

Background:

Last year, the Department of Human Settlements (DHS) announced that over the next five years, it would deliver 470 000 housing units, 300 000 service sites, 30 000 Social Housing Units and Upgrade 1 500 informal settlements.

In the last financial year, prior to the on-set of Corona, the Department only managed to develop 126 Informal Settlement Upgrading Plans against a target of 300, while no informal settlements were upgraded to phase 3 against a target of 300.

Despite also having announcing a number of Priority Development Areas for housing during the same period, of the 17 720 ha of land identified for rezoning, only 2800 ha (17%) was finalized.

In July this year the ANC in Parliament made the decision to wipe R2.26 billion off of the Department's budget for 2020-21.

- R1.7 billion was cut from the Human Settlements Development Grant (HSDG) which is used to build homes.
- R1.1 billion was cut from the Urban Settlement Development Grant (USDG) which is used to provide services to communities.
- And R378 million was cut from the title deeds programme

During the second adjustment budget in October, a further R345 million was transferred from Housing to SAA.

In spite of a national title deeds back log of more than 893 000, the Department also announced that going forward, the Title Deeds Restoration Grant will be abolished.

These funding cuts have now resulted in a stunning u-turn by the ANC led government.

Instead of promising South African's houses, with title, the ANC is now promising citizens land to build their own homes on instead.

In order to achieve this, the DHS has sent an alarming letter to Provinces, instructing them to put measures in place to immediately downscale the delivery of houses due to *South Africa's dire economic situation*.

Provincial Housing Departments have been asked to revise their business plans for next year and told that projects planned will only be supported if they will prioritise the elderly, military veterans, people living with disabilities, child-headed households; and, there are existing contracts in place.

DHS has also asked Provinces to seek the approval of the National Accounting Officer if they want to award any new contracts – an instruction that sees the autonomy of Provinces being centralised.

This policy shift is a direct result of years of corruption, looting and bailouts for Zombie State Owned Enterprises (SOE's) such as Eskom and SAA by the ANC.

This policy shift will now also see the ANC actively perpetuating asset poverty amongst SA's most vulnerable citizens as it seeks to provide site and service, while at the same time abolishing the Title Deeds Restoration Grant.

This decision, already implemented in part via DHS's instruction, without having been approved by cabinet or Parliament, may result in further social unrest and land invasions as desperate South African's fall prey to more empty ANC promises.

Instead of taking full responsibility for the state of affairs, Minister Sisulu has now placed the burden on provinces and municipalities to deal with the fall-out.

Impact of cuts on City of Cape Town

These budget cuts come at a time when the City of Cape Town is dealing with multiple issues in the delivery of integrated human settlements to our communities.

This is because the demand for human settlements opportunities has continued to increase unabated as inward migration into the City remains high as people search for economic opportunities.

In the past few months the City has also seen a spate of sporadic and opportunistic land invasions which have in many cases, interrupted our well planned and coordinated human settlements delivery programmes.

Land invasions this year alone are threatening human settlements projects to the value of some R1,3 billion.

To deal with this threat, our administration has spent a great deal of time in Court seeking legal remedies to this issue – with no assistance from the DHS.

Despite these challenges, the City of Cape Town City has not been spared from the fiscal cuts implemented by the ANC in Parliament, as our National government scrambles to reprioritise service delivery funds to bailout SOE's and deal with the Covid-19.

In particular, our infrastructure delivery grants such as the Urban Settlements Development Grant (USDG) and the Human Settlements Development Grant (HSDG) have been substantially reduced.

Between 2018 and 2020, the City has seen R403 million cut from its HSDG budget, and R155 million cut from its USDG budget.

These cuts each have a direct impact on our planned housing projects.

The Macassar and Sir Lowry's Pass Village Housing Developments each saw a R10 million cut.

The Symphony Way Development has been reduced by R12 million.

Highlands Drive Housing Project has been cut by R17 million, with amounts ranging from R9 million – R1 million cut for another 6 crucial service delivery projects.

This is despite the City's Human Settlements Directorate having achieved a 96% capital expenditure spend against USDG in the 2019-20 financial year; and an 83% capital expenditure spend against the HSDG for the same year.

In light of these cuts and the ANC's policy shift, the City will continue to prioritize resources everywhere it can to assist with our growing housing backlog, and will continue to pursue all financial options to limit the impact of these budget cuts on critical service delivery projects.

Western Cape Budget Cuts:

The DHS directive seeks to downscale the delivery of housing units. Meaning that Provinces will not be able to enter into new contractual commitments for government houses as from 1 April 2021.

Housing projects planned for next year will **only** be supported if:

- They will prioritise the elderly, military veterans, people living with disabilities and child-headed households;
- They contribute to medium to high density development (e.g. BNG Walk-ups etc), and promote integrated development;
- There are current contractual commitments for the MTEF period, as part of a contractor's current work package which has been awarded at present;

Provinces have further been informed that no new top structure projects may be awarded until approval is sought from the National department first – which indicates an attempt by the ANC to centralise decision making.

These new criteria not only restrict Provinces but also bring up the issue of expectation management. Many communities have been waiting for years for projects in the pipeline which will now need to be revised.

These recent cuts, and the shift in policy must also be seen in the context of significantly declining budget allocations to Provinces which began as early as 2016.

Between 2016 and 2021, the Western Capes Housing Budget has been reduced from R2 billion to R1.4 billion per year.

Budget cuts in this financial year alone have resulted in the loss of 4000 sites, 1600 housing units, and a reduction of 5800 title deed beneficiaries. Our administration is still calculating the cumulative losses for the upcoming period.

This will no doubt result in frustration which provincial and municipal authorities will have to manage. Authorities will now have to walk a tightrope in explaining to communities the implications of national budget cuts on housing delivery.

As with the City of Cape Town, the Western Cape Provincial Government will continue to pursue all financial options and policy options to limit the impact of these budget cuts on critical service delivery projects and will keep communities updated as we progress.

Conclusion:

It is clear that the policy shift being peddled by the Minister prior to its formal adoption by Cabinet or Parliament comes as a result of the ANC looting of state coffers over many years.

Instead of rightsizing the civil service and privatising SOEs, as every ratings agency has urged, the ANC are retaining the bloated civil service, bailing out SOEs and cutting frontline services.

They take this decision at national government level and leave municipalities to deal with the fall out.

In light of the serious implications of these instructions, the DA will request that Minister Sisulu appear before Parliament to account to the Nation about the state of the DHS.

The DA in government will continue to pursue all financial and policy options to limit the impact of these budget cuts of critical service delivery projects.