

# Human Settlements Budget Brief

Esteri Msindo

Contact: [esteri.msindo@ru.ac.za](mailto:esteri.msindo@ru.ac.za)

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## Human settlements policy and the role of provincial Departments

- Breaking New Ground-Housing delivery for poverty alleviation, job creation, asset for wealth creation, social cohesion and improving quality of life for the poor
- The budget brief analyses policy coherence or non thereof between national and provincial departments of Human Settlements and the impact on human settlements delivery
- Does rectification continue to be a main priority given the shrinking budget for human settlements?

## Legal framework guiding the role of national and provincial Departments

- National Department makes broader policy that should be implemented at provincial and local level
- Provincial Treasury exercise control over the implementation of the provincial budget (PFMA Act and Treasury regulations, 1999 Section 18)
- Provinces, municipalities, and the department's public entities are the implementing agents of national policy directives
- There is no specific legislation that binds provincial departments from deviating from specific programmes that the National Department prioritize.

## What guides policy priorities at provincial level

- Specific demands and needs from the community
- National policy
- Provinces have the autonomy to allocate resources to meet basic needs and respond to provincial and local priorities while giving effect to national objectives (DORA)

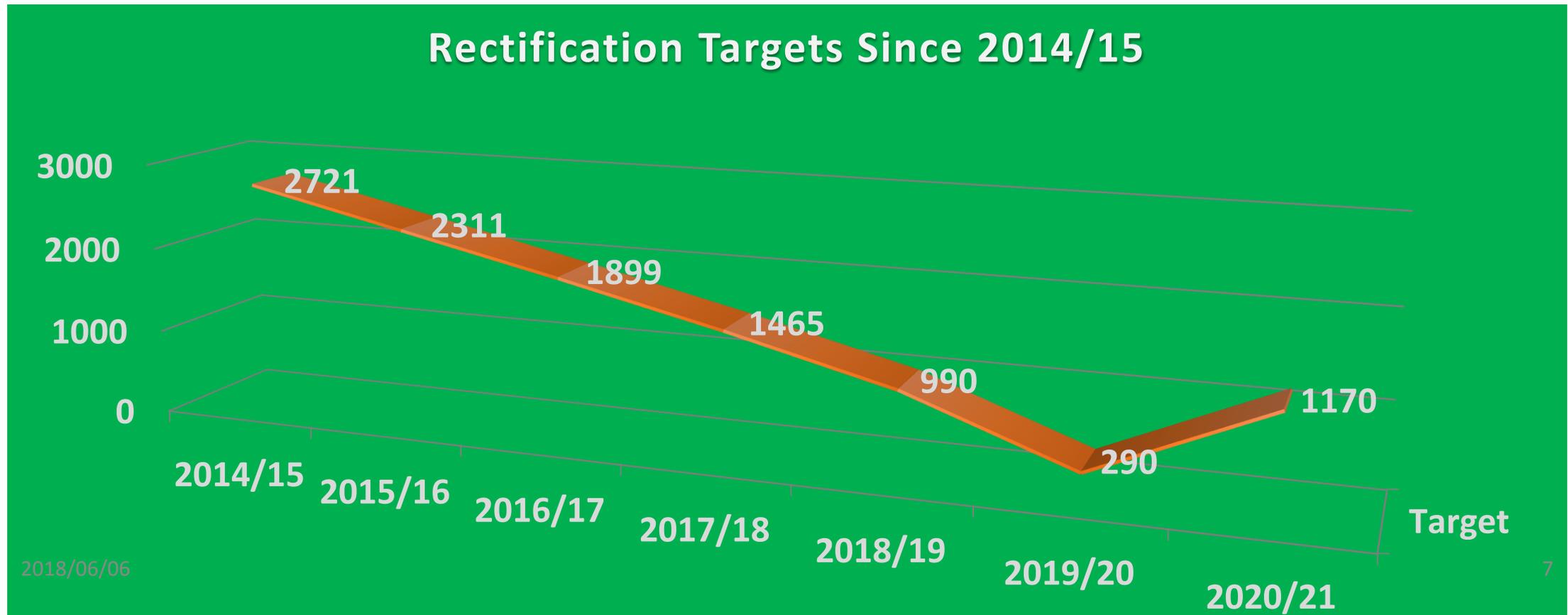
## Rectification programme

- Initiated by the National DoHS to rectify and reconstruct pre 1994 state provided housing stock so as to meet the acceptable minimum technical and infrastructural standards
- The rectification programme has extended to repair and reconstruct post 1994 defective structures
- The cost to range from R26 446.70 to R115 775.45 per unit in 2018 based on 2012 prices adjusted for inflation

# Estimated costs for rectification

CATEGORY	ESTIMATED COST PER HOUSE IN 2012	ESTIMATED COST PER HOUSE IN 2018
Non-structural defects	R19 523.74	R26 446.70
Minor structural defects	R38 673.00	R52 386.13
Major structural defects	R 85 468.88	R115 775.45

## Rectification targets since 2014-ECDoHS



## Estimated costs to rectify 990 targeted for 2018/19

CATEGORY	Estimated cost per house in 2018/19	Estimated cost for 990 houses for rectification	Total estimated cost
Non-structural defects	R26 446.70	R115 775.45* 990	R26 182 233.00
Minor structural defects	R52 386.13	R52 386.13* 990	R51 862 268.70

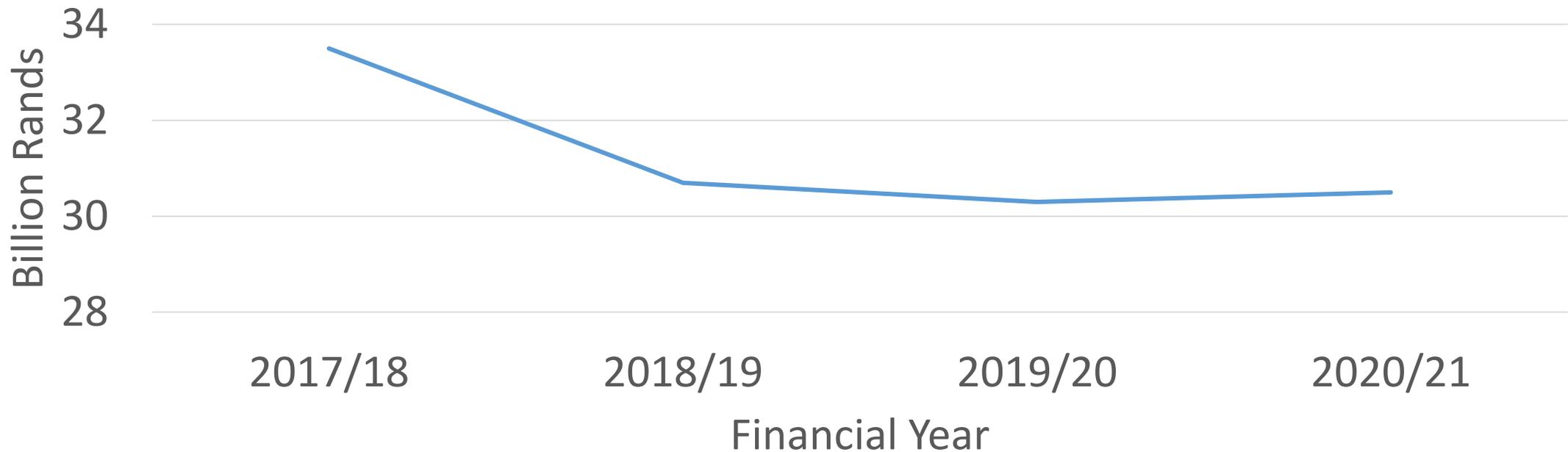
## Budget for rectification

- The MEC announced a budget of R192 000 000 for rectification of a 990 target above a possible cost of not more than R114 617 695.50.
- The Department is foreseeing an increase in the target from 290 in 2019/20 to 1160 in 2020/21.
- The predicted sharp increase on the targeted output for rectification is indicates that the Department is planning to accommodate poor construction.
- Does the Department intend to eradicate the rectification backlog. In order for this to happen the Department must ensure that the ongoing construction of houses meet the construction standards required in the Housing Code

ADVANCING YOUR RIGHT TO SOCIAL ACCOUNTABILITY

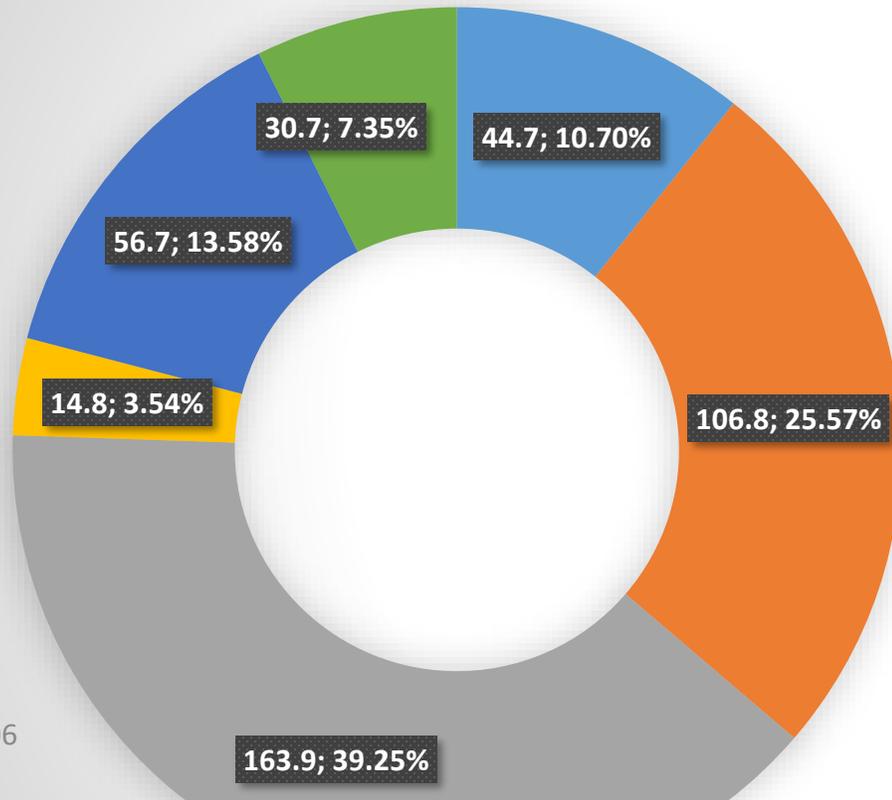
## 2018/19 Human settlements Budget reductions

Human settlements national allocation over MTEF in billion rands



## ADVANCING YOUR RIGHT TO SOCIAL ACCOUNTABILITY

Percentage share of the 2018/19 national budget for key social services



- Health
- Education
- Social development
- Water and sanitation
- Public transport
- Human settlements

## Budget cuts require efficient use of resources and reduction in wasteful expenditure

### KEY QUESTIONS

**Does the continued focus on rectification in the Eastern Cape result in effective human settlements delivery given the shrinking budget?**

**How is the province funding the programme?**

**Is there flexibility or leeway in the use of conditional grants?**

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## FINDINGS AND RECCOMENDATIONS

- Policy deviation from national priority is not legally restricted.
- The Eastern Cape Department of Human Settlements should therefore prioritise rectification only when it is one of the pressing needs of its people over and above other programmes such as upgrading informal settlements which notably so is not part of the key delivery outputs for the current financial year 2018/19
- Construction of sub-standard structure constitutes wasteful expenditure since public funds are spent on the same houses which would otherwise be spent on the construction of new houses.
- The Department should confront the problems of poor workmanship on the part of contractors in order to ensure that houses being built are of good quality.

## Findings and Recommendations

- A budget of R192 million has been allocated for rectification of 990 housing units in 2018/19 financial year. The current budget for rectification of R192 million is quite high which suggests excess resources are being committed to rectification. In the previous years the provincial Department has also exceeded its targets for rectification which may be a result of high budget allocations to the programme.
- The Eastern Cape Department for Human Settlements must be very clear on the backlog for rectification and allocate budgets with the aim of eradicating the backlog on rectification. The budget allocated to rectification must not crowd out resources on other programmes. This will ensure that enough is being spent on the programme without neglecting other programmes. There is need for a balance on spending within different programmes for human settlements

## Findings and Recommendations

- Other than the fact that the NHBRC reports to the Minister of Human Settlements, there is no legal framework or clear line of accountability for the work that NHBRC does. Therefore if the NHBRC fails to deliver on its mandate pertaining to construction of quality state subsidy houses, the provincial Department cannot make the NHBRC account for its lack of effective delivery.
- Although the provincial Department of Human Settlements cannot legally demand certain actions from NHBRC, the Department should regularly obtain reports on the activities undertaken by the NHBRC in order to interrogate the effectiveness of the NHBRC in fulfilling the human settlements goals. The provincial department should be able to interrogate NHBRC progress reports and report to the Minister of Human Settlements of any underperformances from the NHBRC. The Department must demand for effective services from the NHBRC