



KZN Housing

uMnyango:
wezeZindlu
ISIFUNDAZWE SAKWAZULU-NATAL

SUBMISSION

TO	HEAD OF DEPARTMENT
ATTENTION	THE CHAIRPERSON: HEAC
DATE	26 TH JULY 2007
ENQUIRIES	PRODUCT DEVELOPMENT REF:1/P
SUBJECT	ADJUSTMENT OF THE QUANTUM OF PROGRESS PAYMENT TRANCHEs FOR THE CURRENT 30M² TOP STRUCTURE AND THE NEW 40M² TOP STRUCTURE

1. PURPOSE

To seek the approval of the MEC for Local Government, Housing and Traditional Affairs for the adjustment of the Quantum of the Progress Payment Tranches for the financial year 2007/8.

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 On 12th October 2004, a Provincial cost norm for tranche 1 payments for rural housing projects was approved consistent with progress payment tranches of urban projects as contained in Part 3, Chapter 3A of the National Housing Code.
- 2.5 The National Department of Housing has provided 2 quantums for the financial year 2007/8.
 - The first is for new projects which must provide 40 square metre top-structures and the financing of services is an option of last resort. A maximum amount of R15 992.00 may be approved per stand for services.
 - The second is for blocked projects or current commitments based on a 30 square metre top-structure and include financing for services. A maximum amount of R15 992.00 is allocated for services.

- 2.6 The Progress Payment tranches for Tranche 1 and 2 will therefore amount to the same figure for both the 30m² and 40m² top structures.
- 2.7 The maximum amounts payable per tranche as approved by the MEC for the financial year 2006/7, are:-

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. MOTIVATION

- 3.1 In view of the above and in line with the increased subsidy quantum, effective from the 1st 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 NO.	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.

- 3.2 The tranche amounts for 2007/8 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 (professional fees) as reflected in the detailed cost breakdown of the subsidy as provided by the National Department of Housing (attached as Annexure A), 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
- 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 the abovementioned amounts.
- c) Tranche 3 consists of the outstanding balance of the subsidy being R22 873.48, which is the total construction cost of a 30m² house and R38 984.00 for a 40m² house.
- d) Tranche 1 amounts to R1 742.24, Tranche 2 amounts to R14 249.32. The total cost is R15 991.56, which does not exceed the total cost of a serviced stand being R15 991.56 (R15 992.00 rounded off).

4. FINANCIAL IMPLICATIONS

The tranche amounts are consistent with the maximum subsidy amount for the 2007/8 financial year.

5. RECOMMENDATION THAT:

5.1 The adjustment of the quantum of the progress payment tranches as reflected in Annexure B be approved for implementation retrospectively with effect from 1st April 2007.

5.3 All tranche payments in respect of housing projects approved on or after the 1st April 2007, must be calculated based on the following maximum payments:-

TRANCHE NO.	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.

5.4 The tranche 1 payment for rural housing projects approved on or after the 1st 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.

SUBMITTED

MR P. WOOLF
ACTING MANAGER:
PRODUCT DEVELOPMENT

DATE

RECOMMENDED/NOT RECOMMENDED/RECOMMENDED AS AMENDED

THE CHAIRPERSON: KZN HEAC

DATE

APPROVED/APPROVED AS AMENDED/NOT APPROVED

MR M. MABUYAKHULU
MEC FOR LOCAL GOVERNMENT,
HOUSING AND TRADITIONAL AFFAIRS

DATE

Annexure A

The 2007/2008 housing subsidy for current commitments and blocked projects		
	Item Description	Amount
1. The Serviced Stand Cost	Indirect Costs:	
	Professional Fees:	
	Beneficiary Administration	R 182.58
	Safety inspector (DoL)	R 48.69
	Environmental Control Officer	R 38.95
	Pre-planning studies	R 260.49
	Project management	R 534.33
	Geo-technical Investigation	R 64.13
	Contour Survey	R 42.75
	Land surveying and site pegging	R 213.73
	Land survey examination fee	R 66.26
	Town Planning	R 288.52
	Civil Engineer: Services	R 641.19
	Site supervision: Clerk of Works- civils	R 162.43
	Social facilitation	R 213.74
	Legal Fees- Agreement	R 14.63
	Sub Total: Indirect Costs	R 2,772.42
	Direct Cost:	
	Water reticulation (incl. Meter)	R 3,291.44
	Sanitation reticulation	R 3,825.75
	Roads	R 2,457.88
	Storm Water	R 3,558.59
	Street lighting	R 85.48
	Sub Total: Direct Cost	R 13,219.14
	Total cost of a serviced stand:	
	Sub Total: Indirect Costs	R 2,772.42
Sub Total: Direct Cost	R 13,219.14	
Total	R 15,991.56	
Total cost (rounded off)	R 15,992	
2. Construction cost of 30m² House	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
	Material	R 16,390.65
	Labour	R 4,032.10
	Sub Total	R 20,422.75
	P&G	R 816.92
	Overheads	R 919.02
	Profit	R 714.80
	Total	R 22,873.48
	Total cost (rounded off)	R 22,873
	Grand Total	R 38,865

Detailed Breakdown of the New 40 Square Metre House

The 2007/2008 housing subsidy guideline amount		
	ITEM DESCRIPTION	AMOUNT
Construction Cost of a 40m² house	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
	Material	25,694.86
	Labour	6,942.52
	Sub Total	32,637.38
	P & G	3,543.99
	Overheads	1,494.68
	Profit	1,307.84
	Total	38,983.89
	Total Const. Cost (Rounded Off)	38,984.00

ANNEXURE 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 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 R14 249.32 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 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.				