department but they affect delivery and the achievement of targets. These cases are but not limited to the following;

* Government of the republic of South Africa v Irene Grootboom and Others: CCT 11/00. (Right of access to adequate housing).
* Thubelitsha Homes, Minister of Housing and Minister of Local Government &Housing, Western Cape v Various Occupants.
* HLA 8/3/2/109 - 2014 CASE NO. 2011/19 The EMM had brought a joinder application in the Constitutional Court seeking to join the Department in the proceedings instituted by Bapsfontein Community.
* The City of Cape Town and FirstRand Bank Limited: CCT 22/08 (eviction of 20, 000 residents of Joe Slovo informal settlement) Bio-watch Trust v registrar Genetic resources and others: CCT 80/08 (Promotion of access to information Act) Dingaan Hendrik Nyathi v MeC for the Department of Health, Gauteng, and Minister of Justice and Constitutional Development: CCT 19/07.
* Occupiers of erven 87 & 88 Berea and Christiaan Frederick De Wet N.O. Roynath Parbhoo N.O. and The Poor Flat Dwellers Association Case No: CCT 108/16.
* The City of Johannesburg and Changing Tides 74 (Pty) Ltd. The Unlawful Occupiers of Tikwelo House, No 48 and 50 Davies Street, Doornfontein, Johannesburg. The Socio-Economic Rights Institute of South Africa Case No: 735/2011.
* Isaac Rasepitle Pitje and Josiah Oupa Shibambo/ Esther Veleminah Shibambo City of Tshwane Metropolitan Municipality Case CCT 144/15.

**Planned policy initiatives**

The review of housing legislation, regulations, policies and the development of the new legislation, policies and programmes which respond to the need to transform the space economy is at the core of the government strategic agenda of creating sustainable Human Settlements. The following remain the key policy initiatives:

* Development of the Human Settlements Code: Various policy programmes were revised and would continue to be revised and new ones added in order to produce a responsive Human Settlements Code.
* Amendment of the Housing Act to Human Settlements Legislation: The Housing Act require repeal and aligned with the mandate approved by Cabinet to deliver sustainable human settlements in line with the Comprehensive Plan for the provision of sustainable human Settlements.
* Repealing the Housing Consumer Protection Measures Act: This Bill seeks to strengthen the regulatory function of the NHBRC.
* Drafting the Human Settlement Development Bank Bill: This Bill would serve as a key legislation to guide operations of the Consolidated Human Settlements Financial Institutions (DFIs) and contribute to access to credit to enable the provision of sustainable human settlements.
* Amending the Prevention of Illegal Evictions and Unlawful Occupation of Land Act Revision of the Social Housing policy and Regulations.
* Policy Review and Evaluations: Evaluations would be undertaken in partnership with DPME and in line with the key priorities of the Mandate paper. These would be used to strengthen work by the Department around macro policies including the appointment of a panel of experts and core working group that would review the key thrust as described in the 1994 Housing White Paper and the 2004 Breaking New Ground Strategy.

**2.5 Outcome 8: Sustainable human settlements and an improved quality of household life**

While the timeframe of targets stated in Outcome 8 ended in 2014, the Department is of the view that the policy approach and focus of the document remains relevant.

The following targets apply:

* Accelerated delivery of housing opportunities with a focus on the upgrading of informal settlements and providing affordable rental housing stock.
* Access to basic services as part of the National Bulk Infrastructure Development Programme.
* More efficient land utilisation with a target of acquiring 6 250 hectare of State-owned land.
* An improved property market through the supply of affordable housing finance.

**2.6 State-of-the-nation address (SONA) and the Budget Speech**

During SONA 2018 the only reference to the human settlements sector was made as part of a vision of a South Africa that is focused on prospering and creating jobs, housing opportunities and safe communities.

During the SONA in February of 2019, the President made several specific references to the sector by stating that:

* Within the context of land reform, Government’s policy and legislative interventions would ensure that more land is made available for agriculture, industrial development and human settlements.
* Strategically located land would be released to address human settlements needs in urban and peri-urban areas.
* Infrastructure provision remains too fragmented between the different spheres of Government, while not new housing development are not fully integrated with economic opportunities, the building of dams, water pipelines, schools and other amenities.
* Cabinet has adopted a new infrastructure implementation model to address several challenges. It would be underpinned by the new Infrastructure Fund announced in September 2018.
* Government would strengthen its technical capacity to ensure that projects advance at a more rapid pace, developing a pool of engineers, project managers, spatial planners and quantity surveyors – an action team that can ensure greater momentum at implementation level.
* Government would give effect to its commitment to build human settlements in well-located areas that bring together economic opportunities and all the services and amenities that people need.
* The Housing Development Agency (HDA) would construct an additional 500,000 housing units in the next five years, and an amount of R30 billion would be availed to municipalities and provinces to enable them to fulfil their respective mandates.
* If the country is to effectively address the substantial housing backlog, it needs to develop different models of financing for human settlements.
* The Human Settlements Development Bank would be established. It would leverage both public and private sector financing to aid in housing delivery.
* Government would also be expanding the People’s Housing Programme, to enable households to construct their own housing units on allocated serviced stands, either individually or through community-led housing cooperatives.

During the SONA in June of 2019, the President outlined seven priorities that would receive focus over the next five years. These were:

* Economic transformation and job creation.
* Education, skills and health.
* Consolidating the social wage through reliable and quality basic services.
* Spatial integration, human settlements and local government.
* Social cohesion and safe communities.
* A capable, ethical and developmental state.
* A better Africa and World.

**2.7 The difference between SONA 2018 and SONA 2019**

As stated previously, there were no substantial reference to the human settlements sector in SONA 2018. However, the sector was a key focus area in both the February and June SONA in 2019. Within this context, the increase in specific references to the housing sector illustrates the important role that the sector can play in achieving an inclusive economy and societal transformation.

An overall theme in the February SONA 2019 was the need for investment and economic development, including infrastructure projects for inclusive growth. Within this context, several references were made to the facilitation of investment in infrastructure in the human settlements sector, including the establishment of the Human Settlements Development Bank and the infrastructure implementation model and Infrastructure Fund. Apart from a focus on funding and investment, attention was also paid to the execution of projects. Increased technical capacity in Government, as a means to ensure that projects progress at a faster rate, as well as a new infrastructure implementation model to address the fragmented nature of infrastructure development, shows the support for human settlements projects at planning, funding and construction phases to ensure the success of such developments.

In order to address the legacy of spatial inequality, government would also ensure that strategically located land be released to address human settlements needs in peri-urban and urban areas to ensure access to economic opportunities. A concerted effort would be made to address the housing backlog, including an additional 500 000 housing units delivered through the Housing Development Agency (HDA), as well as an additional R30 billion to local and provincial spheres over a five-year period. The People’s Housing Programme would also be expanded.

In the June SONA of 2019, a key message was the need for realignment with the NDP. Spatial integration, human settlements and local government was identified as one of seven key priority areas for the new administration. It was emphasised that over the next five years, government plans to accelerate the provision of well-located housing and land to poor South Africans.

The President further stated that he has a dream for an entirely new city to be built with skyscrapers, schools, universities, hospitals and factories. Reference was made to how China was building a new Beijing and that this had assisted in consolidating the dream. Within the context of urbanisation and the fact that 70% of South Africans were expected to live in urban areas by 2030, the cities of Johannesburg, Tshwane, Cape Town and Ethekwini were expected to run out of space to accommodate the influx of people. The President alluded to the fact that a new city, founded on the technologies of the Fourth Industrial Revolution could assist with this foreseeable challenge.

**2.8 Summary of the Strategic Plan**

The strategic objectives relating to the human settlements sector in SONA 2019 correspond with the NDP, the MTSF and the Medium Term Budget Policy Statement (MTBPS) as these objectives relate to transformation, inclusion and infrastructure development.

Chapter 8 of the NDP focuses on the transformation of human settlements and the national space economy. Its human settlements trajectory proposition states that by 2050 South Africa’s human settlements would have transformed into equitable and efficient spaces with citizens living in close proximity to work and having access to social facilities and essential infrastructure. It also envisages that by 2030, measurable progress towards breaking apartheid spatial patterns would have been made. One way in which the issue of transformation in the sector is prioritised in SONA 2019, is through the focus on releasing well-located land in peri-urban and urban areas to ensure that people are located close to social amenities and economic opportunities.

The focus on addressing the fragmented nature of infrastructure projects and the allocation of R30 billion to municipalities and provinces to ensure that they fulfil their mandates could, in part, address the vision for a strong and efficient spatial planning system that is integrated across the spheres of government. However, this would require strong parliamentary oversight to ensure apartheid spatial patterns are not reinforced.

The MTSF (2014-2019) forms part of the 5-year plan for implementation of the NDP and it is based on the NDP. One of the key focus areas for the human settlements sector is access to adequate human settlements and quality basic services. The planned 500 000 housing units over the next five years and the establishment of the Human Settlements Development Bank to aid in housing delivery, directly relates to this focus area.

In the Medium Term Budget Policy Statement (MTBPS) 2018, the only direct mention of the housing sector was made in relation to housing subsidies amounting to R1 billion that would be centralised to help low- to middle income households access affordable home loans, which would result in more South Africans acquiring their own homes.

**2.9 Updated Situational Analysis**

The Department of is committed to facilitating and supporting the creation of sustainable and integrated human settlements across the country. This commitment is in response to the NDP proposal and is outlined in the MTSF 2014 – 2019, and includes the promotion of social inclusion, economic growth and spatial restructuring.

Though government has delivered more than 3, 9 housing opportunities since the dawn of democracy, adequate housing continues to be one of the main problems facing the country. In 2016, Statistics South Africa (Stats SA) reported that the household size had decreased to 3.3 persons resulting to about 16.9m households. Stats SA also predicted that the number of households particularly in provinces that are mostly urban would continue to grow as the household size drops. It is also estimated that by 2020 there would be about 3.6 million new household formations, with more than 2m falling within the income category of less than R3500 per month which would contribute to an increasing demand for housing and also government support. The demand for adequate housing is estimated at about 2.2 million households, which includes households in informal settlements and backyard shacks. Of these, about 1.7m are registered in the Departments’ Housing Needs Database.

There was also an increasing number (±25%) of South African population particularly in metropolitan areas that require affordable rental accommodation. With the country’s total population that was projected to grow to about 58.5 million by 2030, there would be more demand for affordable rental which the Department and its delivery partners must provide particularly in the metropolitan areas. With only 30% of South Africans that are able to purchase a house of more than R500 000, high inflation rate, high rate of urbanization all perpetuate the demand for housing for various income categories thus pushing the department-government and other stakeholders to collaborate in delivering housing across various markets, address the fractured market, pay attention to the development of infrastructure and public spaces and provide transactional support on the title deeds programme.

To address these, the Department through the policy frameworks is in the process of directing programmes to respond to the needs of poor households whilst also ensuring that government’s efforts to deliver on housing and human settlements are realised through integrated planning and good governance that supports optimal land use and stimulates private investment. While there is an acknowledgement that the human settlements sector is reliant on good infrastructure, such as public transport, water, energy sources and public spaces, the shrinking of the public sector allocation is hampering the up scaling of delivery and not enabling the achievement of delivery targets.

During this MTSF period, the department focused on strengthening accountability and oversight to ensure improved planning and delivery. As a result, planning frameworks are under revision, stronger reporting mechanisms are developed and efficiency in allocations has improved. To address these challenges, the Department has prioritized:

* The implementation of catalytic programme that would direct investment to areas with potential for economic development and growth.
* The acquiring of well-located land.
* Establishing partnerships with mining houses to deal with housing and infrastructure challenges in mining communities and securing of well-located land.
* Establishment of a single development finance institution that would provide sustainable infrastructure finance for human settlements including increasing access to affordable finance.
* Scaling up of the Informal Settlements Upgrading Programme.
* Accelerating the eradication of title deeds backlog and issuing of title deeds for new subsidy market.
* Accelerating the delivery of Social Housing to improve delivery on affordable rental.
* Invest in infrastructure and services vital for the functioning of settlements.

**2.10 Performance Delivery Environment**

The Department is implementing its 2015-2020 Strategic Plan. In order to position DHS within the framework of the NDP, the 2015-2020 DST Strategic Plan is structured around three strategic outcome-oriented goals that drives the work of the Department over the five years. These goals are as follows:

* Enhanced efficiency and effectiveness of the department.
* Integrated and responsive human settlements sector planning and policy environment.
* Increased delivery of adequate housing in quality living environments.

**3. Budget analysis**

**3.1 Budget allocations per programmes**

**3.1.1 Overview of the 2018/19 Budget & MTSF Estimates**

The overall budget allocation increased from R32.2 billion in 2018/19 to R 33.8 billion in 2019/20. This represents a real percent decrease of 0.13 percent. The allocations to the Department did therefore not keep abreast of inflation. The table below provides the budget allocation across the 2019 MTEF period (2018/19 – 2021/22), while showing the nominal and real increase/ decrease comparison between 2018/19 and 2019/20.

**Table 1: Expenditure Estimates**

| Programme | Budget | | | | Nominal change in  2019/20  (Rand’ million) | Real change  in  2019/20  (Rand’ million) | Nominal % change in 2019/20 | Real % change in 2019/20 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| R million | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| Programme 1: Administration | 439,8 | 464,7 | 495,2 | 523,9 | 24,9 | 1,9 | 5,66 % | 0,44% |
| Programme 2: Human Settlements Policy, Strategy and Planning | 92,7 | 104,7 | 111,8 | 119,1 | 12,0 | 6,8 | 12,94 % | 7,36% |
| Programme 3: Human Settlements Delivery Support | 236,0 | 258,7 | 327,1 | 346,5 | 22,7 | 9,9 | 9,62% | 4,20% |
| Programme 4: Housing Development Finance | 31 477,4 | 33 051,1 | 34198,0 | 35681,4 | 1 573,7 | - 60,0 | 5,00 % | -0,19% |
| TOTAL | 32 245,9 | 33 879,2 | 35 132,1 | 36 670,9 | 1 633,3 | - 41,3 | 5,1% | -0,13% |

**Source: National Treasury (2019) and own calculations**

Programme 4 (Housing Development Finance) received 97.6 percent of the total budget allocation for the Department. This programme funds the major conditional grants located within the Department. Although the programme’s allocation shows a nominal increase of 5 percent, the allocation decreased in real terms with 0.19 percent. Programmes 1-3 grew above inflation from the previous year; the strongest growth recorded for Programme 2 which increased by 12.94 percent nominally (or 7.4 percent, when adjusted for inflation).

**3.1.1.1 Strategic Objectives**

**3.1.1.2 Programme 1: Administration**

The purpose of this programme is to provide strategic leadership, management and support services to the Department. It consists of 5 sub-programmes as listed in Table 2 below.

The total budget allocations for Programme 1 has increased from R439.8 million in 2018/19 to R464.7 million in 2019/20, representing a nominal increase 5.7 percent (a real increase of 0.44 percent).

**TABLE 2: ALLOCATION TO SUB-PROGRAMMES UNDER PROGRAMME**

| Programme | Budget | | Nominal  change in 2019/20  (Rand’ million) | Real  change in  2019/20  (Rand’ million) | Nominal Percent change in 2019/20 | Real  Percent change in 2019/20 |
| --- | --- | --- | --- | --- | --- | --- |
| R million | 2018/19 | 2019/20 |
| Ministry | 58,2 | 55,6 | - 2,6 | - 5,3 | -4,47 % | -9,19% |
| Departmental Management | 87,3 | 89,0 | 1,7 | - 2,7 | 1,95% | -3,09% |
| Corporate Services | 197,7 | 211,7 | 14,0 | 3,5 | 7,08% | 1,79% |
| Property Management | 41,1 | 43,3 | 2,2 | 0,1 | 5,35% | 0,15% |
| Financial Management | 55,5 | 65,0 | 9,5 | 6,3 | 17,12% | 11,33% |
| TOTAL | 439,8 | 464,7 | 24,9 | 1,9 | 5,7 % | 0,44 % |

**Source: National Treasury (2019)**

The Corporate Services sub-programme received the largest allocation of the sub programmes with an allocation of R211.7 million. This shows a nominal increase 7.08 percent from the previous financial year, or a real increase 1.79 percent.

The Ministry sub programme experienced a nominal decrease of 4.5 percent (real decrease of 9.2 percent).

***3.1.1.2* Programme 2: Human Settlements Policy, Strategy and Planning**

The objectives of Programme 2 are to:

* Ensure compliance with frameworks on the governance of human settlements by developing and maintaining policies, programmes and norms and standards for human settlements development on an ongoing basis.
* Promote the sustainable development of human settlements by drafting a new human settlements policy and legislation by March 2020.
* Facilitate the national rollout of human settlements programmes and related projects by managing and monitoring the planning frameworks and processes of the programmes on an ongoing basis.
* Improve cooperation and collaboration in the sector by managing intergovernmental and sector relations with all stakeholders in the value chain of human settlements development and coordinating 32 intergovernmental forums and 14 stakeholder partnerships by March 2022.

**TABLE 3: ALLLOCATION TO SUB-PROGRAMMES UNDER PROGRAMME 2**

| Programme | Budget | | Nominal  change in 2019/20  (Rand’ million) | Real  change in  2019/20  (Rand’ million) | Nominal  Percent change in 2019/20 | Real  Percent change in 2019/20 |
| --- | --- | --- | --- | --- | --- | --- |
| R million | 2018/19 | 2019/20 |
| Management for Policy, Strategy and Planning | 8,1 | 8,4 | 0,3 | - 0,1 | 3,70% | -1,42% |
| Human Settlements Policy Frameworks | 33,4 | 38,7 | 5,3 | 3,4 | 15,87% | 10,14% |
| Human Settlements Strategy and Planning | 51,2 | 57,6 | 6,4 | 3,6 | 12,50% | 6,94% |
| TOTAL | 92,7 | 104,7 | 12,0 | 6,8 | 12,9% | 7,36% |

* Programme 2 received an allocation of R104.7 million in 2019/20, compared to R92.7 million the previous year. This represents a nominal increase of 12.9 percent increase (7.36 percent when adjusted for inflation).
* The largest allocation was made to the Human Settlements Strategy and Planning sub-programme, with an allocation of R57.6 million. This represents a nominal increase of 12.5 percent from the previous year (6.94 percent real increase). Human Settlements Policy Frameworks sub-programme experienced a nominal increase of 15.8 percent, or, when adjusted for inflation, a real increase of 10.1 percent.
* However, the Management for Policy, Strategy and Planning sub-programme’s allocation did not keep track of inflation, and thus experienced a real decline of 1.42 percent.

**TABLE 4: ALLOCATION TO SUB-PROGRAMMES UNDER PROGRAMME 3**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Programme | Budget | | Nominal change in 2019/20  (Rand’ million) | Real  change in 2019/20  (Rand’ million) | Nominal Percent  change in 2019/20 | Real  Percent change in 2019/20 |
| R million | 2018/19 | 2019/20 |
| Management for Human Settlements Delivery Support | 9,0 | 8,9 | - 0,1 | - 0,5 | -1,11% | -6,00 |
| Programme Management Unit | 189,0 | 202,2 | 13,2 | 3,2 | 6,98% | 1,70 |
| Chief of Operations | 48,0 | 47,6 | - 0,4 | - 2,8 | -0,83% | -5,74% |
| TOTAL | 246,0 | 258,7 | 12,7 | - 0,1 | 5,2 % | -0,04% |

* The Programme Management Unit is the only sub-programme experiencing a positive growth from the previous financial year (6.98 percent nominal and real increase 0.04 percent).
* Both the Management for Human Settlements Delivery Support and the Chief of Operations sub-programmes experienced nominal and real declines from the previous year.
* Over the past three years, Programme 3 has consistently underperformed when compared to other programmes. For the 2017/18 financial year, only 31.5 percent of targets were met, while 76.32 percent of the final appropriated budget for the programme was spent. This is compared to 2016/17, where 41.2 percent of targets were met and 69.7 percent of the final appropriated budget was spent. There has therefore been an improvement in expenditure, but a regression in terms of performance.

**Targets that were not met during 2017/18 include:**

* Out of a target of 50 catalytic projects, only 48 were approved, thereby not achieving the target.
* Out of a planned 400 informal settlements that were planned to be assessed (feasibility studies conducted), only 61 were assessed. Reasons for the deviation were not clear.
* Out of a planned 300 informal settlement upgrading plans that had to be developed, only 109 were completed. Reasons for the deviation were not clear.
* Out of a planned 1700 non-statutory military veterans that had to be adequately housed, only 480 received adequate housing. A lack of prioritisation on the delivery of housing for military veterans by provinces was offered as an explanation for the poor performance.
* Out of a target of 6000 social housing units, only 3 535 units were delivered. Poor performance by the provinces was offered as an explanation for the poor performance for this target.

***3.1.1.3* Programme 3: Programme Monitoring and Delivery Support**

The purpose of Programme 3 is to support the execution, monitor and evaluate the implementation of human settlements programmes and projects, as well as to manage the building of capacity and skills in the sector and provide oversight of public entities. The objectives of Programme 3 are to:

* Improve the delivery rate of housing projects, including blocked projects and informal settlements upgrading projects, by providing technical support to all provinces and municipalities for the planning and implementation of strategic programmes and projects on an ongoing basis;
* Promote better human settlements outcomes in informal settlements by implementing the National Upgrading Support Programme (NUSP) in 117 municipalities over the next three years;
* Ensure and verify the delivery of quality housing opportunities by monitoring and evaluating the performance of provinces and municipalities, as reported in the housing subsidy system, through project-level site visits, review sessions and workshops on a quarterly basis;
* Develop professional and institutional capacity to support roles and responsibilities at the provincial and municipal spheres by managing training and skills development programmes for officials and communities on an ongoing basis; and
* Manage the performance of public entities, provinces and municipalities by monitoring the performance of human settlements development and housing programmes on a quarterly basis.

**3.1.1.4 Programme 4: Housing Development Finance**

The purpose of Programme 4 is to fund the delivery of housing and human settlements programmes, and manage all matters related to improving access to housing finance and developing partnerships with the financial sector. This is the core service delivery mandate of the Department, as it received 97.56 percent of the total allocation to the Department.

The objectives of the Programme 4 are as follow:

* Manage the performance of provinces and municipalities by monitoring the expenditure and non-financial performance of human settlements development and housing programmes on a monthly and quarterly basis;
* Accelerate the delivery of housing and human settlements by providing funding from the Human Settlements Development Grant (HSDG), the Urban Settlements Development Grant (USDG), the Informal Settlements Upgrading Partnership Grant (ISUPG), the Title Deeds Restoration Grant (TDRG) and the Emergency Housing Grant (EHG) and transfers to public entities on an ongoing basis;
* Improve access to housing finance by collaborating with the private sector and related entities to develop mechanisms to increase market penetration and provides loans to low- and middle-income households on an ongoing basis; and
* Ensure equal access to housing finance through monitoring the lending practices of the financial sector by publishing an annual report on mortgage finance.

**TABLE 5: ALLOCATION TO SUB-PROGRAMMES UNDER PROGRAMME 4**

| Programme | Budget | | Nominal increase/ decrease in 2019/20  (R’ million) | Real increase/ decrease in 2019/20  (R’ million) | Nominal Percent change in 2019/20 | Real Percent change in 2019/20 |
| --- | --- | --- | --- | --- | --- | --- |
| R million | 2018/19 | 2019/20 |
| Management for Housing Development Finance | 4,5 | 4,6 | 0,1 | - 0,1 | 2,22% | -2,83% |
| Chief Investment Officer | 22,5 | 24,7 | 2,2 | 1,0 | 9,78% | 4,35% |
| Human Settlements Development Grant | 18 266,6 | 18 779,8 | 513,2 | - 415,1 | 2,81% | -2,27% |
| Contributions | 1 159,0 | 1 222,9 | 63,9 | 3,5 | 5,51% | 0,30% |
| Urban Settlements Development Grant | 11 306,1 | 12 045,4 | 739,3 | 143,9 | 6,54% | 1,27% |
| Title Deeds Restoration Grant | 518,7 | 547,7 | 29,0 | 1,9 | 5,59% | 0,37% |
| Emergency housing Grant | 400,0 | 426,0 | 26,0 | 4,9 | 6,50% | 1,24% |
| TOTAL | 31 677,0 | 33 051,1 | 1 374,1 | - 259,6 | 4,3% | -0,82% |

Expenditure under Programme 4 is mainly in the form of transfers through the HSDG (R18.7 billion) and the USDG (R12 billion). The HSDG allocation for 2019/20 is below inflation, and declines in real terms with 2.3 percent from the previous year.

Over the medium term, Cabinet has approved budget reductions of R3.4 billion to the HSDG and R200 million to the USDG. Despite these reductions, an additional R814.5 million is allocated over the medium term to the USDG to provide electricity to households in metropolitan cities; and additional allocations to the HSDG of R247 million in 2019/20 and R400 million in 2021/22 are earmarked for post-disaster relief in KwaZulu-Natal.

**5. Delivery agreements for Outcome 8 for 2015/2016 (planned targets)**

Objective of Outcome 8 was to manage a comprehensive human settlements programme with multiple projects that covers extensive geographical spread aiming to improve the workings of the space economy. This would be achieved by:

* Providing poor households with adequate housing in better living environments;
* Supporting the development of functional and equitable residential property market; and
* Improving the institutional capacity & coordination for better spatial targeting.

Housing delivery: In terms of the Outcome 8 MTSF for Human Settlements, a total number of 1, 5 million housing opportunities will be delivered over the MTSF period of five years. The 1. 5 million housing opportunities would consist of:

* 750 000 households in informal settlements upgraded;
* 563 000 individual units for subsidy market;
* 110 000 loans (70 000 FLISP plus 40 000 DFIs)
* 27 000 social housing;
* 10 000 CRU; and
* 35 000 affordable rentals.

**Other targets**

* 2 200 informal settlements would be assessed; and
* 10 000 ha of well-located land would be rezoned and released for new developments targeting poor and lower to middle income households.

**6. Allocations over MTSF by economic classification**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Total allocation R`000** | **2019/20** | **2020/21** | **2021/22** | **Total MTEF** |
| **Departmental Operations** | **843 322** | **950 430** | **1 006 879** | **2 800 631** |
| Compensation of employees | 405 680 | 436 107 | 464 454 | 1 306 241 |
| Goods and services | 434 219 | 510 716 | 538 618 | 1 483 553 |
| Payment for Capital assets | 3 423 | 3 607 | 3 807 | 10 837 |
| **Grants and transfer payments** | **32 985 844** | **34 181 615** | **35 663 968** | **102 881 427** |
| **Grants** | **31 798 901** | **32 685 496** | **33 954 676** | **98 439 073** |
| Human Settlements Development Grant | 18 779 815 | 15 936 617 | 15 397 240 | 50 113 672 |
| Informal Settlements Upgrading Partnership Grant Provinces | - | 3 015 286 | 4 321 909 | 7 337 195 |
| Provincial Emergency Housing Grant | 276 900 | 294 899 | 311 118 | 882 917 |
| Title Deeds Restoration Grant | 547 700 | 577 823 | - | 1 125 523 |
| Urban Settlements Development Grant | 12 045 386 | 9 716 794 | 9 373 053 | 31 135 233 |
| Informal Settlements Upgrading Partnership Grant Municipalities | - | 2 985 285 | 4 383 830 | 7 369 115 |
| Municipal Emergency Housing Grant | 149 100 | 158 792 | 167 526 | 475 418 |
| **Entities** | **1 222 884** | **1 481 146** | **1 693 307** | **4 397 337** |
| Social Housing Regulatory Authority (SHRA): Operational | 65 761 | 69 378 | 73 194 | 208 333 |
| SHRA: Institutional Investment | 21 259 | 22 428 | 23 662 | 67 349 |
| SHRA: Consolidated Capital grant | 723 706 | 762 747 | 804 646 | 2 291 099 |
| Community Schemes Ombud Services | 32 847 | 34 654 | 36 560 | 104 061 |
| National Housing Finance Corporation (NHFC): Financed Linked Individual Subsidy Programme (FLISP) | 95 000 | 334 250 | 480 000 | 909 250 |
| NHFC: Operational support FLISP | 5 000 | 15 750 | 20 000 | 40 750 |
| National Housing Finance Corporation- Capitalization of the HSDB | 50 000 | - | - | 50 000 |
| Housing Development Agency | 229 311 | 241 939 | 255 245 | 726 495 |
| **Departmental Transfers** | **14 049** | **14 973** | **15 985** | **45 017** |
| Bursaries Scheme | 7 474 | 8 078 | 8 715 | 24 267 |
| UN Habitat | 2 400 | 2 695 | 3 050 | 8 145 |
| City Alliance | 685 | 700 | 720 | 2 105 |
| Mangosuthu University of Technology | 3 500 | 3 500 | 3 500 | 10 500 |
| **Total** | **33 879 166** | **35 132 045** | **36 670 847** | **105 682 058** |

**Source: Department of Human Settlements, 2019.**

**7. Grant allocation 2019**

**7.1 Emergency Grant Allocations:**

|  |  |  |  |
| --- | --- | --- | --- |
| **MTEF ALLOCATIONS** | **2019/2020** | **2020/2021** | **2021/2022** |
| **R'000** | **R'000** | **R'000** |
| **Provincial Emergency Housing Grant** | **276 900** | **294 899** | **311 118** |
| **Municipal Emergency Housing Grant** | **149 100** | **158 792** | **167 526** |
| **TOTAL** | **426 000** | **453 691** | **478 644** |

**Source: Department of Human Settlements Strategic Plan.**

**7.2 Informal settlements upgrading programme allocations (UISP) for 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **UISP GRANTS** | **2019/20**  **R`000** | **2020/21**  **R`000** | **2021/22**  **R`000** | **Total MTEF**  **R`000** |
| Informal Settlements Upgrading Partnership Grant: **Provinces** | - | 3 015 286 | 4 321 909 | 7 337 195 |
| Informal Settlements Upgrading Partnership Grant: **Municipalities** | - | 2 985 285 | 4 383 830 | 7 369 115 |
| **Total** | **-** | **6 000 571** | **8 705 739** | **14 706 310** |

**Source: Department of Human Settlements Strategic Plan**

**7.3 Provincial Human Settlements Development Grant Business Plans and Urban Settlements Development Grant Analysis for the 2019/20 Medium Term Expenditure Framework**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Province** | **2019/2020** | | | | | | | **2020/2021** | | | | | | | | **2021/2022** | |
| **Total Allocation** | **Normal Projects** | **Mining Towns (Ring Fenced)** | **UISP (Ring Fenced)** | | **Disaster** | | **Total Allocation** | | | **Normal Projects** | **Mining Towns (Ring Fenced)** | | **Disaster** | | **Total Allocation** | |
| **R'000** | | | | | | | | | | | | | | | | |
| Eastern Cape | 1 960 278 | 1 651 228 | - | 309 050 | | - | 1 634 932 | | | 1 634 932 | |  | | - | 1 631 302 | | |
| Free State | 1 093 166 | 870 620 | 59 598 | 162 948 | | - | 917 011 | | | 862 028 | | 54 983 | | - | 908 030 | | |
| Gauteng | 5 164 409 | 4 235 396 | 136 301 | 792 712 | | - | 4 319 346 | | | 4 193 598 | | 125 748 | | - | 4 293 873 | | |
| KwaZulu-Natal | 3 485 407 | 2 727 841 | - | 510 553 | | 247 013 | 3 100 921 | | | 2 700 921 | | - | | 400 000 | 2 694 924 | | |
| Limpopo | 1 301 677 | 971 182 | 148 725 | 181 770 | | - | 1 098 807 | | | 961 598 | | 137 209 | | - | 1 079 035 | | |
| Mpumalanga | 1 296 059 | 989 883 | 120 906 | 185 270 | | - | 1 091 658 | | | 980 113 | | 111 545 | | - | 1 075 145 | | |
| Northern Cape | 470 262 | 292 912 | 122 527 | 54 823 | | - | 403 062 | | | 290 022 | | 113 040 | | - | 387 887 | | |
| North West | 1 934 947 | 1 367 126 | 311 944 | 255 877 | | - | 1 641 426 | | | 1 353 635 | | 287 791 | | - | 1 601 428 | | |
| Western Cape | 2 073 610 | 1 746 693 | - | 326 917 | | - | 1 729 455 | | | 1 729 455 | | - | | - | 1 725 616 | | |
| **Total** | **18 779 815** | **14 852 881** | **900 001** | **2 779 920** | | **247 013** | **15 936 618** | | | **14 706 302** | | **830 316** | | **400 000** | **15 397 240** | | |
| **TOTAL** | | | | | **426 000** | | | | **453 691** | | | | **478 644** | | | |

**Source: Department of Human Settlements Strategic Plan.**

**8. Committee deliberations and observations**

The Committee, having been briefed by the Department and its entities on its strategic plans, annual performance plans and budget, provincial business plans and the metropolitan municipalities, deliberated and made the following observations:

1. That municipalities did not comply with USDG policy parameters. There was a need for punitive measures for the lack of compliance. This would assist the Department to regulate the use of the grant.
2. That there was a practice of fiscal dumping of the USDG grant.
3. That the Department did not provide a list of informal settlements that need to be upgraded.
4. That there was a number of informal sale of RDP houses.
5. That there was a huge backlog in the beneficiary waiting list.
6. That there was a lack of capacity in some critical programmes within the Department, e.g. the Anti-Corruption Unit.
7. That there was an increase in land and home invasions.
8. That there was an increase in farm worker evictions.
9. That the Department and municipalities were not responding optimally to emergency situations.
10. That the issuing of title deeds was at a slow pace. In addition, that Indians and Coloured areas were still lagging behind.
11. That there were misconduct allegations against the Red Ants in the demolition of houses in Alexandra.
12. That there was an increase in community protests.
13. That accreditation of municipalities in building homes was at a slow pace, e.g. in Polokwane.
14. That the Department viewed the 2019/20 Annual Performance Plan as delivery contract with society. This would give space for society to monitor the work of the Department. In addition, this would assist the Committee with it monitoring work.

**9. Recommendations**

The Committee, having been briefed by the Department of Human Settlements on its strategic plans, annual performance plans and Budget Vote 38: Human Settlements, recommends that the Minister of Human Settlements should ensure that the Department of Human Settlements:

1. Put punitive measures for the municipalities that are lacking compliance in the utilisation of the Urban Settlements Development Grant (USDG). The funds should be ring-fenced and be utilised for the intended purpose. There should also be punitive measures in place to deal with poor performing municipalities.
2. Together with National Treasury improve the monitoring of the USDG grant and prevent fiscal dumping.
3. Provide a list of the informal settlements in South Africa, including their geographical location (the list of the informal settlements to be upgraded); distressed mining towns; list of blocked projects with the plans to unblock them. The department should also clarify the rectification programme.
4. Prevent the informal sale of state subsidy house. Conduct occupancy audit or studies to determine ownership of state subsidy houses (RDP). This would assist the Department to determine the effectiveness and responsiveness of the programme. Educate beneficiaries on their role in home ownership, importance of ownership and benefits.
5. Fast-track the release of suitable land for human settlements purpose. Densification strategies urban areas should be incorporated into departmental plans in urban areas.
6. Improve capacity in critical programmes with the Department.
7. Prevent land and home invasions.
8. Prevent illegal evictions of farm workers by farmers.
9. Improve the response rate in cases of emergency situations. The criteria on emergency grant must be clarified. Furthermore, the definition, parameters, and process of policy should be clarified. This would assist the Committee with monitoring and evaluation of the programme.
10. Fast-track the issuing of title deeds, including the eradication of the backlog (pre- and post-1994). Fast-track the issuing of tittle deeds in Indian and Coloured areas.
11. Conduct an investigation of alleged Red Ants misconduct.
12. Improve community involvement to ensure community satisfaction and reduce community protests.
13. Improve the accreditation process of municipalities.

**9.1 General Recommendations**

1. Upscale support to women and youth contractors. There should be plans to capacitate them to improve their performance.
2. Utilise the current legislation to prevent land and home invasions. Clarify on the utilisation of emergency grant, how is it administered, what constitute the emergency or prerequisite as most people affected by disasters were still out of shelter.
3. Monitor the management of the Housing Subsidy System (HSS) as the waiting list is still a challenge.
4. Provide plans to assist Military Veterans as some houses were built without amenities.
5. Submit its human resource plan to the Committee.
6. Start looking into future plans to realise the President’s dream of building new smart cities.

Report to be considered.