

# 6

## Human settlements

### ■ Introduction

Since 1994, the South African state has provided about 3.7 million housing opportunities; this is the term used by the Department of Human Settlements to refer to houses built or under construction and for housing subsidies that have been approved. However, adequate housing continues to be one of the main problems facing the country. The 2013 General Household Survey shows that 13.6 per cent of all dwellings are informal. This is lower than the 15.7 per cent of 2005; but at the current rate of delivery, the eradication of informal settlements, originally anticipated for 2014, is likely to be achieved only in 2030. Causes of this include the rise in property prices between 2000 and 2007, which made housing unaffordable for many low-income families; and supply-side constraints such as access to suitable land, finance and basic services infrastructure.

Government's comprehensive plan for the development of sustainable human settlements has shifted the state's focus from delivering commoditised housing to supporting the entire property market and ensuring that housing is delivered in sustainable and habitable settlements. Underpinned by policy that responds to demand and to the needs of poor households, sustainable human settlements can be achieved through integrated planning and good governance that supports optimal land use and stimulates private investment.

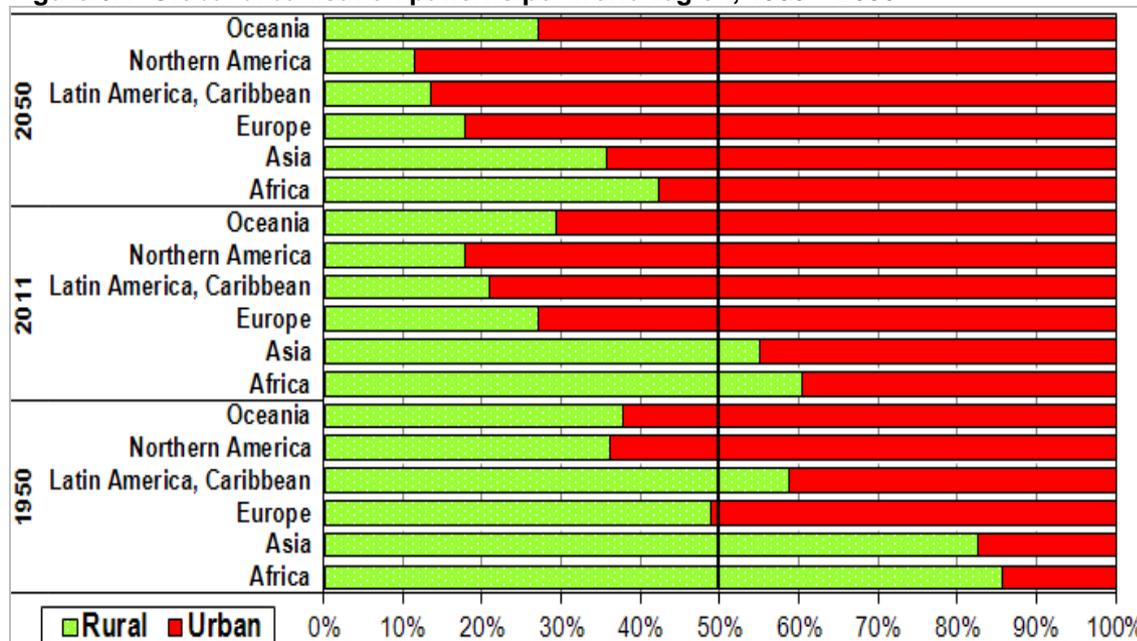
This chapter assesses the state of low-income housing delivery, reviews expenditure and delivery performance, and outlines the medium-term focus.

*There is a shift from delivering commoditised housing to ensuring that housing is delivered in sustainable, habitable settlements*

## Current landscape

South African settlement patterns are consistent with global urbanisation trends. Figure 6.1 below shows how rural/urban patterns have changed worldwide since 1950 and how they are expected to develop to 2050.

Figure 6.1 Global urbanisation patterns per world region, 1950 – 2050

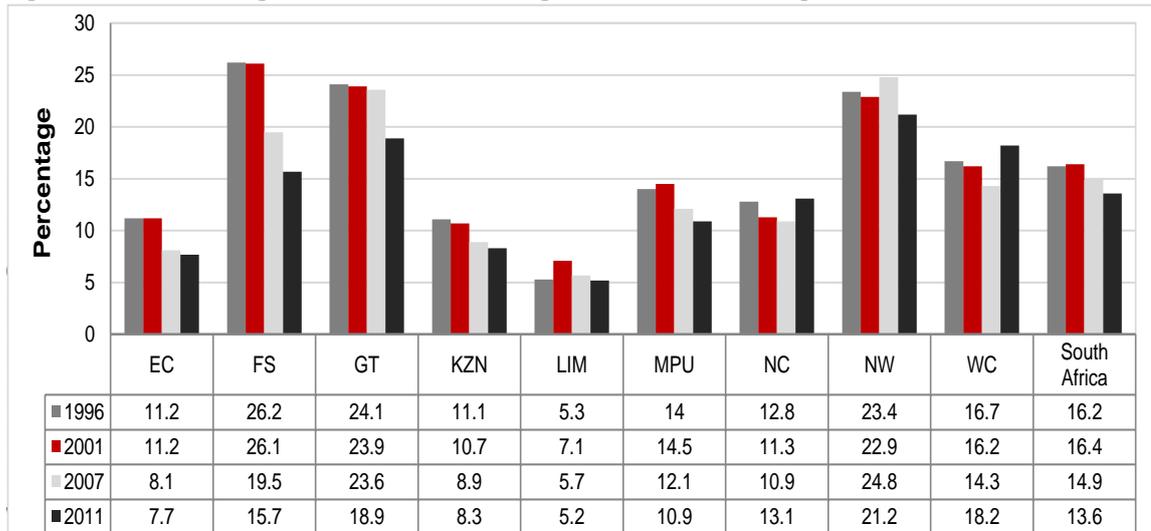


Source: United Nations, World Urbanisation Prospects, 2011

Although the majority of Africa’s population live in rural areas, the development patterns are quite clear. As with all other parts of the world, there is an inexorable trend towards urbanisation. This creates both risks and opportunities in meeting the developmental needs of the continent’s people.

Census 2011 clearly illustrates the rapid shifts in South Africa and shows that, in contrast to the continent as a whole, about 63 per cent of the country’s population now lives in urban areas. The National Development Plan (NDP) estimates that there will be 7.8 million more people in the country’s urban centres by 2030, or about 70 per cent of the total population. Along with other pressures such as environmental and transportation issues, the development of sustainable human settlements with security of tenure is inextricably linked with a credible urban development strategy. Provinces with large city-regions, such as Gauteng, Western Cape and KwaZulu-Natal, are thus key priority areas notwithstanding the existence of policy for rural development.

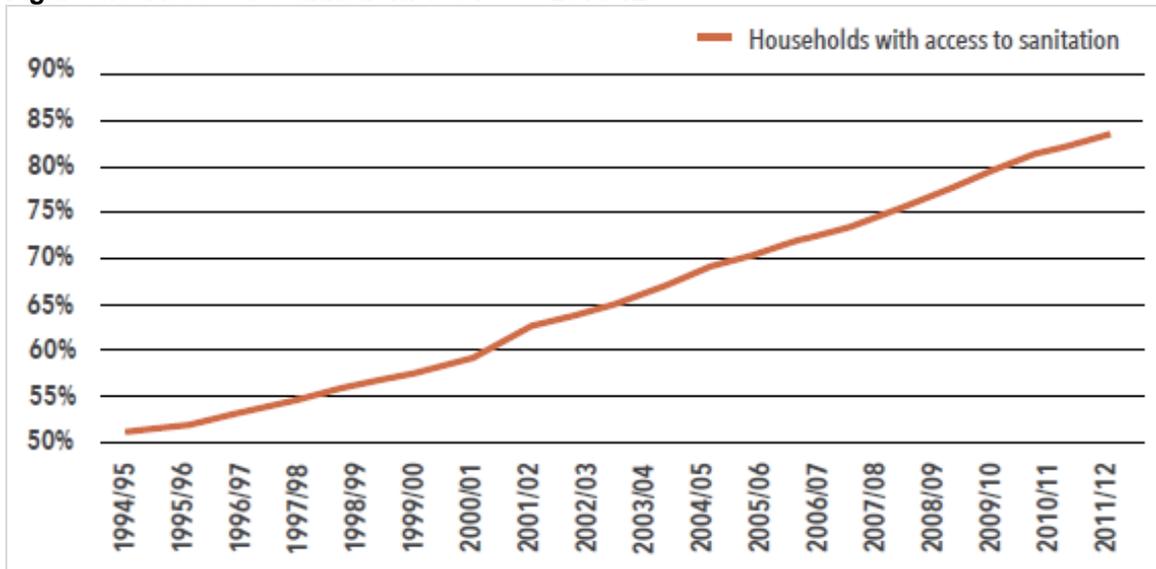
Figure 6.2 shows the steady decline in informal dwellings throughout the country and in most provinces. Nevertheless, given the size of the housing problem, government is accelerating the implementation of its programmes relating to this type of housing. There are currently approximately 1.2 million informal dwellings in the country.

**Figure 6.2 Percentage of households living in informal dwellings**

Source: Statistics South Africa (2011 Census)

Government has also committed itself to providing 20 000 additional rental units per year for low- and middle-income households. Complementary programmes will help to increase access to water from 92 per cent to 100 per cent; sanitation from 69 per cent to 100 per cent; refuse removal from 64 per cent to 75 per cent; and electricity from 81 per cent to 92 per cent. These targets have been set for the period ending March 2016.

The very significant progress that the country has made in providing basic services is shown in Figure 6.3 below.

**Figure 6.3 Access to sanitation: 1994/95 – 2011/12**

Source: Statistics South Africa

To support densification and improve the efficient use of space, the national Housing Development Agency, together with state-owned enterprises and the departments of Public Works, Rural Development and Land Reform, and Public Enterprises will be releasing 6 250 hectares of state-owned land for housing.

*6 250 hectares of state-owned land are to be released for human settlements*

## Institutional arrangements

The Constitution assigns housing as a concurrent function of national and provincial government. The Housing Act (1997) outlines the responsibilities of national, provincial and local government for housing delivery. The national Department of Human Settlements develops policy and strategy, determines delivery goals, monitors and evaluates sector performance, establishes a national funding framework for housing development, and allocates the housing subsidy budget to provincial departments and public entities.

*Provinces account for spending and performance on the Human Settlements Development grant*

Provinces manage policy within their jurisdiction, implement programmes, manage stakeholder relations, ensure compliance with financial management legislation, and account for expenditure and performance on the *Human Settlements Development* grant. They approve housing subsidies and projects, provide support to municipalities and evaluate municipal applications for accreditation as housing delivery agents.

Municipalities create an enabling environment for housing development in their areas of jurisdiction. They also provide and operate infrastructure and services such as water, sanitation, roads and (in many cases) electricity. Municipalities share responsibility with provinces for the release of land for housing development, land use planning, and land use and building control. They often act as housing developers.

### *Municipal accreditation*

*Municipalities will have a greater role in managing and developing human settlements*

Government is expanding the role of municipalities, particularly in metropolitan areas, in managing and developing human settlements. This is necessary to integrate housing and infrastructure planning and delivery at local level.

There are three levels of accreditation:

- Level 1 identifies the foundational roles of a municipality (such as drafting high-level housing strategy and managing beneficiaries) and allows it to budget for human settlements expenditure.
- Level 2 allows a municipality to manage programmes and administer subsidies (excluding individual and relocation subsidies).
- Level 3 assigns the full housing function to a municipality, giving it authority for financial administration and disbursement of subsidies.

Provinces have assigned Level 2 accreditation to Johannesburg, eThekweni, Tshwane, Cape Town, Nelson Mandela Bay, Ekurhuleni and two district municipalities. To date, no municipality has received Level 3 accreditation.

## Expenditure trends and delivery performance

Table 6.1 shows key expenditure trends over the past four years, and medium-term projections.

Provincial expenditure on human settlements increased from R16.9 billion in 2010/11 to R18.8 billion in 2013/14, at an average annual growth rate of 3.6 per cent. After a number of years of robust growth in expenditure on the Housing Development programme (which funds housing subsidies, servicing of sites and delivery of houses), baselines are now remaining steady but will grow above inflation in the 2014 MTEF. Expenditure on this programme rose from R15.2 billion in 2010/11 to just under R17 billion in 2013/14.

*Provincial spending on housing reached R18.8 billion in 2013/14*

**Table 6.1 Provincial expenditure on human settlements by programme, 2010/11 – 2016/17**

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>R million</b>	<b>Outcome</b>			<b>Outcome</b>	<b>Medium-term estimates</b>		
Administration	939	1 019	1 066	1 086	1 239	1 043	1 117
Housing Needs, Research and Planning	215	135	142	231	243	221	225
Housing Development	15 211	14 997	15 844	17 043	17 689	19 124	20 966
Housing Asset Management, Property Management	524	375	378	391	384	386	475
<b>Total</b>	<b>16 889</b>	<b>16 525</b>	<b>17 430</b>	<b>18 751</b>	<b>19 555</b>	<b>20 774</b>	<b>22 782</b>
<b>Economic classification</b>							
Current payments	1 745	1 797	1 988	2 131	2 405	2 238	2 369
<i>of which:</i>							
<i>Compensation of employees</i>	1 118	1 212	1 382	1 501	1 740	1 689	1 775
<i>Goods and services</i>	626	585	606	630	665	549	594
Transfers and subsidies	15 055	14 662	15 391	16 527	16 993	18 474	20 351
Payments for capital assets	79	52	48	89	156	62	62
Payments for financial assets	10	14	3	4	0	0	0
<b>Total</b>	<b>16 889</b>	<b>16 525</b>	<b>17 430</b>	<b>18 751</b>	<b>19 555</b>	<b>20 774</b>	<b>22 782</b>
<b>Percentage growth (average annual)</b>		<b>2010/11–2013/14</b>		<b>2013/14–2014/15</b>		<b>2013/14 – 2016/17</b>	
Administration		5.0%		14.1%		0.9%	
Housing Needs, Research and Planning		2.4%		5.0%		-0.9%	
Housing Development		3.9%		3.8%		7.1%	
Housing Asset Management, Property Management		-9.3%		-1.7%		6.7%	
<b>Total</b>		<b>3.5%</b>		<b>4.3%</b>		<b>6.7%</b>	
<b>Economic classification</b>							
Current payments		6.9%		12.8%		3.6%	
<i>of which:</i>							
<i>Compensation of employees</i>		10.3%		16.0%		5.8%	
<i>Goods and services</i>		0.2%		5.5%		-1.9%	
Transfers and subsidies		3.2%		2.8%		7.2%	
Payments for capital assets		4.1%		75.3%		-11.2%	
Payments for financial assets		-28.0%		-92.0%		-56.8%	
<b>Total</b>		<b>3.5%</b>		<b>4.3%</b>		<b>6.7%</b>	

Source: National Treasury provincial database

Because construction of low cost houses is essentially a social transfer rather than capital asset accumulation by the state, spending is generally classified as ‘Transfers and subsidies’ in government’s accounts. This makes it difficult to determine the unit cost of housing

in each province and municipality, and how these costs are affected by factors such as location and the cost of materials.

Total provincial expenditure is expected to grow at an annual average rate of 6.7 per cent. The *Human Settlements Development* grant grows at 7.4 per cent over the 2014 MTEF.

**Table 6.2 Human settlements development grant per province, 2010/11 – 2016/17**

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
R million	Outcome			Outcome	Medium-term estimates		
Eastern Cape	1 504	1 897	2 002	2 524	2 159	1 929	2 147
Free State	1 038	911	976	1 351	1 062	1 132	1 253
Gauteng	3 737	3 488	4 004	4 064	4 418	5 066	5 631
KwaZulu-Natal	2 711	2 770	2 943	3 334	3 273	3 314	3 547
Limpopo	1 265	1 170	1 189	295	1 219	1 202	1 329
Mpumalanga	1 011	917	953	1 013	1 147	1 316	1 450
Northern Cape	448	323	340	578	375	376	416
North West	1 039	1 149	1 064	1 341	1 517	2 154	2 364
Western Cape	1 940	1 639	1 725	1 959	1 915	2 044	2 271
<b>Total</b>	<b>14 692</b>	<b>14 262</b>	<b>15 195</b>	<b>16 459</b>	<b>17 084</b>	<b>18 533</b>	<b>20 410</b>
Percentage growth (average annual)	2010/11–2013/14		2013/14–2014/15		2013/14 – 2016/17		
Eastern Cape	18.8%		-14.4%		-5.2%		
Free State	9.2%		-21.4%		-2.5%		
Gauteng	2.8%		8.7%		11.5%		
KwaZulu-Natal	7.1%		-1.8%		2.1%		
Limpopo	-38.4%		313.3%		65.2%		
Mpumalanga	0.1%		13.2%		12.7%		
Northern Cape	8.8%		-35.1%		-10.3%		
North West	8.9%		13.1%		20.8%		
Western Cape	0.3%		-2.3%		5.1%		
<b>Total</b>	<b>3.9%</b>		<b>3.8%</b>		<b>7.4%</b>		

Source: National Treasury provincial database

### *The Human Settlements Development Grant*

*Spending on the Human Settlements Development grant reached R16.5 billion in 2013/14*

Spending on the *Human Settlements Development* grant increased from R14.7 billion in 2010/11 to R16.5 billion in 2013/14, although this is muted compared with the average annual rate of over 23 per cent between 2008/09 and 2010/11. This growth can be accounted for by the additional allocations made to increase delivery of subsidised housing. Between 2008/09 and 2011/12, expenditure in the Eastern Cape, for instance, increased at an average annual rate of 64.6 per cent. These dramatic funding increases could clearly not be maintained, particularly as the effects of the global financial crisis began to affect government's fiscal position. However, these escalated amounts have now been built into the baseline allocation going forward and total expenditure is expected to grow to R20.4 billion in 2016/17, at an average annual rate of 7.4 per cent.

The reduction in expenditure between 2010/11 and 2011/12 in the Free State, Gauteng, Limpopo, Mpumalanga, Northern Cape and Western Cape was the result of the new allocation formula for the *Human Settlements Development* grant and the creation of the *Urban Settlements Development* grant. The fund remained largely

unchanged; it was simply allocated directly to the cities delivering the housing units.

### *Capacity and personnel*

Although personnel expenditure as a percentage of total spending on human settlements is small, it provides insight into how provinces implement national programmes and deliver houses.

**Table 6.3 Human settlements expenditure on compensation of employees per province, 2010/11 – 2016/17**

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>R million</b>	<b>Outcome</b>			<b>Outcome</b>	<b>Medium-term estimates</b>		
Eastern Cape	158	170	199	226	250	262	276
Free State	34	39	65	92	103	123	127
Gauteng	246	247	299	317	348	372	393
KwaZulu-Natal	175	188	208	244	290	311	327
Limpopo	157	172	174	137	197	209	224
Mpumalanga	105	120	126	137	161	171	180
Northern Cape	55	62	72	84	86	96	94
North West	78	91	102	114	129	136	143
Western Cape	112	122	137	150	165	175	184
<b>Total</b>	<b>1 118</b>	<b>1 212</b>	<b>1 382</b>	<b>1 501</b>	<b>1 729</b>	<b>1 855</b>	<b>1 949</b>
<b>Percentage growth (average annual)</b>	<b>2010/11–2013/14</b>		<b>2013/14–2014/15</b>		<b>2013/14 – 2016/17</b>		
Eastern Cape	12.7%		10.7%		6.9%		
Free State	40.0%		12.0%		11.1%		
Gauteng	8.8%		10.0%		7.5%		
KwaZulu-Natal	11.7%		18.8%		10.3%		
Limpopo	-4.5%		43.8%		17.9%		
Mpumalanga	9.4%		17.3%		9.4%		
Northern Cape	15.2%		2.8%		4.0%		
North West	13.4%		13.4%		8.1%		
Western Cape	10.5%		9.8%		7.0%		
<b>Total</b>	<b>10.3%</b>		<b>15.2%</b>		<b>9.1%</b>		

Source: National Treasury provincial database

Personnel expenditure in provincial human settlements departments increased from R1.1 billion in 2010/11 to R1.5 billion in 2013/14, at an average annual rate of 10.3 per cent. Expenditure on personnel is expected to increase to R1.9 billion in 2016/17, at an average annual rate of 9.1 per cent. This is an improvement on historical trends; however, the averages conceal some significant differences. As the table above shows, Limpopo is planning to reduce compensation spending in nominal terms, while Free State and KwaZulu-Natal will continue to spend significantly on this item. Within this context, it is important to note that a number of human settlements departments have historically been combined with other sectors (most notably Local Government and Traditional Affairs). This makes trend analysis difficult, particularly in years where a departmental change is proclaimed by the Premier, requiring the movement of staff from one department to another.

*Personnel expenditure figures vary depending on how provinces manage project and contract management risks*

Western Cape uses municipalities as developers; as a result, the project and contract management risks reside with the municipalities. Consequently, the province does not need to build capacity to manage these risks, and provincial budgets are unaffected. In contrast, Gauteng, Eastern Cape and Free State act as developers and carry the associated risks; these provinces have built capacity to manage projects and programmes.

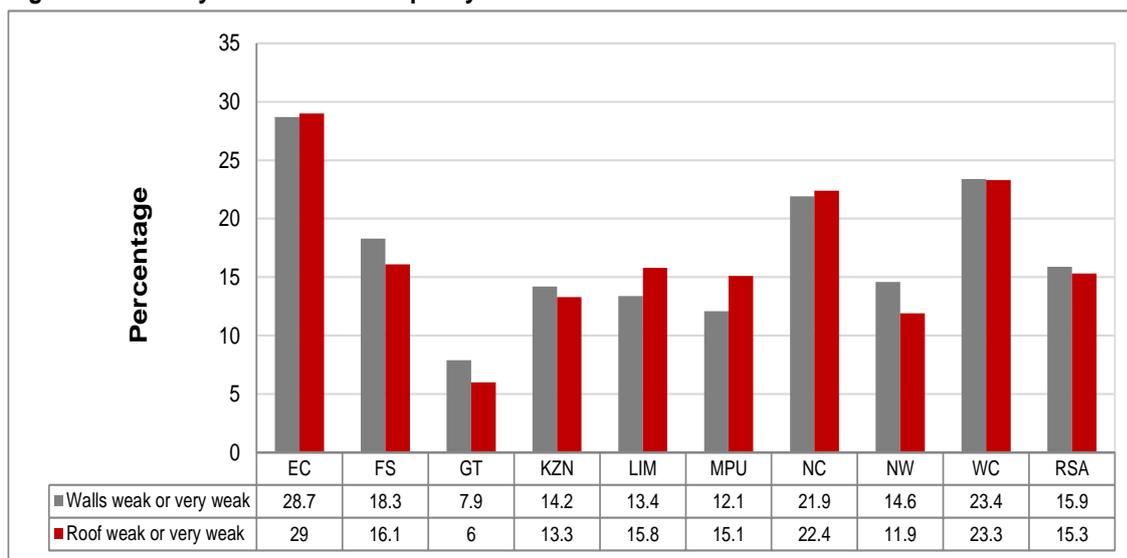
**Service delivery quality**

Up to 17 different programmes operate under the comprehensive human settlements delivery strategy. These include integrated residential development, upgrading of informal settlements, rental housing and emergency housing assistance.

While statistics on subsidised housing have not been fully reliable and data has at times been missing for certain provinces, the 2013 General Household Survey confirms that more than 77 per cent of the population now live in formal dwellings compared with 64 per cent in 1994. It should be noted that the gap between “formal” dwellings and “informal” dwellings includes “rural” and “other” in the publication by Statistics South Africa. The value of the state-subsidised housing market is now estimated at R300 billion compared to R100 billion in 1994.

The 2013 General Household Survey also reports on the perceived quality of dwellings. About 16 per cent of subsidised households report that their walls are weak or very weak and 14.8 per cent report that their roofs are weak or very weak. Reports of poor quality are highest in the Eastern Cape, Northern Cape and Western Cape where they exceed 20 per cent.

**Figure 6.4 Survey of the observed quality of low-cost houses**



Source: Statistics South Africa

Since 2002, any structural defects in low-income houses have been covered by a warranty scheme managed by the National Home Builders Registration Council (NHBRC). Provinces are required to

register subsidy projects with the Council. This takes place in two phases. Phase 1 is project enrolment, which includes a geotechnical investigation with a focus on soil classification and ground conditions. Phase 2 is home enrolment, which includes the township layout plan, house drawings and specifications.

The NHBRC reports on the number of homes in the subsidy sector. Provinces that do not enrol houses place a strain on provincial rectification budgets as the warranty will not cover structural defects in these houses. Failure to enrol houses means that provinces, as the developers, are in breach of the Housing Consumers Protection Measures Act (1998).

## ■ Medium-term outlook

### Upgrading informal settlements

The requirement that provinces have prioritised programmes for upgrading informal settlements, and for municipalities to have transformational project plans, should ensure alignment with national programmes and speed up the upgrading of informal settlements. However, many provincial departments lack programmatic approaches to upgrading, choosing instead project-linked subsidies. These have often proven to be *ad hoc* and reactive rather than proactive and influenced by provincial political priorities. A more proactive approach by provinces and municipalities will enable them to better harness resources, broaden their bases of experience and innovation, and implement housing programmes on an appropriate scale.

*A lack of a programmatic approach to upgrading informal settlements has undermined the programme in provinces*

A number of programmes have been introduced to assist municipalities with the skills and techniques to increase and improve upgrading of informal settlements. The Breaking New Ground (BNG) programme sets a target of upgrading 400 000 households in informal settlements. Although this comprehensive plan identified the need for informal settlement upgrading, incremental upgrading has not been pursued at scale because it has been seen as less important than formal housing provision. The purpose of the National Upgrade Support Programme (NUSP) is to assist with improving the current approach to upgrading informal settlements. Its upgrading resource toolkit provides examples of implementation solutions and good practice, and a capacity-building programme for provinces, municipalities and communities.

### Value for money

The mismatch between above-inflation growth in allocations and declining housing delivery is a sign that there are problems in the implementation of the national housing programme. The variances between projected and actual expenditure show that provinces are not implementing projects according to plan.

A pattern showing a spending surge in the fourth quarter of the financial year does not appropriately reflect the three-year project implementation cycle. Such trends, together with provincial over-commitments and poor contract management, raise questions about provinces' ability to administer the *Human Settlements Development* grant effectively.

Over the medium term, government must focus on strengthening accountability and oversight to ensure improved planning and delivery. This will require a review of planning frameworks, stronger reporting and improved efficiency of allocations.

### **The role of local government**

A “one size fits all” approach will not succeed in this sector. Large cities are economic hubs and the largest sources of employment. In 2004, approximately 79 per cent of the country's gross value added (GVA) arose from its large cities and towns. This has been followed by growth in the urban population and the urban poor.

Local government reforms need to address any current arrangements that reinforce inequality and inefficiency, such as land-use management.

Given the trends in migration and urbanisation, the role of metropolitan municipalities in upgrading informal settlements is being strengthened over the medium term, and the grant system is evolving to improve the built environment and support sustainable human settlements. The new *Urban Settlements Development* grant, which consolidates the *Municipal Infrastructure* grant (for cities) with the *Human Settlements Development* grant will help the eight metropolitan municipalities to improve their efficiency and to coordinate their management of the built environment.

*The Urban Settlements Development Grant will help metropolitan municipalities improve efficiency*

## **Conclusion**

The provision of housing is a deeply complex issue. Reforming and co-ordinating the state's role in it requires a wide array of policies and systems. The National Development Plan identifies the following issues as critical to finding a workable solution:

- A long-term perspective on spatial transformation must be kept in mind while addressing short-term needs.
- The correct balance must be found between protecting the property rights of vulnerable individuals, protecting state investment, allowing integration of state-provided housing into the property market to stimulate the secondary housing market and ensuring locational flexibility for housing beneficiaries.
- A national discussion is required on the future funding of housing in South Africa and on the roles of the state, the private sector and individual households in providing housing and creating integrated and sustainable human settlements.

- Innovation is urgently required as the current trajectory of housing provision must be changed if the overall objectives of human settlement transformation are to be achieved.
- The state must play its role appropriately in providing basic services and developing bulk services.
- Management competence at the municipal level is critical to the overall objective.

Many developed and developing economies are grappling with how to ensure housing for their populations. Providing adequate shelter can be a powerful part of the economy and contribute to social cohesion. Until recently, a range of functional misalignments and the absence of a broad view of the housing mandate have frustrated South Africa's policy objectives in this area. These shortcomings have been recognised, and remedial measures are under way.

The available data does not provide information about many of the important issues that affect the delivery of state-subsidised housing, such as community relations, consultation, tradition, spatial efficiency and integration.

Fast-tracking the delivery of sustainable human settlements requires a bold acknowledgement of South Africa's increasingly urban nature, and a commitment to proper planning, particularly in the large cities.

