



KZN Human Settlements

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Kwabantu

ISIFUNDAZWE SAKWAZULU-NATALI

ENHANCED MATERIAL SUPPLY POLICY

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INDEX

Acronyms	1
1. Purpose	2
2. Background	2
3. Policy guidelines	3
3.1. Accessing the material supply/ voucher system programme	3
3.2. Inspection of structures	5
4. Key considerations	8
4.1. NHBRC	8
4.2. Plans & Bill of quantities	8
4.3. Expiry of vouchers	8
5. Monitoring and evaluation	9

FIGURES

Figure 1 (Flow chart of the Material Supply process)	7
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ACRONYMS

Home Builders Registration Council	NHBRC
Department of Human Settlements	DoHS
Housing Evaluation Assessment Committee	HEAC
South African National Standard	SANS
Enhanced People's Housing Process	EPHP

1. Purpose

The purpose of the policy is to make provision for material supply through the voucher system, for application where qualifying beneficiaries (individuals or small groups) wish to receive materials on a case by case basis.

It excludes generic approaches where EPHP will be applicable, i.e. where an entire community engage in community build or owner build projects.

Settings covered by the policy include cases where:

- Beneficiaries have partial substantial structures within a project,
- Cases where there is a need for alterations and/or enhancements,
- Emergency situations,
- Individuals opting for material supply.

The cases that require such intervention within a project should be identified in the socio-economic survey and form part of the initial submission tabled for discussion and the approval of such will be subject to MEC's discretion. It is to be noted that no funds will be paid to individuals retrospectively, (i.e. where they have built their own structures of their own cost). This is in keeping with government's policy to prioritise the most needy, given its resource constraints.

2. Background

The need to have an effective, efficient control mechanism in the distribution of material supply has necessitated that the Department find the best option or instrument that will assist to achieve the above. Past experiences have shown that there has been mismanagement of the funds by different role players, i.e. municipalities, officials and abuse of the system by the public. This is not acceptable therefore there is a need to implement strong corrective measures.

A document on the confirmation of policy and procedure for material supply was developed in year 2000 on indication by developers that beneficiaries in Project Linked and institutional Subsidies requested to receive building materials instead of a completed top structure.

A review of the material supply policy was undertaken in June 2010. The findings of the review indicated that material supply has taken on a new concept as it is now commonly used in the form of voucher system by the Project Management component in emergency situations. To facilitate the voucher system, the Project Management component uses guidelines for the voucher system that were approved in 2005. Responses received during the policy review established that the material supply policy needs to be enhanced by aligning it with the National policy on the individual rural voucher system (Policy under review) and also incorporating best practices from the 2005 project management's guidelines for the voucher system.

3. Policy guidelines

The material supply system will be facilitated by an entity appointed by the department to manage and administer the application of this programme; the entity may be a developer, or Implementing Agent or the municipality.

Monies will be released by the department to the agent in phases to be stipulated in the agreement with clear milestones hence the agent will work closely with the department, municipality and the beneficiaries.

The programme aims at addressing housing needs of beneficiaries in cases where beneficiaries have partial substantial structures; cases where there is a need for alterations and/or enhancements, also allows for flexibility in in-situ upgrades and makes provision for emergency situations.

The prescribed Department of Human Settlements (DoHS) qualification criteria will be applicable in determining who is to be assisted.

The material supply mechanism is intended for specific scenarios where the need exists for material supply to qualifying beneficiaries who have constructed sound units which need to be enhanced or repaired.

3.1. Accessing the material supply option

Where a beneficiary wishes for material supply option with respect to partial structures, enhancements or additions and emergency situations the request must be in writing and he/she must accept and/or agree that the original unit must be inspected and verified as structurally sound in order to gain consideration. The department will be unable to assist if this is not done due to safety concerns and sound financial management.

The following procedure would be applicable (Refer to page 7; figure 1):

- 3.1.1. The municipality (through the relevant region) will submit the application on behalf of the beneficiary. Full particulars of beneficiaries must form part of the application.
- 3.1.2. Once the application has been approved by the department, the agent should then be appointed in compliance with Supply Chain Management prescripts, unless the role can be undertaken by the developer or implementing agent for an approved project.
- 3.1.3. Agents must be encouraged to prioritize local material suppliers in acquisition of materials in support to empowerment programmes such as emerging contractor strategy, provided they have capacity to supply materials stipulated in the bill of quantities and of the standards required by the Department. Such bill of quantities must be based on a plan approved by the municipality and/or NHBRC in case of new builds. Where alterations are done, proposed drawings are to be submitted and approved by the building inspectorates.

- 3.1.4. The agreement between the agent and supplier must clearly state that the supplier will deliver the goods to the beneficiary's residence in the presence of the beneficiary. This is to ensure that what was ordered reflects what is supplied. All materials must be SANS approved and buildings must comply with the Department's minimum norms and standards to ensure safety & compliance.
- 3.1.5. On approval of the material supplier, the representative of the agent, beneficiary and an inspector (departmental & municipal) will draw a list of materials required from the bill of quantities; vouchers will then be prepared by the agent.

The agent will forward vouchers to beneficiaries on face to face basis. Identification must be verified on collection of the voucher. The Voucher will contain the following information, to ensure that it is accessed by the correct person for usage as agreed upon:

- Name of supplier
 - Name of Project
 - Particulars of the beneficiary (full names, identity number and Address including ward)
 - Name of municipality and address
 - Clearly state materials required for the applicable phase of construction (the supplier will refer to the list of approved materials supplied to them)
 - Amount / cost of material.
 - Date of issue and expiry date of voucher.
 - A set of conditions are applicable and must be adhered to at all phases of the project :
 - *It can only be used for material supply;
 - *Not transferable; and
 - *Not exchangeable for cash.
- 3.1.6. After the vouchers have been issued, beneficiaries will then present them to the appointed material supplier. The vouchers will be issued against milestones and suppliers would be paid as invoices are raised against vouchers hence no monies will be expected from beneficiaries during the acquisition of materials.
 - 3.1.7. The agent, municipality and the beneficiary will verify the material on delivery, using the delivery note from the supplier and the copy of the order form. The agent will then certify this and give a copy of the verified delivery note to the supplier in order for them to submit their claim to the agent. No monies will be advanced to suppliers prior to the deliver notes being signed by the agent and/or the beneficiary.

3.2. Alterations, improvements or repairs.

- 3.2.1. In cases where sites have been identified within the development where substantial block/brick structures have been built to various levels of completion. Material equivalent to work that still needs to be done will

then issued to enable beneficiaries to complete their structures provided that they meet qualifying criteria and have been on the municipal waiting list. The material issued will not exceed the subsidy amount. This will also be applicable to cases where extensions and/or enhancements are required.

- 3.2.2. As stipulated in 3.1.6., the departmental & municipal inspectorate division and agent will assist the beneficiary in choosing materials applicable to them from the Bill of quantities and using approved plans to guide the beneficiaries where applicable.
- 3.2.3. In such cases inspections by the departmental & municipal inspectorate divisions will be conducted on these houses to ensure that the structures are of acceptable standards and that the material selected is applicable for the completion of that structure.
- 3.1.5. The progress payment system will comprise of five milestone payments. The payments will be done on progressive, EPHP payment milestones will be adopted in this regard, accommodating the needs for each individual.

3.3. Milestone payments

- 3.3.1. The drawdowns are on cost to complete basis in order to enable the agent to preserve sufficient subsidy funds to complete the project in the event of owner-builder failure. No funds will be advanced to owner-builder for work not completed in the previous phase of the construction of the house. Service providers will be paid on behalf of the beneficiaries for services rendered on a progress payment system. The following progress payment system will be applicable to new builds:

Pre-progress payment 1	Slab down – completion of foundation	15% of the total subsidy amount
Progress Payment 2	External and internal brick work completed	20% of the total subsidy amount
Progress Payment 3	Frame up – completion of frames, doors, trusses and roof structure	25% of the total subsidy amount
Progress Payment 4	Lock up stage – plumbing, tiling, finishing, painting and external site work completed	20% of the total subsidy amount
Progress Payment 5	Practical completion – issuance of certificate of occupancy	20% of the total subsidy amount

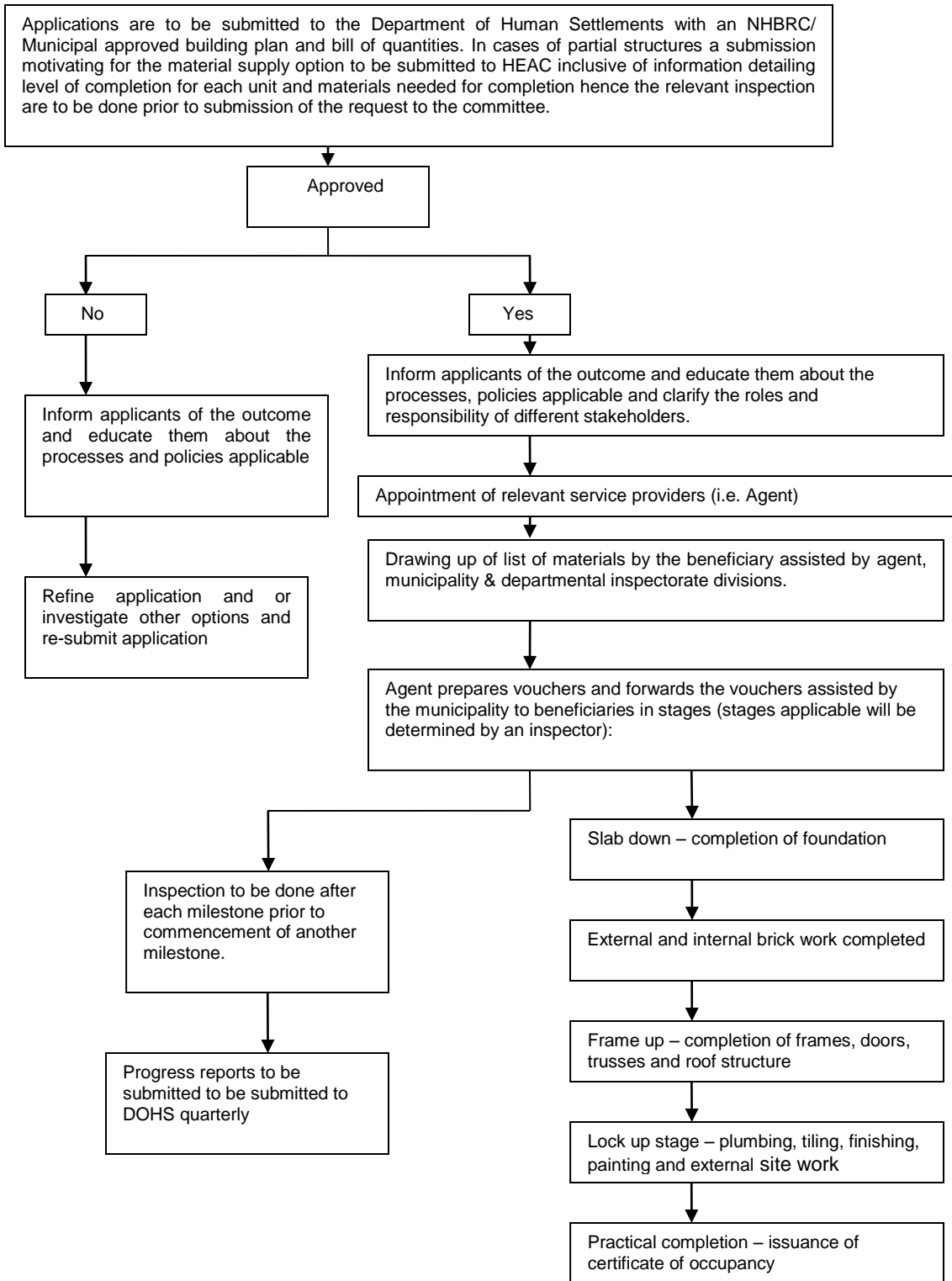
The above includes any subcontracted labour costs by the owner builder. The programme allows for adjustment of the subsidy amount in terms extraordinary development conditions and the disability variation amount.

- 3.3.2. Before the next quantity of material can be claimed by the beneficiary, building inspectors from DoHS & municipality must check and reach consensus whether the work done at the previous milestone is structurally sound. The departmental inspector must then submit a report detailing the findings on all houses that were inspected and make

recommendations regarding progressing to the next milestone. In instances where the work is not structurally sound or of the required quality, the work must be rectified immediately before further vouchers are released or building progresses to the next phase. Proof of rectification work must be submitted by the inspector.

- 3.3.3. In in-situ upgrade, repairs or alteration cases payments for work done and materials used will be facilitated as certified by DoHS inspectorate team. This will be based on work completed, as defined in terms of the plans and bill of quantities.

Figure 1 above shows the process of material supply:



*it must be noted that in certain the municipality and/or the department will take over the role of the agent or may appoint a service provider to manage the project, this will be determined on case by case basis depending on the number of the units applicable and other circumstances as maybe stated in the submission.

4. Key consideration

4.1. National Home Builders Registration Council (NHBRC)

To ensure quality NHBRC must be taken into account where applicable:

- As adopted from the National EPHP document, the programme recognizes the risk of no involvement of the NHBRC to government, but also recognizes that it needs to allow for community initiatives and participation in the process. The programme therefore requires enrollment of projects with the NHBRC to foundation and slab level in terms of new structures.
- NHBRC approved plans and specifications are available to guide beneficiaries.

4.2. Plan and Bill of Quantities

Prior to house construction it is fundamental that the agent educates the beneficiaries in terms of what quantities of each material and or tools are required and how much it will cost. Basically beneficiaries must have an idea of how much money will be spent and how it will be spent this must be provided to ensure access to information and transparency in accordance with the law. Hence a plan and bill of quantities should be provided to beneficiaries prior to construction or improvement of the existing house. The Bill of Quantities should also be the core document used by selected suppliers throughout.

4.3. Expiry of the Vouchers

The recipient of the voucher system must utilize the material provided within 36 months from the first date of approval of the subsidy. Failure to comply with this clause will result to automatic cancellation of the subsidy (voucher).

A letter of cancellation will be issued by the department to the beneficiary after an expiry of 36 months if the construction has not yet been completed.

5. Monitoring and evaluation

Product Development Component will undertake policy review to ensure that challenges and risks are addressed and developments at National level are considered.

The Monitoring & Evaluation Component will undertake the monitoring and evaluation of the programme. The following indicators are therefore proposed:

- a) Number of submissions tabled for approval of projects that allow for the material supply programme.
- b) A percentage of beneficiaries who have been approved for the material supply programme in a financial year.
- c) Number of beneficiaries who have been assisted in emergency situations using the material supply system in a financial year.
- d) Number of vouchers issued to beneficiaries in a financial year.

- e) Number of vouchers that have been used in two years.
- f) Number of vouchers that have not been used in two years.
- g) Number of foundations erected in the second year of issue of vouchers.
- h) Number of internal and external brick wall erected in the third year of issue.
- i) Number of units inspected in the fourth year of issue.
- j) Number of completed units using the system in five years.