



THABATSHWEU HOUSING COMPANY

ANNUAL REPORT 2015-16

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
Mr. J T Maimela

Chief Executive Officer:

Company Secretary: Adv. K R Sebola
(Resigned in August
2014)

Chairperson's statement

It is a pleasure to present the Chairperson's Statement for the year ending 30 June 2016; in the past twelve (12) months the Polokwane Housing Association has continued in its strategic stride to provide affordable social housing and rental housing to the greater community that resides within the jurisdiction of the Polokwane Municipality, amid the continued challenges of rental boycotts and tenants uprising.

This annual report , for the period 1 July 2015 to 30 June 2016 encapsulates the performance of the Polokwane Housing Association in line with the objectives and targets as set out in the 5 year Business Plan.

Key Highlights:

- The growth of the property portfolio with the addition of the Seshego Community Residential Units. This project has added 189 units to the PHA's portfolio increasing it to 697. Other than growing our portfolio, this property does not carry any loan repayments, as it was fully funded by the Limpopo Department of Cooperative Governance and Traditional Affairs. In the twelve months since the property was handed over to the PHA, we have managed to maintain over 90% rental collection at 89% occupancy. This is a standard we pledge to maintain going forward.
- Feasibility studies for the further growth of the property portfolio, with a specific target of the student accommodation
- The appointment of a new Company Secretary in January 2016. This follows the resignation of Advocate Sebola in October 2014.
- The entity received unqualified Audit opinion.
- Shareholder's approval for the settlement of the Ga-Rena loan with the National Housing Finance Corporation. The PHA has already initiated talks with the NHFC for an amicable settlement amount. The settlement of the loan will go a long way

in ensuring the financial viability and hopefully increase our opportunity to make future loans for the development of more residential estates for rental.

- Attainment of provisional accreditation -PHA will now be in a position to access restructuring grant funding to enable the entity to increase its property portfolio. Continued interaction between the PHA and SHRA culminated in the SHRA appointing a service provider to help the PHA address all its shortcomings and obtain this much needed accreditation from the regulatory authority.

Challenges:

- Ongoing unrests and rental boycotts at Ga-Rena –These actions continue to be an ongoing threat to the PHA’s ability to maintain a healthy rental collection rate, which is now at an all-time low since 2011 The entity continues to do its best to address these challenges in its strive to ensure. the viability and sustainability of organization are not endangered.
- Lack of funding to grow property portfolio – this continues to be a major challenge, but we believe that the attainment of the pre-accreditation status from the Social Housing Regulatory Authority and the National Housing Finance Corporation agreeing to an agreeable settlement of the PHA loan is the step in the right direction towards an improved credit rating for future financial credit that will enable us to get funding to grow the property portfolio as per the Housing Development Strategy.

The Board would like to appreciate Council for its continued confidence and support.

Mrs. NA Baloyi
Board Chairperson

Chapter 2

CHIEF EXECUTIVE OFFICER’S OVERVIEW

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 (Basic Services), Financial Viability, Good Governance and organizational transformation.

Core Business

Maintaining Conditional Accreditation Status

PHA has retained 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. The entity has maintained this accreditation three years in a row and it is now working towards achieving full accreditation with The Regulator of Social Housing. We have thus

Financial Viability

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

- Rental collection dropping to 52% including arrear rental when compared with 68% for the same period last year. This was caused by rent boycotts, riots and strikes on PHA's main project Ga - Rena Rental Village. Management has put plans in place called operations rescue in an effort to rescue the project/ entity from being brought into its knees.

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 and has maintained an unqualified audit opinion three years in a row. PHA is working towards obtaining a clean audit opinion for the following year of 2016/2017

Highlights

The entity has managed to negotiate a settlement amount with the NHFC. This will enable the entity to settle its long term financial obligation with the NHFC. We are grateful to our Shareholder who has been able to assist PHA to reach this important milestone.

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 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 3: 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

Improved Quality of Living

Improved Confidence of PHA in the Social

Improved administrative and governance capacity

Improved efficiency and effectiveness of the PHA

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 4: directors' report and governance

4.1 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

4.2 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
13 Sep 2015	✓	✓	✓	Apology	✓	✓	✓
01 Nov 2015	✓	✓	✓	✓	✓	✓	✓
13 Mar 2016	✓	✓	✓	✓	✓	✓	✓
22 May 2016	✓	✓	✓	✓	✓	✓	✓

4.3 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:

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

4.3.1 Property, Contracts and Projects Committee

4.3.1.1 Mandate of the committee

In terms of the Terms of Reference (“TOR”) 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 Shall be responsible for rental and tenancy policies
- e) Shall investigate and address the complaints of the clients
- f) To consider all issues in relating to property development and management.
- g) 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.
- h) To consider and recommend to the Board, appropriate parameters for the determination of applications to be delegated to officials.
- i) To monitor the exercise of these delegated power and the compliance of officials with the parameters set.

j) To recommend rentals and other service charges and consider increments thereof.

4.3.1.2 Composition of the committee

The committee is constituted by:

a) Two (02) Board of Directors

- Mr TM Makofane – Chairperson
- Adv TC Maake - Member

b) Mr JT Maimela - Chief Executive Officer (CEO), Attorney Ngwako Molewa (Company Secretary and Mr R Maetisa - Property Manager are permanent invitees to the Committee.)

4.3.1.3 Schedule of committee Meetings

Date	19 Aug 2015	01 Feb 2016	23 Feb 2016	08 May 2016
Mr TM Makofane	✓	✓	✓	✓
Adv. TC Maake	✓	✓	✓	✓
Mr JT Maimela	✓	✓	✓	✓
Mr R Maetisa	✓	✓	✓	✓
Attorney N Molewa		✓	✓	✓

4.3.1.4 Current Projects

The entity currently manages two projects with a total of 697 housing units. The portfolio is made up of 508 Social Housing units and 189 Community residential units. This can be described as follows:

4.3.1.5 Ga Rena Rental Village

Ga- Rena is largest portfolio currently managed by Polokwane Housing Association. It has 508 rental units constituted by 86 blocks. The project is meant to cater for tenants with income range of R3 500 – R7 500. The portfolio has been problematic to manage since its inception. It is marred by protest of tenants who always came with unrealistic demands.



4.3.1.6 Vacancy Rate

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

4.3.1.7 Seshego Community Residential Units CRU

Seshego (CRU) is the second portfolio that is managed by PHA. The portfolio was developed by the Department of Corporate Governance, Human Settlement and Traditional affairs (COGHSTA) on Polokwane Municipality owned land. This project was handed over to the Municipality for management in June 2015. The Municipality further handed the portfolio over to PHA. It is constituted by 189 rental units build in 36 blocks. The project is meant for tenants in the income band of R1 500 – R3 499.



The portfolio is manageable with minimal issues. The problem at CRU is that the project was handed over with a lot of incomplete work, for instance,

- Faulty electrical cables that supply electricity to some units (no supply to those rooms since June 2015)
- Some Geysers are not working
- Leaking water pipes that appear to be water seepage

Management is engaging the Department for Corporate Governance, Human Settlement and Traditional affairs in a effort to find amicable solution to a solving the problems at the project

4.3.1.7 Vacancy Rate

- 178 units occupied
- Nine (8) vacant units,
- one (1) bedroom = 1
- two (02) bedroom = 7
- Two (2) Shops

- One (1) clinic

4.3.2 Challenges

The tenants of Ga-Rena Rental Village have made the portfolio difficult to manage.

- Since their last protest in February 2016, they have locked-out and prohibited PHA staff access to the complex. This means that since then there are no maintenance carried out by PHA staff, except in cases where tenants report maintenance requests then a service provider is appointed to carry out the work.
- Secondly, the tenants are being threatened by the group that lead the protests not to pay their rentals to PHA.
- The group that led the protest have taken over the management of the complex by arranging cleaning of the complex and they also have allocated eight empty units.
- This has left the entity with no option but to start a process of evicting tenants. The process is not a quick one but PHA remains optimistic that this process will yield results. Amongst some of their complaints the following are given a summary of the demands from tenants:

4.3.3 New Projects

Over the years, PHA has been applying conventional method in contributing to provision of access to housing to the residents of Polokwane. However, the entity has embarked on a different way, thereby engaging the private sector to partake in the development and management of rental housing. The approach seeks to get private sector financial investment and management skills in the housing sector. This is informed by the approved entity's property development strategy.

The entity through the shareholder's assistance, appointed Transactional Advisors to assist with the conducting of feasibility studies of rental projects on identified pieces of land owned by the Municipality. The intention is to enter into a long term lease

agreement with the potential investors/partners in developing rental housing units. The Transactional advisors were appointed in September 2015 to do among others the following:

- Projects Feasibility
- Due diligence
- Legal matters
- Financial Modelling

Three companies were appointed to do the feasibilities. One company was assigned to do the feasibility for Students accommodation, the other company the Gap Market and the last one did the Government employees rental housing scheme.

Public-Private Partnership (PPP) for municipal institutions are governed by the Municipal Systems Act (MSA) and the Municipal Finance Management Act (MFMA). The central legislation governing municipal PPPs is in chapter 11 of the MFMA.

- The type or category of the PPPs that the entity together with the Municipality are engaged in is a partnership in which the private party performs a municipal function and or uses municipal property for commercial purposes.

The three transactional advisors have completed their feasibility studies and the projects are currently in a second phase of procurement. The procurement phase is undertaken by different companies in particular for:

- Ga-Rena Phase 2 and Bendor Ext 100.
- Polokwane ext 107 and Ext 76
- Maya Group will continue with procurement

The procurement of PPPs goes through distinct stages as indicated below:

- Pre-qualification (which may be included in a request for qualification (RFQ))
- Request for proposals (RFP)
- Best and final offer (BAFO) where necessary

- Negotiations
- Financial closure

It is expected that by the end of August 2016, adverts will be in the media calling suitable service providers to submit RFQ.

4.4 HUMAN RESOURCES AND REMUNERATION COMMITTEE

4.4.1 Mandate of the Committee

The duties and responsibility of the Human Resource and Remuneration Committee shall be:

- 1.1. To ensure effective, efficient utilization of human resource.
- 1.2. To capacitate the organization
- 1.3. To provide officials with the necessary tools of trade.
- 1.4. Shall see to the wellbeing of staff
- 1.5. Shall be responsible for the development of human resource related policies
- 1.6. Shall investigate and address the disputes of the staff
- 1.7. To review human resource related policies
- 1.8. To keep abreast with best practices.

4.4.2 Composition of the Committee

The Human Resource Committee is made up of two (2) members of the board with the CEO and the Human Resources manager as permanent invites, and the Company Secretary as the scribe for all meetings of the committee. The members in question are:

- Mr. Sanele Myeza – Board Member and Chairperson of Committee,
- Mrs. PN Bosch – Board Member,

- Mr. Shimi Maimela – Chief Executive Officer, and
- Mrs. Conny Rasebotje –Human Resources Manager
- Mrs. Ngwako Molewa – Company Secretary

4.4.2.1 Table: Schedule of Committee Meetings held

Date	Mr. S.P Myeza	Mrs. N.P Bosch	Mr. J.T Maimela	Ms. M.S.C Rasebotje	Ms. N Molewa
20 Aug 2015	✓	✓	✓	✓	
01 Nov 2015	✓	✓	✓	✓	
01 Feb 2016	✓	✓	✓	✓	✓
13 May 2016	✓	✓	✓	✓	✓

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, salary benchmarking, and talent management.

4.4.3 Highlights

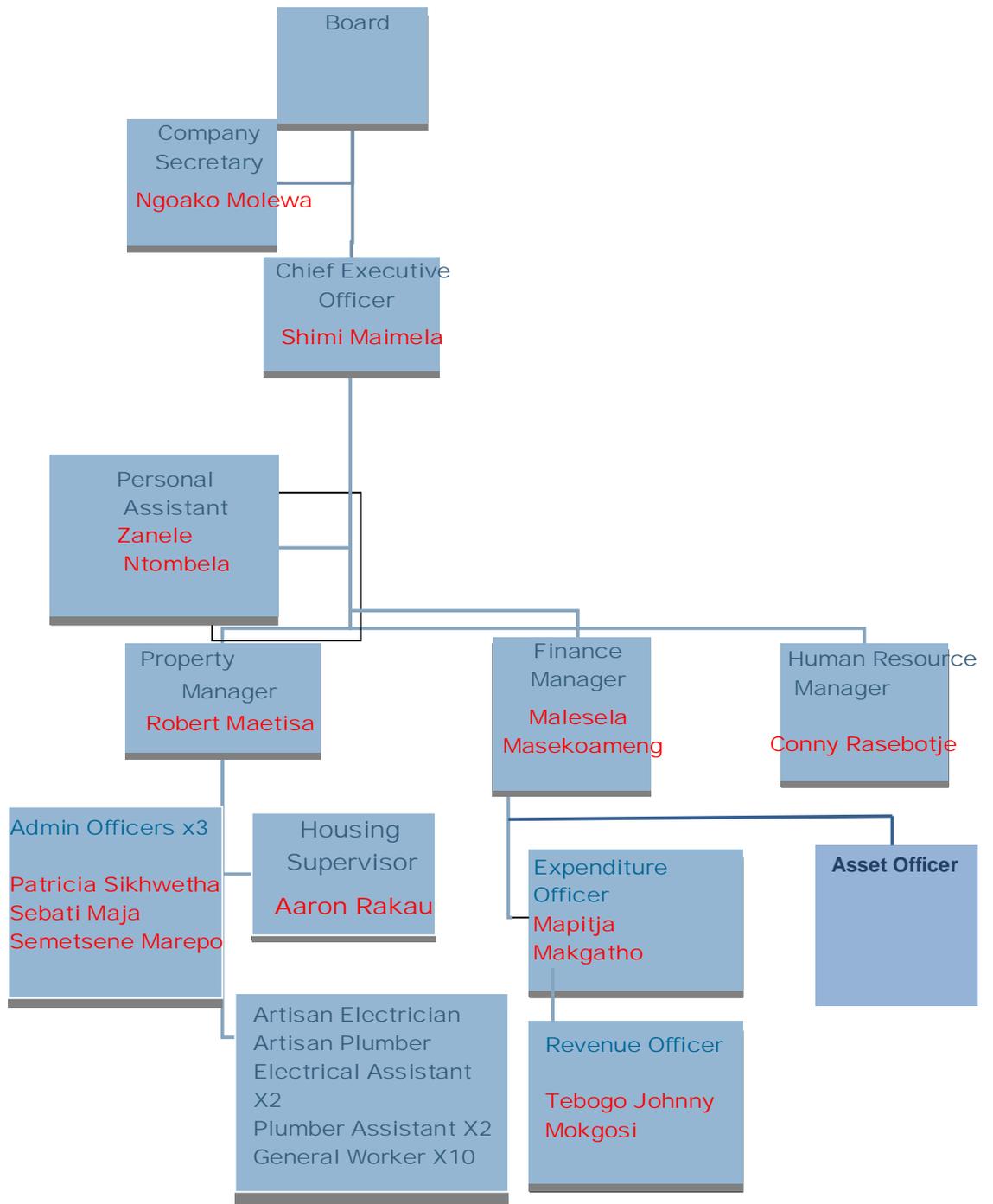
- The development and implementation of a Human Resource Strategy to guide the HR functions R
- Review of Human Resource policies
- Development of the HR Plan
- Appointment of key personnel (Company Secretary and Expenditure Officer).

- The entity has been able to train two employees one in the area of basic electrical and the second one in basic plumbing.

4.4.4 Challenges

The Organization has not been able to operate at full potential owing to the non-appointment of the Company Secretary which happened only in January 2016, and the Expenditure Officer in June 2016. The entity operated with a functional structure which impacted negatively on the performance of the organization. The appointment of a Company Secretary will ensure that the entity is compliant with the Company's act in the first instance. In the second instance, both these two appointments have brought relief to staff members who were performing those functions plus their normal jobs.

4.4.5 Organizational Structure



The positions on the structure above are all filled, except that of artisans, Electrical Assistant, Plumber Assistant, and the Asset Officer. The Artisans positions, Assistants as well as the Asset Officer positions are new on the structure and will only be filled in the current financial year (2016\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

4.5 FINANCE AND RISK COMMITTEE

4.5.1 The purpose 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

4.5.2 Mandate of the committee

- 1.1 The finance committee is established to provide financial specialist advice to the board on all financial matters with the view to optimize the financial resources of the PHA in all respects.
- 1.2 Serve as a party to monitor and strength the objectivity and credibility of PHA's financial systems
- 1.3 The finance committee makes recommendations to the board for its approval and final decision and does not perform management functions or assume management responsibilities.
- 1.4 Ensure that all financial activities are in line with laid down policies and procedures and adhere to all applicable legislation.
- 1.5 Develop and approve financial policies and procedure.
- 1.6 The board must approve the terms of reference of the finance committee and must review them annually to ensure their continued relevance.
- 1.7 The finance committee must operate within a framework of sound corporate governance.

4.5.2.1 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
- Attorney Ngwako Molewa– Company Secretary

4.5.2.2 Schedule of Committee Meetings

Date	Mrs. N.P Bosch	Mrs. S.C Dibete	Mr. J.T Maimela	Mr. M.S Maseko ameng	Stepanie Da Wel	Mrs Ngwako Molewa
23 Aug 2015	✓	✓	✓	✓	✓	
22 Oct 2015	✓	✓	✓	✓	✓	
23 Feb 2016	✓	✓	✓	✓		✓
06 May 2016	✓	✓	✓	✓		✓
						Highlights

- 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.

4.5.2.4 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 second half of the financial year and this impacted negatively on cash flow management.

4.6 SOCIAL AND ETHICS COMMITTEE

4.6.1 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 organizations 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 Organization's activities and of its products or services;
- consumer relationships, including the Organization's advertising, public relations and compliance with consumer protection laws; and
- the Organization's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
- the Organization'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, through one of its members, to the shareholders at the Organization's annual general meeting on the matters within its mandate.

4.6.2 Social & Ethics Committee Terms of Reference

The Social & Ethics Committee has adopted formal Terms of Reference which have been approved by the Board of Directors. The Committee has conducted its affairs in compliance with these Terms of Reference and has discharged its responsibilities contained therein.

4.6.3 Social & Ethics Committee members and attendance at meetings

- In accordance with the relevant provisions of the Companies Act and applying the recommendations of King III, 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 also a member 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 two 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.

4.6.4 Committee structure

The committee is constituted by:

- (a) Two (02) Board of Directors:
Mr Adv. TC Maake – Chairperson
Mr SP Myeza
- (b) Mr JT Maimela - Chief Executive Officer (CEO) and
N Molewa (Company Secretary) are permanent invitees to the
Committee

4.6.4.1 Schedule of committee Meetings

Committee member	14 Aug 2015	8 May 2016	14 Aug 2016
Tshepo Maake (Chairman)	✓	✓	✓
Sanele Myeza	✓	✓	✓
Shimi Maimela	✓	✓	✓
Zanele Ntombela	✓		
Ngwako Molewa		✓	✓

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

- Supply Chain
- Human Capital
- Customers and other stakeholders

There were no unethical issues reported during this period. The committee has since developed a working paper. The framework consists of the following:

- (a) Leadership commitment-meaning that the ethical tone should be set from the top.
- (b) Governance structures- meaning “organisations should incorporate ethics management into their governance structures. This might include establishing ethics committee and ethics office.
- (c) Ethics Management Process- to ensure that ethics are properly managed, through an ethics management process.

CHAPTER 5. service delivery performance

The results below show that two annual targets were not achieved

BASIC SERVICES

Performance Indicators	Baseline	Annual Target	Rating	2015-16 Project Name	Annual Target	Annual Actual
No of PHA 697 rental units maintained by 30th June 2016	150	150 maintenance	5	Maintenance 150 of rental units	150 maintenance	147
Maintain Provisional rental housing accreditation with SHRA by 30th March 2016	Provisional Accreditation	Maintain provisional accreditation	5	Maintain Provisional rental accreditation	Maintain provisional accreditation	Provisional accreditation maintained
Reviewal of property admin policy and plan by 30th June 2016	Adopted in 2014	Review property admin policy	5	Reviewal of property admin policy	Review property admin policy	property admin policy reviewed

Performance Indicators	Baseline	Annual Target 2015/2016	Rating	2015-16 Project Name	Annual Target	Annual Actual
Develop feasibility study for delivery of 5000 student housing units by 31 Mar 16	New	Develop feasibility study for delivery of 5000 student housing units	5	Development of Feasibility Study to deliver 5000 student housing	Develop feasibility study for delivery of 5000 student housing units	Feasibility study completed
Develop feasibility study for delivery for 741 and 190 GAP market and social housing rental units by 31 Mar 16	New	Develop feasibility study for delivery for 741 and 190 GAP market and social housing rental units	5	Development feasibility study for delivery for 741 and 190 GAP market and social housing rental units	Develop feasibility study for delivery for 741 and 190 GAP market and social housing rental units	feasibility study completed
Develop feasibility study for 841 Government employee housing rental units by March 2016	New	Develop feasibility study for 841 Government employee housing rental units	5	Development feasibility study for Government employee housing rental units	Develop feasibility study for 841 Government employee housing rental units	feasibility study completed
Sub Total			30			

FANANCIAL VIABILITY

Performance Indicators	Baseline	Annual Target	Rating	2015-16 Project Name	Annual Target	Annual Actual
% of PHA 697 units occupied by 30th June 2016	95%	98%	5	Management of PHA's rental units	98%	99%
Maintain unqualified audit opinion by 20th Dec 2015	Unqualified audit opinion	Unqualified Audit Opinion	5	Maintain unqualified audit opinion	Unqualified Audit Opinion	Unqualified audit opinion maintained
Reviewal of assets Management policy by 30th March 2016	Adopted in 2014	Review asset Management policy	5	Review asset Management policy	Reviewed asset Management policy	Asset management policy reviewed
Number of physical asset verification for movable assets completed per annum by 30th June 2016	2	Complete conducting 2 physical asset verification per annum by 31 June 2016	5	Movable Asset verification Report	Complete conducting 2 physical asset verification per annum by 31 June 2016	Two physical verification completed

% of PHA capital budget spent by 30th June 2016	80%	Spend 90% of PHA's Capital Budget	5	Spend 90% of PHA's Capital Budget	Spend 90% of PHA's Capital Budget	90%
% increase of rental collection on PHA's rental stock including arrear rental repayments 30th June 2016	68%	50% rental collected including arrears rental collection achieved	5	Increase rental collection	50% rental collected including arrears rental collection achieved	52%
Sub Total			30			

GOVERNANCE AND TRANSFORMATION

Performance Indicators	Baseline	Annual Target 2015/2016	Rating	2015-16 Project Name	Annual Target	Annual Actual
Preparation and submission of revised budget to the shareholder by 29th Feb 2016	Revised budget submitted by Feb 2015	Submit revised budget of the municipal entity from Board of Directors by Feb 2016	5	Submission of Municipal entity revised budget to shareholder	Submit revised budget of the municipal entity from Board of Directors by Feb 2016	Revised budget submitted
Preparation and Submission of final entity budget to the shareholder by 31st March 2016	Final Budget for submitted to shareholder by March 2015	Submit final budget for tabling to council by March 2016	5	Submission of municipal entity final budget to shareholder	Submit final budget for tabling to council by March 2016	Final budget submitted
Preparation and submission of the entity's Annual	Annual Report 2014/15 submitted by Dec 2014	Submit the Annual Report by December 2015	5	Submission of Annual report to shareholder	Submit the Annual Report by Dec 2015	Annual report submitted

Submission of annual returns and/or amendments to CIPC by 31st May 2016	Annual Returns submitted to CIPC by May 2015	Submit the annual returns and/or amendments to CIPC by May 2016	5	Submission of Annual Returns and/or amendments to CIPC	Submit the annual returns and/or amendments to CIPC by May 2016	CIPC returns submitted
Number of staff members capacitated through training in electrical and plumbing by 30th June 2016	Two staff members capacitated by June 2015	Capacitate and train two staff members one in plumbing and the other in electrical	5	Capacitation and training of two staff members	Capacitate and train two staff members one in plumbing and the other in electrical	Capacitated two staff members one in plumbing the second in electrical
Prepare and Submit to AG the annual financial statements of the municipality and its entity by 31st August 2015	Annual financial statement were submitted to AG by 31st August 2014	Submit to AG the annual financial statements of the municipality and its entity 31st August 2015	5	Annual Financial Statement submission	Submit to AG the annual financial statements of the municipality entity and its entity 31st August 2015	Submitted Annual Financial Statements
Sub Total			30			

chapter 6: financial performance

6.1 PERFORMANCE OF THE ENTITY AND ANNUAL RESULTS

6.1.1 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 second half of the financial year and this impacted negatively on cash flow management.

Debt collection is a battle that is won as good and fair governance prevails within the organization. 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 R7.2 million, mainly as a result of Grants received from Parent Municipality, this is in comparison to R6.1 recorded in 30 June 2015.

6.1.2.1 Summary of Financial performance

PHA has a net asset value of R100m(2015-R97m).

The current assets at R6.4m(2015 R4.8m)were less than the current liabilities of R14.3m (R8.3 million).

The revenues for the year amounted to R29 m which was received mainly as rental income from the leased property plus R16.7m as Municipal grant from Polokwane Municipality. Costs were R21.6m including Employee costs and Directors fees of R1.3m. Revenue less expenditure resulted in a surplus of R7.2m.

The company achieved the positive cash inflow for the year of R2.0m mainly arising from tenants deposit(s).