R750m budget change hits housing developments in three provinces

About R750m has been cut from the Gauteng, Free State and Western Cape housing budgets due to underspending in the first half of the 2024/25 financial year.

By Daniel Steyn and Sandiso Phaliso 4 Apr 2025

Source: Pexels.

This has affected the ability of these provinces to pay suppliers for work already done on housing developments.

Funds were cut from the Human Settlements Development Grant (HSDG) and Informal Settlements Upgrading Partnership Grant (ISUPG) budgets.

The national human settlements department is tasked with ensuring that the grants are fully spent by the e of a financial year, which is why it reallocates budgets throughout the year based on reports provided by th provinces.

The Human Settlements Development Grant was cut by R300m in Gauteng, R200m in Western Cape anc R50m in the Free State. A further R100m was cut from the Informal Settlements Upgrade Grant in the Western Cape and R150m in Gauteng.

The Free State was allocated an extra R50m in its ISUPG. The Eastern Cape, Northern Cape and North West also received top-ups on their ISUPG grants, while KwaZulu-Natal, Limpopo and Mpumulanga received additional funds for their HSDG grants.

The national department says the grants were cut from the Gauteng, Western Cape and Free State becau of underspending in the first half of the year. But the three provinces say they were on track to spend the f grants by the end of the year.

“You cannot claim ‘underspending’ in the second quarter of a financial year. The budget process dictates that a department has 12 months in a financial year to spend their budgets,” said Western Cape

Infrastructure MEC Tertius Simmers.

The Free State Department of Human Settlements said in a statement that the “uniform quarterly disbursement model … does not reflect the reality of infrastructure and housing project implementation, where there is slower spending in the early stages and an acceleration in later phases when construction activities increase”.

All three provinces had spent less than 45% of their grant allocations by the end of the second quarter of t 2024/25 financial year. The Western Cape, for example, had spent only 41% of the HSDG and 21% of the ISUPG. The national department used these second quarter figures – from September 2024 – to decide reallocations.

By 31 January, the Western Cape mostly recovered, spending 80% of its R1.6bn HSDG budget, although still lagging behind on the R382m ISUPG with 57% spent. Gauteng had spent only 67% of its R3.9bn HSD and 62% of its R927m ISUPG.

The Western Cape Department of Infrastructure, which includes the province’s human settlements portfol says it provided the national department with a business plan which showed it would be able to spend the grant by the end of the 2024/25 year (31 March 2025).

The business plan was approved by the national department but spokesperson Tsekiso Machike says the department was not satisfied that the Western Cape would spend its full budget by the end of the year, necessitating the reallocation.

But Simmers says the Western Cape has continued spending in line with its business plan. By March, expenditure stood at 84%, “showing that we are well on track to spend 100% of the allocation,” said Simmers.

The Western Cape Department of Infrastructure now has unpaid invoices “for work already delivered and certified … to the value of R243m”. At least 14 developments across the province are affected.

“That is why I have asked [the national department], in writing, to send us all the evidence they submitted to the National Treasury that led to this decision. We are still awaiting a response,” Simmers said.

Gauteng Human Settlements MEC Tasneem Motara noted that Gauteng was also on track to spend its full grant allocation by the end of the financial year but that the budget reallocations “have significantly impacte the department’s ability to honour payments for work already completed”.

Motara said the department will now have to cover the overdue payments in the new financial year, which w put strain on the new year’s budget.
“This means that where we could have allocated a sizeable number of housing units to a developer, we ha now had to reduce those allocations.”

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