

SUBMISSION

TO : THE CHAIRPERSON : KZN HOUSING ADVISORY COMMITTEE

SUBJECT : ADJUSTMENT OF THE QUANTUM OF PROGRESS PAYMENT TRANCHES

1. PURPOSE

To seek the approval of the MEC for Housing for the adjustment of the Quantum of the Progress Payment Tranches for the financial year 2006/7.

2. BACKGROUND

- 2.1 Chapter 3A of the National Housing Code reflects a breakdown of tranche payments in line with the subsidy amount.
- 2.2 When the quantum of the subsidy amount is adjusted, the quantum of the progress payment tranches must be adjusted in line with the adjusted subsidy amount.
- 2.3 Since 2002, the National Department of Housing has provided an adjustment of the quantum of the progress payment tranches to reflect the annual increase of the subsidy amount. However, since 2005 this Province has adjusted the quantum of progress payment tranches to suit KwaZulu-Natal.
- 2.4 The maximum amounts payable per tranche as reflected in Chapter 3A of Part 3 of the National Housing Code for the financial year 2005/6, are:-

TRANCHE NO.	DETAILS OF MAXIMUM AMOUNTS PAYABLE
Tranche Number 1	Up to R1 431.31 per site plus Category 1 variations, if applicable.
Tranche Number 2	Up to R11 706.50 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.

3. MOTIVATION

- 3.1 In view of the above and in line with the increased subsidy quantum, effective from the 1st April 2006, all tranche payments in respect of housing projects approved on or after the said date, must be calculated based on the following maximum payments:-

TRANCHE NO.	DETAILS OF MAXIMUM AMOUNTS PAYABLE
Tranche Number 1	Up to R1 637.42 per site plus Category 1 variations, if applicable.
Tranche Number 2	Up to R13 392.23 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.

3.2 The tranche amounts for 2006/7 are based on the system utilised by the National Department of Housing and were arrived at as follows:

- a) Tranche 1 is based on the indirect costs as reflected in the detailed cost breakdown of the subsidy as provided by the National Department of Housing (attached as Annexure B), excluding the following amounts for activities that take place as part of tranche 2:
 - Safety Inspector (DoL) R 45.76
 - Environmental Control Officer R 36.61
 - Site Supervisor: Clerk of Works-civils R152.66
 - Project Management (50%) R251.09
 - Civil Engineer: Services (80%) R482.10
- b) Tranche 2 is based on the direct costs as reflected in the detailed cost breakdown of the subsidy as provided by the National Department of Housing, including the abovementioned amounts.
- c) Tranche 3 consists of the outstanding balance of the subsidy being R21 498.00, which is the total construction cost of a 30m² house.
- d) Tranche 1 amounts to R1 637.42, Tranche 2 amounts to R13 392.23. The total cost is R15 029.65, which does not exceed the total cost of a serviced stand being R15 029.65 (R15 030.00 rounded off).

4. FINANCIAL IMPLICATIONS

The tranche amounts are consistent with the maximum subsidy amount for the 2006/7 financial year.

5. RECOMMENDATION THAT:

- 5.1 The quantum of the progress payment tranches be adjusted annually in line with the adjusted subsidy amount.
- 5.2 The adjustment of the quantum of the progress payment tranches as reflected in Annexure A be approved for implementation retrospectively with effect from 1st April 2006.

- 5.3 All tranche payments in respect of housing projects approved on or after the 1st April 2006, must be calculated based on the following maximum payments:-

TRANCHE NO.	DETAILS OF MAXIMUM AMOUNTS PAYABLE
Tranche Number 1	Up to R1 637.42 per site plus Category 1 variations, if applicable.
Tranche Number 2	Up to R13 392.23 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.

- 5.4 The tranche 1 payment for rural housing projects approved on or after the 1st April 2006, be increased from R1 431.31 to R1 637.42 in terms of the adjustment of the quantum of progress payment tranches for the financial year 2006/7.

SUBMITTED

MR D.B. DUNSTAN
GENERAL MANAGER:
STRATEGIC HOUSING SUPPORT

DATE

RECOMMENDED/NOT RECOMMENDED

MR P MSIMANG: CHAIRPERSON
KZN HOUSING ADVISORY COMMITTEE

DATE

SUPPORTED/NOT SUPPORTED/SUPPORTED AS AMENDED

MS S.Z.F. NYANDU
HEAD OF DEPARTMENT

DATE

APPROVED/APPROVED AS AMENDED/NOT APPROVED

MR M. MABUYAKHULU
MEC FOR HOUSING

DATE

KwaZulu-Natal Progress payment tranches from MEC to Developer effective from 1 April 2006

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 637.42 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 R13 392.23 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 2006/2007 financial year. This table is re-issued annually to reflect adjustments to amounts payable to projects approved each year due to subsidy escalation increases.				

Annexure B

The proposed new housing subsidy for the 2006/2007 financial year using BER-BCI index for a 30 m ² house		
Detail cost breakdown:	Item Description	Amount
1. The Serviced Stand	Indirect Costs:	
	Professional Fees:	
	Beneficiary administration	R 171.60
	Safety inspector (DoL)	R 45.76
	Environmental Control Officer	R 36.61
	Pre-planning studies	R 244.82
	Project management	R 502.19
	Geo-technical Investigation	R 60.27
	Contour Survey	R 40.18
	Land surveying and site pegging	R 200.87
	Land survey examination fee	R 62.27
	Town Planning	R 271.17
	Civil Engineer: Services	R 602.62
	Site supervision: Clerk of Works- civils	R 152.66
	Social facilitation	R 200.88
	Legal Fees- Agreement	R 13.75
	Sub Total: Indirect Costs	R 2,605.64
	Direct Cost:	
	Water reticulation (incl. Meter)	R 3,093.46
	Sanitation reticulation	R 3,595.63
	Roads	R 2,310.04
	Storm Water	R 3,344.54
	Street lighting	R 80.34
	Sub Total: Direct Cost	R 12,424.01
	Total cost of a serviced stand:	
	Sub Total: Indirect Costs	R 2,605.64
	Sub Total: Direct Cost	R 12,424.01
Total	R 15,029.65	
Total cost (rounded off)	R 15,030.00	
2. Construction cost of 30 sq house	Earthworks (provisional)	R 1,278.43
	Concrete, Formwork and Reinforcement	R 1,720.59
	Brickwork	R 4,553.79
	Roof structure	R 3,669.07
	Windows	R 1,555.45
	Doors and frames	R 1,024.74
	Finishing and Paintwork	R 641.46
	Plumbing and Toilet	R 961.22
	Material	R 15,404.75
	Labour	R 3,789.57
	Sub Total	R 19,194.32
	P&G	R 767.78
	Overheads	R 863.74
	Profit	R 671.80
	Total	R 21,497.64
	Total cost (rounded off)	R 21,498.00
Grand Total	R 36,528.00	