

Report of the Portfolio Committee on Human Settlements on Budget Vote 33: Human Settlements, and on the revised Strategic Plan for the coming Medium Term Expenditure Framework (MTEF) period and Annual Performance Plan 2022-23, 4 May 2022.

The Portfolio Committee on Human Settlements, having considered Budget Vote 33: Human Settlements, and the revised strategic plans for the MTEF period and the annual performance plans of the Department of Human Settlements (later referred to as the Department) and its entities, referred to it, reports as follows:

1. Introduction

The mandate of the Department emanates from Section 26 of the South African Constitution, which provides that everyone has the right to have access to adequate housing. The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of this right and no one may be evicted from their home, or have their home demolished, without an order of the court. Furthermore, the Constitution provide the legislative framework for the institutional arrangements used in the development of sustainable human settlements.

2. Policy imperatives

2.1 National Development Plan

Chapter 8 of the NDP focuses on transformation of human settlements and the national space economy. Its human settlements trajectory anticipates 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. The Department is therefore responsible for addressing the issue of transformation in the housing sector, and to ensure that the fractured housing and land markets are addressed. The national strategy for spatial transformation is, according to the NDP, guided by the need to:

- Respond systemically over time to entrenched spatial patterns across all geographic scales that exacerbate social inequality and economic inefficiency;
- Implement strategically chosen catalytic interventions to achieve spatial transformation in a manner that supports local driven spatial governance;
- Achieve a creative balance between spatial equity, economic competitiveness and environmental sustainability;
- Expand the personal freedoms by providing residents of South Africa with a greater choice of where to live;
- Support individuals, communities and the private sector in engaging with the state on the future of spaces and settlements in which they live and work, while streamlining processes to enable local governments to implement strategic spatial interventions.

2.2 Medium Term Strategic Framework 2019-2024

The Medium Term Strategic Framework 2019 - 2024 (MTSF), as a medium term plan to systemically achieve the overarching vision of the NDP, identified three key, interrelated outcomes to achieve spatial transformation, namely:

- National frameworks and guidance towards coordinated, integrated and cohesive national spatial development;
- Regional-level interventions to unlock opportunity, ensure redress and respond to environmental, risks and vulnerabilities;
- Interventions to ensure integrated service delivery and transformation in all places.

In terms of the importance of addressing housing needs, the MTSF notes that South Africa has the largest housing delivery programme in the world, with important and redistributive spin-offs. One of the key concerns, however, is that the form and location of land developments, human settlement projects and informal settlement upgrades do not often respond directly to government's commitments around spatial intent and transformation.

Despite significant efforts to address the issue of spatial inequality, human settlement patterns remain inequitable and dysfunctional across South Africa where the former homeland areas are typically densely settled and where insecure tenure remains a challenge. Housing demand has increased, while household sizes have reduced and urbanisation has rapidly increased. For this reason, the MTSF 2019-2024 is focused on three specific interrelated outcomes related to the human settlements sector specifically, namely:

- Spatial transformation through multi-programme integration in priority development areas;
- Adequate housing and improved quality living environments; and
- Security of tenure.

2.3 Performance analysis

From 1994 to the end of February 2022, the human settlements sector has over 3.4 million (3 431 382) housing units made up of stand-alone houses and units in multiple storey or multi-unit buildings. In addition, 375 949 Enhanced Extended Discount Benefit Scheme (EEDBS) subsidies were granted and title deeds transferred after 1994 to date to qualifying occupants of these pre-1994 government rental houses in order to promote Home Ownership and create assets for citizens. Provinces and municipalities have also reported the delivery of almost 1.3 million (1 282 123) serviced sites that had been completed. The Department reached these milestones through implementation of various housing programmes, benefitting millions of qualifying South Africans. It is also worth noting that the Department achieved this in a time of stymied and constrained economic growth which led to budget reductions prompting the Department to do more with less. This therefore compelled the sector to ensure that the Department improve developmental efficiencies, do more with less, including better and improved resource allocation and targeting, to ensure improved value of money.

2.4 State-of-the-nation address (SONA) 2022

During the State of the Nation Address in February 2022, the President referenced human settlements sector in three aspects, namely:

- The Infrastructure Fund would be working with state entities to prepare a pipeline of projects with an investment value of about R96 billion in student accommodation, social housing, telecommunications, water and sanitation, and transport;
- A number of catalytic projects to the value of R21 billion were anticipated to commence with construction during 2022/23. Of this amount, R2.6 billion would be contributed by government, with the rest of the funding would come from private sector and development finance institutions;
- The Department of Public Works and Infrastructure would finalize the transfer of 14 000 hectares of state land to the Housing Development Agency.

3. Budget analysis

The overall budget allocation increased by R1.34 billion, from R31.67 billion in 2021/22 to R33.02 billion in 2022/23, representing a real percent decrease of 0.24%. Programme 2 (Integrated Human Settlements Planning and Development Planning) received the largest allocation (R22.04 billion) out of the programmes, which equates to 66.7% of the total budget for the Department for 2022/23. While all programmes received increased allocations in 2022/23, all programmes, except for Programme 3 (Informal Settlements), experienced real percent decreases. Programme 3 experienced an increase of R106.2 (1.26% real increase). The biggest nominal increase was experienced in Programme 2 (Integrated Human Settlements Planning and Development) with an increase of R814 million from R21.23 billion in 2021/22 to R22.04 billion in 2022/23. The biggest real decrease was experienced in Programme 5 (Affordable Housing), which received an increase of R2 million from R588.8 million in 2021/22 to R590.8 million in 2022/23, representing a real decrease of 3.98%.

4. Departmental Plans

4.1 Revised MTSF targets:

The following were revised five year targets:

- **Spatial transformation through multi programme Integration in priority development Areas-** Spatial transformation through multi programme Integration in priority development Areas, and 100% of acquired land during 2014-2019 falling within the PDAs rezoned.

- **Adequate housing and improved quality living environments** - 300 000 BNG houses delivered, and 20 000 households that received financial assistance and purchased units through FLISP.
- **Adequate housing and improved quality living environments** - 300 000 serviced sites delivered, 18 000 rental housing units delivered in PDA's, 5 000 Community Residential Units (CRU) delivered, and 1 500 informal settlements upgraded to Phase Three.
- **Security of Tenure** - 1 193 222 title deeds registered.

4.2 Programme 1: Administration

The 2022/23 annual targets for **Outcome: Functional, effective and integrated government** were as follows: 100% implementation of the HR Implementation Plan, 100% implementation of approved annual ICT plan, 100% implementation of the approved communication Plan, 2021/22 unqualified audit opinion with no material findings, 2023/24 Human Settlements Grants Framework Approved, eight quarterly assessments conducted on human settlements grants (HSDG and USDG), eight quarterly financial performance analyses conducted on ISUPG.

4.3 Programme 2: Integrated Human Settlements Planning and Development

The 2022/23 annual targets for **Outcome: Spatial Transformation through multi programme integration in Priority Development Areas** were as follows: two analysis reports completed per year on integrated implementation programmes for priority development areas, two analysis reports completed on the total Human Settlements allocation in PDAs, two analysis reports completed on land acquired during 2014-2019 within PDA's rezoned, 2023/24 National Human Settlements Development Plan developed, 3 research reports completed, nine policies developed, four reports on entities performance monitored, four monitoring reports on the set aside for designated groups, four reports on projects monitored as per approved business plans, four reports on blocked projects monitored, four reports on the monitoring of MTSF Sector Indicators, an evaluation study on the implementation of the Operational Capital Programme (OPSCAP) monitored, one design and implementation for ISUPG evaluation study completed, four reports on intergovernmental relations programmes implemented.

4.4 Programme 3: Informal Settlements Programme and Emergency Housing

The Following were 2022/23 annual targets for **Outcome: Support provided in the upgrading of informal settlements to Phase three of UISP** was support provided to nine Provinces and eight Metros in the upgrading of informal settlements to Phase three of UISP.

4.5 Programme 4: Rental and Social Housing Programme

The 2022/23 annual target was the development of National Rental Housing plan.

4.6 Programme 5: Affordable Housing

The 2022/23 annual targets for **Outcome: Adequate Housing in quality living environments** were six Affordable Housing Programme agreements for Mining Communities developed, four Quarterly Reports on title deeds registered, National Unblocking Programme Plan (NUPP) developed, and four Quarterly Reports on the number of job opportunities created.

5. Human Settlements entities annual performance plan and budget

5.1 National Home Builders Registration Council (NHBC)

The council's expenditure was expected to increase at an average annual rate of 3.7%, from R855.1 million in 2021/22 to R954.4 million in 2024/25. It generates revenue through fees charged for enrolment, registration, renewal and technical services. Revenue was expected to increase at an average annual rate of 4.2%, from R1.5 billion in 2021/22 to R1.6 billion in 2024/25. The following were targets for each programme within the NHBC:

5.1.1 Programme 1: Administration

The 2022/23 annual targets for **Outcome: Functional, efficient and integrated government** were as follows: unqualified audit opinion with no material findings, 100% implementation of the approved internal audit plan, 100% implementation of the approved anti-fraud and corruption plan, 100% implementation of the approved risk management plan, 10% savings on budgeted expenditure, 100% implementation of

Communication Plan, 40% of annual procurement spent on women, 20% of annual procurement spent on youth, 5% of annual procurement spent on people with disabilities.

5.1.2 Programme 2: Regulation

The 2022/23 annual targets for **Outcome: Adequate Housing and Improved Living Environment** were as follows: 2,920 homebuilders registered, 13,910 registrations renewed, 100% of homes inspected– non subsidy, 100% of homes inspected– subsidy, 100% of prosecutable matters suspended within 10 working days, 100% of prosecutable matters set down for hearing before the DC within 30 working days, 2,000 homebuilders trained, 1,600 Youth trained, 1,800 Women trained, 150 Military Veterans trained, 200 people with disabilities trained, 700 technical professionals trained, 600 Artisans trained.

5.1.3 Programme 3: Consumer Protection

The 2022/23 annual targets for **Outcome: Adequate Housing and Improved Living Environment** were as follows: 100% of enrolment applications approved – Subsidy, 100% subsidy project enrolment applications approved, 100% of enrolment applications approved – non subsidy. In addition, the 2022/23 annual targets for **Outcome: Greenhouse gas emission reduction** was a construction of the Green First zero energy based model house.

5.2 Housing Development Agency (HDA)

The agency expected to break even in each year over the medium term, with revenue and expenditure set to increase from R539.7 million in 2021/22 to R544.4 million in 2024/25, at an average annual rate of 0.3%. The agency expects to derive 46.2% its revenue over the MTEF period through transfers from the department, and 49.9% through the fees it charges provinces and municipalities for projects, and management and professional fees. The following were targets for each programme within the HDA:

5.2.1 Programme 1: Administration

The 2022/23 annual targets for **Outcome: Effective and Efficient Management and Good Governance of the HDA** were as follows: unqualified audit outcome with no material findings, 40% of annual HDA procurement targeted at businesses owned by women, 20% of annual HDA procurement targeted at businesses owned by youth, 5% of annual HDA procurement targeted at businesses owned by Persons with disabilities, 5% of annual HAD procurement targeted at businesses owned by Military Veterans, 100% implementation of the approved internal audit plan, 100% Implementation of the approved anti- fraud and Corruption Plan, 100% implementation of the approved risk management plan.

5.2.2 Programme 2: Land Assembly and PDAs

The 2022/23 annual targets for **Outcome: Integrated and sustainable human settlements and Security of Tenure** were as follows: 40 Integrated implementation programmes for PDAs completed per year, 1500 hectares of well-located land acquired within PDAs, 50% of the 1786.1527ha of land acquired, and 750 of hectares of well-located land acquired and/or released for human settlements development.

5.2.3 Programme 3: Programme Planning and Design and Regional Coordination and Human Settlements Implementation Support Services.

The 2022/23 annual targets for **Outcome: Integrated and sustainable human settlements and Security of Tenure** were as follows: 200 Informal settlements supported for upgrading to phase three of the UISP, two Informal settlements assisted with relocation and emergency interventions, 50 Priority Projects provided with Implementation support, 6 provinces provided with programme planning and implementation support for the revitalization of distressed mining communities, 3428 of housing units delivered by the HDA, 4517 serviced sites delivered by HDA, 73 Human Settlements projects managed by the HDA, 1000 asbestos roofs replaced by the HDA, five HDA bankable business plans approved for projects, 1740 Title Deeds registered.

5.3 Social Housing Regulatory Authority (SHRA)

Expenditure was expected to increase from R857.6 million in 2021/22 to R964.1 million in 2024/25, at an average annual rate of 4%. The authority derives all its revenue through transfers from the department, amounting to a projected R2.8 billion over the MTEF period. The following were targets for each programme within the SHRA:

5.3.1 Programme 1: Administration

The 2022/23 annual targets for **Outcome: Functional, efficient and integrated government** were as follows: 100% implementation of Internal Audit Services, 100% implementation of anti-fraud and corruption, 100% implementation of Risk management, Implementation of the Rental Boycott Strategy, 40% of SHRA procurement spend on businesses majority-owned by women, 20% of SHRA procurement spend on businesses majority-owned by youth, 5% of SHRA procurement spend on businesses majority-owned by people with disabilities.

5.3.2 Programme 2: Compliance, Accreditation and Regulations

The 2022/23 annual targets **Outcome: An effectively regulated and sustainable social housing sector** were as follows: 65% of reporting delivery agents achieving a minimum of three performance benchmarks, 5 of conditionally accredited SHIs with projects registered on the pipeline, 3 500 of subsidised housing units' tenancy audits conducted, 30 of subsidised housing projects' safety and security audits conducted, 40% of new project accreditation applicants that are majority owned by the designated groups.

5.3.3 Programme 3: Sector Development and Transformation

The 2022/23 annual targets for **Outcome: Enhanced performance of delivery agents and projects, and increase capacity of municipalities and provinces to deliver a transformed social housing** were as follows: 75% achievement of the SHI intervention plan, 75% achievement of the social housing projects' intervention plan, three projects within municipalities receiving support that are approved, ten youth graduates placed within the Social Housing Sector, 40% of Institutional Investment Grant recipients that are from the designated groups.

5.3.4 Programme 4: Project Development and Funding

The 2022/23 annual targets of **Outcome: Quality affordable social housing for rental delivered in strategically located areas** were as follows: 3000 of social housing units completed, 3529 of social housing units tenanted, 95% expenditure of the approved annual Consolidated Capital Grant cash flow projection, 70% of Consolidated Capital Grant awarded to black majority owned enterprises, 40% of construction spend to enterprises that are majority owned by women, 20% of construction spend to enterprises that are majority owned by youth, 5% of construction spend to enterprises that are majority owned by people with disabilities, 6 646 job opportunities created through projects implemented.

5.4 National Housing Finance Corporation (NHFC)

Spending was set to increase at an average annual rate of 16.7% from R687.5 million in 2021/22 to R1.1 billion in 2024/25, primarily as a result of disbursements towards strategic projects and FLISP subsidies. The following were targets for each programme within the NHFC:

5.4.1 Programme 1: Administration

The 2022/23 annual targets for **Outcome: Functional, efficient and integrated governance** were as follows: – Unqualified audit opinion with no material findings, 100% implementation of the annual internal Audit Plan, 100% implementation of the approved risk management plan, 40% of procurement budget spent on women-owned enterprises, 20% for youth-owned enterprises, 5% for enterprises owned by military veterans.

5.4.2 Programme 2: Integrated Human Settlements Planning and Development Programme

The 2022/23 annual targets for **Outcome: Increased access to affordable finance to enable end-users to have appropriate, spatially just and adequate housing** were as follows: 7 million

contributed to strategic partnership, 15 million leveraged from NHFC's strategic partnership, six IRDP projects level structuring collaborations, 150 million disbursed to black owned business on managed programmes.

5.4.3 Programme 3: Affordable Housing Programme

The 2022/23 annual targets for **Outcome: improved delivery of affordable housing** were as follows: 4, 780 of subsidy applications approved, 478 FLISP Grants approved, 359 FLISP Grants disbursed, 3824 subsidies disbursed, R1 912 million leveraged from financial institutions, R476 million disbursed to designated groups, R357 million disbursed to B-BBEE compliant companies, R357 million disbursed to black owned entities.

5.5 Community Schemes Ombud Service (CSOS)

The ombud was expected to break even in each year over the MTEF period. Expenditure was set to increase at an average annual rate of 2.5%, from R300.8 million in 2021/22 to R323.9 million in 2024/25. Over the MTEF period, the ombud expects to derive 7.3% (R75.7 million) of its revenue through transfers from the department and 78.3% (R824.5 million) through levies from community schemes. The following were targets for each programme within the CSOS:

5.5.1 Programme 1: Administration

The 2022/23 annual targets for **Outcome: Functional, efficient and integrated government** were as follows: 100% of the approved Anti-Fraud and Corruption Implementation Plan implemented, 100% implementation of the approved risk management plan, 100% implementation of Internal Audit plan, 100% achievement of the milestones of the annually approved HR Plan, two Core Business Automation Solution phases implemented, upgrade of SAGE ERP solution completed, Electronic Content and Document Management System Configuration completed, two new transactional sites established (satellite office), 40% procurement spend on businesses owned by women, 20% procurement spend on businesses owned by Youth, 5% procurement spend on businesses owned by People with disabilities.

5.5.2 Programme 2: Governance, Compliance and Enforcement

The 2022/23 annual targets for **Outcome: Effectively regulated Community Scheme Sector** were as follows: R 263 042 000 of CSOS levy collected, 100% registration of community schemes that have submitted scheme registration documents, 60% of registered schemes compliant, database of schemes governance documents established, 95% quality assured schemes governance documentation, 100% compliance certificates issued on all amended scheme documents, 100% of disputes assessed within 30 days, 85% of disputes conciliated within 90 days, 85% of disputes adjudicated within 90 days, and 100 % of adjudication orders quality assured within 7 days.

5.5.3 Programme 3: Education and Training

The 2022/23 annual targets for **Outcome: Empowered stakeholders** were as follows: 80 training and education sessions conducted for schemes executives and owners, 12 training sessions conducted for adjudicators and conciliators, 12 stakeholder information sessions conducted, 100% implementation of Marketing and Communications Plan, 25 previously disadvantaged individuals trained as executive managing agents, 80% of community schemes' requests for Executive Managing Agents awarded to previously disadvantaged individuals.

5.6 Property Practitioners Regulatory Authority (PPRA) - previously known as Estate Agency Affairs Board

To carry out these activities, the Authority's expenditure was expected to increase from R168.7 million in 2021/22 to R181.6 million in 2024/25 at an average annual rate of 2.5%. The board derives its revenue through levies and contributions from estate agents, examination fees, and management fees for the administration of the Estate Agency Fidelity Fund. Revenue is expected to amount to R545.3 million over the MTEF period. The following were targets for each programme within the PPRA:

5.6.1 Programme 1: Administration

The 2022/23 annual targets for **Outcome: Functional, effective and integrated government** were as follows: unqualified audit opinion with no material findings, 100% implementation of approved internal audit annual plan, 100% implementation of the approved risk management plan, 100% implementation of fraud prevention plan, 40% of procurement budget spent on women owned enterprises, 20% of procurement budget spent on youth owned enterprises, 5% procurement budget spent on enterprises owned by people with disabilities, 80% implementation of the approved human resource management plan, 100% allowed fees collected, 70% implementation of PPRA stakeholder management plan, 80% of consumer queries resolved within 90 days.

5.6.2 Programme 2: Licencing and Compliance

The 2022/23 annual targets for **Outcome: Inclusive, integrated and transformed property sector** were as follows: 9 000 property practitioners registered on the database of the PPRA, 100% of all complaint new registrations processed within 30 days.

5.6.3 Programme 3: Inspection and Enforcement

The 2022/23 annual targets for **Outcome: Functional, effective and integrated government** were as follows: four quarterly inspection guidelines issued, 75% of competed investigations that result in disciplinary hearings, and 100% of disciplinary outcomes enforced.

5.6.4 Programme 4: Research, Professionalization and Training

The 2022/23 annual targets for **Outcome: Inclusive, integrated and transformed property sector** were as follows: 30% increase of Property Practitioners who are registered for CPD and have met CPD requirements in full, 100% implementation of the Skills Development Plan, implement the research agenda, 2000 candidate practitioners placed with property industry host employees through the one learner- one Practitioner programme, 70% retention rate of youth candidate practitioners in the “one learner- one property”.

5.6.5 Programme 5: Transformation

The 2022/23 annual targets for **Outcome: Inclusive, integrated and transformed property sector** were as follows: property sector transformation fund established, 300 full status Black Women supported through the implementation of the principalization programme, 25 SMMEs owned by historically disadvantaged groups placed through the incubation programme. The following section provides observations and recommendation by the Committee on Human Settlements.

7. Committee observations and recommendations

The Committee, having been briefed by the Department and its entities on its revised strategic plans, annual performance plans and budget, deliberated and made the following observations and recommendations. The Minister must ensure the implementation of these recommendations:

7.1 The Committee welcomed the Departmental prioritization of the three-year plan to unblocking of blocked projects, elimination of asbestos roofs, eradication of mud houses, and eradication of the housing backlog around the county. However, the Committee was concerned that there were no indicators, budget and timeframes linked to these priorities.

Recommendation:

- Within three months of the adoption of the report, the Department should develop an action plan to deal with the mentioned priorities and report to the Committee in three months. The three-year plan to unblocking of blocked project should indicate specific deliverables each year. Furthermore, there must be a budget and timeframes to developed plans.

7.2 The Committee welcomed the work being done around the digitization of the housing beneficiary lists. This was because digitization would ensure transparency and accountability. However, the Committee was concerned that the process was slow. There was still lack of a well-consolidated beneficiary lists

which was traumatizing people, including the owners of houses and family members who had been waiting for a house but whose names had disappeared from lists.

Recommendation:

- Fast-track the digitization process of housing beneficiary lists. Prevent interference with beneficiary lists through transparency and accountability. The Department must present the process in six months. The beneficiary list or allocation policy should prioritize child headed households, the elderly, and people with disabilities.

7.3 The Committee welcomed the procurement set aside to ensure transformation by the Department and entities. This set aside include 40% for women, 20% for youth, 5% for people living with disabilities. However, the Committee wanted a detailed presentation on how the procurement plan would be monitored.

Recommendation:

- Present an action plan, on quarterly bases, outlining how the procurement plan would be monitored.

7.4 The Committee welcomed intergovernmental initiatives between the Department and other sister departments to ensure single plans that result in sustainable and integrated human settlements. However, much can be done to ensure the alignment of the District Development Model.

Recommendation:

- Ensure the alignment of departmental plans with the District Development Model. Furthermore, the Department should strengthen the monitoring of departmental plans. The Department must report to the Committee on progress made in three months.

7.5 The Committee welcomed the initiative to fill of the CEO and the CFO positions by the HDA. This would ensure stability and continuity within the entity. However, the Committee was concerned that the process was taking too long.

Recommendation:

- Fast-track and finalize the filling of CEO and CFO positions within the HDA, and report to the Committee within three months.

7.6 The Committee was concerned that SHRA was not visible in the townships in the provision of social housing.

Recommendation:

- SHRA should ramp-up its visibility in the townships.

7.7 The Committee observed that SHRAs' norms and standards of the social housing units were not uniform. There was a difference in interpretation of those norms and standards in different provinces.

Recommendation:

- SHRA should ensure that its norms and standards are uniform to prevent different interpretations by provinces.

7.8 The Committee was concerned that the PPRA did not have a CFO and internal auditors.

Recommendation:

- PPRA should fast-track the filling of CFO and internal auditors position and report, on quarterly bases, to the Committee on progress made.

7.9 The Committee noted efforts by the Department and entities to contribute towards job creation in the country. However, the Committee felt that these initiatives must be closely monitored.

Recommendation:

- The Department, working in collaboration with entities, should provide the Committee with information on how many jobs would be created.

7.10 The Committee welcomed the commitment of the Department to increase the pace of issuing title deeds to rightful property owners, prioritizing the pre-1994 stock. However, the Department did not provide clarity on the implementation process.

Recommendation:

- Develop an action plan, with timeframes, to ensure the implementation of the title deeds programme. This plan must be presented to the Committee in three months.

7.11 The Committee noted that under the Integrated Human Settlement Planning and Development sub programme, the indicators were not clear, and as a result not measurable.

Recommendation:

- Ensure that indicators are clear, smart, and measurable. Furthermore, there should be consensus that government programmes should be outcome based to enable the Committee to measure the performance of each programme against the set targets.

Report to be considered.