

KWAZULU-NATAL
CONFIDENTIAL
SUBMISSION

TO: *KZN PROVINCIAL HOUSING ADVISORY COMMITTEE FOR RECOMMENDATION TO THE MEC FOR HOUSING*

GUIDELINES FOR THE IMPLEMENTATION OF THE REVISED PROGRESS PAYMENT SYSTEM OF THE HOUSING SUBSIDY SCHEME

1. PURPOSE

To seek approval for the implementation of the revised progress payment system of the housing subsidy scheme in this province.

2. NATIONAL POLICY

The National Department approved the revised progress payment system for implementation with effect from 1 April 2001 for all new projects. The purpose of the progress payment system is to ensure that a developer who undertakes an approved project do not face adverse cash flow implications. Attached as Annexure B is the national guideline.

3. IMPLICATIONS OF THE NATIONAL POLICY

3.1 The following are of concern to the department and municipalities if this policy has to be applied as suggested by the national department of housing:

- ▶ each progress payment category has a maximum amount that cannot be exceeded and neither can the land cost in some cases be paid at P1 stage. For example, in this province, payment for land is sometimes made at P1 stage instead of P4. Thus increasing the P1 maximum limit.
- ▶ the payments proposed by national is based on per stand/site and not per beneficiary. This can result in fraudulent payments or excess payment to the developer/municipality.
- ▶ the policy does not cater for the peculiar needs with regards to payment swaps per payment category.
- ▶ the subsidy management system will also require major amendments resulting in manual payments and possible overpayment.
- ▶ where the municipality is a developer, certification for payments will have to be done by the department and not the municipality which negates accountability

4. POSITION IN KWAZULU-NATAL

The KwaZulu-Natal Provincial Housing Department has already implemented a revised progress payment system based on percentages, with retentions in the P1 to P5 payments. With motivation from the developer/municipality, for reasons beyond its control, payment

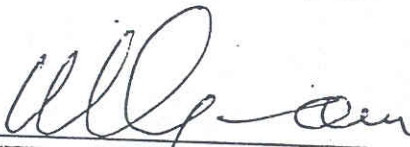
swaps are allowed in this province. However, there are certain aspects in the national policy which can be incorporated into our policy, eg. deviation in the payment route for in-situ upgrade projects and making advance payment to municipalities to conduct feasibility studies such as geo-technical and environmental impact assessment.

5. MOTIVATION

The national progress payment system has been workshopped with all stakeholders and a revised guideline has been prepared for this province taking into consideration comments received. Attached as Annexure A is the provincial guidelines.

6. RECOMMENDATION


That the revised progress payment system as per Annexure A be approved.


CHIEF DIRECTOR
POLICY, PLANNING AND
LEGAL SERVICES

15/10/01
DATE

~~SUPPORTED/NOT SUPPORTED/SUPPORTED AS AMENDED~~


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CHAIRPERSON
KWAZULU-NATAL HOUSING
ADVISORY COMMITTEE

25/10/2001
DATE

~~APPROVED/NOT APPROVED/APPROVED AS AMENDED~~

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MR D H MAKHAYE
MEC FOR HOUSING:KZN

29/10/2007
DATE