



# **KZN Housing**

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**uMnyango:  
wezeZindlu**

**ISIFUNDAZWE SAKWAZULU-NATALI**

**uMnyango wezeZindlu / Departement van Behuising**

## **GUIDELINE FOR THE ADJUSTMENT OF THE PROGRESS PAYMENT MILESTONES AND TRANCHES IN RELATION TO THE ANNUAL ADJUSTMENT OF THE SUBSIDY QUANTUM**

**NOVEMBER 2008**

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## **1. INTRODUCTION**

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### **1.1 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.

### **1.2 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.

## **2. METHODOLOGY FOR DEFINING AMOUNTS PER MAJOR TRANCHE**

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### **2.1 TRANCHE ADJUSTMENTS**

**2.1.1** 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.

**2.1.2** 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).

**2.1.3 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.

2.1.4 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.

2.1.5 **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 40m<sup>2</sup> 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.

2.1.6 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:

<b>Tranche 1</b>	
Beneficiary Administration	203.76
Pre-planning studies	290.71
<b>Project management (50% of amount set by National Department)</b>	<b>298.15</b>
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
<b>Civil Engineer: Services (20% of amount set by National Department)</b>	<b>143.11</b>
Social facilitation	238.53
Legal Fees- Agreement	16.33
<b>Total: Tranche1</b>	<b>1,944.33</b>

- 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:

<b>Tranche 2 : Indirect Cost:</b>	
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
<b>Tranche 2 : Direct Cost:</b>	
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
<b>Total: Tranche 2</b>	<b>15,902.25</b>

- c) **Tranche 3** consists of the outstanding balance of the subsidy being R25 527.00, which is the total construction cost of a 30m<sup>2</sup> house and R43 506.00 for a 40m<sup>2</sup> house.

<b>Tranche 3 Construction of 30m<sup>2</sup> house</b>	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
	<b>Material</b>	<b>18,291.97</b>
	Labour	4,499.82
	<b>Sub Total</b>	<b>22,791.79</b>
	P&G	911.68
	Overheads	1,025.63
	Profit	797.72
	<b>Total</b>	<b>25,526.61</b>
	<b>Total cost (rounded off)</b>	<b>25,527.00</b>
<b>Tranches 1+2+3</b>	<b>Grand Total</b>	<b>43,374.00</b>

**Detailed Breakdown of the New 40 Square Metre House**

	<b>ITEM DESCRIPTION</b>	<b>AMOUNT</b>
<b>Construction Cost of a 40m<sup>2</sup> house</b>	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
	<b>Material</b>	<b>28,675.46</b>
	<b>Labour</b>	<b>7,747.85</b>
	<b>Sub Total</b>	<b>36,423.32</b>
	P & G	3,955.09
	Overheads	1,668.06
	Profit	1,459.55
	<b>Total</b>	<b>43,506.00</b>
		<b>Total Const. Cost (Rounded Off)</b>

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 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.

## 2.2 SUB-MILESTONE CHANGES

- 2.2.1** 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.
- 2.2.2** 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.
- 2.2.3** 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.
- 2.2.4** 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.

**2.2.5** Sales/Beneficiary administration has now been included in the new cost breakdown from the National Department. This activity typically occurs either immediately once 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.

**2.2.6** 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*".

**2.2.7** The National Department of Housing has provided 2 quanta for the financial year 2008/9. The first is for a 40m<sup>2</sup> top-structures and the second is for blocked projects or current commitments based on a 30m<sup>2</sup> top-structure. This is likely to continue until all projects constructing 30m<sup>2</sup> structures have been concluded.

**2.2.8** The Progress Payment tranche amounts for Tranche 1 and 2 will amount to the same figure for both the 30m<sup>2</sup> and 40m<sup>2</sup> top structures.

**2.2.9** 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.

## 2.3 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 40m<sup>2</sup> 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 NHBC 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 funding could be applied for rural projects. The following guideline is suggested in determining the tranches for rural projects (informal land rights):

### 2.3.1 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).

### **2.3.2 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**

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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**

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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	<b>Indirect Costs:</b>		
	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	
	<b>Sub Total: Indirect Costs</b>	<b>3,094.02</b>	<i>Tranche 1</i>
	<b>Direct Cost:</b>		
	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	
<b>Sub Total: Direct Cost</b>	<b>14,752.56</b>		
<b>Total cost of a serviced stand:</b>			
Sub Total: Indirect Costs	3,094.02	<i>Tranche 1</i>	
<b>Sub Total: Direct Cost</b>	<b>14,752.56</b>	<i>Tranche 2</i>	
Total	<b>17,846.58</b>	<i>Tranches 1+2</i>	
	<b>Total cost (rounded off)</b>	<b>17,847.00</b>	

<b>Construction of 30m<sup>2</sup> house</b>	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	
	<b>Material</b>	<b>18,291.97</b>	
	Labour	4,499.82	
	<b>Sub Total</b>	<b>22,791.79</b>	
	P&G	911.68	
	Overheads	1,025.63	
	Profit	797.72	
	<b>Total</b>	<b>25,526.61</b>	
		<b>Total cost (rounded off)</b>	<b>25,527.00</b>
<b>Tranches 1+2+3</b>	<b>Grand Total</b>	<b>43,374.00</b>	<i>Tranches 1+2+3</i>

**Detailed Breakdown of the New 40 Square Metre House**

<b>The 2008/2009 housing subsidy guideline amount</b>		
	<b>ITEM DESCRIPTION</b>	<b>AMOUNT</b>
<b>Construction Cost of a 40m<sup>2</sup> house</b>	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
	<b>Material</b>	<b>28,675.46</b>
	<b>Labour</b>	<b>7,747.85</b>
	<b>Sub Total</b>	<b>36,423.32</b>
	P & G	3,955.09
	Overheads	1,668.06
	Profit	1,459.55
	<b>Total</b>	<b>43,506.00</b>
	<b>Total Const. Cost (Rounded Off)</b>	<b>43,506.00</b>

# 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
<b>The Serviced Stand Cost Tranche 1</b>	<b>Indirect Costs:</b>	
	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
	<b>Total: Tranche1</b>	<b>1,944.33</b>
<b>Tranche 2</b>	<b>Indirect Cost:</b>	
	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
	<b>Direct Cost:</b>	
	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
<b>Total: Tranche 2</b>	<b>15,902.25</b>	
<b>Tranches 1 + 2</b>	<b>Total cost of a serviced stand:</b>	
	Tranche 1	1,944.33
	Tranche 2	15,902.25
	<b>Total</b>	<b>17,846.58</b>
	<b>Total cost (rounded off)</b>	<b>17,847.00</b>



<b>Tranche 3 Construction of 30m<sup>2</sup> house</b>	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
	<b>Material</b>	<b>18,291.97</b>
	Labour	4,499.82
	<b>Sub Total</b>	<b>22,791.79</b>
	P&G	911.68
	Overheads	1,025.63
	Profit	797.72
	<b>Total</b>	<b>25,526.61</b>
<b>Total cost (rounded off)</b>	<b>25,527.00</b>	
<b>Tranches 1+2+3</b>	<b>Grand Total</b>	<b>43,374.00</b>

**Detailed Breakdown of the New 40 Square Metre House**

<b>The 2008/2009 housing subsidy guideline amount</b>		
	<b>ITEM DESCRIPTION</b>	<b>AMOUNT</b>
<b>Construction Cost of a 40m<sup>2</sup> house</b>	Earthworks (provisional)	628.97
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	Finishing and Paintwork	1,761.27
	Electrical	876.06
	Plumbing and Toilet	5,259.85
	<b>Material</b>	<b>28,675.46</b>
	<b>Labour</b>	<b>7,747.85</b>
	<b>Sub Total</b>	<b>36,423.32</b>
	P & G	3,955.09
	Overheads	1,668.06
	Profit	1,459.55
	<b>Total</b>	<b>43,506.00</b>
	<b>Total Const. Cost (Rounded Off)</b>	<b>43,506.00</b>

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**

**KWA-ZULU NATAL DEPARTMENT OF HOUSING: GUIDELINE FOR PROGRESS PAYMENT MILESTONES**

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	<b>Indirect Costs:</b>	
	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
	<b>Total: Tranche 1</b>	<b>1,418.57</b>
Tranche 2	<b>Indirect Cost:</b>	
	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
	<b>Direct Cost:</b>	
	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	
<b>Total: Tranche 2</b>	<b>16,177.57</b>	
Tranches 1 + 2	<b>Total cost of a serviced stand:</b>	
	Tranche 1	1,418.57
	Tranche 2	16,177.57
	Total	17,596.14
	<b>Total cost (rounded off)</b>	<b>17,596.00</b>

KWA-ZULU NATAL DEPARTMENT OF HOUSING: GUIDELINE FOR PROGRESS PAYMENT MILESTONES

Tranche 3 Construction of 30m <sup>2</sup> house	<b>Material:</b>	
	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
	<b>Material</b>	<b>18,291.97</b>
	Labour	4,499.82
	<b>Sub Total</b>	<b>22,791.79</b>
	<b>Other Indirect Cost:</b>	
	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
<b>Total</b>	<b>25,777.27</b>	
Tranche 3	<b>Total cost (rounded off)</b>	<b>25,778.00</b>
Tranches 1+2+3	<b>Grand Total</b>	<b>43,374.00</b>

**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)