

HOUSING

Introduction

This report considers the Department of Housing's actual expenditure from 1997/98 to 2001/02, voted expenditure in 2002/03 and current MTEF allocations for 2003/04 and 2004/05. Critical issues facing the Department are also discussed.

The Department of Housing was formerly a programme in the Department of Planning, Local Government and Housing that ceased to exist following a Cabinet decision to restructure the Department as from 1 August 2002.

With the establishment of the new Department of Housing on 1 August 2002, the Department re-evaluated its strategic objectives, which are as follows:

- Provision of 20 000 housing opportunities
- Accessing additional funding for housing
- Providing capacity building to all new municipal structures with respect to housing
- Promulgating a new Provincial Housing Act
- Implementing phase 2 of the Human Settlement Re-development Programme
- Phasing in of the Department only as coordinators of the Integrated Service Land Project (ISLP)
- Implementing a debt collection programme
- Phasing out of the management of rural areas
- Implementing the Housing Consumer Protection Measures Act, 1998 (Act of 1995)
- Providing technical support with the restoration of historical rural settlements
- Establishing a programme for the upgrading of informal settlement areas.

The housing provision initiative, which began in 1994, was directed at improving the living conditions of the people of South Africa. By the end of 2001/02 the Western Cape had approved 17 697 housing subsidies and completed 161 171 houses. During this time the focus changed from policy making to the implementation, enhancement and refinement thereof. However, more emphasis will be placed on monitoring and performance evaluation to assess the various policies, strategies and programmes. In other words, the emphasis will be on the qualitative aspects of housing delivery.

With effect from 1 April 2002 the housing subsidy increased by between 26% and 54%. This is not only to cater for the inflationary effect on the subsidy but also for quality improvement in houses to be built. For the first time the National Government introduced an incentive to encourage savings by allowing certain categories of beneficiaries to make an own contribution of R2 479 towards the housing subsidy, increasing the contribution towards the attainment of a house to R22 779.

South Africa experienced two -digit inflation rates over most of the last 20 years. The level of inflation is a key factor when assessing the viability of a mass housing project, as it is necessary to determine whether a rapid increase in supply will lead to an increase in the price of housing. This is of particular concern, as the rate of inflation in the construction and building materials sectors has consistently exceeded the consumer price index.

Expenditure Trends

Table 1 outlines the spending trends of the Department over the period 1997/98 to 2004/05.

Table 1: Expenditure 1997/98 to 2004/05 (Nominal Rand Value)

PROGRAMME	Actual					Voted	Medium-term estimate	
	1997/98 R'000	1998/99 R'000	1999/00 R'000	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000
Administration	6 056	4 953	10 758	12 380	19 480	20 760	22 192	23 334
Housing	422 765	411 768	393 739	379 392	363 879	422 933	464 460	487 552
Restructuring				10 847	9 842	10 332	10 927	10 927
Total	428 821	416 721	404 497	402 619	393 201	454 025	497 579	521 813
Difference		(12,100)	(12,224)	(1,878)	(9,418)	60,824	43,554	24,234
Nominal Growth%		-2,82	-2,93	-0,46	-2,34	15,47	9,59	4,87
Real Growth%		-8,92	-8,34	-7,06	-8,39	8,02	3,58	0,16

The average annual growth rate for the period 1997/98 to 2001/02 was negative (2,14%) mainly because of the decrease in the Housing Subsidy grant. For the period 2002/03 to 2004/05 the growth increases in both nominal and real terms. This is due to the increase in the amount allocated via the Housing Subsidy conditional grant in order to reduce the housing backlog and to provide for increases in the value of individual housing subsidies. The average nominal growth rate for the period 2001/02 to 2004/05 is 9,89%.

Programme 1: Administration does not only include the actual and budgeted expenditure for Housing but also that for Planning and Local Government as the Programme rendered a support service for the whole Department of Planning, Local Government and Housing. Therefore Programme 1 includes the actual and budgeted expenditure for Planning and Local Government as well as Housing.

In 2000/01 the Programme: Restructuring was established to fund the supernumerary staff that resulted from the investigation into the restructuring of the personnel establishment. Any savings are surrendered to the provincial revenue fund and when supernumeraries leave the service or are retrenched.

Performance for the 2001/02 financial year

The performance for 2001/02 excludes Planning and Local Government to give a better reflection of what the underspending is for the Department of Housing.

Table 2 outlines the funds that were available for expenditure as well as the underspending in 2001/02:

Table 2: Expenditure and Budget 2001/02

Main Budget	Adjustments	Adjusted Budget	Actual Expenditure	Underspending	% Under spending on Adjusted Budget
R'000	R'000	R'000	R'000	R'000	
398 230	18 983	417 213	393 201	24 012	5.76

The Department's actual expenditure is 94,24% of its adjusted budget of R417,213 million. The underspending of 5,76% of the adjusted budget is relatively low and was mainly due to the non -filling of vacant posts. Secondly, expenditure for 2000/01 and 2001/02 shows no marked change. If the Department's business plans for the Conditional Grant: Human Settlement Re development Programme had not been approved so late in the financial year by the National Department of Housing, with resultant late transfer of funds to the Province, underspending would not have occurred. The Department was not in a position to transfer the funds to the municipalities timeously and therefore funds remained unspent for 2001/02.

Housing Subsidy Conditional Grant

The Housing Subsidy grant accounted for about 85% of the actual expenditure of the Department in 1997/98, decreasing to approximately 83% of the budgeted expenditure in 2004/05.

The Housing Subsidy conditional grant flows from the South African Housing Fund (SAHF) to the Department via the Exchequer Account, from where it is transferred to the Western Cape Housing Development Fund (WCHDF). The housing subsidy is paid to developers or municipalities out of the WCHDF.

The transfer from the SA Housing Fund for the Housing Subsidy grant was done by means of agency payment for the period 1997/98 to 1999/2000. It was changed to a conditional grant in 2000/01. To give a more realistic picture of the trend of spending on housing the agency payment is included.

Table3: HousingExpenditure

	1997/98 R'000	1998/99 R'000	1999/2000 R'000	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000
ActualTransferto WCHDF	366 336	364 153	351 375	341 466	325 862			
Actual/Budgeted Expenditure	366 336	364 153	351 375	363 237	328 618	372 778	412 480	433 357
Difference		(2 183)	(12 778)	11 862	(34 619)	44 160	39 702	20 877
NominalGrowth%		-0,60	-3,51	3,38	-9,53	13,44	10,65	5,06
RealGrowth%		-7,62	-9,74	-4,10	-14,65	6,12	4,58	0,35

Expenditure in both nominal and real terms decreased for the period 1997/98 to 2001/02 but increases for the period 2001/02 to 2004/05. Expenditure decreased by an average 2,68% for the period 1997/98 to 2001/02 but increases by an average annual growth rate of 9,66% for the period 2001/02 to 2004/05.

In 2000/01 there was an overexpenditure of R21,773 million that formed a first charge against the budget of 2001/02. Therefore the actual expenditure for 2001/02 was R306,845 million. On the last working day of the 2001/02 financial year an amount of R66,330 million was paid over to the City of Cape Town in lieu of subsidies paid out by them out of their own funds as bridging finance.

The following factors may influence spending on housing:

- Slow processing of the transfer of land.
- The slow process of accrediting municipalities.
- The late finalisation of contracts with developers because their business plans are not in place.
- A department's expenditure/transfers may start very slowly in the first half of the year because of projects that are in the final stage/sof completion. Funds for this part of the projects are normally minimal because once the house is completed the last portion of the transfer is only done once the transfer of land is processed.
- New local government structures that have to take responsibility for approving/reprioritising projects and delays in decision-making processes.
- Unseasonal/unusually wet weather conditions or floods.
- Negotiations with affected communities.
- Changes in national policy (procurement) and collection of beneficiary contributions.

Housing Subsidy

The conditions for an individual ¹ to qualify for a housing subsidy are as follows:

- The individual must be a South African citizen or an individual with a permanent residence permit.
- The individual must be married or living with a long-term partner.
- Alternatively, the individual must be single and over 21 and must have dependants.

¹Intranet Website, National Department of Housing

- A household must earn less than R3,500 per month.
- An individual whose spouse or partner has not previously owned property qualifies.
- The individual must be able to understand what a contract means and the responsibility associated therewith.

Table 4 shows the actual number of housing subsidies approved by the Department since 1994.

Table 4: Number of housing subsidies granted

1994 -98	1998/99	1999/2000	2000/01	2001/02	Total
67144	35849	28170	23505	22307	176975

For the period 1994 to 1998 only 67 144 subsidies were granted and as a result the number of housing opportunities created by the Housing Subsidy grant was small but it improved from 1998/99. The number of subsidies granted after 1998/99 decreased annually to 2001/02 because of fewer funds being available.

With effect from 1 April 2002 there was an increase in the housing subsidy in the categories according to the income of the household. The increase in the housing subsidy is not only to cater for the inflationary effect but also for the improvement of the quality of the houses to be built. The increases in the housing subsidy² are as follows:

- R16 000 subsidy increases to R20 300, an increase of 26,87% for a household earning less than R1 500 per month.
- R10 000 subsidy increases to R14 900, an increase of 48,8% for a household earning between R1 501 and R2 500 per month.
- R5 500 subsidy increases to R8 200, an increase of 54% for a household earning between R2 501 and R3 500 per month.
- R16 000 subsidy increases to R22 800, an increase of 42,5% for the aged, disabled and indigent individual.

The National Government has also introduced an incentive to encourage savings and to allow the household/individual to make an own contribution of R2 479 towards the housing subsidy. There are three ways in which contributions can be made:

- Through a savings scheme, either with a bank or non-traditional savings institutions.
- In the form of a small or micro loan from a lender.
- In cases where individuals have neither the means to save nor the necessary standing with lenders, they can supplement their subsidies by building or organising the building of their homes themselves as is done in the People's Housing Process.

²2002 Budget Speech by National Minister of Housing

As it is currently structured the housing subsidy tends to promote dependency on Government and does not support self-reliance. Savings and the People's Housing Process as contributions by households/individuals form the basis of the subsidisation programme aiming to make the household/individual self-sufficient and not reliant on the Government to provide each house.

However, this does not apply to the aged, disabled and indigent individuals who will receive the full amount of the housing subsidy without having to make the R2 479 contribution. Furthermore, this will not apply to individuals/households whose housing subsidy applications were made prior to 1 April 2002.

The contribution is in accordance with the Housing Consumer Protection Measures Act, 1998 (Act 95 of 1998), which came into effect on 1 April 2002. This will also be one of the requirements of the National Home Builders Registration Council's (NHBRC) warranty scheme in respect of all housing subsidy scheme houses, which must be of a certain standard. The overall outcome is to improve the structural quality of houses in the interests of the beneficiaries and the home building industry as well as to provide a warranty for defective workmanship and materials.

Other implications³ that flow from the aforementioned Act are as follows:

- Regulation of the home building industry.
- Higher building standards.
- Compulsory geotechnical investigations.
- House types and engineering designs certified by a competent person.
- Inspection of houses by NHBRC inspectors.
- Registration of all developers and home builders with the NHBRC.
- Enrolment of all subsidised houses with the NHBRC.
- Ensuring value for money in the delivery of subsidised houses.
- A complaint handling procedure.
- All structural defects covered by warranty.
- Identification of the Southern Cape Coastal Condensation area that will require additional protective measures and will consequently receive an additional subsidy of R1 004.

The Department is concerned that the extent of the housing subsidy may be insufficient to complete the building of a house due to the above standards.

Table 5 sets out the number of housing subsidies approved as well as the number of houses completed or under construction:

Table 5: Number of Subsidies vs Houses Constructed

	1994 –98	1998/99	1999/2000	2000/01	2001/02	Total
Housing Subsidy	67144	35849	28170	23505	22307	176975
Houses	69155	34575	26916	17730	12795	161171

³Intranet Website, Provincial Government: Western Cape, Department of Housing

From the table it is noticeable that the number of housing subsidies approved and the number of houses completed is not the same. This is mainly due to the following factors:

- The housing subsidy in some cases is not paid out in full in a particular financial year. Half might be paid out in one financial year and the other half in the next financial year. This will have an effect on the house to be completed.
- The housing subsidy need not only be used to fund the building of a house but can also be used to buy an existing house.
- The housing subsidy in some cases is not enough to fund the completion of a house. This will mean that at the end of the financial year the house will not be completed but the housing subsidy would have been paid out.

Housing Backlog

In the Western Cape, the delivery of housing relative to the backlog is mainly due to the funds received via the SA Housing Fund being inadequate. Evidence of this is the 100% expenditure of the allocated budget of the WCHDF, i.e. housing subsidy grant, over the last two financial years and the ever-increasing backlog in the approval of housing subsidies needed for the provision of housing.

The 1996 Census put the housing backlog at 225 941 in the Western Cape; however, this figure had grown to 316 000 by 2001 and is projected to grow to a total of 410 000 in 2006 according to research that was undertaken by the Department in October 2001 while compiling the five-year housing delivery plan and the three-year business plan.

In Table 6⁴ the proportional backlog per municipal district is shown. The backlog is a percentage of the 310 000 backlog in 2001 and 410 000 backlog in 2006:

Table 6: Percentage backlog per region

District	Backlog	
	2001 %	2006 %
Cape Town	69	73
Boland	10	9
Overberg	4	3
Central Karoo	4	3
Garden Route/Klein Karoo	8	8
West Coast	5	4
Total	100	100

⁴Status Report on Housing Delivery initiatives in the Province (October 2001)

Table 7 sets out the distribution of the backlog according to housing subsidy eligibility, i.e. the income band.

Table 7: Backlog by Income Band

Income Band	Backlog		Growth in Backlog	
	2001	2006	Number	%
R3500 -R2501	44640	59040	14400	24,39
R2500 -R1501	69099	91430	22331	24,42
R1500 -R1001	64139	84870	20731	24,43
R1000 -R0	132122	174660	42538	24,35
Total	310000	410000	100000	24,39

There is an average increase of 24% on each of the housing subsidy eligibility categories that increases the backlog by 100000 in 2006.

Three housing delivery scenarios have been developed by the Department, which have produced the following indicators:

- Scenario 1: Deliver 40000 units per year
 - Waiting time on housing list = 8 years
 - Backlog reduced to zero in 15 years
- Scenario 2: Deliver 31600 units per year
 - Waiting time on housing list = 10 years
 - Backlog reduced to zero in 24 years
- Scenario 3: Deliver 20000 units per year
 - Waiting time on housing list will be more than 15 years
 - Backlog will never be reduced to zero

The number of housing subsidies approved is dependent on funds available. e. With the funds available over the MTEF period the housing delivery plan is geared to deliver 75220 units with an average of 25070 units per annum. The closest one can get to any of the aforementioned scenarios is to deliver the housing units according to Scenario 2. This means that the difference of 6530 units (31600 units – 25070 units) needs to be funded. Using the highest category according to the income of the household, i.e. R200000, 6530 units will have an additional financial implication of R132,559 million per annum.

Table 8 sets out how the total of 75220 units was arrived at per municipal district in the Western Cape:

Table8:TypeofHousingUnitsperRegion

PrimaryProgramme	Cape Town	Boland	Overberg	Central Karoo	Garden Route/ Klein Karoo	West Coast	Total
Managedland settlement	32207	3652	1459	1459	3651	1824	44252
GreenfieldsPLS	1710	1114	446	446	754	557	5027
InSituupgrading	3680	1037	414	414	689	518	6752
Topstructure	3918	1134	453	453	769	566	7293
Individual	237	47	20	20	40	23	387
Instalmentsale	6975	346	138	138	293	173	8063
Newrental	1240	77	31	31	65	38	1482
Hostelsredevelopment	923	0	0	0	0	0	923
Backyardshacks	340	223	89	89	189	111	1041
Total	51230	7630	3050	3050	6450	3810	75 220

Most housing subsidies are provided for managed land settlement. The City of Cape Town (Unicity), receives the majority of the housing subsidies because it is the area that is the most populated in the Western Cape.

The current backlog in the Cape Metropolitan⁵ is 220 000 with an annual increase of about 20 000, which comprises of 11 000 due to migration into the Province and 9 000 as a result of new family formations.

Housing Finance

Interest rates impact on the cost of capital employed in the housing development process as well as on the return on capital invested, either as development capital or home loan finance. Accordingly, interest rates influence both the price of housing and the ability of consumers to pay rent or purchase instalments (payment of bond).

The current interest rate is too high for the average housing consumer to afford. Hence state assistance via the housing subsidy is still required if access to adequate housing is to be obtained. A possible solution to this is the following:

- Interest rates must revert to a downward trend
- Job creation must be stimulated so that people can afford to buy and pay for a house.

Disestablishment of the WCHDF

The Housing Act, 1997 (Act 107 of 1997), hereafter referred to as the Act, regulates matters pertaining to housing delivery in South Africa as well as the manner in which housing development is financed. The Act compels this

⁵ Presentation by Basil Davidson at the Housing Conference on the "Influence of Housing Delivery in the new Unicity"

Province to enact legislation to establish the WCHDF. In terms of the Act funds flow from the SAHF to the WCHDF.

With the SA Housing Fund becoming a conditional grant the need for such a transfer mechanism has become questionable since several problems arise from an accounting, financial monitoring and control perspective.

According to the National Treasury, the Act is in contravention of the annual Division of Revenue Act (DORA) and the Public Finance Management Act (PFMA).

The original reason for the establishment of the SAHF and the WCHDF was to ringfence money earmarked for housing capital projects so as to ensure that these funds were not used to finance the operating expenses of the Department of Housing. The rationale for this is no longer valid since the PFMA, the annual DORA and the Appropriation Act fulfil the same role.

The Act will have to be amended to phase out Provincial Housing Funds. The progress with this amendment has been slow.

The impact of the amendment on the Department of Housing is as follows:

- The WCHDF will be abolished and the housing subsidy will be paid directly by the Department to the developer or municipality. In other words, the Department will incur the actual expenditure.
- The revenue that is generated by the WCHDF from the sale of property and payments by debtors should be appropriated by the Province for housing purposes.
- Reporting on the financial arrangements and performance will be more streamlined, which will enable the Department to report more accurately on the financial performance of the housing subsidy grant.

Human Settlement Re-development Programme grant

The programme was initiated in 1999 and its aim is to improve the quality of the urban environment and to address the legacy of dysfunctional urban areas.

The late approval of the business plans in 2000/01 and 2001/02 caused the late transfer of funds from the National Department of Housing to this Province, which resulted in the Department underspending as it was not in a position to transfer the funds to the municipalities.

The resultant underspendings caused the Department to request the roll-over of the funds to the subsequent financial year. From 2000/01, R3,797 million and from 2001/02, R11,669 million was rolled over to the following financial years.

However, there are other problems related to this grant. Even though the business plans are approved late, the Department still underspends because it has to wait for the receipt of the certified claims from municipalities and transfers from the National Department of Housing, although voted, that is incorrectly

accounted for.

Housing Sector Overview

This section by Amiena Bayat provides a brief description of the housing backlog and the housing need in the Western Cape. The issues described here have been in existence for some time, being mainly a question of funds received from the National fiscus.

Background

Since 1994, the South African government has built over 1,1 million low-cost houses, benefiting approximately 4,9 million people nationally. Delivery has been phenomenal, surpassing countries such as Singapore, Cuba and Sweden – countries that are used as benchmarks throughout the world.⁶ The pace of delivery slowed down after it had peaked in 1997/98. Part of the reason for this is that there has been an overall decrease in the budget for housing and community development between 1997/98 and 2000/2001.⁷ Currently the National Department of Housing (NDoH) only receives 3% of the national budget compared with an international benchmark of 5%. Other reasons for the slowing pace of delivery include: weak capacity, poor planning and coordination, the restructuring of municipalities, land-related problems and the uncertainty around the allocation of powers and functions.

Despite its success in numbers, the quality of low-cost housing has been less satisfactory. A study by the European Union Foundation for Human Rights noted that only 30% of houses built with government subsidies were of a suitable standard.⁸ Another study pointed out that the lack of understanding of what constituted adequate housing and insufficient funding heightened by inflation resulted in substandard houses being built. Another key shortcoming of the housing programmes has been around the lack of spatial integration of housing developments. In many instances low-cost housing developments have been concentrated in areas far removed from educational, economic and social infrastructures such as clinics and schools. The lack of spatial integration of these settlements has exacerbated social exclusion and poverty.

The housing delivery process has not catered for the full spectrum of housing needs in the low-income housing market. There are different consumer groups that need to be served, each with their own housing needs. For example, rental housing for low-income households remains poorly developed.

⁶Sankie Mthembu -Mahanyele, National Minister of Housing.

⁷South Africa Survey 2001/02 published by the Institute of Race Relations.

⁸South Africa Survey 2000/01 published by the Institute of Race Relations.

Provincial overview

Overall the Western Cape province has a good track record in delivering subsidised housing to its poor. Because of better job prospects and service delivery relative to other areas of the country, people are moving to the area in search of better opportunities. This has led to an increase in demand for low income housing. But more recently there has been a decrease in funding coming from the National Department, reducing the number of low income housing units which can be provided by the Province.

Demand for housing

The backlog calculated by the Provincial Department of Housing in its Five Year Housing Plan was estimated to be 316 000 units in 2001. This represents a 13% increase in backlogs from the previous year. This backlog was calculated according to: levels of overcrowding, inadequate dwellings which comprise of shacks in informal areas and shacks on serviced sites, backyard shacks (shacks in the backyards of residences) and population growth which is a result of new family formation, migration and death. Based on the fact that approximately 20 000 new households are formed on an annual basis, projections were made for backlogs in 2006. The spatial distribution of the backlog represented in Table 1 shows that backlogs are more concentrated in urban areas and that urban areas will record a 4% increase in backlogs in the next four years compared with a 4% decrease in rural areas.

Table 1: Housing backlogs by current and rural 2001 -2006

Area	2001 Backlog		2006 Backlog	
	Units	Percentage	Units	Percentage
Urban area including City of Cape Town	270 500	85%	365 400	89%
Rural areas	45 500	15%	44 600	11%
Total	316 000	100%	410 000	100%

Data Source : Provincial housing plan, WC

The backlogs are greatest for the City of Cape Town and least for the Overberg and Central Karoo districts. It is anticipated that the backlogs will probably grow in the City of Cape Town, primarily because of urbanisation, and will decrease or stay the same in all other areas. See Table 2.

Table 2: Housing backlogs - current and rural 2001 -2006

Area	Backlog 2001	2006
City of Cape Town	69%	73%
Breede River	10%	9%
Overberg	4%	3%
Central Karoo	4%	3%
South Cape	8%	8%
West Coast	5%	4%
Total	100%	100%

Data Source : Provincial housing plan, WC

The distribution of the backlog according to income groups shows that the greatest backlog is in the lowest income band of R0 – R1 000 per month. See Table 3 below.

Table 3: Distribution of housing backlog by income band 2001 -2006

Income group	Backlog 2001		2006	
R3 500 – R2 500	44 640	14%	59 040	14%
R2 500 – R1 500	69 099	22%	91 430	22%
R1 500 – R1 000	64 139	21%	84 870	21%
R1 000 – R0	132 122	43%	174 660	43%
Total	310 000	100%	410 000	100%

Data Source : Provincial housing plan, WC

The backlog in the R0 – R1 000 income group is nearly double that in the other low-income bands.

Funding

There have been significant developments in the funding of housing in the Western Cape province.

- An overview of the South African National Housing Fund, which is the primary vehicle funding expenditure on housing, shows that in 2000/01 the Western Cape had no rollovers of funds allocated to it by the NDoH. This represents an improvement on 1995/96 when 39% of funds from the South African National Housing Fund were rolled over in the Province. The Western Cape is currently only one of three provinces in the country to have no rollovers.
- The Western Cape received approximately R314 million from the South African National Housing Fund in 2001.
- The Province currently has 10% of backlogs in the country and receives 10% of total funding from the Fund.
- In 2000/01 22 592 subsidies were approved in the Province, which was 2 592 subsidies more than the additional backlog that was generated in that year.
- There has been a decrease in the amount of subsidies approved since 1998/99. In 2000/01 subsidies decreased by 20% from the previous year.
- Of the total subsidies approved in the Province only 17 730 houses were approved or under construction in 2000/01.

If present levels of funding persist, the Provincial Department will not be able to reduce the backlogs in low -cost housing at all.

Sustainability

The sustainability of the housing programme from both a government perspective and a household perspective raises key issues regarding delivery.

Provincial perspective

Given the current backlogs and present levels of funding, the Provincial Department of Housing has examined three scenarios. These scenarios are presented in the table below:

Table 4: Current backlogs and funding scenarios

Scenario	Hi road	Medium road	Lo road
Units delivered per year	40 000	32 000	20 000
Wait on housing list (years)	8	>10	>15
Backlog reduced to zero (years)	15	24	Never
Budget requirement	R589 000 000	R463 000 000	R289 000 000

Data Source : Provincial housing plan, WC

Current funding levels are more in the region of the low road scenario, necessitating an increase in funds. Present levels of funding are clearly not sufficient. In the absence of additional funding, affordable alternative programmes that can respond to the crisis in housing need to be delivered.

Household perspective

An investigation into why subsidy beneficiaries were selling or renting out houses when they were transferred to them revealed that there were important social and economic reasons why people failed to pay for rates and other services. Some of these reasons are discussed below:

- A report undertaken by the Palmer Development Group (PDG)⁹ showed that poor households could not afford to pay for services and that the reason for non-payment not, as commonly thought, primarily because of a culture of non-payment among poor households.
- Houses are located away from the urban core, exacerbating poverty and social exclusion.
- Prohibitive transport costs make movements into business areas difficult.
- The Helen Suzman Foundation¹⁰ has found that factors such as AIDS and de-industrialisation (which results in a reduction in employment in the manufacturing, mining and agricultural sectors and a drop in per capita income) also impact on non-payment.
- People also refuse to pay for services that are inadequate.

⁹ 1999. Palmer Development Group. *Households Affordability to pay for services in the Cape Metropolitan Area*. Prepared for the CMC.

¹⁰ South Africa Survey 2000/01 published by the Institute of Race Relations.

The need for a new approach

From a Provincial perspective there are insufficient funds coming from the National Department of Housing to meet the demand for housing; this has led to an inability to serve the homeless, which in turn has led to the expansion of informal settlements. It has also led to a spate of land invasions by squatters in the Province. Illegal land invasion has become frequent and is driven by the demand for shelter among not only homeless people, but also people in existing dwellings who cannot afford to stay where they are.

This situation is untenable and the Province clearly has to respond to it with a new strategy. On the one hand this can be based on the mobilisation of additional funds from the national fiscus. On the other hand it could be based on better use of existing funds to promote access to housing in good locations. The latter approach is being promoted at present.

Given the funding constraints in dealing with the current backlogs, welfare can be enhanced through other interventions such as; guaranteeing tenure security, informal settlement upgrading, backyard shack upgrading and general urban renewal.

Conclusion

The challenge is to find a way to augment the Housing Subsidy National Conditional Grant with a view to addressing the backlog in the housing need and to develop alternative programmes to respond to the crisis in housing.

A more challenging challenge for Government is to deliver housing in an integrated manner, i.e. inclusive of services such as Health, Education, Police, Transport, etc. and to ensure that municipal Integrated Development Plans reflect such services properly.

Further work needs to be done on the financial burdens that delivered housing places on the owner, society and the government.