



# **KZN Human Settlements**

*uMnyango wezokuhlaliswa komphakathi*  
**ISIFUNDAZWE SAKWAZULU-NATALI**

## **SUBMISSION**

<b>TO</b>	<b>HEAC</b>
<b>ATTENTION</b>	<b>THE CHAIRPERSON</b>
<b>SUBJECT</b>	<b>COST NORMS FOR PROJECT PREPARATION COSTS</b>

### **1. PURPOSE**

The purpose of the submission is to note the attached research report on cost norms for project preparation costs.




### **2. BACKGROUND**

Chapter 3 of the Housing Code makes provision for the Provincial MEC to provide funding to municipalities for project preparation costs. Project preparation entails a detailed pre-feasibility assessment of a potential project and includes assessments of the planning context, bulk services availability, land audit, social facilitation, preliminary geotechnical assessment and project management. The information from the aforementioned studies forms an important part of the risk assessment and funding allocation of project.

The need to review the guideline was identified as the costing contained in the approval dated 23 September 2004 was outdated. In view thereof the applications for preparation funding needed to be evaluated in terms of current costs estimates.

### **3. FINANCIAL IMPLICATIONS**

Preparation funding recovery is dealt with in terms of the policy

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#### **4. LEGAL IMPLICATIONS**

Nil

#### **5. CONSULTATION**




- 5.1 A questionnaire identifying the activities that need to be undertaken for each study was designed (Annexure A: questionnaire and responses)
- 5.2 The research included pre feasibility studies for both urban and rural projects based on a 1000 site development as this is the norm in KWaZulu Natal.
- 5.3 The questionnaire was emailed to 23 Implementing Agents and larger municipalities. A total of 5 responses were received. A reminder was sent out for individuals to submit their responses, thereafter a total of 7 responses were received.
- 5.4 The report was circulated internally for comments. No comments were received (Annexure B: attached is a copy of the emails).

#### **6. APPLICATION PROCEDURE FOR PREPARATION FUNDING**

In light of the research undertaken the 2 main issues identified were the costing as well as the delays experienced in the approval of a preparation funding application. The following are suggested in attempting to deal with the identified issues

##### **6.1 REVISED COSTING**

Preliminary Environmental Assessment	R15 000 – R18 000	R10 000 – R15 000
Preliminary Geotechnical Assessment	R12 000 – R15 000	R8 500 – R12 000

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Land Audit <sup>1</sup>	R0 – R5 000	R5 000 – R8 000
Social Facilitation	R5 000 – R8 000	R5 000 – R8 000
Bulk services	R12 000 – R15 000	R10 000 – R15 000
Project Management	R15 000 – R20 000	R20 000 – R25 000

It should be noted that the studies that need to be undertaken constitute desktop investigations and as such the funding requested should be in line with the proposed estimates. Should more detailed investigations be required funding for it should be applied for during the feasibility study phase.

## 6.2 PROCEDURE

The following are suggested in terms of procedural changes:




Procedure to follow on receipt of application:

- Regional office to inspect application within 5 working days for completeness and advise municipality if it is not.
- A submission must be drafted by the Regional Office (Project Management) recommending that the application should be approved or not approved (within 15 working days).
- The application for project preparation funding must be submitted to Housing Evaluation and Assessment Committee (HEAC) for consideration and recommendation to the MEC. (15 working days. It being noted that the HEAC approval process has improved therefore there are no envisaged delays with such applications.
- Project preparation funding must be inflation linked as per the BER indices per annum.

## 7. **RECOMMENDATION THAT:**

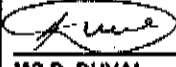

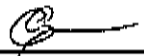
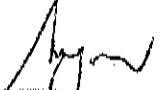
- 7.1 the revised costing and the procedure outlined in paragraph 6 be approved; and
- 7.2 the research report be noted.

<sup>1</sup> It should be noted that the land audit is currently undertaken by the Land and Contract Component of the Department of Human Settlements and as such funding should only be granted in projects when the land process is of a complicated nature and requires specialist input.

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**7. RECOMMENDATION THAT:**

- 7.1 the revised costing and the procedure outlined in paragraph 6 be approved; and
- 7.2 the research report be noted.

<p><b>PREPARED BY</b></p> <p></p> <p><b>MS D. DUVAL</b> DEPUTY MANAGER PRODUCT DEVELOPMENT</p> <p><u>14/07/2010</u> DATE</p>	<p><b>SUPPORTED / NOT SUPPORTED</b></p> <p></p> <p><b>MRS M. MILNE</b> ACTING GENERAL MANAGER: PRODUCT DEVELOPMENT &amp; GENERAL MANAGER PLANNING AND DEVELOPMENT</p> <p><u>23/9/2010</u> DATE</p>
<p><b>RECOMMENDED/NOT RECOMMENDED/RECOMMENDED AS AMENDED</b></p> <p></p> <p><b>HEAC CHAIRPERSON</b> DEPARTMENT OF HUMAN SETTLEMENTS, KZN</p> <p><u>13/10/10</u> DATE</p> <p>COMMENTS _____</p>	<p><b>APPROVED/NOT APPROVED/APPROVED AS AMENDED</b></p> <p></p> <p><b>HON. MRS M GOVENDER</b> MEC FOR HUMAN SETTLEMENTS &amp; PUBLIC WORKS</p> <p><u>14/10/2010</u> DATE</p> <p>COMMENTS _____</p>

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