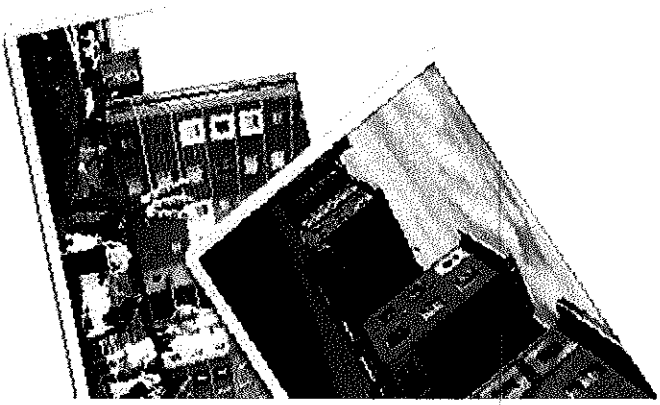


SHRA

Social Housing
Regulatory Authority



ANNUAL PERFORMANCE PLAN
2014/15

WHAT IS THE SHRA?

The Social Housing Regulatory Authority (SHRA) is a public entity, schedule 3A, that falls under the National Department of Human Settlements.

The SHRA was established in terms of the Social Housing Act, No. 16 of 2008.

SHRA is based in Johannesburg.

SHRA regulates the social housing sector and invests in social housing projects.

The sector which the SHRA regulates consists of:

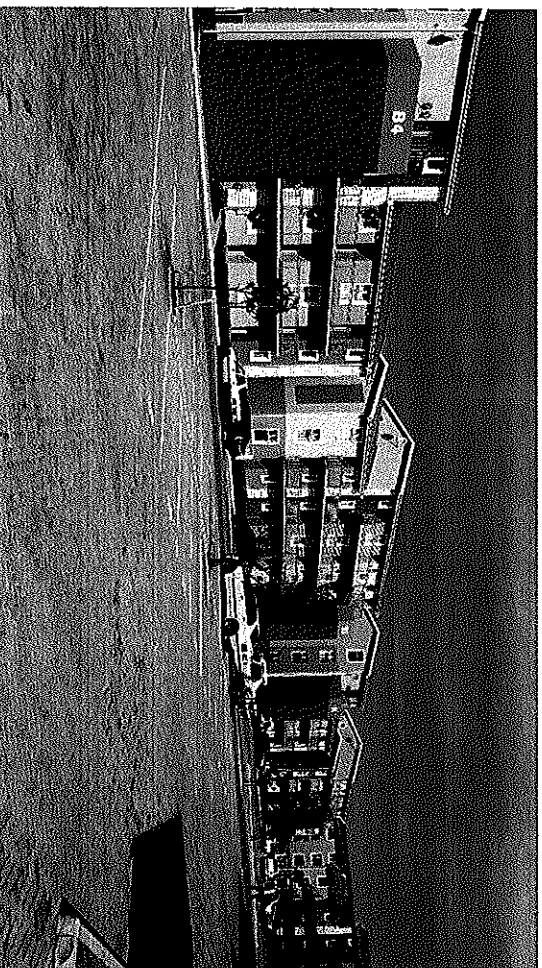
- Social Housing Institutions (SHIs) which are non-profit companies and act as *Landlords* in terms of the Rental Housing Act
- A few SHIs are Municipal Owned Entities (MoEs)
- Other delivery agents may also develop social housing projects
- Housing Co-Operatives

WHAT IS SOCIAL HOUSING?

The Social Housing Act (2008) defines social housing as:

*A **rental** or cooperative housing option for low to medium income households at a level of scale and built form which requires institutionalised management and which is provided by social housing institutions or other delivery agents in approved projects in designated restructuring zones with the benefit of public funding as contemplated in this Act*

Social Housing residents earn between R1 500 – R7 500 a month



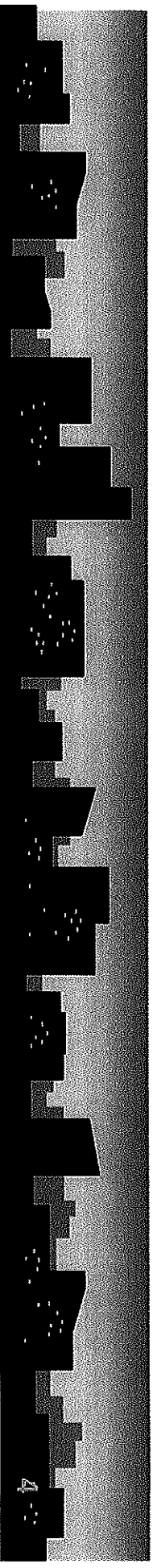
Walmer Link Social Housing Estate
NMBM
Developed by Imizi Housing Utility



WHAT IS THE AIM OF SOCIAL HOUSING?

The overall aim of social housing is to restructure cities through targeted investment but the social impact is as follows:

- Providing high quality, safe housing in well situated areas
- Tenants are close to job opportunities, schools, clinics, transport
- To inculcate a culture of payment of rentals



SHRA'S MANDATE

as per the Social Housing Act 16 of 2015

| Key areas | Functions |
|---|---|
| <i>Creating an enabling environment for social housing</i> | <ul style="list-style-type: none"> Promoting social housing Advising the Minister Advice and support to National Department its policy and programmes |
| <i>Development of the social housing sector</i> | <ul style="list-style-type: none"> Develop best practice and research |
| <i>Capacitating the sector</i> | <ul style="list-style-type: none"> Capacity building throughout the entire sector |
| <i>Institutional Investment</i> | <ul style="list-style-type: none"> Grants to social housing institutions through service providers to enable them to develop institutional capacity, gain accreditation as social housing institutions and to submit viable project applications |
| <i>Accreditation and compliance monitoring of social housing institutions</i> | <ul style="list-style-type: none"> Accreditation of institutions <u>Compliance monitoring of institutions</u> |
| <i>Enforcement</i> | <ul style="list-style-type: none"> <u>Inspections: building and tenants</u> <u>Enforce compliance</u> <u>Intervene in cases of maladministration – seize stock</u> |
| <i>Control of all social housing stock</i> | <ul style="list-style-type: none"> Approval of requests on all matters relating to stock Database and monitoring of all publicly funded stock |
| <i>Capital grant funding</i> | <ul style="list-style-type: none"> Approve, administer and disburse capital grants and obtain applications through engagement with Provinces and Municipalities |

SHRA started operating in 2010

Protect the tenants and state's investment

SHRA's CONTRIBUTION

MTSF target over 5 years is 27 000 units approved

SHRA's APP Targets – Approval of social housing units

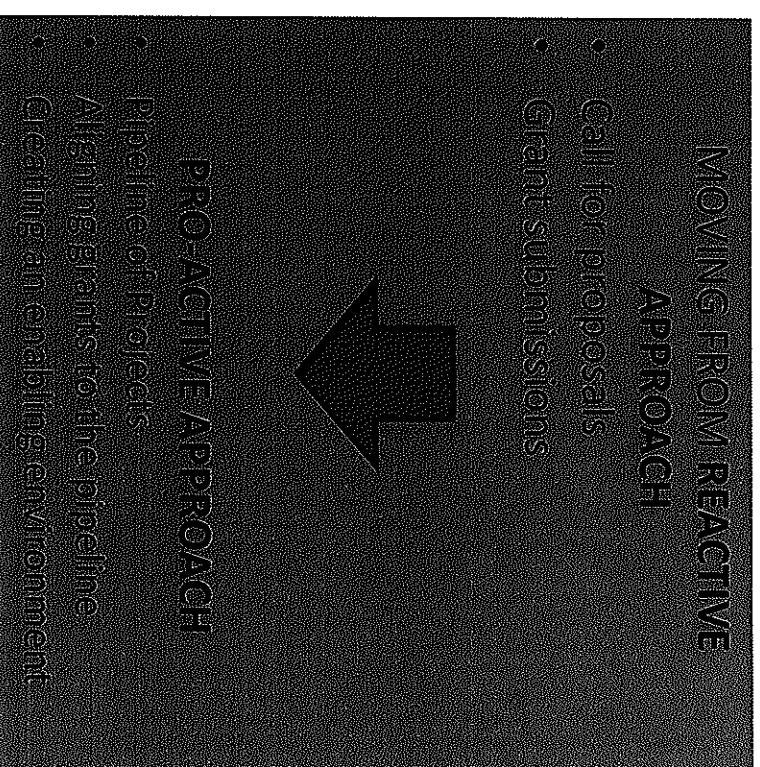
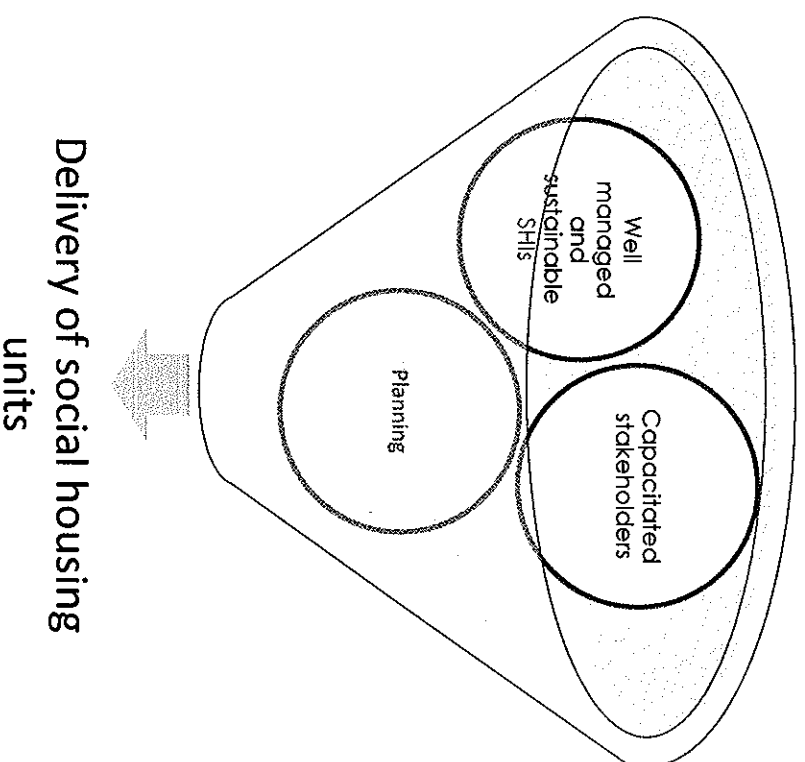
| 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------|-------------|-------------|-------------|-------------|
| 3 700 units | 5 979 units | 6 330 units | 6 646 units | 6 646 units |

Total is **29 301** units approved based on current MTEF budget allocations.

Need to ensure NHFC's target for approval of social housing units is aligned to SHRA's

2014\15 PROGRAMME

Focus of this year is the creation of an enabling environment for social housing and a change in approach to delivery.



2014\15 PROGRAMME

| Programme | Sub Programme | Key Performance Indicators | |
|--|----------------------------|---|-------|
| | | | |
| Social Housing Investment Plan | None | Approval of Social Housing Units Framework of social housing units funded by NHFC | *** |
| | | Framework of Social Housing Units Completed | *** |
| | | Framework of Social Housing Units Occupied/Tenanted | *** |
| | | | |
| Social Housing Institutional Investment Plan | Gear-Up Grants | Number of Grants awarded | |
| | Project feasibility Grants | Number of Grants awarded | |
| | Pre-Accreditation Grants | Number of Grants awarded | |
| | Capacitation Grants | Number of Grants awarded | |
| | | | |
| Regulations | Accreditation | Number of entities accredited | ***** |
| | Enforcement | Develop a framework for legal enforcement | * |
| | Compliance and Monitoring | Number of compliance inspections | |
| *** New targets to be incl in 2015/16 APP | | Number of units under regulation | |

2014\15 PROGRAMME

Organisation wide

- Building internal capacity
- Reducing reliance on external consultants
- Reducing risk and building internal control environment
- Implementing new structure and revising processes

Investment Programme

- Two Call for Proposals (5A and 5B). 5A proposals are currently being assessed.
- Currently contracting on SHIP 4B
- Move to pipeline planning
- Increase RCG quantum

Regulatory Programme

- Automating accreditation and other compliance functions
- Legal enforcement framework
- Retrospective regulation

Institutional Investment Programme

- Supporting Provinces into social housing delivery
- Supporting and resuscitating Provincial Steering Committees
- Aligning grants to project pipeline
- Assisting Provinces to develop rental housing strategies
- Research and capacity building

APPROVED ANNUAL PERFORMANCE PLAN FOR 2013/14

| Programme performance indicator | Audited / actual performance | | | | | | | | | | Medium term targets | |
|---------------------------------|---|------|------|------|------|------|------|------|--|--|---------------------|--|
| | 2010/2011 2011/2012 2012/2013 2013/2014 2014/2015 2015/2016 2016/2017 | | | | | | | | | | | |
| Investment Programme | | | | | | | | | | | | |
| 1 | Number of SH units approved | 1050 | 3979 | 5121 | 2279 | 5668 | 5979 | 6330 | | | | |

The SHRA's target for 2013/14 was 5429 but only achieved approval of 2279 units. There have been a number of inadequate applications and withholding of applications as the quantum has not increased leading to project viability concerns.

The current signed off APP target as shown above is 5 668 SH units approved. The target needs to be revised to 3 700 SH Units as a result of budget virement of R230m to NHFC. There is only one indicator as funding for the Institutional Investment programme has not been provided and the operational budget is insufficient.

SHRA'S ORIGINAL BUDGET

| | 2012 | 2013 | 2014 | 2015 |
|---------------------------|--------------|--------------|--------------|--|
| Capital Grant Budget | R226 169 000 | R647 401 000 | R904 103 000 | R827 543 000 (original) R597 543 (virement to NHFC) |
| Capital Grant Expenditure | R515 042 857 | R978 919 516 | R143 958 961 | Current FY |

Since 2012 the entity has made generous investments in the social housing sector but in 2014, given the challenges the entity faced, performance on the expenditure has hampered due to the SizweNtsalubaGobodo Inc. (SNG) forensic investigations undertaken. At the request of the NDoHS, the SHRA has agreed to a R230m virement to NHFC against the 2015 capital grant allocation.

| | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|-------------|-------------|-------------|-------------|
| Operational Grant budget | R19 305 000 | R21 096 000 | R32 151 000 | R33 480 000 |
| Operational Grant expenditure | R34 538 240 | R37 486 100 | R52 253 162 | Current FY |

As a result of insufficient operational budget to fund operational requirements, the entity is dependent on the capital grant. The entity has submitted a formal virement application to the NDoHS to move a portion of the capital budget for operational purposes.

REQUEST FOR ADDITIONAL OPERATIONAL BUDGET

| ALLOCATED OPERATIONAL GRANT | | | | | |
|------------------------------------|-------------|---------------|---------------|---------------|--|
| | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | |
| Current allocation | 33 480 | 34 560 | 36 392 | 38 212 | |
| REQUIRED OPERATIONAL GRANT | | | | | |
| Programme | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | |
| 1 - Administration | 30 862 390 | 28 562 844 | 29 906 800 | 31 189 640 | |
| 2 - Social Housing Investment Plan | 13 330 143 | 12 420 231 | 11 721 094 | 11 049 648 | |
| 3 - Institutional investment Plan | 20 039 884 | 19 097 958 | 18 640 845 | 18 240 387 | |
| 4 - Regulations | 18 037 583 | 15 886 888 | 15 749 166 | 15 636 625 | |
| Total Operational Budget | 82 270 000 | 75 967 920 | 76 017 906 | 76 116 301 | |
| Restructuring Capital Grant | | | | | |
| | | | | | |
| 2 - Social Housing Investment Plan | 548 753 000 | 1 154 452 000 | 1 247 423 000 | 1 313 497 000 | |
| | | | | | |
| Social Housing Units Target | 5 668 | 5 979 | 6 330 | 6 646 | |
| | | | | | |
| Total RESTATED MTEF Budget | 631 023 000 | 1 230 419 920 | 1 323 440 906 | 1 389 613 301 | |

Original figure was 827 543 but now reduced given the virement of R230m to NHFC and SHRA's request of R48 790 towards operational grant

APP 2014/15 : APPROVED AND NO TARGETS

APPROVED – TARGETS IF SHRA'S REQUEST FOR INCREASE IN OPERATIONAL BUDGET IS NOT APPROVED (INCL VIREMENT TO NHFC)

| | Capital budget (Rk) | Operational budget (Rk) | TARGETS | | | | |
|------------------------------|---------------------|-------------------------|-------------------------|--|---------------------|------------------------------------|---------------------------------------|
| | | | No of SH units approved | No. of Institutional investment grants awarded | No. SHIs accredited | No of total units under regulation | No. compliance inspections undertaken |
| Original | 827 543 | 33 480 | 5 668 | No target | No target | No target | No target |
| Revised due to NHFC virement | 597 543 | 33 480 | 3700 | No target | No target | No target | No target |

TO BE REVISED – REVISED TARGETS IF SHRA'S REQUEST FOR VIREMENT FROM CAPITAL BUDGET TO OPERATIONAL BUDGET IS APPROVED (INCL VIREMENT TO NHFC)

| | Capital budget (Rk) | Operational budget (Rk) | TARGETS | | | | |
|---------|---------------------|-------------------------|-------------------------|--|---------------------|------------------------------------|---------------------------------------|
| | | | No of SH units approved | No. of Institutional investment grants awarded | No. SHIs accredited | No of total units under regulation | No. compliance inspections undertaken |
| Current | 597 543 | 33 480 | 3700 | No target | No target | No target | No target |
| Revised | 548 753 | 82 270 | 3700 | 30 | 55 | 20 000 | 18 |

APP 2014/15 QUARTERLY TARGETS: APPROVED BY NHC

APPROVED – TARGETS IF SHRA'S REQUEST FOR INCREASE IN OPERATIONAL BUDGET IS NOT APPROVED (INCL VIREMENT TO NHFC)

| Key Performance indicator | Q1 | Q2 | Q3 | Q4 | Total |
|----------------------------------|----|-------|----|-------|-------|
| Original No of SH units approved | 0 | 2 868 | 0 | 2 800 | 5 668 |
| Revised No of SH units approved | 0 | 1 850 | 0 | 1 850 | 3 700 |

TO BE REVISED – REVISED TARGETS IF SHRA'S REQUEST FOR VIREMENT FROM CAPITAL BUDGET TO OPERATIONAL BUDGET IS APPROVED (INCL VIREMENT TO NHFC)

| Revised KPIs | Q1 | Q2 | Q3 | Q4 | Total |
|--|----|-------|--------|--------|--------|
| No of SH units approved | 0 | 1 850 | 0 | 1 850 | 3 700 |
| No. of Institutional Investment grants awarded | 0 | 0 | 15 | 15 | 30 |
| No. SHs accredited | 0 | 0 | 27 | 28 | 55 |
| No of total units under regulation | 0 | 0 | 10 000 | 10 000 | 20 000 |
| No. compliance inspections undertaken | 0 | 0 | 9 | 9 | 18 |

UPDATE ON SHRA

Maladministration

- Maladministration has been discovered in terms of the Provincial Special Projects (PSPs) whereby SHRA was provided funds from the Provinces to disburse funds to the PSPs in various Provinces.
- The approval of the transfer of funds to SHRA was supported by MINMEC due to under expenditure by the Provinces.
- The said PSP projects were to be assessed and evaluated by the same method and standards that SHRA Social Housing Investment Programme (SHIP) projects are subjected to but were not. Once SHIP projects have undergone assessment and evaluation they are then submitted to the Investment Committee for recommendation for consideration and approval by the SHRA Council.
- On the meeting of the Investment Committee of 06 February 2013 some of the PSP projects were presented for approval by management but the committee referred them back to be assessed through the same process through which the SHRA SHIP projects go through before recommendation by the Investment Committee and approval by Council.
- The projects were never again presented to the Investment Committee nor to the Council for approval but it became evident that management proceeded to fund projects that did not meet the criteria to be funded.
- Furthermore, irregularities occurred on these projects as certain contractual conditions were waived by the then CEO, the CSM and the Investment Manager without the delegation of authority to amend the conditions and terms of the contracts/agreements.

UPDATE ON SHRA

Action taken

- The SHRA Council was alerted of the alleged maladministration of management on or around July 2013 and immediately commissioned a forensic audit investigation by Sizwe Ntsaluba Gobodo (SNG) on the PSP projects which assisted Council to reach a conclusion that there was substance to the allegations.
- Council then suspended the CEO and the CSM on 9 December 2013 and immediately appointed Adv. Seeng Ntsaba-Letele as Acting CEO.
- Immediately charges of misconduct were leveled against the two senior officials and dates for disciplinary hearings were set. The Investment Manager was not suspended immediately but was also charged pending the process of disciplinary hearing to commence.
- The CEO's contract was coming to an end at the end of December and Council extended the contract for three months in order to accommodate the process of the disciplinary hearing to be completed. When the disciplinary hearings continued in January 2014, the CEO decided not to accept the offer of three months extension as he wanted a longer term contract of three – five years
- The Chairperson of the hearing determined that the CEO was no longer an employee of SHRA in January 2014 and the SHRA had no jurisdiction over his matter. The CEO then lodged a matter in the CCMA against the SHRA of legitimate expectation to renew his contract. The matter has just been finalised in August 2014 and we are awaiting the outcome of the matter.
- The CSM on the other hand, after the first appearance before the disciplinary hearing, decided to resign. The Chairperson of the hearing determined that the CSM was no longer an employee of the SHRA and therefore the SHRA could not continue with the disciplinary hearing. Subsequently, the CSM lodged a case of constructive dismissal against the SHRA in the CCMA. This matter was thrown out of the CCMA by the Commissioner as it was filed late and the application for condonation for late filing was denied due to no prospects of success by the applicant (CSM) in his matter against the SHRA of constructive dismissal.
- The Investment Manager's matter commenced in March 2014 and was finalised in July 2014 and the Manager left the organisation after being found guilty on all the charges.

UPDATE ON SHRA

Legal action

- SHRA Council requested a legal opinion on the findings as to whether there was any criminal element in the activities of the officials which warranted criminal charges, further steps have been taken by the SHRA to open criminal charges against the officials involved based on the forensic investigation that was undertaken by SNG.
- The case has been opened with SAPS at the Hillbrow Police Station under case number 1237/07/2014.
- The matter has been transferred to the Commercial Criminal Court and is under investigation by the Hawks.