



KZN Housing

**uMnyango:
wezeZindlu
ISIFUNDAZWE SAKWAZULU-NATAL**

HOUSING POLICY COMMUNIQUÉ

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Umntu ngumuntu ngek'haya – Houses, Security & Comfort

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GUIDELINES FOR ADJUSTMENT OF PROGRESS PAYMENT MILESTONES AND TRANCHES IN RELATION TO THE ANNUAL ADJUSTMENT OF THE SUBSIDY QUANTUM

The following guidelines for adjustment of progress payment milestones and tranches in relation to annual adjustment of subsidy quantum was approved on the 17th November 2008.

1. BACKGROUND

The subsidy quantum is adjusted annually by the National Department of Housing, but does not clearly define the total amount applicable to each tranche. A tranche can be described as a grouping of activities and milestones with an associated budget that reflects the major phases of a housing project cycle (Planning and Design, Infrastructure services delivery and Top structure construction).

The National Department of Housing has indicated that in line with the approach of providing broad policy guidelines to provinces, each province must adjust the quantum of the progress payment tranches to suit their respective needs. The adjustments must however, not exceed the amounts approved annually for the cost of a serviced stand and the construction of the prescribed size of house. Typically, the indirect professional costs translate to the Tranche 1 quantum, Tranche 2 as the direct costs for a serviced stand, and Tranche 3 as the amount available for the top structure. A copy of the National subsidy quantum breakdown for 2008/9 (prior to revision) is attached as Annexure 1 and is used for illustration purposes.

From 2005 this Province has adjusted the quantum of progress payment tranches to suit KwaZulu-Natal. This adjustment was submitted via the Housing Advisory Committee (HAC) and Housing Evaluation Assessment Committee (HEAC) annually and the revised tranche amounts were then approved by the MEC).

The lengthy approval process has led to the approved tranche amounts only being communicated to housing stakeholders in the third quarter of the applicable financial year. This contributes to delays in approving and implementing projects in the Province.

It is acknowledged that a “one size fits all” approach is not feasible for the application of the subsidy quantum and sub-milestones. The attached methodology and guidelines have been developed to allow for flexibility within the tranche milestones and serve as a guideline to ensure responsible financial management of the subsidy.

1.1 PURPOSE

These guidelines seek to ensure a more streamlined process by obtaining approval for the methodology for the adjustment so that the annual quantum adjustment can be dealt with administratively. This methodology entails the rearranging of sub-milestones between tranches so that activities that occur later in the project cycle but are included in the indirect costs that translate to the first tranche in the National breakdown provided be moved to a more appropriate grouping of activities. This is illustrated in Annexure 2 of the guideline. It also explains how these should be addressed where the rural (informal land rights) subsidy instrument is being used.

1.2 TRANCHE ADJUSTMENTS

- Typically, the indirect professional costs translate to the Tranche 1 quantum, Tranche 2 as the direct costs for a serviced stand, and Tranche 3 as the amount available for the top structure. A copy of the National subsidy quantum breakdown (prior to revision) is attached as Annexure 1.
- The following items reflected in professional fees, as reflected in the detailed cost breakdown are to be moved to the second tranche relating to services construction (in the case where services funding is used as a last resort) **and/or** house construction (in the case where no services funding is being used). These activities are :
 - Safety Inspector (DoL)
 - Environmental Control Officer
 - Site Supervisor: Clerk of Works-civil infrastructure
 - Project Management (50%)
 - Civil Engineer: Services (80%)

These items have been excluded as these are more likely to occur during Tranche 2 activities. The amount of 50% for project management is used as a guideline amount ,and is derived from the recommended maximum to be paid by the developer to the contractor in terms of the revised Chapter 3 of the former Housing Code. The rationale behind this is that a vast amount of project management work is typically carried out in the planning and design phase of a project. The amount may be spread out across the three tranches but it is suggested that the maximum amount allocated in the first tranche should not exceed 50%. This is to ensure the availability of funds for work relating to other tranches and to provide an incentive for the efficient completion for work throughout the project cycle.

Likewise, 80% for civil engineering services is derived from the recommended maximum to be paid by the developer to the contractor in terms of the revised Chapter 3 of the former Housing Code, as it is estimated that 20% for the design of infrastructure should be sufficient for the design component, leaving 80% for the actual supervision and construction of engineering services.

These percentages are guidelines and may be adjusted to suit project specific needs, provided that the total amount for the tranche is not exceeded (see section 2.2.3 and 2.2.4 below).

1.2.1 N.B. Funding for the registration of ownership into individual ownership is not included in the breakdown provided by the National Department. This is dealt with in more detail in section 2.2.6.

1.2.2 Please also note that the milestones relating to land purchase and conveyancing (, see Annexure 3, items L02 and L03) relate to exceptional cases where land is purchased from the conditional grant. Cost of items relating to such purchase of land should not be subtracted from the subsidy amount.

1.2.3 N.B. The total sum of Tranches 1 and 2 must not exceed the total cost of the serviced stand. The MEC granted approval for the inclusion of professional fees with funding for construction of the new 40m² top structure (October 2007) *where services are funded from sources other than the conditional grant*. In such cases the total amount for Tranche 1 may not exceed the total provided by National for professional fees.

1.2.4 Tranches are determined as follows:

- a) **Tranche 1** is based on the indirect costs (professional fees) as reflected in the detailed cost breakdown of the subsidy as provided by the National Department of Housing (attached as Annexure 2), excluding the following activities and budget:

Item Description

Beneficiary Administration

Pre-planning studies

Project management (50% of amount set by National Department)

Geo-technical Investigation

Contour Survey

Land surveying and site pegging

Land survey examination fee

Town Planning

Civil Engineer: Services (20% of amount set by National Department)

Social facilitation

Legal Fees- Agreement

Based on the 2008/9 quantum communicated (prior to revision), the Tranche 1 amount will thus be:

Tranche 1	
Beneficiary Administration	203.76
Pre-planning studies	290.71
Project management (50% of amount set by National Department)	298.15
Geo-technical Investigation	71.57
Contour Survey	47.71
Land surveying and site pegging	238.52
Land survey examination fee	73.95
Town Planning	321.99
Civil Engineer: Services (20% of amount set by National Department)	143.11
Social facilitation	238.53
Legal Fees- Agreement	16.33
Total: Tranche1	1,944.33

- b) **Tranche 2** is based on the direct costs (services) as reflected in the detailed cost breakdown of the subsidy as provided by the National Department of Housing, including those activities moved from Tranche 1, thus :

Tranche 2 Indirect Cost:

Safety inspector (DoL)

Environmental Control Officer

Site supervision: Clerk of Works- civils

Project management (50% of amount set by National Department)

Civil Engineer: Services (80% of amount set by National Department)

Direct Cost:

Water reticulation (incl. Meter)

Sanitation reticulation

Roads

Storm Water

Street lighting (security masts)

Based on the 2008/9 quantum communicated (prior to revision), the Tranche 2 amount will thus be:

Tranche 2 : Indirect Cost:	
Safety inspector (DoL)	54.34
Environmental Control Officer	43.47
Site supervision: Clerk of Works- civils	181.27
Project management (50% of amount set by National Department)	298.15
Civil Engineer: Services (80% of amount set by National Department)	572.45
Tranche 2 : Direct Cost:	
Water reticulation (incl. Meter)	3,673.25
Sanitation reticulation	4,269.54
Roads	2,742.99
Storm Water	3,971.39
Street lighting (security masts)	95.40
Total: Tranche 2	15,902.25

- c) **Tranche 3** consists of the outstanding balance of the subsidy being R25 527.00, which is the total construction cost of a 30m² house and R43 506.00 for a 40m² house.

Tranche 3 30m² house	Construction of	Earthworks (provisional)	1,518.04
		Concrete, Formwork and Reinforcement	2,043.07
		Brickwork	5,407.28
		Roofstructure	4,356.74
		Windows	1,846.98
		Doors and frames	1,216.80
		Finishing and Paintwork	761.68
		Plumbing and Toilet	1,141.38
		Material	18,291.97
		Labour	4,499.82
		Sub Total	22,791.79
		P&G	911.68
		Overheads	1,025.63
		Profit	797.72
		Total	25,526.61
	Total cost (rounded off)	25,527.00	
Tranches 1+2+3	Grand Total	43,374.00	

Detailed Breakdown of the New 40 Square Metre House

	ITEM DESCRIPTION	AMOUNT
Construction Cost of a 40m² house	Earthworks (provisional)	628.97
	Concrete, Formwork and Reinforcement	3,416.13
	Brickwork	11,333.75
	Roof structure	2,974.31
	Windows	1,105.72
	Doors and Frames	1,319.40
	Finishing and Paintwork	1,761.27
	Electrical	876.06
	Plumbing and Toilet	5,259.85
	Material	28,675.46
	Labour	7,747.85
	Sub Total	36,423.32
	P & G	3,955.09
	Overheads	1,668.06
	Profit	1,459.55
Total	43,506.00	
	Total Const. Cost (Rounded Off)	43,506.00

In the event of services being funded from the subsidy (as a last resort only, the cost of the serviced stand (Tranche 1 and 2) amounts will be the same as in the case of current/blocked projects. In these cases the total subsidy amount (based on the above example, will be R1944.33 + R15,902.25 (rounded to total of R17,847)+ R43,506 = **R61,380**)

d) Tranche 1 amounts to R1 944.33, Tranche 2 amounts to R15 902.25. The total cost is R17 846.58, which does not exceed the total cost of a serviced stand being R17 846.58(R17 847.00 rounded off). All tranche payments in respect of housing projects approved on or after 1 April 2008, should be calculated based on the following maximum payments:-

TRANCHE NO.	DETAILS OF MAXIMUM AMOUNTS PAYABLE
Tranche Number 1	Up to R1 944.33 per site plus Category 1 variations, if applicable.
Tranche Number 2	Up to R15 902.25 per site plus Category 2 variations, if applicable.
Tranche Number 3	The outstanding balance per site plus Category 3, 4, and 5 variations, if applicable.

1.3 SUB-MILESTONE CHANGES

- Changes within the sub-milestones of each tranche may be made to accommodate workflow for project specific needs, but these should be guided by the principle of feasibility of such change, e.g. relatively small value of items may not necessarily warrant major adjustments to the payment schedule breakdown of costs. Where changes are affected, these must be incorporated in the documents reflecting the payment schedule (currently known as the “Annexure D” of the application pack) and attached to the project application. The total amount for Tranche 1 may not exceed the total amount provided by National in respect of “Indirect Costs”. All relevant certificates to enable payment must accompany claims and must be clearly defined in the agreement. A schedule, based on the above methodology, is attached as Annexure 3.
- The current National quantum does not provide for conveyancing (transfer of individual sites (see section 2.2.6 below) and project management fees pertaining to top structure construction (see section 2.2.3, below). The matter is still being negotiated with the National Department, but recent discussions indicated that this has been rejected by the National Director-General. These costs will have to be budgeted for within the current subsidy amount allowable, and included in the most appropriate Tranche to suit project implementation needs.
- In lieu of current constraints regarding project management fees, the current quantum could be split either on the basis of 50% Tranche 1 and 50% Tranche 2 (as set out above), or be distributed across the three tranches on agreeable percentages (e.g. 20% Tranche 1; 50% Tranche 2 and the balance in Tranche 3). It should ideally not be exceed 50% in Tranche 1 (see section 2.1.2 above and Annexure 4 hereof for an example). Project budgets need to accommodate these elements, as a last resort. Whereas no additional funding is available, budget will have to be allocated from savings occurred from other milestones, alternatively, budget will have to be apportioned from items such as “*Preliminary and General (P&G)*” and/or “*Overheads*”. The total subsidy quantum may not exceed the amount set by National.
- Social facilitation also occurs throughout the project lifecycle, and payment milestones can be distributed across Tranches, where feasible (see Annexure 4 for an example), provided the net amount does not exceed the National subsidy quantum.
- Sales/Beneficiary administration has now been included in the new cost breakdown from the National Department. This activity typically occurs either immediately one the General Plan and site number has been secured (GPS coordinates in the case of the rural/informal land rights subsidy), or after the house is constructed (in terms of the de-linking policy). Where subsidy administration is to occur prior to house construction, provision for the milestone can be made either in Tranche 1 or 2. Provision for this could be made in Tranche 3 where the beneficiary approval is to occur after house construction.

- The National subsidy breakdown does not provide for a milestone relating to the transfer of individual erven. In terms of policy, such conveyancing fees may be paid from the subsidy only in non-credit linked cases, but no additional funding is provided for this. The following policy principle is applied to the payment for conveyancing services from the subsidy
 - Only where the subsidy is non-credit linked (financial institution or other), or
 - Beneficiaries classified as indigent, or
 - Beneficiaries earning less than R1500 per month.

In the above cases, payment for registration of individual ownership may be provided for within the total subsidy quantum. Where registration is envisaged prior to the construction of the house, this could be provided for in Tranche 2. Alternatively, where the registration is to occur after the construction of the house, provision should be made in Tranche 3.

Whereas no additional funding is available, budget will have to be allocated from savings occurred from other milestones, alternatively, budget will have to be apportioned from items such as “*Preliminary and General (P&G)*” and/or “*Overheads*”.

- The National Department of Housing has provided 2 quanta for the financial year 2008/9. The first is for a 40m² top-structures and the second is for blocked projects or current commitments based on a 30m² top-structure. This is likely to continue until all projects constructing 30m² structures have been concluded.
- The Progress Payment tranche amounts for Tranche 1 and 2 will amount to the same figure for both the 30m² and 40m² top structures.
- The suggested adjusted quantum of progress payment tranches for the 2008/9 financial year has been calculated and attached as Annexure 3, for illustration purposes.

1.4 RURAL PROJECTS : INFORMAL LAND RIGHTS

The Province of KwaZulu-Natal has its own policy to deliver houses in rural areas where the land is vested in the Ingonyama Trust Board. These projects have been implemented in two stages: Stage 1 for the professional fees for planning and design elements, and: Stage 2 for the construction of mainly houses.

Services could also be provided within the quantum set by National, the rural quantum, historically, was limited the maximum allowable for top structure construction. Services funding had to be accommodated within that amount.

Since 2007, the National Department communicates the professional fees and cost of a serviced stand separately from the top structure amount.

The cost for the service stand may be borne out of the conditional grant as a last resort only, for all subsidy instruments. The subsidy limit for the top structure may be used only for the construction of at least a 40m² house, including the toilet facility (albeit a separate ventilated pit latrine (VIP) or an internal toilet facility). Where a VIP is constructed as part of the conditional grant, this forms part of the top structure (it being noted that the cost for the construction of the VIP from the subsidy should be only as a last resort).

In addition to this, the MEC responsible for housing in the Province has granted approval for the cost of professional fees relating to the top structure to be included in the subsidy, where the services are funded from other resources for the provision of services. The rationale behind this was that the main aim of the subsidy is for the construction of the house and professionals involved in activities directly relating to the construction of the house need to be compensated. This is motivated further by the need for NHBRC enrolment of the top structure of non-owner builders, and equitable application of policy in rural areas to ensure an increase in the quality of the housing delivery process for the creation of sustainable human settlements.

These amendments have changed the manner in which funding could be applied for rural projects. The following guideline is suggested in determining the tranches for rural projects (informal land rights):

1.4.1 Where top structures only are to be provided:

The project may be approved in two stages provided all risk factors have been identified and suitable mitigation is available. The following methodology, read in conjunction with the relevant variations in sections 2.2.1, 2.2.3, 2.2.4, and 2.2.5 is recommended:

- a) **Tranche 1** to be calculated as is the case for conventional urban projects (see section 2.1.6(a)), with the exception that no budget will be allocated to civil engineering services, and costs for land survey related matters and sit pegging could be reduced depending on demographic conditions and development approval route applicable.
- b) **Tranche 2** to be calculated in the same manner as the Tranche 3 calculation for urban projects (see section 2.1.6(c) above).

1.4.2 Services funding as a last resort and top structure funding

This provision will be applicable to projects approved on or after the date of approval of this guideline only.

The project should be approved in three stages. The rationale for this is that once services are constructed, the need to assess environmental conditions and provision of bulk services increases considerably. The following methodology, read in conjunction with the relevant variations in section 2.2.1, 2.2.3, 2.2.4, and 2.2.5 is recommended:

- a) **Tranche 1** to be calculated as is the case for urban projects (see section 2.1.6(a) above), it being noted that there could be a reduction in the amounts required for survey and town planning activities depending on demographics and the development approval route to be applied.
- b) **Tranche 2** to be calculated in the same manner as the Tranche 3 calculation for urban projects (see section 2.1.6(b) above).
- c) **Tranche 3** to be calculated as is the case for urban projects (see section 2.1.6(c) above).

3. APPLICATION

The guideline is applicable with immediate effect. The detailed breakdown and tranche totals must form part of the application and subsequent agreement concluded between the developer/contractor and the department, and will form a material part of the agreement.

Where subsequent realignments are done, this will only be applied to work not completed and tranches will then be recalculated on that basis.

4. MONITORING AND EVALUATION

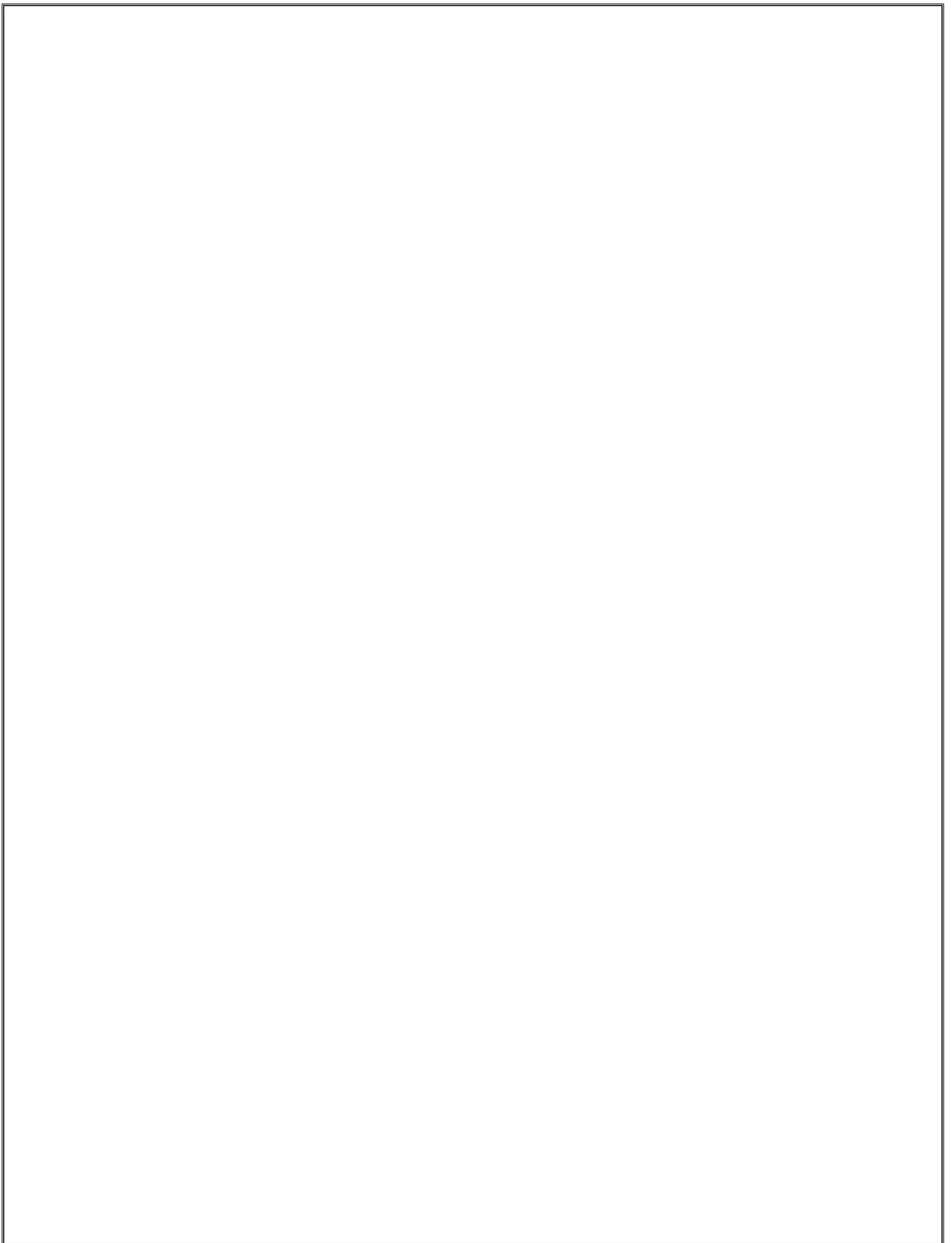
The effectiveness of the guideline will be monitored on an ongoing basis and adjustments will be made where most needed and communicated to all stakeholders. A review should be undertaken at least once in a MTEF cycle (thus once every 3 years).

Annexure 1

**NATIONAL DEPARTMENT OF HOUSING SUBSIDY BREAKDOWN 2008/9
(PRIOR TO REVISION)**

ANNEXURE 1

NATIONAL DEPARTMENT OF HOUSING			
The 2008/2009 housing subsidy for current commitments and blocked projects			
	Item Description	Amount	
The Serviced Stand Cost	Indirect Costs:		
	Professional Fees:		
	Beneficiary Administration	203.76	
	Safety inspector (DoL)	54.34	
	Environmental Control Officer	43.47	
	Pre-planning studies	290.71	
	Project management	596.31	
	Geo-technical Investigation	71.57	
	Contour Survey	47.71	
	Land surveying and site pegging	238.52	
	Land survey examination fee	73.95	
	Town Planning	321.99	
	Civil Engineer: Services	715.57	
	Site supervision: Clerk of Works- civils	181.27	
	Social facilitation	238.53	
	Legal Fees- Agreement	16.33	
	Sub Total: Indirect Costs	3,094.02	<i>Tranche 1</i>
	Direct Cost:		
	Water reticulation (incl. Meter)	3,673.25	
	Sanitation reticulation	4,269.54	
	Roads	2,742.99	
	Storm Water	3,971.39	
	Street lighting	95.40	
	Sub Total: Direct Cost	14,752.56	
	Total cost of a serviced stand:		
	Sub Total: Indirect Costs	3,094.02	<i>Tranche 1</i>
Sub Total: Direct Cost	14,752.56	<i>Tranche 2</i>	
Total	17,846.58	<i>Tranches 1+2</i>	
Total cost (rounded off)	17,847.00		



Annexure 2

EXAMPLE FOR ILLUSTRATION OF TRANCHE CALCULATIONS

EXAMPLE FOR ILLUSTRATION OF TRANCHE CALCULATIONS ANNEXURE 2

KZN DEPARTMENT OF HOUSING		
The 2008/2009 housing subsidy for current commitments and blocked projects		
	Item Description	Amount
The Serviced Stand Cost Tranche 1	Indirect Costs:	
	Professional Fees:	
	Beneficiary Administration	203.76
	Pre-planning studies	290.71
	Project management (50% of amount set by National Department)	298.15
	Geo-technical Investigation	71.57
	Contour Survey	47.71
	Land surveying and site pegging	238.52
	Land survey examination fee	73.95
	Town Planning	321.99
	Civil Engineer: Services (20% of amount set by National Department)	143.11
	Social facilitation	238.53
	Legal Fees- Agreement	16.33
	Total: Tranche1	1,944.33
Tranche 2	Indirect Cost:	
	Safety inspector (DoL)	54.34
	Environmental Control Officer	43.47
	Site supervision: Clerk of Works- civils	181.27
	Project management (50% of amount set by National Department)	298.15
	Civil Engineer: Services (80% of amount set by National Department)	572.45
	Direct Cost:	
	Water reticulation (incl. Meter)	3,673.25
	Sanitation reticulation	4,269.54
	Roads	2,742.99
	Storm Water	3,971.39
	Street lighting (security masts)	95.40
Total: Tranche 2	15,902.25	
Tranches 1 + 2	Total cost of a serviced stand:	
	Tranche 1	1,944.33
	Tranche 2	15,902.25
	Total	17,846.58
	Total cost (rounded off)	17,847.00

Tranche 3 Construction of 30m² house	Earthworks (provisional)	1,518.04
	Concrete, Formwork and Reinforcement	2,043.07
	Brickwork	5,407.28
	Roofstructure	4,356.74
	Windows	1,846.98
	Doors and frames	1,216.80
	Finishing and Paintwork	761.68
	Plumbing and Toilet	1,141.38
	Material	18,291.97
	Labour	4,499.82
	Sub Total	22,791.79
	P&G	911.68
	Overheads	1,025.63
	Profit	797.72
	Total	25,526.61
Total cost (rounded off)	25,527.00	
Tranches 1+2+3	Grand Total	43,374.00

Detailed Breakdown of the New 40 Square Metre House

The 2008/2009 housing subsidy guideline amount		
	ITEM DESCRIPTION	AMOUNT
Construction Cost of a 40m² house	Earthworks (provisional)	628.97
	Concrete, Formwork and Reinforcement	3,416.13
	Brickwork	11,333.75
	Roof structure	2,974.31
	Windows	1,105.72
	Doors and Frames	1,319.40
	Finishing and Paintwork	1,761.27
	Electrical	876.06
	Plumbing and Toilet	5,259.85
	Material	28,675.46
	Labour	7,747.85
	Sub Total	36,423.32
	P & G	3,955.09
	Overheads	1,668.06
	Profit	1,459.55
	Total	43,506.00
	Total Const. Cost (Rounded Off)	43,506.00

In the event of services being funded from the subsidy (as a last resort only, the cost of the serviced stand (Tranche 1 and 2) amounts will be the same as in the case of current/blocked projects. In these cases the total subsidy amount (based on the above example, will be R1944.33 + R15,902.25 (rounded to total of R17,847)+ R43,506 = **R61,380**)

Beneficiary Administration can be accommodated as a separate milestone as P09 in Tranche 2 or 3, or any other designated code assigned in agreement with Department of Housing Staff responsible for the Subsidy System Administration (see section 2.2.5 of the Guideline; **Conveyancing for registration of individual ownership** will have to be allocated from savings occurred from other milestones, alternatively, budget will have to be apportioned from items such as "Preliminary and General (P&G)" and/or "Overheads", and can be accommodated as a separate milestone as P10 in Tranche 2 or 3, or any other designated code assigned in agreement with Department of Housing Staff responsible for the Subsidy System Administration (see Section 2.2.6 of the Guideline)

Annexure 3

KwaZulu-Natal Progress payment tranches from MEC to Developer effective from 1 April 2008

Payment tranche & Milestone achieved	Documentation which must accompany claim for payment	Amount payable (Rand)	Items in cost schedule which progress payment is to cover	
			Code	Description
#1 Signature of both parties to the contract.	Signed contract	Up to R1 944.33 per site plus agreed category I variations, if applicable	L01 L02 L03 P01 P02 P03 P04 P05 P06 P07 P09 P10	Opening of township register Attorneys fees: land purchase & establishment Conveyancing Project management (50%) Geo-technical investigation Contour Survey Land surveying and site pegging Land survey examination fee Town Planning Civil Engineer: Services (20%) Social facilitation Legal Fees- Agreement
#2 Approval of township layout plan and pegging of sites	Proof of completion of: 1. Registered property owner/ confirmation of land transfer by conveyancer. 2. Approval of preliminary design report by Municipality. 3. Approval from Municipality for detailed designs and specifications. 4. Approval of township establishment process by Municipality. 5. Final approval of amended general plan by the Surveyor-General.	Up to R15 902.25 per site plus agreed category II variations, if applicable	P01 P07 P08 S01 S02 S03 S04 S05	Project management (50%) Civil Engineer: Services (80%) Site supervision: Clerk of Works- civils Water reticulation (incl. meter) Sanitation reticulation Roads Storm Water Street lighting
#3 Service completion certificates issued by Municipality	1. Hand over certificate of installed services to municipality. 2. Acceptance of Beneficiary lists by Provincial Government. 3. Phase 2 Geotechnical Report. 4. Certificate of enrolment of homes with the National Home Builders Registration Council	Outstanding balance of subsidy plus agreed category III, IV and V variations, if applicable	H01 H02 H03 H04 H05 H06 H07 H08 H09 H10 H11 H12	Earthworks (provisional) Concrete, formwork and reinforcement Brickwork Roof structure Windows Doors and frames Finishing and paintwork Plumbing and toilet Labour for construction of house P&G Overheads Profit

Note : The amount payable applies for all projects approved in the 2008/2009 financial year. This table is re-issued annually to reflect adjustments to amounts payable to projects approved each year due to subsidy escalation increases.

Changes within the sub-milestones of each tranche milestone may be made to accommodate work done and must be incorporated in Annexure D of the application pack and attached to the project application.

N.B. The following should also be noted:

The milestones relating to land purchase and conveyancing (, see Annexure 3, items L02 and L03) relate to exceptional cases where land is purchased from the conditional grant. Cost of items relating to such purchase of land should not be subtracted from the subsidy amount.

Beneficiary Administration can be accommodated as a separate milestone as P09 in Tranche 2 or 3, or any other designated code assigned in agreement with Department of Housing Staff responsible for the Subsidy System Administration (see section 2.2.5 of the Guideline)

Conveyancing for registration of individual ownership will have to be allocated from savings occurred from other milestones, alternatively, budget will have to be apportioned from items such as "*Preliminary and General (P&G)*" and/or "*Overheads*", and can be accommodated as a separate milestone as P10 in Tranche 2 or 3, or any other designated code assigned in agreement with Department of Housing Staff responsible for the Subsidy System Administration (see Section 2.2.6 of the Guideline)

Annexure 4

**EXAMPLE FOR ILLUSTRATION OF TRANCHE CALCULATIONS WHERE
SUB-MILESTONES ARE SPREAD ACROSS TRANCHES**

EXAMPLE FOR ILLUSTRATION OF TRANCHE CALCULATIONS

ANNEXURE 4

KZN DEPARTMENT OF HOUSING

The 2008/2009 housing subsidy for current commitments and blocked projects

	Item Description	Amount
The Serviced Stand Cost Tranche 1	Indirect Costs:	
	Professional Fees:	
	Pre-planning studies	290.71
	Project management (20% of amount set by National Department)	119.27
	Geo-technical Investigation	71.57
	Contour Survey	47.71
	Land surveying and site pegging	238.52
	Land survey examination fee	73.95
	Town Planning	321.99
	Civil Engineer: Services (20% of amount set by National Department)	143.11
	Social facilitation (40% of amount set by National)	95.41
	Legal Fees- Agreement	16.33
	Total: Tranche 1	1,418.57
	Tranche 2	Indirect Cost:
Beneficiary Administration		203.76
Social facilitation (30% of amount set by National)		71.56
Safety inspector (DoL)		54.34
Environmental Control Officer		43.47
Site supervision: Clerk of Works- civils		181.27
Project management (50% of amount set by National Department)		298.15
Civil Engineer: Services (80% of amount set by National Department)		572.45
Direct Cost:		
Water reticulation (incl. Meter)		3,673.25
Sanitation reticulation		4,269.54
Roads		2,742.99
Storm Water		3,971.39
Street lighting (security masts)		95.40
Total: Tranche 2	16,177.57	
Tranches 1 + 2	Total cost of a serviced stand:	
	Tranche 1	1,418.57
	Tranche 2	16,177.57
	Total	17,596.14
	Total cost (rounded off)	17,596.00

Tranche 3 Construction of 30m² house	Material:	
	Earthworks (provisional)	1,518.04
	Concrete, Formwork and Reinforcement	2,043.07
	Brickwork	5,407.28
	Roofstructure	4,356.74
	Windows	1,846.98
	Doors and frames	1,216.80
	Finishing and Paintwork	761.68
	Plumbing and Toilet	1,141.38
	Material	18,291.97
	Labour	4,499.82
	Sub Total	22,791.79
	Other Indirect Cost:	
	Project management (30% of amount set by National Department)	178.89
	Social facilitation (30% of amount set by National)	71.56
	P&G	911.68
	Overheads	1,025.63
	Profit	797.72
Total	25,777.27	
Tranche 3	Total cost (rounded off)	25,778.00
Tranches 1+2+3	Grand Total	43,374.00

N.B.:

The milestones relating to land purchase and conveyancing (, see Annexure 3, items L02 and L03) relate to exceptional cases where land is purchased from the conditional grant. Cost of items relating to such purchase of land should not be subtracted from the subsidy amount.

Beneficiary Administration can be accommodated as a separate milestone as P09 in Tranche 2 or 3, or any other designated code assigned in agreement with Department of Housing Staff responsible for the Subsidy System Administration (see section 2.2.5 of the Guideline)

Conveyancing for registration of individual ownership will have to be allocated from savings occurred from other milestones, alternatively, budget will have to be apportioned from items such as “Preliminary and General (P&G)” and/or “Overheads”, and can be accommodated as a separate milestone as P10 in Tranche 2 or 3, or any other designated code assigned in agreement with Department of Housing Staff responsible for the Subsidy System Administration (see Section 2.2.6 of the Guideline)

PROJECTED HOUSING SUBSIDY QUANTUM FOR THE 2009/10 FINANCIAL YEAR

The Housing MINMEC has announced the projected subsidy quantum for 2009/10 financial year. This is based on the latest available cost escalation indicator of the BER Building Cost Index. The projected adjustment will be reviewed at the end of the financial year when the cost escalation results of all four quarters of 2008 are published by the BER Building Cost Index. The final subsidy quantum will then be communicated to all.

The following table reflects the projected subsidy quantum per income group.

Project Linked Subsidies (IRDP)	Top Structure Funding only	Own Contribution	Product Price
R0 – R1 500	R55 706.00	None	R55 706.00
R1 501 – R3 500	R53 227.00	R2 479.00	R55 706.00
Indigent : Aged, Disabled & Health Stricken R0 – R3 500	R54 650.00	None	R55 706.00
Individual Subsidies			
R0 – R1 500	R55 706.00	None	R55 706.00
R1 501 – R3 500	R53 227.00	R2 479.00	R55 706.00
Indigent : Aged, Disabled & Health Stricken R0 – R3 500	R55 706.00	None	R55 706.00
Institutional Subsidies			
R0 – R3 500	*	Institution must add Capital	*
Consolidation Subsidies			
R0 – R1 500	R54 650.00	None	R54 650.00
R1 501 – R3 500	R52 171.00	R2 479	R54 650.00
Indigent: Aged, Disabled & Health Stricken R0 – R3 500	R54 650.00	None	R54 650.00
Rural Subsidies			
R0 – R3 500	R55 706.00	None	R55 706.00
People's Housing Process			
R0 – R3 500	R55 706.00	None	R55 706.00

* Please note that the subsidy quantum for Institutional Subsidy has not been included, the correct amount will be communicated to you shortly once National has confirmed it.

The projected subsidy amount will be adjusted with effect from 1 April 2009 to provide for the following:

CONSTRUCTION COST OF THE 40m ² HOUSE	
Construction Cost	R54 650,00
Beneficiary Administration	R 255,95
Transfer Fees	R 800,00
Total (Rounded)	R55 706,00

The detailed breakdown of the amount is attached as **Annexure A**. Beneficiary administration fees and transfer fees are not applicable in the case of the Consolidation Subsidy Programme. The subsidy amount in respect of this Programme will remain unchanged at R54 650,00.

FUNDING FOR THE PROVISION OF MUNICIPAL ENGINEERING SERVICES

The use of the housing subsidy allocation for the financing of such internal services may only be approved as an option of last resort. In cases where the housing subsidy funding is used for the provision of municipal engineering services as indicated, the projected maximum amount that may be considered remains at R22 162,00 per stand. Please note that the amount is slightly lower than the current available amount because of the transfer of the beneficiary administration fee of R255,95 (per beneficiary) to the house construction cost component. The detailed breakdown of the amount is attached as **Annexure B**.

INFORMAL SETTLEMENT UPGRADING PROGRAMME

The projected quantum of the grants in respect of the Informal Settlement Upgrading Programme is reflected in the table, **Annexure C**.

BLOCKED PROJECTS, CURRENT COMMITMENTS

The projected subsidy quantum for these commitments and programmes is provided as **Annexure D**.

EMERGENCY HOUSING ASSISTANCE PROGRAMME

The projected quantum of the Emergency Housing Assistance Programme is attached as **Annexure E**.

THE FINANCE –LINKED INDIVIDUAL SUBSIDY PROGRAMME (FLISP)

A table reflecting the projected subsidy amounts, required contributions and projected prices of houses, has been developed and is provided as **Annexure F**.

GUIDELINES IN TERMS OF POLYGAMOUS UNIONS

The following is to provide clarity in respect of potential qualifying beneficiaries who may have contracted polygamous marriages. This union is recognised in terms of the Recognition of Customary Marriages Act, Act 120 of 1998.

The qualification criteria as set out in Part 3, Chapter 2 of the National Housing Code are relaxed in terms of people who are engaged in polygamous unions applying for rural subsidies. Beneficiaries in polygamous unions will therefore qualify for more than one subsidy since a beneficiary in a polygamous union may apply for as many subsidies as he/she may have spouses. Details of a beneficiary with that of his or her spouse who qualified in terms of this relationship are recorded on the National Housing Data Base with an appropriate endorsement, indicating that they received a subsidy in respect of a polygamous union, and also to ensure that the situation is not abused.

If a polygamous union terminates, the person with multiple spouses must not retain the benefit of the subsidy granted to him/her in respect of the person to whom he/she is no longer married. This is important since the name of the ex-spouse will still remain on the database and he/she will not qualify for further housing assistance. Applicants for a subsidy in respect of a partner to a polygamous union shall in the application form for the subsidy, undertake not to evict his/her spouse or any financial dependant of that spouse for any reason whatsoever since he/she will be required to refund the subsidy in question to the Department, with interest. However, if a partner to a polygamous union is evicted from the property concerned by his/her spouse, then his/her name will be removed from the database to allow him/her to again qualify for a subsidy.

People who are engaged in polygamous unions are married in terms of Customary Laws and often do not have recognized marriage certificates. In such instances an affidavit must be completed and submitted in lieu of the marriage certificate. In order to address this situation, an affidavit attached as **Annexure G**, has been designed to support the existence of a customary marriage between those concerned. This can be used in place of a legally accepted marriage certificate.

POLICY MATTERS : UPDATES

(1) NEW NATIONAL HOUSING CODE

The new Housing Code has been approved. Mass printing has not yet commenced but is anticipated in the new financial year, when electronic and hard copies are expected.

(2) FARM RESIDENCE PROGRAMME

This new programme has been approved by the National Housing Minister. It includes provision for the Land Redistribution and Restitution cases, and for accommodating farm residence on the farm, or for the establishment of a project for farm residence on an alternative piece of land. Details will be communicated in the next communiqué.

(3) INDUSTRY CAPACITY RESEARCH

The Department has procured the services of Project Preparation Trust (PPT) to assist with research to determine the current capacity of the industry. This initiative is aimed at exploring issues pertaining to the policy restricting the number of projects per implementing agent. Institutions and implementing agents will be contacted for information. Please note that the intention of this research is to assist in developing a viable mechanism in the allocation of projects which will take into consideration capacity issues. The assistance of stakeholders in providing information will be greatly appreciated.

(4) NHBRC ENROLMENT (INCLUDING RURAL PROJECTS)

A document has been drafted and is awaiting approval. The NHBRC is considering applications already and has agreed to a more practical approach. The key aspect to ensure a smooth process is to ensure NHBRC is contacted upfront to confirm the extent to which geotechnical assessments are required, especially in the context of rural projects. A further communication will follow once the MEC has approved the document.

(5) LOCATIONAL ALLOWANCE

A document has been drafted and circulated for comment. Research conducted indicate that implementing a locational allowance based on price differences appears to be impractical, however, the possibility for an adjustment based on distances to be travelled from predetermined major centres is being explored. A further update will follow once the draft document has been finalised.

Projected Detailed cost Breakdown of a 40m² subsidized house effective from 1 April 2009

Construction Cost and Subsidy Amount of a 40m² house	Earthworks (provisional)	790.07
	Concrete, Formwork & reinforcement	4,291.13
	Brickwork	14,236.75
	Roof structure	3,738.14
	Windows	1,388.94
	Doors and Frames	1,657.35
	Finishing and Paintwork	2,212.40
	Electrical	1,100.45
	Plumbing and Toilet	6,607.10
	Material	36,020.34
	Labour	9,732.37
	Sub Total	45,752.71
	P & G	4,968.14
	Overheads	2,095.32
	Transfer Costs	800.00
	Beneficiary Administration	255.95
	Profit	1,833.40
	Total	55,705.52
	Total Cost (Rounded Off)	55,706.00

**Projected detailed cost breakdown of a serviced stand effective from 1 April 2009
(The funding of internal municipal engineering service is only allowed as a last resort)**

	Item Description	Amount
Cost of serviced stand	Professional Fees	
	Safety Inspector(DoL)	68.26
	Enviromental Control Officer	54.60
	Pre-planning Studies	355.17
	Project Management	749.05
	Geotechnical Evaluation	89.90
	Contour Survey	59.93
	Land Surveying and Site Pegging	299.62
	Land surveying and examination fee	92.89
	Town Planning	404.46
	Civil Engineer : Services	898.85
	Site Supervision : Clerk of Works-Civil	227.70
	Social Facilitation	299.63
	Legal Fees	20.51
	Sub Total : Indirect Cost	3,630.57
	Direct Cost	
	Water Reticulation (including meter)	4,614.11
	Sanitation Reticulation	5,363.13
	Roads	3,445.58
	Storm Water	4,988.61
	Street Lighting	119.83
	Sub Total : Direct Cost	18,531.25
	Total Cost of a Serviced Stand	
	Sub Total : Indirect Cost	3,630.57
	Sub Total : Direct Cost	18,531.25
Total	22,161.82	
Total Cost (Rounded Off)	22,162.00	

Informal Settlement Upgrading Programme: Projected 2009/10 Grant Amounts	
PHASE 1	
urvey,registration, participation, facilitation,dispute resolution etc.	3% of project cost
Getechnical investigation	91,93
Land acquisition	2,617.70
Pre-Planning	788.81
Interim engineering services	2,966.74
PHASE 2 and 3	
Detailed Town Planning	413.67
Land surveying and pegging	306.43
Contour survey	61.29
Land survey examination fee	94.99
Civil Engineering fees	919.28
Site supervision fees	232.86
Permanent engineering services provision	18,952.44
Project management	8% of total cost
RELOCATION GRANTS	
Transportations and Loading costs for people and household effects	392.66
Social services support including support for the registration of social benefits, school registration and other welfare support	296.67
Relocation food support to households	488.64
Maximum cost per household	1,177.97

Projected 2009/10 Housing Subsidy for Current Commitments approved before 1 April 2007 in terms of the National Norms and standards for 30m² houses and blocked projects

	Item Description	Amount
1. The Serviced Stand Cost	Indirect Costs	
	Professional Fees	
	Beneficiary Administration	255.95
	Safety Inspector (DoL)	68.26
	Environmental Control Officer	54.60
	Pre-Planning studies	365.17
	Project Management	749.05
	Geotechnical Investigation	89.90
	Contour Survey	59.93
	Land Surveying and Site Pegging	299.62
	Land Survey Examination Fee	92.89
	Town Planning	404.46
	Civil Engineer : Services	898.85
	Site Supervision : Clerk of Works-Civils	227.70
	Social Facilitation	299.63
	Legal Fees – Agreement	20.51
	SubTotal : Indirect Costs	3,886.52
	Direct Cost:	
	Water Reticulation (incl. Meter)	4,614.11
	Sanitation Reticulation	5,363.13
	Roads	3,445.58
	Storm Water	4,988.61
	Street Lighting	119.83
	Sub Total : Direct Cost	18,531.25
	Total Cost of a serviced Stand:	
Sub Total :Indirect Costs	3,886.52	
Sub Total : Direct Cost	18,531.25	
Total	22,417.77	
Total Cost (rounded off)	22,418.00	
2. Construction cost of 30m²	Earthworks (provisional)	1,906.87
	Concrete, Formwork and Reinforcement	2,566.38
	Brickwork	6,792.29
	Roofstructure	5,472.67
	Windows	2,320.06
	Doors and Frames	1,528.47
	Finishing and Paintwork	956.78
	Plumbing and Toilet	1,433.73
	Material	22,977.23
	Labour	5,652.40
	Sub Total	28,829.63
	P&G	1,145.20
	Overheads	1,288.33
	Profit	1,002.04
	Total	32,065.20
	Total Cost (rounded off)	32,065.00
Grand Total	54,483.00	

EMERGENCY ASSISTANCE PROGRAMME : Projected 2009/10 grant amounts		
TEMPORARY ASSISTANCE	ITEM	AMOUNT
Basic Municipal Engineering Services in respect of temporary assistance on a shared basis (Incl. VAT)	a) Indirect Cost	
	Beneficiary Administration	261.77
	Safety inspector (DoL)	69.81
	Environmental Control	55.85
	Pre-planning studies	373.45
	Project Management 1	74.51
	Geo-technical investigation (if applicable)	20.96
	Contour Survey(2)	13.95
	Land surveying and site Pegging (3)	89.87
	Land Survey (Surveyor General) examination fee (4)	21.66
	Town Planning – (i) Layout	38.73
	(ii) Township establishment	55.57
	Environmental Impact Assessment	24.84
	Civil Engineer Services design & site supervision	114.22
	Social Facilitation	49.67
	Legal Fees (if applicable) (Rental Agreements) (5)	4.96
	Mediation & Conflict Resolution (6)	39.73
	Sub-Total : Indirect Costs per stand	1,289.55
	b) Direct Cost	
	Water reticulation on shared basis	1,002.01
	Sanitation on shared basis	936.67
	Roads (main access)	740.63
	Storm water	261.40
Sub Total: Direct Cost	2,940.72	
Total cost of a serviced stand: (portion of an ordinary stand shared between 5 units)		
a) Sub Total: Indirect Costs	1,289.55	
b) Sub Total: Direct Costs	2,940.72	
TOTAL STAND COST:	4,230.26	
TOTAL STAND COST (Portion of an ordinary stand shared between 5 units (rounded)	4,230.00	

EMERGENCY ASSISTANCE PROGRAMME : Projected 2009/10 grant amounts		
TEMPORARY ASSISTANCE	ITEM	AMOUNT
Construction cost of 30m ² temporary shelter incl. VAT	Roof sheeting/covering	5,275.88
	Side Cladding/Wall Cladding	8,689.28
	Columns and anchor bolts	5,151.71
	Column footings: Concrete bases for structure posts	1,239.46
	Rafters	2,389.61
	Purlins	3,101.92
	Door & Window posts and frames	2,078.12
	Side rails to support side cladding	2,544.27
	Flashings	744.99
	Door	1,916.92
	Window	1,853.75
	Flooring :Concrete	6,208.19
	Thermal improvement under roof	2,234.96
	Sub Total:	43,429.05
	TOTAL SHELTER COST	43,429.00
	GRAND TOTAL PER GRANT	47,859.00

REPAIR OF DAMAGED FORMAL PERMANENT HOUSING EXCL. VAT		
Existing services	Repair of services to National Norms & Standards	22,418.98
Existing houses	Repair of existing formal structure according to National Norms & Standards	32,065.92
	GRAND TOTAL PER GRANT	R54,482.90

Finance –Linked Individual Subsidy Programme: Projected 2009/2010 Subsidy				
Subsidy Parameters				
Full Subsidy Amount	54,650.00			
Upper Limit	35,523.00			
Lower Limit	4,919.00			
Increment	900.12			
Step Number	Increment Band		Subsidy Amount	
	Lower	Higher		
1	3501	3600	35,523.00	
2	3601	3700	34,622.88	
3	3701	3800	33,722.76	
4	3801	3900	32,822.65	
5	3901	4000	31,922.53	
6	4001	4100	31,022.41	
7	4101	4200	30,122.29	
8	4201	4300	29,222.18	
9	4301	4400	28,322.06	
10	4401	4500	27,421.94	
11	4501	4600	26,521.82	
12	4601	4700	25,621.71	
13	4701	4800	24,721.59	
14	4801	4900	23,821.47	
15	4901	5000	22,921.35	
16	5001	5100	22,021.24	
17	5101	5200	21,121.12	
18	5201	5300	20,221.00	
19	5301	5400	19,320.88	
20	5401	5500	18,420.76	
21	5501	5600	17,520.65	
22	5601	5700	16,620.53	
23	5701	5800	15,720.41	
24	5801	5900	14,820.29	
25	5901	6000	13,920.18	
26	5001	6100	13,020.06	
27	6101	6200	12,119.94	
28	6101	6300	11,219.82	
29	6301	6400	10,319.71	
30	6401	6500	9,419.59	
31	6501	6600	8,519.47	
32	6601	6700	7,619.35	
33	6701	6800	6,719.24	
34	6801	6900	5,819.12	
35	6901	7000	4,919.00	

Annexure G

AFFIDAVIT OF MARITAL STATUS (Zulu & English Versions)

AFFIDAVIT OF MARITAL STATUS

We the undersigned:

1 NAME _____

IDENTITY NO _____

DATE OF BIRTH _____

2 NAME _____

IDENTITY NO _____

DATE OF BIRTH _____

do hereby state under oath that

We were married on _____ at _____

by Nkosi _____ for the traditional area known as _____

We did not register the marriage in terms of the Code of Zulu Law or in terms of Section 4(9) of the Recognition of Customary Marriages Act 120 of 1998.

HUSBAND

WIFE

I hereby certify that the deponents to this affidavit have acknowledged that they have read and that they know and understand it's contents and that, in compliance with the regulations contained in the Government Gazette Notice R1258, published on 21 July 1972, it was signed and sworn to before me

at _____ on this _____ day of _____ 20__

COMMISSIONER OF OATHS

FULL NAME _____ CAPACITY _____

REFERENCE _____ ADDRESS _____

ISIFUNGO SOKUTHI USHADILE YINI

Thina esisayine lapha:

1. IGAMA: _____

INOMBOLO KAMAZISI: _____

USUKU LOKUZALWA: _____

2. IGAMA: _____

INOMBOLO KAMAZISI: _____

USUKU LOKUZALWA: _____

siyafunga siyaqinisa ukuthi

Sashadiswa ngomhla ka _____ e _____ yiNkosi
u _____ yasendaweni yase _____

INDODA

INKOSIKAZI

Ngalokhu ngiyaqinisa ukuthi laba bantu abathathe lesi sifungo bakuvumile ukuthi basifundile futhi bayakwazi, bayakuqonda okuqukethwe yiso nokuthi, ngokuhambisana nemithethonqubo equkethwe kwiSaziso seGazethi Kahulumeni esingunombolo R 1258, sashicilelwa mhla ziyi-12 kuNtulikazi 1972, isifungo sisayinwe sabuye sathathwa phambi kwami.

E _____ ngalolu suku lwangomhla ka _____ ku _____ 20__

UKHOMISHANA OFUNGISAYO

AMAGAMA APHELELE _____ ISIKHUNDLA _____

INKOMBA _____ IKHELI: _____