



human settlements

Department:
Human Settlements
PROVINCE OF KWAZULU-NATAL

HUMAN SETTLEMENTS POLICY COMMUNIQUÉ

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PROCEDURE ON CLOSING OUT OF PROJECTS (KZN PROVINCE)

1. PROBLEM STATEMENT

The KwaZulu-Natal province is currently burdened with numerous projects that have reached the close-out stage but have not closed out. This is due to certain tasks related to close-out that have not been properly carried out from the initial stages of the project. This has therefore resulted in most projects remaining inactive indefinitely.

2. OBJECTIVE

- To assist in identify problems early in the project cycle so that necessary remedial action is taken in time to prevent blocked projects
- To deliver quality housing to beneficiaries within the funding allocated to projects
- To reduce a number of projects that are classified as blocked on the Housing Subsidy System, due to these projects not being closed off properly
- To assist in identifying policy gaps which will inform policy development.

3. GUIDELINES FOR PROJECT CLOSURE

Once the project agreement has been concluded, the developer and the Provincial Department must open and maintain a project close-out file for the following documents:

- Copy of the Project Agreement
- Land Availability Agreements / Development Rights Agreements / Land Purchase Agreements
- Services Agreements
- Sales Agreements
- The various certificates mentioned below as outputs
- Professional indemnity certificates which are valid for a period of at least two years beyond the completion of the project
- Confirmation from the municipality and/or implementing agent/project manager that the contractors/developers guarantees have been released

3.1(a) CLOSE- OUT PROJECT IDENTIFICATION AND CONDITIONS

Projects will qualify for close-out in the following circumstances:

- Projects which have properly carried out the necessary close-out activities to the end
- Slow moving projects : This refers to those projects that are moving far behind the scheduled time frame

- Problematic projects: There are various reasons that may lead to a project being categorized as problematic. The following are some examples of such projects:
 - **Beneficiary Problems:** The advancement of the project is affected in instances where beneficiaries die or go missing before the project is finalized. This impinges on the progress of the project until the problem is resolved
 - **Legal Processes:** Problems within the project that require legal processes to be followed before any action is taken have a negative influence on the continuity of the project. This includes projects where fraud or corruption has been uncovered or the developer becomes liquidated and cannot complete the project
 - **Additional Funding:** Some projects become interrupted as they require additional funding due to escalation. The interruption leads to the project becoming dormant indefinitely until the required funding is approved
 - **Inadequate Capacity:** Existing and new projects require dedicated capacity to ensure that all required processes are pursued. Lack of capacity from the Municipality or the Province may lead to a project becoming delayed
 - **Land :** Any delays related to land may cause a major setback in achieving progress in a project within the set time frame

The project manager compiles a report and submits it to the MEC, recommending project closure. The proposed structure for Project close-out will be the responsibility of Project Management. Project closure takes place under the following conditions:

- At the time of the proposed termination, there are no funds outstanding either to or from the Department, and the project cost and units are the same as stipulated in the Project Agreement
- The project units are less than the units stipulated in the Project Agreement, although there are no funds outstanding at the time of the proposed termination
- At the time of the proposed termination, there are funds outstanding either to or from the Department, and moneys should be paid to, or recovered from, the department

The MEC approves requests for project closure and issues resolutions. The final process of the project (official project closure) must be done not later than 3 months after completion of the project.

Project closure occurs in the following 3 categories:

- **Technical**
 - a) Confirmation of geographical location of the project
 - b) Enrolment of home
 - c) Construction of bulk and link services
 - d) Construction of top structure

- **Administrative and Legal**

- a) Project agreement phase
- b) Township establishment
- c) Beneficiary administration
- d) Transfer of erven

- **Financial**

- a) Financial reconciliation

4. ROLE PLAYERS

Different role players have specific obligations with respect to Project Close- Out. The roles include the issuing of certificates that serve as confirmation of completion of different stages within the project.

The policy guideline can be accessed on the Department's website at www.kznhousing.gov.za

=====END=====

POLICY GUIDELINE TO CATER FOR THE LOCATION OF THE DEVELOPMENT SITE

In view of the fact that there have been problems experienced with the application of the Variation Application calculator, the following needs to be clarified:

- Materials must be sourced from the major centre
- The increases in material percentage is not applicable in KwaZulu Natal
- The distance must be calculated from the major to the development site
- All applications for approval must be accompanied by a completed variation spread sheet which must be verified by the region

SUMMARY OF THE POLICY GUIDELINES

The purpose of this policy guideline is to identify the major centres for KZN and to allow for the application of the location allowance based on distance. The major centres listed should be used to determine the variation to allow for additional costs relating to the delivery of materials to remote areas only.

1. CALCULATION OF THE LOCATION ALLOWANCE

1.1 IDENTIFICATION OF MAIN CENTRES

- **INITIAL MAIN CENTRES**

The following major centres have been identified:

Uthungulu	Richards Bay, Empangeni, Eshowe, Melmoth
Zululand	Pongola, Vryheid, Paulpietersburg, and Nongoma
Amajuba	Newcastle
Umzinyathi	Dundee, Nqutu, Tugela Ferry
Umkhanyakude	Ingwavuma, Mtubatuba
Ilembe	Mandeni, (KwaDukuza) Stanger
Ethekwini Metro	Amanzimtoti, Ballito, Bluff, Durban central, Kwamashu, Isipingo, Pinetown, and Umlazi
Ugu	Port Shepstone, Umzinto
Umgungundlovu	Pietermaritzburg, Howick
Uthukela	Ladysmith, Estcourt
Sisonke	Ixopo, Kokstad
Eastern Cape	Matatiele

1.2 MAPPED AREAS WITH A 20 METRE RADIUS

- Application for locational (material delivery costs) to be considered only for areas outside the periphery (thus the white areas on the map of Annexure A2),
- Each district municipality must have at least one major centre
- The major centre must be accessible with reasonably well developed road infrastructure within the town.

1.3 KILOMETER CALCULATION

The distance to be determined as follows:

- 1) The 20km inclusive distance of the development site from a major centre as defined in the national housing manual, will be a radius of 20km from the city/town hall (or nearest police station in the case of a suburb).
- 2) The distance beyond the 20km radius, must be measured in one direction along a road from the town/city hall to the development site that can accommodate a 10 ton truck. The reason for this is that the electronic calculator (spreadsheet updated annually by the national Department (see Annexure B), already contains a factor that multiplies the distance by 2 to account for the return trip.

This factor was derived as follows:

10 companies were phoned at random in to establish the cost per kilometre for a ten ton truck to make 2 trips (in excess of 20 km) to deliver materials, in one direction. The average cost was then determined (at the time of finalising the calculator in 2007 it was approximately R7.45/kilometre). This amount is adjusted annually by the National Department to take into account the escalation of delivery, labour and fuel.

The formula can thus be summarised as:

Distance in excess of 20km = a +20

Average cost of ten ton truck to deliver materials (2 trips) in one direction in excess of 20 km = b

Annual adjustment factor for escalation (including fuel, labour and delivery fee) = c

Total variation amount (to a maximum of 5% of the subsidy quantum at the time) = f

Thus, f= (a+20km) x (bxc)

The value of (f) is programmed not to exceed 5% of the subsidy quantum.

3) Use a map (as set out in paragraph 3) to identify a 20 kilometre radius from the nearest major centre (Annexure A1 can be used as a guide)

- Application for locational (material delivery costs) to be considered only for areas outside the periphery
- The kilometre distance to be measured from the location of the site office to the nearest area municipal (or where applicable, suburb boundary e.g. Durban areas).
- This can be done by:
 - ⇒ actually travelling the distance
 - ⇒ using electronic means such as “Google Earth”
 - ⇒ measurement by “AA”- maps, “Brabys” Global positioning systems (GPS) or GIS

- In larger areas, additional points for measuring is suggested, as follows:
 - ⇒ Measure from the closest area listed (determined as having more than 1 well known supplier) as indicated in the table below:

Ethekwini Metro	Amanzimtoti, Ballito, Bluff, Durban central, Kwamashu, Isipingo, Pinetown, and Umlazi
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1.4. HOW TO CLAIM FOR THE LOCATION ALLOWANCE

The National Department of Housing Variation Manual calculator will be used to calculate the location allowance.

- The distance measured from the city or town hall as outlined in paragraph 1.2(2) must be captured under section 12 (location adjustment) of the calculator questionnaire (Annexure B).
- The calculation sheet will automatically calculate the allowance based on the information captured on the calculator questionnaire.
- The Implementing Agent must submit a map showing the distance of the development site from the major centre (site offices/location). This should be verified by the Region by either (1) actually travelling the distance; (2) using electronic means such as “Google Earth”; or (3) measurement by “AA”- maps, “Brabys” Global positioning systems (GPS) or GIS.

2. MONITORING AND EVALUATION

The major centres are currently being reassessed and any changes will be communicated later this year.

The policy guideline can be accessed the on the Department’s website at www.kznhousing.gov.za

=====END=====

POLICY DIRECTIVE ON THE LIMITATION ON THE NUMBER OF PROJECTS PER IMPLEMENTING AGENT

1. PURPOSE

Policy directive on the limitation on the number of projects per implementing agent and limitation on the number of units per contractor to a maximum of 500 units each.

2. BACKGROUND

The Department had attempted to impose such restrictions in the past. The former MEC for Housing had initiated the limitation of four (4) projects per implementing agent through a Housing Summit resolution in 2006. Due to capacity constraints within the industry, this limitation was never formalised. In addition to this, a number of implementation issues remained unclear. Difficulties were experienced in formulating a clear scope of application and dealing with vast differences in the delivery potential of entities, and practicalities of monitoring the application of the policy, especially in view of the fact that procurement was not undertaken by the Department.

3. SCOPE OF APPLICATION

This policy will be an interim measure for the next 3 years but will be monitored annually. The intention of the policy is to ensure sustainable housing delivery, whilst providing for a developmental and consultative approach in addressing development challenges experienced with existing contracts and capacity constraints. It is also aimed at facilitating a spread of project allocations and providing for new agents to be given opportunities for growth.

The limitation of projects per implementing agent in the context of existing contracts would require a transitional arrangement and multipronged approach. It should also take into consideration existing contracts and delivery challenges. Assessment will be made in consultation with stakeholders to identify challenges on non-performing and/or slow moving projects as a point of departure. Repackaging and unbundling of projects are possible approaches to assist struggling or overstretched agents and/or contractors to deal with projects more effectively in terms of their capacity.

4. APPROACHES IN TERMS OF LIMITATION

It is acknowledged that a one-size-fits-all approach is not suitable, hence different approaches are proposed for new and/or existing implementing agents with four (4) or less projects as at the date of approving this directive; existing implementing agents with more than 4 projects; and contractors whose main role is the construction of units.

5. IMPLEMENTATION

The restrictions will be formally implemented with immediate effect as from the 1st November 2011. Municipalities will, therefore be required to engage with the Department prior to confirming new appointments. This should be done through an

interactive basis and take into account current and past performance and capacity to deliver, whilst also noting project size, complexity, job creation and skills development.

The number of new and active projects might be limited to no more than 4 in total; and/or through the unbundling of larger projects. In the case of existing contracts, options should be negotiated as soon as the implementing agent's overall performance has been assessed, unless litigation is unavoidable. Where overall performance is hampering delivery, projects should be re-negotiated on a case by case basis, and a combination of options may be applied. Due consideration has to be given to all legal, financial and associated development implications.

**The policy directive can be accessed on the Department's website at
www.kznhousing.gov.za**

=====END=====

POLICY UPDATE:

REVISED PROJECT PAYMENT CERTIFICATES:

The Project Payment Certificates have been revised and approved by the MEC on the 16 August 2011 for implementation with immediate effect.

The certificates are made up of Integrated Residential Development Programme (IRDP) Project Certificates which are applicable to all Housing Programmes and Rural Project Certificates applicable to rural projects with functional tenure.

The project payment certificates can be accessed on the Department's website at www.kznhousing.gov.za

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