



## **KZN Housing**

**uMnyango:  
wezeZindlu  
ISIFUNDAZWE SAKWAZULU-NATAL**

# ***HOUSING POLICY COMMUNIQUÉ***

*Circular No. 2/2007  
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***Umuntu ngumuntu ngekhyaya – Houses, Security & Comfort***

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## **CONFIRMATION OF ADJUSTMENT OF THE HOUSING SUBSIDY QUANTUM AND THE INTRODUCTION OF THE NEW 40 SQUARE METRE QUALITY HOUSE**

On the 1 March 2007, Housing: MINMEC approved the introduction of a new quality subsidised house with a minimum size of 40m<sup>2</sup> of gross floor area and accompanying technical specifications as provided by the NHBC. This new standard took effect on 1 April 2007 and will therefore only be applicable to projects approved on or after 1 April 2007. To enable you to implement the new house norm and related subsidy amount, the following salient aspects of the new dispensation are confirmed:

### **The house design**

The house must be at least 40m<sup>2</sup> gross floor area and as a minimum include:

- \* 2 x bedrooms;
- \* 1 x separate bathroom with a shower, hand basin and a toilet;
- \* 1 x combined kitchen living area;
- \* A ready board electricity installation where electricity is available.

### **The new housing subsidy scheme amount for the construction of the 40m<sup>2</sup> house**

The new housing subsidy scheme amount for the top structure is R38 984.00. The housing subsidy funding may with effect from 1 April 2007 only be applied for the construction of the new 40m<sup>2</sup> house. The table below illustrates the new subsidy amounts. The detailed cost breakdown is attached as annexure A.

### **The funding for the provision of municipal engineering services**

With effect from 1 April 2007, the cost for the provision of internal municipal engineering services must be sourced from alternative resources. This decision is based on the imperatives of the Comprehensive Plan for the creation of Sustainable Human Settlements as well as the commitments of Government to accelerate delivery in pursuance of addressing the housing demand. It should also be noted that the housing subsidy scheme funding, since its inception in 1994, targeted the construction of houses only and that funding for internal reticulation services was to be funded from other resources.

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 maximum amount that may be considered is R15 992.00 per stand. The detailed breakdown for services is attached as annexure B.

## Subsidy Amounts for 2007/8

Individual and Project Linked Subsidies	Top Structure Funding only	Own Contribution	Product Price
R0 - R1 500	R38 984,00	None	R38 984,00
R1 501 - R3 500	R36 505,00	R2 479,00	R38 984,00
Indigent: Aged, Disabled and Health Stricken R0 - R3 500	R38 984,00	None	R38 984,00
<b>Institutional Subsidies</b>			
R0 - R3 500	R36 505,00	Institution must add Capital	At least R38 984,00
<b>Consolidation Subsidies</b>			
R0 - R1 500	R38 984,00	None	R46 484,00 *
R1 501 - R3 500	R36 505,00	R2 479,00	R46 484,00 *
Indigent: Aged, Disabled and Health Stricken R0 - R3 500	R38 984,00	None	R46 484,00 *
<b>Rural Subsidies</b>			
R0 - R3 500	R38 984,00	None	R38 984,00
People's Housing Process			
R0 - R3 500	R38 984,00	None	R38 984,00
<p><b>* Product Price = R38 984,00 PLUS serviced stand previously acquired at R7 500,00 = R46 484,00</b>  <b>Municipal engineering services are to be funded from other Government resources but as a last resort it may also be funded from the annual housing funding allocations to Province, and must be motivated.</b></p>			

## Existing Projects/Current Commitments

The new standard mentioned above will not apply to existing projects approved prior to 1 April 2007. The subsidy amount of R38 865.00, inclusive of services must be used. A detailed cost breakdown is attached as Annexure C.

## Variations of the subsidy amount

A new Variation Manual has been approved for the purposes of calculating the variation amount to cater for extraordinary developmental conditions. This variation manual is based on geophysical conditions of the development area and the special housing needs of certain categories of disabled beneficiaries. The manual replaced the 15% variation allowance with effect from 1<sup>st</sup> April 2007. All projects approved on or after 1 April 2007 will calculate the variation amount as contained in the new Variation Manual however, existing projects approved prior to 1 April 2007 will still use the 15% variation allowance.

The Variation Manual may be requested from the Product Development Directorate of the KwaZulu-Natal Department of Housing, or accessed on the Department's website at, [www.kznhousing.gov.za](http://www.kznhousing.gov.za).

## **KwaZulu-Natal position**

The detailed cost breakdown as provided by the National Department of Housing is made up of all professional fees to the amount of R2772.42, as well as the provision of services to the amount of R13 219.14 (refer to Annexure B). The relevant professional fee of R2772.42 will be incurred in the planning and delivery of services as well as the top structure. In view of this, and in an effort to ensure efficient and effective delivery of the top structure, the KwaZulu-Natal MEC for Local Government, Housing and Traditional Affairs approved on the 26<sup>th</sup> October 2007 that professional fees to the maximum amount of R2772.42 will be approved for all new projects approved with effect from 1<sup>st</sup> April 2007, where funding is granted from other resources for the provision of services.

This therefore means that the subsidy amount for KwaZulu-Natal will be R38 984.00 for the cost of the top structure plus the professional fees of R2772.42 for all new projects approved with effect from 1<sup>st</sup> April 2007, **where funding is granted from other resources for the provision of services.**

## Annual Adjustment of the Quantum of the Progress Payment Tranches

The Adjustment of the Quantum of the Progress Payment Tranches was approved by the KwaZulu-Natal MEC for Local Government, Housing and Traditional Affairs on the 26<sup>th</sup> October 2007. In line with the increased subsidy quantum, effective from the 1<sup>st</sup> April 2007, 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 NUMBER	DETAILS OF MAXIMUM AMOUNTS PAYABLE
Tranche Number 1	Up to R1 742.24 per site plus Category 1 variations, if applicable.
Tranche Number 2	Up to R14 249.32 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.

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 48.69
- Environmental Control Officer R 38.95
- Site Supervisor: Clerk of Works-civils R162.43
- Project Management (50%) R267.16
- Civil Engineer: Services (80%) R512.95

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 the abovementioned amounts.

Tranche 3 consists of the outstanding balance of the subsidy being R22 873.48, which is the total construction cost of a 30m<sup>2</sup> house and R38 984.00 for a 40m<sup>2</sup> house.

The tranche 1 payment for rural housing projects approved on or after the 1<sup>st</sup> April 2007, be increased from R1 637.42 to R1 742.24 in terms of the adjustment of the quantum of progress payment tranches for the financial year 2007/8.

A revised version of the Table on Progress Payment Tranches from MEC to Developer is attached as Annexure D and will be applicable to all housing projects approved in terms of the increased subsidy amount.

## Annexure A

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

The 2007/2008 housing subsidy guideline amount		
	ITEM DESCRIPTION	AMOUNT
<b>Construction Cost of a 40m<sup>2</sup> house</b>	Earthworks (provisional)	563.59
	Concrete, Formwork and Reinforcement	3,061.05
	Brickwork	10,155.69
	Roof structure	2,665.15
	Windows	990.79
	Doors and Frames	1,182.26
	Finishing and Paintwork	1,578.20
	Electrical	785.00
	Plumbing and Toilet	4,713.13
	<b>Material</b>	<b>25,694.86</b>
	<b>Labour</b>	<b>6,942.52</b>
	<b>Sub Total</b>	<b>32,637.38</b>
	P & G	3,543.99
	Overheads	1,494.68
	Profit	1,307.84
	<b>Total</b>	<b>38,983.89</b>
	<b>Total Const. Cost (Rounded Off)</b>	<b>38,984.00</b>

## DETAILED BREAKDOWN OF THE COST OF A SERVICED STAND

The 2007/2008 housing subsidy guideline amount		
ITEM	ITEM DESCRIPTION	AMOUNT
Serviced Stand Cost	<b>Indirect Cost</b>	
	<b>Professional fees</b>	
	Beneficiary Administration	182.58
	Safety Inspector (DoL)	48.69
	Environmental Control Officer	38.95
	Pre-planning Studies	260.49
	Project Management	534.33
	Geotechnical Evaluation	64.13
	Contour Survey	42.75
	Land Surveying and Site Pegging	213.73
	Land Survey examination fee	66.26
	Town Planning	288.52
	Civil Engineer : Services	641.19
	Site Supervision : Clerk of Works - Civil	162.43
	Social Facilitation	213.74
	Legal Fees	14.63
	<b>Sub Total : Indirect Cost</b>	<b>2,772.42</b>
	<b>Direct Cost</b>	
	Water Reticulation (including meter)	3,291.44
	Sanitation Reticulation	3,825.75
	Roads	2,457.88
	Storm Water	3,558.59
	Street Lighting	85.48
	<b>Sub Total Direct Cost</b>	<b>13,219.14</b>
	<b>Total Cost of a Serviced Stand:</b>	
Sub Total : Indirect Cost	2,772.42	
Sub Total : Direct Cost	13,219.14	
<b>Total :</b>	<b>15,991.56</b>	
<b>Total Cost (Rounded Off)</b>	<b>15,992.00</b>	



**The 2007/2008 housing subsidy for existing projects /current commitments and blocked projects**

<b>ITEM</b>	<b>ITEM DESCRIPTION</b>	<b>AMOUNT</b>
<b>Serviced Stand Cost</b>	<b>Indirect Cost</b>	
	<b>Professional fees</b>	
	Beneficiary Administration	182.58
	Safety Inspector (DoL)	48.69
	Environmental Control Officer	38.95
	Pre-planning Studies	260.49
	Project Management	534.33
	Geotechnical Evaluation	64.13
	Contour Survey	42.75
	Land Surveying and Site Pegging	213.73
	Land Survey examination fee	66.26
	Town Planning	288.52
	Civil Engineer : Services	641.19
	Site Supervision : Clerk of Works - Civil	162.43
	Social Facilitation	213.74
	Legal Fees	14.63
	<b>Sub Total : Indirect Cost</b>	<b>2,772.42</b>
	<b>Direct Cost</b>	
	Water Reticulation (including meter)	3,291.44
	Sanitation Reticulation	3,825.75
	Roads	2,457.88
	Storm Water	3,558.59
	Street Lighting	85.48
	<b>Sub Total Direct Cost</b>	<b>13,219.14</b>
	<b>Total Cost of a Serviced Stand:</b>	
Sub Total : Indirect Cost	2,772.42	
Sub Total : Direct Cost	13,219.14	
<b>Total :</b>	<b>15,991.56</b>	
<b>Total Cost (Rounded Off)</b>	<b>15,992.00</b>	
<b>2. Construction cost of 30m2 House</b>	Earthworks (provisional)	R 1,360.25
	Concrete, Formwork and Reinforcement	R 1,830.71
	Brickwork	R 4,845.23
	Roofstructure	R 3,903.89
	Windows	R 1,655.00
	Doors and frames	R 1,090.32
	Finishing and Paintwork	R 682.51
	Plumbing and Toilet	R 1,022.74
	<b>Material</b>	<b>R 16,390.65</b>
	Labour	R 4,032.10
	<b>Sub Total</b>	<b>R 20,422.75</b>
	P&G	R 816.92
	Overheads	R 919.02
	Profit	R 714.80
	<b>Total</b>	<b>R 22,873.48</b>
	<b>Total cost (rounded off)</b>	<b>R 22,873</b>
	<b>Grand Total</b>	<b>R 38,865</b>

### KwaZulu-Natal Progress payment tranches from MEC to Developer effective from 1 April 2007

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 742.24 per site plus agreed category I variations, if applicable	L01	Opening of township register
			L02	Attorneys fees: land purchase & establishment
			L03	Conveyancing
			P01	Project management (50%)
			P02	Geo-technical investigation
			P03	Contour Survey
			P04	Land surveying and site pegging
			P05	Land survey examination fee
			P06	Town Planning
			P07	Civil Engineer: Services (20%)
P09	Social facilitation			
P10	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 R14 249.32 per site plus agreed category II variations, if applicable	P01	Project management (50%)
			P07	Civil Engineer: Services (80%)
			P08	Site supervision: Clerk of Works- civils
			S01	Water reticulation (incl. meter)
			S02	Sanitation reticulation
			S03	Roads
			S04	Storm Water
S05	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	Earthworks (provisional)
			H02	Concrete, formwork and reinforcement
			H03	Brickwork
			H04	Roof structure
			H05	Windows
			H06	Doors and frames
			H07	Finishing and paintwork
			H08	Plumbing and toilet
			H09	Labour for construction of house
			H10	P&G
			H11	Overheads
			H12	Profit

Note : The amount payable applies for all projects approved in the 2007/2008 financial year. This table is re-issued annually to reflect adjustments to amounts payable to projects approved each year due to subsidy escalation increases.