




**HOUSING COMPANY TSHWANE**  
affordable housing solutions

# 2022/2023 MID-YEAR REPORT (JULY – DECEMBER 2022)

**HOUSING COMPANY TSHWANE**  
**NON PROFIT COMPANY**  
Registration No: 2001/029821/08  
(In terms of Section 88 of the  
Municipal Finance Management Act, 2003)

<b>SIGN OFF</b>	
<b>ACTING CHIEF EXECUTIVE OFFICER:</b>  <b>Ms. M. Matabane</b>	
<b>DATE:</b>	<b>31 December 2022</b>



**HOUSING COMPANY TSHWANE  
NON PROFIT COMPANY**

**COMPANY INFORMATION:**

**Registration number:** 2001/029821/08

**Registered Address:** 1<sup>st</sup> Floor SKG Tower Building (ABSA Building)  
310 Pretorius Street  
Pretoria  
0001

**Postal Address:** P O Box 11586  
The Tramshed  
0126

**Telephone number** : (012) 358 4469

**Bankers** : Absa Bank

**Auditors** : Auditor-General

***Vision:*** *An excellent social housing provider of choice in the City of Tshwane*

***Mission:*** *To sustainably deliver and manage affordable social housing in the City of Tshwane*

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## CHAPTER ONE: LEADERSHIP & CORPORATE PROFILE

## **Section 1: Corporate Profile / Overview of the Entity**

The Housing Company Tshwane (HCT) was established by the City of Tshwane Metropolitan Municipality (CoT) in 2001. It is a municipal entity as envisaged in section 9 (2) of the Municipal Systems Amendment Act, 2000 (Act No. 32 of 2000), under the exclusive jurisdiction and ownership control of the CoT and is duly registered in terms of the Companies Act, (Act 71 of 2008).

The City of Tshwane (COT), its sole shareholder, established the HCT to develop and manage social housing, which is recognised as a pivotal tool in restructuring the CoT. It is mandated to act as a long-term institutional platform through which the CoT would promote the business of procuring, developing, owning, letting, maintaining and managing residential accommodation (primarily for the low and middle income brackets in terms of the National Housing Code).

In terms of Section 86 (c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000), the CoT must assist the HCT to achieve the aforesaid affordable housing development goals through HCT undertaking affordable housing developments, and making available to qualifying households affordable housing units and supporting infrastructure within the CoT's area of jurisdiction.

The CoT acknowledges that the HCT is a business Entity, and as such requires a maximum degree of autonomy, to allow it to fulfill its business operations (subject to the checks and balances of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). To this end the parties agree that all financial obligations to the HCT by the CoT will be transferred within sixty (60) days of approval of the annual budget of the CoT.

The HCT also represents the vehicle that ensures the City stays focused on its agenda to offer accommodation to poorer communities who have been historically marginalised from the inner-city precincts, and business development districts, that have grown within the city. The overall objectives of the entity and assessment of its ability to deliver on its promises, the vision, mission and the organizational structure of the entity needs to be understood.

This document outlines the planning that will guide the growth and development trajectory of the HCT over the 2022/2023 Medium-Term Revenue and Expenditure Framework (MTREF). Moreover, it analyses the strategic context within which the HCT operates, and articulates a strategic focus that is aligned to perform on its mandate. It is also alive to, and recognizes the opportunities that currently exist towards making the HCT the leading affordable rental housing institution within the CoT.

## **Section 2: Strategic Objectives**

The strategic goals and focus areas have been informed by a thorough analysis of the internal and external environments of the organisation and has taken into account the sustainability and financial viability of the organisation:

**Strategic Objective One**

Strengthen and rebuild an effective and realistic social housing plan for the City of Tshwane;

**Strategic Objective Two**

The delivery of good property and tenant management services and facilitating and supporting community development initiatives;

**Strategic Objective Three**

Continuously strive to promote and practice sound governance principles and ethics in the execution of the HCT mandate;

**Strategic Objective Four**

Create a client to brand-experience orientation that aims to build relationships with key stakeholders that can support HCT in achieving its objectives;

**Strategic Objective Five**

Enhanced financial sustainability; and

**Strategic Objective Six**

Redesign, reposition, restructure and resource the organisation, ensuring that there is competent and solid capacity to manage and execute financial and operational requirements for a sustainable HCT.

The HCT strategic objectives contribute to the attainment of the CoT's strategic objectives and associated service delivery performance areas:

**Table 1: Strategic Pillars Alignment**

<b>Strategic Pillar</b>	<b>Priority</b>	<b>Action</b>	<b>HCT's contribution</b>
Pillar 1: A City that facilitates economic growth	Priority 4: Revitalizing and supporting Tshwane's entrepreneurs	Action 1: Supporting small and micro business to have longer lifespans and increased turnover	40% of HCT's expenditure is to be spent on the procurement of goods and services from BBBEE compliant entity's and SMME
Pillar 1: A City that facilitates economic growth	Priority 4: Infrastructure-led growth as a catalyst and to revitalize existing nodal economies	Action 2: Address infrastructure and service delivery inadequacies which are preventing existing or fledgling industries from growing and/or threatening their survival	Providing affordable rental housing across Tshwane through the construction of Greenfield projects and Brownfield projects.  Selected developments are within economic nodes and restriction zones.
Pillar 2: A City that cares for residents and promotes inclusivity	Priority 8: Building integrated communities	Action 1: Creating spaces and housing opportunities that bring people together	Provision of affordable rental housing within economic nodes, which aim to address spatial indifferences.
Pillar 3: A City that delivers excellent services and protects the environment	Priority 11: Delivering high quality services	Action1: Delivering high quality and sustainable basic services	Maintenance and refurbishment of property under the management of HCT.  Provision of on time services to tenants of the HCT.
Pillar 5: A City that is open, honest and responsive	Priority 16: Building a capable city government	Action 1: Establishing professional and effective city government processes	Organisational structure has been redesigned to effectively implement the entity's five-year strategic plan.  Modernising business processes to ensure that they are effective and efficient.  Fair and transparent Supply chain management processes.

### Section 3: Salient Features

#### 3.1 Property Management

The HCT historically reported on **693 units** under management. However, 159 new units from the Townlands Estate were added to the portfolio during the period under review.

The reporting for the 2022/23 financial year is still based on 681 **units**, the difference of the **12 units** is due to some of the units being unlettable for various reasons and others used as caretakers' units or as offices in various buildings.

There is a further **857 units** that is in the process of being transferred from the City to the entity for management and/ ownership.

The portfolio can be summarised as follows:

- Existing portfolio (693 units);
- GP transferred for ownership portfolio (214 units);
- Human Settlement transfers portfolio (643 units)

The units that have been transferred from the CoT to the Entity are also still in the conveyancing process and will be registered on the Entity's asset register. Of the 214 units from Group Property with a transfer agreement, 190 units (Bridgeway Mansions, Michael Court, Rooiwal, Vervoer North and South) are in the process of registration on the Entity's books which has already commenced. The outstanding 24 units (Silverton Fire Station and Sunnyside Park) still require town planning processes in the form of subdivisions to exclude the municipal service depots from the residential portions. These units will be registered by the end of the 2022/23 financial year.

The Property Management Unit is measured against 3 KPI's. The period under review, unit target on tenant complaints resolved within the turn-around time is achieved at 92%, quarter 1 achievement 92% and quarter 2 achievement is 93%. The unit has maintained occupancy rate of 97% against a target of 95% for the two quarters of 2022/23 financial year with the average of 97% at mid-term despite the high mortality rate within the Self Sufficient Elderly (SSE) units portfolio. The maintenance budget spend target of 30% has not been achieved due to the delays in finalising the panel of repairs and maintenance and of the supply and delivery of building materials.

The Unit is in a process to finalise the Service Level Agreements and the Transfer agreement with the remaining Human Settlements buildings. The HCT is still continuing with fulfilling partial function of the property management that is leasing (unit's allocations), and labour only for the repairs and maintenance at the Human settlement rental stock; even though the registration of this properties and subsequent revenue is still in a process of being finalised.

For the Human Settlements stock, a process of stakeholder management and engagement will commence have to be concluded prior to a full take-on process before the end of the financial year.

Given the current state of the human settlement buildings, it is important that a full extent of the condition of the buildings be ascertained to be able to align the transfer processes with the requisite budget to bring the buildings to compliance standards for the 2023/2024 financial year when HCT assumes full management function of this transferred stock.

## **Community Development Activities**

As part of the delivery of Strategic Objective two, “the delivery of good property and tenant management services and facilitating and supporting community development initiatives, the Clients Services Department comprises of a unit which deals with community development programmes.

This section of the report relates to matters within the property management and client services departments which are of social and community development nature for various buildings that HCT owns or manages.

### **3.1.1 Afterschool Programme**

#### **Blesbok/Bosbok**

This is the programme initiated by one of the tenants at Belsbok, which is functioning from one of HCT store rooms as a donation and part of the Entity community development initiatives. The programme offers assistance with homework and cooked meals for the tenants children.



*After school programme*

#### **Community Awareness Campaign**

Community campaign on Gender Based Violence and substance abuse was conducted at Blesbok and Bosbok during the period under review presented by the Community Safety Forum and Sunnyside Police Station.





*Awareness campaign*

### **Incident Management**

From July to December 2022, a total of 14 incidents were reported across all portfolios, six (6) in Quarter 1 of the 2022/ 23 financial year and eight (8) in Quarter 2. Majority of the incidents are domestic violence, and verbal abuse case mainly in the SSE portfolio.

To date, 11 of the 14 cases were resolved, availability of other parties is a challenge when resolving these type of incidents.

### **3.2 Human Resources**

#### **Progression of Staff Compliment (5 years period):**

<b>Financial Year</b>	<b>Total number of staff</b>
2018-2019 as at end December 2018	53
2019-2020 as at end December 2019	62
2020-2021 as at end December 2020	100
2021-2022 as at end December 2021	100
2022-2023 as at end December 2022	98

### **3.3 Revenue Collection:**

HCT's revenue collection target for the six months period (July 2022 – December 2022) for Eloff building was 95% of the billing. For the period under review, the collection level achieved was 99.58%, thereby exceeding the target by 4.58%.

Revenue collection target for the six months period (July 2022 – December 2022) for Self Sufficient Elderly (SSE's) buildings, Silwerkroon, Oosmoot, Capital Park, Claremont and Danville was 96% of the billing. For the period under review, the collection level achieved was 102, 56%, thereby exceeding the target by 6, 56%.

### 3.4 Financial Management:

The following analysis is drawn from the financial performance report for the period ended 31 December 2022.

The summary is provided from different income and expenditure categories:

Housing Company Tshwane - Table F2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December								
Description	2021/22	Current Year 2022/23						
	Pre-audit outcome	Original Budget	Monthly actual	Year-TD actual	Year-TD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>Revenue By Source</b>								
Rental of facilities and equipment	9,351	71,277	1,160	5,443	35,639	(30,196)	-84.7%	71,277
Interest earned - external investments	227	538	9	56	269	(213)	-79.0%	538
Interest earned - outstanding debtors	131	252	10	67	126	(59)	-47.0%	252
Transfers and subsidies	34,823	35,520	–	17,760	17,760	0	0.0%	35,520
Other revenue	274	120	315	515	60	455	756.5%	120
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>44,806</b>	<b>107,707</b>	<b>1,495</b>	<b>23,841</b>	<b>53,853</b>	<b>(30,013)</b>	<b>-55.7%</b>	<b>107,707</b>
<b>Expenditure By Type</b>								
Employee related costs	35,471	46,619	2,716	19,405	23,309	(3,904)	-16.7%	46,619
Remuneration of Directors	2,515	3,803	48	713	1,901	(1,188)	-62.5%	3,803
Debt impairment	–	1,263	284	555	632	(76)	-12.1%	1,263
Depreciation & asset impairment	1,222	17,843	372	672	8,922	(8,250)	-92.5%	17,843
Other materials	3,790	6,358	1	23	3,179	(3,156)	-99.3%	6,358
Contracted services	9,066	20,108	3,665	7,460	10,054	(2,594)	-25.8%	20,108
Other expenditure	7,596	11,712	651	4,389	5,856	(1,468)	-25.1%	11,712
Loss on disposal of PPE	205		–	–	–	–		–
<b>Total Expenditure</b>	<b>59,865</b>	<b>107,707</b>	<b>7,739</b>	<b>33,217</b>	<b>53,853</b>	<b>(20,637)</b>	<b>-38.3%</b>	<b>107,707</b>
<b>Surplus/(Deficit)</b>	<b>(15,059)</b>	<b>0</b>	<b>(6,245)</b>	<b>(9,376)</b>	<b>0</b>	<b>(9,376)</b>	<b>312405552.9%</b>	<b>0</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	248,301	233,018	8,080	87,387	116,509	(29,122)	-25.0%	233,018
Transfers and subsidies - capital (in-kind - all)	–		–	–	–	–		–
<b>Surplus/(Deficit) before taxation</b>	<b>233,242</b>	<b>233,018</b>	<b>1,835</b>	<b>78,011</b>	<b>116,509</b>	<b>(38,498)</b>	<b>-33.0%</b>	<b>233,018</b>
<b>Surplus/(Deficit) for the year</b>	<b>233,242</b>	<b>233,018</b>	<b>1,835</b>	<b>78,011</b>	<b>116,509</b>	<b>(38,498)</b>		<b>233,018</b>

### **3.5 Capital Expenditure:**

As at the end of December 2022, the Entity's performance on operating capital reflected an actual expenditure of R88, 5 million against a budget of R156 million. This translated to a percentage achievement of 57%.

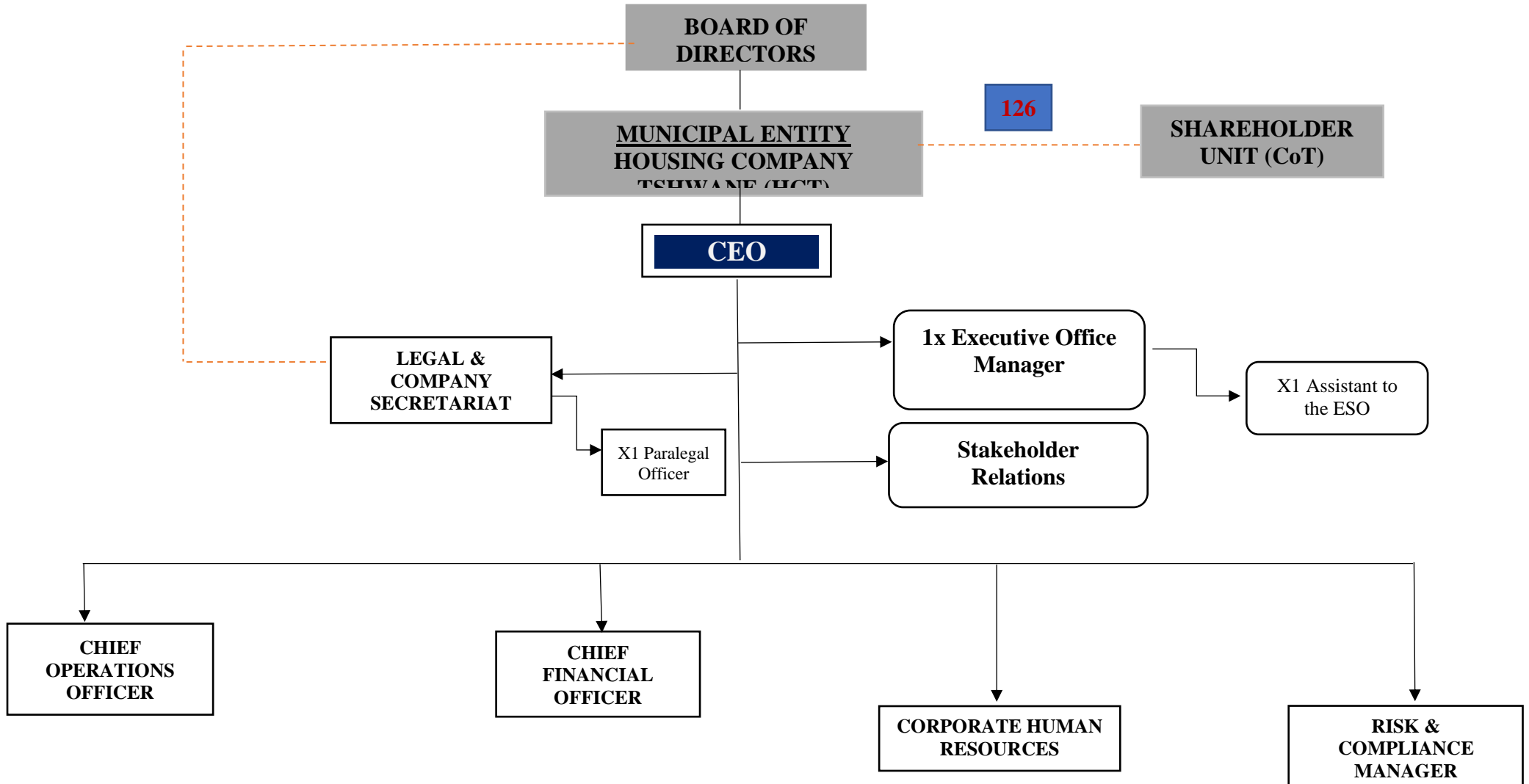
On the capital project for Townlands, Chantelle and Timberlands projects, the Entity has spent R87, 3 million against the budget of R155 million which translated to percentage achievement of 56%.

### **3.6 Solvency ratio:**

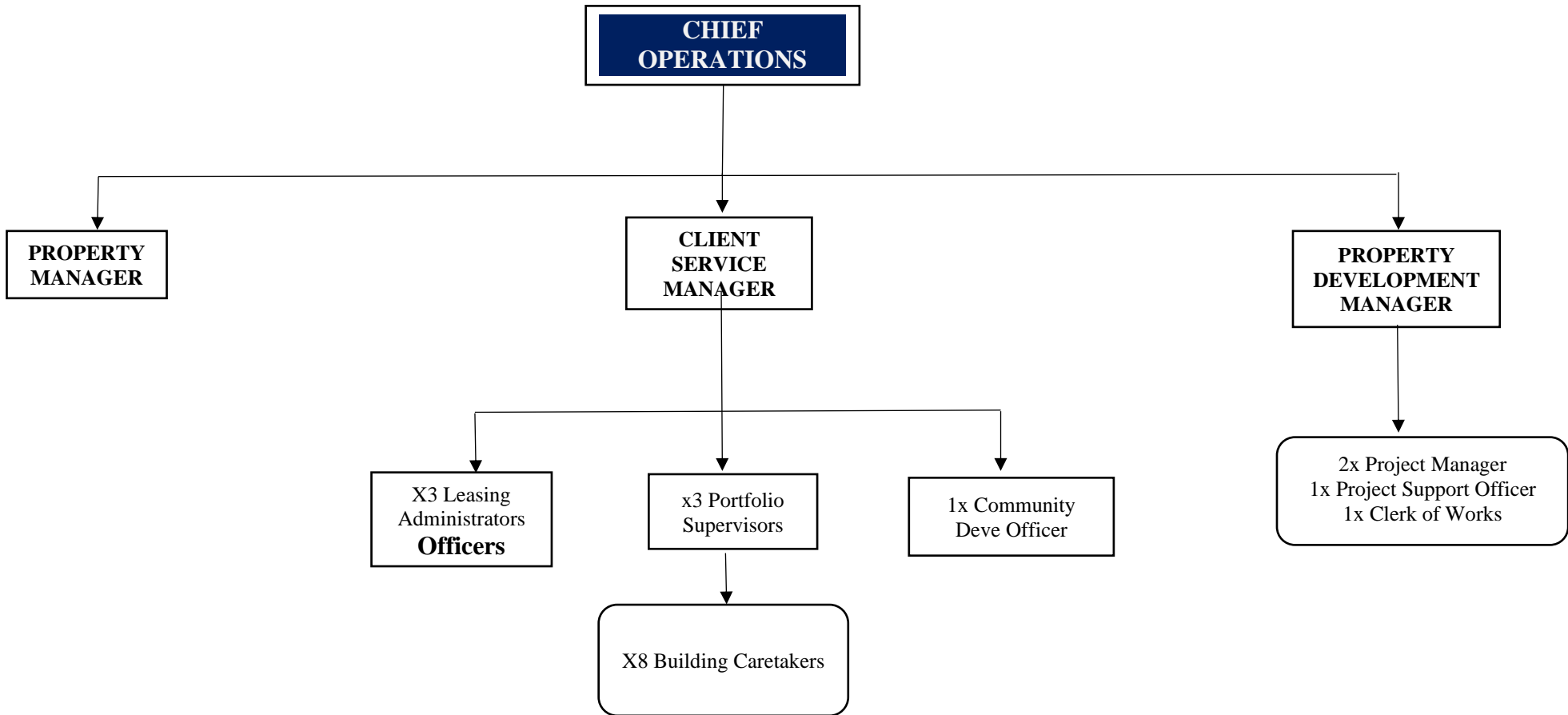
As at the end of December 2022, the Entity continued to operate as a going concern for the foreseeable future. The going concern of HCT over the short term (12 months) was demonstrated considering the positive support from the City of Tshwane and it was also supported by the current ratio which showed the liquidity of the Entity as 3.11:1 (current assets to current liabilities).

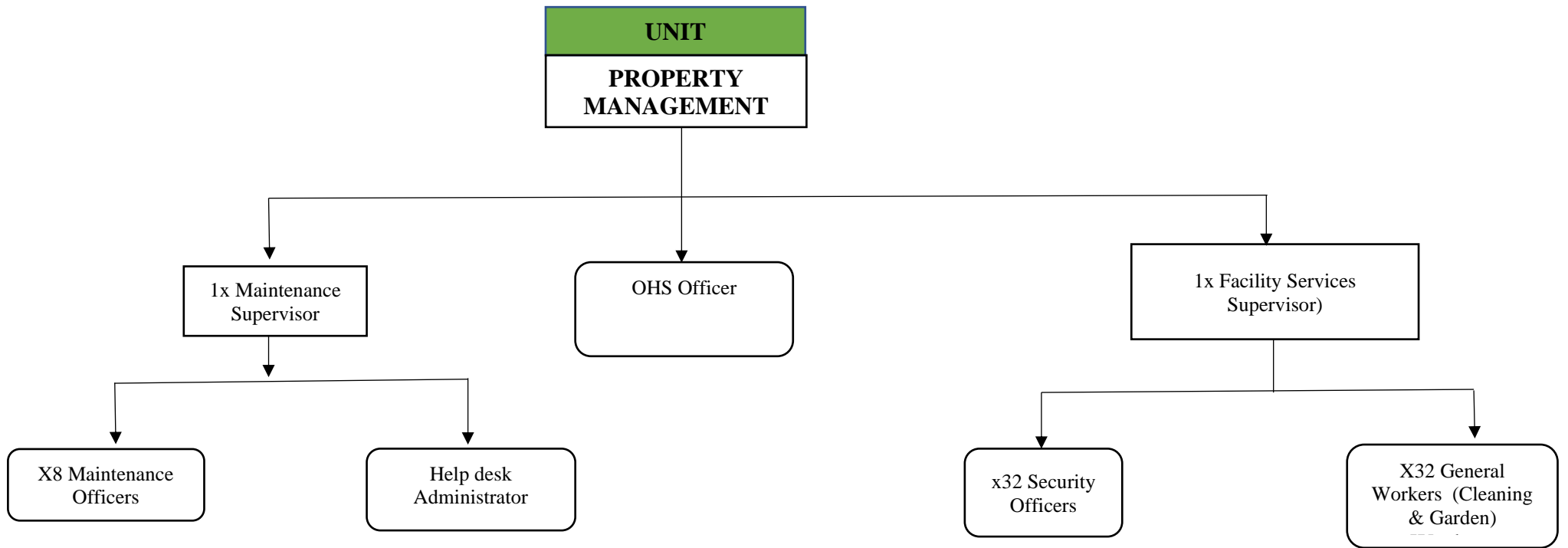
Section 4: High-level organisational structure

# NEW APPROVED HOUSING COMPANY TSHWANE (HCT) ORGANISATION STRUCTURE

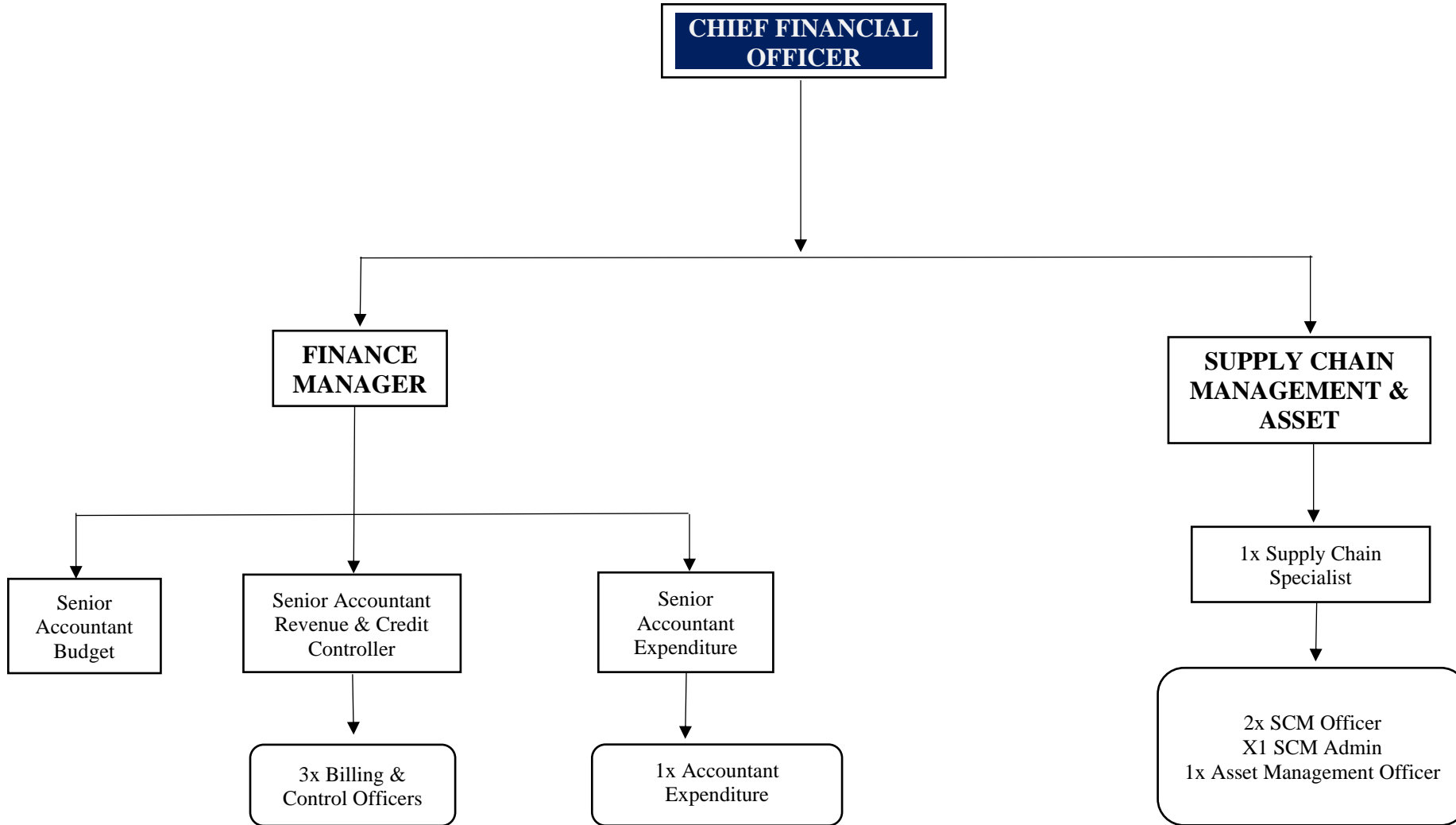


**OPERATIONS**

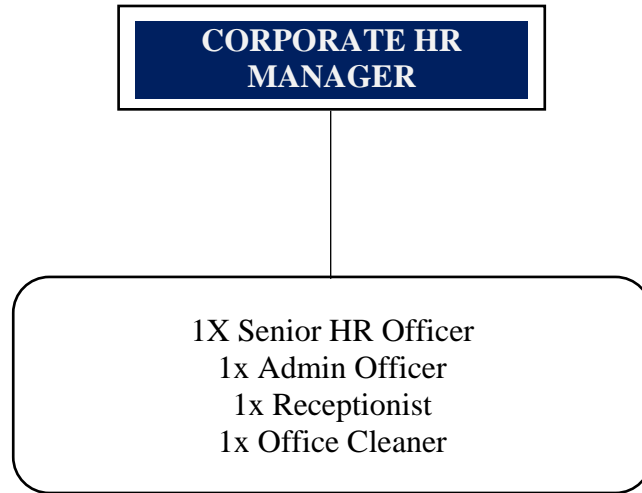




**FINANCE & SCM**



**HUMAN RESOURCES**







## Section 5: Chairperson's Foreword



Housing Company Tshwane (HCT) has demonstrated significant growth and improved performance over the years and has shown commitment in ensuring that its primary mandate is being realized. HCT remains committed to its mandate of providing affordable rental housing within economic nodes, which aim to address spatial indifferences and promote inclusivity.

The role of the HCT Board is to have an oversight of the Entity which continues to demonstrate its commitment towards the delivery of affordable rental housing opportunities for low-income families by providing quality accommodation closer to place of work and other social amenities in order to improve their quality of life.

Up to the point of the mid-term review, HCT has a total of five (5) re-appointed Board members by the CoT, with each member contributing a unique and relevant required skills and competencies towards providing strategic direction and exercising oversight role of the Entity.

This period marks the first proper relief from the Covid-19 pandemic since 2 years ago which brings a huge welcomed comfort to the Entity. The positive effects of the recovery plans are starting to show at the back of the most challenging economic difficulty for the CoT and the country at large.

The satisfactory performance of the mid-term review is anchored by the implementation of the turn-around strategy for this reporting mid-term period of 2022/ 2023, which will give impetus to HCT to improving its delivery against its strategic objectives whilst also improving against some key challenges.

The Board embraces the importance of good corporate governance with the performance achievement of the Entity at its centre. The Board has taken the decision to use risk identification and mitigation oversight as an effective means to guiding strategic overall delivery improvement of the Entity.

The following satisfactory KPIs performance such as occupancy rate, timeous response to maintenance and tenant complaints, enhancing financial sustainability, revitalizing urban growth are noted whilst the improvement of the following KPI: number of social houses constructed and implementation of stakeholder and communication strategy are noted.

And whilst the Entity may not have achieved all set targets against all objectives, the Board remains positive about its delivery towards the end of the financial year, with a huge excitement about the completion and

tenanting of the its catalytic mega flagship greenfield project of Marabastad Townlands development and the kick-off greenfield development of: Chantelle based in the Orchards (North of City of Tshwane).

HCT acknowledges that it must to be responsive to the immediate needs of the cities citizen, however, it will require it to adopt modernization of business processes as well as the resource support to ensure effective and efficient use of the system.

The adoption of the above has strong potential towards building a strong brand and deliver good property and tenant services especially in the greenfield development like Marabastad Townlands project. The brownfield developments acquired from the city remain HCT strongest challenge and threat. This threat is exacerbated by the delayed transfer of stock and all its relevant supporting income/funding.

Maintaining the Housing Company Tshwane financial sustainability is critical in achieving these strategic objectives. This has a direct impact on the Entity's ability to generate sufficient revenue and to ensure effective collection of revenue generated. Reaching the 2000 rental units under management will support the financial stability vision. Up until the partial tenanting program of Townlands (of which the positive impact is not yet realized) the Entity managed 694 units.

Financial stability remains a key challenge due to the number of issues such as high operational costs per unit and insufficient CoT operational grant to finance important maintenance to mitigate dilapidation of buildings owned and managed by HCT. The Greenfield development that are currently underway such as Marabastad Townland and Chantelle with no allocated funding.

For HCT to create a high-performance culture it will need to deliver against its strategic objective 6 which focuses on Human Resource Management founded on pillars namely redesign, reposition, restructure and resource (4R's). Currently HCT remained under capacitated with a bottom heavy (semi to unskilled) employee profile at 72% with weak skilled, qualified and professional middle management at 19%, leaving the Executives over-stretched with major focus on operations and unable to develop and drive strong strategic posture for the organization.

**Ms P. Tau-Sekati**

**HCT: Board Chairperson**

## Section 6: Chief Executive Officer's Report



The Housing Company Tshwane's (HCT) performance for the mid-term of the (2021/22) financial year improved by 3,5% in comparison to the performance of the previous period (2020/21) of 85%. The appointment of the new Board was concluded in June 2021 and the Non-Executive Directors resumed their fiduciary duties as at 1<sup>st</sup> of July 2021. Management and the Board of Directors adopted 6 (Six) strategic objectives/ focus areas that the Entity will focus on in ensuring that there is continuous stability, sustainability and growth. These objectives have been translated to key performance area which are vigorously monitored by the shareholder, being City of Tshwane (COT).

As a social housing institution HCT is required to be accredited by the Social Housing Regulatory Authority (SHRA). Upon the renewal process, HCT sustained the conditional accreditation with the SHRA until 2024. Management is anticipating obtaining a full accreditation status upon the next renewal process.

The Entity has an accumulated surplus of R78 million. The Entity has under spent against the budget allocated for the year to date for the fiscal year 2022/23 on the following areas:

1. The employee related costs were underspent by R3, 9 million due to delay in filling vacant positions awaiting for the financial sustainability of new posts to be approved by the Board;
2. The Remuneration of Directors was underspent by R1,1 million due to less Board meetings as per the approved Board Calendar;
3. Contracted services budget was underspent by R2, 6 million due the delay in procurement process to appoint panel of service providers for repairs and maintenance;
4. Other expenditure was underspent by R1, 5 million due to non-spending on operating expenses on items such as uniforms, travel and accommodation, printing and stationery, advertising and promotion;
5. Other material budget was underspent by R3,1 million due the delay in procurement process to appoint panel of service providers for plumbing and electrical consumables for repairs and maintenance of the buildings. The procurement process was concluded in December 2022.

## **Overall performance**

The Entity's mid-term performance represents **76.5%**. This indicates an increment as compared to previous mid-term ended 31 December 2022. The Entity applied a proactive approach on the repairs and maintenance of building despite the limited budget and work executed on buildings owned and managed by the Entity to ensure OHS Compliance. Management is determined to ensure a sustained and improved performance going forward.

During the mid-term period, the revenue and expenditure of the entity improved due to enhanced procurement planning and revenue collection mechanisms. The rental collection on average including Clarina was **92.50%** and the expenditure from the Capex projects increased by over 100% attributable to Townlands Phase 1 and Phase 2.

We ensured that we made ourselves available to our tenants throughout the holiday season and we were encountered a palatable and undesirable situation where one of our tenants in Bosbok passed on and the corpse had already decomposed. The experience left the employees traumatised and psychologically disturbed. Management is in the process of accelerating the implementation of a wellness programme that will support all employees faced with difficulties endured in their working environment.

As presented during the APC in December 2022, the HCT received unqualified audit report on Annual Financial Statements and Audit of Predetermined Objectives (AOPO) for the year ended 30 June 2022. AGSA identified on-compliance on SCM processes and management is in the process of developing an internal control framework that will ensure compliance going forward.

## **Update on Covid-19**

The HCT management and employees endured the new normal way of doing things. This included office evacuation, provision of personal protective clothing, deep cleaning of offices, rotational work-plans; and compliance to Covid- 19 protocols in order to manage the transmission of the pandemic. These precautionary measures resulted in the reduction of Covid-19 positive cases. However, the recent Delta and Omnicron variants continued to pose a challenge. As much as this was the case, the HCT reports five positive cases and zero deaths.

**Ms O Nyundu**  
**Chief Executive Officer**

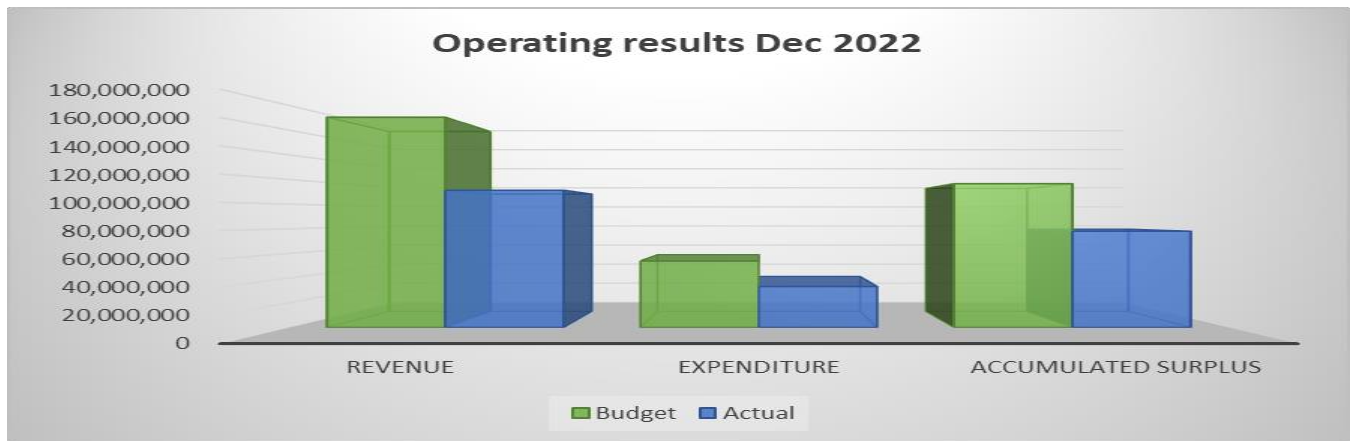
## Section 7: Chief Financial Officer's Report



### 1. Review of Operating results

#### 1.1 Summary of financial operating results

The financial performance of the Entity for the year (July 2022 - Dec 2022) resulted in an accumulated surplus of R78 million. This was attributed to the capital grant revenue recognized on Townlands, Chantelle projects for development of 509 and 96 social housing units respectively. Below is the graphical presentation of operating results:



Recorded year to date variances from the budget were from revenue categories such as rental revenue, operational grant, interest income, and other revenue and capital grant transfers.

The variances are explained as follows:

Item	Budget	Actual	Variance
Income	170,362,170	111,227,946	59,134,223
Expenditure	53,853,308	33,216,751	20,636,557
<b>Surplus</b>	<b>116,508,862</b>	<b>78,011,195</b>	<b>38,497,667</b>

### 1.2.1 Rental income

For the period under review, the entity realized revenue of R5, 4 million from the rental of stock as compared to the budgeted amount of R35, 6 million year to date. The variance of R15, 4 million was due to the fact that the entity has not invoiced the transfers from COT (Group property & Human Settlement) as tenant listing has not been received from COT and Townlands project. The transfer agreements were approved and COT is still in a process of transferring group property stock to HCT through conveyancing process. There was also a delay in tenancing Townlands project, however tenancing commenced on the 1<sup>st</sup> December 2022.

### 1.2.3 Operational grant

For the period under review, the Company recognized an operational grant of R17, 6 million as compared to the budgeted amount of 17,6, 8 million year to date, the money was received for both quarter 1 and 2 from the City of Tshwane.

### 1.2.4 Interest revenue

For the period under review, the Company earned interest income of R123,606 as compared to the budgeted figure of R394,903 year to date. The variance of R271, 297 was attributed to interest on the investment call account as well as interest charged to Clarina tenants on outstanding levies payment. The interest on an investment and Clarina tenants was lower as invested amount and debtor's book at Clarina reduced due to write off at the end of financial year (June 2022). Clarina building is a complex transferred to Housing Company Tshwane by the City. The complex is utilized to provide alternative accommodation to ex-Schubart Park residents.

### 1.2.5 Other Income

The Company realized revenue of R60, 118 as compared to the budget figure of R514,921 year to date. The variance of R454,803 was due to lease admin fees, electricity recovery, bad debts recovered and sale of tender documents.

## 1.2.6 Capital Grant Transfers

The Company realized capital grant revenue of R87, 3 million as compared to the budget figure of R116,5 million year to date. The variance of R21, 2 million was due to less grant allocated to the Entity by the City of Tshwane.

## 1.3 Operating expenses

### 1.3.1 Expenditure

Major expenditure variances were recorded from broad expenditure categories such as employee related costs, remuneration of directors, contracted services and other expenditures.

### 1.3.2 Employee related costs

The Company has spent R19, 4 million as compared to the budgeted figure of R23, 3 million year-to-date. The variance of R3, 9 million was due to delay in filling vacant positions awaiting for the financial sustainability of new posts to be approved by the Board.

### 1.3.3 Remuneration of Directors

The Company has spent R713,094 on Directors' remuneration as compared to the budgeted amount of R1,901,317 year to date. The variance of R1,188,223 was due to less Board meetings as per the Board Calendar.

### 1.3.4 Debt impairment

For the period under review, the entity recorded debt impairment of R555,215 as compared to the budget amount of R631,696 year to date. The variance of R76, 481 was due to the fact that the entity has not invoiced the transfers from COT (Group property & Human Settlement) as tenant listing has not been received from COT and Townlands project. The transfer agreements were approved and COT is still in a process of transferring group property stock to HCT through conveyancing.

### 1.3.5 Depreciation

For the period under review, the entity recorded depreciation of R671,745 as compared to the budget amount of R8, 921, 657 year to date. The variance of R8, 249, 911 was due depreciation on Townlands project which is not yet completed.

### 1.3.6 Contracted Services

The Company has spent R7, 4 million on contracted services as compared to the budgeted amount of R10 million year to date. The variance of R2, 6 million was mainly due the delay in procurement process to appoint panel of service providers for repairs and maintenance.



### 1.3.7 Other expenditures

The Company has spent R4, 3 million on other expenditures as compared to the budgeted amount of R5, 8 million year-to-date. The variance of R1, 5 million was attributable to non-spending on operating expenses on items such as uniforms, travel and accommodation, printing and stationery, advertising and promotion.

### 1.3.8 Other material

Other material budget of R22, 600 as compared to the budgeted amount of R3, 179, 088. The variance of R3, 156, 488 was due the delay in procurement process to appoint panel of service providers for plumbing and electrical consumables for repairs and maintenance of the buildings. The procurement process was concluded in December 2022.

## 1.4 CASH FLOW

The Entity received both the operational and capital grant accrued in the previous financial year (June 2022) from the COT to the value of R62, 5 million as well as the current financial year grant (December 2022) to the value of R46,9 million. The total grant to date amounts to R109, 4 million. The entity ended the quarter in a favourable cash position with cash on hand being R9, 3 million.

## 1.5 STATEMENT OF FINANCIAL POSITION

The financial position reflects that the Entity is capable of meeting its financial obligations given that the total assets exceed total liabilities by R 908 million. This is a reflection that the company could not be plunged into insolvency as long as it receives the necessary support from the shareholder. Current assets exceed current liabilities by R64, 8 million which indicates that the entity is liquid. The current ratio is currently 3.11:1 versus standard norm of 2:1.

and Timberlands projects.

## 1.6 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

### 1.6.1 Irregular Expenditure

The Entity did not incur any new UIFW expenditure except the recurring expenditure from the BAC Composition incurred since 2018 and the Legal panel that was declared as irregular expenditure in 2021 financial period.

Non- compliance - BAC Composition			
Company Name	Service Rendered	Amount paid to date	Reason
MIH Projects(Pty) Ltd	Project Management of Townlands Construction.	9,010,347	<b>Irregular</b> > Junior SCM officer appointed, SCM manager post vacant, however City SCM Director Contracts and Performance management was part of panel. > 2 members are Managers (One acting CFO) > One other Director CoT
Metroprojects Development (Pty) Ltd	Timberlands project Management.	1,501,350	<b>Irregular:</b> Only three members appointed in the BAC, one being a Director at HCT and other a building controller
Ditlou-Nevhotalu Consortium+A8:18	Continuous Professional Services for the Development of Social Housing Project in <b>Chantelle</b> within the City of Tshwane.	664,006	<b>Irregular:</b> Only three members appointed in the BAC, the other being a Director at HCT. Take note that I have added retention captured as provision
Enza	Townlands phase 2 construction	28,073,326	BAC composition
Condocor	Chantelle construction	28,542,506	BAC composition
<b>Total</b>		<b>67,791,535</b>	

Panel - Non- compliance with regulations 32 - Bid of LT nature advertised for less than 30 days			
Company Name	Service rendered	Amount paid	Description
Rambevha Marabane Attorneys	Legal Representation for Arbitration Purposes. HCT vs Vharanani (Pty) Ltd	1,566,745	Legal panel advertised for less than 30 days
Morata Mogokare Incorporated	Conveyancing service for Group Property Stock	2,322,982	Legal panel advertised for less than 30 days
<b>Total</b>		<b>3,889,727</b>	

Summary	
Non- compliance	Amount paid
BAC composition	67,791,535
Panel - Non- compliance with regulations 32 - Bid of LT nature advertised for less than 30 days	3,889,727
<b>Total</b>	<b>71,681,262</b>

**1.6.2 Fruitless and wasteful expenditure**

The Entity did not incur Fruitless and wasteful expenditure during the period 1 July 2022 until 31 December 2022.

**Mr. J. Thamaga**  
**Chief Financial Officer**

## CHAPTER TWO: GOVERNANCE

### Section 1: Corporate Governance Statement

To ensure accountability and governance arrangements are in place, Section 121(2) (c) of the Municipal Finance Management Act (MFMA) supports the requirements of Section 18(1) (d) of the Municipal Systems Act (MSA): information on matters of governance and Board decisions should be communicated to communities.

#### ***Ethical Leadership:***

The Board provides effective leadership based on a principled foundation and the Entity subscribes to high ethical standards. Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, has been a defining characteristic of the entity since the company's establishment in 2001.

The fundamental objective has always been to do business ethically while building a sustainable company that recognises the short-term and long-term impact of its activities on the economy, society and the environment. In its deliberations, decisions and actions, the Board is sensitive to the legitimate interests and expectations of the company's stakeholders.

#### ***Corporate Governance:***

Housing Company Tshwane applies the governance principles contained in King IV and continues to further entrench and strengthen recommended practices in its governance structures, systems, processes and procedures. The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King IV Code on Corporate Governance. Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the entity's compliance with King Code on Corporate Governance forms part of the mandate of the audit committee. The entity has complied with the Code in all respect during the year under review.

The Board of Directors has incorporated the City of Tshwane's Corporate Governance Protocol in its Board Charter, which *inter alia* regulates its relationship with the City of Tshwane as its sole shareholder and parent municipality in the interest of good corporate governance and good ethics.

The Protocol is premised on the principles enunciated in the King Report for Corporate Governance for South Africa 20016 (King IV). The Company steadfastly consolidated its position in respect of adherence

to the King IV report on Corporate Governance. The entity practices are, in most material instances, in line with the principles set out in the King IV Report. Ongoing steps are however taken to align practices with the Report's recommendations and the Board continually reviews our progress to ensure that we improve our Corporate Governance. During the year under review the Company entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the Municipal Finance Management Act (MFMA). The annual report for the previous year was effectively completed in accordance with the terms of section 121 of the Municipal Finance Management Act.

### ***Corporate Citizenship:***

The Board and management recognise that the entity is formed under a political structure. As such, it has a social and moral standing in society with all the attendant responsibilities. The Board is therefore responsible for ensuring that the entity protects, enhances and invests in the well-being of the economy, society and natural environment, and pursues its activities within the limits of social, political and environmental responsibilities outlined in international conventions on human rights.

### ***Compliance with laws, rules, codes and standards:***

The Board is responsible for ensuring that the entity complies with applicable laws and considers adhering to all other binding rules, codes and standards.

## **Section 2: Board of Directors**

The Housing Company Tshwane has a unitary board, which consist of five (5) Non-Executive Directors and two (2) Executive Directors. The Non-Executive directors were reappointed on 01 July 2022 and will act in this capacity for a period of twelve (12) months. The Board meets regularly, at least once every quarter and retains full control over the company. The Board remains accountable to City of Tshwane Metropolitan Municipality, the sole Shareholder. A Service Delivery Agreement (SDA) concluded in accordance with the provisions of the MSA governs the Entity's relationship with the City of Tshwane. The Board provides Monthly, Quarterly, Bi-Annually and Annual Reports on its performance and service delivery to the parent municipality as prescribed in the SDA, the MFMA and the MSA.

Non-Executive Directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of Chairperson and Chief Executive Officer are separate, with responsibilities divided between them. The Chairperson has no executive functions. Members of the Board have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with company rules and procedures, statutory regulations and best corporate practices.

The Board or any of its members may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals. An annual director and peer review is undertaken, as well as a Board evaluation.

A performance evaluation of the Board is conducted at the end of the financial year. Any shortcomings are addressed, and areas of strength consolidated. The performance of Board Committees is evaluated against the terms of reference.

Attendance at meetings held during the six months period was as follows:

Directors	Board	Finance Risk	Operations & Projects	Human Resources and Remuneration	Social & Ethics	Strategic Session	AGM
Ms. P. Tau-Sekati (Interim Chairperson)	4				2		
Mr. S. Sebola	4	-	4	4	2		
Mr. T. Dlamini	3	3	4	4			
Ms. B. Damoyi	4	3		4			
Ms. Z. Pikashe	3	3	4		2		
<b>TOTAL</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>2</b>		

The Board of Directors has adopted the Board Charter which encapsulates the City of Tshwane Governance Protocol and includes matters of ethics, procedure, and the conduct of committee members. Registers are kept and updated on the disclosure and declaration of interests of directors and senior management. The Board and Senior Management ensure that there is full material compliance to all relevant legislation. The Company Secretary has certified in terms of section 268 (d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.

### Section 3: Board Committees

The following committees have been formed, each of which is chaired by a Non-Executive Director. They execute their duties in accordance to the Board approved terms of reference relevant to each committee:

- Finance and Risk Committee
- Human Resources and Remuneration Committee
- Development and Projects Committee; and
- Social and Ethics Committee

### Finance and Risk Committee

The Finance and Risk Committee of HCT is an advisory body to assist the Board with discharging its oversight responsibility in ensuring the establishment and implementation of effective corporate governance systems and policies. It also includes the development of risk, financial and organizational performance management policies.

The execution of these functions must be in accordance with relevant legislation, best practices and applicable codes, including:

- The Local Government: Municipal Finance Management Act;
- The Companies Act;
- Report on Corporate Governance for South Africa, November 2016 (King IV); and
- Relevant National Treasury Guidelines

### Human Resources and Remuneration Committee

The Committee advises the board on remuneration policies, remuneration packages and other terms of employment for all directors and senior executives. Its specific terms of reference also include recommendations to the board on matters relating inter alia, general staff policy, remuneration, profit bonuses, executive remuneration, director's remuneration and retirement funds.

### Operations and Projects Committee

The function of the committee is to monitor the adherence to internal control procedures and compliance plans of project development and property management. It is further responsible for the development and monitoring of projects approved by the Board for the purposes of ensuring that the Board fulfils its mandate and achieves its strategic goals as per its strategic plan and service level agreement with its Shareholder.

### Social and Ethics Committee

The Ethics committee's mandate is to promote and advise on matters of equality, prevention of unfair discrimination and the reduction of corruption. Its specific terms of reference also include the oversight of governance of the entity with specific reference to compliance and legislation.

#### Section 4: Director's Remuneration

##### Entity's Remuneration Policy

Housing Company Tshwane adopted and implemented the approved City of Tshwane's Policy on Remuneration of Chief Executive and Non-Executive Directors of Municipal Entities, which is also in line with the South African Institute for Chartered Accountants and in accordance with the size of the Entity.

***Below is the reflection of Non-Executive Director's remuneration for the period under review:***

No.	Name	Designation	Q1 Meeting Fee	Q2 Meeting Fee	Total
1	Ms. P. Tau-Sekati	Interim Chairperson	87,812	60,560	<b>148,372</b>
2	Mr. S. Sebola	Non-Executive	96,896	57,532	<b>154,428</b>
3	Mr. T. Dlamini	Non-Executive	93,868	54,504	<b>148,372</b>
4	Ms. B. Mdyesha	Non-Executive	75,700	51,476	<b>127,176</b>
5	Ms. Z. Pikashe	Non-Executive	63,588	71,158	<b>134,746</b>
<b>TOTAL</b>			<b>417,864</b>	<b>295,230</b>	<b>713,094</b>

#### Section 5: Company Secretarial Function

The Company Secretary manages the processes that ensure that the organization complies with the company legislation and regulations and keeps Board members informed of their duties, responsibilities and powers and make directors aware of all laws and regulations relevant to the organisation. This should include advice on business ethics and good governance. The Company Secretary is responsible for calling Board meetings and ensuring the implementation of their decisions. It is also the responsibility of the Company Secretary to communicate with the shareholder on matters dealing with governance and shareholder reporting. A Company Secretary's work covers a wide variety of functions, including but not limited to:

- ✓ Organising, preparing agendas, and taking minutes of meetings;
- ✓ Dealing with correspondence, collating information, writing reports, ensuring decisions made are communicated to the relevant people;
- ✓ Contributing to meeting discussions, as and when required;
- ✓ Arranging the Annual General meetings;
- ✓ Ensure that statutory deadlines are met and that the statutory and regulatory disclosures are validated, particularly in relation to the statement given on corporate governance standards and practices in the organisation;
- ✓ Ensuring that each quarterly meetings scheduled by the organisation is guided by the annual work plan as approved by the Board and Board Committees;
- ✓ Ensure that all the Non-Executive Members of the Board gets remunerated for their contribution to the strategy of the organisation;



- ✓ Ensuring that information is dispatched timeously to all directors to enable them to prepare adequately for the meetings;
- ✓ Initiates and discuss the annual calendar with the CEO and subsequently the Chairperson of the Board;
- ✓ Ensuring that there is an induction process of new directors, encompassing both directors' duties and responsibilities in general and specific matters pertaining to the organisation itself and the industry in which it operates;
- ✓ Identify training requirements for the directors and ensure that there is an ongoing programme to keep directors well informed of the developments in the organisation;
- ✓ Ensuring that the directors and management operates within an authority framework approved by the board and reviewed and updated from time to time; and
- ✓ Equally, the Company Secretary must act in good faith and avoid any conflicts of interest and to ensure that appropriate guidance is given to the directors in these matters.

## **Section 6: Risk Management and Internal Controls**

HCT Board monitors risk through the Finance and Risk and Committee as well as Operations and Projects committees. The committees monitor finance risks and project risks and make recommendations to HCT Board. Moreover, the committees are accountable for ensuring that there is an effective risk management system within HCT. The entity adopted the Enterprise Risk Management (ERM) strategy of the stakeholder, CoT. The HCT Board is accountable and responsible for ensuring that an adequate and effective risk management system is in place. The Board is expected to exercise the duty of care, skill and diligence in identifying, assessing and monitoring risks as presented by Finance and Risk committee and Development and Projects committee.

HCT embeds risk management in all its operations. All identified risk areas are managed at departmental level. HCT has a risk register where risks identified are constantly recorded and monitored. HCT provides its risk register to CoT Internal Audit Risk Management Unit. HCT maintains a strategic and operational risk register for monitoring and evaluating the implementation and efficiency of controls and actions identified to improve current controls in the risk register. HCT is in a process of developing an internal controls framework to ensure compliance with MFMA and HCT policies and procedures.

## **Section 7: Internal Audit Function**

The Entity utilises the shared services of the City of Tshwane's Internal Audit Department. It has a specific mandate from the Audit and Performance Committee and independently appraises the adequacy and effectiveness of the company's systems, financial internal controls and accounting records, reporting its findings to the Audit and Performance Committee and HCT Board. The Internal Audit coverage plan is based on risk assessment performed at each operating unit. The coverage plan is updated annually, based on the risk assessment and results of the audit work performed. This ensures that the audit coverage is focused on and identifies areas of high risk.

## **Section 8: Corporate Ethics and Organisational Integrity**

The company has developed a Code of Conduct ("the Code") was approved in quarter 4 of the 2021/22 financial year and applies to all Directors and employees. The Code will be applicable for the 2022/23 to the 2023/24 financial years. In summary the Code always requires that, all company personnel act with utmost integrity and objectivity and in compliance with the letter and spirit of both the law and company policies. Failure by employees to act in terms of the Code results in disciplinary action. The Code is discussed with each new employee as part of his or her induction training and all employees are asked to sign an annual declaration confirming their compliance with the Code.

A copy of the Code is available to interested parties upon request. Furthermore, any breach of the Code is considered a serious offence and is dealt with accordingly, as a result, this acts as a deterrent. The directors believe that ethical standards are being met and fully supported by the ethics programme.

## **Section 9: Sustainability Report**

Housing Company Tshwane has constructed a strategic pathway that will systematically build the organisation into a capable and sustainable institution within the social housing sector. The pathway creates a good relationship between the property management and property development components of the company. It plots a trajectory that seeks to establish and entrench HCT as a key player in the social housing market place within the Tshwane region.

The sustainability pathway for the next five years will be built around the following principles:

- HCT operates as a Social Housing Regulatory Authority (SHRA) accredited social housing institution SHI;
- The capacity of HCT is systematically strengthened and built in the short and medium term through a mixture of insourcing, outsourcing, appointments of staff and structured partnerships;
- Committed programme of transfer of rental stock from COT to HCT;

- Current and future social housing development initiatives will be lead and managed by HCT on behalf of CoT;
- HCT will increasingly target new opportunities for partnership that push it beyond the focus on simply managing.

The storyline underpinning the HCT sustainability-approach is as follows and could be thought of as unfolding in phases that happens in sequence and in parallel.

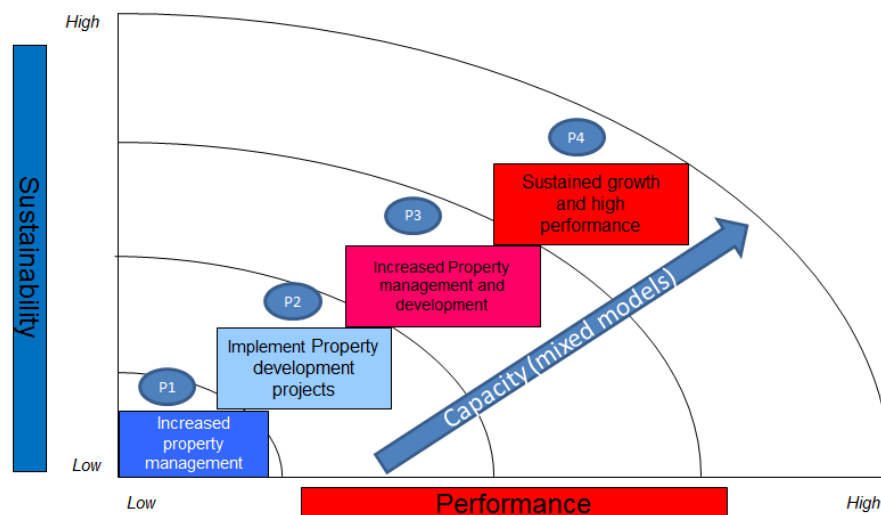
These phases take cognisance of where HCT is currently and where it would like to be in the future. The phases recognise that in order to perform against its mandate, HCT must start by focusing first on property management while building on its property development capability. Thus, **Phase 1** has been characterised as property management. This is primarily because the '*quick wins*' for the company reside in property management and also that viability is more easily achieved if there is a focus on achieving the break-even number of rental units in the property management portfolio of an SHI. According to research, this is calculated to be 2000 units with a staff to unit ratio of 1:50 which are revenue generating.

However, given the opportunities that the shareholder has identified, **Phase 2** will almost unfold in parallel to the phase 1 with HCT tackling a property development projects.

**Phase 3** will focus on extending the Property Management and Development portfolios of HCT. During this phase, there will be stronger emphasis on integrating proactively and systematically within the restructuring zones of the City and transport orientated spatial restructuring that the CoT is embarking on. This proactive approach will be based on more systematic planning informed by demand and supply based information and closer analysis of the planned activity in the restructuring zones. HCT will focus on developing a social housing master plan. Phase 3 will also look at some opportunities for partnerships in terms of both Development and Property Management.

**Phase 4** – will focus on a more structured and intense focus on sustaining and extending the growth of HCT where newly-developed is continuously managed within.

The diagram below outlines the phased approach to how the HCT strategy will be rolled out over the next five years.



### Section 10: Corporate Social Responsibility Report

The Company does not have any Corporate Social Investment function at this stage. However, the client services department conducts community development programs within the different portfolios.

### Section 11: Anti-corruption and Anti-Fraud Framework

HCT has put in place strategies to prevent corruption, fraud and theft. The CoT Internal Audit reviews internal control processes of HCT including our supply chain processes. Fruitless, Wasteful Expenditure are reported to the HCT Board quarterly. HCT Board has established a Disciplinary Committee to take disciplinary action against employees who commit fraud, corruption or theft.

The Whistleblowing Policy and Anti-Corruption Policy and Procedures were approved in quarter 4 of the 2021/22 financial year and are applicable for the next two (2) financial years. This is complemented by the Anti-Corruption and Fraud Prevention Plan. This is as a result of the expressed commitment of Government to fight corruption. It is also an important contribution to the National Anti-Corruption Strategy of the country and supplements both the Public Service Anti-Corruption Strategy and the Local Government Anti-Corruption Strategy. Those who report incidents of fraud or corruption are protected by the Whistleblowing Policy.

### Section 12: Information and Communications Technology

The entity is entirely part of the City of Tshwane ICT Governance and infrastructure and its policies on ICT are monitored by management to be compliant with those of the parent-municipality in terms of all relevant legislations i.e. the MFMA, Personal Information Protection Act.

## **Section 13: Supply Chain Management and Black Economic Empowerment**

### Supply Chain Processes

During the current financial 2021/22, the Entity has updated the Supply Chain Policy that is aligned with the provisions of the MFMA and the National Treasury: Municipal Supply Chain Management Regulations, 2011. The entity's SCM policy provides for the exclusion of awards to persons in the service of the state subject to the exemptions and regulations issued by National Treasury from time to time. The entity has started implementing bidding processes with separate Bid specification, Bid evaluation and Bid Adjudication committees have been set up.

**Table 1- Deviations:**

<b>Deviation Ref No</b>	<b>Description</b>	<b>Contractors</b>	<b>Reason</b>	<b>Period</b>	<b>Award Amount</b>	<b>Department</b>	<b>Recommended by BAC</b>	<b>Approved by AO</b>
Caseware Deviation	Licence Renewal	Adapt IT	Available from single provider only	Once-off	R 86,855.48	Finance Department	N/A	Yes
Ford Ranger Deviation (Brake disc installation).	Repairs: Installation of Brake pads and braking discs.	Kempster (Ford SA)	Available from single provider only	Once-off	R 6,670.00	Property Management	N/A	Yes
Pastel Deviation	Licence Renewal	SAGE Pastel	Available from single provider only	Once-off	R 11,770.00	Finance Department	N/A	Yes
Lift Repairs Deviation	Lift Repairs at Eloff Building	MELCO SA (Pty) Ltd.	Available from single provider only	Once-off	R 9,689.09	Property Management	N/A	Yes
Ford Ranger Deviation (Brakes and replacement of key).	Repairs: Installation of Brake pads and replacement of key.	Kempster (Ford SA)	Available from single provider only	Once-off	R 8,905.68	Finance Department	N/A	Yes
Lift Repairs Deviation	Lift Repairs at Eloff Building (two new door card printed circuit boards).	MELCO SA (Pty) Ltd.	Available from single provider only	Once-off	R 29,377.90	Property Management	N/A	Yes
Ford Ranger Deviation (Damaged clutch kit).	Repairs: Damaged clutch kit	Kempster (Ford SA)	Available from single provider only	Once-off	R 32,122.85	Property Management	N/A	Yes
<b>Total</b>					<b>R 185,391.00</b>			



The Board has ensured that the procurement policy embraced the objectives of broad-based Black Economic Empowerment and the CEO, as the Accounting Officer of the Company, was tasked as the custodian for effective implementation. The Capital projects implemented during this period served as valuable foundations for ensuring community participation in our BEE programmes. This pace will be enhanced and the Company will continue to be sensitive to the financial constraints facing emerging black businesses.

The entity has made a number of quotation-based awards for property maintenance and management projects that the entity undertakes from time to time. HCT is committed to the development of BEE SMME's. No unsolicited bids were made by the company in the period under review. In instances where there are deviations from the Supply Chain processes, irregular, wasteful and fruitless expenditure, management report these to the board.

#### BEE SMME Spend

HCT procures mainly from BEE companies and all major contracts have a sub-contracting clause of 30% of the value of the contract to BEE SMME's in line with one of HCT's strategic objectives. HCT has achieved an 82.06% BEE SMME spend against the target 35%.

BEE SMME Summary:

**Table 4: Capex and Opex BEE SMME Spend**

CAPEX	Quarter 1	Quarter 2	TOTAL
Actual Capex spent	51,925,514	36,644,995	88,570,509
Actual Capex spent on BEE SMME's	51,925,514	36,644,995	88,570,509
% Actual Capex spent on BEE SMME's	100.00%	100.00%	100.00%
<b>OPEX</b>			
Actual Opex spent	2,803,387	9,067,923	11,871,310
Actual Opex spent on BEE SMME's	1,986,099	16,172,709	18,158,808
% Actual Opex spent on BEE SMME's	70.85%	178.35%	152.96%
TOTAL SPENT OVERALL	54,728,902	45,712,918	100,441,819
TOTAL SPENT ON BEE SMME's	53,911,613	52,817,704	106,729,317
TOTAL BUDGET ON BEE SMME	130,576,195	44,557,659	175,133,854
<b>% SPENT ON BEE SMME's AS COMPARED TO THE BUDGET</b>	<b>41.29%</b>	<b>118.54%</b>	<b>60.94%</b>



## CHAPTER THREE: SERVICE DELIVERY PERFORMANCE

### Section 1: Highlights and Achievements

Highlights		Narrative
1.	Securing of R 70 Million Rands from the City internal funding.	The City managed to make available R 34 Million for Townlands and R 36 Million for Chantelle x39
2.	Retention of Conditional Accreditation with SHRA	HCT retained its conditional accreditation with SHRA until 2024, enabling the entity to access grant funding for its social housing projects.
3.	Implementation of Organizational Performance Management System	HCT now has a Balanced Scorecard dashboard to monitor its operations every month
4.	Townlands project progress for Phase 1 and 2.	<p>To date, all of Phase 1 have reached practical completion stage, bulk infrastructure upgrade for the project is completed, including the widening of Cowie Street and the energizing of the electrical cable. The project has opened the first occupation on the 01<sup>st</sup> December 2022 with 159 tenants in the first 4 blocks and the remaining 11 blocks ready for occupation by end of April 2023.</p> <p>A contractor has been appointed for the construction of 509 units for Phase 2. Current progress on site is 80% and all units having reached practical completion, current works is on finishings and external works.</p> <p>The tenant management plan has been approved and the implementation process has commenced. Tenanting commenced as of 01<sup>st</sup> December 2022.</p>

### Section 2: Financial Performance

Table 3.3 below reflected the total unit projections on the capital projects to be implemented by the entity during the outer years.

#### 2.1.1 Revenue

The Company posted revenue of R 111 million for the six months period, a decrease of 32% as compared to the previous year Mid-Year. The operational and capital grant from the Shareholder contributed 95% of the total revenue received, this being a decrease of 34% as compared to the previous year. Rental revenue increased by 18% to R 5, 4 million (2021: R4, 5 million). Other income decreased by 240% as compared to the previous year, R 514, 921 (2021: R151, 288).

#### 2.1.2 Results of Operations

Operational costs amounted to R33, 2 million compared to R27, 3 million in previous financial period. This represents 62% of the of budgeted amount due to less expenditure on employee related costs, remuneration of directors, depreciation, contracted services, other expenses and other materials.

The financial performance of the Entity for the period (July 2021 - Dec 2022) resulted in an accumulated surplus of R78 million. This was attributed to the capital grant revenue recognized on Townlands, Chantelle projects for development of 509 and 96 social housing units respectively.

### **2.1.3 Cash Flow**

The Entity has received R109, 4 million grant from the City of Tshwane for the implementation of projects and to sustain its operations. The operational grant contributed 56% of operational costs. The rental income collection increased by 27% (R5, 3 million) as compared to prior year (2021: R4, 1 million). The company ended the period in a favourable cash position with cash on hand being R9, 3 million (2021: R25, 1 million). The decrease in cash balance is a result of the construction of 509 units in Townlands and 96 units in Chantelle project as per the target on the scorecard as well as less budget allocation from the City of Tshwane.

### **2.1.4 Statement of Financial Position**

The ability of the company to meet its financial obligations improved as compared to the previous year, with the current ratio test increasing to 3.11:1 (2021 = 1.35:1).

The increase in the Trade and Other Receivables was as a result of higher bad debts provision for Clarina tenants, the estate that was declared as rental-free accommodation for ex-Schubert and Kruger Park residents as per the 2012 Constitutional Court ruling against the COT. The company bills Clarina tenants only R546 for levies and not residential rentals. However, during the current financial year the collection rate has declined. 68% of the tenants are unemployed.

There has been a significant decrease in Trade and Payables due to spending on grant from the City of Tshwane. The entity is spending the grant according to the budget.

## **Section 3: Capital Projects**

The Entity had 4 Capital projects within its 2022/23 Business Plan. These were:

1. Chantelle x39 (1098 units);
2. Sunnyside Erf 708 and 709 (264 units);
3. Timberlands (609 units); and
4. Townlands (1200 units).

### **Chantelle: Work package 3 – Phase 1 (600 Units)**

Phase 1 is an 18 months project. After the delay and suspension of the works on site due to town-planning challenges, the project resumed in March 2022 with remedial works.

In Quarter 1, no units were expected and in Quarter 2, 192 units were expected but due to the challenges and late start of the brickwork trade, only 50 units have been achieved. The township proclamation and rezoning application process to increase the density is currently underway. The current progress on site is 22%.

#### **Sunnyside (264 units)**

This project is currently on hold due to unavailability of budget and commitment from both CoT and SHRA. The CoT budget has been confirmed for the 2023/ 24 financial year.

#### **Timberlands (609 Units)**

The Arbitration process with the appointed contractor is currently underway. The property has been secured by concrete barricades to avoid invasion until the process is finalised.

#### **Townlands: Phase 1 (691 units)**

The physical progress on site is currently 98%. The contractor had completed 6 blocks with 4 of them currently occupied by tenants. The external works, internal roads and landscaping has resumed on the entire site. The contractor is currently completing the works on the remainder of the blocks.

Tenancing has commenced on the Block 1 to as of 01<sup>st</sup> December 2022.

#### **Townlands: Phase 2 (509 units)**

The physical progress on site is currently 80%. The Contractor has experienced challenges and community unrest in the first quarter of the period under review. Most challenges have been resolved and the Contractor has been requested to draw up a catch-up plan programme to ensure that this phase reaches completion.

The Contractor is currently working on the external work and completing internal finishes.

### **Section 4: Performance against IDP and City Scorecard (SDBIP)**

Set out below, is an analysis of the Entity's performance against its KPIs for the financial year 2021/2022 as set out in the City's IDP scorecard.

As will be seen, significant progress against the set targets has been made. This indicates important success by the entity, and our partner-departments in enhancing the performance and capability of the entity. The following also demonstrates the developing entity's business model in delivering on the mandate by the CoT to develop sustainable social housing and institutional housing within the city.

**PERFORMANCE AGAINST THE BUSINESS PLAN AS AT 31 DECEMBER 2022**

**THE SCORECARD**

Division	Focus Area	Key Performance Indicator	2022/23 Target	Baseline	Project Name	Budget ( R )	Quarter 2 Target	Quarter 2 Actual	YTD Mid-Term Target	YTD Mid-Term Actual	Comments Work done / Reasons for non-performance	Mitigation plan
Property Development	Strengthen and rebuild an effective and realistic social housing plan for the City of Tshwane Deliver good property and tenant management services and facilitating and supporting community development initiatives	Number of new social housing units constructed - Chantelle	504 units	96 Units	Chantelle	R101,243,119	192 Units	50 units	192 units	50 units	<b>Not Achieved</b>  Work resumed in March 2022 and the remedial works taking longer than expected and also challenges with community participation	Management intervened to assist the Contractor to resolve the community related challenges and its ongoing activity. A catchup plan is in place to ensure that targets are met.
		Occupancy rate as a % of housing units under management	95%	95%	All rental units under property management including the transferred rental stock	R71,277,009  (Rental revenue)	95%	97.7%	95%	97.7%	<b>Achieved</b>	N/A
Property Management Division	Deliver good property and tenant management services and facilitating and supporting community development initiatives  Deliver good property and tenant management services and facilitating and supporting community development initiatives	% of repairs and maintenance budget spent at all buildings under management.	90% of annual budget	90% of annual budget	All units under management including the transferred rental stock	R12,424,692	30%	2%	60%	2%	<b>Not Achieved</b>  Delays in receiving the allocated budget from the CoT.	The new panel of repairs and maintenance will be appointed in Q3 and COT allocated budget received YTD will be utilised in Q3.

**PERFORMANCE AGAINST THE BUSINESS PLAN AS AT 31 DECEMBER 2022**

THE SCORECARD												
Division	Focus Area	Key Performance Indicator	2022/23 Target	Baseline	Project Name	Budget ( R )	Quarter 2 Target	Quarter 2 Actual	YTD Mid-Term Target	YTD Mid-Term Actual	Comments Work done / Reasons for non-performance	Mitigation plan
		% of maintenance request resolved within the turnaround time in accordance with the HCT Property Management policy.	90%	90%	All stock under property management including the transferred rental stock.	R1,401,416 Employee cost	90%	93%	90%	92%	<b>Achieved</b> Target exceeded	N/A
<b>Stakeholder Management</b>		% of complaints resolved within the stipulated time frames as per tenant management policy	75% complaints resolved	New KPI (annual target)	All stock under property management including the transferred rental stock	R1,167,847	75%	88%	75%	78.6%	<b>Achieved</b> Target exceeded  (14 Complaints received YTD and 11 were amicably resolved)	N/A

Entity's scorecard												
Division	Focus Area	Key Performance Indicator	2022/23 Target	Baseline	Project Name	Budget	Quarter 2 Target	Quarter 2 Actual	YTD Mid-Term Target	YTD Mid-Term Actual	Comments Work done / Reasons for non-performance	Mitigation plan
Finance & SCM	Revitalize Urban growth/dismantling poverty and inequality	% of goods and services procured from BBBEE compliant entity's and SMMEs	40% of total expenditure	31%	Goods and services	R109,364,545	35%	118.54%	35%	60.94%	<b>Achieved</b> Capex contributed 91% of the BEE spending	N/A
	Enhance our financial sustainability	% of Capital budget spent	95% of the Capital budget spent	90%	Budget management	R222,271,025	50%	104.66%	50%	56.76%	<b>Achieved</b> Townlands and Chantelle capex project contributed significantly	N/A
		% of Operational budget spent	95% of the Operational budget spent	90%	Budget management	R102,321,291	50%	76.71%	50%	61.68%	<b>Achieved</b> Employee related costs, contracted services and other expenditure contributed significantly	N/A
		Rental revenue collected as a percentage of amount billed	95%	90%	Eloff	R4,057,412	95%	94.42%	95%	99.58%	<b>Achieved</b> Effective credit control	N/A

Entity's scorecard												
Division	Focus Area	Key Performance Indicator	2022/23 Target	Baseline	Project Name	Budget	Quarter 2 Target	Quarter 2 Actual	YTD Mid-Term Target	YTD Mid-Term Actual	Comments Work done / Reasons for non-performance	Mitigation plan
Finance & SCM	Enhance our financial sustainability	Rental revenue collected as a percentage of amount billed	96%	89%	Silwerkroon, Oosmoot (Villeria), Capital Park, BeterWag (Claremont 50) & Danville S & D and Danville Flats	R9,148,361	96%	99.79%	96%	102.56%	<b>Achieved</b> Effective credit control	N/A
		Liquidity ratio achieved in line with NT norms	2 : 1	2.5 : 1	Working capital management	R1,691,231 Employee costs	2 : 1	3.11:1	2 : 1	3.11:1	<b>Achieved</b> Current assets exceeded current liabilities. The grant owed by SHRA & COT contributed to an increase in current assets.	N/A
		Solvency ratio achieved in line with NT norms	1: 1	(New KPI)	Gearing management	R1,312,818 Employee costs	1 : 1	30.56:1	1 : 1	30.56:1	<b>Achieved</b> The total assets exceed total liabilities significantly due increase on AUC (Projects)	N/A
		% implementation of approved Audit Action Plan	100% implementation on of corrective action against audit findings.	100% Implementation of corrective action against audit findings.		R1,170,017 Employee costs	25% implementation of corrective action against audit findings	52% implementation of corrective action against audit findings	25% implementation of corrective action against audit findings	52% implementation of corrective action against audit findings	<b>Achieved</b> During the audit cycle for 30 June 2022, 30 findings were identified and 17 were resolved. In 2021 audit 3 findings relating to UIFW were still in progress.	N/A
		% of valid invoices paid within 30 days of invoice receipt	100% of valid invoices paid within 30 days of invoice receipt	100% of valid invoices paid within 30 days of invoice receipt		R1,447,512 Employee costs	100% of valid invoices paid within 30 days of invoice receipt	100% of valid invoices paid within 30 days of invoice receipt	100% of valid invoices paid within 30 days of invoice receipt	100% of valid invoices paid within 30 days of invoice receipt	<b>Achieved</b> The disputed register, weekly payment reconciliations implemented as a control to adequate monitor and follow up invoices	N/A

THE SCORECARD Entity's scorecard												
Division	Focus Area	Key Performance Indicator	2021/22 Target	Baseline	Project Name	Budget	Quarter 2 Target	Quarter 2 Actual	YTD Mid-Term Target	YTD Mid-Term Actual	Comments Work done / Reasons for non-performance	Mitigation plan
Governance	Promote effective and efficient management of HCT and Social Housing portfolio	Internal Governance Structures and Processes reviewed and approved	Revised strategic plan and reviewed	1	Strategic review	R844,036 Employee costs	1	0	1	0	<b>Not Achieved</b> The strategic review is planned on the 30 <sup>th</sup> and 31 <sup>st</sup> January 2023.	
		Number of Reviewed and approved policies	8 Policies reviewed and Approved by the Board.	6	Policy Review & approval	R797,466 Employee costs	N/A	N/A	N/A	N/A	There was no target for the quarter under review	
Stakeholder & Communication	Create a client brand experienced orientation to build relationships with the key stakeholders	% Implementation of a stakeholder engagement plan activities and communication activities	40% Implementation of a stakeholder engagement plan activities and communication activities	10% implementation stakeholder engagement plan and communication plan	Marketing and Communication	R760,907 Employee Costs	10%	0%	20%	0%	<b>Not Achieved</b> The stakeholder and communication strategic activities not yet implemented. The Entity is still in the recruitment process to appoint the incumbent to execute the plans	In Q3 the incumbent will be recruited



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<b>Entity's scorecard</b>												
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Division	Focus Area	Key Performance Indicator	2021/22 Target	Baseline	Project Name	Budget	Quarter 2 Target	Quarter 2 Actual	YTD Mid-Term Target	YTD Mid-Term Actual	Comments Work done / Reasons for non-performance	Mitigation plan
<b>Corporate HR</b>	Redesign, reposition, restructure and resource the organisation, ensuring that there is competent and solid capacity to manage and execute financial and operational requirements for a sustainable HCT	% Implementation of a HR Strategy	30% implementation of HR Strategy activities	25% implementation of HR Strategy activities	Corporate HR	R649,533 Employee costs	15% Implementation of the strategy	15%	15%	15%	<b>Achieved</b>	N/A

## Section 5: Assessment of Arrears on rental revenue

### 5.1 Assessment of Debtor book of the Entity

Detail	0-30 days	31-60 days	61-90 days	91-180 days	181& over	Total
Debtor's Age Analysis by income source	352,451	84,003,091	130,008	123,588	1,609,543	86,218,681

The total debtor's amount to R 2,365,281 managed by Entity excluding the grant from COT and SHRA. The accumulated provision for bad debts amounts to R 1,802,676.

### 5.2 Amounts owed by Entity for service charges

Name of Entity	Amount Owed	Status	Comments
Housing Company Tshwane	R0.00	No amount owed.	No amount owed.

## Section 6: Statement on amounts owed by Government Departments and Public Entities

Name of Department	Amounts owed	Account Status	Comments
SHRA	R 74,973,500	Outstanding	Capital grant payment
COT	R 8,879,900	Outstanding	Capital grant payment

## Section 7: Recommendation and Plans for next six months

HCT will prioritize the following:

- Deliver the Townlands Project (1200 units);
- Commence with the Timberlands development;
- Finalisation of the Town planning process;
- Development of the website

## CHAPTER FOUR: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

### Section 1: Human Resource Management

The entity's overall objective as set out in its employment policy is to ensure that the company's employment practices and remuneration policies motivate and retain talented employees; and create an attractive environment for all employees. The employment policy is reviewed periodically to ensure that it remains relevant and practical for the changing needs of current and potential employees. Our vision is to be the employer of choice in the provision of social housing. We aim to be at the top end of compliance in our working practices. In prior years, the HCT's limited social housing portfolio hindered its expansion in terms of human resources or skills/capacity to effectively carry out its mandate. In the light of new developments around additional social housing units to be managed by HCT, as well as the accreditation of the company by the Social Housing Regulatory Authority (SHRA); the HCT Board of Directors approved the implementation of a human resources (HR) workforce plan. The implementation of the workforce plan enabled the company to carry out its social housing development and management mandate. During the transition to implementing an optimal and best-fit organisational structure, the HCT will utilise a combination of in-sourcing (targeted expertise) and leverage institutional resources from the broader City. It will also implement a targeted recruitment strategy in parallel to these other resourcing initiatives.

#### Human Resources Head Count per UNIT

Units	Number of posts as per the amended structure that was approved by the Board for 2022/2023	Number of filled posts	Number of vacancies	Vacancies %
Office of the Chief Executive Officer (CEO)	12	9	3	25 %
Office of the Chief Operations Officer (COO)	15	14	1	6.66 %
Office of the Chief Financial Officer (CFO)	99	75	24	24.24%
<b>TOTAL</b>	<b>126</b>	<b>98</b>	<b>28</b>	<b>22.22%</b>

- The conditions or opportunities for previously disadvantaged individuals (esp. women) to progress through the HCT.

### Human Resources Gender and Race: Actuals

Indicator	Baseline 2019/20	2020/21 Target	2020/21 Actual	2021/22 Actual	2022/23 Actual	Challenges	Comments
African staff % of total staff	98%	98%	99%	99%	98%	N/A	N/A
Female staff as % of total staff	53%	51%	47%	49%	51%	N/A	N/A
African Female managers % of senior management	0%	67%	67%	67%	67%	N/A	N/A
Staff turnover as % of total staff	1.9%	0%	3 %	0%	0%	N/A	N/A

### Human Resources Gender and Race: Percentage/s

	Baseline (Actual numbers as at December 2018)	December 2019	December 2020	December 2021	December 2022
Total number of staff	42	53	100	100	104
Total African staff	41	52	47	99	102
Total number of female staff	22	28	48	49	53
Total number of female managers as opposed to males	1 of 3 (1 female vs 2 males)	2 of 4 (2 female vs 2 males)	6 of 9 (3 males vs 6 females)	10 (3 males vs 7 females)	10 (4 males 6 females)
Terminations including employees who passed on between Jul and December of each year	2	1	3	1	0

- **The actual for the 2022/23 include 6 temporary employees.**
- **Change management:**
  - Mechanisms to create a culture of high performance comprise a coherent, integrated approach to managing change within the HCT. This approach covers organisational systems, processes and the people management aspects.
  - To reinforce the value of diversity in the workplace and the municipal entity's related progress and performance includes the design and implementation of a diversity management programme, customer care, emotional intelligence, employee engagement and other key supervisory and management training interventions.
- **Age analysis:**
  - The average age at the HCT is 35 years across all levels. Only two female Managers are above the age of 50 and below 55. As a result, the design and implementation of career and succession planning, mentoring and coaching is vital for purposes of life-long learning and availability of skills as we adopt the principle of a learning organisation.

- **Total employee expenditure:**

- Trends on total personnel expenditure in the last year/ 2 Quarters is reflected in the table below:

<b>Total Salary Cost</b>	<b>Q1</b>	<b>Q2</b>	<b>TOTAL</b>
	R 6,563,544	R 12,841,843	R 19,405,387

- The HCT finalised and approved the human resource strategy. A budget has been allocated for all training interventions planned for the 2022/23 financial year.

*Arrear outstanding monies owed to the entity or City by staff or Non –Executive Directors*

<b>Name of Director/Senior Managers</b>	<b>Designation</b>	<b>Name of Municipality</b>	<b>Municipal Account Name/ Number</b>	<b>Account Status as at June 2005</b>	<b>Comments</b>
None	N/A	City of Tshwane	N/A	N/A	N/A

## **Section 2: Employment Equity (EE)**

The Employment Equity policy was approved by the Board in May 2020. As a result, HCT established its first EE forum in July 2020. Equal employment opportunities are offered to all employees. We firmly endorse the four key areas of employment equity identified by the Employment Equity Act:

- Consultation with all employees to identify barriers to transformation
- Elimination of discrimination in decision-making;
- Promotion of workplace diversity;
- Reduction of barriers to advancement of the disadvantaged; and
- Design and implementation of affirmative action measures to achieve transformation.

The HCT conducted an EE committee training session in November 2021 as stipulated in the Act. Corporate Human Resources continues to guide the HCT throughout the EE implementation process as we prepare to submit the first HCT Employment Equity Report to the Department of Employment and Labour before or on the 15 January 2022.

The following were re-emphasised:

- Issues and barriers identified during the EE sessions will be addressed particularly those relating to:
  - a. Employment contracts;
  - b. Induction;
  - c. Code of conduct & ethics;
  - d. Training and development;
  - e. Job descriptions;
  - f. Performance contracts/agreements;

- g. Management of employees (ill/harsh treatment);
- h. Organisational culture;
- i. Bursaries;
- j. Managing diversity;
- k. Toxicity (e.g. reduce entropy score);
- l. Employee wellness;
- m. Review of all policies to remove any discriminatory issues/clauses etc;
- n. Reasonable accommodation for people with disabilities;
- o. Women development;
- p. Remuneration matters; and
- q. Change management amongst others.

As shared during the EE sessions, it is a legislative requirement that the HCT should have a budget to implement employment equity; a budget has been approved.

- EE immediate term deliverables

The following will be implemented with immediate effect:

- a. Employee contracts
- b. Learnership programme
- c. Induction
- d. Job descriptions
- e. Performance agreements
- f. Skills audit

The employment equity profile is reflected in the table below:

**Current Employment Equity Profile:**

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	1	0	0	0	2	0	0	0	0	0	3
Senior management	3	0	0	0	4	0	0	0	0	0	7
Professionally qualified and experienced specialists and middle management	5	0	0	0	3	0	0	0	0	0	8
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	4	0	0	0	3	0	0	1	1	0	9
Semi-skilled and discretionary decision making	11	0	0	0	9	0	0	0	0	0	20
Unskilled and defined decision making	25	0	0	0	26	0	0	0	0	0	51
<b>Total Permanent</b>	<b>49</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>98</b>
Temporary employees	1	0	0	0	5	0	0	0	0	0	6
<b>GRAND TOTAL</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>104</b>

- **The actual for the 2022/23 includes 6 temporary employees.**

The Entity's employment equity programme was extremely progressive and we exceeded the targets set. Our conviction to ensure material participation of previously disadvantaged companies and individuals is demonstrated by the degree of procurement spent on the designated companies and individuals.

**Section 3: Skills Development and Training**

The Entity is committed to the maintenance of standards by supporting and training staff through its world-class skills development programme. The skills audit and anticipated programmes will be aimed at requisite technical and people skills. Our skills development programmes will be in line with the requirements of the Skills Development Act and our workplace plan (WSP) is aligned to our business plan and focus is placed on occupational specific programmes, management development and legally required training.

**Section 4: Performance Management**

Performance Management was implemented for all management levels on the organisational structure. The balanced scorecard is the tool being used for measurement. The policy will be tabled to REMCO in January 2022 for review and approval. The performance indicators are linked to the Company's objectives in order to have an immediate tracking of objective achievements. Additional objectives are included to reinforce the culture of governance and risk management among managers.

The Company will begin the rollout process upon approval of the policy to ensure that all employees in supervisory positions are included in the performance management strategy. Training of underperforming officials will be introduced as part of our coaching and mentorship process to improve the performance levels. Performance Management will be adopted as a positive management strategy rather than a punitive process; as a result employees would feel comfortable to be part of the process.

The entity will continue to set new standards of service delivery and our customer relationship programme will serve as a pillar for our on-going success. We remain firm in our commitment to sound stakeholder relationships and are committed to managing both short-term and long-term plans to standards that will ultimately benefit our communities. We will, however, continue to strive for operational effectiveness and, with our customers and stakeholders, we will collectively focus on improving the environmental well-being of our society.

## **Section 5: Employee Wellness**

### **5.1 HIV/AIDS on the Workplace**

The management of HIV/Aids is an important challenge facing every organisation in our country. The entity has determined that HIV/Aids will have an impact on the following risk areas: operations, target market risk, supplier risk, legal risk and health risk. Whilst all these risk are under further investigation, and has adopted the following core principles as a basis for its HIV/ Aids policy:

- Continuously assess the risks posed by HIV/Aids on the business;
- Limit the number of new infections among employees;
- Ensure employees living with HIV/ Aids are aware of their rights and that their rights are respected and protected.

HIV/AIDS education initiatives provide care and support to employees living with HIV/Aids. To build on the awareness programme, an on-going education programme has been instituted. The first place of this programme was to train peer educators who will then provide HIV/Aids education to all staff on an on-going basis. Peer educators received training on lay counselling, grief management, company benefits, first aid and treatment of workplace injuries.

### **5.2 Disaster Management**

All employees are aware of the Covid-19 pandemic and the importance of compliance to the regulations as stipulated in the Disaster Management Act. A work-from-home draft policy will be presented to REMCO in January 2022.



### 5.3 Other wellness interventions

The HCT intends to incorporate other wellness interventions to empower employees in the workplace. The details thereof are reflected in the detailed Human Resource plan.

### **Section 6: Employee Benefits**

Management has commenced with the implementation of employee benefits. The remaining applicable benefits have been budgeted for and will be implemented before the end of the financial year.

- The pension fund and 13<sup>th</sup> cheque forms part of the employee benefits and has been implemented;
- The medical aid was implemented in February 2021;
- Other employee benefits such as housing allowances were implemented in 2021;
- The annual increase was not implemented due to the CoT's decision. This matter was put on hold until further notice.

## CHAPTER FIVE: FINANCIAL PERFORMANCE

### Section 1: Statement of Financial Performance

Housing Company Tshwane - Table F2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December								
Description	2021/22	Current Year 2022/23						
	Pre-audit outcome	Original Budget	Monthly actual	Year-TD actual	Year-TD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>Revenue By Source</b>								
Rental of facilities and equipment	9,351	71,277	1,160	5,443	35,639	(30,196)	-84.7%	71,277
Interest earned - external investments	227	538	9	56	269	(213)	-79.0%	538
Interest earned - outstanding debtors	131	252	10	67	126	(59)	-47.0%	252
Transfers and subsidies	34,823	35,520	–	17,760	17,760	0	0.0%	35,520
Other revenue	274	120	315	515	60	455	756.5%	120
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>44,806</b>	<b>107,707</b>	<b>1,495</b>	<b>23,841</b>	<b>53,853</b>	<b>(30,013)</b>	<b>-55.7%</b>	<b>107,707</b>
<b>Expenditure By Type</b>								
Employee related costs	35,471	46,619	2,716	19,405	23,309	(3,904)	-16.7%	46,619
Remuneration of Directors	2,515	3,803	48	713	1,901	(1,188)	-62.5%	3,803
Debt impairment	–	1,263	284	555	632	(76)	-12.1%	1,263
Depreciation & asset impairment	1,222	17,843	372	672	8,922	(8,250)	-92.5%	17,843
Other materials	3,790	6,358	1	23	3,179	(3,156)	-99.3%	6,358
Contracted services	9,066	20,108	3,665	7,460	10,054	(2,594)	-25.8%	20,108
Other expenditure	7,596	11,712	651	4,389	5,856	(1,468)	-25.1%	11,712
Loss on disposal of PPE	205	–	–	–	–	–	–	–
<b>Total Expenditure</b>	<b>59,865</b>	<b>107,707</b>	<b>7,739</b>	<b>33,217</b>	<b>53,853</b>	<b>(20,637)</b>	<b>-38.3%</b>	<b>107,707</b>
<b>Surplus/(Deficit)</b>	<b>(15,059)</b>	<b>0</b>	<b>(6,245)</b>	<b>(9,376)</b>	<b>0</b>	<b>(9,376)</b>	<b>-</b>	<b>0</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	248,301	233,018	8,080	87,387	116,509	(29,122)	-25.0%	233,018
Transfers and subsidies - capital (in-kind - all)	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) before taxation</b>	<b>233,242</b>	<b>233,018</b>	<b>1,835</b>	<b>78,011</b>	<b>116,509</b>	<b>(38,498)</b>	<b>-33.0%</b>	<b>233,018</b>
Taxation	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>233,242</b>	<b>233,018</b>	<b>1,835</b>	<b>78,011</b>	<b>116,509</b>	<b>(38,498)</b>		<b>233,018</b>

## Section 2: Statement of Financial Position

Housing Company Tshwane - Table F4 Monthly Budget Statement - Financial Position - M06 December				
Vote Description	2021/22	Current Year 2022/23		
	Pre-audit outcome	Original Budget	Year-TD actual	Full Year Forecast
<b>R thousands</b>				
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	20,859	49,216	6,607	49,216
Call investment deposits	7,707	10,219	2,769	10,219
Consumer debtors	282	3,230	504	3,230
Other debtors	64,360	319	85,703	319
<b>Total current assets</b>	<b>93,207</b>	<b>62,985</b>	<b>95,583</b>	<b>62,985</b>
<b>Non current assets</b>				
Property, plant and equipment	755,876	1,461,328	843,780	1,461,328
Intangible	351	393	345	393
<b>Total non current assets</b>	<b>756,227</b>	<b>1,461,721</b>	<b>844,126</b>	<b>1,461,721</b>
<b>TOTAL ASSETS</b>	<b>849,434</b>	<b>1,524,706</b>	<b>939,708</b>	<b>1,524,706</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Consumer deposits	1,036	3,000	1,414	3,000
Trade and other payables	39,737	9,440	11,231	9,440
Provisions	17,120	8,183	18,107	8,183
<b>Total current liabilities</b>	<b>57,893</b>	<b>20,623</b>	<b>30,752</b>	<b>20,623</b>
<b>Non current liabilities</b>				
Borrowing				-
<b>Total non current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>57,893</b>	<b>20,623</b>	<b>30,752</b>	<b>20,623</b>
<b>NET ASSETS</b>	<b>791,542</b>	<b>1,504,083</b>	<b>908,956</b>	<b>1,504,083</b>
<b>COMMUNITY WEALTH/EQUITY</b>				
Accumulated Surplus/(Deficit)	782,962	1,490,737	900,377	1,490,737
Reserves	8,579	13,346	8,579	13,346
Share capital				-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>791,542</b>	<b>1,504,083</b>	<b>908,956</b>	<b>1,504,083</b>

### Section 3: Statement of Capital Expenditure

Housing Company Tshwane - Table F3 Monthly Budget Statement - Capital Expenditure - M06 December								
Description	2021/22	Current Year 2022/23						
	Pre-audit outcome	Original Budget	Monthly actual	Year-TD actual	Year-TD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>Capital expenditure by Asset Class/Sub-class</b>								
-								
<b>Other assets</b>	<b>248,436</b>	<b>233,018</b>	<b>8,216</b>	<b>87,523</b>	<b>155,410</b>	<b>(67,886)</b>	<b>-43.7%</b>	<b>233,018</b>
Operational Buildings	67	-	136	136	-	(136)	0.0%	-
Municipal Offices	67	-	136	136	-	(136)	0.0%	-
Housing	248,368	233,018	8,080	87,387	155,410	(68,022)	-43.8%	233,018
Staff Housing	-	-	-	-	-	-	-	-
Social Housing	248,368	233,018	8,080	87,387	155,410	(68,022)	-43.8%	233,018
Capital Spares	-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>	<b>-</b>	<b>952</b>	<b>950</b>	<b>950</b>	<b>635</b>	<b>316</b>	<b>49.7%</b>	<b>952</b>
Furniture and Office Equipment	-	952	950	950	635	316	49.7%	952
<b>Transport Assets</b>	<b>-</b>	<b>-</b>	<b>97</b>	<b>97</b>	<b>-</b>	<b>(97)</b>	<b>0.0%</b>	<b>-</b>
Transport Assets	-	-	97	97	-	(97)	0.0%	-
<b>Total Capital Expenditure</b>	<b>248,436</b>	<b>233,970</b>	<b>9,263</b>	<b>88,571</b>	<b>156,045</b>	<b>(67,474)</b>	<b>-43.2%</b>	<b>233,970</b>
<b>Funded by:</b>								
National Government	-	-	-	-	-	-	-	-
Provincial Government	96,138	195,000	8,080	85,886	146,403	(60,517)	-41.3%	195,000
<b>SHRA</b>	<b>96,138</b>	<b>195,000</b>	<b>8,080</b>	<b>85,886</b>	<b>146,403</b>	<b>(60,517)</b>	<b>-41.3%</b>	<b>195,000</b>
<b>RCG</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Parent Municipality	152,163	38,018	-	1,501	8,690	(7,188)	-82.7%	38,018
District Municipality	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>248,301</b>	<b>233,018</b>	<b>8,080</b>	<b>87,387</b>	<b>155,093</b>	<b>(67,706)</b>	<b>-165%</b>	<b>233,018</b>
<b>Public contributions &amp; donations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>	<b>67</b>	<b>952</b>	<b>1,183</b>	<b>1,183</b>	<b>952</b>	<b>231</b>	<b>24.3%</b>	<b>952</b>
<b>Total Capital Funding</b>	<b>248,368</b>	<b>233,970</b>	<b>9,263</b>	<b>88,571</b>	<b>156,045</b>	<b>(67,474)</b>	<b>-141%</b>	<b>233,970</b>

## Section 4: Cash Flow Statement

Housing Company Tshwane - Table F5 Monthly Budget Statement - Cash Flows - M06 December							
Description	2021/22	Current Year 2022/23					
	Pre-audit outcome	Original Budget	Year-TD actual	Year-TD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>							
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>							
<b>Receipts</b>							
Other revenue	8,657	79,376	7,652	39,688	(32,036)	-80.7%	79,376
Government - operating	26,117	35,520	26,466	17,760	8,706	49.0%	35,520
Government - capital	261,640	233,018	82,995	116,509	(33,514)	-28.8%	233,018
Interest	358	658	56	329	(273)	-82.9%	658
<b>Payments</b>							
Suppliers and employees	(60,030)	(94,707)	(42,057)	(47,353)	5,297	-11.2%	(94,707)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>236,742</b>	<b>253,865</b>	<b>75,112</b>	<b>126,932</b>	<b>(62,414)</b>	<b>-49.2%</b>	<b>253,865</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<b>Receipts</b>							
Proceeds on disposal of PPE			-	-	-		-
<b>Payments</b>							
Capital assets	(229,952)	(233,970)	(94,302)	(116,985)	22,683	-19.4%	(233,970)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(229,952)</b>	<b>(233,970)</b>	<b>(94,302)</b>	<b>(116,985)</b>	<b>(22,683)</b>	<b>19.4%</b>	<b>(233,970)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<b>Receipts</b>							
Borrowing long term/refinancing			-	-	-		-
<b>Payments</b>							
Repayment of borrowing	-	-	-	-	-		-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>6,790</b>	<b>19,895</b>	<b>(19,190)</b>	<b>9,948</b>	<b>(29,137)</b>	<b>-292.9%</b>	<b>19,895</b>
Cash/cash equivalents at the year begin:	21,775	39,540	28,565	19,770	8,795		39,540
Cash/cash equivalents at the year end:	30,680	59,435	9,376	29,718	(20,342)	-68.5%	59,435

## Section 5: Report on Irregular Fruitless and Wasteful Expenditure and Legal Processes

In Quarter 1 and Quarter 2 of this period under review, the Entity did not incur any new UIFW expenditure except the recurring expenditure from the BAC Composition incurred since 2018 and the Legal panel that was declared as irregular expenditure in 2021 financial period.

Non- compliance - BAC Composition			
Company Name	Service Rendered	Amount paid to date	Reason
MIH Projects(Pty) Ltd	Project Management of Townlands Construction.	9,010,347	<b>Irregular</b> > Junior SCM officer appointed, SCM manager post vacant, however City SCM Director Contracts and Performance management was part of panel. > 2 members are Managers (One acting CFO) > One other Director CoT
Metroprojects Development (Pty) Ltd	Timberlands project Management.	1,501,350	<b>Irregular:</b> Only three members appointed in the BAC, one being a Director at HCT and other a building controller
Ditlou-Nevhutalu Consortium+A8:I8	Continuous Professional Services for the Development of Social Housing Project in <b>Chantelle</b> within the City of Tshwane.	664,006	<b>Irregular:</b> Only three members appointed in the BAC, the other being a Director at HCT. Take note that I have added retention captured as provision
Enza	Townlands phase 2 construction	28,073,326	BAC composition
Condocor	Chantelle construction	28,542,506	BAC composition
<b>Total</b>		<b>67,791,535</b>	

Panel - Non- compliance with regulations 32 - Bid of LT nature advertised for less than 30 days			
Company Name	Service rendered	Amount paid	Description
Rambevha Marabane Attorneys	Legal Representation for Arbitration Purposes. HCT vs Vharanani (Pty) Ltd	1,566,745	Legal panel advertised for less than 30 days
Morata Mogokare Incorporated	Conveyancing service for Group Property Stock	2,322,982	Legal panel advertised for less than 30 days
<b>Total</b>		<b>3,889,727</b>	

<b>Summary</b>	
<b>Non- compliance</b>	<b>Amount paid</b>
BAC composition	67,791,535
Panel - Non- compliance with regulations 32 - Bid of LT nature advertised for less than 30 days	3,889,727
<b>Total</b>	<b>71,681,262</b>

## **CHAPTER SIX: AUDITOR-GENERAL FINDINGS**

### **Section 1: Auditor-General's Report for the Current Year**

Note: The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements, and financial management of all municipalities. MSA section 45 states that the results of performance measurement must be audited annually by the Auditor-General.

Refer to the Annual Financial Statements set out in Chapter 5 and the timescale for the audit of these accounts and the audit of performance and the production of reports on these matters by the Auditor General as set out in this Chapter.

Include a comparison of the previous audit opinions and share a narrative that analyses the reasons for the outcome of the opinion. This should be at a high-level to assist the reader in understanding the reasons for the audit outcomes.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Audit Opinion	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

### **Section 2: Historical Audit Findings and Remedial Action**

#### **ANALYSIS OF 2021/22**

	<b>NEW IN 2021/22</b>	<b>REPEAT FINDINGS</b>	<b>AG FINDINGS RESOLVED</b>
<b>Total</b>	<b>30</b>	<b>3</b>	<b>17</b>

During the 2021/2022 financial year, the Auditor General raised 30 findings, 17 out of these were resolved and 13 are in progress.

### **Section 3: Commitment by the Board of Directors**

The HCT Board noted, considered and approved the management action plans/remedial actions at its special meeting as recommended by the Finance and Risk Committee.

In order to achieve compliance with the Auditor-General directive, the performance assessment (as per section 121(4)(c) compare the actual performance against the measurable performance objectives set in the SDAs and other agreements between the entities and the COT. The practice has been to compare performance against the

City's IDP and scorecard. The final result may be the same, but it is prudent to mention the fact that the performance is compared to the SDA's objectives (as contained in the IDP and scorecard).

Further a short discussion of internal controls and system descriptions should be included in the assessment. This should be followed by a short discussion on the objectives, with regards to the measurability (specific, measurable and time bound) and consistency thereof.

The performance must be stated and compared to the objectives. The practice of doing this under the heading of KPA's and thereafter by considering the performance against individual KPI's would most likely be compliant.