

Presentation to the Portfolio Committee - Human Settlements

ANNUAL PERFORMANCE REPORT 2013/14

15-10-2014

STRUCTURE OF PRESENTATION



- Purpose and introduction
- Mandate, Vision and Mission
- Core products,
- Impact since inception,
- Turnaround Strategy
- Affordable Housing Programme,
- Subsidy Housing Programme,
- Programme and Fund Management,
- Financial Performance,
- Conclusions

PURPOSE AND INTRODUCTION

- **Presentation of Annual Performance Report 2013/4;**
- **Highlights;**
 - Success of turnaround strategy,
 - Growth in affordable housing with R300m capitalisation,
 - Rein on provisions for losses in contractor lending book,
 - Introduced Contractor Finance and Development Programme,
 - Managed change process successful and fully internalised lending business processes,
 - Introduced programme and fund management stream successfully,
 - Reporting surplus following years of losses,
 - Achieved Unqualified Audit – trend since inception,
 - Improved collaboration with provincial and local government stakeholders in the human settlements sector.

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”



CORE PRODUCTS AND SERVICES

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



IMPACT SINCE INCEPTION

Programme	Subsidy housing	Affordable housing	Infrastructure and community facilities	Total
Number of loans signed	944	175	281	1 400
Houses in loans signed	344 146	35 973	n/a	380 119
Houses/projects completed	250 133	29 794	184	280 111
Value of loans (Rand)	1,336 billion	1,497 billion	632 million	3,465 billion
Value of projects (Rand)	8,912 billion	5,813 billion	3,848 billion	18,573 billion

TURNAROUND STRATEGY

TURNAROUND STRATEGY:

CHALLENGES

- **GOING CONCERN CHALLENGES** and threat to organisational sustainability.
- High levels of provisions for losses.
- NDHS and National Treasury required a turnaround strategy.
- The five year Strategy and last two APP captured the turnaround plan.

RESPONSE

1) **Relevance to developmental mandate**

- Improve delivery of affordable housing,
- Lending to subsidy housing contractors,
- Leverage private sector and donor finance into development areas,
- Employ capacity to support service delivery improvement efforts in the sector

2) **Restore organisational sustainability**

- Strive to restore financial viability,
- Diversification of income sources,
- Change the delivery model from intermediary driven to direct lending.

Old Business Model

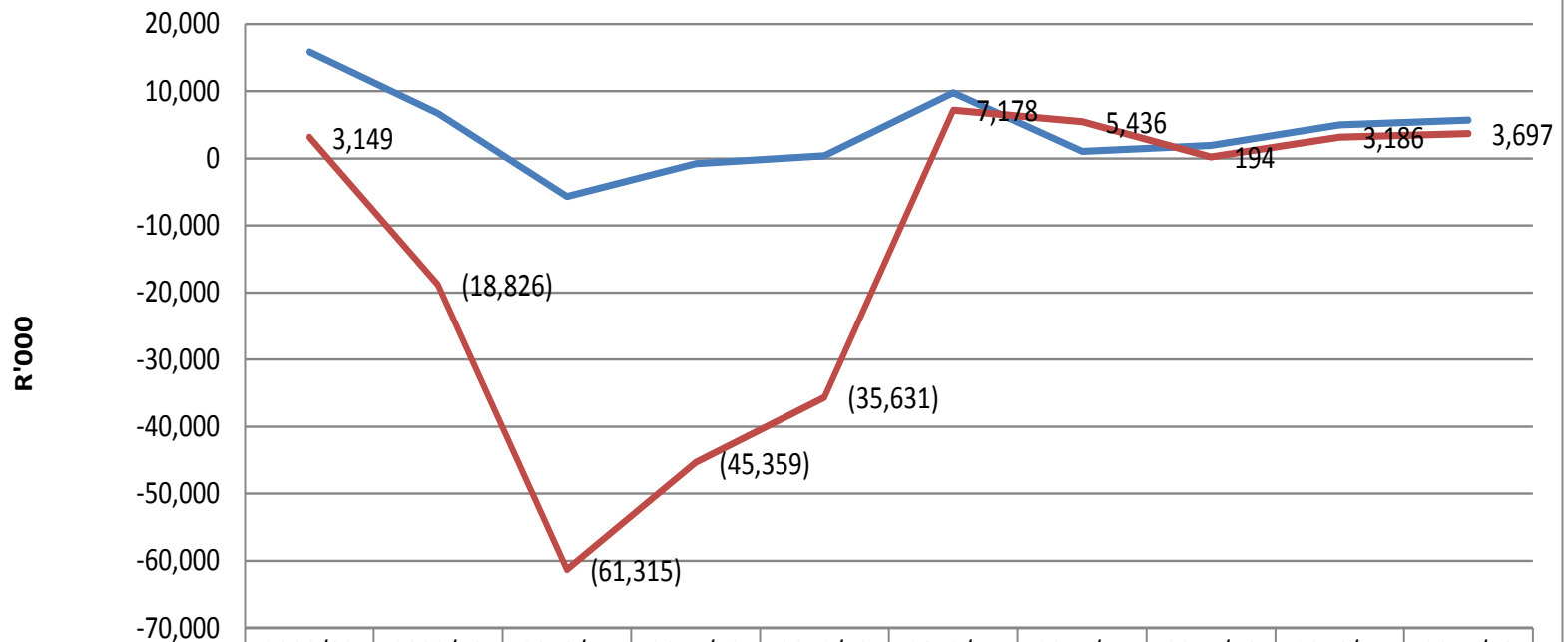
- **Use of intermediaries**
 - Project viability assessments,
 - Control loan and project accounts
 - Visits to construction sites
 - Support procurement and payments to project related suppliers
- **Model focussed on contractor risk whilst risk were emerging from employers at a growing rate.**
 - Growth 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.

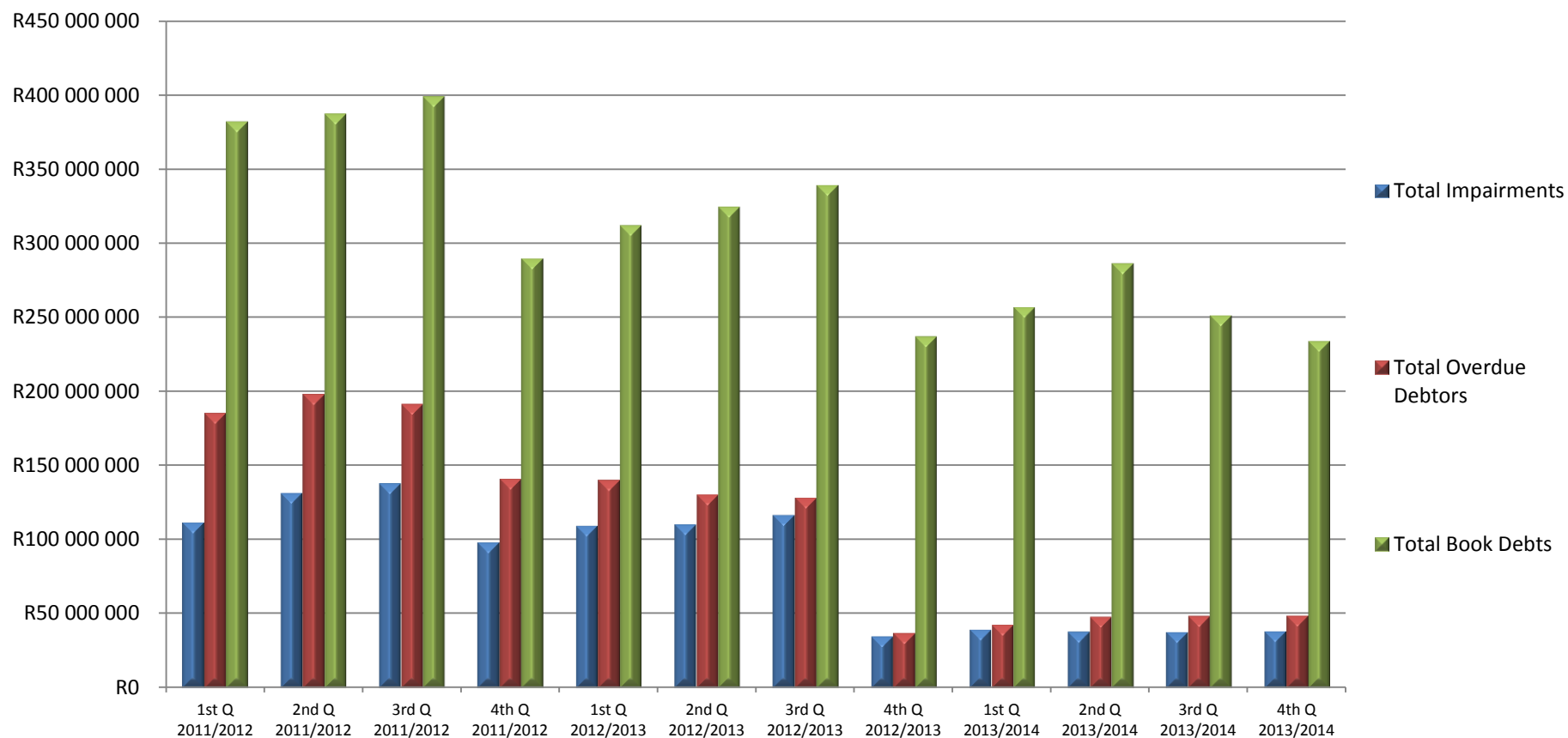
FINANCIAL PERFORMANCE TRENDS SINCE 2008/09

Financial performance since 2008/09 FY



	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	ACTUAL AUDITED (R'000)						BUDGET (R'000)			
Surplus/(deficit) before impairments	15,830	6,733	(5,696)	(789)	417	9,793	1,034	1,928	5,019	5,675
Surplus/(deficit) after impairments	3,149	(18,826)	(61,315)	(45,359)	(35,631)	7,178	5,436	194	3,186	3,697

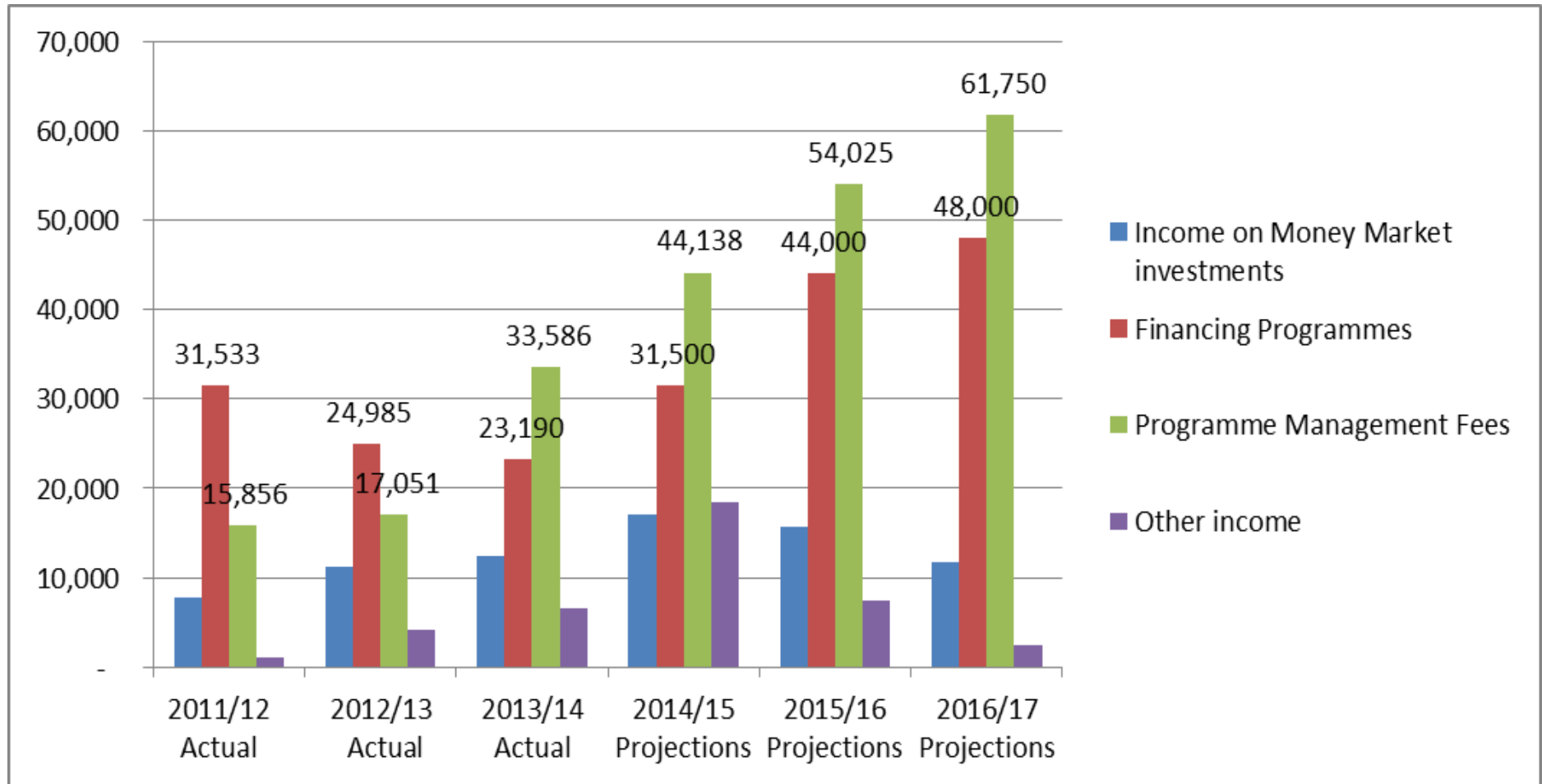
TOTAL PROVISIONS VERSUS TOTAL DEBTORS



SUMMARY OF LOAN AGEING

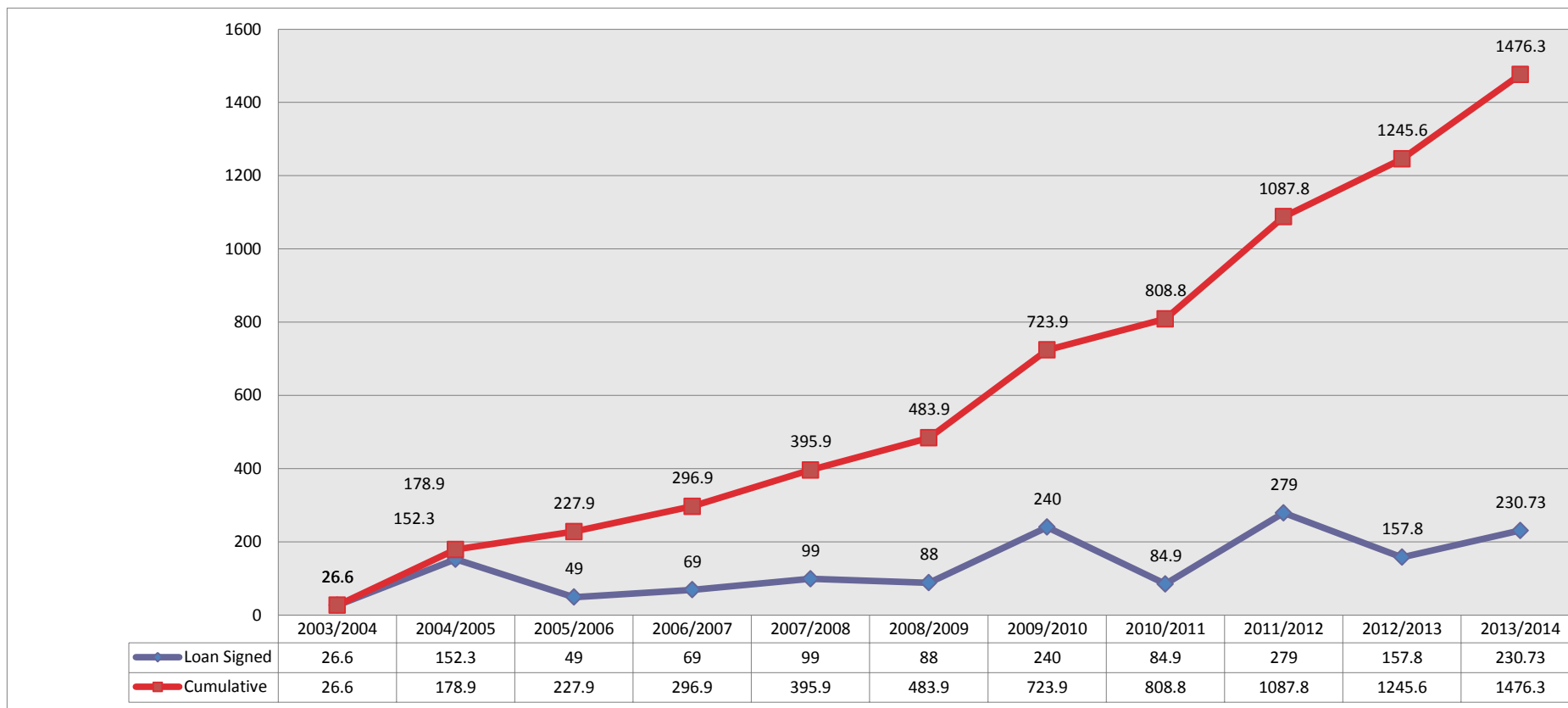
R'000	Not yet due	Total overdue	Total debt outstanding	Impairments
Affordable Housing	166,154	12,038	178,192	4,743
	93%	7%	76%	12%
Subsidy Housing	18,538	3,735	22,273	3,368
	83%	17%	10%	9%
Infrastructure	791	32,894	33,685	30,167
	2%	98%	14%	79%
Total debtors	185,483	48,667	234,150	38,278
	79%	21%	100%	16%

HISTORICAL AND PROJECTED INCOME



AFFORDABLE HOUSING LENDING PROGRAMME

AFFORDABLE HOUSING SINCE INCEPTION



SPREAD OF AFFORDABLE HOUSING BOOK

	PROJECTS	UNITS	PERCENTAGE OF BOOK
Sectional Title Units	7	443	9%
GAP Housing	4	1,418	28%
Affordable Housing	16	3,140	63%
TOTAL	27	5,001	100%

AFFORDABLE HOUSING PRG - MARCH 2014

Description	Budget	Actual	% - Achieved	2013
No. of contracts signed	23	14	61%	11
No. Of houses and sites	3,220	1,983	62%	1,813
Value of loans (R'000)	345,000	230,729	67%	157,817
Value of projects (R'000)	690,000	873,072	127%	654,804
Houses completed	2,245	1,619	72%	1,195

ACTIVE LOAN COMMITMENTS

LENDING PROGRAMME	TOTAL ACTIVE PROJECTS		LOAN VALUE COMMITMENT		LENDING CAPACITY ALLOCATION		SET COMMITMENT CEILING	
	No.	(%)	(R'000)	(%)	(R'000)	(%)	(R'000)	(%)
Subsidy Housing	33	52%	117	22%	80	13%	200	21%
Affordable Housing	25	40%	407	75%	475	80%	665	70%
Infrastructure	5	8%	20	4%	40	7%	80	8%
TOTAL	63	100%	544	100%	595	100%	945	100%

Key Variables in Affordable Housing

ECONOMIC FACTORS

- Performance of the economy generally,
- Bank willingness to lend,
- Household Affordability,

MINING AND FAST GROWING TOWNS

- Forward planning and availability of proclaimed land,
- Bulk infrastructure,
- Speed of critical property development related approvals,
- Capacity of less resourced Municipalities to fulfill the function,

FINANCING CAPACITY

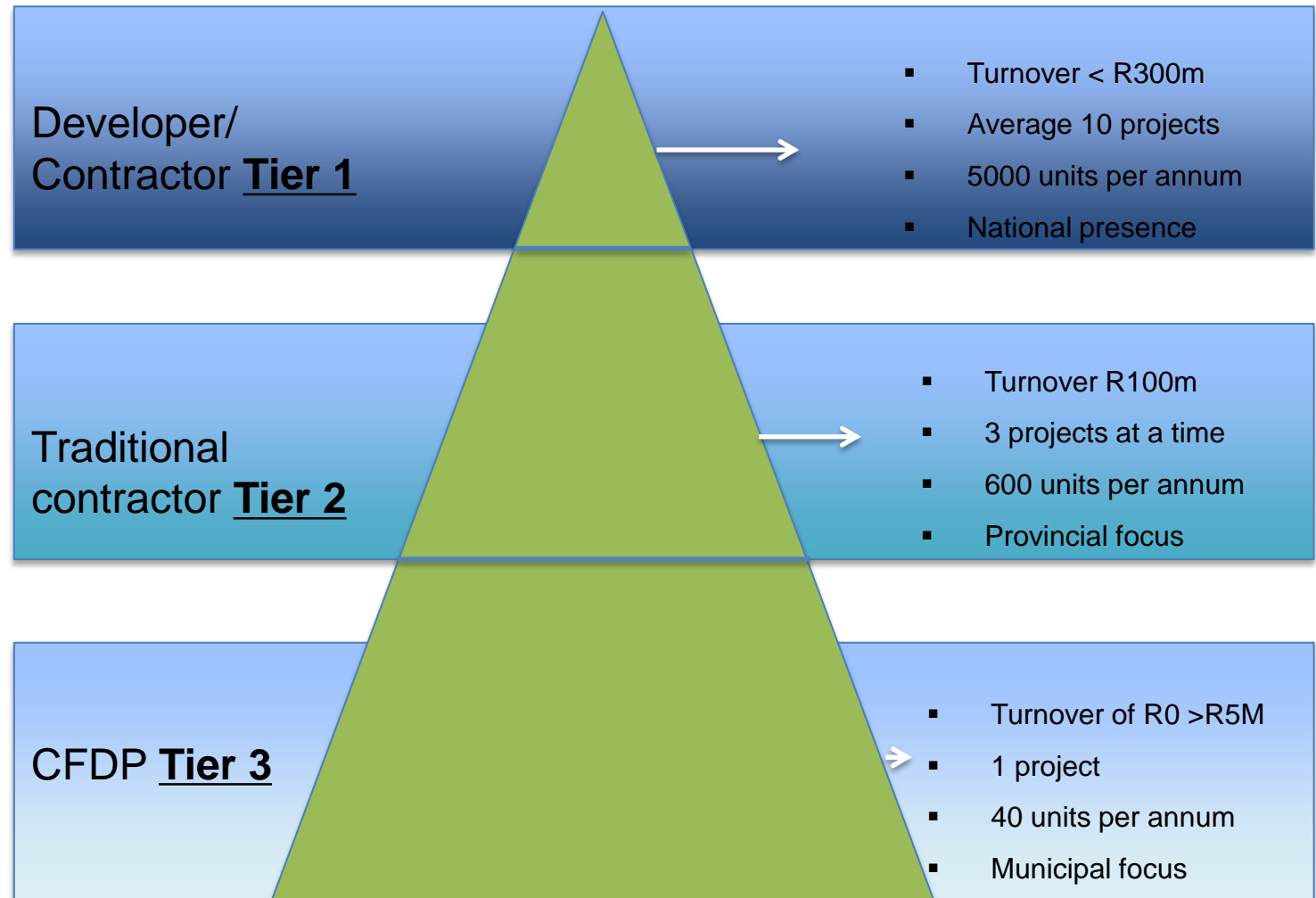
- Access to funding at concessionary rate,
- Fund mix between public funds and private sector at ratio 1:3
- Availability of takeout finance for rental projects,(long term finance).

LENDING TO HUMAN SETTLEMENTS CONTRACTORS

SUBSIDY HOUSING LENDING PROGRAMME

Description	Budget	Actual	% - Achieved	2013
No. of contracts signed	26	11	42%	12
No. of houses and sites	10,164	4,428	44%	9,109
Value of loans (R'000)	124,000	55,482	45%	67,300
Value of projects (R'000)	687,000	349,911	51%	610,970
Houses completed	5,084	3,108	61%	8,298

Refinements Contractors Finance Programme



PROGRAMME AND FUND MANAGEMENT SERVICES TO HUMAN SETTLEMENTS SECTOR

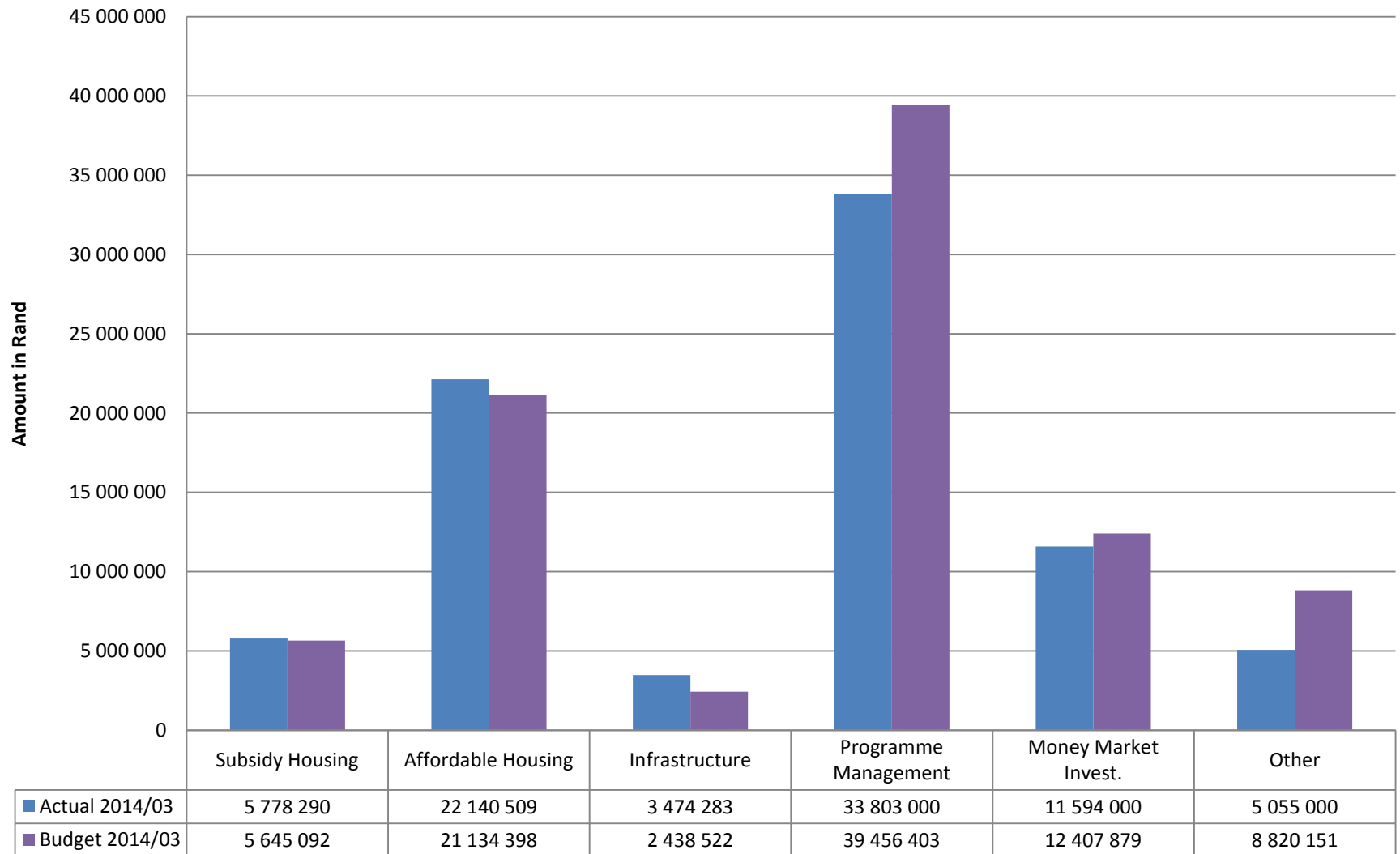
PROGRAMME AND FUND MANAGEMENT

- Three years into programme management and built strong capabilities to support delivery efforts in the sector.
- Have managed multi-year programmes in support on National and Provincial departments.
- Generated 48% of NURCHA's gross income

Clients	Programme Scope
NDHS	<ul style="list-style-type: none">• Bucket Eradication Programme• Contractor Finance and Development Programme
EC	<ul style="list-style-type: none">• Bucket Eradication Programme• Rural Housing Development Programme
KZN	<ul style="list-style-type: none">• Vulindlela PHP – Paymaster (CRO)
FS	<ul style="list-style-type: none">• Programme management support and systems development.

FINANCIAL PERFORMANCE

BREAKDOWN OF INCOME SOURCES



ABRIDGED INCOME STATEMENT - MARCH 2014

R'000	Budget	Actual	% - Achieved	2013
Revenue from exchange transactions	75,054	70,049	93%	52,355
Other income	7,130	5,055	71%	5,136
Net surplus before administration expenses	82,184	75,104		57,491
Administration expenses	(74,876)	(65,311)	87%	(57,074)
Operating surplus	7,308	9,793		417
Impairment of assets	(3,493)	(2,962)	85%	(36,124)
	3,815	6,831		(35,707)
Share of profit of associate company	0	347	100%	76
Surplus /(Deficit) for the year	3,815	7,178	188%	(35,631)

ABRIDGED BALANCE SHEET - MARCH 2014

R'000	Budget	Actual	% - Achieved	2013
<u>ASSETS</u>				
Current Assets	636,568	646,334	102%	522,183
Non-current Assets	13,585	26,553	195%	14,041
Total Assets	650,153	672,887		536,224
<u>EQUITY & LIABILITIES</u>				
Current liabilities	124,685	184,716	148%	157,717
Non-current liabilities	100,974	60,313	60%	57,827
Net Assets	424,494	427,858	101%	320,680
Total net assets & liabilities	650,153	672,887		536,224

CONCLUSION: 2014/15 FOCUS AREAS

- Turnaround strategy implemented successfully,
- Consolidation and ensure sustainable results,
 - Generation of business volumes and keeping market and stakeholders engaged across key provinces,
 - Improve and sustain credibility of our systems and services to stakeholders clients and shareholders; i.e. performance to desired standards, improved financial reporting and supply chain management.
 - Operational presence in provinces in line with business activity and keep the market and stakeholders engaged.
 - Strengthen skills base in key areas.



NURCHA

CONSTRUCTION FINANCE AND
PROGRAMME MANAGEMENT

GOING BEYOND FINANCE