

Housing

Aim

The aim of the Department of Housing is to determine, finance, promote, coordinate, monitor and communicate policy in respect of housing and human settlement.

Policy developments

The Department of Housing strives to ensure that every South African has access to a permanent residential structure with secure tenure, ensuring privacy and providing adequate protection against the elements. Housing subsidy assistance to the very poor is the cornerstone of the Department's approach.

Since the release of the White Paper on Housing in 1994, the Department has successfully completed rationalisation of the relevant housing legislation and development of appropriate policies and strategies, including the following:

- Extension of the housing subsidy scheme to rural households to ensure access to housing subsidies on the basis of secure tenure
- The zero rating of housing subsidies for the purposes of value-added tax
- The cancellation of the maximum product price, which was previously limited up to R65 000
- Allowing institutions through which it provides subsidised housing to supplement subsidy investments
- All households earning up to R1 500 per month qualify for the maximum subsidy
- A provincially based bank guarantee system was developed in order to prevent the holding of subsidy funds by attorneys for extended periods
- The adjustment of the housing subsidy from R15 000 to R16 000.

Work for the ensuing year includes the formulation of a national housing strategy to enhance housing delivery in the new millennium. New priorities will include:

- Improved subsidy monitoring to prevent subsidy fraud and corruption
- The development of home loan and mortgage disclosure and social housing legislation
- The implementation of the Rental Housing Act, 1999.

Expenditure estimates

Table 17.1 Expenditure by programme

R million	Expenditure outcome			Revised estimate 1999/00	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99		2000/01	2001/02	2002/03
Administration	19,1	21,1	21,8	28,3	36,2	47,0	58,5
Policy development	51,1	46,8	56,8	62,0	43,8	32,8	27,1
Housing performance	545,5	1 815,8	583,7	454,2	217,0	305,2	309,1
South African Housing Fund	1 453,2	2 634,9	3 084,2	2 970,9	3 027,9	3 207,2	3 351,2
Communication	1,2	1,4	1,0	11,8	8,4	8,9	8,7
Departmental vote	2 070,1	4 520,0	3 747,5	3 527,1	3 333,4	3 601,3	3 754,6
Public Works ¹	–	–	–	–	–	–	–
Total	2 070,1	4 520,0	3 747,5	3 527,1	3 333,4	3 601,3	3 754,6
Change to 1999 Budget estimate	–	–	–	(3,4)	10,1	20,2	–

¹ Appropriated on Vote 26: Public Works.

- *Administration* involves the formulation of policy by the Minister and the management of the Department. It also renders administrative, legal and office support services, manages personnel and financial services, and determines working methods and procedures.
- *Policy development* involves developing, integrating and building capacity for the execution of national housing and settlement policy and strategy.
- *Housing performance* monitors the implementation of national housing policy and programmes, tracks housing sector performance, manages housing information and special projects, administers the SA Housing Development Board and supports housing institutions.
- The *South African Housing Fund* manages the funding of national housing programmes in terms of the Housing Act of 1997.
- *Communication* involves liaising with the media, coordinating provincial communication and planning and implementing national communication strategies.

Table 17.2 Economic classification of expenditure

R million	Expenditure outcome			Revised estimate 1999/00	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99		2000/01	2001/02	2002/03
Current							
Personnel	16,7	19,6	17,3	22,0	39,6	50,7	63,4
Transfer payments ¹	98,1	2 605,8	3 123,4	3 121,2	3 239,1	3 306,6	3 444,2
Other	13,6	17,4	20,9	47,8	34,0	33,4	32,5
Capital expenditure							
Transfer payments ¹	1 940,4	1 872,9	584,5	334,8	20,0	210,0	214,0
Acquisition of capital assets	1,3	4,3	1,4	1,2	0,6	0,6	0,6
Total	2 070,1	4 520,0	3 747,5	3 527,1	3 333,4	3 601,3	3 754,6

¹ Housing subsidies of R1 453,2 million were classified as capital transfer payments in 1996/97 and as current transfer payments in subsequent years.

Current transfers, mostly housing subsidies, have increased from R1 551,3 million in 1996/97 to a projected R3 444,2 million in 2002/03. Capital transfers peaked in 1997/98 as a result of a R745 million capitalisation of the National Housing Finance Corporation; other capital transfers for 1997 included about R700 million for special projects (including rollover funds), R129 million for the bulk connector grant, R230 million for hostel redevelopment and R40 million for Servcon.

Capital transfers have declined since 1998/99 as relatively lower allocations were made to the special projects until their completion in 1999. R20 million is allocated for capital transfers in 2000/01 and is earmarked for the Human settlement redevelopment programme. Allocations of R100 million and R104 million are made for the programme in 2001/02 and 2002/03 respectively. R110 million per year is provided in the same period for the recapitalisation of the National Housing Finance Corporation.

The Human settlement redevelopment pilot programme was initiated during 1999. The aim of the programme is to improve the quality of the urban environment by restoring community infrastructure.

Programme 1: Administration

Table 17.3 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	30,5	30,7	28,3	27,2	29,7	–
2000 Budget	–	–	–	36,2	47,0	58,5
Change to 1999 Budget estimate	–	0,2	(2,2)	9,0	17,3	–

The medium-term estimates for the *Administration* programme rise to R36,2 million in 2000/01 and R47 million in 2001/02 reflecting the expansion of the establishment in order to execute the requirements of the Housing Act of 1997.

Programme 2: Policy development

Table 17.4 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	49,9	64,8	62,0	23,8	24,8	–
2000 Budget	–	–	–	43,8	32,8	27,1
Change to 1999 Budget estimate	–	14,9	12,1	20,0	8,0	–

Policy development involves developing, integrating and building capacity for the execution of national housing and settlement policy and strategy. The activities of the programme include:

- Research and identification of housing needs
- Development and management of the national housing subsidy scheme
- Capacity development for provincial and local governments
- Administering the phasing out of housing subsidy programmes inherited from the previous dispensation.

The 1999 adjustments estimate allocated an additional R15 million as a conditional grant to provinces for hostel redevelopment.

The medium-term 1999 Budget estimates are revised upwards to R43,8 million in 2000/01 and R32,8 million in 2001/02 as provision for the implementation of the national housing policy and

programmes. R10 million per year is provided towards capacity building and is paid as a conditional grant to provinces and local government.

Outputs and service delivery trends

Table 17.5 Policy development: Key activities and outputs

Key activities	Outputs
Housing subsidy scheme Policy and legislation	Norms and standards for the type of service and size of structure National Housing Code – guidelines for the implementation and application of the national housing policy and strategy
Capacity building programmes Peoples Housing Partnership Trust	Development of administration and management capacity required for the effective performance of their duties in respect of housing development National Urban Development Framework – guidelines for development of sustainable human settlements
Human settlement policy and integration Human settlement and housing land policy Policy co-ordination and integration	Policy and strategy on land for the housing process Management of the Rural settlement development strategy Inputs to national and international policy development processes relating to sustainable human settlement

More than 870 officials have participated in capacity building programmes since February 1996; over 320 people have been trained in housing construction skills and 89 housing support centres have been established in 8 provinces.

Policy developments

A provincial capacity-building programme was implemented in September 1996, and a framework for a multi-year housing capacity-building programme approved in 1997. A conditional grant of R10 million per year is allocated for capacity building. The conditions for such funding have been agreed by the Department and the provincial governments and are tabled in the Division of Revenue Bill.

The Rental Housing Act of 1999 defines the responsibility of Government in respect of rental housing property. It creates mechanisms to promote the provision of rental housing property and access to adequate housing by ensuring proper functioning of the rental housing market. It makes provision for the establishment of rental housing tribunals and lays down general principles governing conflict resolution in the rental housing sector. It also provides for the facilitation of sound relations between landlords and tenants and lays down general requirements relating to lessees. The Act repeals the Rent Control Act of 1976.

The Home Loan and Mortgage Disclosure Bill has been drafted for submission to Cabinet for approval. The Bill is part of Government's community reinvestment legislation and sets out to promote fair lending practice amongst financial institutions which provide home loans. It requires disclosure by such institutions of certain information in their reports and annual financial statements. The Bill further establishes an office of disclosure to monitor compliance with the disclosure requirements of the Bill, rates the relevant financial institutions and makes such ratings public. It also empowers the Minister to introduce measures, through regulation, to promote the sustainable provision of home loans to under-serviced and unserved segments of the population.

Programme 3: Housing performance

Table 17.6 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	470,1	550,7	454,2	359,0	100,6	–
2000 Budget	–	–	–	217,0	305,2	309,1
Change to 1999 Budget estimate	–	80,6	(15,9)	(142,0)	204,6	–

The *Housing performance* programme is responsible for monitoring national housing policy and programmes, as well as housing sector performance, managing housing information and special projects and rendering support to housing institutions. Contributions are also made to various institutions in the housing sector including Servcon, the National Housing Finance Corporation, South African Housing Trust, the Social Housing Foundation and the National Home Builders Registration Council.

The 2000/01 allocation is revised downwards to R217,0 million due to the postponement of additional allocations of about R120 million to the Human settlement redevelopment programme to the last two years of the MTEF. The provision increases to R100 million in 2001/02 and R104 million in 2002/03. Provision has also been made in the Division of Revenue Bill for rolling the 1999/00 amount onto 2000/01.

Allocations of R110 million per year are provided for the recapitalisation of the National Housing Finance Corporation in 2001/02. The reduction of R142 million for 2000/01 is as a result of a reduction in funds allocated to Servcon, from R163,8 million in 1999/00 to R68,8 million in 2000/01. No funds were provided for the National Homebuilders Registration Council. Allocation for the South African Housing Trust was also reduced from R116 million to R103 million.

Outputs and service delivery trends

Table 17.7 Housing performance: Key activities and outputs

Key activities	Outputs
Implementation monitoring Housing sector, policy and programme monitoring	Identification of policy constraints and performance gaps, and producing reliable information
Information service Development and maintenance of housing and human settlement related information systems	Subsidy management at national and provincial levels Information for planning, monitoring and evaluation purposes
Special projects Human settlement redevelopment	Financial assistance to poor, dislocated communities Establishment of more integrated and holistic settlements Development of a formal, permanent programme
Housing secretariat Professional secretarial service	Rendering of professional secretarial services to all housing policy- and decision making structures
SA Housing Development Board Statutory advisory services	Advice to the Minister on any matter relating to housing development, monitoring the implementation of national housing policy

Housing delivery has shown a remarkable improvement given the low levels of expenditure in 1994/95. Current delivery rates are preventing an increase in the housing backlog. A new housing delivery target is being formulated, taking into account budgetary and implementation issues. The

formula for the allocation of housing funds to provinces has also been reviewed and will be utilised to allocate the housing funds for 2000/01 onwards.

Projects related to housing that cannot be funded from the formal subsidy mechanism are managed through this programme. Examples include primary schools, childcare centres, skills training, streetlights, water and sewerage, road upgrades and police units.

An additional allocation of R75 million was made in this programme as funding for the Presidential Job Summit projects. Projects are still being assessed for qualification for this funding and expenditure is likely to take place in 2000/01.

Programme 4: South African Housing Fund

Table 17.8 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	2 971,1	2 971,1	2 970,9	2 905,3	3 417,0	–
2000 Budget	–	–	–	3 027,9	3 207,2	3 351,2
Change to 1999 Budget estimate	–	–	(0,2)	122,6	(209,8)	–

Housing funds for the national housing programme are budgeted for and appropriated in the *South African Housing Fund* programme. The funds are then allocated to the nine provinces in accordance with the provisions of the Housing Act of 1997. The allocation is based on a formula which seeks to ensure that funds are allocated equitably among the nine provinces, taking into account the housing backlog and income profile of each province.

Revision of the baseline medium-term estimates sees an increase of R122,6 million expenditure on the programme in 2000/01 and a reduction of R209,8 million in 2001/02. These adjustments respectively reflect an increase in subsidy allocation and a moderation in subsequent years in line with delivery capacity.

In terms of the current formula, the provincial allocation of subsidies for the 2000/01 to 2002/03 is R2 997,6 million, R3 176,9 million and R3 319,6 million.

Outputs and service delivery trends

Table 17.9 South African Housing Fund: Key activities and outputs

Key activities	Outputs
Subsidy provision	Subsidies awarded to eligible individuals who earn less than R3 500 per month 112 338 individual subsidies were awarded between 1994 and 1999.

The aims of the housing subsidy assistance scheme have largely been met. Introduced in 1994 on a project-linked basis only, the scheme evolved into a comprehensive instrument providing an array of housing subsidies to a broad spectrum of beneficiaries. It allows several tenure options on an individual or group basis in urban areas. Approximately 65 000 consolidation subsidies were approved.

The scheme's successes include the approval of over 1,1 million housing subsidies between April 1994 and November 1999. During the same period, 972 313 housing units were built.

Approximately R12,5 billion has been spent on housing delivery since 1994. A delivery target of 322 000 units a year was reached during 1997/98.

About 33 000 beneficiaries of the former scheme will be supported until the scheme has been completely phased out.

The housing funds provided have averaged approximately R3 billion per year. At the higher subsidy amount of about R16 000 per household, the allocation allows for about 188 000 subsidies a year.

Policy developments

The recent evolution of the budget reform process has seen the emergence of conditional grants from national government to provinces as provided for in the Constitution. As a result of this development, a policy decision has been taken to convert housing funds from an agency payment to a conditional grant mechanism, with effect from 2000/01. Housing funds will therefore be reflected in the revenue funds and expenditure appropriations of provinces, enhancing provincial accountability.

The conditions attached to the funds are based on the provisions of the Housing Act of 1997 and will be agreed upon between the Department and the provinces.

The scheme has been extended to rural families with functional security of tenure in terms of the Interim Protection of Informal Land Rights Act of 1996.

Programme 5: Communication

Table 17.10 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	8,8	11,8	11,8	8,0	9,0	–
2000 Budget	–	–	–	8,4	8,9	8,7
Change to 1999 Budget estimate	–	3,0	3,0	0,4	(0,1)	–

The objective of the *Communication* programme is to ensure effective communication in the housing sector through greater interaction with provincial housing structures and a general improvement of communication in the sector. It focuses on streamlining functions, enabling directorates to communicate policy decisions as they are processed, and supporting the Minister. Its three elements are provincial and media liaison, public relations and communications.

Public entities reporting to the Minister responsible for Housing

National Housing Finance Corporation

The National Housing Finance Corporation was established in April 1996 as a public company fully owned by Government. It mobilises private finance for housing in partnership with a range of organisations. R110 million per year is earmarked as transfers to the Corporation in 2001/02 and 2002/03.

Servcon

Servcon was established in June 1995 as a joint undertaking of the Department of Housing and participating banks to implement a mortgage payment normalisation programme agreed to in the 1994 Record of Understanding. Under the revised Record, Servcon's portfolio of approximately 22 500 properties was extended to 33 000 properties, to include defaults between June 1995 and August 1997. Servcon will manage the full portfolio of properties out of the system over an 8-year period. Transfers to Servcon average R70 million per year in the MTEF.

South African Housing Trust

As the major shareholder of the South African Housing Trust, Government decided to wind up the affairs of the company and its subsidiary over a maximum of three years, effective from July 1998. R40 million was allocated in 1998/99, R116 million in 2000/01 and a final payment of R103 million in 2001/02.

Social Housing Foundation

The Social Housing Foundation was set up in 1997 to promote, support and assist the integrated process of sustainable social housing in South Africa. About R8 million per year is made available to the Foundation.

National Home Builders' Registration Council

The National Home Builders' Registration Council was established in June 1995 in terms of the Housing Consumers' Protection Measure Act of 1998. The Council aims to protect consumers and to regulate home builders, as well as to raise construction standards, introduce a basic level of consumer protection, and support a national warranty fund in order to be able to intervene where builders fail to honour a standard warranty. The warranty scheme is funded by a percentage of the house price, contributed by builders and consumers.