

PROGRAMMATIC AND COSTING COMPARISON OF THE HOUSING PROGRAMMES

1 Introduction

The promise of better housing has been a central plank of public policy since 1994. To this end, the government has provided public finance for a range of housing programmes, collectively dubbed 'RDP housing'. These programmes aim to establish communities and neighbourhoods with access to healthcare, education and other social amenities. One of their basic components is the construction of permanent homes with security of tenure, which provide privacy, protection against the elements, and access to potable water, sanitation and energy.

Although the delivery of homes and human settlements can be measured in different ways, census data provides clear evidence of progress: according to Statistics South Africa, the proportion of households that do not live in formal dwellings fell from about 25% in 2002 to about 20% in 2014. Reflecting the importance of public programmes in this improvement, by 2014, some 13% of households included someone who had received a public housing subsidy. However, population growth and the restructuring of households into smaller units have meant that the absolute number of units still needed – the backlog – remains sizeable.

Although these housing programmes have improved the quality of life of the poor, a number of concerns have emerged that necessitate a review of policies, delivery mechanisms and funding. The most important of these include:

- The large number of households qualifying for support, combined with the escalating cost of providing housing, calls into question the affordability and sustainability of existing policy commitments.
- Apartheid's spatial legacy means that the cheapest land in cities tends to be on the periphery. Because of cost constraints, many housing programmes used land on urban peripheries, which reinforces the legacy of apartheid and relegates the poor to areas that are far from economic opportunity. This undermines the creation of integrated and sustainable human settlements.
- Some of the housing infrastructure has not met the building standards set by policymakers.
- A number of projects have become blocked or failed to meet planned deadlines and budgets.
- Apart from households' financial contributions to their own homes, subsidised housing projects have largely failed to attract private sector funding.
- Some provinces have seen significant backlogs in the finalisation and presentation of title deeds to the housing beneficiaries.

The National Treasury, working with the Department of Human Settlements and the Presidency, commissioned a performance and expenditure review (PER) of housing programmes to assess their progress and costs, and hence the affordability and sustainability of the programmes and the underlying policy commitments. The PER was conducted by Rhizome Management Services between August 2013 and January 2014; some figures were revised in 2015 after further feedback. Some of its key outputs and insights are summarised here; the full report is available at: www.gtac.gov.za/programmes-and-services/public-expenditure-and-policy-analysis.

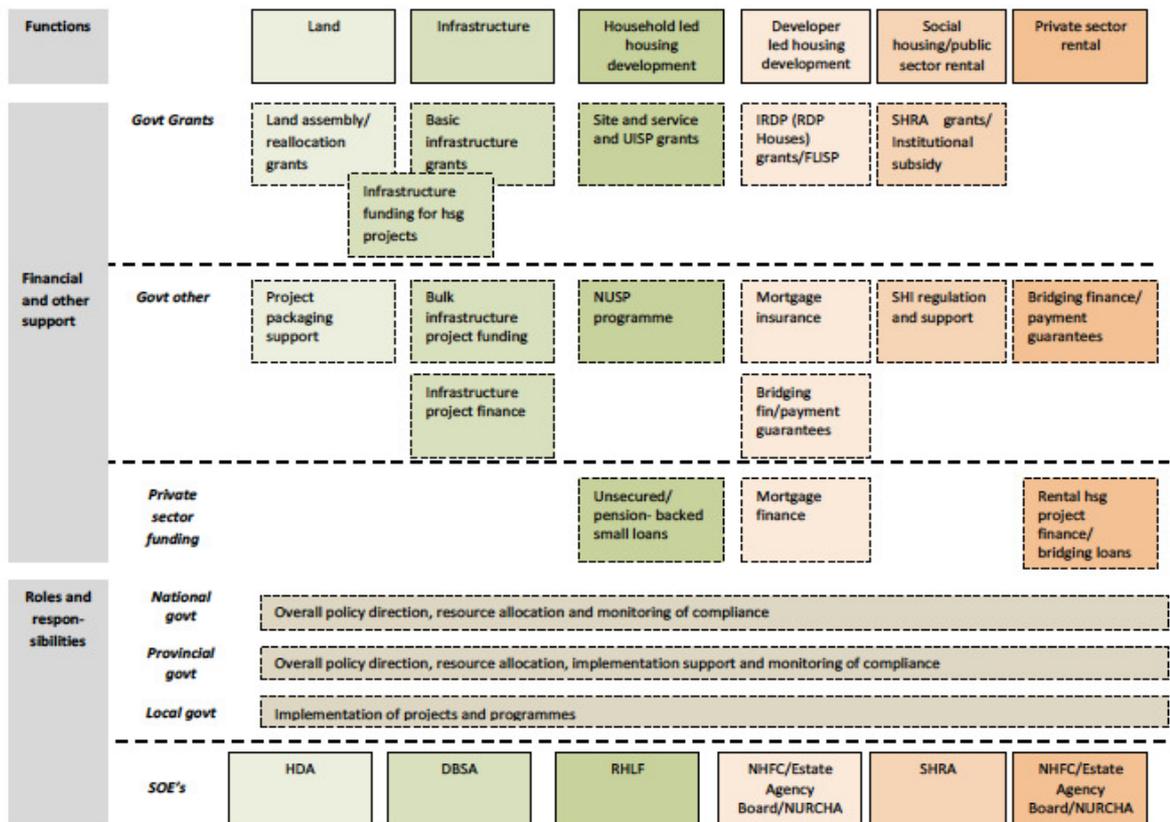
The PER focuses on the main housing programmes funded by government, and reports expenditure and performance data for the years 2010/11 to 2012/13; this accounts for 62% of total spending on RDP housing over the period. A separate PER on the financing of social housing was also completed.



2 Institutional context

A number of factors make the delivery of housing a complex institutional challenge (see Figure 1). A key challenge relates to managing the flow of funds, in view of the concurrent national and provincial powers for housing, along with the increasing authority and responsibility of local government. These complexities create opportunities for corruption and patronage, as well as implementation delays.

Figure 1: Summary of the housing delivery chain



The complex chain of delivering human settlements means that expenditure and delivery data is treated inconsistently, which makes it hard to obtain complete and accurate records. While there are a number of databases and sources, none has an entirely defensible method for assuring that the data is comprehensive and accurate. In addition, national government is not sufficiently rigorous in monitoring the delivery of housing, which contributes to the uneven interpretation and implementation of housing policy.

Part of the monitoring problem is that too many separate programmes and sub-programmes have been created, which lack focus and clarity. Some programmes replicate the goals of others, while still others are small and seldom used. Some, such as the Community Residential Unit Programme, are not framed by national regulations, while others, such as the Operational Capital (OpsCap) and Rectification programmes, exist only to complete, unblock or rectify work that should have been done previously.



3 Performance

Between 2010/11 and 2012/13, government spent over R45 billion on about 30 separate housing programmes. The largest of these are the Integrated Residential Development Programme and the Upgrading of Informal Settlements Programme, which accounted for just over 50% of expenditure on housing programmes. This PER focuses on these two programmes, while also addressing four smaller programmes (Community Residential Units, OpsCap, the Rectification of RDP Stock, and Social Housing). The remaining programmes were not included in this PER, although some details of their performance and expenditure data are included below.

While considerable funds have been expended on housing programmes, the PER finds the following:

- The delivery of housing in the past three years has been slower than previous estimates suggested.
- The costs per unit were higher than previously estimated.
- The gap between the subsidies for the construction of housing and the actual costs of doing so (including e.g. administrative costs) is large and unsustainable.

Table 1: Expenditure per programme, 2010/11 to 2012/13

Programme	Goal of programme	Total units		Total expenditure	
		Number	%	R billion	%
Rectification	Finances repairs to subsidised houses with defects	13 493	4%	1.7	4%
OpsCap	Finances the unblocking of projects but does not deliver any housing units	N/A	–	1.8	4%
Integrated Residential Development	Main programme for delivery of RDP housing	99 007	27%	11.8	26%
Upgrading of Informal Settlements	Finances the provision of housing and upgrading of services in informal settlements	80 561	22%	11.8	25%
Social Housing	Helps finance greenfield social housing projects	5 105	1%	0.6	1%
Community Residential Units	Provides rental stock for households with incomes <R3 500 per month by upgrading infrastructure	7 669	2%	2.7	6%
Total in PER		205 835	66%	28.2	62%
Other programmes (not in PER) ²		163 420	44%	17.1	38%
Total		369 225		45.4	

1: Expenditure data on the Social Housing programme is incomplete because much of it is channelled through the Social Housing Regulatory Authority and is not captured on government's centralised basic accounting system. A separate PER addresses social housing.

2: Figures for units delivered by programmes not subject to the PER have not been verified.

3.1 Housing delivery

A key finding of the PER is that the number of houses delivered by public housing programmes is lower than previously suggested. This is true even if the data on units delivered by the many housing programmes not reviewed by the PER were completely accurate – in that case, about 123 000 units were delivered each year between 2010/11 and 2012/13. This is still much lower than the figure of about 250 000 per year reported by the Department of Human Settlements.

It is not entirely clear why the reported numbers exceed the actual delivery, although there appears to be at least some double counting of the separate processes required for the delivery of a single unit, such as site preparation and the building of top structures. As noted, the complex institutional arrangements, combined with the lack of an integrated and auditable performance management system, are also clearly part of the explanation for the deficiencies in delivery data.



3.2 Unit costs

As fewer units were delivered than was estimated, this implies that the average cost per unit is higher. It also exceeds the official value of the subsidies from national government (see Table 2), suggesting either that the delivery of units is being rationed or that other spheres of government are making additional financial contributions to these projects.

Table 2: Unit costs per programme, 2010/11 to 2012/13

Programme ¹	Average unit cost	Subsidy value (2012/13)	Gap between unit cost and subsidy value
Rectification programme	R127 882	R25 696	R100 000
Integrated Residential Development Programme ²	R119 409 (R140 000)	R90 362	R20 000 (R50 000)
Upgrading of Informal Settlements Programme	R140 432	R33 762	R110 000
Community Residential Units Programme	R365 375	N/A	

1: Although a subsidy of R330 000 was available for the delivery of units in the social housing programme, deficiencies in expenditure mean that it is not possible to calculate the average cost of units.

2: Figures for RDP houses are reflected both including and excluding figures from a programme that is very similar to the Integrated Residential Development Programme – Project-Linked Subsidy Housing – that appears to have been linked to the former programme in some provinces.

The fact that unit costs exceed official subsidies by some margin means that the current housing programmes cannot meet their commitments with the available funds, and need to be rethought and redesigned.

3.3 Costing housing policy

Because the delivery of housing has been slower and more expensive than was previously believed, delivering on existing policy commitments will take longer and be more expensive than previous estimates suggested. Estimates of the additional resources required depend on assumptions, and there is considerable uncertainty about:

- Policy choices about the mix of housing types delivered and the programmes through which houses are to be delivered;
- The average costs of each unit of housing (cost figures for some programmes are unclear);
- The rate of growth in the number of qualifying households, which depends on the growth in both the population and the economy (and hence in households below the income threshold);
- The rate of inflation for land, labour and construction material;
- The pace at which backlogs are to be eliminated.

Given all these variables, the PER provides a relatively simple model to show approximately how much it would cost to meet existing housing commitments with existing policies. The model suggests that it would take unacceptably long to deliver housing to all qualifying households, unless either considerably more resources were allocated to housing programmes every year or policy commitments (e.g. eligibility or building standards) were revisited.

4 Findings

The key conclusion of the PER is that delivery on housing policy is slower and more expensive than previously understood. This implies that the commitments government made on providing housing may not be achievable in the time frames currently envisaged and will not be achieved at all without significant additional resources. Subsidiary conclusions include:

- The availability and accuracy of delivery statistics must be addressed urgently.
- There are too many housing programmes and they are managed unevenly. Consolidation would lead to better focus and more impact.
- The Community Residential Units programme has the highest cost per unit, which suggests the need for a detailed investigation into this programme.
- The housing policy implementation process is weak, as reflected in the need for the Rectification of RDP Stock programme and programmes to facilitate the completion of projects paid for through other programmes.
- More work is needed to develop models that attract private sector funding into the provision of low-income housing. The PER on social housing suggests that the social housing model is not yet achieving this.

Although the provision of a formal home for all households remains at the core of government's housing commitment, more attention needs to be paid to using housing programmes to undo the spatial legacy of apartheid in cities and to facilitate densification. In this regard, housing expenditure must be better aligned with the planning of public transport corridors. This would have the added benefit of making spending on public transport more efficient.

