

**PROVINCE OF
KWAZULU-NATAL**

**ISIFUNDAZWE
SAKWAZULU-NATALI**

**PROVINSIE
KWAZULU-NATAL**

DEPARTMENT OF LOCAL
GOVERNMENT AND HOUSING

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PEOPLE'S HOUSING PROCESS

POLICY OF THE PROVINCIAL HOUSING DEVELOPMENT BOARD OF KWAZULU-NATAL

1 Overview of the approach of the National Department of Housing

- 1.1 The National Department of Housing has approved part 10 of the Housing Subsidy Scheme which contains guidelines for supporting the People's Housing Process (hereinafter referred to as "PHP"). It is clear that the National Department of Housing envisages situations where support organisations, which must be established in terms of the PHP, have a very wide role in the development of low income housing and can be involved in far more than the construction of top-structures. The National Department of Housing appears to envisage a situation where a support organisation is involved in the delivery of services as well as the construction of top-structures.
- 1.2 The PHDB has carefully considered whether this approach is appropriate or practical. It is submitted that the PHP has many positive attributes provided that it is applied in appropriate circumstances. It is submitted that the approach of the National Department of Housing is too wide and will lead to projects being delayed as a result of the support organisation not having the necessary capacity to conclude the development process, and a waste of public funds.
- 1.3 The purpose of this policy therefore is to deal with specific aspects arising out of part 10 of the implementation manual, as it shall apply to the Province of KwaZulu-Natal.

2 Responsibility for the delivery of services

- 2.1 One of the stated objectives of the PHDB is that housing projects should be sustainable. This involves the installation of appropriate levels of services and a top-structure which a beneficiary is able to use immediately and develop further in due course. Municipalities are also determined to ensure that proper services are installed in their areas of jurisdiction since this materially affects their role of maintaining such services. The DLGH recognises this and it has become standard practice in all township establishment applications to ensure that the municipality takes over services installed by a developer once it is

satisfied therewith. The PHDB also usually insists on the production of a services agreement between the municipality, as service provider and maintainer of services, and the developer.

- 2.2 Whilst most developers attempt to use local labour in order to provide employment for beneficiaries of housing projects, the delivery of services is still a specialised task.
- 2.3 Subject to what is stated below, the PHDB is of the view that it is not appropriate for the PHP to be applied in the construction and delivery of services. A developer should be appointed to carry out this task. However, this does not prevent a project application by a support organisation from being approved on the basis that a nominated developer\contractor will be responsible for the construction and delivery of services. The support organisation will then be responsible for assisting beneficiaries with the construction of top-structures.
- 2.4 If a new project application is received by the PHDB, it should clearly specify what portion of the subsidy will constitute the residual (the P5 payment) and therefore be paid to the support organisation for the construction of top-structures.
- 2.5 If it is intended that a developer will instal the services and effect transfers to beneficiaries, and that the support organisation will be responsible for the construction of top-structures, then two agreements will be concluded with the PHDB, the first being with a developer who shall be responsible for the delivery of services and the second being with a support organisation which shall be responsible for assisting beneficiaries with the construction of top-structures.
- 2.6 If, on the other hand, the support organisation wishes to control the entire development process and only one agreement is concluded with the support organisation, that agreement must stipulate who will be responsible for the delivery of services so that the PHDB can satisfy itself that the support organisation has the necessary capacity to implement the project.

3 Criteria for the establishment of a support organisation

- 3.1 In terms of section 7 of part 10 of the manual, numerous different entities can be appointed as support organisations.
- 3.2 It is important that the support organisation be administered in an open and transparent manner. For this reason, it will be preferred if the entity used for the establishment of a support organisation is a statutory body such as a section 21 company or communal property association, or a provincial government department or municipality.
- 3.3 If the community wishes to use a trust or voluntary association of members, then the trust deed or constitution of the entity must allow for the support organisation to be administered in an open and transparent manner and must provide for the books of account of the entity to be audited annually. It must be borne in mind that the support organisation will be expending the establishment grant made available by the PHDB and such expenditure must be in accordance with the requirements of the Implementation Manual and this policy,

and to the benefit of beneficiaries.

4 Criteria for the appointment of the account administrator

- 4.1 The account administrator must have the necessary skills and experience to ensure that the specified account is administered effectively and efficiently and that progress payments are made in accordance with policy and the terms and conditions of the agreement between the PHDB and the support organisation.
- 4.2 The appointment of the account administrator will be at the discretion of the PHDB and prior to appointment, the approval of the PHDB must be sought. The PHDB is of the view that the account administrator should either be a bank, accountant or the municipality having jurisdiction over the project area.
- 4.3 The PHDB will insist that if a private practitioner such as an accountant is appointed, that person must have sufficient fidelity fund insurance to meet any claim for the misappropriation of funds or claims arising through negligence on that person's part.
- 4.4 Given the amount of funds which may be involved, the account administrator must nominate a specific person to deal with the matter.

5 Criteria for the appointment of the certifier

- 5.1 The PHDB must approve any proposed appointments of a certifier given the importance of this person's task.
- 5.2 The certifier should be a person who is suitably qualified and independent from the support organisation, developer and beneficiary community. The certifier need not be a qualified professional but must have experience in the building industry.

6 Determination of milestones for progress payments

- 6.1 The PHDB will adopt a flexible approach in determining the milestones for progress payments to the support organisation.
- 6.2 This approach should however be based on the following principles:
 - 6.2.1 every effort should be made to ensure that the support organisation does not have to obtain bridging finance where interest charges will result in the reduction of the residual and the milestones should therefore encourage a positive cash flow;
 - 6.2.2 notwithstanding this, the milestones should be based upon measurable events.
- 6.3 It is likely that a fairly standard set of milestones will be developed once a number of projects have been considered and these milestones will then be communicated to support organisations so that they can apply them in project applications.
- 6.4 The technical specifications relating to the top-structures should be clear,

unambiguous and easily measurable to ensure that beneficiaries receive value for their money and that public funds are properly expended.