



THABATSHWEU HOUSING COMPANY

ANNUAL REPORT 2017-18

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



CONTENTS

Corporate Administration.....	3
Chairperson's statement	4
Chief executive officer's overview.....	6
The directors report executive summary	9
Directors report and governance.....	11
Service Delivery Performance	25
Financial Performance.....	30

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 - Resigned
Adv. T C Maake - Resigned
Mr. T M Makofane - Resigned
Mrs. N P Bosch - Resigned
Mr. S P Myeza - Resigned
Mrs. C S Dibete

New Directors: Mrs. C S Dibete
Mrs. S Mashabela
Ms. A. Kgosana
Mr. M.S. Vilakazi
Mr. M.J. Gololo
Mr. O. Galane

Chief Executive Officer: Mr. J T Maimela

Company Secretary: Mr. Lungelo Hlangwana -
Resigned

Chapter 1: CHAIRPERSON'S REPORT

the year under review has been filled with a lot of highlights and challenges. Some of these challenges had been in existence long before the Board was appointed to its first term of office in July 2011. Those challenges include but are not limited to the following:

- The Rent-to-buy Agreement
- Rental boycotts
- Stagnant rental rates
- Human Resources
- Funding.

These are discussed in detail below:

- **The Rent-to-Buy Agreement:**

In 2007, when the PHA made its first intake of tenants, the first 60 of the 508 tenants were made to sign a lease agreement with a rent-to-buy clause, whilst the others signed the regular rental agreement. The entity's management and leadership failed to immediately withdraw the 'faulty' lease agreements; which resulted in the whole tenant body insisting that they too qualify to buy the units. This became a hot potato that was tossed between the tenants, PHA, the Polokwane Municipality and the Department of Human Settlements, Cooperative Governance and Traditional Affairs (COGHSTA). It has also been escalated to the National Department of Human Settlements, but to date it has not been brought conclusion. This Board did their best to deal with this matter, to involve all stakeholders affected in the matter to get their input regarding the sale of the units to the tenants:

- The National Housing Finance Corporation (NHFC) – Financier of the Ga-Rena Rental Village. The NHFC's position was that they had no legal mandate to oppose or support the sale of the units to individual tenants. They however raised concerns at the time, on how they would be able to recoup their money in the event the sale went ahead, as the management of the village will be taken away from the PHA.

The Social Housing Regulatory Authority (SHRA) – support the idea of disposing the Ga-Rena Rental Housing Village to qualifying beneficiaries the This matter, unless properly concluded, will continue to be used by the tenants against the PHA, derailing the entity from carrying out its mandate of providing quality social housing to

the people of Ga-Rena Rental Village. It also has a potential to spill over to the CRU and other future projects to be built.

- **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 nor convicted for these criminal activities.

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

- **Stagnant Rental Rates**

From 2012, the PHA has never been able to effect an increment on the rental rates. This is due to the fact that the tenants mostly refuse to sign new lease agreements, as well as violent boycotts that resulted in the entity accruing huge arrear debt on non-payment.

Report written by

Cindy Dibete
Board Chairperson

chapter 2: the CHIEF EXECUTIVE OFFICER'S report

Highlights 2017/2018

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 organisational transformation.

- **Core Business**

Achieving 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.

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 33% including arrear rental when compared with 45% for the same period last year. .

- **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.

3.The results below show that two annual targets were not achieved

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
Improve quality of living	No of maintenace requests received and attended to by 30th June 2018	Number	131	150	5	01-Jul-17	30-Jun-18	OPS	150	155			N/A		
											5	3		N/A	N/A
Improve quality of living	Maitain Conditional rental housing accreditation with SHRA by 30th April 2018	Frequen cy	Provisio nal accreditation	Maintain conditio nal rental housing accreditation with SHRA by 30th April 2018	5	01-Dec-17	30-Apr-18	OPS		Maintain conditio nal accreditation with the SHRA					
										Maintaine d conditional accreditation with SHRA	5	3	N/A	N/A	N/A
Improve quality of living	Review maintenance , property admin & housing development & Acquisition policies by Dec 2017	Number	Admin Policy reviewed in 2016	Review mainten ance, property admin & housing develop ment & Acquisiti on policies by Dec 2017	5	01-Jul-17	30 Dec 17	OPS	Review mainten ance, property admin & housing development & Acquisiti on policies by Dec 2017	Reviewed mainten ance, property admin & housing developm ent & Acquisition policies by Dec 2017					
											5	3	N/A	N/A	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
Improve quality of living	Provisionally /conditionally appoint a service provider on a build operate and transfer (BOT) model to develop 450 Students Rental Housing Beds by June 2018	Date	New	Provisionally/conditionally appoint a service provider on a build, operate and transfere 528 + 4588 student rental housing beds by June 2018	5	01-Jul-17	30-Jun-18	OPS	Provisionally/conditionally appoint a service provider on a build, operate and transfere 528 + 4588 student rental housing beds by June 2018	Provisionally appoint a service provider on a build, operate and transfere 528 + 4588 student housing beds by June 2018	5	3	N/A	N/A	N/A
Improve quality of living	Provisionally /conditionally appoint a service provider on a build operate and transfer (BOT) model to develop 208 Social Housing Rental units by June 2018	Date	New	Provisionally/conditionally appoint a service provider on a build, operate and transfere 208 Social Housing Rental units by June 2018	5	01-Jul-17	30-Jun-18	OPS	Provisionally/conditionally appoint a service provider on a build, operate and transfere 208 Social Housing Rental units by June 2018	Provisionally/conditionally appoint a service provider on a build, operate and transfere 208 Social Housing Rental units by June 2018	5	3	N/A	N/A	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
Improve quality of living	Provisionally /conditionally appoint a service provider on a build operate and transfer (BOT) model to develop 754 Government employees and GAP Market Housing by June 2018	Date	New	Provisionally/conditionally appoint a service provider on a on a build, operate and transfer 754 GAP Market Housing by June 2018	6	01-Jul-17	30-Jun-18	OPS	Provisionally/conditionally appoint a service provider on a on a build, operate and transfer 754 GAP Market Housing by June 2018	Provisionally/conditionally appoint a service provider on a on a build, operate and transfer 754 GAP Market Housing by June 2018	5	3	N/A	N/A	N/A

3.2. Financial

Viability Scorecard 2017/2018

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
Enhance revenue and asset base	Occupancy Rate of PHA rental units occupied by 30th June 2018	Percentage	96%	98%	5	01-Jul-17	30-Jun-18	OPS	96%	97%	5	3		N/A	N/A
Enhance revenue and asset base	Maintain unqualified audit opinion by 20th Dec 2017	Frequency	Unqualified audit opinion	Unqualified audit opinion	5	01-Jul-17	31-Dec-17	OPS	Unqualified audit opinion	Unqualified audit opinion	5	3	N/A	N/A	N/A
Enhance revenue and asset base	Review Credit, Assets Management, Risk & SCM Policies by June 2018	Date	Adopted in 2016	Review Credit, Assets Management, Risk & SCM Policies by June 2018	5	01-Jul-17	30-Jun-18	OPS	Review Credit, Assets Management, Risk & SCM Policies by June 2018	Review Credit, Assets Management, Risk & SCM Policies by June 2018	5	3	N/A	N/A	N/A
Enhance revenue and asset base	Complete Physical Asset Verification for Moveable assets by June 2017	Number	1	1	5	01-Jul-17	31-Aug-17	OPS	1	1	5	3	N/A	N/A	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
Enhance revenue and asset base	% Total Rental Collection on PHA's rental housing stock by June 2017	Percentage	52%	82%	5	01-Jul-17	30-Jun-18	OPS	82%	33%	5	2.5	Challenges with rental boycotts experienced	Entity in the process of obtaining garnishing orders for non paying tenants	Implement revenue Measures
Enhance revenue and asset base	Capital Budget spent by June 2018	Percentage	90%	95%	5	01-Jul-17	30-Jun-18	OPS	100%	Target not met	5	2.5	Target not met due to unavailability of funds	The entity will ensure that funds are secured before planning to perform certain functions	N/A

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
Improve admin and governance capacity	Prepare and submit Annual Financial Statements (AFS) to Auditor General (SA) by August 2017	Date	31-Aug-16	31-Aug-17	5	01-Jul-17	31-Aug-17	OPS	Prepare and submit Annual Financial Statements (AFS) to Auditor General (SA) by August 2017	Prepared and submitted Annual Financial Statements (AFS) to Auditor General (SA) by August 2017	5	3	N/A	N/A	N/A
Improve admin and governance capacity	Prepare and submit revised Budget to the Shareholder February 2018	Date	Feb-17	Feb-18	5	01-Dec-17	01-Feb-18	OPS	Prepare and submit revised Budget to the Shareholder February 2018	Prepared and submitted revised Budget to the Shareholder February 2018	5	3	N/A	N/A	N/A
Improve admin and governance capacity	Prepare and submit the final Entity Budget to the Shareholder by March 2018	Date	Mar-17	Mar-18	5	01-Dec-17	31-Mar-18	OPS	Prepare and submit the final Entity Budget to the Shareholder by March 2018	Prepared and submitted the final Entity Budget to the Shareholder by March 2018	5	3	N/A	N/A	N/A

Improve admin & and gov. capacity	Prepare and submit the Entity Annual Report to the Shareholder by December 2017	Date	Dec-16	Dec-17	5	01-Jul-17	31-Dec-17	OPS	Prepare and submit the Entity Annual Report to the Shareholder by December 2017	Prepared and submitted the Entity Annual Report to the Shareholder by December 2017	5	3	N/A	N/A	N/A
Improve admin and governance capacity	Submit the Annual Returns and/or amendments to CIPC by May 2018	Date	May-17	May-18	5	30-Apr-18	31-May-18	OPS	Submit the Annual Returns and/or amendments to CIPC by May 2018	Target not met	5	2	Challenges were experienced with resigning and the coming in of new	Entity will secure funding first before planning any activity	N/A
Invest in human capital and retain skills	Staff members capacitated through training by June 2018	Number	2	4	5	01-Jul-17	30-Jun-18	OPS	6	6	5	3	N/A	N/A	N/A

Chapter 3: the directors' report - EXECUTIVE SUMMARY

INTRODUCTION AND CORPORATE PROFILE

Vision

To be the premier provider of innovative and sustainable living

Mission

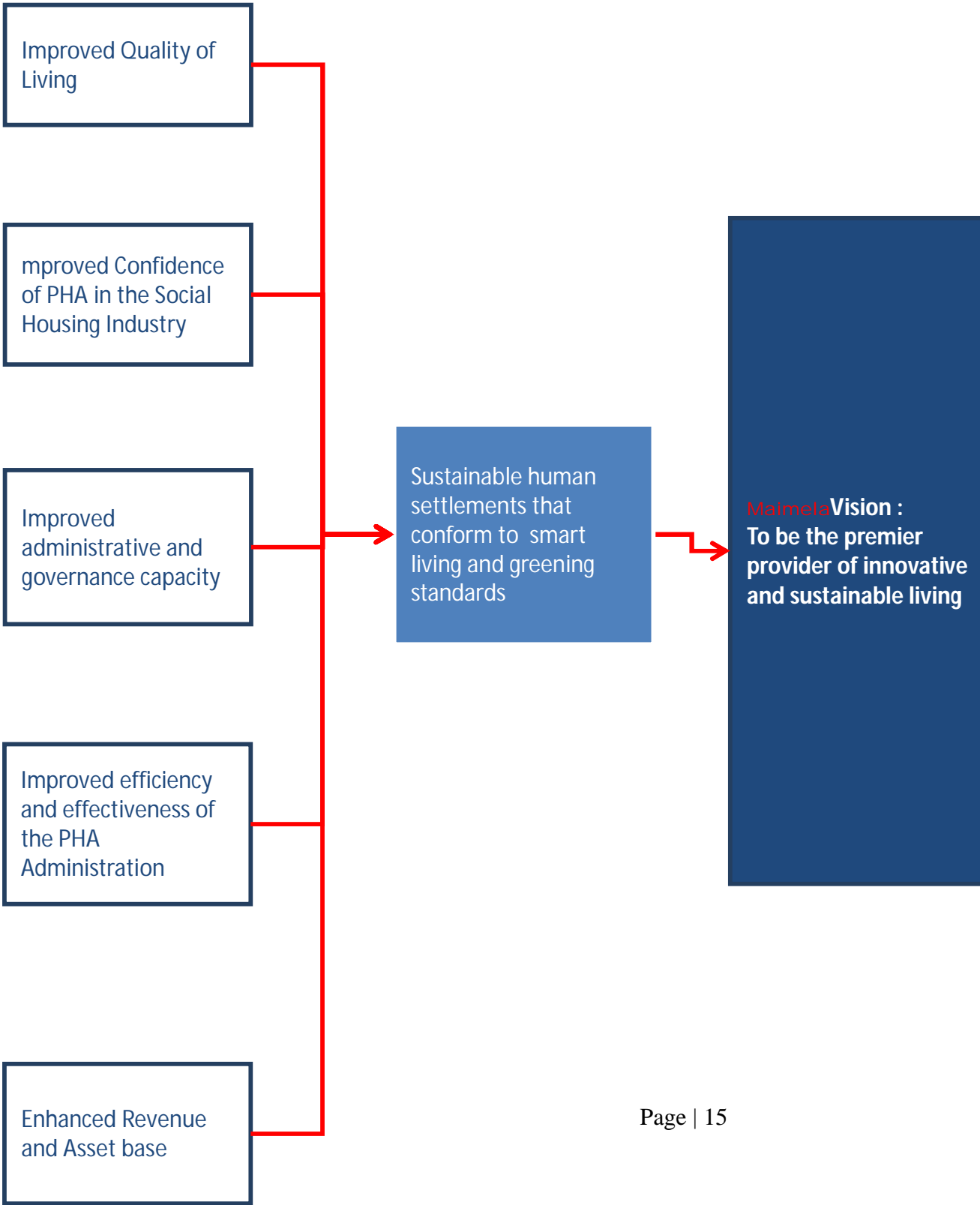
To promote smart living for a diverse market through delivery of sustainable and affordable homes

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



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.

Previous Board Meeting Schedule

Date	Mrs.N.A. Baloyi	Mrs. N.P. Bosch	Mrs.C Dibete	Mr. S.P. Myeza	Mr. T.M. Makofane	Adv. T.C. Maake	Mr. S Maimela	Ms. Z Ntom bela	Mr. L Hlang wana
14 Jul 2017	✓	✓	✓	✓	✓	✓	✓	✓	N/A
30 Aug 2017	✓	✓	✓	✓	✓	✓	✓	✓	N/A
30 Oct 2017	✓	✓	✓	✓	✓	✓	✓	✓	✓

New Board Meeting Schedule

Date	Mrs. S.C Dibete	Mrs. S. Mashab ela	Ms. A. Kgosan a	Mr. M. Vilakazi	Mr. M.J. Gololo	Mr. O Galane	Mr. L. Hlangwan a	Mr S. Chuene
14 Feb 2018	✓	✓	✓	✓	✓	✓	✓	N/A
11 Mar 2018	✓	✓	✓	✓	✓	✓	✓	N/A
18 Mar 2018	✓	✓	✓	✓	✓	✓	✓	
15 July 2018	✓	✓	✓	✓	✓	✓	Resigned	✓
27 July 2018	✓	✓	✓	✓	✓	✓	Resigned	✓

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
- Social & Ethics

4.3.1 PROPERTY, CONTRACTS & PROJECTS

4.3.1.1 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 within 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
 - Mrs S Mashabela - Chairperson
 - Mr Gololo – Member

Permanent Invitees to the Committee

- b) Mr JT Maimela - Chief Executive Officer (CEO),
- c) Mr R Maetisa - Property Manager

Schedule of committee Meetings

Member	July 2017	August 2017	September 2017	October 2017
Mr TM Makofane	✓	✓	✓	✓
Adv. TC Maake	✓	✓	✓	✓
Mr JT Maimela	✓	✓	✓	✓
Mr R Maetisa	✓	✓	✓	✓
NEW COMMITTEE MEMBERS				
	March 2018	April 2018	May 2018	June 2018
Mrs S Mashabela	✓	✓	✓	✓
Mr Gololo	✓	✓	✓	✓
Mr JT Maimela	✓	✓	✓	✓
Mr R Maetisa	✓	✓	✓	✓

2. Ga-Rena Rental Village

The status quo with Ga Rena rental village is still the same. The rent boycott, obstruction of PHA staff to perform their duties, threats to other tenants, bridging of electricity etc. The administration is exploring avenue to deal with the situation, process of obtaining garnishing orders is under way.

The complex was raided by a team constituted by Municipality Electrical team, PHA and Community Safety unit and the SAPS raided the complex to remove bridged electricity meters in May 2018. Unfortunately, the bridging of electricity meters continued despite the intervention made.

The entity engaged the Provincial Rental Housing Tribunal as it is the institution established and mandated to mediate and rule on disputes between the Landlords and the tenants (dealing with unfair practices between the parties). Unfortunately, officials of the Rental Tribunals were threatened when serving summons and they ended up withdrawing their services.

PHA's is the exploring the following ideas to deal with the challenges at Ga Rena:

- Outsource the Management of the complex to a private company
- Sell the complex or individual units to interested parties
- Consider sourcing the services of the companies like Red Ants to effect mass evictions.

Generally the project is dysfunctional, though we are trying every effort to ensure that the tenants are paying their rentals and PHA is gaining the complex's control

Maintenance

Maintenance is not performed, only where water/geyser leaks are reported is then that we sent the team to attend to the problem provided the tenant is paying the rental. For non paying tenants, water supply to the geyser is blocked.

Tenants Committee

The tenants committee is didfunctional since the relationship between the committee and the PHA severely broken.

3. Seshego Community Residential Units (CRU)

Rental Collection

The rental collection was 33.59% during the period under review as compared to the same period last year were the rental collection was 41.02 %. The 33.59% includes the arrear rental collection and over payment by some tenants.

Vacancy Rate at CRU

95 % occupation

Tenants committees

The Tenants committee is relatively functional and meetings are held when convened.

Maintenance

Reactive maintenance is being performed on site. During the period under review the following types of maintenance were performed, plumbing, electrical work, welding work and carpentry work has been performed. The general cleanliness of the complex is maintained.

Security and Access Control

The access control manned by static security, boom gates fully operational. Access to the complex is controlled and regular security patrols are performed as per work specification. Static security is deployed in PHA offices every night over and above the guards in the complex.

New Shops

Vacancies of the two shops which were vacant have been filled through competitive bidding. One shop is occupied by a Security Company which is using it as a training room for security officers and the other one is used for laundry and internet cafe.

4. Public Private Partnership Projects

Thabatshweu Housing Company T/A Polokwane Housing Association (PHA) in conjunction with Polokwane Municipality (Parent Municipality) resolved to adopt the Public Private Partnership (PPP) approach to enhancing the scale of housing delivery by the entity. The process led to appointment of Transactional advisors whose role was to advise and do due diligence for the feasibility of the projects. The following projects were assigned to Transactional Advisors to do due diligence.

Transactional Advisor	Erf Number / Township	Proposed no of units
Kelotlhoko	Ext 76 (Social Housing)	208 Rental Units
	Ext 107 (Gap Housing Development)	754 Gap Housing
Chiefton	Erven 513, 514 and 515 Annadale Ext 2	492 Rental Housing
Maya Group	Erven 20802 – 20815 and 20818 – 20821 Ext 106	4666 Student Beds
	Erf 23145 Ext 108	527 Student Beds

Highlights of progress for the period under review

5.1 Social Housing Projects

Polokwane Ext 76 Social Housing (Erven 15953 and 15954)

Ladira Trading (Pty) Ltd / NJR Projects (JV) was appointed as the preferred private partner for “Design, Build, Finance, Operate and Transfer” model for Social Housing project through competitive bidding on the above-mentioned erven. The appointment is in terms of chapters 8 & 11 of the Municipal Finance Management Act (MFMA), Act No 56 of 2003).

The appointment was initially Conditional subjected to satisfaction of sections 33 of the MFMA and Section 21 of the Municipal Systems Act, processes. The value of the project is R85 374 938. 00 (inclusive of VAT, Contingency and Professional fees).

The private party will operate the project for a period of 20 years thereafter, hand it over to Polokwane Housing Association.

Annadale Ext 2 Project

The project is expected to yield 494 units. The procurement process for this project was not competitive. This is because of the existing contract in place with

the company called Motheo Construction Group which developed Ga-Rena Rental Village.

The original agreement with PHA was for the development of 1 000 units, due to insufficient budget at the time, they only developed 508 units. Motheo was given the offer to first refuse or accept. The company accepted the offer and negotiations in terms of price and other conditions are concluded.

Gap Housing Project

Vharanani Properties has been appointed through competitive bidding as the preferred bidder to develop and sell off plan housing units to interested and qualifying beneficiaries/clients. It should be noted the development will include cluster housing, stand alone and duplex units. Qualifying beneficiaries will be urged to apply for Finance linked Subsidy Programme (FLISP). Contract Negotiations with the appointed contractor is underway.

Student Accommodation Projects

Jendza Capital (Pty) Ltd was appointed as the preferred private partner to develop and operate student accommodation. The entity and the Municipality made land available to the private partner on a long term lease (20 years). The bidder was appointed through competitive bidding. The company was appointed to develop two projects namely; Ext 106 project and Ext 108 project.

The contract negotiations are currently underway to finalise the conditions and signing of the lease and land availability agreement. The contractor is expected to raise all the required funds to successfully execute the project.

4.4 HUMAN RESOURCES AND REMUNERATION COMMITTEE

1. Mandate of the committee

The Committee reviews the human resources management and remuneration policies and practices in the Entity and determines terms and conditions of employment of all staff levels.

The committee reviews the quarterly performance 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 ensures 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.

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. The members in question were;

Old Committee members

- Myeza Sanele (Chairperson)
- Bosch N (Member)

Permanent Invitees

- Maimela T. J (CEO)
- Rasebotje MSC (HR Manager)

New Committee members appointed in December 2017

- Vilakazi S (Chairperson)
- Kgosana A (Member)

2. Table: Schedule of Committee Meetings

Date	Mr. S.P Myeza	Mrs. N.P Bosch	Mr. J.T Maimela	Ms. M.S.C Rasebotje	Cosec
20 Oct 2017	✓	✓	✓	✓	
New Committee					
	Mr.S Vilakazi	Ms A Kgosana	Mr.J.T Maimela	Ms. M.S.C Rasebotje	Mr. L Hlangwana
22 Feb 2018	✓	✓	✓	✓	✓
11 March	✓	✓	✓	✓	✓

2018					
22 April 2018	✓	✓	✓	✓	

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.

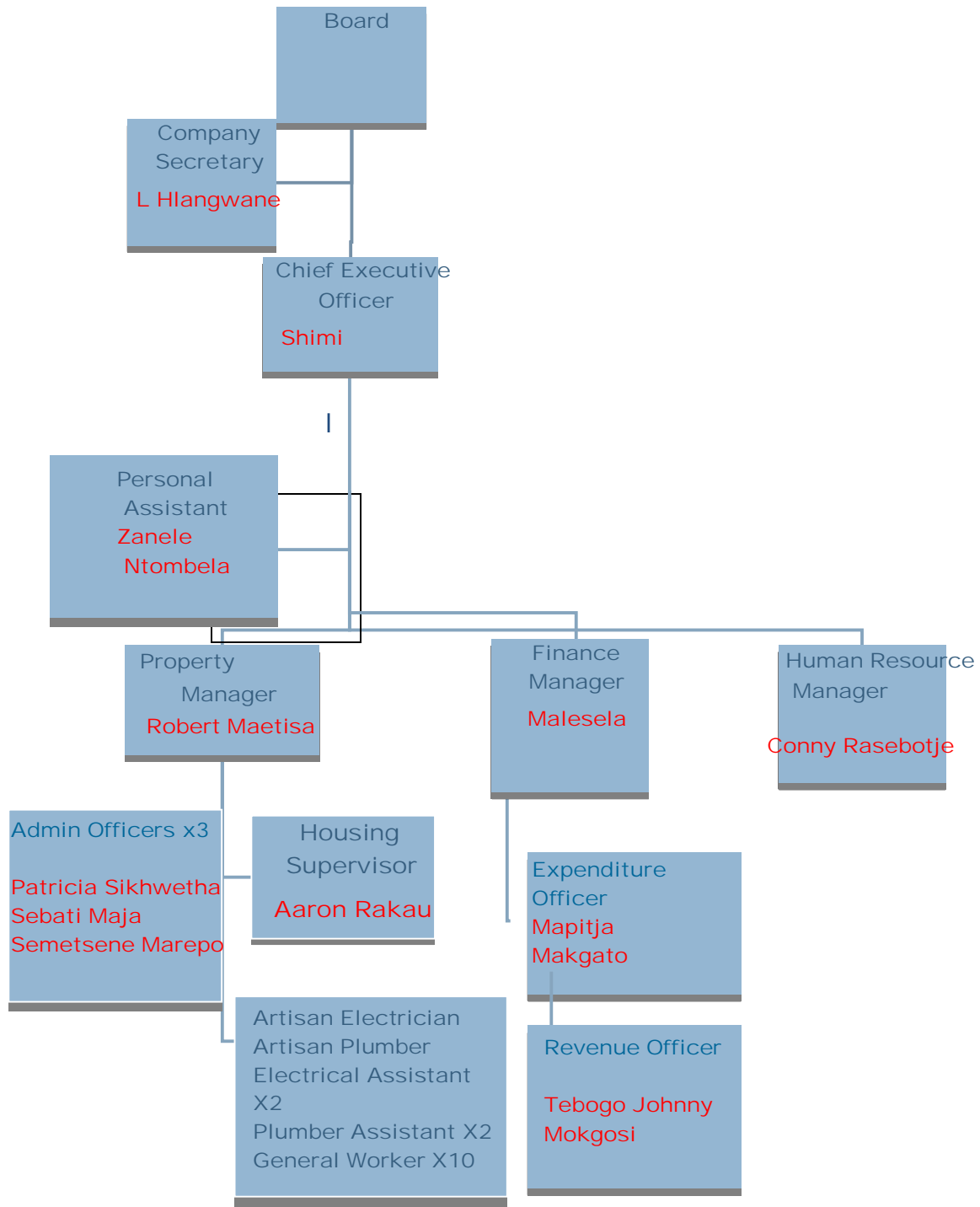
3. Highlights

- The development and implementation of a Human Resource Strategy to guide the HR functions
- Reviewal of Human Resource policies
- Alignment of salaries within PHA to those similar at the parent Municipality .
- Appointment of 2X Electrical Assistant and 2X Plumber Assistant
- Sending 2 General workers for Trade test (Plumber assistant and Electrical assistant)

4. Challenges

- The non appointment a full time Company secretary.
- The organization has not been able to operate at full potential owing to the appointment of the key personnel.
- Overburdened officials

5 Organisational Structure



4.5 FINANCE AND RISK COMMITTEE

4.5.1 The purpose of the Committee

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.

- Mr Gololo- Board Member and Chairperson of Committee
- Mr Oupa Galane - Board Member,
- Mr. Shimi Maimela - Chief Executive Officer
- Mr. Malesela Masekoameng – Finance Manager

4.5.2.2 Schedule of Committee Meetings

Date	Mrs. N.P Bosch	Mrs. S.C Dibete	Mr. J.T Maimela	Mr. M.S Masekoameng	Ms. Z Ntombela		
23 Aug 2017	✓	✓	✓	Apology	✓		
New Board							
Date	Mrs. S Mashabela	Mr. J. M Gololo	Mr. O. Galane	Mr. S Maimela	Mr. M.S Masekoameng	Ms Zanele Ntombela	Ms. R Malakalaka
22 Feb 2018	✓	✓	✓	✓	✓	✓	N/A
22 April 2018	✓	✓	✓	✓	✓	N/A	✓
06 May 2016	✓	✓	✓	✓		✓	✓

4.5.2.3 Highlights 2017/2018 Performance

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.

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-Renarental 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 45.11% to 33.59%

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:
Ms. S. Mashabela– Chairperson
Ms. A. Kgosana
- (b) Mr JT Maimela - Chief Executive Officer (CEO) and
Ms. R Malakalaka (Parent Municipality) are permanent invitees
to the Committee

4.6.4.1 Schedule of committee Meetings

Previous Board Meetings

Committee member	7 July 2017	24 Oct 2017
Adv. T.C Maake	✓	✓
Mr. S.P Myeza	✓	✓
Mr. S. Maimela	✓	✓
Ms. Zanele Ntombela	N/A	N/A

New Board Meetings

Committee member	22 Feb 2018	11 Mar 2018	22 April 2018
Mr. O. Galane (Chairman)	✓	✓	✓
Ms. A. Kgosana	✓	✓	✓
Mr. S. Maimela	✓	✓	✓
Ms. R Malakalaka	N/A	✓	✓

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 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

- 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 2017 recorded a deficit of R4.4 million, , this is in comparison to R3.3 million surplus recorded in 30 June 2016.

6.1.2.1 Summary of Financial performance

PHA has a net asset value of R103m(2016-R107m).

The current assets at R3.9(2016 R3.9m)were more than the current liabilities of R3.3m (R3.5 million).

The revenues for the year amounted to R20 m which was received mainly as rental income from the leased property plus R9m as Municipal grant from Polokwane Municipality. Costs were R25.2m including Employee costs and Directors fees of R1.7m. Revenue less expenditure resulted in a deficit of R4.4m.

The company achieved the positive cash inflow for the year of R2.4m mainly arising from tenants deposit(s).