

**KWAZULU-NATAL DEPARTMENT OF HOUSING
TO: THE KZN HOUSING ADVISORY COMMITTEE FOR
RECOMMENDATION TO THE MEC FOR HOUSING**

SUBMISSION

SUBJECT: COST NORMS FOR PREPARATION FUNDING FOR RURAL HOUSING PROJECTS

1. PURPOSE

To seek approval for the implementation of cost norms for preparation funding for rural housing projects.

2. BACKGROUND

2.1 In terms of the Procurement Policy, municipalities will fulfil the role of a developer and undertake housing projects.

2.2 The policy also makes provision for municipalities to be assisted with funding for project preparation costs should they not have sufficient funds to undertake this exercise. The information from feasibility studies are an integral part of the MEC's risk assessment and funding allocation of projects.

2.3 If the project is approved, preparation funds approved from the Provincial Housing Fund will be deducted from the subsidy amount. Should a project not be approved the costs expended from the Provincial Housing Fund will be recorded in accordance with financial directives and all documents will become the property of the Department.

2.4 A conditional approval (a pre-feasibility assessment) should be granted on submission of certain pre-feasibility or desk top studies, which include but is not limited to a planning context/framework report (IDP), bulk services investigation, a preliminary environmental assessment, a preliminary geotechnical assessment, land audit, social facilitation exercise and a project management report.

2.5 Recently concerns have been raised by the Housing Advisory Committee with regard to the varying amounts being requested for preparation funding. It was therefore requested that a guideline, which would assist in assessing preparation funding that would be required to undertake pre-feasibility studies for proposed projects, be compiled.

3. FINANCIAL IMPLICATIONS

The following seven categories/aspects and funding amounts should be taken into consideration when approving applications for preparation funding for a proposed development of 1000 sites:

3.1 Planning Context/Framework Report

The proposed housing project should be included in the Municipality's IDP or Housing Plan before it can be initiated. The project monitors at the Regional Offices will be responsible for ascertaining the above and as such no costs will be incurred to undertake such an exercise.

3.2 Bulk Services

An indication should be given as to whether bulk infrastructure is available, its adequacy and if not, what the proposed programmes/plans are to have these services installed, by what date and the source of funding. A bulk services report should be compiled and it is estimated that the cost will be a sliding scale figure of between R0 – R8000.

3.3 Preliminary Environmental Assessment

An EIA is a statutory requirement in terms of the Environment Conservation Act No. 73 of 1989 and as such a preliminary scoping report should be produced. The following activities/tasks should be undertaken:

- A site inspection of the proposed site.
- An analysis of the environmental plans of the area
- A preliminary Environmental Report, which takes account of the following, should be compiled:
 - The physical and ecological characteristics of the area
 - The current and potential use of the area
 - The existing archaeological, historical and cultural sites
 - The social and economic impact on communities in and around the proposed site
 - Any risks or hazards to the environment posed by the development
 - Identify areas of environmental sensitivity
 - Identify areas which are proclaimed wilderness or conservation areas and comment on the implications
 - Confirmation of observations on undertaking site inspection
 - Identify the proximity to any hazardous installations that may pose a risk for human settlement
 - Provide recommendations, alternative sites for the proposed development and mitigating measures to reduce negative impacts
 - If further environmental assessment is needed, how would this be decided, what would it entail, at what indicative cost and at what stage in the project cycle the work would need to be done relative to township establishment and/or commencement of development

- An annotated map showing the locality of the different sensitivities relative to the proposed project area and identify the nature of the sensitivities.

It is estimated that the cost in undertaking the preliminary environmental exercise will be a sliding scale figure of between R8000 – R10000.

3.4 Preliminary Geotechnical Assessment

An assessment should be undertaken to establish whether the proposed site is suitable for human settlement or not. The following activities/tasks should be undertaken:

- A site inspection of the proposed site.
- A preliminary Geotechnical Report, which takes account of the following, should be compiled:
 - Identification of broad Geotechnical conditions of the area and its implications on the proposed development (roads, VIPs and sanitation, stormwater control, cut and fill, platforms and founding conditions and road construction materials)
 - Viability of the proposed project in terms of Geotechnical conditions
 - Recommendations in terms of development controls
- A map indicating the distribution of rock and soil types
- A map indicating geotechnically sensitive or undevelopable areas (seepage, shallow soils, rock outcrops, slope instability, etc)
- A settlement plan showing the various constraints to the proposed development

It is estimated that the cost in undertaking the preliminary geotechnical assessment will be a sliding scale figure of between R5000 – R7000

3.5 Land Audit

An investigation of the proposed land should address the following:

- Comments on the key boundaries that might affect the development
- A schedule of properties, registered owner, extent, title deed number, servitudes, and restrictive conditions of title that may affect the project
- Copies of Title Deeds or Deedsweb printout and SG Diagram
- Ascertain if there are any land claims, mineral rights or any other restrictive conditions which could affect the development

It is estimated that the cost in undertaking the land audit will be a sliding scale figure of between R0 – R5000

3.6 Social Facilitation

The social facilitation exercise should include the following:

- Workshop introducing the development proposal to the community/traditional authority and obtain buy-in to the process
- A record of decision or minutes of community meeting

It is estimated that the cost in undertaking the social facilitation exercise will be a sliding scale figure of between R0 – R3000

3.7 Project Management

The project manager must co-ordinate all specialist reports/plans into one consolidated report.

It is estimated that the cost that should be allocated for the project management function should be a sliding scale figure of between R10 000 – R12000.

The total funding for a pre-feasibility study to be undertaken, for the development of 1000 sites, therefore amounts to:

Activity Description	Maximum Allowable Cost
1. Planning Context/Framework	Undertaken by Project Monitors
2. Bulk Services	R 8000, 00
3. Preliminary Environmental Scoping	R 10000, 00
4. Preliminary Geotechnical Assessment	R 7000, 00
5. Land Audit	R 5000, 00
6. Social Facilitation	R 3000, 00
7. Project Management	R 12000, 00
Total Cost	R 45000, 00

The cost per site would therefore amount to:

Activity Description	Maximum Allowable Cost
1. Planning Context/Framework	Undertaken by Project Monitors
2. Bulk Services	R 8, 00
3. Preliminary Environmental Scoping	R 10, 00
4. Preliminary Geotechnical Assessment	R 7, 00
5. Land Audit	R 5, 00
6. Social Facilitation	R 3, 00
7. Project Management	R 12, 00
Total Cost	R 45, 00

4. MOTIVATION

4.1 The implementation of a maximum allowable amount for preparation funding will allow for a consistent cost norm to be applied throughout the Province.

- 4.2 The abovementioned costs are illustrative of the typical work items required to undertake pre-feasibility studies for proposed projects.
- 4.3 In terms of Rural Housing Projects payment is to be made in two tranches with Tranche 1 being set at a maximum of R1393 – 91 (See Annexure A).
- 4.4 Should the prefeasibility funding be granted, the approved preparation-funding amount will be deducted from the Tranche 1 payment.
- 4.5 The remainder of the Tranche 1 payment amount (R1348, 91 per site) can be advanced to the developer on signing of the contract and should be monitored by the Department's Regional Offices as well as the municipality.

5. LEGAL IMPLICATIONS

An agreement will have to be concluded between the municipality and the department upon approval of the preparation-funding amount.

6. RECOMMENDATION

It is therefore recommended that:

- 6.1 a maximum amount of R45 000 in the case of a 1000 site development or R45 per site be approved for preparation funding for rural housing projects; and
- 6.2 should the prefeasibility assessment (conditional approval) be granted, the approved preparation funding be deducted from the Tranche 1 payment.

MR P.H. WOOLF
DIRECTOR: POLICY AND RESEARCH

DATE

MR N. KUNENE
CHAIRPERSON: KZN HAC

DATE

MR C.E. NTSELE
HEAD OF DEPARTMENT: HOUSING

DATE

APPROVED/ APPROVED AS AMENDED/ NOT APPROVED

MR D.H. MAKHAYE
MEC FOR HOUSING

DATE