



## **KZN Housing**

**uMnyango:  
wezeZindlu  
ISIFUNDAZWE SAKWAZULU-NATAL**

# ***HOUSING POLICY COMMUNIQUE***

*Circular No. 1/2008  
Dated : 26 MAY 2008*

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Department of Housing, uMnyango wezeZindlu, Departement van Behuising

***Umuntu ngumuntu ngekhyaya – Houses, Security & Comfort***

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# ANNUAL ADJUSTMENT OF THE HOUSING SUBSIDY QUANTUM AND PROGRESS PAYMENT TRANCHEs

The National Department of Housing has confirmed that the new housing subsidy amount for the financing of the 40m<sup>2</sup> top structure is R43 506.00 for the 2008/9 financial year. It is confirmed that 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 detailed cost breakdown of the 40m<sup>2</sup> top structure is attached as annexure A. The final adjustment represents an increase of 11,6%. The table below illustrates the new subsidy amounts.

## The funding for the provision of municipal engineering services

As indicated above, with effect from 1 April 2007, the cost for the provision of internal municipal engineering services must be sourced from alternative 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 R17 847.00 per stand. The detailed breakdown for services is attached as annexure B.

## Progress Payment Tranches

**Please Note :** The KwaZulu-Natal Department of Housing, over the past three years, has altered the Tranche 1 and 2 breakdown to exclude items that are typically more likely to occur during Tranche 2 activities 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, excluding the following amounts for activities that take place as part of tranche 2:

• Safety Inspector (DoL)	R 54.34
• Environmental Control Officer	R 43.47
• Site Supervisor: Clerk of Works-civils	R181.27
• Project Management (50%)	R298.15
• Civil Engineer: Services (80%)	R572.46

**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.

- b) **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.
- c) 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).

In line with the increased subsidy quantum, effective from 1 April 2008, all tranche payments in respect of housing projects approved on or after the said date, should be calculated based on the following maximum payments:-

TRANCHE NUMBER	DETAILS OF MAXIMUM 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.

It is suggested that, in order to guard against advance payments being made for items that are likely to be delivered only in the second or third tranches, the methodology outlined in this section be used to determine the Provincial Tranche amounts, annually.

The resultant breakdown is attached as annexure C. The certification requirements are attached as annexure D.

### The Quantum applicable to different housing programmes

- Informal Settlement Upgrading Programme attached as annexure E.
- Blocked projects and current commitments attached as annexure F (however, please note the KZN variation of the breakdown reflected in annexure C, as the recommended breakdown).
- Emergency Housing Assistance Programme attached as annexure G.

The quantum for the Finance-linked Individual Subsidy Programme (FLISP) will be included together with the applicable policy in a future edition of the Housing Policy Communiqué.

### Subsidy Amounts for 2008/9

Individual and Project Linked Subsidies	Top Structure Funding only	Own Contribution	Product Price
R0 - R1 500	R43 506,00	None	R43 506,00
R1 501 - R3 500	R41 027,00	R2 479,00	R43 506,00
Indigent: Aged, Disabled and Health Stricken R0 - R3 500	R43 506,00	None	R43 506,00
<b>Institutional Subsidies</b>			
R0 - R3 500	R41 027,00	Institution must add Capital	At least R43 506,00
<b>Consolidation Subsidies</b>			
R0 - R1 500	R43 506,00	None	R43 506,00
R1 501 - R3 500	R41 027,00	R2 479,00	R43 506,00
Indigent: Aged, Disabled and Health Stricken R0 - R3 500	R43 506,00	None	R43 506,00
<b>Rural Subsidies</b>			
R0 - R3 500	R43 506,00	None	R43 506,00
People's Housing Process			
R0 - R3 500	R43 506,00	None	R43 506,00
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.			

## **Blocked Projects and Current Commitments**

The new subsidy amount mentioned above will not apply to existing projects with 30m<sup>2</sup> top structures approved prior to 1 April 2007. The subsidy amount of R43 374.00, inclusive of services must be used. A detailed cost breakdown is attached as Annexure D.

## **Variations of the subsidy amount**

The Variation Manual, implemented with effect from 1 April 2007 addresses all the development conditions in the country that might require special precautionary measures. It also specifies the precautionary measures applicable in each case and the cost thereof to facilitate accurate and streamlined decision-making processes. Furthermore, it provides for the enhancement of the houses to afford disabled persons the opportunity of independent living.

The increase in the quantum of the subsidy amount resulted in the need for an adjustment to the formula for the calculation of the variation of the subsidy amounts. The Department has enhanced the calculator accordingly for use during the 2008/9 financial year. The calculator is available electronically from the Product Development Directorate or your respective Regional Office of the KwaZulu-Natal Department of Housing.

All projects approved on or after 1 April 2007 will calculate the variation amount as contained in the Variation Manual however, existing projects approved prior to 1 April 2007 will still use the 15% variation allowance.

## NHBRC ENROLMENT

The National Home Builders Registration Council was established in terms of the Housing Consumer Protection Measures Act 95 of 1998. The Council is mainly established to protect the interest of housing consumers, and to regulate the home building industry. The Act has since been amended by the Housing Consumer Protection Measures Amendment Act, 17 of 2007 which includes among others, clarification on the scope of the Act to make provision for late enrolment and non-declared late enrolment, to enable owner builders to apply for exemption and to extend claims to include roof leaks. A copy of the Amendment Act is attached as annexure H.

At our Housing Policy Information Session in March 2008 with the National Home Builders Registration Council (NHBRC), it was emphasized that all subsidized housing projects must be enrolled with the NHBRC. Enrolment will be in 2 stages, the first is the Project Enrolment Stage and the second is the Home Enrolment Stage. A NHBRC Information Check List for the subsidy sector project enrolments is attached as annexure I.

All Home Builders must also be registered with the NHBRC and in the case of the subsidy sector, a Home Builder is the Provincial Housing Department or Municipality. A total registration fee of R1 450 is payable.

For further details on the NHBRC enrolment procedures you may consult the NHBRC website at [www.nhbrc.org.za](http://www.nhbrc.org.za) or contact the following offices:

Organisation	Contact Person	Address	Telephone No.
NHBRC KZN Office	Regional Manager: Mr G. Olckers	Office 502 The Marine Building 22 Gardiner Street Durban, 4001	031 374 8100
KZN Housing	Manager: Product Development: Mrs M. Milne	203 Church Street Pietermaritzburg  Private Bag X9152 Pietermaritzburg, 3200	033 392 6406
	Manager: Northern Region: Mr Z. Mbonane	Old Legislative Assembly Building King Dinuzulu Highway  Private Bag X02 Ulundi, 3838	035 874 2697
	Manager: Inland Region: Dr B. Shabane	199 Pietermaritz Street Pietermaritzburg  Private Bag X9045 Pietermaritzburg, 3200	033 845 2020
	Manager: Coastal Region: Mr E. Cele	Esplanade Government Building 2 Stanger Street Durban  Private Bag X54367 Durban, 4000	031 319 3602

## Annexure A

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

The 2008/2009 housing subsidy guideline amount		
	ITEM DESCRIPTION	AMOUNT
Construction Cost of a 40m <sup>2</sup> house	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 B**

<b>Detailed breakdown of the cost of a serviced stand</b>		
	<b>Item Description</b>	<b>Amount</b>
<b>1. The Serviced Stand Cost</b>	<b>Indirect Costs:</b>	
	Professional Fees:	
	Beneficiary Administration	R 203.76
	Safety inspector (DoL)	R 54.34
	Environmental Control Officer	R 43.47
	Pre-planning studies	R 290.71
	Project management	R 596.31
	Geo-technical Investigation	R 71.57
	Contour Survey	R 47.71
	Land surveying and site pegging	R 238.52
	Land survey examination fee	R 73.95
	Town Planning	R 321.99
	Civil Engineer: Services	R 715.57
	Site supervision: Clerk of Works- civils	R 181.27
	Social facilitation	R 238.53
	Legal Fees- Agreement	R 16.33
	<b>Sub Total: Indirect Costs</b>	<b>R 3,094.02</b>
	<b>Direct Cost:</b>	
	Water reticulation (incl. Meter)	R 3,673.25
	Sanitation reticulation	R 4,269.54
	Roads	R 2,742.99
	Storm Water	R 3,971.39
	Street lighting	R 95.40
	<b>Sub Total: Direct Cost</b>	<b>R 14,752.56</b>
	<b>Total cost of a serviced stand:</b>	
Sub Total: Indirect Costs	R 3,094.02	
Sub Total: Direct Cost	R 14,752.56	
Total	<b>R 17,846.58</b>	
<b>Total cost (rounded off)</b>	<b>R 17,847.00</b>	



Annexure C

**EXAMPLE FOR ILLUSTRATION OF TRANCHE CALCULATIONS**

KZN DEPARTMENT OF HOUSING		
The 2008/2009 housing subsidy for current commitments and blocked projects		
	Item Description	Amount
Serviced Stand Cost	<b>Indirect Costs:</b>	
	Professional Fees:	
	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>
Tranche 2		
	<b>Indirect Cost:</b>	
	<b>Safety inspector (DoL)</b>	<b>54.34</b>
	<b>Environmental Control Officer</b>	<b>43.47</b>
	<b>Site supervision: Clerk of Works- civils</b>	<b>181.27</b>
	<b>Project management (50% of amount set by National Department)</b>	<b>298.15</b>
	<b>Civil Engineer: Services (80% of amount set by National Department)</b>	<b>572.45</b>
	<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>	
Tranches 1 + 2	<b>Total cost of a serviced stand:</b>	
	Tranche 1	1,944.33
	Tranche 2	15,902.25
	Total	<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

#### The 2008/2009 housing subsidy guideline amount

	ITEM DESCRIPTION	AMOUNT
<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>	

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**)

## Annexure D

### KwaZulu-Natal Progress payment tranches from MEC to Developer effective from 1 April 2008

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
<b>#1</b> 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
<b>#2</b> 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
<b>#3</b> 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.				

## Annexure E

<b>Informal settlement upgrading programme: 2008/2009 grant amounts</b>	
<b>Phase 1</b>	
Survey, registration, participation, facilitation, dispute resolution etc	3% of project cost
Geotechnical investigation	73.19
Land acquisition	2,083.93
Pre-Planning	627.96
Interim engineering services	2,361.79
<b>Phases 2 and 3</b>	
Detailed town planning	329.32
land surveying and pegging	243.95
Contour survey	48.79
Land survey examination fee	75.62
Civil engineer's fee	731.83
Site supervision fees	185.38
Permanent engineering services provision	15,087.86
Project management	8% of total cost
<b>Relocation grants</b>	
Transportations and loading costs for people and household effects	312.59
Social service support including support for the registration of social benefits, school registration and other welfare support	236.18
Relocation food support to households	389.00
Maximum cost per household	937.77

**Annexure F**

**The 2008/2009 housing subsidy for current commitments and blocked projects**

	<b>Item Description</b>	<b>Amount</b>
<b>1. The Serviced Stand Cost</b>	<b>Indirect Costs:</b>	
	Professional Fees:	
	Beneficiary Administration	R 203.76
	Safety inspector (DoL)	R 54.34
	Environmental Control Officer	R 43.47
	Pre-planning studies	R 290.71
	Project management	R 596.31
	Geo-technical Investigation	R 71.57
	Contour Survey	R 47.71
	Land surveying and site pegging	R 238.52
	Land survey examination fee	R 73.95
	Town Planning	R 321.99
	Civil Engineer: Services	R 715.57
	Site supervision: Clerk of Works- civils	R 181.27
	Social facilitation	R 238.53
	Legal Fees- Agreement	R 16.33
	<b>Sub Total: Indirect Costs</b>	<b>R 3,094.02</b>
	<b>Direct Cost:</b>	
	Water reticulation (incl. Meter)	R 3,673.25
	Sanitation reticulation	R 4,269.54
	Roads	R 2,742.99
	Storm Water	R 3,971.39
	Street lighting	R 95.40
	<b>Sub Total: Direct Cost</b>	<b>R 14,752.56</b>
	<b>Total cost of a serviced stand:</b>	
Sub Total: Indirect Costs	R 3,094.02	
Sub Total: Direct Cost	R 14,752.56	
Total	<b>R 17,846.58</b>	
<b>Total cost (rounded off)</b>	<b>R 17,847.00</b>	
<b>2. Construction cost of 30m<sup>2</sup> House</b>	Earthworks (provisional)	R 1,518.04
	Concrete, Formwork and Reinforcement	R 2,043.07
	Brickwork	R 5,407.28
	Roofstructure	R 4,356.74
	Windows	R 1,846.98
	Doors and frames	R 1,216.80
	Finishing and Paintwork	R 761.68
	Plumbing and Toilet	R 1,141.38
	<b>Material</b>	<b>R 18,291.97</b>
	Labour	R 4,499.82
	<b>Sub Total</b>	<b>R 22,791.79</b>
	P&G	R 911.68
	Overheads	R 1,025.63
	Profit	R 797.72
	<b>Total</b>	<b>R 25,526.81</b>
	<b>Total cost (rounded off)</b>	<b>R 25,527.00</b>
	<b>Grand Total</b>	<b>R 43,374.00</b>

## Annexure G

<b>EMERGENCY ASSISTANCE PROGRAMME: 2008/2009 grant amounts</b>		
<b>TEMPORARY ASSISTANCE</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>1. Basic Municipal Engineering Services in respect of temporary assistance on a shared basis (Inc. VAT)</b>	<b>a) Indirect Costs:</b>	
	Beneficiary Administration	208.39
	Safety inspector (DoL)	55.58
	Environmental Control Officer	44.46
	Pre-planning studies	297.30
	Project Management 1	59.32
	Geo-technical Investigation (if applicable) [1]	16.68
	Contour Survey [2]	11.10
	Land surveying and site pegging [3]	55.62
	Land survey (Surveyor General) examination fee [4]	17.24
	Town Planning – (i) Layout	30.84
	(ii) Township establishment	44.24
	Environmental Impact Assessment	19.78
	Civil Engineer: Services design & Site supervision:	90.93
	Social facilitation	39.54
	Legal Fees (if applicable) (rental agreements) [5]	3.95
	Mediation & Conflict Resolution [6]	31.63
	<b>Sub-Total: Indirect Costs per stand</b>	<b>1,026.60</b>
	<b>b) Direct Cost:</b>	
	Water reticulation on shared basis	797.69
	Sanitation on shared basis	745.68
	Roads (Main access)	589.61
	Storm Water	208.10
	<b>Sub-Total: Direct Cost</b>	<b>2,341.08</b>
	<b>Total cost of a serviced stand: (portion of an ordinary stand shared between 5 units)</b>	
	<b>a) Sub-Total: Indirect Costs</b>	1,026.60
	<b>b) Sub-Total: Direct Cost</b>	2,341.08
	<b>TOTAL STAND COST:</b>	<b>3,367.68</b>
<b>TOTAL STAND COST (portion of an ordinary stand shared between 5 units) (rounded off):</b>	<b>3,368.00</b>	

**EMERGENCY ASSISTANCE PROGRAMME: 2008/2009 grant amounts**

<b>TEMPORARY ASSISTANCE</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>2. Construction Cost of 30m<sup>2</sup> temporary shelter (Inc. VAT).</b>	Roof sheeting / covering	4,200.08
	Side Cladding / Wall Cladding	6,917.46
	Columns and anchor bolts	4,101.23
	Column footings: Concrete bases for structure posts	986.72
	Rafters	1,902.34
	Purlins	2,469.41
	Door & Window posts and frames	1,654.37
	Side rails to support side cladding	2,025.47
	Flashings	593.08
	Door	1,526.04
	Window	1,475.75
	Flooring: Concrete	4,942.28
	Thermal improvement under roof	1,779.23
	<b>Sub-Total:</b>	<b>34,573.47</b>
	<b>TOTAL SHELTER COST</b>	<b>34,573.00</b>
<b>GRAND TOTAL PER GRANT</b>	<b>37,941.00</b>	
<b>REPAIR OF DAMAGED FORMAL PERMANENT HOUSING(EXCL. VAT)</b>		
	<b>Amount</b>	
<b>Existing services</b>	Repair of services to National Norms and Standards	17,847.00
<b>Existing houses</b>	Repair of existing formal structure according to National Norms and Standards	25,527.00
	<b>GRAND TOTAL PER GRANT</b>	<b>43,374.00</b>

# **Annexure H**

## **Housing Consumer Protection Measures Amendment Act, 17 of 2007**



# **Annexure I**

## **NHBRC Subsidy Sector Information Check List**