

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

SUBMISSION

SUBJECT: COST NORM FOR TRANCHE 1 PAYMENT FOR RURAL HOUSING PROJECTS

1. PURPOSE

To seek approval for the implementation of a cost norm of R1393, 91 for Tranche 1 payment for rural housing projects.

2. BACKGROUND

2.1 The Housing Advisory Committee raised concerns relating to the cost norms for Tranche 1 payments with respect to rural housing projects, which are to be implemented in terms of the amended rural guidelines. The concern has been the variance in the cost norms, which have varied from approximately R750-00 to R1600-00 per site.

2.2 Currently the approval process has been a two staged process whereby a conditional approval is granted and later final approval. A conditional approval (pre feasibility assessment) is granted on submission of a project description and certain pre feasibility or desktop studies. Final approval of a project is granted on submission of a detailed feasibility report in the form of a comprehensive application pack. This approval stage is further divided into two tranches namely, planning approval and implementation.

3. FINANCIAL IMPLICATIONS

3.1 A costing exercise undertaken for Tranche 1 payment, in terms of the amended rural guidelines, revealed that the following would typically be taken into account:

Based on a 1000 site development

Table 1

ACTIVITY DESCRIPTION	COST PER SITE
Detailed land audit report	R8, 00
Planning and status quo report	R20, 00
Facilitation and feasibility report	R50, 00
Geotechnical report	R17, 00

Environmental report	R25, 00
Land availability agreement	R3, 00
GPS Co-ordinates	R275, 00
Survey outside figure	R6, 00
Settlement plan	R180, 00
Floodline determination	R10, 00
Subsidy administration	R250, 00
Functional tenure administration	R250, 00
Project management	R125, 00
Developer and contingencies	R50, 00
TOTAL FEES TRANCHE 1	R1269, 00

- 3.2 The above costs are illustrative of the typical work items required in order to obtain planning approval from the Department of Traditional and Local Government Affairs, land agreement from the Ingonyama Trust Board, conclusion of subsidy administration, conclusion of functional tenure administration, GPS referencing and various associated fees.
- 3.3 In terms of the Housing Code, conventional urban projects are paid in three tranches with Tranche 1 being set at a maximum of R1393-91 per site (See Annexure A).
- 3.4 The illustrative costs set out above are not inconsistent with the activities and costs set out for Tranche 1 payment in conventional projects and for that which is required to undertake pre feasibility studies for proposed projects.

4. MOTIVATION

- 4.1 The implementation of a maximum allowable amount for Tranche 1 payments on rural housing projects will allow for a consistent cost norm to be applied throughout the Province.
- 4.2 In terms of Rural Housing Projects, payment is made in two tranches with Tranche 1 being set at a maximum of R1393 – 91 (See Annexure A).
- 4.3 Should the conditional approval be granted, the approved preparation-funding amount will be deducted from the Tranche 1 payment.
- 4.4 The remainder of the Tranche 1 payment amount (R1348, 91 per site) can be advanced to the developer on signing of the contract (to undertake the activities listed in Table 1) and should be monitored by the Department's Regional Offices.
- 4.5 It must be noted that the costing reflected in Table 1 (R1269-00) is less than the amount approved by National Housing (R1393-91). However, this office is of the opinion that the fixed amount for the Tranche 1

payment for rural housing projects should be based on the maximum for Tranche 1, in terms of Chapter 3A of Part 3 of the National Housing Code.

5. RECOMMENDATION

It is therefore recommended that:

- 5.1 an amount of R1393-91, in terms of Chapter 3A of Part 3 of the National Housing Code, be approved for Tranche 1 payments on rural housing projects;
- 5.2 the relevant Regional Office, prior to the municipality releasing any funds from the Tranche 1 advance, must authorize all invoices generated for Tranche 1 payments;
- 5.3 on conditional approval being granted, the approved preparation-funding amount be deducted from the Tranche 1 payment; and
- 5.4 any savings derived after actual costs have been determined will accrue towards the project.

MR P.H. WOOLF
DIRECTOR: POLICY AND RESEARCH

DATE

MR N. KUNENE
CHAIRPERSON: KZN HAC

DATE

APPROVED/ APPROVED AS AMENDED/ NOT APPROVED

MR D.H. MAKHAYE
MEC FOR HOUSING

DATE