



Province of the
EASTERN CAPE
HUMAN SETTLEMENTS

DEPARTMENT OF HUMAN SETTLEMENTS –EASTERN CAPE

**PATERSON 450 HOUSING PROJECT
CACADU REGION**

**AN INDEPENDENT REPORT ON THE CLAIM BY EASTERN CAPE
BUILDERS ASSOCIATION**

DEPARTMENT OF HUMAN SETTLEMENTS –EASTERN CAPE
PATERSON 450 HOUSING PROJECT
CACADU REGION

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1. Introduction

The Eastern Cape Department of Human Settlements, herein referred to as EC DOHS, appointed Mr John Kayula, to undertake an independent assessment of the claim arising from Eastern Cape Builders Association, herein referred to as ECBA, with a view of settling the long outstanding matter by the department.

Mr Kayula, who is a professionally registered Quantity Surveyor, an associate member of the Association of Arbitrators and an accredited Mediator by the Royal Institute of Chartered Surveyors (RICS), was appointed due to his previous involvement in similar dispute resolutions assignments by the department.

The intention of the report is to establish the validity of the claim by ECBA to the EC DOHS thereby assist in resolving the current dispute between the two parties.

In order to achieve this meetings were held with the different parties and stakeholders.

Due to time constraints, only the following meetings were held:

- On the 10th of March 2014 at EC DOHS Cacadu Regional Offices, with EC DOHS Regional Manager and the project manager
- On the 10th of March 2014 with representatives of the ECBA who were represented by Mr. Gawu

2. Project description

The project is known as Paterson 450 housing project which comprises of the construction of civil services and 450 houses for the community of Paterson in the Sundays River Valley Municipality (SRVM) area of jurisdiction.

3. Project history

The Developer of the project was the Eastern Cape Builders Association (ECBA) which comprised of a number of emerging Contractors. The 450 units have been completed. However, the quality has deteriorated over the years and as a result the project is now subject to the rectification programme. The Developers contend that the poor quality product is due to the foundation (stripped footing) type used which was incorrect due to the soil classification of the area which is H.

According to the developer, at the time of construction there was no geotechnical investigation done and a decision was taken by the Department to use strip foundation due to limited available funds.

4. Project status

The Paterson 450 housing projects consist of 450 completed housing structures with major and minor defects. Some of the houses have movement joints, while some of these houses have developed cracks as well.

The EC DOHS had a view that a forensic audit and project assessment needed to be done since the project has been standing for almost eight years and has not been completed since it was started in 2004. This was in order to address the challenges which are affecting the project as some houses need to be demolished and rebuilt.

According to the SRVM, the internal services (infrastructure) installed on the project is not functional. The municipality are still busy with the bulk infrastructure that will service the area including Paterson 450 project. The municipality have appointed consultants that are busy working on the bulk infrastructure projects. It is from this meeting that the Dept. commenced with the procurement strategy for the mentioned project. The procurement strategy is about calling Built Environment professional teams that will assist in assessing both the infrastructure and top structures in the project.

The EC DOHS commenced with its internal preliminary assessment which was done by its officials with technical expertise. The report was done in August 2013 and it reflected that there are some houses that are in bad condition and needed to be demolished.

5. Eastern Cape Builders Association claim

The ECBA have the following claims:

- 5.1 The issue of VAT that the Sundays River Valley Municipality (SRVM) claimed from SARS and never paid across to ECBA.
- 5.2 Monies that disappeared from the Trust account managed by SRVM meant for the project.
- 5.3 Additional funds required to complete the outstanding work and attend to defects.

6. Attempts by the EC DOHS to resolve the matter

According to ECBA, the first meeting which was called between the parties including SRVM, ILISO Consulting, ECBA and the EC DOHS was not successful as some parties never attended the meeting.

The second meeting was held on the 09th September 2013 and was attended by the EC DOHS, ECBA and SRVM. In the meeting it was agreed that SRVM and ECBA must submit the progress reports, designs and the as-built drawings of the project. The information was only submitted by ECBA and was not sufficient as the other party never submitted.

Another meeting was then held on the 7th of October 2013 where all relevant parties were present. In this meeting it was then found that there were no proper inspections done by the consultant on the internal services, as it had an agreement with ECBA as the developer to inspect once a week. According to the consultants some of the services were not done by the contractor.

It was then agreed that there must be another meeting on a Friday, the 11th of October 2013. At the meeting of the 11th of October, ILISO Consulting were clear that according to them the services were not complete, i.e. water, sanitation, roads and storm water. That is the reason that there are no as built drawings in the projects.

According to ECBA, there are houses that were not complete which is why they asked for additional funding to complete what was not done on those houses. According to the EC DOHS there is no way that they can allow a contractor to go and put new ceilings and doors on houses that need to be rectified in the first instance.

A further meeting was held on 29th of November 2013 between the SRVM, the EC DOHS, and ECBA on the VAT issue. The municipality agreed that there are documents that reflect funds that were claimed from SARS by the municipality. The CFO from the municipality would then present the matter to the municipality's EXCO on the 04th December for approval and how they will repay ECBA. The CFO from the municipality would then report on the outcome of the EXCO meeting on Thursday the 05th December 2013.

7. Meeting with the Regional Office of EC DOHS

In the meeting with the Regional Director and Project Manager of the EC DOHS, they stated that the SRVM have promised that they are working on the VAT issue as they are trying to trace it with SARS and to get information of how much the municipality owe ECBA.

On the second matter, the Dept. of Human Settlements is of the view that, the houses are of such poor quality with major structural defects and therefore what is

called minor snags is not a true reflection of what is on the ground. According to the EC DOHS the houses need to be rectified.

8. Meeting with the Eastern Cape Builders Association

According to ECBA, they were appointed as a Support Organisation to the project in 2004. They took on the role as developer on the project. The EC DOHS advised them to only complete the water and sewer reticulation on the project. No documentation could be provided on this matter. ECBA state that as no geotechnical report was done prior to construction, the strip foundations used for the houses was inadequate.

ECBA contend that the SRVM transferred money to their own account and did not pay them as the developer. At some stage, the SVRM took over the completion of the balance of services. However, the internal services are still not connected to the bulk services.

According to ECBA, additional funds to complete the project were approved by the EC DOHS but were blocked by the Regional Office. The EC DOHS is of the view that this is a blocked project. About R1,4 million is under dispute. ECBA believe that the EC DOHS did not pay SRVM about R900 000-00 and that SRVM cannot account for R2,3 million.

9. Way forward

In the absence of all the project documentation and a full and final reconciliation of the project accounts, it is extremely difficult in this short space of time to give an accurate assessment of whether the contractor is actually owed money and the total value of what is owed both by SRVM and or the EC DOHS. Only once this is done and the documentation on the project reviewed, can a finding be made.

It was agreed in the meeting that all three parties, ie. ECBA, ECDOHS and the SRVM need to bring all project documentation and final accounts and this must be handed over to a third party for reconciliation.

10. Conclusion

It is recommended that all three parties, ie. ECBA, EC DOHS and SRVM agree to hand over all project documentation for an independent party to do a final reconciliation of the project accounts and to determine what is owed to ECBA.

Further meeting will be convened by all parties to try and resolve the matter.