



## human settlements

Department:  
Human Settlements  
**PROVINCE OF KWAZULU-NATAL**

# Policy Communiqué

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## **DIRECTIVE ON PROJECT PAYMENT SWOPS**

Due to various complications that have arisen during the township establishment processes resulting in beneficiaries not being given transfer and title of their property, the following directive was approved by the MEC and the implementation date of this directive is 13 March 2016.

Project monitors must ensure that as soon as the relevant completion certificate for the installation of services in terms of the applicable township establishment conditions is granted, transfer of the property must take place prior to construction or occupation.

Swops or alterations of the Progress Payment Categories may be negotiated through a motivation to the MEC for approval in exceptional circumstances on a case-by-case basis to accommodate project specific requirements. These may include:

- In-situ projects;
- Projects where the General Plan needs amendment;
- Projects with land issues in respect of deceased estates or expropriation; and
- IRDP projects

The directive was approved by the MEC subject to a consultation workshop being held with stakeholders. The workshop was held on the 15<sup>th</sup> February 2016 and the following resolutions were undertaken:

- No further swops of progress payments will be permitted unless addressed in terms of the directive
- Projects already granted approval to swop Progress Payment Categories must be ring-fenced and closely monitored to finality with confirmed transfer to beneficiaries
- The delinking of beneficiaries will be explored with the Subsidy Administration Directorate as an option to allow for later registration of transfer to take place

## **POLICY DIRECTIVE LIMITING THE PROJECT SCOPE (STAGE TWO AND/OR THREE PROJECTS) TO A MAXIMUM OF 500 HOUSING UNITS EXCLUDING THE CATALYTIC PROJECTS UNDERTAKEN IN THE KZN PROVINCE: KZN DEPARTMENT OF HUMAN SETTLEMENTS.**

The purpose of this directive is to limit the number of units per project to 500. The implementation of this directive is to bring about improvements in the financial management, project management and contract administration processes.

### **Limiting the number of the project scope to 500 units per project with respect to stage two:**

The directive is applicable on all new projects and specifically in stage 2. The implementation of this policy involves projects under the following housing programmes:

- Project Linked Subsidy / Integrated Residential Development Programme;
- Enhanced People's Housing Process;
- Informal Settlements Upgrade Programme;
- Rural Housing Subsidy Programme

Therefore, in the case of stage two (2), submissions requesting the approval of funds from the Executing Authority in terms of Section 7(3)(a)(i) and (ii) of the National Housing Act, 1997, as amended, the number of units should be limited to 500 units per project.

All the Developers and their respective supply chain management units would have to adjust their supply chain management processes (including the bid documents), in line with the requirements of this policy directive.

Any deviations to the above limitation shall result in non-compliance of this policy directive. Should there be a need for deviation from this norm; the responsible programme manager would be required to provide motivation outlining substantial and compelling reasons for such deviation for consideration and approval by the Executing Authority responsible for this Department.

### **Exclusion/Exemptions:**

The directive may not be applicable to the following:

- Stage 1 which relates to Planning activities. Therefore area based planning would be implemented as usual in line with applicable prescripts to ensure that suitable and serviced sites are made available
- All catalytic projects and/or Mega Projects

## **Roles and Responsibilities:**

### ❖ The Developers, Implementing Agents and Project Managers:

- The packaging of projects in line with this policy directive would be the concurrent responsibility of the above mentioned entities, who are to collectively ensure that submissions for funding approval are compliant with this directive;
- These entities are responsible to ensure that proper and effective programme and project implementation plans are in place to manage the performance of various contractors and that the project close outs are performed accordingly per each project.

### ❖ Supply Chain Management Unit:

It is the responsibility of this unit to ensure that the bid documents are adjusted in line with this policy directive and to further ensure that the contract administration processes are adhered to in every project.

### ❖ Technical Evaluation Committee (TEC) Stage Two and/Stage Three Committee:

The responsibility of the above mentioned committee is to ensure that:

- The submissions reflect correct project packaging, which is limited to 500 units;
- The submission reflects correct economic empowerment and transformation targets in terms of Youth, Women and Military Veterans within the construction sector;
- Proper advices and guidance are provided to the Accounting officer and the Executing Authority with regard to non-compliance with prescripts regulating human settlements programmes as well as supply chain management processes.

## **Impact of the policy directive on the housing subsidy system (hss):**

- The Housing Subsidy System (HSS) allows for effective phasing of projects, this means that a project K number will be issued and then the second phase will be given the same K number with /2/3/4 (etcetera), per phase.
- Each phase has to be closed out and ultimately the entire project will be closed out.

## **Legal implications:**

### ❖ National housing programmes:

The MEC: Human Settlements is mandated in terms of Section 7 (2) of the National Housing Act to determine provincial policy in respect of housing developments. Therefore this policy directive is consistent with National prescripts.

❖ Supply Chain Management Policy

The directive has been tested against the principle of splitting of orders and the finding was that it does not violate that principle when one takes into account the purposes and outcomes to be achieved through the implementation of this policy.

❖ Transformation and Economic Empowerment Initiatives/Targets

The implementation of this policy directive will result in increased number of projects and thus benefiting more contractors i.e. set targets from both national and provincial spheres with regard to Youth, Women and Military Veterans emerging entrepreneurs would be relatively achieved therefore, there is no potential infringements/violation of the Supply Chain Management prescripts during the implementation of this policy directive.