

Reference no. 32259/1
Jordan Griffiths (1225)
MAYORAL COMMITTEE: 7 June 2023



2.1.6 OFFICE OF THE EXECUTIVE MAYOR DEPARTMENT
HOUSING COMPANY TSHWANE (HCT) REVISED BUSINESS PLAN 2022/23
FINANCIAL YEAR (FY)
(From the Executive Committee: 8 May 2023)

1. PURPOSE

The purpose of the report is to request approval for the amendment/revision of the 2022/23 Business Plan for Housing Company Tshwane (HCT). The revised 2022/23 HCT's Business Plan is attached as Annexure A.

2. STRATEGIC PRIORITIES

- A caring City that supports the vulnerable and provides social relief.

3. BACKGROUND

The Shareholder Operations Unit is concerned with reviewing, monitoring, and "overseeing" the affairs, practices, activities, behaviour and conduct of municipal-owned entities (MOEs) to ensure the City of Tshwane that the business of MOEs is being conducted in a manner expected in accordance with commercial legislative and other prescribed or agreed conventions.

The unit is poised to assist the institution and is MOE to comply with applicable legislation by providing regular advice and reports on compliance and recommending remedial action where required. The Division regulates the functions of MOEs and co-ordinates these with prevailing political imperatives, whilst ensuring alignment with departmental SDBIPs.

In terms of Section 87(6) of the MFMA, the board of directors of a municipal entity may, with the approval of the Mayor, revise the budget of the municipal entity, but only for the following reasons:

- To adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- To authorize expenditure of any additional allocations to the municipal entity from the parent municipality;
- To authorize, within a pre-scribed framework, any unforeseeable and unavoidable expenditure approved by the mayor of the parent municipality; and
- To authorize any other expenditure within a prescribed framework.

4. DISCUSSION

4.1 STRATEGIC OBJECTIVES.

HCT revised its 2022/23 Business Plan, which was approved by Council on 20 April 2022. This business plan had eighteen (18) Key Performance Indicators (KPIs). The

entity's performance for the six (6) months has resulted in the entity revising its 2022/23 business plan.

Below is a summary of KPIs that had to be amended on HCT's scorecard:

No.	Performance Key Performance Indicators	KPIs/Targets	Proposed Changes
1.	Number of new social housing units constructed – (Chantelle)	504 Units	Annual target be reduced from 504 to 282 units, owing to delays in remedial work and community challenges faced by the contractor.
		"Townlands-Rental revenue collected as a percentage amount billed"	Newley added KPI. 95% collection set to be achieved in Q3 and Q4
		"SSEs-Rental revenue collected as a percentage of amount billed"	Two buildings added under HCT's management, namely Noordepark and Hercules.
		% Implementation of a stakeholder engagement plan activities"	KPI be removed due to lack of resource and budget constraints, however, recruitment is set to done in the next financial year.

CAPEX AND OPEX PROJECTS ALIGNMENT

CAPEX PROJECTS

Focus Area	City Priority	Project Name	2022/23	2022/23 projected deliverables
Spatial Transformation Area	Deliver:1200 social housing units	Townlands Phase 2	R148, 800,000	50%
Spatial Transformation Area	Deliver 609 social housing units	Timberlands	R1, 501,350	3,73% of construction progress achieved
Spatial Transformation Area	Deliver 1098 social housing units	Chantelle x39	R175, 893,031	282 Units
Spatial Transformation Area	Deliver 264 social housing units	Sunnyside	0	0 Units

No additional capital grant requested from the City owing financial constraints. It should be noted, however, as a result of further adjustment that HCT will be funded by SHRA R129, 693 million for both Chantelle and Townlands, the entity has since submitted the request.

BUDGET SUMMARY

Budget Items	Approved	Budget	Budget
	2022/23	2023/24	2024/25
	R'000	R'000	R'000
CAPEX	R326, 194, 381	R173, 476, 128	R179, 442, 942
OPEX	R1, 500, 000	R961, 783	0
TOTAL	R327, 694, 381	R174, 437, 911	R179, 443, 942

It is therefore recommended that the entity's revised business plan be approved to enable HCT to meet its performance targets at the end of this financial year.

REVENUE AND EXPENDITURE MANAGEMENT

Item	Original Budget	Budget Adjustment	Proposed Budget
Revenue	R107, 7 million	Decreased by R17, 2 million	R90, 5 million
TRANSFERS AND SUBSIDIES- OPERATIONAL GRANT			
Item	Original Budget	Budget Adjustment	Proposed Budget
Expenditure	R107, 7 million	Decreased by R32, 6 million	R75, 2 million

Entity recorded R15, 449 million surplus due to further adjustment of depreciation.

EMPLOYEE RELATED COSTS & REMUNERATION OF DIRECTORS

Item	Original Budget	Budget Adjustment	Proposed Budget
Employee Related Costs	R46, 6 million	Decrease by R2, 6 million	R44 million
Remuneration of Directors	R3, 8 million	Decrease by R1, 2 million	R2, 6 million

DEPRECIATION & ASSETS IMPAIRMENT

Item	Original Budget	Budget Adjustment	Proposed Budget
Depreciation	R17, 8 million	Decrease by R15, 449 million	R2,4 million

Townlands project Phase 1 completion date was 01 July 2021, however, practical completion has been achieved in Q2 of 2022/23 financial year.

CONTRACTED SERVICES

Item	Original Budget	Budget Adjustment	Proposed Budget
Contracted Service	R20 million	Decrease by R8 million	R12 million

OTHER EXPENDITURE

Item	Original Budget	Budget Adjustment	Proposed Budget
Other Expenditure	R11, 7 million	Decreased by R769 000.	R10, 9 million

REVENUE GENERATION STREAMS

Financial Objectives	Strategic Levers	Baseline	Proposed intervention	Details of intervention	Target by the end of 2021/22
Increase Revenue	Collection	89%	Improve credit control and debt management mechanisms	Improve collection of monthly rental payment through implementation of debt collection and credit control measures	6% increase
	Stock Increase	1, 473 Units	Increasing the property portfolio of the entity.	Construction of new units: 691 – Townlands 509 - Townlands Transfer of residential units Unit transfer-782 units	1, 982 Units

RESOURCES PLANNING AND FINANCIAL REQUIREMENTS

	Previous Financial year (2021/22) R'000	Current Financial Year (2022/23) R'000	Outer Financial Year (2023/24) R'000	Projected Percentage Growth/ Decrease
Salaries and wages (excl. directors' remunerations)	R35,471,064	R44,010,254	R58, 268, 342	24%
Contracted services	R 9,065,817	R22,120,610	R45,378,958	144%
TOTAL	R44, 536, 881	R66, 130, 864	R103, 647, 299	48%

The entity increased its salaries and wages by 24% as all positions within the structure will be filled during 2022/23 financial year. Further 144% increase for contracted services for Townlands 1200 units, HCT will outsource the maintenance, securities, and cleaning.

STATEMENT OF FINANCIAL POSITION

- a) Cash and cash equivalent Cash and cash equivalent declined by 84% from original budget of R59 million to R9,7 million due to reduction in the anticipated revenue from R41 million to R35 million as the tenanting undertaken in December 2022 instead of July 2022;
- b) Consumer debtors Consumer debtors declined by 88% from original budget of R3,2 million to R382 thousands due to late tenanting of Townlands project phase 1;
- c) Other debtors other debtors increased by 417% from original budget of R319 thousands to R1,3 million in order to cater for commercial debtors and sundry customer;
- d) Property Plan and equipment Property and equipment declined by 32% from original budget of R1,4 billion to R963 million due to delays in Timberlands projects, Chantelle and cancellation of Sunnyside project;
- e) Consumer deposits Consumer debtors declined by 41% from original budget of R3 million to R1,7 million due to late tenanting of Townlands project phase 1;
- f) Trade and other payables Trade and other payables declined by 14% from original budget of R9 million to R8 million due to decline in other expense, other materials, and contracted services;
- g) Provisions Provision increased by 147% from original budget of R8 million to R20 million, provisions balance as of December 2022 amounted to R18 million and therefore adjusted had to be made; and

h) Accumulated surplus and reserves. Accumulated surplus and reserves declined by 35% from original budget of R1,5 billion to R975 million due to reductions in the anticipated revenue from R41 million to R35 million as the tenanting undertaken in December 2022 instead of July 2022.

5. COMMENTS OF THE STAKEHOLDER DEPARTMENTS

5.1 COMMENTS OF THE CHIEF FINANCIAL OFFICER

Cognizance is taken of the contents of the report.

There are no financial implications emanating as a result of this report for the City of Tshwane as the purpose of the report is to request approval for the amendment/revision of the 2022/23 Business Plan for Housing Company Tshwane (HCTHCT).

The proposed amendment/revision of the business plan should be aligned to the entity grant allocation in the 2022/23 Medium-Term Revenue and Expenditure Framework.

5.2 COMMENTS OF THE GROUP HEAD: GROUP LEGAL AND SECRETARIAT SERVICES

This report presents the progress on the financial performance of the City of Tshwane against the budget for the period ended 31 January 2023, in compliance with Section 71 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA).

Section 11 (3) (a) (k) & (n) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (hereafter referred to as the "MSA") provides that, a municipality exercises its legislative or executive authority by developing and adopting policies, plans, strategies, and programs, including setting of targets for delivery, establishing and implementing performance management systems and also by doing anything else within its legislative and executive competence.

In respect of municipal entity budgets, section 87(1) & (2) Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (hereafter referred to as "MFMA"), provide that the board of directors of a municipal entity must for each financial year submit a proposed budget for the entity to its parent municipality not later than 150 days before the start of the entity's financial year or earlier if requested by the parent municipality. The parent municipality must consider the proposed budget of the entity and assess the entity's priorities and objectives. If the parent municipality makes any recommendations on the proposed budget, the board of directors of the entity must consider those recommendations and, if necessary, submit a revised budget to the parent municipality not later than 100 days before the start of the financial year.

Furthermore, section 87(6)(a) of the MFMA, provides that the board of directors of a municipal entity, with the approval of the mayor, revise the budget of the municipal entity, to adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year.

The report highlights that HCT revised its 2022/23 Business Plan, which was approved by Council on 20 April 2022. This business plan had eighteen (18) Key Performance Indicators (KPIs). The entity's performance for the six (6) months has resulted in the entity revising its 2022/23 business plan. It further reiterates that the envisaged approval of the revised Business Plan 2021/22 will enable HCT to allocate its resources on the areas that are measurable, achievable and reportable on quarterly bases, which have been funded either through CoT funding or alternative funding that the entity intends to access.

Having taken regard to the aforesaid and with specific reference to the contents of the report, Group Legal and Secretariat Services Department take note of the report and support its recommendations.

5.3 COMMENTS OF THE GROUP HEAD: HUMAN SETTLEMENT

The Department of Human Settlements takes cognisance of the Housing Company Tshwane (HCT) revised Business Plan 2022/23 Financial Year. The department supports the recommendation to approve the revised HCT Business Plan for the 2022/23 financial year to ensure the entity achieves its targets.

6. IMPLICATIONS

6.1 HUMAN RESOURCES

The report does not have human resource implications to the City of Tshwane.

6.2 FINANCES

The report does not have any financial implications to the City of Tshwane currently.

6.3 CONSTITUTIONAL AND LEGAL FACTORS

The report is in accordance with the Municipal Finance Management Act.

6.4 COMMUNICATION

The Shareholder Unit, CSOP, and the department of Human Settlement have been consulted.

6.5 PREVIOUS COUNCIL OR MAYORAL COMMITTEE RESOLUTIONS

Council Resolution May 2021.

7. CONCLUSION

The envisaged approval of the revised Business Plan 2021/22 will enable HCT to allocate its resources on the areas that are measurable, achievable, and reportable on quarterly bases, which have been funded either through CoT funding or alternative funding that the entity intends to access.

ANNEXURES:

- A. Final _ Housing Company Tshwane Adjusted Business Plan 2022-2023 (002)-signed
- B. Housing Company Tshwane Adjustment Budget Motivation 202223-Final-signed

IT WAS RECOMMENDED (TO THE MAYORAL COMMITTEE: 7 JUNE 2023)

That it be recommended to the Mayoral Committee:

That the revised 2022/23 Business Plan of Housing Company Tshwane be noted and approved.

During the consideration of the report, it was:

NOTED:

- (a) That the entity should start to set realistic targets; and
- (b) That there was a need for a review of the business plan because of the issues pertaining centralisation or decentralisation of maintenance budget that needed to be clarified.

It was further agreed:

1. That the matter of the centralisation of the repairs and maintenance budget of buildings be referred to the City Manager for resolution and that a report in that regard be submitted to the Mayoral Committee scheduled for 2 August 2023; and
2. That the repairs and maintenance budget matter affecting the Clarina housing units be resolved by the Housing Company Tshwane, Group Property Management, Housing and Human Settlements Departments and the Shareholder Operations Unit and that a report in that regard be submitted to the Mayoral Committee meeting scheduled for 2 August 2023.

In view of the above, it was:

RESOLVED:

1. That the revised 2022/23 Business Plan of Housing Company Tshwane be noted and approved;
2. That the matter of the centralisation of the repairs and maintenance budget of buildings be referred to the City Manager for resolution and that a report in that regard be submitted to the Mayoral Committee scheduled for 2 August 2023; and
3. That the repairs and maintenance budget matter affecting the Clarina housing units be resolved by the Housing Company Tshwane, Group Property Management, Housing and Human Settlements Departments and the Shareholder Operations Unit and that a report in that regard be submitted to the Mayoral Committee meeting scheduled for 2 August 2023.

