

# The National Housing Code

## INCREMENTAL INTERVENTIONS

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### Consolidation Subsidies

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Emergency Housing Programme

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Integrated Residential Development Programme

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Enhanced People's Housing Process

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Upgrading Informal Settlement

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Subsidy Quantum - Incremental Interventions

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Volume 4

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**ACRONYMS**

Community Based Organisation	CBO
Community Based Partner	CBP
Integrated Development Plan	IDP
Integrated Residential Developments Programme	IRDP
Land Restitution Programme	LRP
Member of Executive Council	MEC
Medium Term Expenditure Framework	MTEF
National Home Builders Registration Council	NHBRC
National Department of Human Settlements	ND
Provincial Department responsible for human settlement	PD
South African Revenue Service	SARS
Value Added Tax	VAT



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## Consolidation Subsidy Programme

### **PART A Consolidation Subsidy Programme**

#### **1 Overview**

#### 2 Policy Prescripts and Provisions

### **PART B Guidelines for Implementation**

#### 3 Nature of Guidelines

#### 4 How to Apply for Project Linked Consolidation Subsidies

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## **PART A: CONSOLIDATION SUBSIDY PROGRAMME**

### **1 OVERVIEW**

Consolidation subsidies are available to beneficiaries of previous government housing assistance schemes who received serviced stands in ownership. Beneficiaries of such stands may apply for further assistance to construct a house on their stands or to upgrade/complete their houses they have constructed from their own resources.

The Consolidation Subsidy will in most cases provide a subsidy amount equal to the subsidy in respect of the construction of a top structure only. However in certain cases, where the municipal engineering services that were provided through the previous housing assistance programme do not comply to the minimum standards, indicated in the programme, or where such services are required to be replaced for whatever reason, the subsidy could also include funding for the services component.



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## **2 POLICY PRESCRIPTS AND PROVISIONS**

This subsidy is used for the development of a house or top structure on an already purchased and serviced stand.

### **2.1 POLICY INTENT**

The main objective of the Programme is to create an equitable housing dispensation for beneficiaries of government financed housing assistance programmes.

The programmes provide access to government's housing subsidy programme for the building of top structures on serviced stands, transferred to beneficiaries in ownership.

It is also the intent to assist all the beneficiaries of the programme in the most efficient way and through an accelerated process. It is of the utmost importance that the PDs actively market the programme and take the necessary initiatives to expedite the conclusion of the Programme in their respective provinces.

The MEC will have discretion to announce a date upon which the programme will terminate in a specific province.

### **2.2 PROGRAMME PRINCIPLES**

The Consolidation Subsidy incorporates the following principles:

- a) It is available to a beneficiary who has already received assistance through the provision and transfer of ownership of a serviced site under a previous government financed housing assistance scheme;
- b) The programme provides for project based schemes as well as individual subsidies. Project based consolidation subsidies require the establishment of a Community Based Organisation (CBO) representing the beneficiaries that will benefit from the project;
- c) The role of the developer will be fulfilled by the municipality or in cases where the municipality is unable to fulfil this role, by the PD. The developer is responsible for the implementation of the consolidation project through the conclusion of a written agreement with the CBO;
- d) A project application must be in writing and identify the beneficiary community and its housing need. The application must propose a consolidation project that will meet such needs;

- e) Applications are to be submitted to the MEC and be certified by both the CBO and the developer;
- f) A beneficiary community may make fully motivated applications to the MEC for specific advice and assistance in preparation of a project application;
- g) The serviced stands must comply with the minimum norms and standards provided in the programme;
- h) The subsidy funding provided through this Programme may only be utilised to acquire housing goods and services and the subsidy funding provided may be used to:
  - i) Upgrade/replace municipal engineering services where required;
  - ii) To construct a new dwelling;
  - iii) To upgrade an existing dwelling; and/or
  - iv) To complete an incomplete house.

All interfaces between the organ of state, the developer, and the suppliers of housing goods and services must be administered in terms of the provisions of the Constitution of the Republic of South Africa, 1996, the Public Finance Management Act, 1999 (Act No 1 of 1999), the Municipal Finance Management Act, 2003 (Act No 56 of 2003), and the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000). Such process must at least be fair, transparent and equitable.

### 2.3 APPLICATION OF PROGRAMME

**Serviced site:** The stand to which the subsidy will be applied must previously have been serviced utilising public funds. The stands must furthermore be serviced to the following minimum level of engineering services:

- i) a piped water supply with at least one stand pipe per 25 (twenty five) households;
- ii) a properly functioning sanitation system for each household; and
- iii) a suitable access to each property and a storm water drainage system.

Where the stands do not comply with the above-mentioned standards, funding for the upgrading of the service levels must be obtained from resources other than the housing allocation. Where no alternative funding is available, the MEC may, as an option of last resort, allocate funding from the annual provincial housing funding

allocation equal to the level prescribed by the Minister as annually announced by the ND.

**Norms and standards:** All dwellings constructed under this programme must conform to the National Norms and Standards as found in the **Technical Guidelines**.

**Subsidy use:** The Consolidation Subsidy may only be used by the beneficiary for housing purposes in respect of the particular property for which it is allocated. This includes construction, completion or the upgrading of a top structure, or the purchase of building materials for that purpose. The Consolidation Subsidy may also be used as part equity for the purpose of raising loan finance for the provision or upgrading of a top structure.

## 2.4 WHO WILL BE ASSISTED?

The Programme provides benefits to beneficiaries of vacant serviced residential properties who satisfy the following criteria:

- a) **Competent to contract:** He or she is legally competent to contract
- b) **Ownership of state financed residential property:** Consolidation subsidies are only available to existing owners of state financed vacant service stands. Neither the beneficiary nor his or her spouse may own any other property.

In addition to the above requirements, any applicant must also satisfy the following general criteria:

- c) **Monthly household income:** Gross monthly household income must not exceed the maximum income limit as approved by the Minister from time to time. A prospective beneficiary will be required to submit adequate proof of income, and, in the case of income received through self-employment, must sign an affidavit stating the amount earned.

For the purposes of assessing whether any particular person is entitled to receive a housing subsidy, the income of his or her spouse (if any) shall be added to that person's income, and "income" shall include:

- i) Basic salary and/or wages;
- ii) Any allowances paid on a regular, monthly or seasonal basis as part of an employment contract;

- iii) Any loan interest subsidy, or other remuneration payable regularly on a monthly basis to the individual (and/or to his or her spouse) by his or her employer;
- iv) Any financial obligations met on behalf of the individual (or his or her spouse) by his or her employer on a regular monthly basis;
- v) Any commission payable to the individual (and/or to his or her spouse) on a monthly basis [an average of the most recent 12 (twelve) months will be determined for eligibility assessment purposes];
- vi) Income received through self employment; and
- vii) Any retirement or disability benefits received on a regular (monthly) basis.

**d) Persons classified as aged:** Aged persons who are single without financial dependants may also apply for subsidisation. Aged persons can be classified as male and female persons who have attained the minimum age set to qualify for Government's old age social grant.

**e) Persons classified as disabled:** Persons who are classified as disabled, whether single, married or co-habiting or single with financial dependants, may apply for housing subsidies. In addition the MEC may in his/her discretion decide to award the beneficiary the variation of the subsidy.

Furthermore, if a person who has already received state funding for housing and/or who already owns or owned a residential property, is or becomes disabled, or if his or her dependent(s) is/are or become disabled and that person satisfies the other qualification criteria, the MEC may at his/her discretion decide to award the beneficiary the variation of the subsidy.

The variation of the subsidy amount for purposes of improvements to the dwellings for disable persons is contained in the Variation Manual, included in the Technical and General Guidelines of the National Housing Code.

## 2.5 WHAT WILL THE SUBSIDY BUY?

The subsidy amount shall be used to cover costs to deliver the agreed housing product. These costs may include, where applicable:

- i) The costs pertaining to the facilitation assistance to compile a project application;
- ii) The costs pertaining to the registration of the beneficiary for subsidy purposes;

- iii) The project management and technical advice costs;
- iv) Completion or upgrading of a house;
- v) The payment for the administration at project level; and
- vi) The cost for the upgrading and/or replacement of municipal engineering services.

The subsidy amount awarded to a qualifying beneficiary must as far as possible be utilised to achieve compliance with the prevailing National Norms and Standards in respect of Permanent Residential Structures. Where the beneficiary is to enhance an existing structure or completed an existing incomplete structure this principle must be applied in a flexible manner. However, where the beneficiary is to construct a new house on the property such a new house must at least comply with the minimum standards as described in the prevailing National Norms and Standards in respect of Permanent Residential Structures.

## **2.6 PROJECT IDENTIFICATION AND PROCUREMENT PROCESS**

Municipalities will as part of the development of Housing Chapters of their IDP's, identify a variety of housing needs of the communities in its area of jurisdiction. The housing needs so identified will then be prioritised and in terms of the request by the MEC to table development priorities, the municipality will submit its priority housing development needs to the MEC.

As soon as confirmation is received of the reservation of funding for the various housing development priorities, the municipality will commence with its detailed planning and project application compilation process.

## **2.7 COMMUNITY PARTICIPATION**

Project Linked Consolidation subsidies require a process of community participation through representation in the decision making processes of the project by representatives of the beneficiaries. Where appropriate, participation processes should include stakeholders such as a neighbouring community where decisions have to be taken over issues that affect this community and to involve business and municipality in the housing process, where they can be of assistance. The process of establishing community participation and the relationship between the developer and the beneficiary community needs to be inclusive and of a democratic nature so that the interests of the majority of beneficiaries are truly represented. Prospective beneficiaries within the area should not be unjustly excluded. However, persons should be free not to participate in the project if they so choose.

## 2.8 CHOICE

The consolidation process requires sufficient choice to be awarded to beneficiaries regarding the various housing options. This includes the use of the subsidy for the purchase of building materials, the construction of starter house units, the purchase of completed top structures, the extension of top structures, or a building operation which includes:

- i) Ownership projects through the EPHP;
- ii) Housing built by emerging building contractors;
- iii) The provision of contractible housing units; and
- iv) The provision of alternative technology housing units (non standard building materials and methods).

## 2.9 FUNDING ARRANGEMENTS

### 2.9.1 SUBSIDY AMOUNT

The Director-General of the National Department will annually announce the various housing subsidy amounts and the amounts for the variation of the project costs to cater for special development requirements.

### 2.9.2 SUBSIDY PAYMENT

Payment of subsidies will be made by the MEC to the developer as and when specified milestones are achieved. The MEC may agree with the developer to make advance payments to it to ensure that the municipality does not experience adverse cash flow problems.

A project database needs to be set up giving the details of the potential and registered beneficiaries and the status of payments made into and out of the account on their behalf. Payments will only be made into the account once the developer has been established as a legal entity and once the particular beneficiary has been approved by the MEC and has been registered on the national database and title has been registered in the name of the beneficiary.

## 2.10 INSTITUTIONAL ARRANGEMENTS

### The MEC:

- a) Receives and judges applications for consolidation subsidies;
- b) May in specific circumstances and at his/her discretion grant exceptions to the eligibility criteria to beneficiaries applying for a consolidation subsidies;

- c) At his/her discretion may agree to render assistance to a beneficiary community upon submission of a motivated proposal;
- d) Will give such assistance and/or make available such resources or pay such fees and compensation for essential expenditure as may be agreed upon subject to such strict budgetary and financial control as is normally applicable to the appointment of professional consultants;
- e) Enters into an agreement with the developer upon approval of the application;
- f) Must approve the certificate of completion to be signed by an agent certifying that construction has been satisfactorily completed or delivery satisfactorily effected in accordance with the requirements of the agreement; and
- g) Pays subsidies into the account of the developer upon the achievement of specified milestones.

#### **Responsibilities of the Municipality/Developer**

- a) The developer role will be fulfilled by the Municipality;
- b) The developer is responsible for the overall implementation of the project;
- c) The developer administers subsidy payments;
- d) The developer enters into stakeholder negotiations to reach an agreement in order for the MEC to sign the subsidy agreement;
- e) The developer identifies the beneficiary community in order for properties to be registered in their names;
- f) The developer attends to the completion and submission of the application forms; and
- g) The developer provides the MEC with proof of site ownership.

### **2.11 HOUSING SUBSIDY SYSTEM**

All approved projects under this Programme must be administered through the Housing Subsidy System and no parallel systems will be allowed.

All approved Housing Subsidy Scheme beneficiaries must be recorded on the National Housing Subsidy Database (NHSDB).



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## **PART B: GUIDELINES FOR IMPLEMENTATION**

### **3 NATURE OF GUIDELINES**

This section provides suggestions on how to implement projects under the Programme, and therefore is non-prescriptive in nature. The MEC has discretion in the application of these Guidelines.

It is, however, important to note that the contents of the Guidelines are based on the statutory provisions applicable to all spheres of government. The key legislation includes:

- The Constitution of the Republic of South Africa, 1996;
- The Public Finance Management Act, 1999 (Act No. 1 of 1999);
- The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003); and
- The Housing Act, 1997 (Act No. 107 of 1997).

In considering the application of the Guidelines for the Implementation of the Programme, consideration should be given to the implications of any deviations, measured against the provisions of the relevant legislative provisions.

The Constitution, 1996 obliges the three spheres of government to fulfil the obligations imposed by it, and to apply national and provincial legislation enacted in terms of the Constitution, 1996 (sections 85(2), 125(2) and 151 (3)). In the implementation of this programme, all office bearers and officials must ensure compliance with this statutory framework.

#### **3.1 IMPORTANT CONSIDERATIONS**

This section details the subsidy amount and VAT.

##### **3.1.1 SUBSIDY AMOUNT**

The Director-General of the National Department will annually announce the various housing subsidy amounts and the amounts for the variation of the project costs to cater for special development requirements.

##### **3.1.2 ZERO RATING OF HOUSING SUBSIDIES FOR VAT**

In terms of a ruling by the former Commissioner of Inland Revenue, housing subsidies fall within the definition of “transfer payments” as contemplated in the

Value Added Tax Act, 1991 (Act No. 22 of 1991) and is subject to VAT at a rate of zero percent (0%).

### 3.2 WHO WILL BE ASSISTED?

The Programme provides benefits to beneficiaries of vacant serviced residential properties who satisfy the following criteria:

- a) Competent to contract:** He or she is legally competent to contract
- b) Ownership of state financed residential property:** Consolidation subsidies are only available to existing owners of state financed vacant service stands. Neither the beneficiary nor his or her spouse may own any other property.

**In addition to the above requirements, any applicant must also satisfy the following general criteria, as linked to the benefits of the Programme:**

- c) Monthly household income:** Gross monthly household income must not exceed  
must not exceed the maximum income limit as approved by the Minister from time to time.
- d) Persons classified as aged:** Aged persons who are single without financial dependants may also apply for subsidisation. Aged persons can be classified as male and female persons who have attained the minimum age set to qualify for Government's old age social grant.

A prospective beneficiary will be required to submit adequate proof of income, and, in the case of income received through self-employment, must sign an affidavit stating the amount earned.

For the purposes of assessing whether any particular person is entitled to receive a housing subsidy, the income of his or her spouse (if any) shall be added to that person's income, and "income" shall include:

- i) Basic salary and/or wages;
- ii) Any allowances paid on a regular, monthly or seasonal basis as part of an employment contract;
- iii) Any loan interest subsidy, or other remuneration payable regularly on a monthly basis to the individual (and/or to his or her spouse) by his or her employer;
- iv) Any financial obligations met on behalf of the individual (or his or her spouse) by his or her employer on a regular monthly basis;

- v) Any commission payable to the individual (and/or to his or her spouse) on a monthly basis (an average of the most recent 12 (twelve) months will be determined for eligibility assessment purposes);
- vi) Income received through self employment; and
- vii) Any retirement or disability benefits received on a regular (monthly) basis.

### **3.3 WHAT WILL THE SUBSIDY BUY?**

The subsidy amount shall be used to cover costs for obtaining the grant of Consolidation Subsidy, and the costs to deliver the agreed housing product. These costs may include, where applicable:

- i) The costs pertaining to the facilitation assistance to compile a project application;
- ii) The costs pertaining to the registration of the beneficiary for subsidy purposes;
- iii) The project management and technical advice costs;
- iv) Completion or upgrading of a house;
- v) The payment for the administration at project level; and
- vi) The cost for the upgrading and/or replacement of municipal engineering services.

### **3.4 PROJECT IDENTIFICATION AND PROCUREMENT PROCESS**

Municipalities will, as part of the development of Housing Chapters of their IDP's, identify a variety of housing needs of the communities in its area of jurisdiction. The housing needs so identified will then be prioritised and in terms of the request by the MEC to table development priorities, the municipality will submit its priority housing development needs to the MEC.

As soon as confirmation is received of the reservation of funding for the various housing development priorities, the municipality will commence with its detailed planning and project application compilation process.

### **3.5 COMMUNITY PARTICIPATION**

Project Linked Consolidation subsidies require a process of community participation through representation in the decision making processes of the project by representatives of the beneficiaries. Where appropriate, participation processes should include stakeholders such as this community where decisions have to be taken over issues that affect such neighbouring community and to involve business and municipality in the housing process, where they can be of assistance. The

process of establishing community participation and the relationship between the developer and the beneficiary community needs to be inclusive and of a democratic nature so that the interests of the majority of beneficiaries are truly represented.

Prospective beneficiaries within the area should not be unjustly excluded. However, persons should be free not to participate in the project if they so choose.

### **3.6 CHOICE**

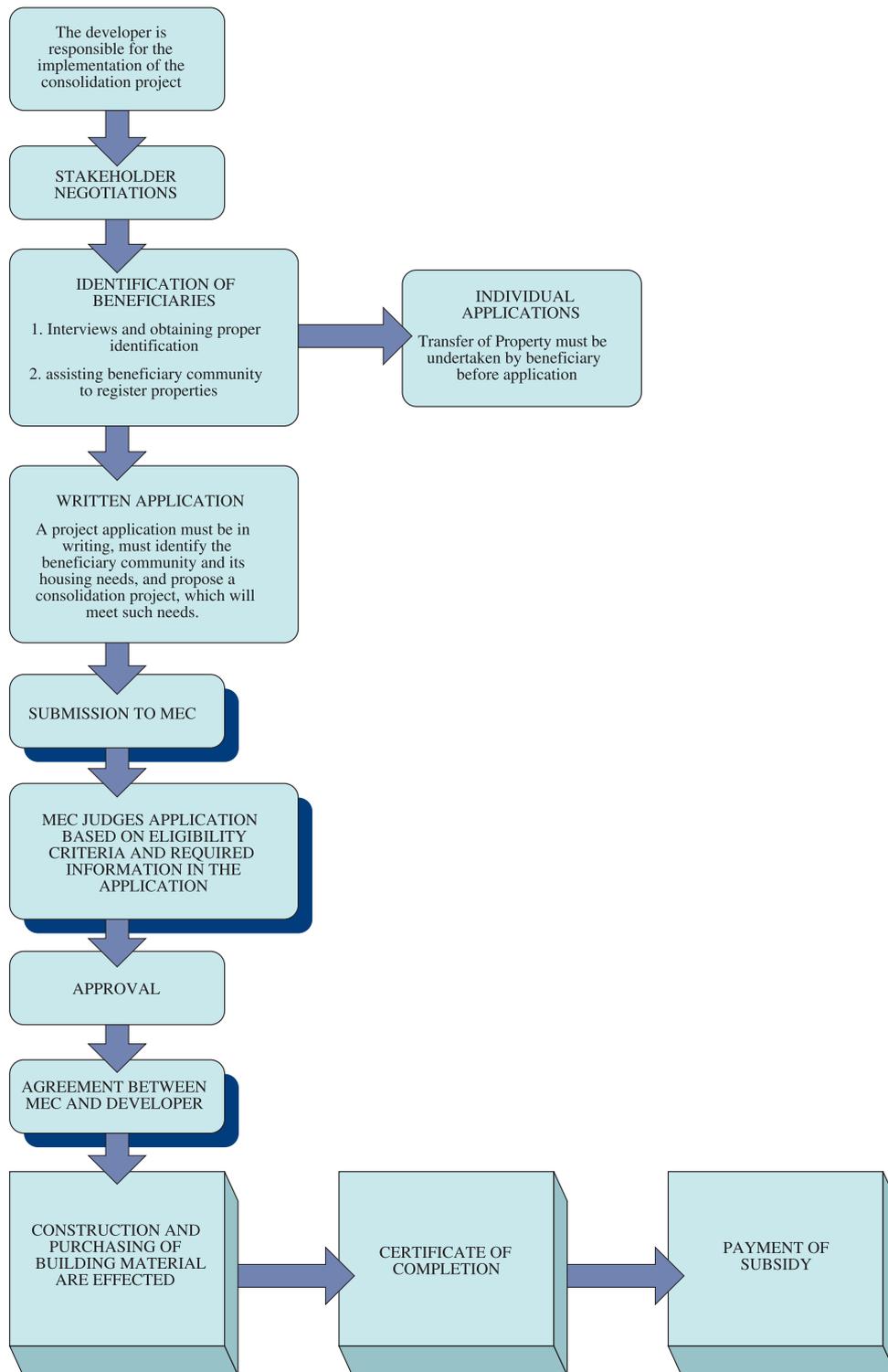
The consolidation process requires sufficient choice to be awarded to beneficiaries regarding the various housing options, including the use of the subsidy for the purchase of building materials, the construction of starter house units, the purchase of completed top structures, the extension of top structures, or a building operation which includes:

- i) Owner building projects through EPHP;
- ii) Housing built by emerging building contractors;
- iii) The provision of contractible housing units; and
- iv) The provision of alternative technology housing units (non standard building materials and methods).

### **3.7 SUGGESTIONS ON HOW TO IMPLEMENT**

Flow chart: summarised process for application, how the MEC judges the application and the procedure after approval

**FIG 1. PROCESS FOR APPLICATION - How the MEC judges the application and the procedure after approval**





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## 4 HOW TO APPLY FOR PROJECT LINKED CONSOLIDATION SUBSIDIES

There are two stakeholders which guide the application and implementation process - namely the developer and the Community Based Partner (CBP).

### 4.1 RULES AND REQUIREMENTS RELATING TO THE DEVELOPER AND THE CBP

The developer is responsible for the implementation of the consolidation project, in collaboration with the participating beneficiaries.

The developer role will be fulfilled by the municipality or in cases where the municipality is unable to fulfil its role, the Provincial Government may assume the role of developer.

The project design by the developer must be undertaken in collaboration with the beneficiaries.

The developer may, with the concurrence of the beneficiaries, appoint external expertise to assist in the design of the project and the compilation of a project application.

The beneficiaries should be represented through formalised agreements, in such a way that they participate in decision-making relating to implementation of the project.

### 4.2 PREPARATIONS FOR THE APPLICATION

Before the application for a Consolidation Subsidy can be submitted for consideration, the following preparations are necessary:

- a) Stakeholder negotiations:** Negotiations with all stakeholders for reaching sufficient agreement required to enable the MEC to sign the subsidy agreement; and
- b) Identification of beneficiaries:** The identification of the beneficiary community applying for individual consolidation subsidies, which includes:
  - Interviewing the members of the beneficiary community and obtaining their proper identification; and
  - Assisting the beneficiary community to register properties into their names where such steps have not been taken.

### **4.3 THE PROJECT APPROVAL APPLICATION**

A project application must be in writing, must identify the beneficiary community and its housing needs, and propose a consolidation project, which will meet such needs.

Applications are to be submitted to the MEC and be certified by the duly authorised representatives. The following information and details are required to be contained in the application:

#### **4.3.1 PROJECT AREA INFORMATION**

- a) A definition of the project area, with a locality sketch plan, as well as details of the original public financed site and service scheme;
- b) Diagrams in duplicate showing the layout and location of the area;
- c) The current status and situation of fact regarding the transfer of the relevant properties to beneficiaries either in ownership, leasehold or deed of grant;
- d) The constituency of the beneficiary community which the development applies for;
- e) A detailed description as to the arrangements made and agreements achieved pertaining to the incorporation of the beneficiary community into the decision making process; and
- f) A description of the nature of agreements reached between the developer and any other stakeholders in the area, having an interest in the project.

#### **4.3.2 DETAILS REGARDING THE INCORPORATION OF COMMUNITY REPRESENTATIVES**

- a) The names of representatives of the beneficiary community;
- b) The manner in which the representatives had been elected and/or appointed; and
- c) The method of involving both representatives and the beneficiaries themselves in the decision making process, which includes representation during meetings to be held.

#### **4.3.3 A GENERAL DESCRIPTION OF CURRENT CIRCUMSTANCES PERTAINING TO THE PROJECT AREA**

- a) The number of beneficiaries in relation to the total number of sites in a particular area;

- b) The number of sites which are to be excluded from the project as well as the reasons;
- c) The municipality area within which the project is situated;
- d) The current tenure situation;
- e) The present housing situation, the number of top structures and the quality;
- f) Details as to the existing and/or future service provision and services in the area; and
- g) A record as to the extent to which service charges and rates have been paid to the municipality.

#### **4.3.4 A DESCRIPTION OF THE PROJECT**

- a) The various top structures or improvements to be made available together with a description of the prices, plans, where applicable, and specifications;
- b) Any retention period or undertakings given or warranties issued by contractors and/or suppliers of materials;
- c) Identification of the names and structure of organisations to be involved in the process of beneficiary registration, management and inspection procedures;
- d) The accounts administration and auditing of the project and/or any other form of involvement or assistance and participation;
- e) Tenure delivery arrangements where applicable;
- f) Details as to the process and legislation to be followed in the process of tenure delivery where applicable;
- g) Financial details as to any additional end-user finance arrangements;
- h) A motivation for the variation of the subsidy in respect of geotechnical and topographical conditions where applicable;
- i) A motivation for the upgrading and/or replacement of any municipal engineering services where applicable. This should include designs, specifications, bulk and connector services availability and the cost indicators of such services; and
- j) The procurement/contracting strategies opted for and details thereof.

The procurement process has changed substantially and it must be noted that the developer is the Municipality. The developer will agree with beneficiaries on which of the following contracting strategies to opt for:

- i. the turnkey contracting strategy (contractor built);
- ii. the traditional pre-planned contracting strategy (small contractors);
- iii. the development contracting strategy; and
- iv. the Enhanced People's Housing Process (programme specific rules apply).

These contracting strategies could be applied in a flexible manner, including variations (local contractors) and/or combinations thereof, to suit specific development requirements.

#### **4.4 PROOF OF SITE OWNERSHIP**

Where a beneficiary's details have not previously been recorded or registered against the National Housing Database as having received a "site and service subsidy" and such beneficiary is eligible to receive a Consolidation Subsidy, the developer must obtain a certificate from a conveyancer certifying that ownership, leasehold or a deed of grant in respect of the property has been registered in the name of the beneficiary. In addition, proof that the beneficiary is entitled to a Consolidation Subsidy in respect of the property must be submitted to the MEC.

#### **4.5 FACILITATION ASSISTANCE**

A developer with the concurrence of the beneficiary community may make a fully motivated application to the MEC for specific advice and assistance in the preparation of a proposal and the agreement between the developer and the MEC.

Where the MEC at his/her discretion agrees to render assistance, such assistance will be given and resources made available or pay fees and compensation for essential expenditure as may be agreed upon. This process will be subject to the provisions of the PFMA/MFMA and procurement prescripts applicable to the relevant organ of the state.

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## 5 HOW THE MEC JUDGES THE APPLICATION FOR CONSOLIDATION SUBSIDIES

The MEC judges an application in accordance with the aforementioned eligibility criteria. The project proposal may deal with each one of the criteria listed below and motivate each with a view to the evaluation and prioritisation of an application.

- a) Community self management:** The extent to which the project caters for the need for capacity building within the beneficiary community. This must be shown through deliberate measures to facilitate the acquisition of skills and knowledge to enable it to take responsibility for developmental issues, the preservation and maintenance of fixed community assets and the management, in general, of its own interest and destiny on a sustainable basis;
- b) Sustainability:** The degree to which the project promotes the sustained physical and social development and vitality of the community;
- c) Employment potential:** Contributions directly and indirectly, to the employment of community members through the use of local emerging building contractors and labour intensive building methods;
- d) Norms and standards:** Adhering to the National norms and standards in respect of permanent residential structures, as well as minimum norms and standards regarding health and safety that are acceptable to the beneficiary community;
- e) Responsibility:** The extent to which the occupants of the beneficiary community are paying for services;
- f) Technical feasibility:** Construction methods employed in the project are effective, viable and practicable in relation to physical, climatological, geotechnical and topographical characteristics of the project site;
- g) Innovation and replicability:** Innovative methods or materials employed are replicable, thereby contributing to a comprehensive and sustainable housing delivery process;
- h) Accountability and gearing of public resources:** The extent to which the project employs state financial support in the most economic, effective and efficient manner possible, by providing value for money;
- i) Socio-economic multiplier effect:** The contribution that approaches adopted in the project will make towards optimising the longer term social and economic benefits of the project to the beneficiary community;

- j) Choices:** The extent to which a project affords beneficiaries a choice in satisfying their housing needs;
- k) Stakeholders:** The extent to which the municipality and other stakeholders support the project and the extent to which they have agreed to co-operate in its implementation;
- l) Value for money:** The value for money to be received by beneficiaries in terms of the pricing of services and products to be offered, and in terms of efficient and cost-effective administration and management.

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## **6 AFTER APPROVAL OF THE APPLICATION**

After approval of the project application, the developer must enter into an agreement with the relevant MEC, which agreement will govern the manner in which the particular consolidation project will be implemented.

### **6.1 CONSTRUCTION AND THE CERTIFICATE OF COMPLETION**

Once the MEC has granted approval, the actual construction of top structures or the upgrading of the services, where applicable, may begin.

Upon completion of construction of each property or delivery of building materials, and before payment is made by the developer, a certificate must be signed by an agent or person approved of by the MEC certifying that construction or delivery has been satisfactorily effected in accordance with the requirements of the said agreement.

This agent appointed by the developer must be independent, of professional standing or if such person is a member or part of a municipality, be properly authorised by the municipality to act in such a capacity.

### **6.2 SUBSIDY PAYMENT**

Payment of subsidies will be made by the MEC to the developer as and when specified milestones are achieved. The MEC may agree with the developer to make advance payments to ensure that the municipality has adequate cash flow.

A project database needs to be set up giving the details of the potential and registered beneficiaries and the status of payments made into and out of the account on their behalf. Payments will only be made into the account once the developer has been established as a legal entity and once the particular beneficiary has been approved by the MEC and has been registered on the national database and title has been registered in the name of the beneficiary.

Where the beneficiary has not previously been registered on the national database as having received a “site and service” subsidy for a particular property for which he or she applies for a Consolidation Subsidy, the developer should obtain and submit to the MEC;

- a) A certificate from a conveyancer, confirming that ownership, leasehold or deed of sale rights in respect of a particular property has been registered into the name of the beneficiary; and

- b) Other sufficient proof that the beneficiary in question is entitled to a Consolidation Subsidy in respect of the property.

Payments by the developer should only be made to providers of services and goods with whom written agreements have been concluded to provide such service or render the goods against the name of the beneficiary who has received the goods or services. The payment process is to be recorded in the project database, against the beneficiary's name, only against due certification of delivery, for example:

- a) For building materials: evidence that these have been delivered, either to the developer or the beneficiary; and
- b) For delivery of housing products: payment on completion of construction as certified by a competent person in accordance with the requirements of the agreement with the MEC.
- c) The developer's management fee to be paid in accordance with a claim completed by the developer only once a supply of building materials and/or the person who has constructed a top structure has been paid.

Interest accruing on balances held in the special account must be for the benefit and account of the Provincial Income Account reserved for the implementation of National Housing Programmes.

### **6.3 INDIVIDUAL CONSOLIDATION SUBSIDY RULES**

The rules and processes applicable to Individual Subsidy applications are contained in the Individual Subsidy Programme. Please refer to that programme where required.