

Presentation to the Human Settlements Portfolio Committee

3 JULY 2014

STRUCTURE OF PRESENTATION

- NURCHA Mandate; Vision & Mission,
- Challenges in Business Model,
- CORE Products,
- Financial Performance Trends since 2009/10,
- Key Performance Targets
- Income Statement : 2014 to 2017
- Balance Sheet : 2014 to 2017
- Contractor Finance Development Programme
- Conclusions



NURCHA is..

NURCHA MANDATE

“NURCHA ensures the availability of bridging finance to small, medium and established contractors, building low and moderate income housing and related community facilities and infrastructure.”

NURCHA VISION

“To be regarded as a partner of choice for those seeking innovative bridging finance solutions”

NURCHA MISSION

“NURCHA initiates programmes and takes considered risks to ensure a sustainable flow of finance for the construction of low-income and affordable housing, community facilities and infrastructure. We work in partnership with all role-players in these markets to maximize the development of sustainable human settlements”



Old Business Model

- **Use of intermediaries**
 - Project viability assessments,
 - Control loan and project accounts
 - Visits to construction sites
 - Support procurement and payments to project related suppliers
- **Model focus on contractor risk whilst risk were emerging from employers at a growing rate.**
 - Growth in fraudulent activities – diversion of project proceeds,
 - Weakening contract and programme management processes :
 - **slow flow of payments,**
 - **slow inspections on sites,**
 - **slow approval of variation orders and final accounts etc**

New Business Model

- **Direct lending (built in-house capabilities)**
 - Business re-engineering process
 - Restructure to fulfil business ‘cradle to grave’
 - Tightened risk management processes and lending rules - **certificate based lending**
 - Introduce CFDP as skills development and finance programme – **integration with client processes.**
 - **Improve performance of the loan book.**
 - Transitional challenges and working out old business with intermediary.
- **Introduced programme & fund management stream**
 - Proactive risk management approach to address sources of risk in partnership with departments in HS sector.
 - Systems, knowledge and leadership capacity in place to fulfil this.

CORE PRODUCTS



LENDING BUSINESS

- Affordable Housing
 - Ownership
 - Rental – conventional and student accommodation (**short term finance**)
- Bridging finance to Contractors delivering subsidy housing,

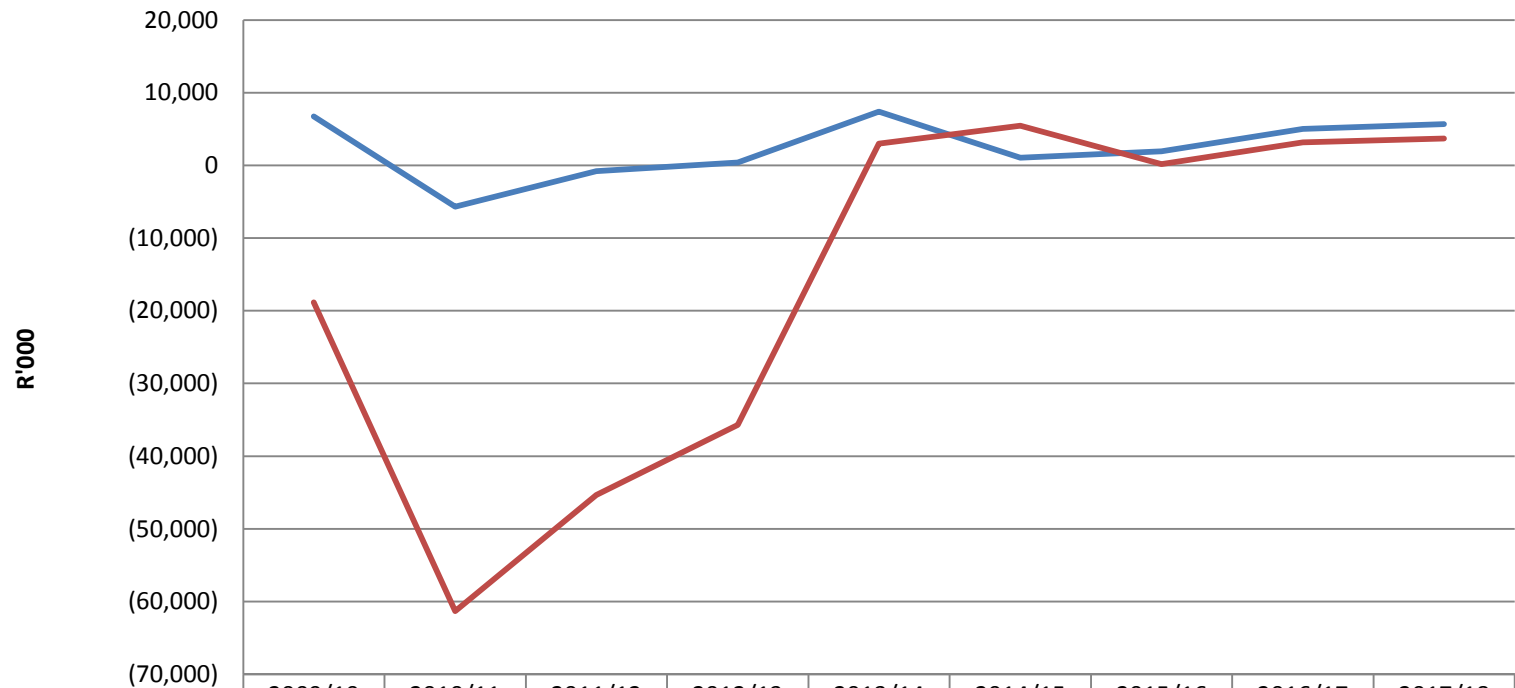
PROGRAMME MANAGEMENT

- Programme management support
- Fund management
- CFDP



FINANCIAL PERFORMANCE TREND

FINANCIAL PERFORMANCE SINCE FY2009/10



	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	ACTUAL AUDITED (R'000)				ACTUAL	BUDGET (R'000)			
Surplus/(deficit) before impairments	6,733	(5,696)	(789)	408	7,393	1,034	1,928	5,019	5,675
Surplus/(deficit) after impairments	(18,826)	(61,315)	(45,359)	(35,707)	2,995	5,436	194	3,186	3,697

KEY PERFORMANCE AREAS AND TARGETS 2013/14 TO 2016/17



OUTPUTS - APP		2013/2014		2014/2015	2015/2016	2016/2017
		Budget	Actual	Budget	Budget	Budget
1	SUBSIDY HOUSING	(Houses and Serviced Sites)				
1.1	Contract Signed	26	11	28	30	32
1.2	Houses and sites in signed contracts	10,164	4,428	9,660	10,350	11,040
1.3	Value of Loans (Rands)	124,000,000	55,481,861	112,000,000	120,000,000	128,000,000
1.4	Value of Projects (Rands)	687,000,000	349,911,460	724,500,000	2,250,000	2,400,000
1.5	Houses built and Sites serviced	5,084	3,108	5,500	6,000	6,500
2	AFFORDABLE HOUSING	(Houses and Serviced Sites)				
2.1	Contract Signed	23	14	20	21	23
2.2	Houses and sites in signed contracts	3,220	1,983	2,800	3,150	3,450
2.3	Value of Loans (Rands)	345,000,000	230,729,433	300,000,000	315,000,000	345,000,000
2.4	Value of Projects (Rands)	690,000,000	873,072,445	440,000,000	630,000,000	690,000,000
2.5	Houses built and Sites serviced	2,245	1,619	1,950	2,200	2,500
3	INFRASTRUCTURE & COMMUNITY FACILITIES					
3.1	Contract Signed	20	0	4	4	4
3.2	Value of Loans (Rands)	79,000,000	0	17,380,000	18,000,000	18,000,000
3.3	Value of Projects (Rands)	400,000,000	0	88,000,000	100,000,000	100,000,000
3.4	Project Completed	10	8	8	6	6



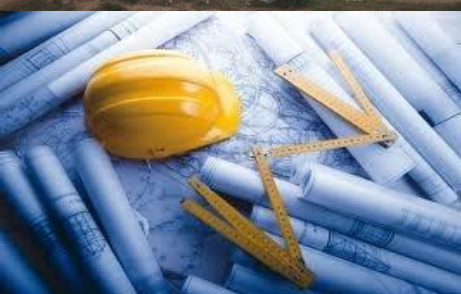
INCOME STATEMENT 2013/14 TO 2016/17



	LATEST ESTIMATES 2013/14	BUDGET 2014/15	FORECAST 2015/16	FORECAST 2016/17
INCOME FROM OPERATIONS	75,054,031	79,463,254	96,792,561	110,661,383
Interest on money market investments	12,407,879	17,062,714	15,440,019	11,560,860
Interest on loans for construction projects	25,385,808	19,246,189	27,311,023	32,052,550
Fees on loans for construction projects	6,142,694	7,108,480	8,460,646	10,078,778
Programme management fees	39,456,403	44,137,688	54,024,530	61,750,038
Less: Interest paid	(8,338,752)	(8,091,817)	(8,443,659)	(4,780,843)
OTHER INCOME	6,509,661	14,900,000	7,500,000	2,500,000
Net surplus before administration expenditure	81,563,692	94,363,254	104,292,561	113,161,383
Administration expenses	(74,876,487)	(96,855,982)	(102,393,647)	(108,156,338)
Net operating surplus before project losses	6,687,205	(2,492,728)	1,898,914	5,005,044
Provision for project losses and losses	(2,872,764)	4,401,777	(1,733,733)	(1,832,463)
(Increase) / decrease in provisions for project losses	(3,493,119)	4,401,777	(1,733,733)	(1,832,463)
Project losses written off	620,355	-	-	-
	3,814,441	1,909,048	165,181	3,172,582
(DEFICIT) / SURPLUS FOR THE YEAR	3,814,441	1,909,048	165,181	3,172,582



BALANCE SHEET AS AT 2013/14 TO 2016/17



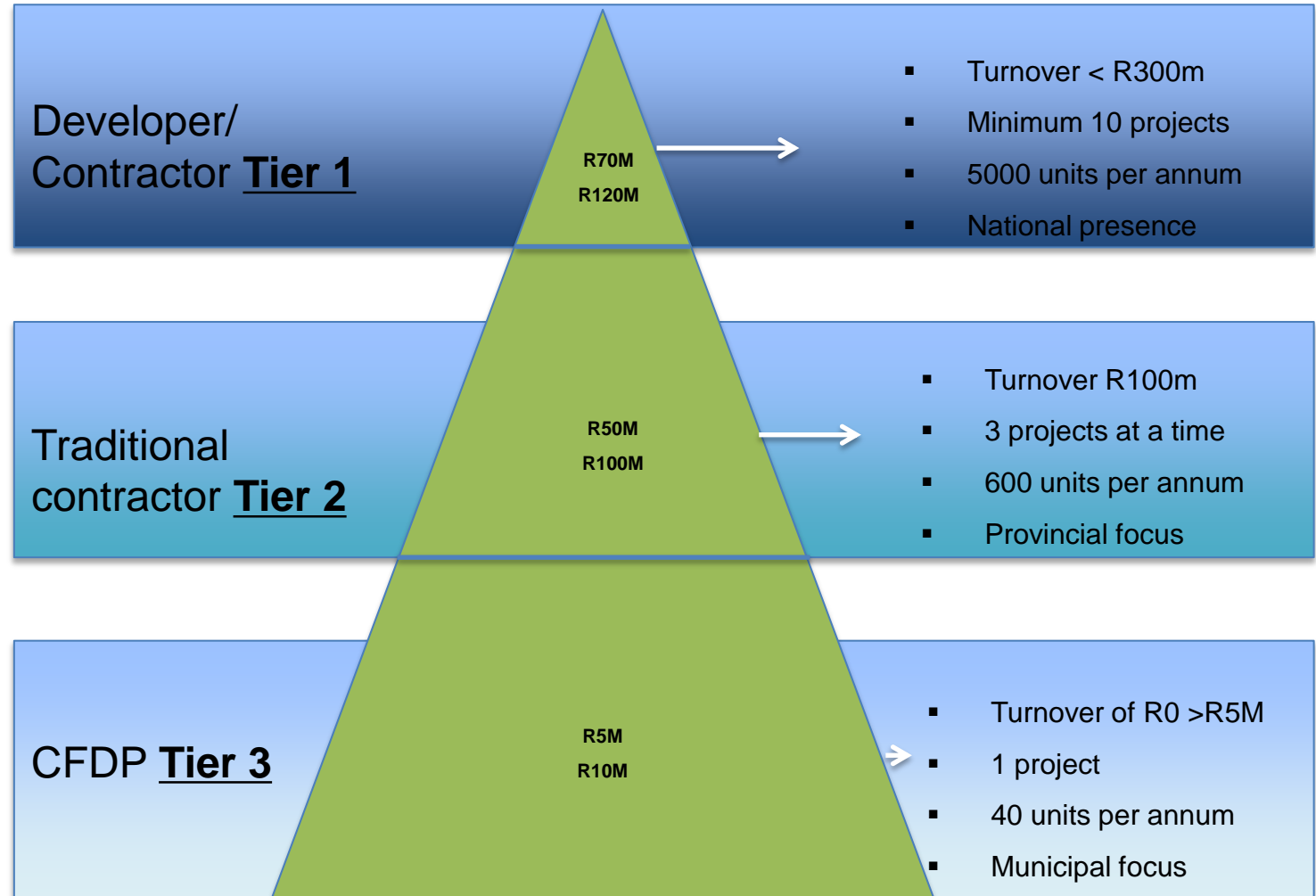
	LATEST ESTIMATES 2013/14	BUDGET 2014/15	FORECAST 2015/16	FORECAST 2016/17
ASSETS				
Non-current assets	13,585,333	13,181,987	12,434,627	12,027,356
Loans for construction projects	9,453,706	9,453,706	9,453,706	9,453,706
Investments in associates	1,435,233	1,435,233	1,435,233	1,435,233
Property, plant and equipment	618,318	539,559	434,674	346,090
Intangible assets	2,078,076	1,753,489	1,111,014	792,327
Current assets	636,567,920	600,990,467	553,060,960	566,507,214
Loans for construction projects	158,859,059	178,863,930	218,090,970	263,079,028
Trade and other receivables	11,288,346	9,015,000	8,062,000	8,124,000
Cash and cash equivalents	466,420,516	413,111,537	326,907,990	295,304,185
TOTAL ASSETS	650,153,254	614,172,454	565,495,586	578,534,569

BALANCE SHEET AS AT 2013/14 TO 2016/17 (Cont.)



	LATEST ESTIMATES 2013/14	BUDGET - 2014/15	FORECAST - 2015/16	FORECAST - 2016/17
EQUITY AND LIABILITIES				
Equity	424,494,747	426,403,795	426,568,976	429,741,558
Formation grants	38,300,000	38,300,000	38,300,000	38,300,000
Accumulated surplus	386,194,747	388,103,795	388,268,976	391,441,558
Grant funding	499,284,442	499,284,442	499,284,442	499,284,442
Operating surpluses	(113,089,695)	(111,180,647)	(111,015,466)	(107,842,884)
Non Current Liabilities	100,973,743	90,045,384	39,099,172	46,608,429
SEDF Loan	52,313,324	57,220,674	-	-
Futuregrowth Loan	2,548,929	2,292,270	2,338,115	2,384,878
Cadiz Facility	19,552,324	5,313,399	6,397,333	7,695,991
PIC Loan	26,559,166	25,219,040	30,363,724	36,527,560
Current liabilities	124,684,764	97,723,275	99,827,437	102,184,582
Trade and other payables	121,493,065	90,403,275	91,014,157	91,582,206
Bank loans to finance projects	3,191,699	7,320,000	8,813,280	10,602,377
TOTAL EQUITY AND LIABILITIES	650,153,253	614,172,454	565,495,585	578,534,569

Contractors Finance Development Programme



CONCLUSION

- Funding required from the fiscus estimated at **R450m to R500m**. Initial request submitted a 12 months ago to NDHS and NT. National Treasury awaiting ministerial consent.
- Collaboration with provinces and enable easier flow of finance to Contractors and Developers delivering housing products is key. Engagements at MINMEC to agree of the **'rules of the game'** and enabling protocols to be agreed.
- Finalisation of outstanding administrative matters requiring ministerial approval,
 - Application for sale of shares from intermediaries that were phased out as part of the old model.
 - Consent enabling National Treasury to process the funding application already in their system.



NURCHA

CONSTRUCTION FINANCE AND
PROGRAMME MANAGEMENT

GOING BEYOND FINANCE