




HOUSING COMPANY TSHWANE
affordable housing solutions

2023/2024 MID-YEAR REPORT (JULY – DECEMBER 2023)

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

SIGN OFF	
CHIEF EXECUTIVE OFFICER: Ms Obakeng Nyundu	
DATE:	31 December 2023



**HOUSING COMPANY TSHWANE
NON PROFIT COMPANY**

COMPANY INFORMATION:

Registration number: 2001/029821/08

Registered Address: 1st 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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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 in achieving 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 need to be understood.

This document outlines the planning that will guide the growth and development trajectory of the HCT over the 2023/2024 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 its mandate. It is also alive to and recognizes the opportunities that currently exist toward 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 have 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 the 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

Strategic Pillar	Priority	Action	HCT's contribution
Pillar 1: A City that facilitates economic growth	Priority 4: Revitalizing and supporting Tshwane's entrepreneurs	Action 1: Supporting small and micro businesses 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 entities 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 that 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 aims 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	The 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 has **1903 units under management** but is currently reporting to the SHRA and on the Business Plan for the 2023/24 financial year on the **693 units**.

The Mid-term reporting for the 2023/24 financial year is based on **693 of the 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.

The portfolio can be summarized as follows:

- SSE's & Eloff portfolio (693 units);
- Group Property transferred for ownership portfolio (214 units); and
- Townlands (428 Units);
- Human Settlement transfers portfolio (568 units).

From the 214 units transferred from the Group Property stock, the Entity has been responsible for the full management and administration as of 01 July 2023.

The Unit is in the process to finalise the Service Level Agreements and the Transfer agreement with the remaining Human Settlements buildings. The HCT is continuing to fulfilling the partial function of property management which is leasing (unit allocations), and labour only for the repairs and maintenance of the Human settlement rental stock; even though the registration of these properties and subsequent revenue is still in the process of being finalised. The C9 report to the Council is circulating for the comments from other departments and once comments are consolidated it will then be sent to MAYCO for the recommendations and then to Council for approval. This process is expected to be finalised by the end of this financial year of 2023/2024.

The Property Management Unit is measured against 4 KPIs. The department's performance is based on 4 KPIs for Q2 and achieved all 3, which translates to an achievement of 75%. The repairs and maintenance requests resolved within turnaround around is achieved at **21%**, a target on tenant complaints resolved is achieved at **93%** against a target of 90% as well as the occupancy rate of **97.5%** against a target of 95% and lastly the stakeholder engagement is achieved at **92%** against the 75% target for mid-term of 2023/24 financial year.

Townlands Estate Application Process Update

Applications were opened from 20 September to 1 October 2021 for clients to apply for pre-screening for a social housing unit for the income bracket between R1500 to R15000 as this was a gazetted income bracket at the time. HCT received 6000 applications/inquiries and 5180 applications were eligible, 3160 were declined due to bad credit record and affordability, and 1677 were pre-approved. All the outcomes were communicated via SMS to the applicants.

The pre-approved applicants were invited to a series of workshops with presentations from the National Department of Human settlements, Social Housing Regulatory Authority (SHRA), and Rental Housing Tribunal as well as Housing Company Tshwane which covered the following topics:

- social housing programme;
- different housing options;
- landlord/tenant disputes as well as the application process and allocation criteria.

After the workshop applicants were invited for a formal application and the Entity received 1398 formal applications. The table below illustrates the number of pre-approved applications received during the initial application process:

HCT opened another round of applications from 5 to 9 December 2022 as well as in May from 10 to 19 May 2023 because most applications received in the initial round of applications were within the primary beneficiary group (R1850- R6700).

These applicants were all invited to the information session and those who were in attendance received quotations and the response rate was low. This income group is heavily indebted and will require HCT to have a big pool of applications to draw from. Due to the non-responsiveness of the applicants to the issued quotations, HCT opened for applications until full occupation. The targeted income group is between R11 301 to R22 000. Phase 1 is currently at 61% occupation.

Community Development Activities

This section of the report relates to matters within the Property Management and Client Services departments which are of a social and community development nature for various buildings that HCT owns or manages.

Cases reported for incident/case management:

There were eighteen (18) cases reported, fifteen (15) cases were resolved and three (3) are still pending. One (1) in Beterskap and two (2) in Danville awaiting the social worker intervention. The details of the resolved cases are as follows:

- Beterskap three (3) verbal abuse;
- Danville seven (7) cases. one (1) being sexual abuse, one (1) physical abuse, and five (5) being verbal (emotional) abuse;
- Wag n' Bitjie two (2) relating to verbal abuse;
- Townlands one case (1) related to sexual abuse;
- Danville one (1) relating to psychosocial support;
- Eloff one (1) substance abuse.

Elderly programs

The following activities are done at SSE's once a week:

- Bingo
- Tea garden done at Silwerkroon
- Aerobics
- Church service
- Darts

Charity programmes (Donations, gifts, and sponsorships)

Most of the initiatives mentioned below are organized by the tenants and different welfare organisations operating in the vicinity of the buildings.

Sillwerkroon Centrum, AVBOB, Klipwerf Piggery, and Kairos donated cooked meat and food parcels to all SSEs. The centre handed out 639 cooked meals to all the tenants, Kairos and AVBOB donated food and funds and Klipwerf piggery donated 148 kg of pork meat. The tenants received buckets with groceries, food platters, cool drinks, and bottled water from Spar Hercules & Groot FM.



Figure 1. Grocery buckets



Figure 2. Food parcel from NG Kerk

Bereavements

There has been a total of seven (7) bereavements of tenants, 6 in the SSEs in Quarter 2 of the 2023/2024 financial year, and 1 in Sunnyside Park.

- Danville (3);
- Capital Park (2);
- Beterskap (1);
- Sunnyside Park (1).

3.2 Human Resources

Progression of Staff Compliment (5 years period):

Financial Year	Total number of staff
2018-2019 as of the end of December 2018	53
2019-2020 as of the end of December 2019	62
2020-2021 as of the end of December 2020	100
2021-2022 as of end December 2021	100
2022-2023 as of end December 2022	98
2023-2024 as of end December 2023	95

3.3 Revenue Collection:

HCT's revenue collection target for the six months (July 2023 – December 2023) for the Eloff building was 95% of the billing. For the period under review, the collection level achieved was 103.37%, thereby exceeding the target by 8.37%.

The revenue collection target for the six months (July 2023 – December 2023) for Self Sufficient Elderly (SSE's) buildings, Silwerkroon, Oosmoot, Capital Park, Claremont, Danville, NoordePark and Hercules was 96% of the billing. For the period under review, the collection level achieved was 99, 14%, thereby exceeding the target by 3, 14%.

3.4 Financial Management:

The following analysis is drawn from the financial performance report for the period ended 31 December 2023. 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	2022/23	Current Year 2023/24						
	Pre-audit outcome	Original Budget	Monthly actual	Year-TD actual	Year-TD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue								
Exchange Revenue								
Interest	119	117	13	76	59	18	30.6%	117
Interest earned from Receivables	140	330	6	25	165	(140)	-85.0%	330
Rental from Fixed Assets	13,335	84,207	2,726	15,389	42,104	(26,715)	-63.4%	84,207
Licence and permits								
Operational Revenue	1,039	1,753	100	680	876	(197)	-22.5%	1,753
Non-Exchange Revenue								
Transfer and subsidies - Operational	35,520	35,520	8,880	26,640	17,760	8,880	50.0%	35,520
Other Gains	68,286							
Total Revenue (excluding capital transfers and contributions)	118,437	121,926	11,725	42,809	60,963	(18,154)	-29.8%	121,926
Expenditure By Type								
Employee related costs	38,935	56,652	2,243	20,878	28,326	(7,448)	-26.3%	56,652
Remuneration of board members	2,120	3,803	76	765	1,901	(1,137)	-59.8%	3,803
Inventory consumed	1,686	6,173	865	894	3,086	(2,193)	-71.0%	6,173
Debt impairment	1,274	1,563	1,987	4,191	782	3,409	436.1%	1,563
Depreciation and asset impairment	2,626	16,423	1,410	2,795	8,211	(5,417)	-66.0%	16,423
Contracted services	13,948	25,189	3,680	12,680	12,595	86	0.7%	25,189
Operational costs	9,268	12,123	687	4,074	6,062	(1,988)	-32.8%	12,123
Total Expenditure	70,012	121,926	10,948	46,275	60,963	(14,688)	-24.1%	121,926
Surplus/(Deficit)	48,424	-	777	(3,466)	-	(3,466)	0.0%	-
Transfers and subsidies - capital (monetary allocations)	141,630	78,823	4,409	40,290	39,411	879	2.2%	78,823
Surplus/(Deficit) before taxation	190,055	78,823	5,186	36,824	39,411	(2,587)	-6.6%	78,823
Income Tax								
Surplus/(Deficit) for the year	190,055	78,823	5,186	36,824	39,411	(2,587)	-6.6%	78,823

3.5 Capital Expenditure:

As of the end of December 2023, the Entity's performance on operating capital reflected an actual expenditure of R40,4 million against a budget of R41 million. This translated to a percentage achievement of 99%.

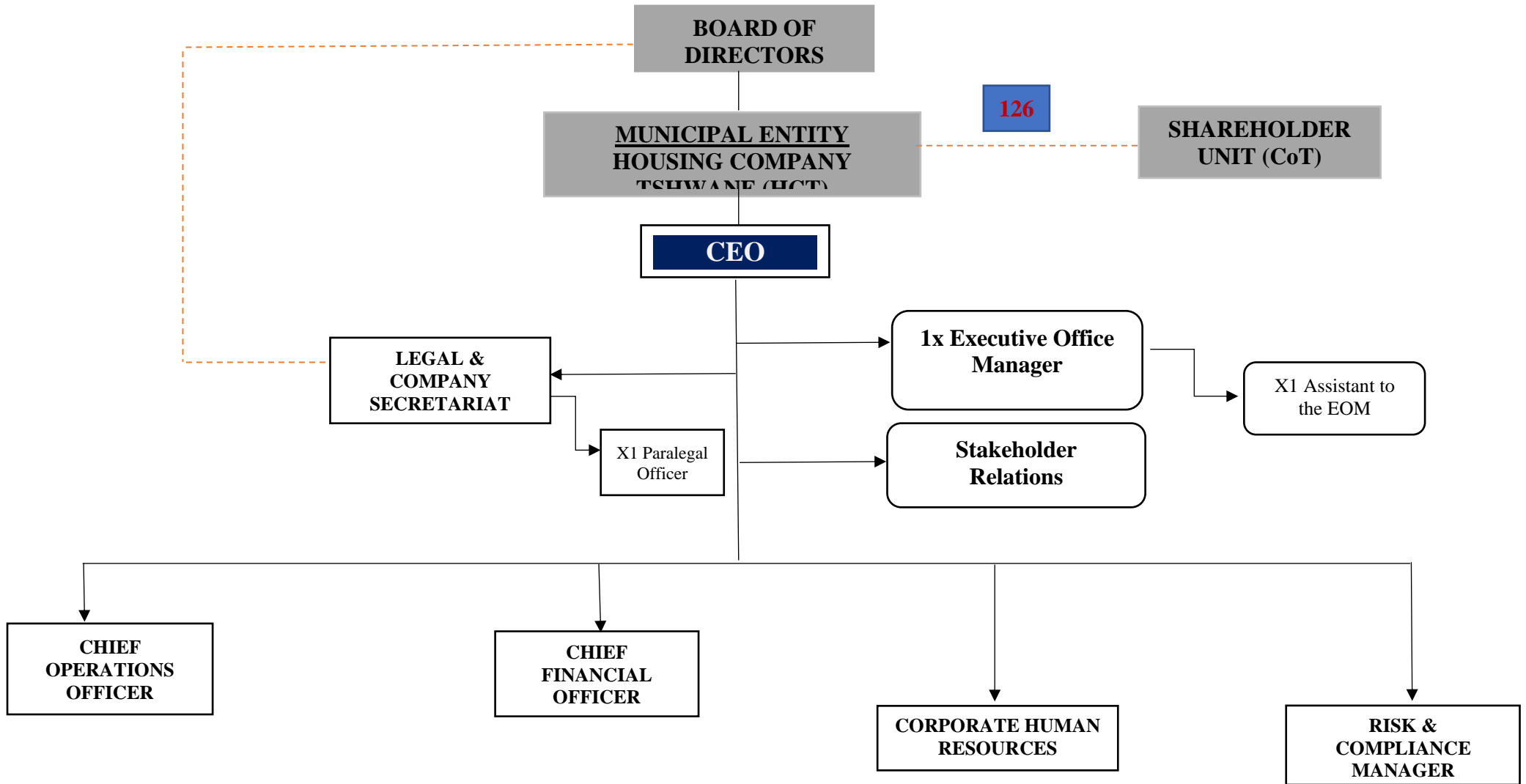
On the capital project for the Townlands and Chantelle projects, the Entity has spent R40, 2 million against the budget of R39,4 million which translated to a percentage achievement of 102%.

3.6 Solvency ratio:

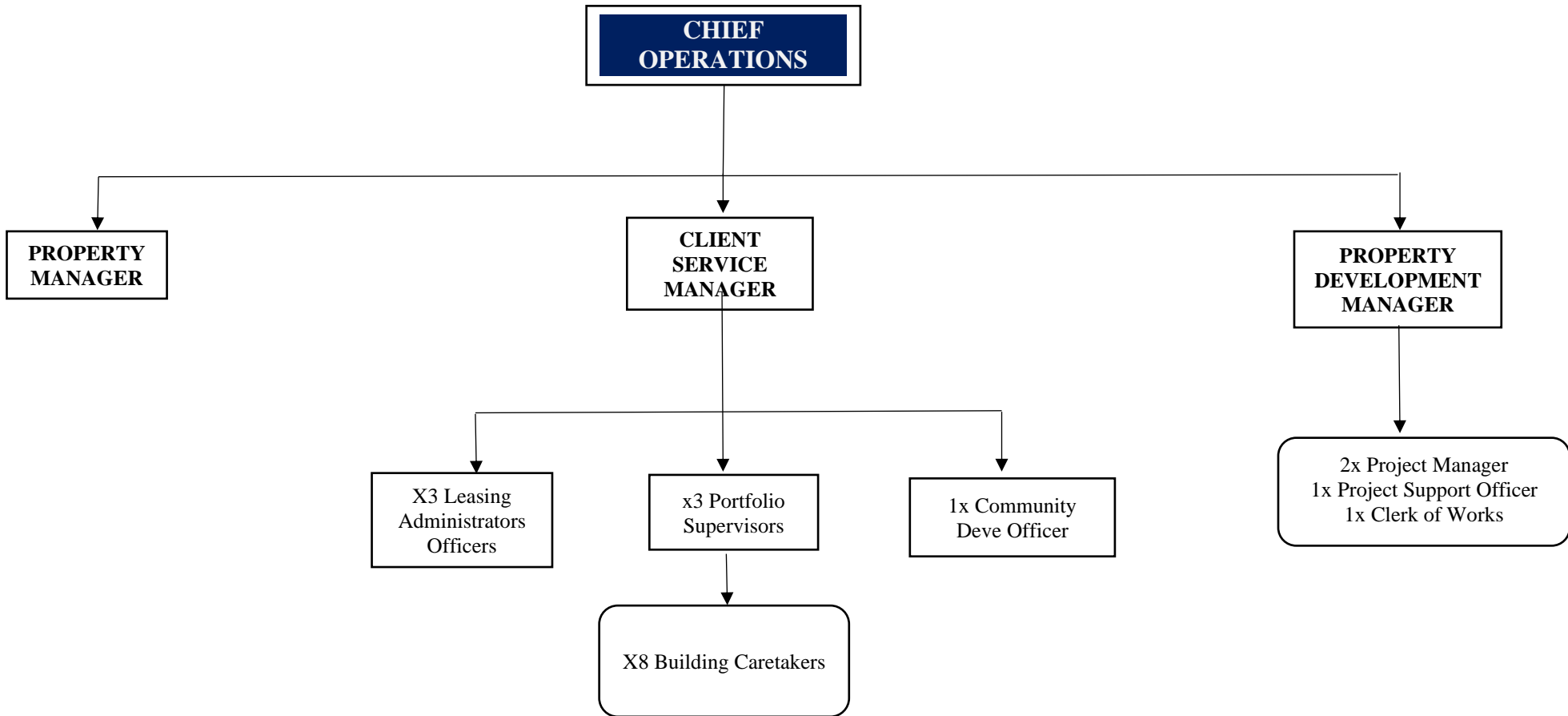
As of the end of December 2023, the Entity continued to operate as a going concern for the foreseeable future. The going concern of HCT over the short term (12 months) was demonstrated considering the positive support from the City of Tshwane and it was also supported by the current ratio which showed the liquidity of the Entity as 1.08:1 (current assets to current liabilities).

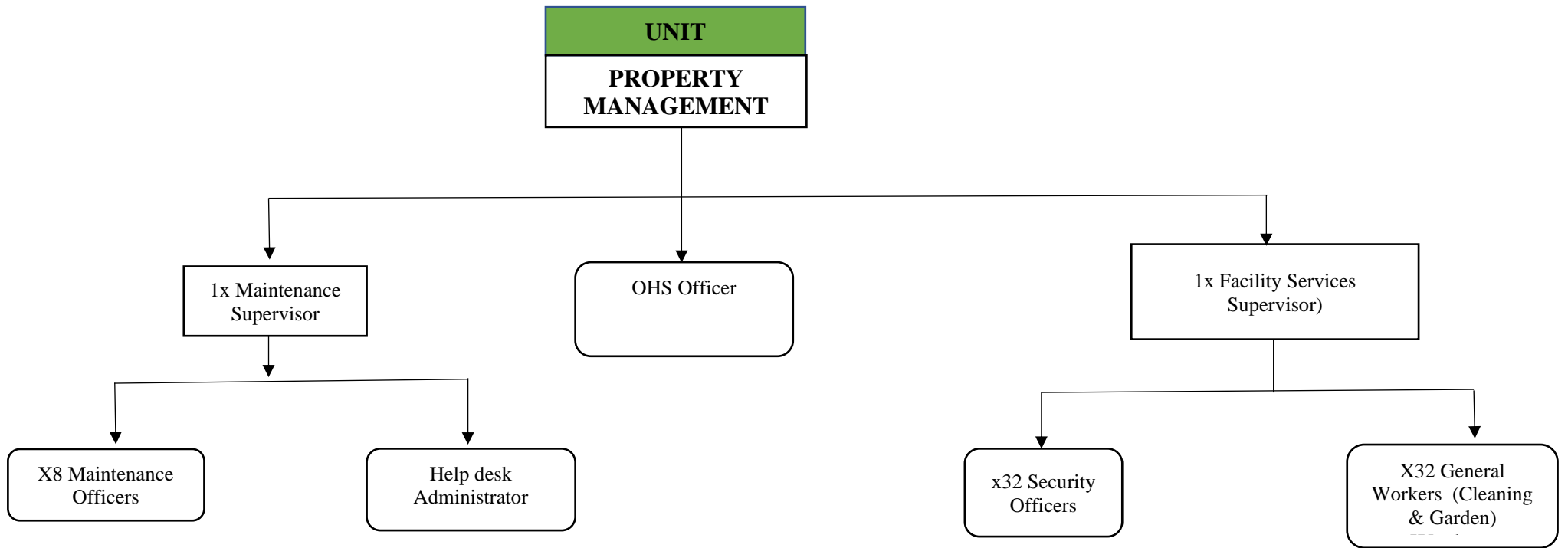
Section 4: High-level organisational structure

NEW APPROVED HOUSING COMPANY TSHWANE (HCT) ORGANISATION STRUCTURE

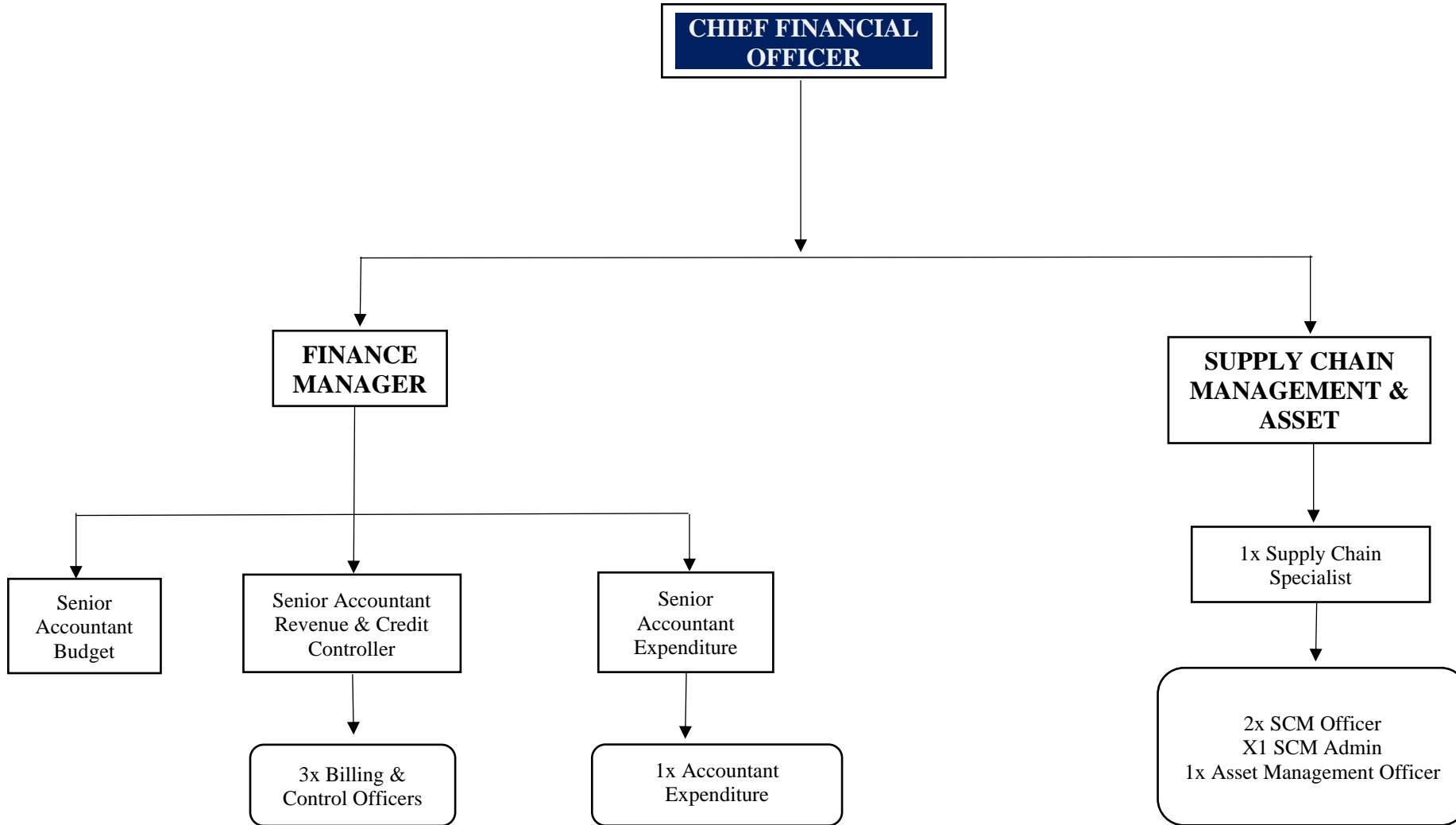


OPERATIONS

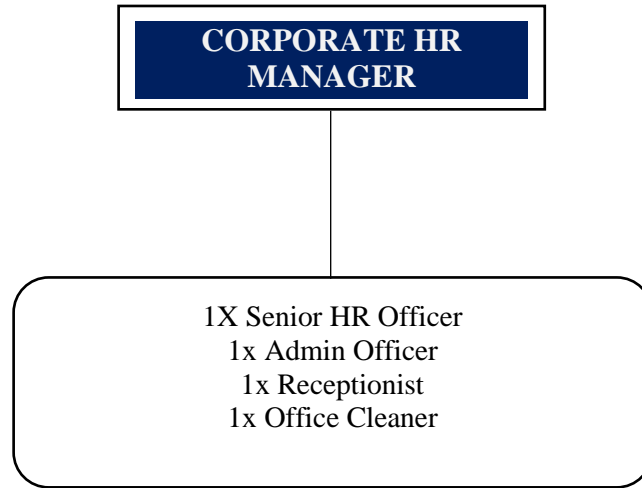




FINANCE & SCM



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 to ensuring that its primary mandate is being realized. HCT remains committed to its mandate of providing affordable rental housing within economic nodes, which aims to address spatial indifferences and promote inclusivity.

The fiduciary role of the HCT Board is to have 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 the place of work and other social amenities 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, since [state year of appointment] with each member contributing 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. [Post Covid 19 Social Housing issues]

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 the 2022/ 2023 Financial Year, 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 decided to use risk identification and mitigation oversight as an effective means to guide 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, and 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 huge excitement about the completion and tenanting of 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 be responsive to the immediate needs of the city's citizens, however, it will require it to adopt modernization of business processes as well as resource support to ensure effective and efficient use of the system.

The adoption of the above has strong potential for building a strong brand and delivering good property and tenant services, especially in greenfield development like the Marabastad Townlands project. The brownfield developments acquired from the city remain HCT's 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's 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 the 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 grants to finance important maintenance to mitigate dilapidation of buildings owned and managed by HCT. The Greenfield developments 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, repositioning, restructuring, and resource (4Rs). Currently, HCT remained 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 a major focus on operations and unable to develop and drive strong strategic posture for the organization.

Mr. Themba TC Dlamini
HCT: Board Chairperson

Section 6: Chief Executive Officer's Report



The Housing Company Tshwane's (HCT) performance for the mid-term of the (2023/2024) financial year declined by 12% in comparison to the performance of the previous period (2022/23) of 88.5%. The appointment of the new Board was concluded in June 2022 and the Non-Executive Directors resumed their fiduciary duties as of 1st of July 2023. 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 areas which are vigorously monitored by the shareholder, being the 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 a surplus of R36, 8 million. The Entity's financial performance against the budget allocated for the year to date for the fiscal year 2023/24 on the significant following areas:

Total Revenue:

1. The total revenue including operating grant and other income was collected by R83 million against the budget by R100 million due to the late tenanting of Townlands Units.

Total Expenditure:

2. The employee-related costs were underspent by R5, 5 million due to a delay in filling vacant critical positions waiting for the City of Tshwane to lift the moratorium on filling vacant critical positions.
3. The Remuneration of Directors was underspent by R1,136,702 due to fewer Board meetings as per the Board Calendar. Furthermore, the reduction of Non-Executive Directors declined from 7 to 5 members.
4. The contracted services budget for Q2 was fully utilised due to the implementation of a maintenance plan on buildings under management.
5. Another expenditure was underspent by R1,9 million due to a delay in finalising the Townlands rates and taxes account, water and electricity account, and insurance as well as underspending on advertising and promotion.

6. Other material budget was underspent by R2, 192,808 as the entity bought consumables in bulk at the end of June 2023.
7. Debt impairment over spent for quarter 2 by R3, 408,984 due to non-payment of tenants from Group Property Stock transferred to the Entity in July 2023. The entity had engagements with the City's Human Resources and finance to transfer rentals deducted from City employees residing in those properties. Most of the employees have signed debit orders with the entity and others entered into agreements to reduce the outstanding balances.
8. Depreciation under spent by R5, 5 million due late completion of Townlands. The initial depreciation provision anticipated that all the units would be completed by 30 June 2023.

Overall performance

The Entity's mid-term performance represents **76.47%**. This indicates a decline as compared to the previous mid-term ended on 31 December 2022. The Entity applied a proactive approach to the repairs and maintenance of the 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 **71.25%** 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 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 2023, the HCT received an unqualified audit report on Annual Financial Statements and Audit of Predetermined Objectives (AOPO) for the year ended 30 June 2023. AGSA identified non-compliance on SCM processes and management is in the process of developing an internal control framework that will ensure compliance going forward.

Ms O Nyundu
Chief Executive Officer

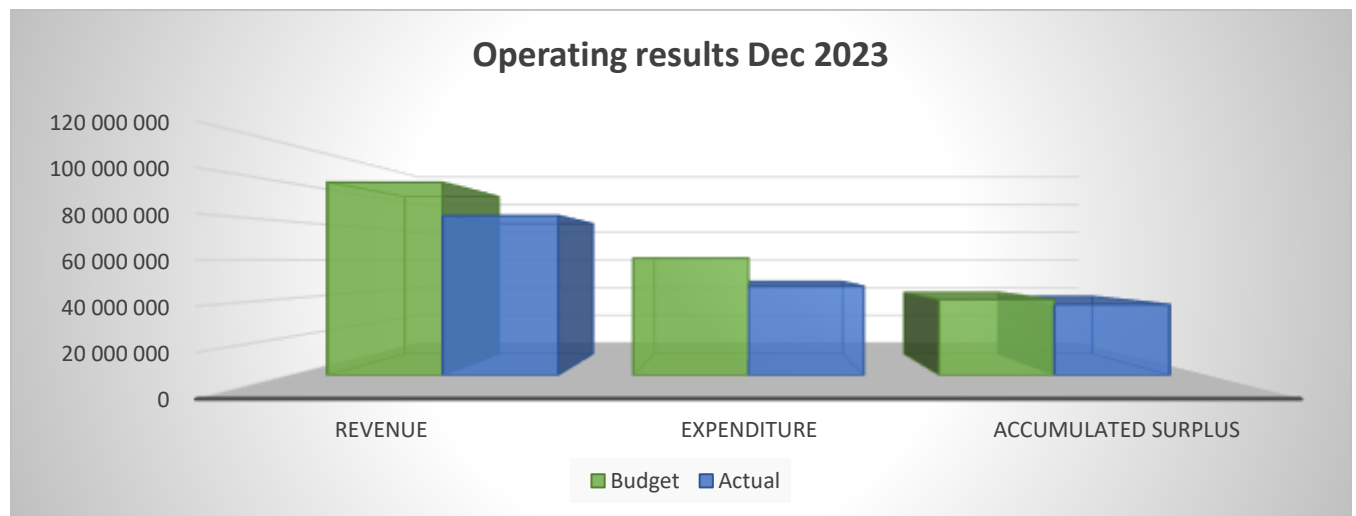
Section 7: Acting Chief Financial Officer's Report



1. Review of Operating results

1.1 Summary of financial operating results

The financial performance of the Entity for the year (July 2022 - Dec 2023) resulted in a surplus of R36,8 million. This was attributed to the capital grant revenue recognized on Townlands and Chantelle projects development. Below is the graphical presentation of operating results:



Recorded year-to-date variances from the budget were from revenue categories such as rental from fixed assets, op interest income, and operational revenue and capital grant transfers. The variances are explained as follows:

Item	Budget	Actual	Variance
Income	100,374,670	83,099,465	17,275,204
Expenditure	60,963,244	46,275,381	14,687,863
Surplus	39,411,426	36,824,084	2,587,342

1.2.1 Rental from Fixed Assets

For the period under review, the Entity realized revenue of R15,3 million from the rental of stock as compared to the budgeted amount of R42,1 million year to date. The variance of R26, 8 million was due to the delay in tenanting Townlands and Chantelle projects. As of the end of December 2023, the Entity tenanted 428 units at Townlands and billed R5, 1 million.

1.2.3 Operational grant

For the period under review, the Company recognized an operational grant of 26, 6 million as compared to the budgeted amount of R17,7 million year to date. During quarter 2, the entity experienced financial constraints to honour commitments as a result quarter 3 tranche was claimed hence the variance of R8,9 million.

1.2.4 Interest External

For the period under review, the Company earned an interest income of R76,404 as compared to the budgeted figure of R58, 404 year to date. The variance of R18, 000 was attributed to more interest accrued in cash investments. As of 31 December 2023, the call account balance was R3.5 million @ the interest of 8.1% compounded daily

1.2.5 Interest Earned from Receivables

For the period under review, the Company earned interest income of R24,672 as compared to the budgeted figure of R164,837 year-to-date. The variance of R140,165 was attributable to reduced debtors' books at Clarina due write-off at the end of the financial year (June 2023). 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.

1.2.6 Operational Revenue

The Company realized revenue of R679,547 as compared to the budget figure of R876,452 year to date. The variance of R196,905 was due to lease admin fees at Townlands and the sale of tender documents.

1.2.7 Capital Grant Transfers

The Company realized capital grant revenue of R40, 2 million as compared to the budget figure of R39, 4 million year to date. The variance of R800,000 was due to less grant claimed from the Social Housing Regulatory Authority (SHRA) for the Townlands project.

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, inventory consumed, debt impairment, depreciation and asset impairment, and other expenditures.

1.3.2 Employee-related costs

The Company has spent R20, 8 million as compared to the budgeted figure of R28, 3 million year-to-date. The variance of R5, 5 million was due to a delay in filling vacant critical positions waiting for the City of Tshwane to lift the moratorium on filling vacant critical positions.

1.3.3 Remuneration of Directors

The Company has spent R764, 615 on Directors' remuneration as compared to the budgeted amount of R1,901,317 year to date. The variance of R1,136,702 was due to fewer Board meetings as per the Board Calendar. Furthermore, the reduction of Non-Executive Directors declined from 7 to 5 members.

1.3.4 Debt impairment

For the period under review, the entity recorded a debt impairment of R 4,190,679 as compared to the budget amount of R 781,695 year to date. The variance of R 3,408,984 was due to non-payment of tenants from Group Property Stock transferred to the entity in July 2023. The entity had engagements with the City's Human Resources and finance to transfer rentals deducted from City employees residing in those properties. Most of the employees have signed debit orders with the entity and others entered into agreements to reduce the outstanding balances.

1.3.5 Depreciation and assets impairment

For the period under review, the entity recorded depreciation of R2, 7 million as compared to the budget amount of R8, 2 million year to date. The variance of R5, 5 million was due to a delay in tenanting Townlands and transferring completed units from Assets under construction (AUC) to Property, plant, and equipment (PPE).

1.3.6 Contracted Services

The contracted services budget for Q2 was fully utilised due to the implementation of a maintenance plan on buildings under management.

1.3.7 Other expenditures

The Company has spent R4,1 million on other expenditures as compared to the budgeted amount of R6 million year to date. The variance of R1, 9 million was attributable to the delay in finalising the Townlands rates and taxes account, water and electricity account, and insurance as well as underspending on advertising and promotion.

1.3.8 Other material

Other material budget of R 893,503 as compared to the budgeted amount of R 3,086,311. The variance of R2,192, 808 was because the Entity bought consumables in bulk at the end of June 2023 hence less spending.

1.4 CASH FLOW

For the period under review, the entity received the operational grant amounting to R26,6 million from the City of Tshwane. The entity ended quarter 2 in a favourable cash position with cash on hand being R14,9 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 929 million. Current assets exceed current liabilities by R3,7 million which indicates that the entity is liquid. The current ratio is currently 1.08:1 versus the standard norm of 2:1.

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 the 2021 financial period.

Summary	
Non- compliance	Amount paid
BAC composition	35,578,232
Panel - non-compliance with regulations 32 - Bid of LT nature advertised for less than 30 days	3,799,924
Total	39,378,156

Non- compliance - BAC Composition			
Company Name	Service Rendered	Amount paid to date	Reason
MIH Projects(Pty) Ltd	Project Management of Townlands Construction.	1,275,161	> 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 > One other Director CoT
Ditlou-Nevhutalu Consortium+A8:I8	Continuous Professional Services for the Development of Social Housing Project in Chantelle within the City of Tshwane.	809,052	Only three members were appointed in the BAC, the other being a Director at HCT.
Enza	Townlands Phase 2 construction	23,232,420	BAC composition
Condocor	Chantelle construction	10,261,599	BAC composition
Total		35,578,232	

Panel - non-compliance with regulations 32 - Bid of LT nature advertised for less than 30 days			
Company Name	Service rendered	Amount paid	Description
Morata Mogokare Incorporated	Conveyancing service for Group Property Stock	662,183	Legal panel advertised for less than 30 days
Rambevha Morobane Attorneys	Legal Representation for Arbitration Purposes. HCT vs Vharanani (Pty) Ltd	2,646,711	Legal panel advertised for less than 30 days
Amanda Muyoma Nkanyuza Attorneys	Title deeds consolidation	137,062	Legal panel advertised for less than 30 days
Buthelezi Vilakazi	Eviction process for non-paying tenants	353,969	Legal panel advertised for less than 30 days
Total		3,799,924	

1.6.2 Fruitless and Wasteful Expenditure

The Entity did not incur Fruitless and wasteful expenditure during the period 1 July 2023 until 31 December 2023.

Ms L. Makibinyane
Acting 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 the King Code on Corporate Governance forms part of the mandate of the audit committee. The entity has complied with the Code in all respects 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 2016 (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 following 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 consists of five (5) Non-Executive Directors and two (2) Executive Directors. The Non-Executive directors were reappointed on 01 July 2023 and will act in this capacity for twelve (12) months. The Board meets regularly, at least once every quarter, and retains full control over the company. The Board remains accountable to the City of Tshwane Metropolitan Municipality, the sole Shareholder. A Service Delivery Agreement (SDA) concluded following the provisions of the MSA governs the Entity's relationship with the City of Tshwane. The Board provides Monthly, Quarterly, Bi-annual 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 are consolidated. The performance of Board Committees is evaluated against the terms of reference.

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

Directors	Board	Finance Risk	Operations & Projects	Human Resources and Remuneration	Social & Ethics	Strategic Session	AGM
Mr T. Dlamini (Chairperson)	8	0	0	0	2	0	0
Mr. S. Sebola	8	0	10	4	2	1	0
Ms. P. Tau-Sekati	8	3	10	4	0	1	0
Ms. B. Damoyi	8	3	0	4	0	0	0
Ms. Z. Pikashe	8	3	10	0	2	1	0
TOTAL	40	9	30	12	6	3	0

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 with 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 with 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 following 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 for project development and property management. It is further responsible for the development and monitoring of projects approved by the Board to ensure that the Board fulfills its mandate and achieves its strategic goals as per its strategic plan and service level agreement with its shareholders.

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 following 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	Mr T. Dlamini	Chairperson	66,616	45,420	112,036
2	Mr. S. Sebola	Non-Executive	86,298	84,784	171,082
3	Ms. P. Tau-Sekati	Non-Executive	87,812	90,840	178,652
4	Ms. B. Damoyi	Non-Executive	63,588	51,476	115,064
5	Ms. Z. Pikashe	Non-Executive	90,840	96,941	187,781
TOTAL			395,154	369,461	764,615

Section 5: Company Secretarial Function

The Company Secretary manages the processes that ensure that the organization complies with the company legislation and regulations keeps Board members informed of their duties, responsibilities, and powers, and makes 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 concerning the statement given on corporate governance standards and practices in the organisation;
- ✓ Ensuring that each quarterly meeting 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 get 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 discusses 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 about 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 operate 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 to avoid any conflicts of interest and 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 Committee as well as the Operations and Projects Committees. The committees monitor finance risks and project risks and make recommendations to the 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 the Finance and Risk Committee and Development and Projects Committee.

HCT embeds risk management in all its operations. All identified risk areas are managed at the departmental level. HCT has a risk register where risks identified are constantly recorded and monitored. HCT provides its risk register to the 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 the 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 the 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") that was approved in quarter 4 of the 2021/22 financial year and applies to all Directors and employees. The Code will apply 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 marketplace 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 led 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 happen in sequence and parallel.

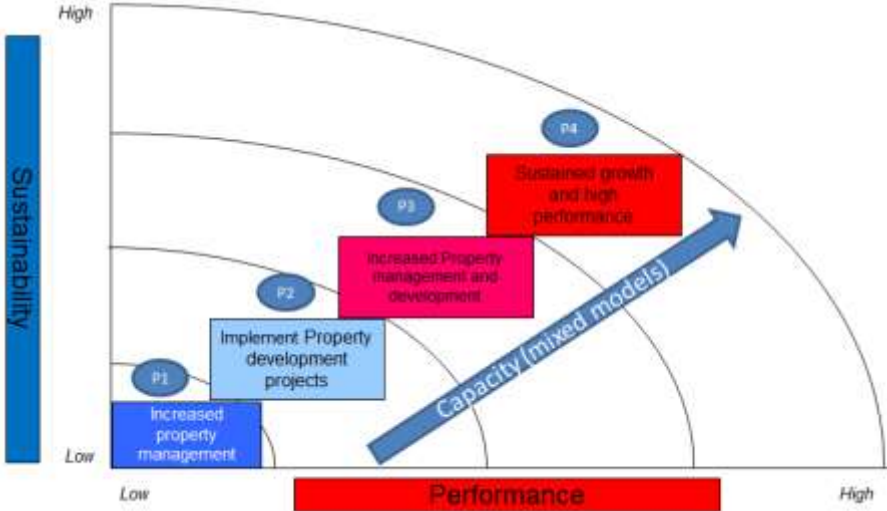
These phases take cognisance of where HCT is currently and where it would like to be in the future. The phases recognise that to perform against its mandate, HCT must start by focusing first on property management while building on its property development capability. Thus, **Phase 1** has been characterised 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 is revenue generating.

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

Phase 3 will focus on extending the Property Management and Development portfolios of HCT. During this phase, there will be a 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 a 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 development 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 the internal control processes of HCT including our supply chain processes. Fruitless and wasteful Expenditures 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 a result of the expressed commitment of the 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 the National Treasury from time to time. The entity has started implementing bidding processes with separate Bid specifications, Bid evaluation, and Bid Adjudication committees have been set up.

Table 1- Deviations:

Deviation Ref No	Description	Contractors	Reason	Period	Award Amount	Department	Recommended by BAC	Approved by AO
CaseWare Deviation	Licence Renewal	Adapt IT	Available from a single provider only	Once-off	R95,541.03	Finance Department	N/A	Yes
Call-out for Pastel Installation	Pastel Installation Deviation	Theknoloji (Pty) Ltd	Available from a single provider only	Once-off	R13,183.70	Finance Department	N/A	Yes
Access payment to insurance	Ford Ranger	Senatla Panel beaters	Available from a single provider only	Once-off	3,366.04	Finance Department	N/A	Yes
Pastel Renewal	Pastel License renewal	Sage Pastel	Available from a single provider only	Once-off	R17,039.00	Finance Department	N/A	Yes
Adapt IT	Call-out fees	Adapt IT	Available from a single provider only	Once-off	R7,551.45	Finance Department	N/A	Yes
TOTAL					R136,681.22			

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 several 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 SMMEs. No unsolicited bids were made by the company in the period under review. In instances where there are deviations from the Supply Chain processes and irregular, wasteful, and fruitless expenditures, management reports 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 SMMEs in line with one of HCT's strategic objectives. HCT has achieved an 88.85% BEE SMME spend against the target of 35%.

BEE SMME Summary:

Table 4: Capex and Opex BEE SMME Spend

CAPEX	Quarter 1	Quarter 2	TOTAL
Actual Capex spent	17,752,698	22,735,144	40,487,842
Actual Capex spent on BEE SMME's	17,752,698	22,735,144	40,487,842
% Actual Capex spent on BEE SMME's	100.00%	100.00%	100.00%
OPEX			
Actual Opex spent	8,492,599	9,154,710	17,647,309
Actual Opex spent on BEE SMME's	10,287,178	5,055,245	15,342,423
% Actual Opex spent on BEE SMME's	121.13%	55.22%	86.94%
TOTAL SPENT OVERALL	26,245,297	31,889,854	58,135,151
TOTAL SPENT ON BEE SMMEs	28,039,876	27,790,389	55,830,265
TOTAL BUDGET ON BEE SMME	31,419,525	31,419,525	62,839,050
% SPENT ON BEE SMME's AS COMPARED TO THE BUDGET	89.24%	88.45%	88.85%

CHAPTER THREE: SERVICE DELIVERY PERFORMANCE

Section 1: Highlights and Achievements

Highlights		Narrative
1.	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.
2.	Implementation of Organizational Performance Management System	HCT now has a Balanced Scorecard dashboard to monitor its operations every month
3.	Townlands project progress for Phase 1 and 2.	Phase 1 of the project commenced with occupation on the 01 st December 2022 and is currently 61% occupation in Blocks 1-8, 11 and 15. Phase 2. Current progress on site is 90% and all units have reached practical completion, current works are on finishings and external works. Project to be completed and tenanted by the end of the 2023/24 financial year.

Section 2: Financial Performance

Table 3.3 below reflects 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 83 million for the six months, a decrease of 25% as compared to the previous year Mid-Year. The operational and capital grant from the Shareholder contributed 81% of the total revenue received, this being a decrease of 57% as compared to the previous year. Rental revenue increased by 65% to R 15, 3 million (2022: R5, 4 million). Other income decreased by 24% as compared to the previous year, R 679, 547 (2022: R514, 921).

2.1.2 Results of Operations

Operational costs amounted to R46, 2 million compared to R33, 2 million in the previous financial period. This represents 76% of the budgeted amount due to less expenditure on employee-related costs, remuneration of directors, depreciation, other expenses, and other materials.

The financial performance of the Entity for the period (July 2022 - Dec 2023) resulted in an accumulated surplus of R36, 8 million. This was attributed to the capital grant revenue recognized on the Chantelle and Townlands projects for the development of 318 social housing units and the completion of outstanding blocks respectively.

2.1.3 Cash Flow

The Entity has received R36, 4 million grant from the City of Tshwane for the implementation of projects and to sustain its operations. The operational grant contributed 76% of operational costs. The rental income collection increased by 55% (R11, 9 million) as compared to the prior year (2022: R5, 3 million). The company ended the period in a favourable cash position with cash on hand being R14, 9 million (2022: R9, 3 million). The decrease in cash balance is a result of the construction of 318 units in Chantelle and the completion of outstanding blocks at Townlands 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 declined as compared to the previous year, with the current ratio test decreasing to 1.08:1 (2022 = 3.11:1).

The increase in the Trade and Other Receivables was due to non-paying tenants from Group Property Stock transferred to the entity in July 2023. The entity had engagements with the City's Human Resources and finance to transfer rentals deducted from City employees residing in those properties. Most of the employees have signed debit orders with the entity and others entered into agreements to reduce the outstanding balances.

There has been a significant increase in Trade and Payables as the entity experienced cash flow challenges to honor financial commitments on projects. As a mitigation strategy, the entity submitted a grant invoice to SHRA and the grant is expected in January 2024.

Section 3: Capital Projects

The Entity had 4 Capital projects within its 2023/2024 Business plan. These were:

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

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

In quarters 1 and 2, no units were expected. The site was suspended and only resumed at the end of June 2023. The phase has been phased out into achievable units based on the available funds. In this financial year, 156 units have been planned to reach completion to a tenantable stage.

The contractor is currently behind schedule and a catchup plan has been presented. In quarter 3 the contractor is expected to complete 50 more units and total completion of the units in quarter 4. By weekly progress meeting will be held to ensure that 156 units reach completion to the tenantable stage.

Sunnyside (264 units)

This project is currently at a bankable stage and will be planned for construction once funding has been secured. The team is currently in the process of ensuring that all town planning requirements reach compliance. The water connection for the consolidated stands will be concluded once funding becomes available.

Timberlands (609 Units)

The contractor terminated the contract with HCT after the employer failed to grant the contractor possession of the site. The Arbitration process was concluded, and the outcome was in favour of the contractor. HCT is disputing the award and is currently seeking further legal assistance to review the award which is currently underway. This matter has been tabled in court in October 2023. The final verdict is still outstanding.

The property has been secured by concrete barricades to avoid invasion until the process is finalised.

Townlands – 1200 units

Townlands: Phase 1 (691 units)

In this midterm, the contractor's progress has not been satisfactory but managed to achieve completion of blocks which are now tenanted. The following blocks are behind schedule and are expected to be completed as follows:

- Blocks 9, 10, 13, and 14 are to be completed by end of February 2024;
- Block 12, refuse rooms, office block, and community hall are to be completed by the end of March 2024.

The current progress on-site on the above-mentioned blocks is 92%, while the landscaping and roads are at 80%. The landscape on the soccer field has been completed. Mini play areas are underway. Continuous monitoring and progress meetings with the Contractor are very important to ensure that the project reaches completion.

Townlands: Phase 2 (509 units)

This phase has experienced challenges some of which included the Phase 1 road interlink. Block 18 was completed and still awaits the commissioning of the lift. The boundary fence subcontractor has been appointed and construction of the boundary fence is underway and expected to complete at the end of January 2024.

This is behind schedule and the revised plan of delivery of the blocks considering their status of readiness is as follows:

- Blocks 16 and 17 are due for completion and hand-over on the 1st February 2024;
- Block 19 is due for completion and hand-over at the end of February 2024;
- Block 20, 21, and 22 are due for completion at the end of February 2024;
- Refuse room 3, roads, and landscaping are due to be completed on the 1st of February 2024

The overall progress on site is currently 90%. Continuous monitoring and progress meetings with the Contractor are very important to ensure that the project reaches completion.

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 2023/2024 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 2023

**THE SCORECARD:
Entity's Scorecard**

Division	Focus Area	Key Performance Indicator	2023/24 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	Number of new social housing units constructed - Chantelle	318 units	50 Units	Chantelle	R52, 860,199	0	0	0	0	No target for the quarter	The contractor has committed to their catch-up to ensure that Q3 targets are met.
Property Management		Occupancy rate as a % of housing units under management	95%	95%	All rental units under property management including the transferred rental stock	R112,862,911 (Rental revenue)	95%	98%	95%	97.50%	Achieved	N/A
	Deliver good property and tenant management services and facilitate and support 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	R18,638,539	30%	12%	30%	21%	Not achieved The Entity experienced cash flow constraints hence the non-achievement of the KPI	The budget for repairs and maintenance will be adjusted downwards during the adjustment budget process to align with the available cash flow
	Deliver good property and tenant management services and facilitate and support community development initiatives	% of maintenance requests resolved within the turnaround time following the HCT Property Management policy.	90%	90%	All stock under property management including the transferred rental stock.	R1,432,525 Employee cost	90%	93%	90%	93%	Achieved	N/A

THE SCORECARD Entity's Scorecard												
Division	Focus Area	Key Performance Indicator	2023/24 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
Stakeholder Management		% of complaints resolved within the stipulated time frames as per tenant management policy.	75% of complaints resolved	new (annual target)	All stock under property management including the transferred rental stock	R1,193,771 (Employee cost)	75%	83%	75%	92%	Achieved	N/A
Finance & SCM	Revitalize Urban growth/dismantling poverty and inequality	% of goods and services procured from BBBEE-compliant entities and SMMEs	40% of total expenditure	31%	Goods and services	R96,739,423	35%	88.45%	35%	88.85%	Achieved Capex spending on active greenfield projects contributed 77%	N/A
	Enhance our financial sustainability	% of Capital budget spent	95% of the Capital budget spent	90%	Budget management	R165,716,015	50%	98.52%	50%	98.52%	Achieved Townlands and Chantelle's spending contributed to over-achievement	N/A
		% of Operational budget spent	95% of the Operational budget spent	90%	Budget management	R142,682,383	50%	75.91%	50%	75.91%	Achieved Contracted services expenditure contributed significantly to the achievement of the KPI	N/A
		Rental revenue collected as a percentage of the amount billed	95%	90%	Eloff	R4,260,282	95%	99.34%	95%	103.37%	Achieved Effective credit control	N/A
		Rental revenue collected as a percentage of the amount billed	95%	95%	Townlands	R43,046,176	95%	111.81%	95%	104.11%	Achieved Effective credit control	N/A

THE SCORECARD Entity's Scorecard												
Division	Focus Area	Key Performance Indicator	2023/24 Target	Baseline	Project Name	Budget (R)	Quarter 2 Target	Quarter 2 Actuals	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 the amount billed	96%	89%	Silwerkroon, Oosmoot (Villeria), Capital Park, BeterWag (Claremont 50) & Danville S & D and Danville Flats, Noorde Park and Hercules	R9,605,779	96%	100.83%	96%	99.14%	Achieved Effective credit control	N/A
		Liquidity ratio achieved in line with NT norms	2: 1	2.5: 1	Working capital management	R1,809,618	2:1	1.08:1	2:1	1.08:1	Not achieved Current assets exceeded current liabilities by R3, 7 million. The accruals of R11,7 million and retention of R13,3 million for Enza and Ambix increased	The entity submitted a grant invoice to SHRA to settle commitments on Townlands
		Solvency ratio achieved in line with NT norms	1: 1	(New KPI)	Gearing management	R1,404,716	1:1	21.81:1	1:1	21.81:1	Achieved The total assets exceed total liabilities significantly due increase in AUC (Projects) and Group Property Stock	N/A
		% implementation of approved Audit Action Plan	100% Implementation of corrective action against audit findings.	100% Implementation of corrective action against audit findings.		R1,209,583	25% implementation of corrective action against audit findings	33% implementation of corrective action against audit findings	25% implementation of corrective action against audit findings	38% implementation of corrective action against audit findings	Achieved out of 6 outstanding cumulatively audit findings 2 were resolved. At the end of June 2023, 6 audit findings were resolved out of 15 findings for the financial period 2022/2023. Cumulatively 8 findings out of 21, which translates to 38%	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		R1,496,461 Employee costs	100% of valid invoices paid within 30 days of invoice receipt	70% of valid invoices are paid within 30 days of invoice receipt	100% of valid invoices paid within 30 days of invoice receipt	70% of valid invoices are paid within 30 days of invoice receipt	Not achieved The entity does not have sufficient cash flow to honor commitments	N/A

THE SCORECARD Entity's Scorecard												
Division	Focus Area	Key Performance Indicator	2023/24 Target	Baseline	Project Name	Budget (R)	Quarter 2 Target	Quarter 2 Actuals	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	R837,603 Employee costs	1	1	1	1	Achieved A consultant was appointed for the review of the strategic plan and the review thereof. Sessions were held with Management as well as Board of Directors	
		Number of Reviewed and approved policies	8 Policies were reviewed and Approved by the Board.	6	Policy Review & approval	R797,466 Employee costs	0	0	0	0	No target for mid-term	N/A
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	R814,172 Employee Costs	10%	0%	20%	0%	Not achieved Delay in filling vacant position for Marketing and Communication awaiting for the City of Tshwane to lift the moratorium on filling vacant critical positions.	

THE SCORECARD Entity's Scorecard												
Division	Focus Area	Key Performance Indicator	2023/24 Target	Baseline	Project Name	Budget (R)	Quarter 2 Target	Quarter 2 Actuals	YTD Mid-Term Target	YTD Mid-Term Actual	Comments Work done / Reasons for non-performance	Mitigation plan
Corporate HR	Redesign, reposition, restructure, and resource the organisation, ensuring that there is the competent and solid capacity to manage and execute financial and operational requirements for a sustainable HCT	% Implementation of an HR Strategy	30% implementation of HR Strategy activities	25% implementation of HR Strategy activities	Corporate HR	R695,000 Employee costs	15% implementation of the strategy	Achieved 15% implementation of the strategy 1. Security Officers were migrated to Caretaker positions. 2. Caretaker training commenced to capacitate the migrated security officers. 3. Performance contracts for Executives were developed.	15% implementation of the strategy	Achieved 15% implementation of the strategy 1. Security Officers were migrated to Caretaker positions. 2. Caretaker training commenced to capacitate the migrated security officers. 3. Performance contracts for Executives were developed.	Achieved 1. Security Officers were migrated to Caretaker positions. 2. Caretaker training commenced to capacitate the migrated security officers. 3. Performance contracts for Executives were developed.	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	1,328,493	31,164,706	943,031	829,417	3,052,275	37,317,922

The total debtor's amount to R6,800,004 managed by the Entity excluding the grant from COT and SHRA. The accumulated provision for bad debts amounts to R 5,581,708.

5.2 Amounts owed by Entity for service charges

Name of Entity	Amount Owed	Status	Comments
Housing Company Tshwane	R 118,109	The amount was paid in January 2023	The amount was paid in January 2023

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

Name of Department	Amounts owed	Account Status	Comments
SHRA	R30,290,022	Outstanding	Capital grant payment
COT	R 227,896	Outstanding	Other revenue payment

Section 7: Recommendations and Plans for the next six months

HCT will prioritize the following:

- Deliver the Townlands Project (1200 units);
- Deliver 156 units for Chantelle;
- 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. The approved implementation of a Human Resources (HR) workforce plan enabled the company to carry out its social housing development and management mandate. The only limitation was the moratorium

by CoT. The HCT was not able to commence the recruitment process for certain critical positions. Once the HCT receives approval for the filling of the critical positions, it 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 2023/2024	Number of filled posts	Number of vacancies	Vacancies %
Office of the Chief Executive Officer (CEO)	12	8	4	33.33%
Office of the Chief Operations Officer (COO)	15	13	2	13.33%
Office of the Chief Financial Officer (CFO)	99	74	25	25.25%
TOTAL	126	95	31	24.60%

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

Human Resources Gender and Race: Actuals

	Baseline (Actual numbers as of December 2018)	December 2019	December 2020	December 2021	December 2022	December 2023
Total number of staff	42	53	100	100	104	98
Total African staff	41	52	99	99	103	97
Total number of female staff	22	28	48	49	53	47
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)	8 (2 males 6 females)
Terminations including employees who passed on between Jul and December of each year	2	1	3	1	0	3

- **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 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 are vital for life-long learning and the availability of skills as we adopt the principle of a learning organisation.

- **Total employee expenditure:**

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

	Q1	Q2	TOTAL
Total Salary Cost	R 10,653,636	R 10,224,235	R 20,877,871

- The HCT finalised and approved the human resource strategy. A budget has been allocated for all training interventions planned for the 2023/24 financial year.

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

Name of Director/Senior Managers	Designation	Name of Municipality	Municipal Account Name/ Number	Account Status as of June 2005	Comments
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. The current EE plan expired in December 2023. The new EE plan will be finalised in the 3rd Quarter. 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 the advancement of the disadvantaged; and
- Design and implementation of affirmative action measures to achieve transformation.

The employment equity profile is reflected in the table below:

Current Employment Equity Profile:

Table 7: HCT's Employment Equity Employee profile

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	M	F	
Top Management/Executives	1	0	0	0	2	0	0	0	0	0	3
Senior management	1	0	0	0	4	0	0	0	0	0	5
Professionally qualified and experienced specialists and mid-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	8	0	0	0	0	0	19
Unskilled and defined decision-making	25	0	0	0	26	0	0	0	0	0	51
TOTAL PERMANENT	47	0	0	0	46	0	0	1	1	0	95
TEMPORARY	3	0	0	0	0	0	0	0	0	0	3
GRAND TOTAL	50	0	0	0	46	0	0	1	1	0	98

* During the reporting period, three Employees resigned. One employee resigned in July 2023 and two employees resigned in August. Contracts for three of the temporary employees came to an end in August, September, and December.

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 of the organisational structure. The balanced scorecard is the tool being used for measurement. The policy will be/ was tabled to REMCO in January 2022 for review and approval. The performance indicators are linked to the Company's objectives 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 performance levels. Performance Management will be adopted as a positive management strategy rather than a punitive process; as a result, employees will 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 ongoing 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 in 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 risks 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 ongoing 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 ongoing basis. Peer educators received training on lay counseling, 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 with 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 13th cheque form part of the employee benefits and have 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	2022/23	Current Year 2023/24						
	Pre-audit outcome	Original Budget	Monthly actuals	Year-TD actual	Year-TD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue								
Exchange Revenue			–	–	–	–		–
Interest	119	117	13	76	59	18	30.6%	117
Interest earned from Receivables	140	330	6	25	165	(140)	-85.0%	330
Rental from Fixed Assets	13,335	84,207	2,726	15,389	42,104	(26,715)	-63.4%	84,207
Licence and permits			–	–	–	–		–
Operational Revenue	1,039	1,753	100	680	876	(197)	-22.5%	1,753
Non-Exchange Revenue			–	–	–	–		–
Transfer and subsidies - Operational	35,520	35,520	8,880	26,640	17,760	8,880	50.0%	35,520
Other Gains	68,286		–	–	–	–		–
Total Revenue (excluding capital transfers and contributions)	118,437	121,926	11,725	42,809	60,963	(18,154)	-29.8%	121,926
Expenditure By Type								
Employee related costs	38,935	56,652	2,243	20,878	28,326	(7,448)	-26.3%	56,652
Remuneration of board members	2,120	3,803	76	765	1,901	(1,137)	-59.8%	3,803
Inventory consumed	1,686	6,173	865	894	3,086	(2,193)	-71.0%	6,173
Debt impairment	1,274	1,563	1,987	4,191	782	3,409	436.1%	1,563
Depreciation and asset impairment	2,626	16,423	1,410	2,795	8,211	(5,417)	-66.0%	16,423
Contracted services	13,948	25,189	3,680	12,680	12,595	86	0.7%	25,189
Operational costs	9,268	12,123	687	4,074	6,062	(1,988)	-32.8%	12,123
Total Expenditure	70,012	121,926	10,948	46,275	60,963	(14,688)	-24.1%	121,926
Surplus/(Deficit)	48,424	–	777	(3,466)	–	(3,466)	0.0%	–
Transfers and subsidies - capital (monetary allocations)	141,630	78,823	4,409	40,290	39,411	879	2.2%	78,823
Surplus/(Deficit) before taxation	190,055	78,823	5,186	36,824	39,411	(2,587)	-6.6%	78,823
Income Tax		–	–	–	–	–		–
Surplus/(Deficit) for the year	190,055	78,823	5,186	36,824	39,411	(2,587)	-6.6%	78,823

Section 2: Statement of Financial Position

Housing Company Tshwane - Table F4 Monthly Budget Statement - Financial Position - M06 December				
Vote Description	2022/23	Current Year 2023/24		
	Pre-audit outcome	Original Budget	Year-TD actual	Full Year Forecast
R thousands				
ASSETS				
Current assets				
Cash and cash equivalents	42,145	47,670	14,924	47,670
Trade and other receivables from exchange transactions	2,107	3,230	1,218	3,230
Receivables from non-exchange transactions	290	260	30,518	260
Other current assets		1,506	1,709	1,506
Total current assets	44,542	52,666	48,369	52,666
Non-current assets				
Property, plant, and equipment	965,339	1,125,311	924,666	1,125,311
Intangible assets	625	1,293	609	1,293
Total non-current assets	965,964	1,126,603	925,275	1,126,603
TOTAL ASSETS	1,010,506	1,179,269	973,644	1,179,269
LIABILITIES				
Current liabilities				
Consumer deposits	1,682	3,100	2,278	3,100
Trade and other payables from exchange transactions	25,019	10,040	26,751	10,040
Provision	13,238	21,244	15,607	21,244
Total current liabilities	39,940	34,384	44,636	34,384
Non-current liabilities				
Long term portion of trade payables				-
Total non-current liabilities	-	-	-	-
TOTAL LIABILITIES	39,940	34,384	44,636	34,384
NET ASSETS	970,566	1,144,885	929,009	1,144,885
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)	953,460	1,129,991	911,902	1,129,991
Reserves	17,106	14,894	17,106	14,894
TOTAL COMMUNITY WEALTH/EQUITY	970,566	1,144,885	929,009	1,144,885

Section 3: Statement of Capital Expenditure

Description	2022/23	Current Year 2023/24						
	Pre-audit outcome	Original Budget	Monthly actuals	Year-TD actual	Year-TD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Capital expenditure by Asset Class/Sub-class								
Other assets	141,767	78,943	4,409	40,290	39,471	(819)	-2.1%	78,943
Operational Buildings	136	120	–	–	60	60	100.0%	120
<i>Municipal Offices</i>	136	120	–	–	60	60	100.0%	120
Housing	141,630	78,823	4,409	40,290	39,411	(879)	-2.2%	78,823
<i>Staff Housing</i>	–	–	–	–	–	–		–
<i>Social Housing</i>	141,630	78,823	4,409	40,290	39,411	(879)	-2.2%	78,823
Intangible Assets	–	900	–	–	450	450	100.0%	900
Servitudes	–	–	–	–	–	–		–
Licences and Rights	–	900	–	–	450	450	100.0%	900
<i>Computer Software and Applications</i>	–	900	–	–	450	450	100.0%	900
Computer Equipment	116	500	–	198	250	52	20.9%	500
Computer Equipment	116	500	–	198	250	52	20.9%	500
Furniture and Office Equipment	932	150	–	–	75	75	100.0%	150
Furniture and Office Equipment	932	150	–	–	75	75	100.0%	150
Machinery and Equipment	–	500	–	–	250	250	100.0%	500
Machinery and Equipment	–	500	–	–	250	250	100.0%	500
Transport Assets	97	1,200	–	–	600	600	100.0%	1,200
Transport Assets	97	1,200	–	–	600	600	100.0%	1,200
Total Capital Expenditure	142,911	82,193	4,409	40,488	41,096	609	1.5%	82,193
Funded by:								
National Government			–	–		–		–
Provincial Government	103,612	78,823	4,409	40,290	39,411	(879)	-2.2%	78,823
Parent Municipality	38,018		–	–		–		–
District Municipality			–	–		–		–
Transfers recognised - capital	141,630	78,823	4,409	40,290	39,411	(879)	(0)	78,823
Borrowing			–	–		–		–
Internally generated funds	1,281	3,370	–	198	1,685	1,487	88.3%	3,370
Total Capital Funding	142,911	82,193	4,409	40,488	41,096	609	0	82,193

Section 4: Cash Flow Statement

Housing Company Tshwane - Table F5 Monthly Budget Statement - Cash Flows - M06 December							
Description	2022/23	Current Year 2023/24					
	Pre-audit outcome	Original Budget	Year-TD actual	Year-TD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Other revenue	13,664	80,977	11,963	40,488	(28,526)	-70.5%	80,977
Transfers and Subsidies - Operational	44,225	35,520	26,640	17,760	8,880	50.0%	35,520
Transfers and Subsidies - Capital	164,492	78,823	10,000	39,411	(29,411)	-74.6%	78,823
Interest	258	-	76	-	76	0.0%	-
Payments							
Suppliers and employees	(67,996)	(75,330)	(37,251)	(37,665)	413	-1.1%	(75,330)
NET CASH FROM/(USED) OPERATING ACTIVITIES	154,643	119,990	11,427	59,995	(48,567)	-81.0%	119,990
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE			-		-		-
Payments							
Capital assets	(141,063)	(82,193)	(38,649)	(41,096)	2,447	-6.0%	(82,193)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(141,063)	(82,193)	(38,649)	(41,096)	2,447	-6.0%	(82,193)
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
Borrowing long-term/refinancing			-		-		-
Payments							
Repayment of borrowing			-		-		-
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD	13,580	37,797	(27,222)	18,898	(46,120)	-244.0%	37,797
Cash/cash equivalents at the beginning of the year	28,565	38,299	42,145	38,299	3,847	10.0%	28,565
Cash/cash equivalents at the end of the year	42,145	76,095	14,924	57,197	(42,273)	-73.9%	66,362

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 the 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.	1,275,161	> 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 > One other Director CoT
Ditlou-Nevhutalu Consortium+A8:I8	Continuous Professional Services for the Development of Social Housing Project in Chantelle within the City of Tshwane.	809,052	Only three members were appointed in the BAC, the other being a Director at HCT.
Enza	Townlands Phase 2 construction	23,232,420	BAC composition
Condocor	Chantelle construction	10,261,599	BAC composition
Total		35,578,232	

Panel - non-compliance with regulations 32 - Bid of LT nature advertised for less than 30 days			
Company Name	Service rendered	Amount paid	Description
Morata Mogokare Incorporated	Conveyancing service for Group Property Stock	662,183	Legal panel advertised for less than 30 days
Rambevha Morobane Attorneys	Legal Representation for Arbitration Purposes. HCT vs Vharanani (Pty) Ltd	2,646,711	Legal panel advertised for less than 30 days
Amanda Muyoma Nkanyuza Attorneys	Title deeds consolidation	137,062	Legal panel advertised for less than 30 days
Buthelezi Vilakazi	Eviction process for non-paying tenants	353,969	Legal panel advertised for less than 30 days
Total		3,799,924	

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 include the auditing and reporting of 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.

	2018/19	2019/20	2020/21	2021/22	2022/23
Audit Opinion	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

Section 2: Historical Audit Findings and Remedial Action

The table below lists the AGSA findings for the year ended 30 June 2021 and the June 2022 audit cycle.

During the financial year, 30 June 2021, the Entity had 6 findings, only 3 out of 6 were addressed and 3 are in progress.

During the financial year, 30 June 2022, the Entity had 30 findings, only 17 out of 30 were addressed and 13 are in progress.

During Q3 of 2022/2023 out of 16 unresolved audit queries, 4 were successfully resolved.

During Q4 of 2022/2023 out of 12 unresolved audit queries, 3 were successfully resolved.

During Q1 of 2023/2024 out of 9 unresolved audit queries, 3 were successfully resolved.

During Q2 of 2023/2024 out of 6 unresolved audit queries, 3 were successfully resolved.

During the financial year 2022/2023, the entity had 15 audit findings and 6 were resolved.

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.

To achieve compliance with the Auditor-General directive, the performance assessment (as per section 121(4)(c) compares 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 KPIs would most likely be compliant.