

Annual report 2016-2017



In terms of Section 121 of the Municipal finance Management act, Act 56 of 2003 And section 46 of the Municipal Systems act 32 of 2000

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CORPORATE ADMINISTRATION

Thabatshweu Housing Company (Pty) Ltd.

Company Registration Number: 2005/012521/07
Bankers FNB

Registered Address for the Company: 35 Landros Mare Street
Polokwane
0700

Postal Address P O Box 1157
Ladanna
0704

Telephone Number: (015) 291 2314

Fax Number: (015) 295 6259

Website: www.polokwane.gov.za

Auditors: Auditor General – South Africa

Directors: Mrs. N A Baloyi

Adv. T C Maake

Mr. T M Makofane

Mrs. N P Bosch

Mr. S P Myeza

Mrs. C S Dibete

Chief Executive Officer: Mr. J T Maimela

Company Secretary: Attorney Ngoako Molewa
(Resigned in September 2016)

Chapter 1:

FOREWORD BY THE EXECUTIVE MAYOR

In an increasingly complex public environment, it is important that PHA's Board and employees are encouraged to approach their work with creativity and a desire to innovate bearing in mind the smart vision of its shareholder Polokwane Municipality. At the same time, however, we must recognize and respect the need to be prudent in protecting the public interest and maintaining public trust. Achieving this balance is what is going to assist PHA in delivering based on its mandate and managing risks associated with the organization.

PHA has not come out of difficult times in terms of successfully turning around the challenges it is facing at Ga – Rena Rental Village and taking advantage identifying additional land parcels that belong to the Municipality for implementing intergraded housing settlements. This will assist PHA in becoming sustainable. The Board and management of PHA must take advantage of these opportunities that are available to itself.

After achieving 4 unqualified audit reports and obtaining level two accreditation from the Social Housing Regulator also four years in a row, I am encouraging the Board and management not to drop the ball but continue adhering to the highest standards of Corporate Governance.

I recognize the preparation of land parcels that are undergoing SCM process to enable the entity to begin implementing Social, GAP, Student and Government Employee housing units. The implementation of these projects will help PHA to ultimately deliver on its mandate without fail. The first term of the Board of PHA was to save the entity from being liquidated and subscribe to corporate governance.

It is with noting that preparation of land parcels for implementation to deliver projects mentioned above have been concluded whereby projects are already at SCM stage. The entity is now set on a path to being a well run institution that develops and manages social and rental housing. This will enable the new Board to implement projects in partnership with the private sector. I would like to that the outgoing Board of PHA for the role they have played which include saving the entity from the brink of collapse.

Cllr Thembi Nkadimeng

Executive Mayor: Polokwane Municipality

Chapter 2:

Chairperson's statement

This Chairperson's statement deals with an overview of strategic operations of the Board of Directors for the period 1 July 2016 to 30 June 2017.

The year has been filled with a lot of highlights and challenges. Some of these challenges had been in existence from prior years.

These challenges include but are not limited to the following:

- Rental boycotts
- Stagnant rental boycotts

These are discussed in detail below:

- **Rental Boycotts**

Rental boycotts at the PHA have become synonymous with the Ga-Rena Rental Village. The tenants have used this technique as a way to force the PHA and Polokwane Municipality to accede to their demand of "rent-to-buy". The difficult thing about the boycotts is that they have over the years escalated to violence and arson, to an extent of locking out and at times threatening the lives of the PHA staff. To date no one has ever been tried not convicted for these criminal activities.

Given the large arrear rental amount, the Board has long resolved to have the tenants who owe large amounts to be evicted, but to date none of that has occurred. The reasons range slow legal processes, ongoing negotiations between the tenants-the Entity and the Municipality.

- **Stagnant Rental Rates**

Since 2013/2014, the PHA has never been able to effect an increment on the rental rates. This is due to the fact the tenants mostly refuse to sign new lease agreements, violent boycotts and threats and even the huge arrear debt on non-payment.

- **Human Resources:**

Human Resource capacity remains a challenge at the PHA. Key portfolios cannot be filled due to lack of funding and the size of the portfolio under current management.

This is currently resolved through the Shared Services Agreement that the PHA has with the Municipality for staff secondment to the PHA.

- **Funding**

The lack of funding has always posed a huge challenge in the management and growth of the property portfolio of the PHA. Below is a list of some of the obstacles that make it difficult to receive funding:

- The PHA not being solvent enough to receive loan funding to grow the property portfolio,
- The high dependency on subsidy funding for social housing – this means if COGHSTA has not reserved any subsidy funding no project can be implemented in the said financial year. This has been ongoing for many years, despite the fact that the PHA is the only social housing association in Limpopo,
- The inability to collect 82% of the rental rates billed,
- The failure to obtain full accreditation from the SHRA.

Despite the challenges detailed above, there are areas where things have been positive, namely:

- **Growth of the Property Portfolio** – the PHA has come a long way in ensuring the growth of the property portfolio. Currently PHA is managing 698 housing units made up of 508 Social Housing at Ga – Rena Rental Village and 189 Community Residential Units at Seshego Extension 3.

At this stage there are four Projects which have been advertised for rental property development. These will yield a total of 958 rental units, which will grow the portfolio to 1656 rental units plus 5 050 student beds by the end of 2020

- **Unqualified Audit Report** – The PHA has been able to maintain an unqualified audit report during the year under review. The Board of Directors' wishes to have acquired

a Clean Audit, but the going concerns related to funding and solvency continue to plaque the Entity.

- **Provisional SHRA Accreditation** – the PHA has been awarded provisional SHRA Accreditation, The achieved accreditation status like full accreditation enables the PHA to access grant funding when implementing social housing units. PHA has already submitted an application for funding with the Regulator for Social Housing projects that undergoing SCM process. The Board believes the PHA is on track to achieve such if only more there can be a guarantee from all stakeholders to provide support in the form of land and subsidies for more social housing, amongst other things.

In conclusion the Board would like to thank the Shareholder for their continued financial, shared support services and political support whilst ensuring the independence of the Board in executing its fiduciary duties.

Most importantly, as Chairperson would like to thank:

- The Board of Directors – For showing respect and professionalism, not only to me, but to all the other Directors which is remarkable. All of you were just a phone call or an email away. I wish you all the best in both your professional and personal lives.
- The CEO and Staff of the PHA – you made our work easy, despite the challenges you had working with a skeletal staff – the Board was hard at times, but it was well worth it for the good of all of us. On behalf of the Board thank you very much for your professionalism, not once did our working relationship reach a breaking point. As we walk away from the PHA all that you can do is take the Entity to better heights and not from the bad place we found it. Best Wishes to all.

Report written by

Ntswaki Baloyi

Board Chairperson

Chapter 3

CHIEF EXECUTIVE OFFICER'S OVERVIEW

Highlights 2016/2015

During the year under review the entity has been able to attain the following critical milestones based on its key performance areas outlined in its Scorecard/SDBIP. The three key performance areas PHA was focusing on are, Core Business, Financial Viability, Good Governance and organizational transformation.

- **Core Business**

Achieving Conditional Accreditation Status

PHA has maintained Conditional Accreditation with the Social Housing Regulatory Authority. This level of accreditation gives PHA an opportunity to participate in both grant funding and long term funding required to deliver social and rental housing.

- **Financial Viability**

This area still proved to be a challenge during the year under review. This is due to the following:

- The rental collection is 45.24% including arrear rental when compared with 59.18% for the same period last year. The plan is to turn around this item in the next financial year. Plans are in place to increase rental collection to the required level.

- **Good Governance And Transformation**

In an effort to strive to obtain an improved audit report, the entity has been able to address all issues raised by the Auditor General and Internal auditors.

Highlights

The entity has been able to prepare and packaged land parcels to deliver the following:

- 900 Social Housing Units
- 754 GAP Market Housing Units
- 5116 Student Beds

Challenges

The following continue to be challenges that the entity continues to experience:

- Rental boycotts at Ga-Rena Rental Village
- Post construction maintenance at the same project
- Post construction maintenance at Seshego CRU project

Acknowledgements

I would like take this opportunity to thank the Shareholder for their continued leadership and support to PHA without which PHA would not have been able to function as an organization. I would like thank the Board of Directors and the Audit Committee for providing the much needed strategic direction and support to PHA during these difficult times.

The support PHA receives from our stakeholders like CoGHSTA, the SHRA, NHFC etc. to enable the entity to carry out its mandate is highly appreciated

Without the commitment of management and staff who are thinly spread on the ground and yet performing their duties with drive our work would have been even more difficult to perform. Their contributions are highly appreciated.

The contributions of the new tenants committee are acknowledged and I look forward to continue to have a fruitful working relationship them.

Shimi Maimela
Chief Executive Officer

chapter 4: the directors' report-EXECUTIVE SUMMARY

INTRODUCTION AND CORPORATE PROFILE

Vision

To be the premier provider of innovative and sustainable living

Mission

To promote smart living for a diverse market through delivery of sustainable and affordable homes

Our Values

- Accountability
- Efficiency
- Innovation
- Honesty
- Participation

Our principles

- Improved Quality of Living
- Improved Confidence of PHA in the Social Housing Industry
- Improved administrative and governance capacity
- Improved efficiency and effectiveness of the PHA Administration
- Enhanced Revenue and Asset base

PHA Strategic Objectives

PHA Goals

PHA Vision

Improved Quality of Living

Improved Confidence of PHA in the Social Housing

Improved administrative and governance capacity

Improved efficiency and effectiveness of the PHA Administration

Enhanced Revenue and Asset base

Sustainable human settlements that conform to smart living and greening standards

Vision :
To be the premier provider of innovative and sustainable living

The Polokwane Housing Association (SOC) Ltd was previously registered and established as a Section 21 Company in terms of the Companies Act¹ in 2002 and in 2005 registration was changed to Ga-Rena Rental Village (proprietary). The registration and establishment was subsequently changed and PHA is now registered as a SOC Limited company in terms of section 86 of Municipal Systems Act². The registered name is Thabatshweu Housing Company (SOC) Ltd **Registration Number: 2005/012521/07** trading as Polokwane Housing Association.

The Mandate of PHA as per its revised Memorandum of Incorporation ("MOI"), is to develop and manage:

- integrated Human Settlements
- Social and Non Social Housing
- rental housing units within the Gap Market

As a Municipal Entity entrusted with managing rental housing units, PHA is required to comply with all the Municipal Finance Management Act, Act No. 56 of 2003, the Municipal System Act, Act 32 of 2000, the Companies Act, Act No 71 of 2008 the Housing Code, the Social Housing act of 2008 and all other relevant legislation applicable to the municipal entity.

The mandate include amongst others, the responsibility for administrative processes, accounting and financial management, tenant liaison, policy and guideline formation, capital raising, agency role and other functions that PM may require in applying the principles of social housing in Polokwane. The mandate has been extended to include participating in the non social housing rental space. I.e. gap market and profit making rental housing.

Chapter 5: directors' report and governance

5.1 Company Secretary's Report

The entity has addressed the following compliance issues such, as amongst others during the year under review:

Lodge the annual returns with CIPC

Registering PHA as SOC (Ltd) from the incorrect registration as Pty (Ltd)

The company renewed a professional indemnity insurance it took last year for its directors. This is intended to cover directors for any claims against them as they diligently carry out the business of PHA.

The Company Secretary resigned during the period under review

5.2 Board of Directors

The Board of directors continued to perform its oversight functions and provided strategic leadership and guidance to the CEO and the management team during the year under review.

Board meeting list by date and list of members with ticks for attendance of meetings

Date	Mrs. N.A Baloyi	Mrs. N.P Bosch	Mrs. S.C Dibete	Mr. M.T Makofane	Mr. S.P Myeza	Adv. T.C Maake	Ngwako Molewa	Ms. Z. Ntombela	Mr. K Maleka
13 Sep 2016	✓	✓	✓	Apology	✓	✓	✓	✓	N/A
01 Nov 2016	✓	✓	✓	✓	✓	✓	✓	✓	N/A
12 Mar 2017	✓	✓	✓	✓	✓	✓	✓	✓	N/A
21 May 2017	✓	✓	✓	✓	✓	✓	Resigned	N/A	✓

5.3 Board Committees

Board Committees serve as a vital and important tool in aiding the board. After all, a committee's intended mission is to support and assist the board in carrying out its responsibilities. Dysfunctional committees however, can have the opposite effect, creating long-lasting negative issues for both the board and the community at large.

The explanation below gives clarity to the roles, responsibilities and performance of the various Board Committees during the term under review. The board is supported by the following committees:

- Human Resource & Remuneration
- Finance and Risk, and
- Property, Contracts and Projects,
- Social and Ethics

HUMAN RESORCE AND REMUNERATION COMMITTEE

The Mandate of the Committee

The Committee reviews the human resources management and remuneration policies and practices in the company and determines terms and conditions of employment of all staff levels. The committee reviews the quarterly performance assessment and is responsible for the annual performance review.

The Human Resources and Remuneration Committee was charged with putting in place a human resources strategy that breath in proper human resources practices and remuneration philosophy. This saw the reviewing of human resources policies, practices and procedures, introduction of best practice in respect of terms and conditions of employment, salary benchmarking, talent management and the application of a proper performance management system in line with the parent municipality.

Composition of the Committee

The Human Resource Committee was made up of two (2) members of the board with the CEO, the HR manager, and the Company Secretary as permanent invitees. The members in question were;

- Mr. Sanele Myeza – Board Member and Chairperson of Committee,
- Mrs. PN Bosch – Board Member,
- Mr. Shimi Maimela – Chief Executive Officer,
- Mrs. Conny Rasebotje, Human Resources Manager, and
- Mrs. Ngwako Molewa – Company Secretary

Table: Schedule of Committee Meetings

Date	Mr. S.P Myeza	Mrs. N.P Bosch	Mr. J.T Maimela	Ms MSC Rasebotje	Ms Ngwako Serumula
19 Aug 2016	✓	✓	✓	✓	✓
18 Nov 2016	✓	✓	✓	✓	Resigned
02 Feb 2017	✓	✓	✓	✓	Resigned
09 May 2017	✓	✓	✓	✓	Resigned

Highlights

- The development and implementation of a Human Resource Strategy to guide the HR functions
- Appointment of a Company Secretary – this relieved the CEO and the Board Chairperson of some of the extra duties they carried which would ordinarily reside in the office of the CS
- Appointment of Expenditure Officer on contract basis, the erstwhile Expenditure Officer was seconded from the shareholder and part of her salary was paid by the shareholder. The entity has to budget for the total remuneration package of the new Expenditure officer to have him appointed on a full time basis.
- Reviewal of Human Resource policies, Policies are general guidelines that regulate employee actions in a company. Developing clearly written policies and procedures that are documented, updated, and followed brings structure to an organization and assists in the day-to-day decision-making processes. Policies also serve as a internal control method so managers cannot take free license to make creative or unauthorized decisions.
- Reviewal of Job descriptions, job descriptions form the foundation for many important processes such as job postings, recruitment, selection, compensation, training and performance management. Job descriptions give a brief overview of the role, how it relates to the organisation's vision, a list of key responsibilities, requirements and qualifications.

- Alignment of salaries within PHA to those similar at the parent Municipality
- Training of the following officials on Caseware took place in 2016, i.e. Malesela Masekoameng, Mapitja Makgato, Tebogo Mokgosi. Training is an organisational effort aimed at helping employees to acquire the basic skills required for the efficient execution of the functions for which they are appointed.
- Development of the HR Plan, A primary function of human resources plan is making certain that various company departments have sufficient staff to complete all the work required to meet the organization's goals. The results of poor human resource planning include heightened stress levels for employees, burnout, and mistakes. All of these can negatively affect productivity and may result in higher employee turnover.

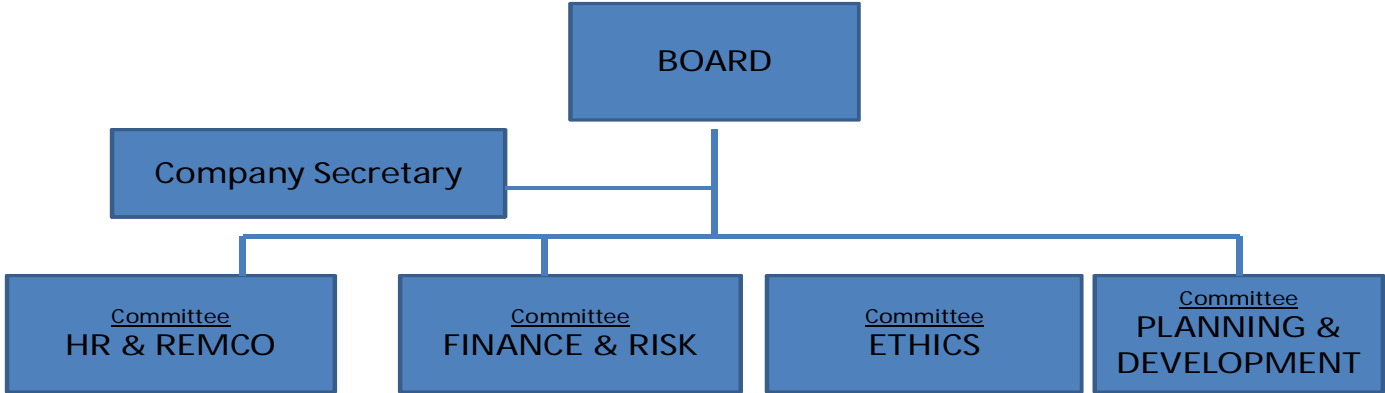
Challenges

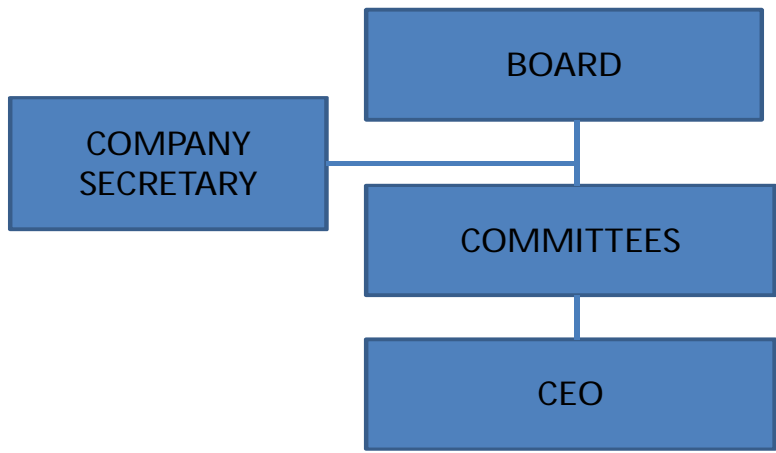
- Resignation of Expenditure Officer that was seconded by the shareholder
- Resignation of the Company Secretary.
- The non/insufficient collection of rental made it impossible for the entity to train and develop officials as envisaged.

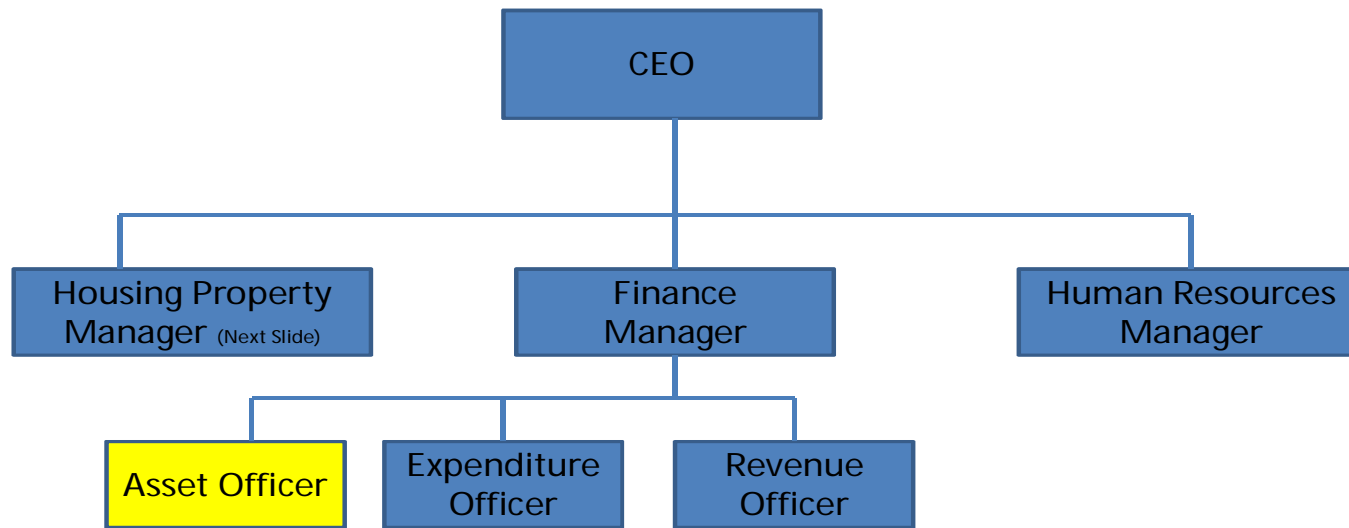
Organizational Structure/Organogram

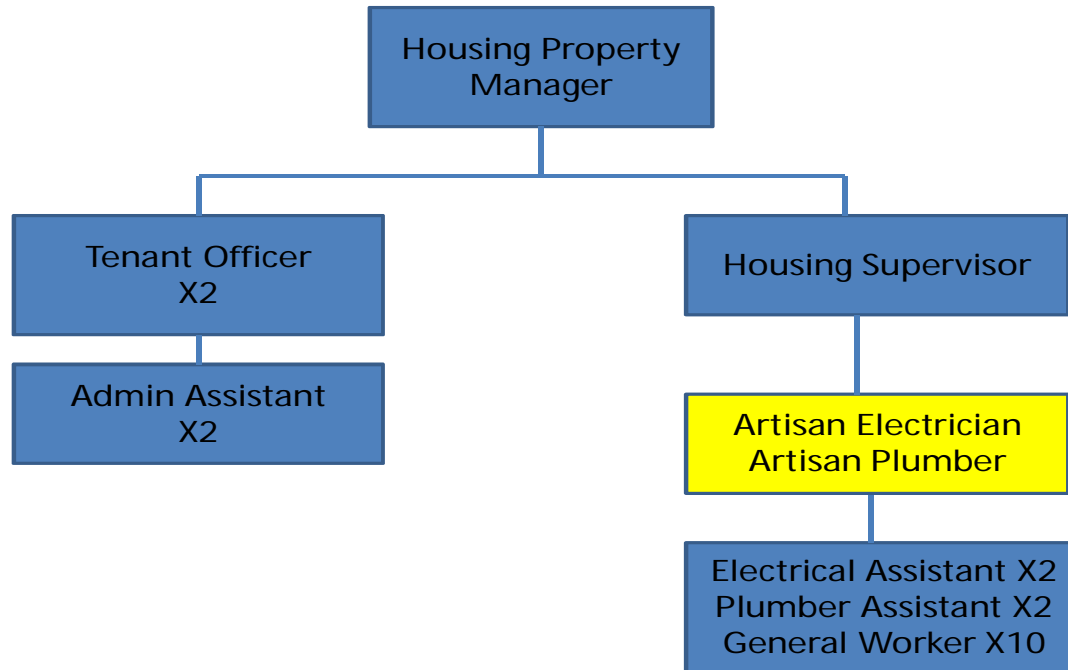
Organisational structure provides guidance to all employees by laying out the official reporting relationships that govern the workflow of the entity. A formal outline of an organisational structure makes it easier to add new positions or abolish redundant positions in the organisation, as well, providing a flexible and ready means for growth.

Without a formal organizational structure, employees may find it difficult to know who they officially report to in different situations, and it may become unclear exactly who has the final responsibility for what. Organizational structure improves operational efficiency by providing clarity to employees at all levels of a company. A thoroughly outlined structure can also provide a roadmap for internal promotions, allowing organisations to create solid employee advancement tracks for entry-level workers.









The positions on the structure above are filled except that of the Company secretary and the Expenditure Officer. The process of appointing Electrical assistants and Plumber assistants is at a stage where interviews are scheduled for the 14th July 2017. The candidates recommended for appointment are envisaged to commence with their duty on 1st August 2017.

FILLED POSITIONS	NUMBER OF POSITIONS	VACANT POSITIONS
CEO	1	
Company Secretary	1	
Personal Assistant	1	
Property Manager	1	
Human Resources Manager	1	
Finance Manager	1	
Admin Officer	3	
Housing Supervisor	1	
Expenditure Officer	1	
Revenue Officer	1	
	1	Artisan Electrician
	1	Artisan Plumber
	2	Electrical Assistant
	2	Plumber Assistant
General Worker	10	
	1	Asset Officer

FINANCE AND RISK COMMITTEE

Mandate of the Committee

The Finance committee deals with finance, audit and risk matters. This committee is tasked to review all issues relating to finance, audit and risk matters of the company including the internal controls. The Committee further assists and advises the Board of Directors with overall Finance with respect to:

- Financial Management,
- Risk Management,
- Internal and External Audit, and
- Development and review of Financial and Risk Policies

Composition of the Committee

The Finance and Risk Committee was made up of two (2) members of the board, CEO, Finance Manager and Company Secretary as follows.

- Mrs. Cindy Dibete - Board Member and Chairperson of Committee
- Mrs. Ngoako Bosch - Board Member,
- Mr. Shimi Maimela - Chief Executive Officer
- Mr. Malesela Masekoameng – Finance Manager

Table: Schedule of Committee Meetings

Date	Mrs. N Bosch	Mrs.C Dibete	Mr. J. Maimela	Mr. M. Masekoameng	Adv. K.Sebola	Ms. Z. Ntombela	Mrs. N. Molewa
21 Aug 2016	✓	✓	✓	✓	Resigned		✓
25 Nov 2016	✓	✓	✓	✓	Resigned	✓	Resigned
28 Feb 2017	✓	✓	✓	✓	Resigned	✓	Resigned
12 May 2017	✓	✓	✓	✓	Resigned	✓	Resigned

Highlights

- The entity repaid off the NHFC loan in November 2016.
- Finance policies were reviewed and amendments done where necessary.
- Risk policies were reviewed.
- Risk reports also served before Polokwane Municipality's Risk Management Committee for quality assurance.
- The entity maintained conditional accreditation from SHRA.
- The vacancy due to maintenance was minimized by streamlining the maintenance of units from three weeks to two weeks.
- The entity maintained its Unqualified audit opinion.
- The entity negotiated and received R1million on repayment of NHFC loan.

Challenges

- The needs of the organization outweigh the grant receivable, the entity needs to create new revenue streams to outgrow the need for the grant funding.
- Rental boycott that the entity experienced especially at Ga-Rena Rental village set the entity aback.
- The protracted process of eviction(s) at Ga-Rena affected the rental collection and impacted negatively at the entity's cash flow.
- Decrease of rental collection from 59.18% to 45.11%

Observed above; the past 3 years were not without challenges, but team effort between the executive and Board members kept the doors of the entity open and the community delegated to PHA serviced. There were lots of lessons learnt in this period. All of whom were used as stepping stones to sharpen the delivery of service. The awarding of the CRU has been welcomed and has improved the viability of the organization while it finds its fit towards building more units.

The support from the municipality does not go unnoticed. Through shared services, secondments and grants received the financial position of the entity grows year on year.

PROJECTS CONTRACTS AND PROPERTY COMMITTEE

MANDATE OF THE COMMITTEE

The committee is mandated to perform the following duties:

- a) To ensure effective, efficient and economic use of the rental stock.
- b) To ensure that the organization render service of high quality to client
- c) To recommend to the board that competitive designs and standards are maintained.
- d) Shall research and assist the company in keeping abreast with development in the housing environment
- e) Shall be responsible for rental and tenancy policies
- f) Shall investigate and address the complaints of the clients
- g) To consider all issues in relating to property development and management.
- h) To review policies, methodology and procedure in connection with the consideration and approval of projects and management thereof, recommendations on applications to be delegated to officials.
- i) To consider and recommend to the Board, appropriate parameters for the determination of applications to be delegated to officials.
- j) To monitor the exercise of these delegated power and the compliance of officials with the parameters set.
- k) To recommend rentals and other service charges and consider increments thereof.

1. COMMITTEE STRUCTURE

The committee is constituted by:

- a) Two (02) Board of Directors, namely:
 - Mr TM Makofane - Chairperson
 - Adv TC Maake - Member
- b) Mr JT Maimela - Chief Executive Officer (CEO) and
- c) Mr R Maetisa - Property Manager
- d) Mrs. N. Molewa (Company Secretary)

Messrs Maimela and Maetisa are permanent invitees to the Committee

Schedule of committee Meetings

NAME	Mrs. N Molewa	Mrs. N Molewa	Mrs. N Molewa	Mrs. N Molewa	Mrs. N Molewa
3 Aug 2016	✓	✓	✓	✓	✓
10 Nov 2016	✓	✓	✓	✓	✓
13 March 2017	✓	✓	✓	✓	✓
13 Aug 2017	✓	✓	✓	✓	✓

Ga-Rena Rental Village

Eviction for defaulting tenants

PHA appointed Albert Hibbert Attorneys who served 25 tenants with notices of motion. The notices were served to the tenants mid March 2017. PHA is prayed for the following orders.

- That the respondent be evicted from the following fixed property:
Block C C75, Unit 6, Ga Rena Rental Village, Polokwane (“the property”).
- That the respondent be ordered to vacate the property within 10 days after the date upon which this order is granted.
- That, should the respondent fail to vacate the property as aforesaid, the eviction order may be carried out on expiry of 15 days after the date upon which this order is granted, in which event the Sheriff of the Court is authorised and mandated to evict him from the property.
- That, after the respondent’s vacation of the property or his eviction there from, he shall be interdicted and restrained from entering onto the premises of the Ga Rena Rental Village, Polokwane without the written consent of a duly authorised official of the applicant.
- That the respondent be ordered to pay the costs of this application.
- That further and/or alternative relief be granted to the applicant.

Twenty five (25) unopposed returns were received, and the attorneys registered unopposed returns on a motion roll for court date to be set.

It was expected that this process will pave the way for eviction to happen and to normalise the operations at Ga-Rena. The process of eviction has so far costed R70 000.00

The court set and the eviction orders were not granted as envisaged since courts are hesitant and sympathetic to tenants, therefore, making it very difficult for a Lessor to enforce its rights. The court has further instructed us to submit separate applications to them and our Attorneys are on board with the matter.

In spite of the ruling, PHA is pursuing other avenue to ensure that it recoup its outstanding money. Among other ways, request has been made with Attorneys to apply for *Lessors tacit hypothec* to attach the moveable assets of the debtors. It is expected that the process could be completed by 24 September 2017.

Secondly, we are currently *disconnecting* 167 tenants who are not servicing their rental accounts. This process will be completed by Friday, 25 August 2017.

Those that are *bridging the electricity*, the Municipality will be raiding them on Wednesday, 23 August 2017, should they be found, criminal cases will be opened against them.

Maintenance

Reactive maintenance is being under taken, but due to poor workmanship on the structure, the problems are mounting. An initiative to engage Motheo was done and a meeting with Motheo was held wherein COGHSTA and the Municipality attended. In this meeting, Motheo committed to address the following problems at Ga Rena Village:

- *Waterproofing of staircase and other related problems;*
- *Look into possible ways of sound proofing the dry walls inside the units*
- *Water problem, particularly under the staircases where electrical boxes are.*

Though Motheo promised, nothing happened to date. Maintenance is not properly being carried out due to unruly behaviour of some tenants who threatens PHA staff. Only water leaks related cases are attended to by engaging the services of private companies.

Tenants committees

The tenant committee is non existence.

Drilling of borehole

A project to drill e borehole to assist with watering of planned gardens at PHA was initiated. Unfortunately, the project did not succeeded due to the fact that received quaotations were highly inflated and the project was abandoned.

Challenges

- Inability to evict defaulters
- Non payment of rentals
- Alleged illegal collection of rentals by some tenants
- Protests which saw the burning of PHA's properties
- Locking out of PHA's maintenance staff from the complex
- Illegal connection of electricity
- Sub-letting
- Non performance of maintenance
-

Intervention by PHA to collect rentals

- PHA requested the Municipality to interrupt the service of non paying tenants
- where it was found that electricity is by-passed, the meters were removed
- Termination of contract of tenants whom were found to have sub-let their units

Vacancy Rate at Ga Rena

- 507 units occupied
- One (1) vacant = One bedroom
- One (1) abscond = Two bedroom

SESHEGO COMMUNITY RESIDENTIAL UNITS (CRU)

Background on CRU

It should be noted that the Community Residential Units (CRU) Programme aims to facilitate the provision of secure, stable rental tenure for lower income persons with an income of

between R1 500 – R3 500 who cannot be accommodated in the formal private rental and Social housing.

Limpopo Provincial Department of Cooperative Governance, Human Settlement and Traditional Affairs (CoGHSTA) undertook to convert the erstwhile Seshego Hostel under Hostel Re-development Programme in 2007. The decision to convert was informed by the fact that the existing structures were dysfunctional and abandoned, in Seshego Township.

The latter programme was phased out and replaced by Community Residential Units (CRU) programme, which the department used to develop the 189 rental units including 02 shops, recreational facility and medical facility building. This was done to accelerate housing delivery by tapping in the rental market in particular, low income category.

It should further be noted that CRU projects are provided by a once-off capitalisation allocation that includes capital works and long-term maintenance only. It is intended that the operational costs will be realised from rental income (cost-recovery model). It is not desirable for operational management costs to be subsidised.

The Units composed of the following categories:

UNIT TYPE	NUMBER
1 Bedrooms	09
2 Bedrooms	167
Live and Work units	09
Units for people with disability	04
TOTAL	189
Shops	02
Medical Facility	01
Recreational Centre	01

PROJECTS HIGHLIGHTS

Development of Polokwane Ext 76, 106, 107 Ga Rena Phase 2 and Bendor

Ext 100

Polokwane Municipality has appointed Transaction Advisors to assist with the Planning for the development of the above land parcels. The brief to the Companies were as follows:

- Conduct feasibility study with specific focus on legal, financial and technical aspects of the envisaged projects.
- The envisaged development model will be “a built, operate and transfer” (BOT).
- Duration of four months has been set to complete the study

Three companies, namely, Pegasys Capital, SAB & T and Meyer Group has been assigned to PHA to assist with the feasibility studies on the identified land parcels.

- **Pegasys Capital** has been assigned Ga-Rena Phase 2 and Bendor Ext 100. The two projects are earmarked for gap market clients and government employees.
- **SAB & T** has been assigned Polokwane ext 107 and Ext 76. The two projects are earmarked for Social Housing and Gap market units. For Polokwane Ext 107, it is intended to provide 40% social Housing and 60% Gap market.

The above companies did not made visible strides yet in terms of progress.

Maya Group is assigned Polokwane Ext 106 and Ext 79 to conduct a feasibility study on the viability of development of student accommodation on an off-balance sheet long lease basis.

The mandate includes:

- a) Conducting a market assessment study to ascertain the need for such a project on the identified land (Needs Analysis);
- b) Analysing various options for concept drawings and designs for the project and costing the development (Technical Options Analysis);
- c) Conducting the requisite legal and institutional due diligence to advise on the compliance and structuring processes for the project (Project Due Diligence);
- d) Assessing the commercial feasibility of the project based on the technical option recommended for the project (Value Assessment).
- e) Advising on an optimal procurement option that delivers value for money (Feasibility report and recommendations).

The company has already made market assessment by visiting various higher education institutions and the technical review of the earmarked land parcels. The demand is high based on the interaction with institutions and there are no negative implications on technical review e.g. soil conditions etc.

The BAC committee of the Municipality has confirmed the appointment of the Transactional Advisors. The feasibility studies should be completed by the end of October 2015. This will be followed by:

- A public participation process in November 2015
- Advertising of projects in December 2015
- Polokwane Municipality internal SCM process during February 2016 through April 2016
- Breaking ground in May/June 2016 should there be no challenges

Appointment of Transactional Advisors

The Municipality collaborated with PHA to adopt the delivery of housing through alternative methods other than the conventional way. Delivery of housing through Public-Private Partnership was adopted as the alternative way. Three companies were appointed as Transactional Advisors to undertake studies and advise on the feasibility of success of identified projects aiming to accelerate housing delivery. Appointed service providers were:

Transactional Advisor	Area / Township	Estimated No of units
Kelotlhoko	Erven 15953 and 15954 Ext 76, Polokwane Ext 107, Polokwane	208 Social Housing Units 754 Gap Housing
Chiefton	Annadale Ext 2 (Ga-Rena Phase 2) Bendor Ext 100	492 Social Housing Units 198 Social Housing Units
Maya Group	Ext 106 (Erven 20802 – 20815 and 20818 – 20821) Erf 23145 Ext 108	

Feasibility studies by the above three companies were concluded by December 2015, in January 2016, the studies were published for comments. The studies were conducted, reports submitted and approved by both PHA Board and the Municipal Council.

A decision was taken to implement PHA identified projects in cooperation with the Private Sector (PPP model).

The objective of the RFQ is as follows:

- Select a limited number of the bidders that are technically and financially qualified – to prepare proposals and execute the project;
- Set out the rules of participation in the procurement process clearly and unequivocally;
- Disseminate information on the project;
- Give guidance on the expected kinds of participants;
- Gather information from the bidders that is verifiable and can be evaluated

The procurement of Private partner is to take two fold, namely; Request for Qualification (RFQ) and second stage is Request for Proposal (RFP). Request for Qualification (RFQ) in all projects were advertised on local newspapers and National Treasury e-tender portal on Thursday, 13 October 2016.

Compulsory briefing session for both projects were held on Friday, 21 October 2016. The bids closed on 16 November 2016.

By the closing date, four (04) bids for Gap Housing were received, and eight (08) bids for Student Accommodation. After evaluation of the bids, all bids on both projects were found to be non-responsive and a decision was taken to re-advertise the bids. The Bid Evaluation of Polokwane Municipality concluded that the Bids should be re advertised as they were non responsive.

The PPP guidelines state that the number of pre-qualified bidders should be kept to a minimum of three and a maximum of four, and where only two or even only one bidder is pre-qualified, the project is placed at a great disadvantage, because **competitive bidding is essential for getting value for money**. Both projects, after evaluation were found not to be in line with the above guidelines, since both shortlisted bidders were below the prescribed number which will not enhance competitive bidding.

Social and Gap Housing bids were re-advertised on 27 March 2017, and closed on 28 April 2017, whereas, Student accommodation bid was re-advertised on 25 June 2017 and closed on 26 July 2017

Student Accommodation

Ext 106 is proposed to yield 4666 bed facility depending on the ratio of double to single beds. located on Polokwane Drive, it is 10 kilometres from Capricorn TVET College (Polokwane Campus), 8 kilometres from Tshwane University of Technology (TUT Polokwane Campus) and 4 kilometres from Capricorn TVET College (Seshego Campus). The approximate number of student enrolment for the four tertiary facilities which were chosen during the conduct of this study and 2015 was chosen as the most recent period.

Institution	No of students in 2015
Tshwane University of Technology	2 500
Capricorn FET College	12 500
Boston City Campus	600
Total Enrolment	15 600

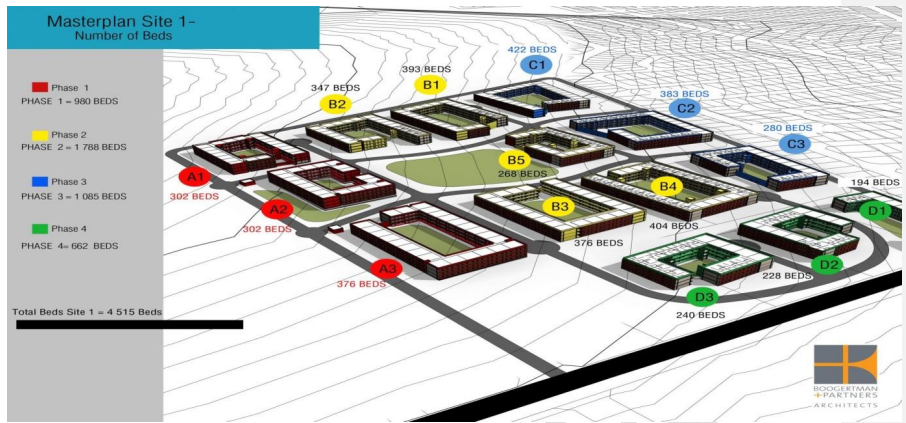
Table 3: Current Student Enrolment

Current Supply

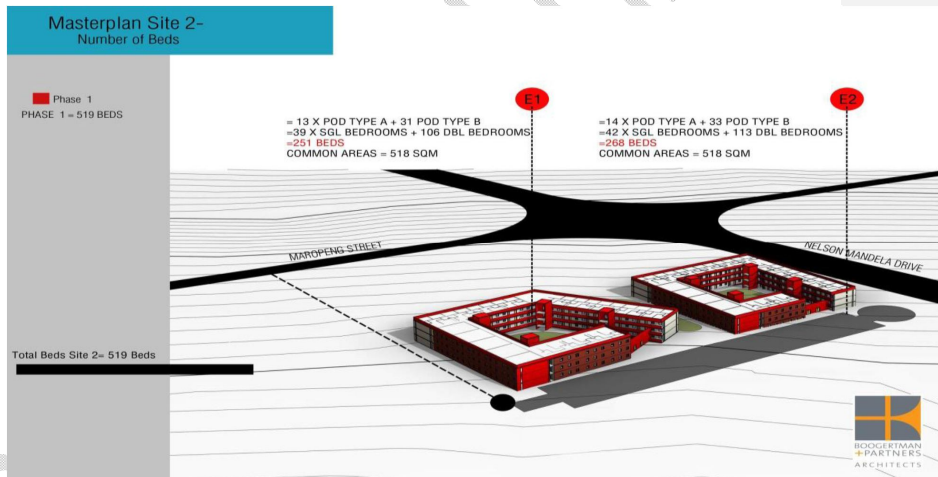
The identified sites for the proposed student accommodation is in close proximity to the Polokwane Central Business District (CBD) - where the focus is more on business and office buildings than on residential accommodation. Most of the existing public and private tertiary facilities are located within the CBD. The only current student accommodation within the market area is that of the tertiary facilities as illustrated in table 3:

Institution	2015
TUT	180
Capricorn TVET	387
Boston Campus	N/A
Total	567

Table .4



Masterplan for Polokwane Ext 106.



POD TYPES



Above are two Pod types. Pod Type A, provides a mixture of 3 single rooms (9m² per single room) and 1 double room (15m² double room) with a common kitchen (20m² per kitchen) and 2 bathrooms (4m² per bathroom). Pod Type B, is a mixture of 3 (15m² double room) double rooms, a common kitchen (20m² per kitchen) and 2 bathrooms (4m² per bathroom).

COST OF DEVELOPMENT PER M² CONSTRUCTION AREA

	% of Total Construction Costs	R/m ²
Total Construction Costs per m²	100%	11 930,70
Construction Costs	80%	9582,895
Contingency	6,4%	718,72
Professional Fees	11,2%	1 341,61
Development Management Fees	2,4%	379,79

SOCIAL HOUSING

Ga -Rena Phase 2

The Township is known as Annadale Extension 2. The Site is approximately 3km from the CBD. Annadale Extension 2 consists out four erven 513, 514, 515 and 516 which is registered in the name of the Polokwane Local Municipality. The Erven in Annadale Extension 2 has been zoned appropriately for Residential. 494 Residential Units has been designated for the Project.

The Transactional Advisors (Chiefton) have completed a model as per the brief and which we believe that it is the best for the project of this calibre. The model made the following key assumption:

- The project is estimated to cost R164 241 295
- The model proposes that funding should be from the following sources: Capital Restructuring Grant (CRG), Institutional Subsidy Grant and Shareholder's Equity or in the form of interest free loan.
- That the CoP through Thabatshweu Housing Company (Pty) Ltd will bear the responsibility of securing 100% tenant uptake for the rental units;
- The rental units will be made available to potential tenants who meet the qualification criteria for Social Housing projects;
- The monthly rental rates used in the model are based on R75 per m² which is aligned to social housing policy and are escalated annually at 6%;
- The vacancy and bad rental rates are based on market experience,
- The City, through PHA, may need to set up a office specifically dedicated to managing the new development and the uptake of the rental units.
- Designs & Construction Management to be undertaken in house (EPCM)
- Procure a building contractor for the Works.
- Rental income (Post Commissioning) is envisaged to be split as:
 - 30% for Maintenance of the Development
 - 40% to PHA
 - 30% to pay off CoP Loan (if any)

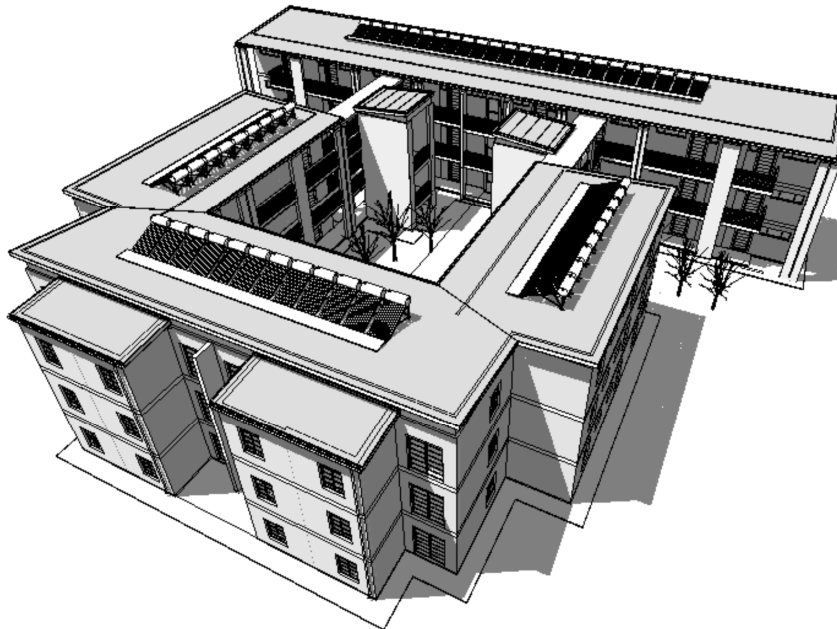
Rental options

Units	Unit Types (m2)	# of Units	GROSS GLA (m2)	Rental R/M2 based on	R	GROSS GLA (m2)
Batchelor	21	77	1617	16%	R 75,00	
1 bed unit	31	155	4805	32%	R	1 575
2 bed unit	40	183	7320	37%	R	2 325
2 bed unit	45	77	3465	16%	R	3 000
		492	17207			3 375
Circulation		0,2	20648,4	Weighted Average	R	2 623

Table. 5

Project Funding Methodology

- Capital Restructuring Grant
- Top-up Subsidies
- Municipal equity





Polokwane Extension EXT 76

These will primarily be flats with small garden area and comprising of 1 and 2 bedroom units.

Type of house units	Estimated cost per m ²	Recommended type of unit	Mix	Total possible units	Proposed rent per unit
Type A, 1 storey 1 Bedroom	R3014	Select this option	30%	45units	R700 per month
Type A, 1 Storey, 2Bedroom	R4018	Select this option	70%	85units	R1500 per month

Table 6

Total available area for development = 1,5ha = 15,000m²

Construction costs of Social Housing units - Extension 107	
Estimated construction costs	R 30 390 432
Professional Fees	R 4 254 660

Estimated total project construction costs	R 34 645 092
Less: Government subsidy - 80%	(R27 716 074)
Estimated construction cost after the subsidy	R 6 929 018
Estimated Total Maintenance and Other Opex Requirements	R 16 702 279
Estimated Total Project Cost	R 23 631 298
Number of units	130
Average cost per unit	R 181 779

The Social Housing units attract a subsidy from the National Government through the Department of Human Settlements. Subsidies are estimated at R27million and these will reduce the average construction cost of each unit to R181,779.

The City of Polokwane / PHA will have a direct benefit from the project by agreeing with the Developer that they receive a fee which will be equivalent to be anything 10% & 15% for the houses to remain affordable on monthly rental collections for a period of atleast 25 years, whereafter the properties will revert back to the municipality.



Studio (30 sqm)



1 Bedroom (43 sqm)



2 Bedrooms (54 sqm)

BENDOR EXTENTION 100

The Project is aimed to yield 198 residential units designated for rental market. Primary Target group is households earning R7 500 – R15 000 and the secondary target group is the non subsidized market. It was established that a developer had

been appointed to undertake the development of the Bendor Ext 100 project. The project developer, Mabone Building contractors (Mabone) were appointed on the 23 of November 2012 through a tendering process by Department of Corporative governance and Traditional affairs (COGHSTA). The following is work done by COGHSTA prior to the appointment of Mabone Building Contractors:

- Land Purchased
- Town Planning and land surveying done
- Designed services and approved plans
- Designed housing units and approved housing plans
- Approval of site development Plan
- Installation of water and sewerage complete
- Installation of Roads and storm water complete.

The amount spent by COGHSTA on the site to date is approximately R58 Million on infrastructure for a mixed residential development.

PHA is tasked to take up the development of Social Housing section in Bendor Ext 100 housing development. PHA engaged COGHSTA, HDA and Mabone on the role that it has to play on the project, discussion are still on to clear the issues pertaining to land ownership and current COGHSTA's contractual commitments with Mabone. Chiefton is appointment as the current Transaction Advisors on behalf of the City of Polokwane and PHA to advise on the project feasibility.

The following building typologies are proposed:

- 40 X One bed Room Units
- 60 X Two Bed Room Units
- 98 Three Bed Room Units
- 80 % Social Housing Market
- 20 % Non Social Housing Market

To date the feasibility Study is Completed focusing on

- Technical
- Financial
- Legal

GAP HOUSING UNITS

Polokwane Extention 107

The housing units will comprise of 2 and 3 bedroomed units to be developed on 11,5 hectares which is equal to 114,000m².

Type of house units	Estimated cost per m ²	Recommended type of unit	Mix	Total possible units	Proposed rent per unit
Type A, 1 storey 2 Bedrooms	R4,250				
Type B/E, 2 Storey, 2Bedrooms	R4,018	Select this option	30%	160 units	R2500 per month
Type D, 1 storey, 3 Bedrooms	R4,439				
Type F, 2 storey, 3 Bedrooms	R4,142	Select this option	70%	340 units	R3000 per month

The City of Polokwane will have to sell the land at nominal value to the developer to make the project attractive and also consider providing a relief on property rates during construction period until properties are sold and registered with new owners. The 25% traction factor is to allow for the development of services, roads, schools, creche and church. The units will be sold to the prospective home owners on a rent to buy basis over a period of 25 years. However, if home owners are able to secure mortgage finance these will be sold to them on a fair price which will be the market value prevailing.

Project layout for Ext 107



TYPICAL GAP HOUSING TYPES

TYPE A - Single Storey Two Bedroom Semi Detached Unit of 44m², Plots range in size from 122m² - 162m²



TYPE B – Sub Type B/E - Double Storey Two Bedroom Semi Detached End Unit of 55m², Plots range in size from 82m² - 176m²



TYPE D - Single Storey Three Bedroom Semi Detached Unit of 57m², Plot size = 154m²



TYPE F - Double Storey Three Bedroom Semi Detached Unit of 63m², Plot size = 113 to 166m²



Challenges

The preparation and packaging of the above project have not been smooth.

- Non responsive bids for Social Housing, Gap Housing and Student accommodation which led to re-advertisement of the bids, caused delays in the implementation of the projects.
- Non co-operation by other departments to avail information and supporting documents

SOCIAL AND ETHICS COMMITTEE

Mandate of the committee

In terms of the TOR the mandate of the Social & Ethics Committee is to assist the Board in, inter alia, the following:

- To monitor the organisations activities, having regard to all relevant pieces of legislation
- the Broad-Based Black Economic Empowerment Act; and
- the Employment Equity Act
- promotion of equality, prevention of unfair discrimination, and reduction of corruption;
- contribution to development of the communities in which its activities are predominantly marketed; and
- record of sponsorship, donations and charitable giving;
- the environment, health and public safety, including the impact of the Organisation's activities and of its products or services;
- consumer relationships, including the Organisation's advertising, public relations and compliance with consumer protection laws; and
- the Organisation's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
- the Organisation's employment relationships and its contribution toward the educational development of its employees;
- matters within its mandate to the attention of the Board as may be occasionally required; and
- to report to the shareholders at the Organisation's annual general meeting on the matters within its mandate.

Table: Schedule of Committee Meetings

- In accordance with the relevant provisions of the Companies Act and applying the recommendations of King , the Social & Ethics Committee consists of a majority of independent non-executive directors, one of whom chairs the Committee's meetings. The Chief Executive is a permanent invitee of this Committee. Members and the Chairman of this Committee are elected by the Board.
- Senior management of the Company attend meetings of the Committee as appropriate.
- In accordance with the Terms of Reference, the Committee meets frequently as the Committee considers appropriate. During the year under review, the Committee met four times. The following table of attendance at Social & Ethics Committee meetings reflects the Committee's meetings held during the year and the attendance of these meetings by its members.

4.3.1.1 Committee structure

The committee is constituted by:

- e) Two (02) Board of Directors
Mr Adv. TC Maake – Chairperson
Mr SP Myeza
- f) Mr JT Maimela - Chief Executive Officer (CEO) Mapitja Makgato the Committee

2. Schedule of committee Meetings

Committee member	14 Aug 2015	8 May 2016	14 Aug 2016
Tshepo Maake (Chairman)	✓	✓	✓
Sanele Myeza	✓	✓	✓
Shimi Maimela	✓	✓	✓
Mapitja Makgato	✓		

During the period under review, the Committee has considered the following reports:

- Supply Chain
- Human Capital
- Customers and other stakeholders

Commented [TM1]: Can you also add the development of the working paper on social and ethics and put in detail what that paper aims to do.

.Reviewed the following policies

- **Board Charter**
- **Code of Conduct for Staff**
- **Conflict of interest for board members**

Developed the following:

- **Disclosure of Interest**
- **Conflict of Interest**

Conclusion

In conclusion, the PHA has come a long way over the years, and with the solid foundation there is no doubt that with the right strategic and management leadership, it is set to grow to become the leading social housing institution it aspires to be.

CHAPTER 5. sERViCE dElivERy PERfoRmAnCE

The results below show that two annual targets were not achieved

3.1. Service Delivery Scorecard

Strategic Objective	Performance Indicators	Unit of Measure	Baseline	Annual Target	Rating	Start Date	End Date	Budget	Annual Target	Annual Actual	Rating scale	Rating Achieved	Actual Notes	challenges	Intervention	Responsible person	Portfolio of evidence
Improve quality of living	No of PHA's rental units maintained by 30th June 2017	Number	148	120	5	01-Jul-16	30-Jun-17	OPS	120	130	5	3	Over achieved targets as a result of additional unanticipated cable repairs carried out	Entity worked under pressure to complete un planned work	Have a back up plan to implement maintenance work	CEO	Maintenance reports & Contractors paid invoices
Improve quality of living	Maintain rental housing accreditation with SHRA by 30th April 2017	Frequency	Provisional accreditation	Provisional accreditation	5	01-Dec-16	30-Apr-17	OPS	Conditional Accreditation	Proof of Conditional accreditation	5	3	N/A	N/A	N/A	CEO	Proof of accreditation

Strategic Objective	Performance Indicators	Unit of Measure	Baseline	Annual Target	Rating	Start Date	End Date	Budget	Annual Target	Annual Actual	Rating scale	Rating Achieved	Actual Notes	challenges	Intervention	Responsible person	Portfolio of evidence
Improve quality of living	Review of maintenance policy and plan by 30th June 2017	Number	Policy reviewed in 2015	Reviewed Policy	5	01-Jul-16	30 Nov 16	OPS	Review Policy	Policy was reviewed	5	3	N/A	N/A	N/A	CEO	Minutes of Board Meetings & signed policy
Improve quality of living	Complete advertising Request For Qualification for to in order to build, operate and transfer 450 student rental housing beds by June 2017	Date	New	Complete advertising Request For Qualification for to in order to build, operate and transfer 450 student rental	5	01-Jul-16	31-May-17	OPS	Complete advertising Request For Qualification for to in order to build, operate and transfer 450 student rental housing beds by June	Completed advertising Request For Qualification for to in order to build, operate and transfer 528 + 4588 student rental housing beds by June	5	3	N/A	N/A	N/A	CEO	Proof of advert

CONFIDENTIAL

				housing beds by June 2017					17	2017							
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Strategic Objective	Performance Indicators	Unit of Measure	Baseline	Annual Target	Rating	Start Date	End Date	Budget	Annual Target	Annual Actual	Rating scale	Rating Achieved	Actual Notes	challenges	Intervention	Responsible person	Portfolio of evidence
Improve quality of living	Complete advertising Request For Qualification for to in order to build, operate and transfer 190 Social Housing Rental units by June 2017	Date	New	Complete advertising Request For Qualification for to in order to build, operate and transfer 190 Social Housing Rental units by June 2017	5	01-Jul-16	31-May-17	OPS	Complete advertising Request For Qualification for to in order to build, operate and transfer 208 Social Housing Rental units by June 2017	Completed advertising Request For Qualification for to in order to build, operate and transfer 208 Social Housing Rental units by June 2017	5	3	N/A	N/A	N/A	CEO	Proof of advert

Strategic Objective	Performance Indicators	Unit of Measure	Baseline	Annual Target	Rating	Start Date	End Date	Budget	Annual Target	Annual Actual	Rating scale	Rating Achieved	Actual Notes	challenges	Intervention	Responsible person	Portfolio of evidence
Improve quality of living	Complete advertising Request For Qualification for to in order to build, operate and transfer 750GAP Market Housing by June 2017	Date	New	Complete advertising Request For Qualification for to in order to build, operate and transfer 750 GAP Market Housing by June 2017	6	01-Jul-16	31-May-17	OPS	Complete advertising Request For Qualification for to in order to build, operate and transfer 754 GAP Market Housing by June 2017	Completed advertising Request For Qualification for to in order to build, operate and transfer 754 GAP Market Housing by June 2017	5	3	N/A	N/A	N/A	CEO	Proof of advert

3.2. Financial Viability Scorecard

2016/2017

Strategic Objective	Performance Indicators	Unit of Measure	Baseline	Annual Target	Rating	Start Date	End Date	Budget	Annual Target	Annual Actual	Rating scale	Rating Achieved	Actual Notes	challenges	Intervention	Responsible person	Portfolio of evidence
Enhance revenue and asset base	Occupancy Rate of PHA rental units occupied by 30th June 2017	Percentage	95%	99%	5	01-Jul-16	30-Jun-17	OPS	96%	96.16%	5	3	N/A	N/A	N/A	CEO	Billing Reports
Enhance revenue and asset base	Maintain unqualified audit opinion by 20th Dec 2016	Frequency	Unqualified audit opinion	Unqualified audit opinion	5	01-Jul-15	31-Dec-16	OPS	Unqualified Opinion	Unqualified Opinion	5	3	N/A	N/A	N/A	CEO	Audit Report
Enhance revenue and asset base	Review Credit Management Policy by June 2017	Date	Adopted in 2016	Reviewed Credit Management Policy	5	01-Jul-16	31-Dec-16	OPS	Review Credit Management Policy by June 2017	Reviewed Credit Management Policy	5	3	N/A	N/A	N/A	CEO	N/A

Strategic Objective	Performance Indicators	Unit of Measure	Baseline	Annual Target	Rating	Start Date	End Date	Budget	Annual Target	Annual Actual	Rating scale	Rating Achieved	Actual Notes	challenges	Intervention	Responsible person	Portfolio of evidence
Enhance revenue and asset base	Complete Physical Asset Verification for Moveable assets by June 2017	Number	1	1	5	01-Jul-16	30-Jun-17	OPS	Complete verification	Completed verification	5	3	N/A	N/A	N/A	CEO	Physical verification report
Enhance revenue and asset base	Increase Rental Collection on PHA's rental stock by June 2017	Percentage	52%	82%	5	01-Jul-16	30-Jun-17	OPS	60%	45%	5	3	Rent boycotts	Ga-Renaplague by rental boycotts	Implement revenue Measures	CEO	Rental Collection report
Enhance revenue and asset base	Capital Budget spent by June 2017	Percentage	90%	95%	5	01-Jul-16	30-Jun-17	OPS	100%	100%	2	3	N/A		N/A	CEO	Capex report

3.1 Governance and Transformation scorecard 2016/2017

Strategic Objective	Performance Indicators	Unit of Measure	Baseline	Annual Target	Rating	Start Date	End Date	Budget	Annual Target	Annual Actual	Rating scale	Rating Achieved	Actual Notes	challenges	Intervention	Responsible person	Portfolio of evidence
Improve admin and governance capacity	Prepare and submit Annual Financial Statements (AFS) to Auditor General (SA) by August 2016	Date	31-Aug-15	31-Aug-16	5	01-Jul-16	31-Aug-16	OPS	Prepare and submit Annual Financial Statements (AFS) to Auditor General (SA) by August 2016	Submitted AFS to the AG	5	3	N/A	N/A	N/A	CEO	proof of sub
Improve admin and governance capacity	Prepare and submit revised Budget to the Shareholder February 2017	Date	Feb-16	Feb-17	5	01-Dec-16	17-Feb	OPS	Prepare and submit revised Budget to the Shareholder February 2017	Prepared and submitted revised Budget to the Shareholder February 2017	5	3	N/A	N/A	N/A	CEO	Proof of submission

Strategic Objective	Performance Indicators	Unit of Measure	Baseline	Annual Target	Rating	Start Date	End Date	Budget	Annual Target	Annual Actual	Rating scale	Rating Achieved	Actual Notes	challenges	Intervention	Responsible person	Portfolio of evidence
Improve admin and governance capacity	Prepare and submit the final Entity Budget to the Shareholder by March 2017	Date	Mar-16	Mar-17	5	01-Dec-16	17-Mar	OPS	Prepare and submit the final Entity Budget to the Shareholder by March 2017	Prepared and submitted the final Entity Budget to the Shareholder by March 2017	5	3	N/A	N/A	N/A	N/A	Proof of submission
Improve admin & and gov. capacity	Prepare and submit the Entity Annual Report to the Shareholder by December 2016	Date	Dec-15	Dec-16	5	01-Jul-16	31-Dec-16	OPS	Prepare and submit the Entity Annual Report to the Shareholder by December 2016	Prepared and submitted the Entity Annual Report to the Shareholder by December 2016	5	3	N/A	N/A	N/A	CEO	acknowledgement letter of submission

Strategic Objective	Performance Indicators	Unit of Measure	Baseline	Annual Target	Rating	Start Date	End Date	Budget	Annual Target	Annual Actual	Rating scale	Rating Achieved	Actual Notes	challenges	Intervention	Responsible person	Portfolio of evidence
Improve admin and governance capacity	Submit the Annual Returns and/or amendments to CIPC by May 2017	Date	May-16	May-17	5	17-Mar	17-May	OPS	Submit the Annual Returns and/or amendments to CIPC by May 2017	Submitted the Annual Returns and/or amendments to CIPC by May 2017	5	3	N/A	N/A	N/A	CEO	Proof of submission
Invest in human capital and retain skills	Staff members capacitated through training by June 2017	Number	2	4	5	01-Jul-16	30-Jun-17	OPS	Staff members capacitated through training by June 2017	Capacitated 3 staff members through training in Q1 of 2016-2017	5	3	N/A	N/A	N/A	CEO	Certificates of training

JT. Maimela
Chief Executive Officer

chapter 6: financial performance

6.1 PERFORMANCE OF THE ENTITY AND ANNUAL RESULTS

1 Performance Report – Achievement and Challenges

Entity's financial Achievements could be highlighted as follows

- The entity got council resolution to have NHFC paid off with assistance of Municipality.
- Finance policies were reviewed and amendments done where necessary.
- The entity got acceptable level of accreditation from SHRA
- The vacancy of rental units due to maintenance was minimized by streamlining the maintenance of units
- The entity maintained its Unqualified audit opinion.

Challenges

- The needs of the organization outweigh the grant receivable, the entity needs to create new revenue streams to outgrow the need for the grant funding.
- The entity experienced rental boycott in the financial year and this impacted negatively on cash flow management.

The support from the municipality does not go unnoticed. Through shared services, secondments and grants received the financial position of the entity grows year on year.

6.1.2 Annual Results

The entity for the year ended 30 June 2016 recorded a surplus of R3.5million, mainly as a result of Grants received from Parent Municipality, this is in comparison to R6.9 recorded in 30 June 2016.

6.1.2.1 Summary of Financial performance

PHA has a net asset value of R104m(2016-R100m).

The current assets at R3.4m(2016 R5.7m)were less than the current liabilities of R3.0m (R13.5 million).

The revenues for the year amounted to R28 m which was received mainly as rental income from the leased property plus R15.m as Municipal grant from Polokwane Municipality. Costs were R24.7m including Employee costs and Directors fees of R1.2m. Revenue less expenditure resulted in a surplus of R3.5m.

The company achieved the positive cash inflow for the year of R1.7m mainly arising from tenant's deposit(s).