

Polokwane Housing Association
35 Landros Maré street, Polokwane, 0700
P O Box 1157, Ladanna, 0704
Tel: (015) 291 2314
Fax: (015) 295 6259



11 January 2012

To: Municipal Manager
Polokwane Municipality
P.O. Box 111
Polokwane
0699

Mid-Year budget and Performance Assessment for 2011/12 financial year.

The entity for the period 01 July 2011 to 31 Dec 2011 recorded a profit of R3 524 072.38 mainly as a result of R3 000 000.00 operations grant received from municipality. The parent municipality approved R5 881 694 of operations grant of which only R3 000 000.00 was transferred to the entity in the first half of the financial year and the remainder of the grant will be transferred in the second half of the financial year. The grant assisted the entity in paying day-to-day expenses so that the creditors are paid within thirty days so as to comply with the guidelines of Municipal Finance Management Act (MFMA) whilst the monies collected from tenants were reserved to pay the National Housing Finance Corporation (NHFC) loan.

It must be noted that for the first time since September 2010 the entity's Board of Directors managed to enter into agreement with NHFC with the view of reactivating the payment of loan that we have with the NHFC. The repayment started in December 2011 and an amount of R1 459 974.00 was paid to the NHFC. The agreement entails that the entity will pay monthly installment due plus R100 000.00 every month towards servicing of arrears. The entity still faces challenges in terms of rent collection from tenants for the first six months of the financial year the entity averages 66.6%. The entity has revived its relationship with Davel De Klerk Kgatla Attorneys with the purpose of handing over the non-paying tenants for collection and eviction purposes.

The queries which were raised by auditors during the audit of 2010/11 financial year are being resolved, there were three major queries raised by auditor general namely: no service delivery agreement (SDA) between Parent Municipality and the entity, Supply Chain Management policy and No audit committee. Most of these queries will be addressed in the SDA, which will outline a principled agreement between the Shareholder and the Entity regarding Audits and Procurement processes. The SDA is in its final stages of edition and we anticipate to have it finalized and signed before the end of this month (January 2012).

Issues already addressed as per Turn Around Strategy:

- **Appointment of Board**

The parent municipality appointed Board of directors as from 1 July 2011 and the board has thus far developed and adopted turn-around strategy for entity. (Attached find the copy of Turnaround Strategy.)

- **Appointment of CEO and Company Secretary**

Interviews conducted on the 6th January 2011, and Board still needs to ratify interview panel's recommendations. Appointments are expected by 1 March 2012.

- **Building Condition Assessment at Ga-Rena Rental Village**

The Board has identified the need for the structural building assessment to be conducted at Ga-Rena Rental Village due to the continuous complains by tenants and for this reason the budget of the entity was adjusted to include such and the process will start on 13 January 2012 with prospective structural engineers attending briefing session. The Municipality's Planning Directorate is assisting with the process.

The anticipated final product is a report that will give an indication of the current structural, electrical and sewerage conditions, costing for repairs/renovations and a further maintenance management plan.

We also need to indicate at this stage that the implementation of the anticipated recommendations of this report could be a challenge because of the unavailability of funds, but we believe together with the assistance of the Municipality, a solution will be found.

- **Tenant & Beneficiary Audit at Ga-Rena Rental Village**

The purpose of the audit is to ensure compliance on the side of entity, in relation to the Financial Management of Institutional Subsidies that was received from government as partial funding for the development of Ga-Rena Rental Village.

The process is currently underway (9-12 January 2012), and a report will serve in the next board meeting.

This exercise hope to address the following issues

- Sub-letting of units
- Illegal residents (not registered on the records on entity)
- Criminal elements and activities that plaque the residents
- Access control.

Kind Regards,

NTSWAKI BALOYI (MRS)
ACTING CHIEF EXECUTIVE OFFICER