

REPUBLIC OF SOUTH AFRICA



National Department of Housing

THIRD PARTY MANAGEMENT SUPPORT

Project Linked Greenfield Subsidy Project Developments

*Generic Specification GFSH-7
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INTRODUCTION

Construction is the synthesis of four functional activities viz., construction management, materials management, material supply and physical work (labour, plant and equipment). In terms of a Development Contract:

- *the employer appoints third parties to provide construction management, materials management and/or materials, as relevant;*
- *the contractor who performs the physical work, or aspects thereof, has a contract with the employer;*
- *there is no contract between the third party management support and the contractor and*
- *the contractor and the third party management support may be collectively considered to be a "prime contractor".*

The National Housing Code makes provisions for a development contract strategy as a variation to the traditional pre-planned contract strategy. Contractors in the traditional pre-planned contract strategy undertake construction on the basis of designs issued by the developer or his professional team. The development contract strategy is similar to the traditional pre-planned contract strategy, the difference being that community contractors are engaged with the provision of third party support (materials and construction managers as necessary) to install the services and/or construct the housing units. In terms of this strategy:

- *aspirant and fledgling contractors within a community, or contracting teams comprising labour drawn from the community, can participate in the development to the extent that they are able to do so;*
- *construction and materials managers provide certain resources which such contractors lack or to manage such labour teams;*
- *construction and materials managers are required to manage the developer's risk associated with construction;*
- *contractors usually provide labour only or a combination of material and labour.*

Successful outcomes to such contracts can, normally, not be achieved without the provision of third party management support services to the contractors / labour teams.

This generic specification was prepared by the Task Team: Implementation of National Housing Programmes to facilitate compliance with the requirements of Chapter 3 of Part 3 of the National Housing Code and the provisions of the Housing Consumers Protection Measures Act (Act 95 of 1998).

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1. SCOPE

This specification covers requirements for construction management services, materials management services or a combination of such services in Development Contracts.

2. NORMATIVE REFERENCES

The contracts between the Employer and Contractors contain provisions that, through reference in this text, constitute provisions of this specification.

3. DEFINITIONS AND INTERPRETATIONS

Construction Manager: a natural or juristic person or partnership that performs construction management services provided for in this specification.

Construction Stage: the period between the award of a contract to a Contractor and the date of the completion of the works as provided for in the contract.

Contractor: the natural or juristic person or partnership entering into the Contract with the Employer to undertake, principally, the labour component of the works.

Development Contract: a contract in which the Employer appoints third parties to provide construction management, materials management and/or materials, as relevant, and a Contractor to provide labour or labour and materials to perform the works.

Employer: a natural or juristic person or partnership who enters into contracts with Contractors, and the Construction Manager, and where required, the Materials Manager.

Home Builder: a natural or juristic person who carries on the business of a home builder as contemplated in the Housing Consumer Protection Measures Act (Act 95 of 1998), appropriately registered with the National Home Builders Registration Council.

Local Community : the community normally resident and/or conducting business in the proximity of the Project and who may be affected by, have an interest in, or derive benefit from the Project.

Materials Manager: a natural or juristic person or partnership that performs materials management services provided for in this specification.

Pre-Construction Stage: the period in the construction cycle prior to the award of a contract to a Contractor in a Project.

Project: the works for which the Construction Manager or Materials Manager is appointed.

Pre-construction Stage: the period prior to the Construction Stage.

Post-construction Stage: the period from the completion of the works to the completion of a Contractor's contract.

Shadow Price : the estimated price of a Contractor's contract as determined by the Construction Manager prior to the closing date for tenders, based on the applicable wage rates of production for the work which can reasonably be expected to be achieved by labour under the prevailing conditions and the average rate of remuneration payable to workers engaged on the Project and the cost of plant and materials supplied by the Contractor, if any, tools, equipment, safety clothing and equipment, supervision, transport, taxes, overhead costs and all other matters pertaining to the project including a reasonable allowance for risk and profit.

Stores Establishment Stage: the period in the construction cycle in which the stores facilities are established.

Stores Closure Stage: the period in the construction cycle in which the stores facilities are closed down.

Stores Operation Stage: the period in the construction cycle in which the stores facilities are in operation.

Specialist Contractor: an established contractor engaged by the Construction Manager to execute an aspect of the works, which requires a specific expertise, and/or the use of plant which is not readily available.

4. EMPLOYER'S OBJECTIVES

4.1 The Employer's primary objective is to have the works constructed in a cost effective manner without compromising quality or construction standards in such a manner that:

- a) employment and entrepreneurial opportunities are created for members of the Local Community in the execution of the works and in aspects of the third party management support that is provided;
- b) the amount of the construction cost retained by the Local Community is significant; and
- c) local entrepreneurs from the Local Community are developed through the execution of construction contracts with assistance from and under guidance of third party management support.

4.2 The Employer's objective in appointing a Construction Manager is to provide expertise and resources that Contractors may lack, capacitate Contractors to successfully complete their contracts and to minimise the risk of works not being constructed to stated requirements, within budget and on time.

4.3 The Employer's objective in appointing a Materials Manager is to ensure that Contractors are supplied timeously with materials that comply with the requirements of the Project.

5. REQUIREMENTS

5.1 Construction Management requirements

5.1.1 General

The Construction Manager shall, in order to satisfy the Employer's objectives stated in 4:

- a) comply with the agreements made with the Employer and the Local Community, if any, monitor and report on Project expenditure and costs and construction progress, and co-ordinate site activities in accordance with the Employer's requirements;
- b) advise, assist, and train the Contractor on-the-job in terms of the contract between the Employer and the Contractor and, if so required, arrange for the supply of certain items of equipment and the supply and delivery to site of materials;
- c) remain impartial in his dealings with the Employer and the Contractor;
- d) engage, on behalf of and with the approval of the Employer, Specialist Contractors to execute parts of the works and co-ordinate the work of Contractors and the Specialist Contractors;
- e) co-operate with other professional service providers appointed by the Employer;
- f) visit the site at appropriate intervals during the various stages of construction in order to confirm that the Contractor makes satisfactory progress, shows technical competence in the execution of the all aspects of the works and generally fulfils all contractual obligations;
- g) provide continuous support to the Contractor in order to ensure that the Employer's objectives are achieved;
- h) operate within any structured framework developed by the Employer to enable interim payments to be made to Contractors within relatively short time frames;
- i) provide site facilities for the Employer and his agents;
- j) ensure the economic and efficient use of all plant and, to this end, maintain adequate records of plant usage;
- k) maintain detailed records of all costs relating to the construction of the works including those relating to the provision of construction management services and report to the Employer at intervals not exceeding one month on the financial status of the Contract; and
- l) assist Contractors in registering with the National home builders Registration Council as Home Builders.

5.1.2 Pre-Construction Stage requirements

Following the Employer's instruction to call for tenders for the Contract, the Construction Manager shall as a minimum:

- a) identify potential interested parties within the Local Community and alert them to press notices calling for tenders;

- b) prepare a Shadow Price for the construction of the works, based on the Employer's policy pertaining to conditions of employment, keep it confidential and forward it in a sealed envelope to the Employer prior to the closing date for tenders;
- c) advise prospective tenderers as to the nature of the works and the contents of the tender documents and give advice and assist them in methods of costing and tendering to ensure that reasonable tenders are received;
- d) compile a list of materials requirements and submit this as a preliminary materials order to the Materials Manager, if one has been appointed, and to the Employer.
- e) prepare and submit to the Employer an initial report which includes :
 - i) suggested amendments to designs or drawings to improve the works in accordance with the Employer's objectives;
 - ii) the proposed organisational structure for the Construction Manager's staff and their duties in relation to the Project;
 - iii) estimated requirements for plant, tools and equipment, materials, work by Specialist Contractors, transport and site establishment;
 - iv) a proposed programme of work for the Contractor covering each construction activity and set out in the form of a bar chart;
 - v) the estimated total cost of the works including the costs of materials, labour, plant, transport, supervision and construction management services; and
 - vi) a projected cash flow for the construction of the work;
- f) ensure that the necessary resources lacked by Contractors can be acquired timeously on their behalf;
- g) make arrangements in consultation with the Employer for the insurance and security of all site facilities;
- h) assist the Employer with the evaluation of tenders;
- i) in the event of lump sum tenders being received, breakdown the work into activities or quantities and rates which when extended and summated, equal the lump sum tendered; and
- j) establish a register of assets including tools, equipment and items for site establishment purchased on behalf of the Employer.

5.1.3 Construction Stage requirements

5.1.3.1 General

Following the award of the Contract to the Contractor, the Construction Manager shall as a minimum:

- a) attend site and co-ordination meetings conducted by the employer and his agents;
- b) arrange weekly or fortnightly site progress meetings with the Contractor and record and distribute the minutes thereof;
- c) liaise with the Employer at co-ordination meetings at regular, agreed intervals and keep him fully informed regarding all aspects of Contractors' contracts;
- d) confirm insurance arrangements, notify insurers of all claims and ensure that all insurance policies are maintained;
- e) bring to the attention of the Employer's representative without delay any deficiencies in materials or in work performed by the Contractor and follow up corrective actions which may be prescribed;
- f) inspect all exposed services, report in writing any damage to the Employer's representative and, subject to the approval of the Employer's representative, take the necessary action to have the damage repaired;
- g) implement and monitor approved security arrangements and recommend and implement changes which may be necessary;
- h) where required by the Employer, arrange for the supply and erection of suitable name boards;
- i) maintain and update the assets register;
- j) monitor the progress of the Contractor and submit monthly progress reports to the Employer which provide information relating to:
 - i) progress in relation to the programme;
 - ii) costs incurred in respect of materials, labour, plant, transport, Specialist Contractors and construction management services;
 - iii) the actual cash flow compared with the predicted cash flow;
 - iv) expected savings / excess expenditure;
 - v) cash flow;
 - vi) site meetings;
 - vii) details of plant hired, including standing time charges, breakdowns and reasons for the use thereof; and
 - viii) details regarding the theft of materials issued to site;

- k) co-ordinate and monitor the activities of the Contractor and others involved in the works;
- l) maintain all necessary site records and documentation including those pertaining to personnel on site, equipment, progress, deliveries of materials to Contractors, variations to their respective contracts, quantities of work executed, etc.;
- m) ensure that the Contractor implements a systematic testing programme;
- n) review and monitor the Contractor's quality control systems;
- o) establish and maintain a list of defects and ensure that these are remedied;
- p) brief Contractors on health and safety requirements; and
- q) verify claims for payment to Contractors and other parties in accordance with the provisions of the contract.

5.1.3.2 Advice and assistance to the Contractor

The Construction Manager shall as a minimum:

- a) process and resolve Contractors' queries regarding the interpretation of drawings, specifications and contractual matters pertaining to their respective contracts;
- b) motivate and guide Contractors and, where necessary, recommend measures to expedite their progress;
- c) assist Contractors with:
 - i) the preparation and updating of a realistic and achievable programmes;
 - ii) the setting out of the works;
 - iii) the management, administration and employment of their work forces;
 - iv) the execution of their contracts;
 - v) registration for Workmen's Compensation Insurance and all applicable taxes and levies;
 - vi) the preparation of payment certificates;
 - vii) the handing over of the works to the Employer upon completion;
 - viii) liaison with external organisations and the Local Community in regard to the works; and
- d) advise the Contractor on safety measures which should be implemented in order to comply with safety legislation.

5.1.3.3 Training

The Construction Manager shall as a minimum:

- a) teach the Contractors how to assess and order materials required for incorporation into the works;
- b) train, advise and guide Contractors both in-house and on-the-job in regard to the following aspects of the Contract:
 - i) the basic work techniques required to execute the Contract;
 - ii) the need to develop communication skills;
 - iii) what is expected of a Contractor;
 - iv) health and safety requirements;
 - v) the need to execute appropriate tasks correctly the first time;
 - vi) how to submit claims for payments;
 - vii) how to control and motivate their workforces;
 - viii) the necessity for planning;
 - ix) how to prepare and use construction programmes;
 - x) the relationship between tender pricing, productivity and profit;
 - xi) payment procedures for Workmen's Compensation Insurance, VAT, and all other applicable taxes and levies; and
- c) act generally as a mentor to the Contractor and facilitate, when appropriate, training of the Contractor by other organisations.

5.1.3.4 Tool and equipment

The Construction Manager shall as a minimum:

- a) advise Contractors regarding their hand tool requirements and assist them with the procurement thereof;
- b) arrange for the timeous supply and cost effective use of items of equipment and plant required for the execution of the works which Contractors are not in terms of their contracts required to provide;

- c) arrange for the supply of calibrated testing equipment to Contractors, as required, and ensure that tests are properly carried out and the results forwarded to the relevant parties requiring such information; and
- d) arrange for the supply of all fuel and power required for the operation of power driven equipment and tools.

5.1.3.5 Materials (where a Materials Manager has been appointed)

The Construction Manager shall, where a Materials Manager has been appointed, as a minimum:

- a) provide the Materials Manager with a programme of materials requirements, based on Contractors programmes, at the outset of the commencement of their respective contracts and update such programmes as and when necessary;
- b) review Contractors requests for materials, adjust quantities, if necessary, and forward orders timeously to the Materials Manager;
- c) arrange with the Materials Manager for the delivery of materials direct to the site, where necessary;
- d) where required, collect materials from the Materials Manager's store and deliver to the site;
- e) monitor and approve the overnight storage of unused materials on the site by Contractors, or, should such materials not be suitable for overnight storage on site, arrange for their return to the store;
- f) determine appropriate allowances for tolerances and wastage on items where such allowances are not laid down in the specifications; and
- g) reconcile quantities of materials issued to Contractors with quantities, used in the works and issue a materials reconciliation certificate to Contractors upon completion of the works.

5.1.3.6 Materials (where no appointment is made to undertake the duties of Materials Manager)

The Construction Manager shall as a minimum:

- a) assist Contractors in quantifying the materials needed for the works covered by their respective contracts;
- b) assist the Contractor in obtaining competitive quotations for the supply of materials and the placing of orders at the most advantageous prices;
- c) check delivery notes and invoices for the supply of materials, ensuring that invoices are proper VAT invoices and that all applicable discounts are reflected;
- d) ensure that all material supplied conform to the requirements of the Contract; and
- e) arrange, in conjunction with the Employer and the Contractor, for payments to be made to individual materials suppliers.

5.1.4 Post-Construction Stage requirements

After the completion of the works associated with Contractors contracts, the Construction Manager shall as a minimum:

- a) compile a completion report including;
 - i) the final cost of the works in respect of materials, labour, plant, transport, supervision and construction management services;
 - ii) the time for completion relative to the programme;
 - iii) the nature and extent of training received by the Contractor;
 - iv) details of damage to services and insurance claims;
 - v) details of the Construction Manager's staff and organisational structure, equipment purchased for the Contract and establishment costs; and
 - vi) details of actual expenditure compared with projected expenditure; and
- b) monitor remedial work undertaken during the defects liability period and advise and assist the Contractor as necessary; and
- c) return, if required, to the Employer or dispose of in accordance with the Employer's instructions all items of equipment on the register of assets.

5.2 Materials Management requirements

5.2.1 General

The Materials Manager shall, in order to satisfy the Employer's objectives:

- a) procure, store and issue materials for incorporation into the works either to the Construction Manager who will deliver such materials to the place of work or directly to the Contractor;
- b) establish a stores facility which is capable, at short notice, of supplying all materials required for the Project in a reliable, efficient and cost effective manner;
- c) establish and implement management procedures and systems for procuring, storing, issuing and accounting for materials that:
 - i) take cognisance of specific storage requirements for individual materials;
 - ii) comply with the Employer's procurement policies and procedures;
 - iii) provide for quality checks upon delivery;
 - iv) provide for the processing and timeous payment of statements for materials supplied and the delivery of materials to site;
 - v) account for the quantities of materials that are procured, stored and issued to or on behalf of each individual Contractor;
 - vi) are readily auditable and protect the Employer against corruption and theft; and
 - vii) allow the Employer to be informed monthly as to the status of all aspects of the materials management; and
- e) ensure that all possible trade and settlement discounts are obtained and that the most favourable prices are paid for material; and
- f) ensure that all materials purchased and issued comply fully with the Employer's specifications.

5.2.2 Stores Establishment Stage requirements

The Materials Manager shall as a minimum:

- a) prepare and submit to the Employer a stores establishment report which:
 - i) sets out the proposed management systems and procedures which satisfy the requirements of 5.2.1c;
 - ii) establishes the framework within which payments will be made for items that are purchased so that finance charges can be minimised and settlement discounts can be maximised;
 - iii) establishes requirements for the store, yards, facilities, staff, etc to satisfy the Employer's objectives;
 - iv) identifies and quantifies all the costs associated with satisfying the Employer's objectives and related requirements in respect of each of the three stages including all insurances and security arrangements;
- b) following the Employer's acceptance of the stores establishment report:
 - i) establish the required stores, yards, facilities etc and staff the stores;
 - ii) establish a register of all equipment and facilities provided or made available for use by the Employer;
 - iii) arrange for the insurances and security of the stores facilities and stored materials agreed to by the Employer;
 - iv) do all things necessary to operationalise the stores facility in accordance with the provisions of the Pre-Construction Stage report;
 - v) procure materials required in or incidental to the Project to satisfy the materials requirement programme prepared by the Construction Manager; and
 - vi) furnish the Construction Manager with estimated costs of materials required for the works, inclusive of a mark-up to cover the cost of the Materials Manager's services.

5.2.3 Stores Operation Stage requirements

The Materials Manager during the Stores Operation Stage shall as a minimum in order to satisfy the Employer's objectives:

- a) following the award of a contract to the Contractor:
 - i) furnish the Construction Manager with the costs of materials required for the Contract, inclusive of a mark-up to cover the cost of the Materials Manager's services;
 - ii) ensure that materials are procured timeously and that sufficient stocks of all materials are available at all times in terms of the latest programme of materials requirements provided by the Construction Manager;
 - iii) issue materials and ensure their timeous delivery to site in accordance with requisitions and requests received from the Construction Manager and Contractors;

- iv) arrange regular liaison meetings with the Construction Manager and the Contractor to ascertain and / or confirm materials requirement programmes for specific Contractors and to establish desirable reserve levels of material;
- b) provide storage and overnight parking space for plant and equipment at the stores facility at the request of the Construction Manager;
- c) train operatives to assemble components, where this is required;
- d) supervise the loading of materials at the store;
- e) receive into the store all unused or damaged materials that are returned;
- f) undertake physical stock takes of all materials stored at monthly intervals;
- g) upon completion of a Contractor's contract, issue to the Construction Manager and the Contractor an audited statement of all materials issued to or on behalf of the Contractor together with the cost thereof excluding VAT, but including an allowance for the costs of the Materials Manager's services;
- h) keep the Employer informed of all aspect of the procurement, storage and issuing of materials;
- i) report all thefts and other losses to the Employer, notify insurers of all claims and report all thefts to the police;
- j) bring to the attention of the relevant parties any deficiencies, or non-compliance with specifications, of materials;
- k) monitor security arrangements recommended and changes where necessary;
- l) arrange for the supply and erection of name boards at the request of the Employer;
- m) verify supplier's delivery notes, invoices and requests for payment;
- n) store materials in an orderly, secure and appropriate manner;
- o) report to the Employer, monthly in arrears, on the following:
 - i) materials ordered;
 - ii) materials delivered;
 - iii) materials issued to or on behalf of each Contractor;
 - iv) stocks held;
 - v) materials ordered, but not yet delivered;
 - vi) materials lost, stolen or damaged;
 - vii) materials returned;
 - viii) shrinkage levels; and
 - ix) the costs of the Materials Manager's services; and
- p) direct stores staff in their day-to-day duties;
- q) operate within the structured framework developed by the employer to minimise finance charges and maximise settlement discounts; and
- r) ensure that the agreed insurance cover is effective and that the sums insured remain appropriate to the values of materials, stores facilities, etc..

5.2.4 Stores Closure Stage requirements

The Materials Manager, following the Employer's instructions to proceed with the closure of the stores facility, shall as a minimum:

- a) compile a completion report which covers, inter alia the following aspects of the Contract:
 - i) details of the cost of the Materials Manager's services; and
 - ii) the values of materials purchased, issued, lost, stolen, damaged, returned and remaining in stock; and
- b) return all items on the equipment and facilities register as well as all surplus and damaged materials to the Employer or dispose of them in accordance with the Employer's instructions.