Social Housing Regulatory Authority

Annual Report 2014/2015

Highlights for the 2014/2015 financial year

5 398
Social housing units approved for Restructuring Capital Grant award

2 053
Social housing units delivered

21
Institutional Investment Grants awarded

61
Social Housing Institutions achieved accreditation status

20 447
Social housing units under regulation

Contents

The Social Housing Regulatory Authority (SHRA) was established in August 2010 by the Minister of Human Settlements in terms of the Social Housing Act, No 16 of 2008. The SHRA is a Public Entity as per Schedule 3A of the Public Finance Management Act, No 29 of 1999 (PFMA).

Social housing is state subsidised rental housing targeted at low to medium income groups. The purpose of social housing is to contribute to the national priority of restructuring South African society in order to address structural, economic, social and spatial dysfunctionalities.

The theme of this year's Annual Report is 'the SHRA in transition'. The period under review was one of transition, to new leadership and a new mandate in terms of outcome related targets. The new Council was appointed in March 2015 and the new MTSF period 2014 – 2019 commenced. The coming year is sure to bring many changes to the organisation.

Social housing contributes to widening the range of housing options available to the poor.

Chairperson's foreword

A key focus area in local government in the next five years will be how we respond to the reality of rapid urbanisation. South Africa is becoming an urban country. By 2011 almost 63% of our population were residing in towns and cities and this trend is expected to continue over the coming decade.

President Zuma, State of the Nation Address, 17 June 2014

I am pleased to submit the SHRA's Annual Report for the 2014/2015 financial year on behalf of the former Chairperson of Council. The theme of this year's annual report is the SHRA in transition; this is considered apropos given the changes that have occurred within the SHRA in the period under review, including the change in leadership. The information contained in this report is essentially the last report of the outgoing Council given that the incoming Council was appointed on 18 March 2015 upon approval of the Honourable Minister L Sisulu and Cabinet.

Another significant change is that the 2014/2015 financial year marks the first year of the new Medium Term Strategic Framework (MTSF) period 2014 – 2019 which serves as the first phase of implementing the National Development Plan (NDP) and, with it, renewed outcome based targets for the organisation.

The challenges facing the human settlements sector have become much more accentuated regarding settlement functionality and spatial justice and efficiency. As President Zuma noted in his State of the Nation Address in 2014, South Africa is indeed becoming an urban country with the 2011 Census finding that almost 63% of the population resides in towns and cities. This places significant pressure on the social housing sector to realise the impact of the programme in an increasingly dynamic socio-spatial environment which has offered new but trying accommodation permutations in our cities. Minister L Sisulu noted in her Budget Vote Speech in 2015, that unused buildings and land will need to be expropriated for social housing. The social housing sector, led by the SHRA, will be required to innovate in the face of an unfolding accommodation drama.

The entity has weathered the challenges of the last two years with a resilient core team committed to, and supported by, a set of socially entrepreneurial Social Housing Institutions (SHI) which were catapulted into being by an inventive policy turn, a programme robustness that offers potential to move beyond state dependence and a collective desire to coproduce sustainable programme outcomes.

The incoming Council faces a substantial task in achieving the MTSF target delivery of 27 000 social housing units by 2019. Within the previous MTSF period, the SHRA approved 12 852 units for grant award of which 3 217 of those approved under the Social Housing Investment Programme (SHIP) were completed. A further 2 053 of these units were completed in the period under review. If the construction timeframes are considered, the next two years are crucial

We will expropriate unused buildings and assign them for the purposes of building social housing next to the places of work. In most cases the vacant land that are not used are those that are very far from cities and places of work. Those pieces of land that are next to cities are too expensive.

Minister of Human Settlements L Sisulu, Budget Vote Speech, 7 May 2015

if the SHRA is to achieve the MTSF target. There are also critical issues within the sector that need to be addressed in order to support the programme. The SHRA will need to focus on building the institutional capabilities of the SHIs as well as addressing the financial sustainability of the programme. Long-term financing strategies will need to ensure that the original investment produces greater social returns: a higher proportion of households accommodated in quality housing, dynamising of the neighbourhoods through social housing interventions, the building of resilient communities and achievement of the vital restructuring role. The National Treasury's Expenditure Review of social housing and the evaluation of social housing through Cabinet's National Evaluation Plan will provide the critical evidence to reframe the policy direction, the redetermination of the intervention logic and the decisive steps to ensure efficient application of the programme. This is to ensure social housing policy better realises constitutional housing rights.

2015 marks the 60th anniversary of the signing of the Freedom Charter and provides us with the opportunity to renew commitment to its ideals and reflect on the achievements of the human settlements sector. The social housing programme can make a valuable contribution in the realisation of these ideals, as well as the achievement of the NDP in restructuring our cities and society, strengthening the livelihood prospects of households and achieving security and comfort for all.

On behalf of the Council, I would like to extend our appreciation to the Honourable Minister L Sisulu and the members of the Portfolio Committee, for their support and inspiration offered in meeting the vision of vibrant cities for the people to share and enjoy as is the right of all.

We look forward to a year of setting the terms for a new generation of settlement making in partnership with the National Department of Human Settlements, all government agencies committed to the social housing programme, SHIs and associated development partners, investors in housing and, most importantly, with tenants and prospective tenants.

Ahmed Vawda
Chairperson

“There Shall be Houses, Security and Comfort!

- All people shall have the right to live where they choose, be decently housed, and to bring up their families in comfort and security;

- Unused housing space to be made available to the people;

- Rent and prices shall be lowered, food plentiful and no-one shall go hungry;

- A preventive health scheme shall be run by the state;

- Free medical care and hospitalisation shall be provided for all, with special care for mothers and young children;

- Slums shall be demolished, and new suburbs built where all have transport, roads, lighting, playing fields, crèches and social centres;

- The aged, the orphans, the disabled and the sick shall be cared for by the state;

- Rest, leisure and recreation shall be the right of all; and

- Fenced locations and ghettoes shall be abolished, and laws which break up families shall be repealed.”

Freedom Charter, 1955

Vision, mission and strategy

VISION

Affordable rental homes in integrated urban environments through sustainable institutions.

MISSION

To regulate and invest to deliver affordable, rental homes and renew communities.

VALUES

- Shared sense of purpose;
- Best use of resources;
- Atmosphere of openness;
- Regular review of progress;
- Build on experience; and
- Ride out the storm.

SOUTH AFRICAN MARKET TRENDS/ DEMAND FOR SOCIAL HOUSING

- The proportion of all households renting accommodation grew from 19% in 2001 to 25% in 2011, an absolute growth of over 30% in the number of households who rent.
- Rental housing drivers of demand:
  - migrancy;
  - lack of means to access/qualify for subsidised, owned housing;
  - lack of gap housing; and
  - rental preference.
- Census 2007 and 2011 data indicates that over 1,5 million households within SHRA's primary and secondary market live in informal settlements and backyard accommodation, indicating a large potential market for affordable rental accommodation. These income groups also have the highest number of households still living in hostel accommodation.
- Slow economic growth of South Africa's economy coupled with the great youth population will decrease demand for ownership and increase demand for affordable rental.

MEDIUM TERM STRATEGIC FRAMEWORK

- South Africa's long-term strategic plan is the National Development Plan 2030. The MTSF represents South Africa's medium-term strategic goals as it covers a five year period in line with the electoral cycle.
  The current MTSF 2014 – 2019 outlines the strategic objectives and targets for each portfolio.
- The MTSF target for the SHRA is to deliver 27 000 social housing units within this period.

STRATEGY

- In line with the MTSF target the SHRA developed a new Strategic Plan 2014 – 2019. The focus is on delivery of units, effective regulation and creating an enabling environment for social housing.

Acting Chief Executive Officer's overview

The theme of this year's annual report is 'the SHRA in transition'. Given the experiences of the period under review, it is seen as appropriate. A new Council has been appointed by the Minister of Human Settlements and progress has been made towards turning the organisation around.

The SHRA experienced many significant changes in the period under review, which have impacted on the operations of the organisation as well as the social housing sector. A clear example of this would be the tightening of internal controls around the disbursement of the Restructuring Capital Grant (RCG), which was undertaken in order to safeguard the state's investment. However, this has impacted on the disbursement flexibility of the RCG. The organisation also experienced substantial governance challenges which are in the process of being resolved. Whilst difficult lessons have been learnt, the stability that has now been created within the organisation should provide a strong base for further improvement.

The SHRA operates three (3) critical social housing programmes: the Regulatory Programme, the Institutional Investment Programme and the Investment Management Programme. The management of all three (3) programmes has been funded from the operational budget, which has proved to be insufficient for the purpose. The Regulatory Programme faces enormous challenges in bringing the institutions that benefited from the institutional subsidies prior to the SHRA's establishment under regulation. The success of this exercise requires that the SHRA have additional capacity as well as the cooperation of all relevant stakeholders.

There are ongoing socio-political challenges in terms of rental collection within certain areas experienced by Municipal Owned Entities. It is anticipated that the amendment to the Rental Act and the establishment of Rental Tribunals in all Provinces will assist in inculcating a culture of responsible citizenship through rental payments across the entire sector.

The Institutional Investment Programme, which is a critical enabling programme focusing on research, capacity building and awareness raising, has not been allocated a budget as per section 11(3)(a) of the Social Housing Act, No 16 of 2008. However, this has been addressed with the assistance of the National Department and National Treasury. The National Treasury will provide R41 million for this area with effect from the 2015/2016 financial year. The SHRA will ensure that this budget is used appropriately, taking into account the contribution of other existing programmes in the sector.

The future of the organisation, in supporting the social housing sector and delivering on its MTSF target, has been planned for as reflected in the Strategic Plan 2014 – 2019. There is a need for the entity to improve on its performance, restore its image while at the same time gearing itself up for additional responsibilities, in line with the mandate. The achievement of improved performance depends on further cooperation and collaboration in the sector. In addressing this area, communication within all spheres of government is being enhanced.

The SHRA's performance target for the period under review was to approve 5 668 social housing units that would qualify for the RCG award. This target was not fully achieved as 5 398 (95%) units were approved. The SHRA has also identified the limitations of this performance target as it does not relate to the delivery of social housing units. This discrepancy will be addressed in the next financial year with more emphasis on the delivery as a target and monitoring and evaluation of social housing units.

The SHRA has developed greater internal controls which are required in order to ensure protection of state funding and more effective pipeline planning that influences the credibility of the projects under construction. The SHRA is working with all the key stakeholders, including the National Department of Human Settlements (NDoHS) and other entities, in order to improve service delivery.

The expenditure pattern of the organisation has been limited due to the changes in disbursement of the grant. In the past, the expenditure was representative of tranche payments made into Social Housing Institutions' imprest accounts of the grant recipients. These payments were not a true reflection of the expenditure linked to the progress of the projects whilst under construction. This area will be addressed as a priority in order to improve the utilisation of the RCG. The improvement will also enable the entity to better plan the cashflow forecasts in alignment with the achievement of milestones during construction. Much greater efforts have been made to ensure alignment of operations with the Provinces, including the development and introduction of specific Provincial social housing targets. It is anticipated that these targets will be cascaded down to the Municipalities. The implications of both of these changes are that coordinated planning between all stakeholders need to be improved and greater responsibility will be placed on the Municipalities and Provinces to ensure that projects are monitored and any hindrances are resolved as swiftly as possible.

The SHRA continues to experience operational budget constraints, which has impacted on the capacity and operations of the organisation. The SHRA suffers from a lack of organisational resources, with a vacancy rate that has remained consistently high over the years. The vacancy rate under the financial year under review is 33%.

The SHRA is the future of human settlements hence its performance needs to be improved going forward. This is crucial in order to achieve the goals as set out in the NDP.

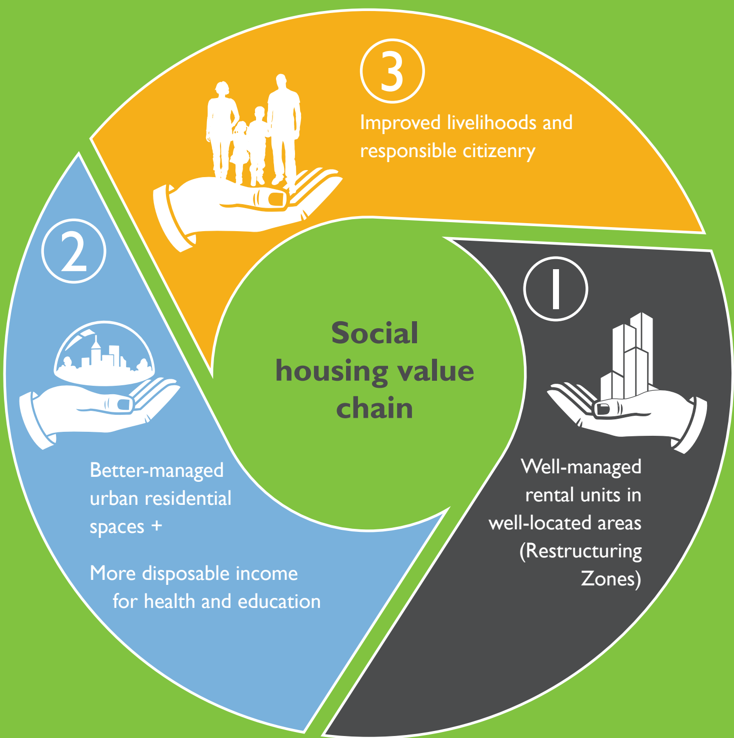
In closing, I would like to extend my gratitude to both the previous and incoming Council, the human settlements sector, stakeholders and staff for their contribution to the organisation.

S Ngxongo
Acting Chief Executive Officer

Social housing value chain

What is social housing?

Social housing is state subsidised rental housing targeted at low to medium income groups. The purpose of social housing is to contribute to the national priority of restructuring South African society in order to address structural, economic, social and spatial dysfunctionalities. Social housing contributes to widening the range of housing options available to the poor.



How and why does the state subsidise social housing?

The state subsidises social housing in order to ensure exceptional quality at affordable rentals. The state will only consider project applications that satisfy the investment criteria and are located in certain urban areas. Projects that meet the required criteria can be awarded a significant capital grant from the SHRA and another from the applicable Provincial Department of Human Settlements. An accredited SHI is still required to fund (through loan funding) a portion of the costs whilst a developer would be required to provide 20% equity.

Investment in social housing projects is also targeted in urban areas that require revitalisation. It is hoped that this state investment will act as a catalyst for private sector investment; therefore the overall aim of the social housing programme is one of restructuring and not just housing delivery.

How does the SHRA support the social housing sector?

The SHRA offers several different types of grants to accredited SHIs to allow them to manage social housing estates and develop projects. These include staff gear up grants, capacity building grants and project feasibility grants.

The SHRA also strives to introduce private developers into the programme as well as financial institutions to provide the required loan funding.

What is the aim of social housing?

The aim of the social housing programme, whilst providing housing opportunities for low and medium income households, is far wider reaching. The intended impact is that of restructuring cities and empowerment of its residents. Social housing aims to provide clean, healthy and safe environments in proximity to services, transport routes, clinics, schools and economic opportunities. Cities, once planned to segregate, disenfranchise and oppress, must correspondingly be planned to integrate, empower and uplift.

How does the SHRA regulate the social housing sector?

SHIs and projects are required to become accredited by the SHRA. The SHRA's intention is to ensure the social housing stock is well maintained in order to protect the state's investment. The SHRA also regulates certain aspects of tenant management to ensure the tenants are well looked after and reap the intended benefits of the social housing programme but that they likewise support the programme by fulfilling their responsibilities as tenants.

Reviving cities through social housing

Strategic outcome oriented goals

Goal 1

To be a reputable and reliable regulator

- To be recognised as a national regulator on par with SARS and other credible regulators
- To form partnerships with similar international organisations
- To provide an enabling but responsive regulatory authority

Goal 2

To be a good custodian/ steward of state resources

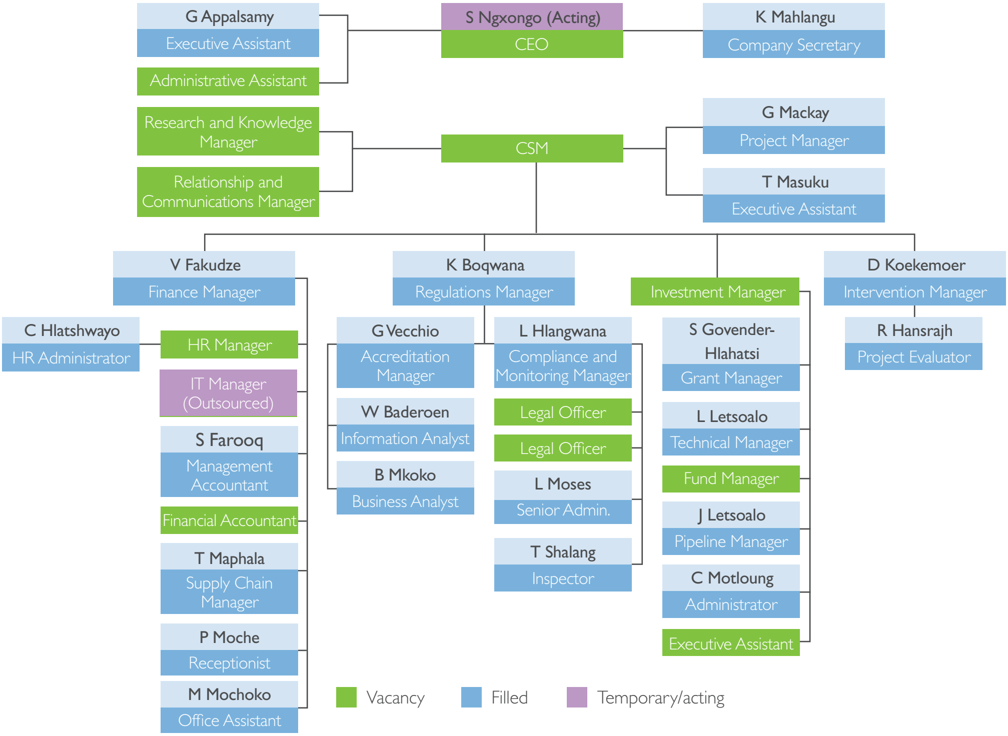
- To ensure that funds vested with the SHRA are used for the purpose intended and optimised by leveraging other funding channels
- To develop a model that will over time require less direct state resources

Goal 3

To use cutting-edge technology and best brand systems to achieve business results

- To recruit, reward and retain the best available skills in the market taking into account equity requirements
- To deploy the best available technological resources to support the business drivers within budget
- To consistently seek business improvement opportunities and enhance operations

Organisational structure



Staff turnover

During the period under review the following turnover in staff was experienced:

Position	Date of resignation	Date of appointment
Company Secretary	12 June 2014 (M Hlaba)	8 September 2014 (K Mahlangu)
Legal Advisor	23 January 2015 (A Williams)	1 October 2014 (A Williams)
Legal Officer	30 June 2014 (G Sebela)	
Investment Manager	29 August 2014 (M Nkuhlu)	
Executive Assistant to the Investment Manager	31 August 2014 (B Goosen)	
Information Technology (IT) Manager	15 October 2014 (R Pillay)	
Corporate Services Manager	10 April 2015 (T Shongwe)	20 August 2014 (T Shongwe)
Business Analyst		9 June 2014 (B Mkoko)
Chief Operations Officer		13 August 2014 (K Boqwana)
Strategic Stakeholder and Institutional Investment Manager		13 August 2014 (D Koekemoer)
Management Accountant		1 November 2014 (S Farooq)
Institutional Investment Grant Manager		1 October 2014 (R Hansrajh)

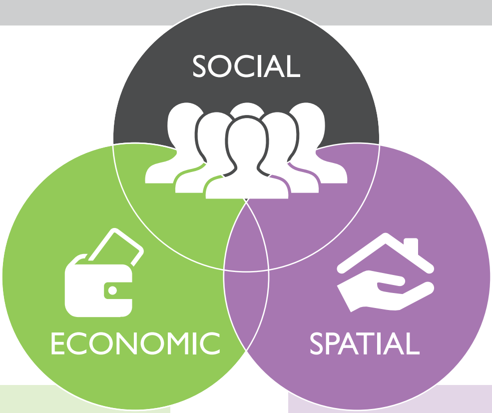
Terminations

There were no terminations in the period under review.

The SHRA's responsibility

The SHRA is responsible for regulating the social housing sector in South Africa and approval, administration and disbursement of both institutional investment and capital grants (named the Restructuring Capital Grant). The SHRA must promote an enabling environment for the growth and development of the social housing sector.

- Mixing social status
- Counteracting social segregation
- Safety, low crime rates
- Healthy environment to raise children
- SHIs operate community development programmes



- Mixing income groups
- Counteracting slum development
- Catalyst for investment
- Opportunity for social migration

- Planning to counteract apartheid dispersion
- Creating access to urban opportunities
- Closer proximity to transportation and economic opportunities

The SHRA's key functions

The SHRA's functions are derived from sections 11 and 12 of the Social Housing Act, No 16 of 2008.

The key functions of the SHRA are to:

1. Promote the **development** and **awareness** of social housing and promote an enabling environment for the growth and development of the social housing sector;

2. Provide **advice** and support to the DoHS in its development of policy for the social housing sector and facilitate national social housing programmes;

3. Provide **best practice** information and **research** on the status of the social housing sector;

4. Support provincial governments with the approval of project applications by SHIs and assist, where requested, in the process of the designation of restructuring zones;

5. Enter into agreements with provincial governments and the NHFC to ensure that implementation by these entities is coordinated;

6. **Provide financial assistance to SHIs** through grants to enable them to develop **institutional capacity, gain accreditation as SHIs and submit viable project applications;**

7. **Accredit institutions** meeting accreditation criteria as SHIs and maintain a register of SHIs. In addition, conduct **compliance monitoring** through regular inspections and enforce compliance where necessary. Further, intervene in the affairs of SHIs in cases of maladministration;

8. **Approve, administer and disburse institutional investment** grants and capital grants and obtain applications for such grants through engagement with provincial governments and municipalities;

9. Make rules and regulations in respect of the accreditation of SHIs and the disbursement of government funds to them; and

10. The SHRA is **empowered to intervene** if it is satisfied on reasonable grounds that there has been maladministration by a SHI. This intervention comprises informing the SHI and supporting it in addressing the problem. Should the SHI not cooperate in this regard, then to take over the administration of the institution.

Legislative and other mandates

The SHRA derives its mandate from the following legislation and policy:

- The Constitution of the Republic of South Africa, No 108 of 1996;
- The Social Housing Act, No 16 of 2008;
- The Housing Act, No 107 of 1997 as amended;
- The Rental Housing Act, No 50 of 1999 as amended;
- The Public Finance Management Act (PFMA), No 1 of 1999;
- Comprehensive Plan for the Development of Sustainable Human Settlements: Breaking New Ground (BNG);
- The Social Housing Policy, 2005;
- The National Housing Code, 2009;
- The National Development Plan 2030, Our Future – Make it Work; and
- Treasury Regulations, 2005.

Supply chain management

The SHRA maintains sound supply chain management practices in line with the Constitution of the Republic of South Africa, the PFMA, Treasury Regulations, Circulars, Practice and Instruction Notes as issued by National Treasury on an adhoc basis and other applicable legislation.

When the SHRA contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective as per Section 217 of the Constitution.

Proper and successful government supply chain management rests upon five core principles of behaviour known as the Five Pillars of Procurement. They are best described as pillars because if any one of them is broken the procurement system falls down, namely:

The SHRA supply chain management processes are under-taken in line with the Approved Delegation of Authority Document that is reviewed and approved by Council to allow for appropriate approvals of procurement processes.

Stakeholders

Oversight and mandate provided by:

SHAREHOLDER
– National Department of Human Settlements (NDoHS)

EXECUTIVE AUTHORITY
– Minister of Human Settlements

PARLIAMENTARY PORTFOLIO COMMITTEE
– on Human Settlements

The SHRA regulates and invests in:

SHIs
Social Housing Institutions

ODAs
Other delivery agents

The SHRA partners with:

- Provincial Departments of Human Settlements
- Provincial Steering Committees
- Provincial Rental Tribunals
- National Association of Social Housing (NASHO)
- National Housing Finance Corporation (NHFC)
- Service providers
- Municipalities
- Funders and financial institutions
- Other human settlements sector Entities and stakeholders
- Other Entities and Departments

Performance information

Situational analysis

The performance information is reported against the SHRA's Annual Performance Plan 2014/2015 which was approved by the former Minister of Human Settlements, C September, on 23 May 2014.

Service delivery environment

It should be noted that the 2014/2015 performance plan only included a target for one programme, the approval of social housing units which falls under the Investment Management Programme. This was advised by the National Department of Human Settlements (NDoHS) in reference to the challenges experienced by the SHRA regarding the constraints of the Operational Grant. Historically, the SHRA has been provided with an Operational Grant and a Restructuring Capital Grant (RCG). The SHRA has therefore had to make use of the Operational Grant for both the Regulatory and Institutional Investment Programmes and once depleted, the RCG. The provision of an RCG is not in keeping with the Social Housing Act, No 16 of 2008, which references a 'capital grant' to be utilised for the Social Housing Investment Programme (SHIP) which comprises both the capital investment plan and the institutional investment plan. This has restricted the SHRA's operations and delivery and therefore was addressed as a priority within the period under review.

The SHRA was established to grow, regulate, approve, administer and disburse institutional investment grants and capital grants and, where applicable, intervene in social housing. The core functional areas of regulation, investment management and institutional investment have been established but the full mandate of the SHRA has yet to be implemented. These areas include:

- The Institutional Investment function, which currently focuses mainly on the award of institutional investment grants and needs to be extended to include the full range of grants as detailed in the Social Housing Policy;
- Full sector capacitation and targeted planning and award of institutional investment grants to ensure maximum impact on the social housing programme;
- Sector research and social housing best practice guidelines;
- Strategic stakeholder engagement; and
- Focused alignment to better support existing and new policy frameworks and economic and spatial planning interventions such as the strategy towards Restructuring Zone proclamation and the National Development Plan (NDP).

The strategy behind the establishment of the SHRA, and the key elements of the Social Housing Act, No 16 of 2008, were purposefully developed to combat the challenges the sector was experiencing prior to regulation, to promote an enabling environment for social housing to flourish, to ensure protection of state assets and, ultimately, ensure the intended impact of the programme to restructure communities and create an economically empowered and integrated society is realised. Whilst the importance of the development of social housing units cannot be diminished, it is important to realise that these are not created in a vacuum but require a conducive environment, strong institutions and other delivery agents and engaged stakeholders.

The need to be provided with a further Operational Grant to effectively fund the Institutional Investment Programme was therefore a necessity for the SHRA and, consequently, the social housing sector. The SHRA submitted a virement request to increase the Operational Grant via a transfer from the RCG allocation and discussions were held with both the NDoHS and National Treasury. It was resolved that a separate budget for the Institutional Investment Programme be provided to the SHRA, commencing in the 2015/2016 financial year. The impact will be considerable for both the SHRA and the sector.

The SHRA's RCG allocation for the 2014/2015 financial year was reduced by R230 million due to a virement to the National Housing Finance Corporation (NHFC) requested by the NDoHS. The SHRA agreed to the virement as the NHFC is a critical sector stakeholder. The Social Housing Act provides the NHFC with the responsibility of availing loan funding for social housing, which is required to fund the shortfall between the Institutional Subsidy of the Province and the RCG of the SHRA. It is hoped that a wide array of financial institutions will become involved in the programme but this has not yet been achieved. The SHRA has to work towards ensuring confidence in the sector by supporting the development of sustainable Social Housing Institutions (SHIs). This has begun to bear fruit as financial institutions like Nedbank have started funding social housing projects.

The MTSF period 2014 – 2019 provided the SHRA with a new target, to deliver 27 000 units within this five-year period. The SHRA had previously based targets on the approval of units due to the grant funding being provided on a per unit basis. The SHRA also lacks control over the delivery of units as this is the responsibility of the grant recipient and Province. However, it was determined that the social housing programme was not delivering the impact that had been envisioned nor at the required scale and therefore a decision was taken to change the performance targets from approval of units to delivery of units.

The SHRA has been working with the NDoHS and other Human Settlements entities to ensure the vision and strategy for the human settlements sector is supported. This includes the Master Spatial Plan for Human Settlements being driven by the Housing Development Agency and the Human Settlements component of the National Mining Towns Intervention coordinated by the NDoHS.

Organisational environment

When the Honourable Member of Parliament L Sisulu was appointed as the new Minister of Human Settlements on 26 May 2014, the SHRA had an Acting CEO and a Council that had already served the required three-year term. Minister Sisulu set about addressing the problems the organisation had experienced and announced in her budget speech on 15 July 2014 that the SHRA would be placed under administration. The NDoHS and the SHRA actively sought to improve their relationship and to ensure the SHRA's operations and mandate were in keeping with that envisioned for the organisation. The former Acting CEO, Adv S Ntsaba-Letele, was seconded to the NDoHS effective 1 November 2014, as the Acting Chief Director of Legal Services. Ms S Ngxongo, Deputy Director General in the Office of the Director General of Human Settlements, was seconded as the new Acting CEO, effective 11 December 2014. A new Council was appointed on 18 March 2015.

The SHRA developed a new Strategic Plan 2014 – 2019, to cover the Medium Term Strategic Framework (MTSF) period, in close association with the NDoHS. The SHRA's performance target is to deliver 27 000 social housing units by 2019. This is a considerable challenge and will require changes to the operations within the organisation as well as significant stakeholder liaison if it is to achieve the required delivery.

The organisational design and development process, initiated in May 2013, culminated in a revised organogram for the organisation which was implemented in the period under review. The headcount of this revised organogram is 44, which is a significant increase from the previous headcount of 36. However, the SHRA is still battling with a high vacancy rate. The appointment of a Corporate Services Manager (CSM) is a statutory requirement as per the Social Housing Act, No 16 of 2008 section 8 (1) (c). The SHRA was without a CSM for a substantial portion of the period under review. There were also a number of key resignations within the period under review such as the Investment Manager, Legal Advisors and the Company Secretary, which impacts on the retention of institutional knowledge and performance of the organisation.

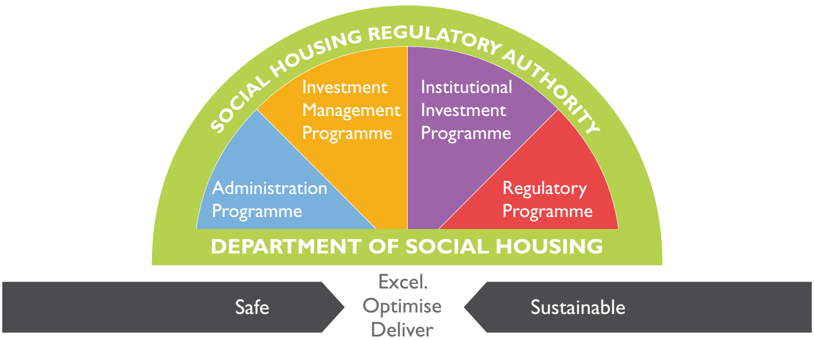
Key policy developments and legislative changes

- The Rental Housing Act, No 50 of 1999 was amended in November 2014. The amendment elaborates on the responsibilities of the landlord and tenant and requires establishment of Rental Housing Tribunals in every Province. SHIs' tenant management practices currently accommodate the amendments and the SHRA welcomes the establishment of further Rental Housing Tribunals as they are a key stakeholder in supporting the social housing sector and enhance the programme's implementation.
- The rules on transfer and disposal of stock funded with public funds were gazetted as per General Notice 67 in the Government Gazette No 38427. The stock refers to social housing estates that were funded with state funding and these rules set out the principles applicable to and the process for the transfer of social housing stock or rights, as contemplated in regulation 13 of the Social Housing Regulations, and the disposal of social housing stock, as contemplated in regulation 14 of the Social Housing Regulations.

Performance information by programme

There are four programmes that enable the SHRA to deliver on its mandate.

The SHRA operates four programmes, described below:



Administration Programme whose output is the strategic direction, governance and support services.

Council

Office of the CEO

Corporate Services

Investment Management Programme whose output is the social housing pipeline and grant award to social housing projects.

Approval, administration and disbursement of the RCG

Institutional Investment Programme to create an enabling environment for social housing including stakeholder collaboration, support for SHIs and projects and research and est practice.

Approval, administration and disbursement of the institutional investment grant research, best practice

Stakeholder engagement

Regulatory Programme whose outcome is asset preservation, sustainable SHIs and social housing stock portfolio.

Accreditation

Compliance monitoring

Enforcement

Administration Programme

The purpose of the programme is to support the organisation to deliver on its mandate. The Administration Programme consists of the Office of the CEO, the Council and all other corporate services that support the work of the organisation.

Investment Management Programme

The purpose of this programme is to approve, administer and disburse the RCG. The programme is structured around grant management, compliance monitoring and pipeline planning sub-programmes.

Historically, the SHRA's targets have been based on the approval of social housing units. However, in the new MTSF period the target changed to units delivered. This will have a significant influence on the way the SHRA operates and reports in future.

A material change in the disbursement of grant funding was implemented in the period under review. In previous years the grant was disbursed in defined tranches into an imprest account. The grant recipient would be authorised to draw down from the imprest accounts on proven achievement of construction milestones. In 2013, a grant recipient accessed the capital in the imprest account without the proper authorisation from the Independent Review Consultant (IRC). The SHRA was directed by the NDoHS to enhance the internal control environment in regard to the administration and disbursement of the RCG. To ensure that the risk to the protection of state funds was minimised and to ensure project delivery, a revised method of grant administration and disbursement was therefore introduced. The SHRA called for the imprest accounts to be closed and the funds repatriated back to the SHRA. Claims are now paid directly to grant recipients based on proven project expenditure. This has also had significant implications for expenditure patterns within the SHRA and requires enhanced project and cash flow planning. The SHRA acknowledges that this has been challenging for the grant recipients and, in the interests of the sector and programme, will work to ensure the impact on the grant recipients is minimised.

The units completed for the various Social Housing Investment Programmes (SHIP) thus far is presented below:

	Annual RCG budget allocation R'million	Annual target Units	RCG awarded R'million	Units awarded	Units delivered
SHIP 1 (2010/2011)	177,4	1 050	141,0	1 050	1 050
SHIP 2a & b (2011/2012)	226,2	1 712	513,9	3 979	3 344
SHIP 3a & b (2012/2013)	647,4	4 661	629,0	5 121	876
SHIP 4b (2013/2014)	904,1	5 429	257,2	2 279	–
SHIP 5a (2014/2015)	597,5	5 668	678,1	5 398	–
Total units approved		**18 520**		**17 827**	**5 270**

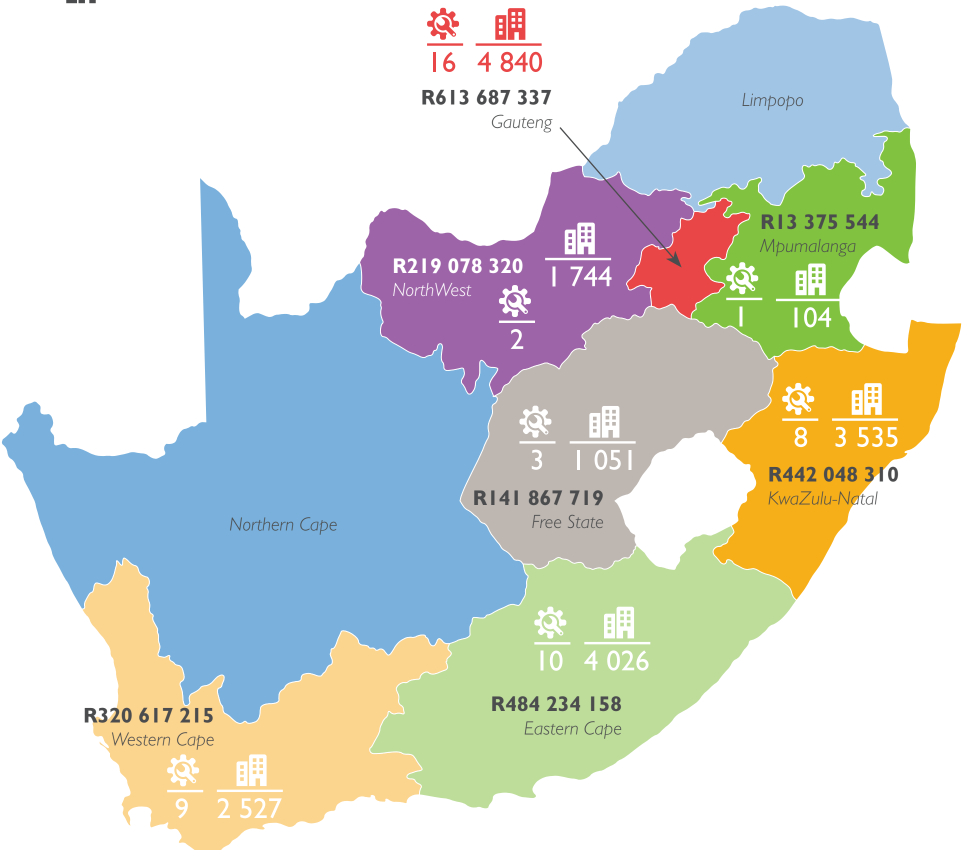
The following projects have been approved in the period under review:

	SHIP 5a (2014/2015)				
Grant recipient	**Name of project**	**Province**	**Municipality**	**Number of units**	**Total RCG amount R**
First Metro	Lakehaven Phase 2	KwaZulu-Natal	eThekwini	8	**1 053 000**
Frescho	Brandwag Phase 3	Free State	Mangaung	154	**19 344 710**
Hlalanathi	Ocean View	Eastern Cape	Buffalo City	603	**75 745 845**
Qhama	Steve Biko Mumford	Eastern Cape	Nelson Mandela Bay	220	**27 635 300**
The Housing Hub	Akasia	Gauteng	City of Tshwane	400	**50 246 000**
SKG	Calypso Heights Phase 1	Eastern Cape	Buffalo City	601	**75 494 615**
SKG	Calypso Heights Phase 2	Eastern Cape	Buffalo City	899	**112 927 885**
Innovative strategic investments property	Devland	Gauteng	City of Johannesburg	715	**89 814 725**
Innovative strategic investments property	Flamwood	North West	Matlosana	1168	**146 718 320**
Urban status rentals	The Block	Western Cape	City of Cape Town	416	**52 255 840**
Urban status rentals	Foundary Road	Western Cape	City of Cape Town	214	**26 881 610**

Below is the number of all projects awarded including units approved under the SHIP from 2010/2011 to 2014/2015 and the associated RCG awards per province:

Projects

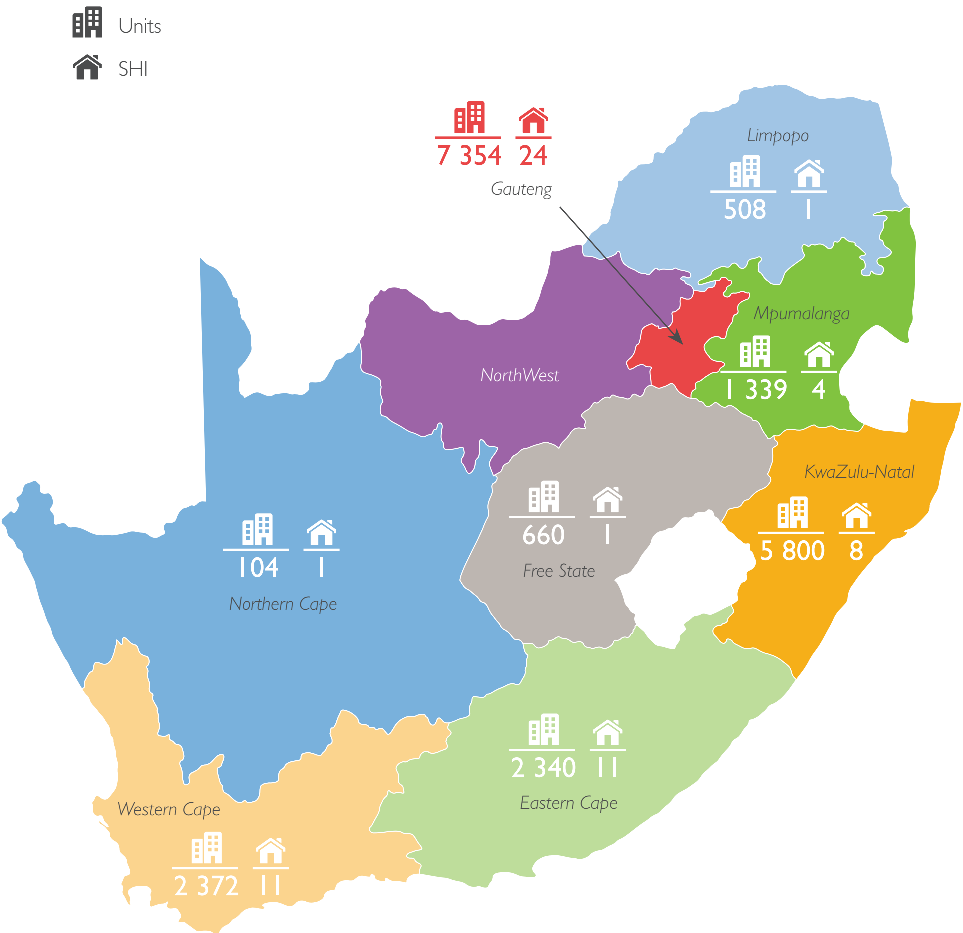
Units



2 234 908 603

RCG funding awarded since the SHRA's establishment (R)

Below is the number of accredited SHIs and units under regulation per province:



Belhar

The Sod Turning for the Belhar project was held in March 2015. This project was originally awarded to Communicare under SHIP 3b in the 2012/2013 financial year but they were unable to continue with the project. Alternatives were then investigated as it will be a very valuable estate.

Madulammoho Housing Association agreed to assume control over the project and has been able to make it viable. Belhar is part of a mixed use development and will deliver 629 social housing units; the SHRA will contribute R79 million in RCG funding.

Minister of Provincial Housing, Bongikosi Madikisela at the Belhar Sod Turning, Cape Town, 23 March 2015.

Fairview Link

Imizi Housing Association is a fully accredited SHI situated in the Eastern Cape. The SHRA has thus far successfully partnered with Imizi Housing Association on three (3) projects: Walmer Link, Fairview Link and Willowdene. Fairview Link is located in Port Elizabeth and is based on the same design as the award winning Walmer Link project. It has now been completed and provides 368 social housing units; the SHRA awarded an RCG to the value of R46,2 million to the project.

Scottsdene

Scottsdene is a new build project from Madulammoho Housing Association. Madulammoho has primarily worked in Johannesburg and this is the first project that it has completed in the Western Cape. This project will deliver 500 social housing units to the community of Scottsdene in Cape Town. The SHRA has contributed an RCG of R65,8 million to the project. Madulammoho is a fully accredited SHI.

Honourable Deputy Minister Z Kota-Fredericks launching the Scottsdene project, Cape Town, 18 March 2015.

Cllr J Ngonyama, Member of the Mayoral Committee for Housing and Sustainable Human Settlement Development, City of Tshwane at the Thembelihle Village Sod Turning, 18 September 2014.

Thembelihle Village

3D image of the completed project. Thembelihle Village, approved under SHIP 3b, will consist of 734 units in total. The SHRA is providing R92 million in RCG funding.

The SHRA is a proud partner of Yeast City Housing's ground breaking project in the City of Tshwane. Thembelihle (meaning good hope) Village is located in the inner city and forms part of the Western Capital Precinct Development Programme. The Estate is located close to government departments, other places of work, shops, social amenities and public transport; and will include a community development centre, 37 units for people with disabilities, an on-site crèche, swimming pool and playground. Yeast City Housing is a fully accredited SHI.

Institutional Investment Programme

The purpose of the programme is to approve, administer and disburse the institutional investment grant. It also includes other responsibilities in terms of the Social Housing Act, including:

- Providing best practice information and research on the status of the social housing sector;
- Promoting the development and awareness of social housing;
- Creating an enabling environment for the growth and development of the social housing sector; and
- Providing advice and support to the DoHS in its development of policy for the social housing sector and facilitating the national social housing programme.

The 2014/2015 financial year was, to a large extent, utilised to consolidate the programme whilst initiating gradual implementation thereof. The budget for the programme will be availed from the 2015/2016 financial year, the policy and guideline have been prepared and are ready for approval. This will allow full scale implementation of the programme during the 2015/2016 financial year.

One of the most crucial aspects planned for the new financial year is the development of a Capacitation Development Framework, to be undertaken in consultation with all sector stakeholders. This framework will confirm the capacity needs within the social housing sector since it is important to answer questions on the capacitation strategy before prioritising such capacitation. Certain issues need to be determined, including the number of SHIs and other delivery agents required to achieve the required delivery, the number and preferred location of projects and the correlation to the delivery agents. The critical government priorities such as opportunities for women, youth and people with disabilities will also be considered.

The following grants were awarded in the period under review; however disbursement will be undertaken in the 2015/2016 financial year once the budget for this programme is made available:

- Four (4) project acquisition and feasibility grants;
- Four (4) pre-accreditation grants; and
- Thirteen (13) general capacity building grants.

Planned targets and actual achievements

As per SHRA's approved Annual Performance Plan (APP) 2014/2015 there is only one indicator, which is the approval of social housing units.

Programme performance indicator	Audited/actual performance 2014	**Planned performance 2015**
1. Number of SH units approved	2 279	**5 668**

Regulatory Programme

The Regulatory Programme implements the accreditation of SHI and other delivery agents, compliance monitoring of social housing estates and SHIs and enforcement of the Social Housing Act to ensure protection of public funds. The programme comprises the accreditation, compliance monitoring and enforcement sub-programmes.

In the period under review, a total of 61 SHIs were accredited of which:

- Eight (8) are fully accredited;
- 41 are conditionally accredited (including one (1) Co-operative); and
- Twelve (12) are pre-accredited (two (2) with Stock).

The increase in the number of accredited entities over the past few years is presented below:

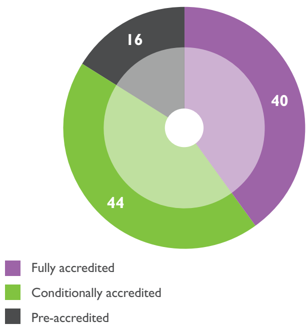
Number of accredited entities

Financial year	Target	Actual
2011/2012	18	18
2012/2013	43	43
2013/2014	50	47
2014/2015	55	61

The Accreditation application assessments were performed in-house compared to previous years when the Accreditation application assessments were handed over to external service providers to perform the exercise.

There are currently 20 447 units under regulation. The accreditation of the SHIs managing these units is presented below. The majority of units are managed by fully accredited and conditionally accredited SHIs. Ultimately, all units should be managed by fully accredited SHIs to achieve the intended impact and sustainability of the social housing programme.

Units allocation per accreditation status Percentage



Key

The target was not achieved
The target was partially met
The target was achieved
The target was surpassed

To be read in conjunction with the paragraph in the External Auditor's report on page 36.

	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Annual total	Variance
	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
	–	–	2 868	1 432	–	–	2 800	3 996	5 398	The variance was -270 which equates to 5%

List of abbreviations/acronyms

APP	|	Annual Performance Plan
BNG	|	Breaking New Ground
CEO	|	Chief Executive Officer
CSM	|	Corporate Services Manager
HR	|	Human Resources
IRC	|	Independent Review Consultant
IT	|	Information technology
MTEF	|	Medium Term Expenditure Framework
MTSF	|	Medium Term Strategic Framework
NDoHS	|	National Department of Human Settlements
NDP	|	National Development Plan 2030 Our Future – Make It Work
NHFC	|	National Housing Finance Corporation
PFMA	|	Public Finance Management Act, No 29 of 1999
RCG	|	Restructuring Capital Grant
SHI	|	Social Housing Institution
SHIP	|	Social Housing Investment Programme
SHRA	|	Social Housing Regulatory Authority

Annual financial statements

for the year ended 31 March 2015

The following supplementary information does not form part of the annual financial statements and is unaudited:

Preparer

RAiN Chartered Accountants Incorporated

Report of the Council responsibilities and approval

The Council is required by the Social Housing Act, 2008, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Council to ensure that the annual financial statements fairly present in all material respects the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable, prudent judgements and estimates.

The Council has fulfilled its responsibilities in accordance with the PFMA, section 51. The Council acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the Council to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Council is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Council has reviewed the entity's cash flow forecast for the year to 31 March 2016 and, in light of this review and the current financial position, is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the National Department of Human Settlements for funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the National Department of Human Settlements has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on Pages 35 to 37.

The annual financial statements set out on Pages 46 to 79, which have been prepared on the going concern basis, were approved by the Council on 29 July 2015 and were signed on its behalf by:

Mr A Vawda
Chairperson

Ms S Ngxongo
Acting Chief Executive Officer

Audit, Finance, Risk and IT Committee report

We are pleased to present our report for the financial year ended 31 March 2015.

Audit Committee members and attendance

The Audit Committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. The new Audit Committee members, appointed on 18 March 2015, could not meet before the year end.

	Number of attended ordinary meetings	Number of attended special meetings	Number of workshops attended	Apologies
Adv C Weapond (Former Chairperson – term expired 18/03/2015)	7	2	1	–
Ms S Trail (resigned on 02/03/2015)	6	2	1	–
Ms M Khumalo* (term expired 18/03/2015)	4	2	–	–
Ms MJ Lamola (term expired 18/03/2015)	2	1	1	1
Mr SK Ganda (Chairperson – appointed on18/03/2015)	–	–	–	–
Mr MR Moroka (appointed on 18/03/2015)	–	–	–	–
Adv M Mdludlu (appointed on 18/03/2015)	–	–	–	–
Ms ZZ Ntlangula (appointed on 18/03/2015)	–	–	–	–

**Independent external members.*

The Audit Committee reports that it has complied with its responsibilities arising from section 55(1)(a)(ii) of the PFMA and Treasury Regulation 27.1.

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the external auditors, there were no material deficiencies noted in the system of internal controls,. Accordingly, we can report that the system of internal control over financial reporting for the year under review was efficient and effective.

Evaluation of annual financial statements

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the external auditors and the Council members;
- reviewed the external auditor's management report and management's response thereto;
- reviewed the entity's compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs with and accepts the external auditor's report on the financial statements and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the external auditors.

Internal audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Mr SK Ganda
Chairperson of the Audit Committee

29 July 2015

External auditor's report

Independent auditor's report to Parliament on the social housing regulatory authority for the year ended 31 March 2015

Report on the financial statements

Introduction

We have audited the financial statements of the Social Housing Regulatory Authority as set out on pages 46 to 79, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

The Accounting Authority is responsible for the preparation and fair presentation of these financial statements in accordance with Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Social Housing Regulatory Authority as at 31 March 2015, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa.

Emphasis of matter

We draw attention to the matter below. Our opinion is not qualified in respect of this matter.

Going concern

Note 27 to the financial statements indicates the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern.

Report on other legal and regulatory requirements

Auditing Professions Act

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Professions Act, we report that we have identified certain unlawful acts or omissions committed by persons responsible for the management of the Social Housing Regulatory Authority which constitutes reportable irregularities in terms of the Auditing Professions Act, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities has been described in paragraph 17 in the Council's report.

Public Audit Act

In accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives for the selected objective presented in the annual report, non-compliance with legislation and internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2015:

- Investment in social housing (units approved) – Part B of Annual Performance Plan, Page 10.

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objective.

Additional matter

Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

Achievement of planned targets

Refer to the annual performance report on Pages 28 to 29 for information on the achievement of the planned targets for the year

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key legislation as set out in the General Notice issued in terms of the PAA, are as follows:

Human resource management and compensation

Effective and appropriate steps to appoint a Corporate Services Manager, as required by the Social Housing Act 16 of 2008, were not taken.

Expenditure management

The accounting authority did not take effective steps to prevent irregular, expenditure as required by section 51(1) (b) (i) of the Public Finance Management Act.

Financial statements, performance and annual reports

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(a) of the Public Finance Management Act.

Material misstatements of current liabilities and expenditure identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal control

We considered internal control relevant to our audit of the financial statements, the annual performance report and compliance with laws and regulations. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with laws and regulations included in this report.

Leadership

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls. This resulted in irregular expenditure being incurred.

Management did not implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place. This resulted in the vacancy of the Corporate Services Manager from 10 April 2015.

Financial and performance management

Management did not implement controls over daily and monthly processing and reconciling of transactions. This resulted in a material misstatement of financial information identified by the auditors in the submitted financial statements which were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Sifiso Sithebe
Registered Auditor
Chartered Accountant (SA)

27 August 2015

Council's report

The Council submits its report for the year ended 31 March 2015.

1. Review of activities

Main business and operations

The Social Housing Regulatory Authority was established in terms of section 7 of Chapter 3 of the Social Housing Act, 2008 and is also listed as a Schedule 3A public entity in terms of the Public Finance Management Act, No 1 of 1999, as amended (PFMA). The Council as appointed in terms of section 9 of the Social Housing Act acts as the Accounting Authority in terms of the PFMA.

The entity is the sole regulatory authority in social housing countrywide, and is therefore an autonomous statutory organisation established to ensure the sustainability and growth of the social housing rental sector in line with government's objectives by investing in and regulating the social housing sector as well as providing guidance to the sector.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The Council is not aware of any subsequent events as reported in note 28.

4. Council's interest in contracts

All Council members are required to sign a declaration of interest register at the commencement of each Council and Council committee meeting. None of the Council members have declared any interest in contracts with the entity during the current year.

5. Accounting policies

The annual financial statements for the year ended 31 March 2015 were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), the PFMA and its regulations, directives and interpretations issued by the Accounting Standards Board. GRAP statements which were applied prior to the commencement dates in the current year are listed in the accounting policy note on presentation of annual financial statements.

6. Non-current assets

There were no major changes in the nature of non-current assets of the entity during the year.

There were no changes in the policy relating to the use of non-current assets during the year.

7. Council members

The members of the Council during the year and to the date of this report are as follows:

Name	Nationality	Changes
Ms S Trail	South African	Resigned on 2 March 2015
Adv S Ntsaba-Letele (Acting Chief Executive Officer)	South African	Seconded to the National Department of Human Settlements on 31 October 2014
Ms T Shongwe (Corporate Services Manager)	South African	Appointed on 20 August 2014
Mr A Vawda (Chairperson)	South African	Appointed as Chairperson on 18 March 2015
Ms S Ngxongo (Acting Chief Executive Officer)	South African	Appointed Acting CEO on 1 November 2014
Mr ZT Ngcakani	South African	Appointed on 18 March 2015
Mr SK Ganda	South African	Appointed on 18 March 2015
Ms RS Molokoane	South African	Appointed on 18 March 2015
Mr PWW Ximiya	South African	Appointed on 18 March 2015
Ms NN Mbiza	South African	Reappointed on 18 March 2015
Mr MR Moroka	South African	Appointed on 18 March 2015
Adv M Mdludlu	South African	Appointed on 18 March 2015
Ms MJ Lamola	South African	Reappointed on 18 March 2015
Ms KE Kwinana	South African	Appointed on 18 March 2015
Mr IW Kotsoane	South African	Appointed on 18 March 2015
Ms ZZ Ntlangula	South African	Appointed on 18 March 2015
Ms Z Ebrahim (Former Chairperson)	South African	Term expired on 18 March 2015
Adv C Weapond	South African	Term expired on 18 March 2015

8. Council members and Executive Managers remuneration

	Meeting fees R	Travel expenses R	Council fees R	Salary R	Bonus R	**Total package 2015 R**	Total package 2014 R
Council							
Non-executive Council members							
Chairperson: Z Ebrahim	142 500	11 193	40 000	–	–	**193 693**	143 390
Member: Adv C Weapond	123 000	–	26 000	–	–	**149 000**	86 454
Member: Adv S Ntsaba-Letele	–	–	–	–	–	**–**	77 000
Member: N Mbiza	116 000	–	26 000	–	–	**142 000**	95 200
Member: S Trail	79 000	–	26 000	–	–	**105 000**	93 000
Member: M Lamola	106 000	3 696	26 000	–	–	**135 696**	101 738
Member: C Sanangura*	–	–	–	–	–	**–**	15 000
Member: M Khumalo*	24 000	616	–	–	–	**24 616**	22 862
	590 500	15 505	144 000	–	–	**750 005**	634 644
A Vawda is an employee of the state and is therefore not remunerated.							
**External independent members of the Audit Committee*							
Executive Council members							
Acting CEO: Adv S Ntsaba-Letele	–	13 932	19 500	1 500 000	–	**1 533 432**	434 419
Corporate Services Manager: Ms T Shongwe	–	898	–	730 764	–	**731 662**	–
Chief Executive Officer: Mr B Moholo	–	–	–	–	–	**–**	1 651 877
Corporate Services Manager: Mr E Perumal	–	–	–	–	–	**–**	1 135 056
	–	14 830	19 500	2 230 764	–	**2 265 094**	3 221 352

Mr Moholo was placed on special leave on 9 December 2013, pending an investigation and disciplinary hearing, Adv S Ntsaba-Letele was appointed as Acting Chief Executive Officer with effect from the same date. Mr Moholo's fixed term employment contract expired automatically at the end of its term on 31 December 2013. Adv S Ntsaba-Letele was seconded to the National Department of Human Settlements on 31 October 2014, Ms S Ngxongo was appointed as Acting Chief Executive Officer with effect from the same date. Adv S Ntsaba-Letele's remuneration from November 2014, which amounts to R659 804, has been excluded from the Council members' remuneration in the statement of financial performance as it was paid by the National Department of Human Settlements. Ms S Ngxongo is an employee of the National Department of Human Settlements and is therefore not remunerated. Mr E Perumal resigned on 5 January 2014.

	Meeting fees R	Travel expenses R	Council fees R	Salary R	Bonus R	**Total package 2015 R**	Total package 2014 R
Executive Managers							
Company Secretary: Ms K Mahlangu	–	–	–	486 409	–	**486 409**	–
Finance Manager: Mr V Fakudze	–	6 481	–	1 135 172	65 250	**1 206 903**	1 081 699
Investment Manager: Mr M Nkuhlu (Resigned)	–	–	–	–	–	**–**	1 007 599
Regulations Manager: Mr K Boqwana	–	12 765	–	1 319 162	77 250	**1 409 177**	1 193 768
Intervention Manager: Mr D Koekemoer	–	20 530	–	1 068 184	71 250	**1 159 964**	1 003 197
Company Secretary: Ms M Hlaba (Resigned)	–	–	–	–	–	**–**	714 055
	–	39 776	–	4 008 927	213 750	**4 262 453**	5 000 318

9. Corporate governance

General

The Council is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Council supports the highest standards of corporate governance and the ongoing development of best practice.

Council members

The Council:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive members, all of whom are independent directors as defined in the Code; and
  - executive members; and
- has established a Council continuity programme.

Chairperson and Chief Executive

The Chairperson is a non-executive and independent member (subscribing to good corporate governance standards).

The roles of Chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Chief Executive Officer and the Corporate Services Manager, who are the only two executive members of the entity, are determined by the Council, and the Council will determine the remuneration. The non-executive Council members are remunerated as determined by the Minister in line with National Treasury tariffs.

Executive Committee meetings

The Executive Committee is scheduled to meet fortnightly during the financial year.

Non-executive Council members have access to all members of management of the entity.

Audit, Finance, IT Governance and Risk Committee

The committee met six times during the financial year to review matters necessary to fulfil its role.

Procurement framework

The entity complies with the PFMA and Treasury Regulation 16A.

The entity operates within the Preferential Procurement Regulations of the Preferential Procurement Policy Framework of Act 5 of 2000. It follows the 80/20 principle of all procurement exceeding R30 000 and falling below R1 000 000 and 90/10 principle for all procurement exceeding R1 000 000.

	Number of attended ordinary meetings	Number of attended special meetings	Number of attended workshops	Apologies
10. Council				
Ms Z Ebrahim (Former Chairperson, term expired on 18 March 2015)	13	6	–	1
Ms S Trail	13	–	–	2
Ms M Lamola	13	2	–	2
Ms N Mbiza	13	6	–	–
Adv S Ntsaba-Letele	3	3	–	–
Adv C Weapond	11	6	–	2
Mr A Vawda (Chairperson from 18 March 2015)	–	–	–	4
Ms T Shongwe (Corporate Services Manager)	1	4	–	2
Ms S Ngxongo (Acting Chief Executive Officer)	1	3	–	1
11. HR Committee				
Ms N Mbiza (Chairperson)	1	–	–	–
Ms Z Ebrahim	1	–	–	–
Ms M Lamola	1	–	–	–
12. Regulations Committee				
Ms Z Ebrahim (Chairperson)	1	–	–	–
Adv C Weapond	1	–	–	–
Ms N Mbiza	1	–	–	–
13. Investment Committee				
Ms S Trail (Chairperson)	3	–	–	–
Ms Z Ebrahim	2	–	–	1
Ms M Lamola	3	–	–	–
Adv S Ntsaba-Letele	2	–	–	–

14. Auditors

Ernst & Young Incorporated were reappointed as auditors for this financial year.

	2015 R	2014 R
15. Irregular expenditure		
Irregular expenditure as a result of capital budget being used for operational requirements	–	20 253 060
Irregular expenditure incurred in respect of Provincial Special Projects	–	93 608 283
Irregular expenditure incurred in respect of Projects approved by inappropriately constituted Council	**12 167 452**	–
Condoned by Council	–	(113 861 343)
Irregular expenditure awaiting condonement	**12 167 452**	–

15.1 Provincial Special Projects

The National Department of Human Settlements had identified that the Provinces would not meet their social housing targets. The National Department of Human Settlements then instructed the Provincial Departments to transfer their social housing allocation to the SHRA in order for the social housing projects to be implemented as identified at MinMec.

The Provincial Special Projects (PSPs) were then presented for review to both the Investments Committee and Council. The Council therefore condoned the PSP expenditure for the following reasons:

- It was within the SHRA's mandate and objectives, these were projects supported and recommended by the Provinces;
- As a result of Outcome 8 being focused on social housing, more funding was reserved for the rental social housing programme; and
- There was an understanding with the National Department of Human Settlements on the PSP programme.

15.2 Capital expenditure used for operational requirements

Capital budget was utilised for operational requirements as the operation budget was insufficient to support operational activities. The budget was used for the following operational activities:

- Turnaround strategies through the intervention programme;
- Project monitoring for SHIP Projects; and
- The legal fees following the recent activities in the organisation with regard the forensic investigation.

15.3 Projects approved by inappropriately constituted Council

In terms of the Social Housing Act, 2008 the Council of the Social Housing Regulatory Authority must consist of between seven and twelve non-executive members. During March 2014 to February 2015 and March 2015 the Council only comprised six and five members respectively. Decisions taken by the Council during the relevant period have been rendered invalid as the Council was not properly constituted and was not authorised to act in terms of the Act. The Social Housing Regulatory Authority has sought legal advice and it has been proposed that the decisions of Council made during the relevant period be remedied now by the new Council, which has been properly constituted.

	2015 R	2014 R
16. Fruitless and wasteful expenditure		
Disbursement to Marang Estate Development Project	–	59 755 040

There is no fruitless and wasteful expenditure in the current financial year.

A transfer was made in respect of the Marang Estate Development Project for which not all value had been received. The accumulated amount is R144 755 040 (2014: R59 755 040; 2013: R85 000 000).

17. Corporate Services Manager position

The Corporate Services Manager vacated the position on 10 April 2015. As this is a statutory position, provided for in section 8(1)(c) of the Social Housing Act, the entity is currently not in compliance with this Act. This has resulted in a reportable irregularity as noted in the External Auditor's report on Page 36. The organisation is currently in the process of attending to the administrative requirements to fill this position.

Statement of financial position

as at 31 March 2015

	Notes	31 March 2015 R	31 March 2014 R
Assets			
Current assets			
Receivables from exchange transactions	3	**694 346**	700 366
Receivables from non-exchange transactions	4	**–**	436 000 000
Cash and cash equivalents	5	**878 441 392**	45 675 384
		879 135 738	482 375 750
Non-current assets			
Property, plant and equipment	6	**2 220 528**	2 977 758
Intangible assets	7	**91 882**	243 465
		2 312 410	3 221 223
Total assets		**881 448 148**	485 596 973
Liabilities			
Current liabilities			
Operating lease liability	8	**287 030**	404 244
Payables from exchange transactions	9	**12 776 386**	9 982 396
Recalled Grant Funds (SHIP Projects)	10	**277 390 360**	–
Provisions	11	**676 625**	1 575 650
		291 130 401	11 962 290
Total liabilities		**291 130 401**	11 962 290
Net assets		**590 317 747**	473 634 683
Reserves			
Revaluation reserve		**319 665**	296 351
Accumulated surplus		**589 998 082**	473 338 332
Total net assets		**590 317 747**	473 634 683

Statement of financial performance

for the year ended 31 March 2015

	Notes	31 March 2015 R	31 March 2014 R
Revenue from non-exchange transactions	12	**631 023 000**	650 151 000
Other income		**–**	39 452
Operating expenses		**(34 418 083)**	(35 336 632)
Programme costs	14	**(43 971 634)**	(143 958 961)
Operating surplus	15	**552 633 283**	470 894 859
Investment revenue	16	**37 364 799**	2 443 473
Surplus for the year		**589 998 082**	473 338 332

Statement of changes in net assets

for the year ended 31 March 2015

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Balance at 1 April 2013	–	170 628 820	170 628 820
Changes in net assets			
Revaluation of property, plant and equipment*	296 351	–	296 351
Net income/(losses) recognised directly in net assets	296 351	–	296 351
Surplus for the year	–	473 338 332	473 338 332
Total recognised income and expenses for the year	296 351	473 338 332	473 634 683
Refund of prior year accumulated surplus to National Treasury**	–	(170 628 820)	(170 628 820)
Total changes	296 351	302 709 512	303 005 863
Balance at 1 April 2014	**296 351**	**473 338 332**	**473 634 683**
Changes in net assets			
Revaluation of property, plant and equipment*	**23 314**	**–**	**23 314**
Net income recognised directly in net assets	**23 314**	**–**	**23 314**
Surplus for the year	**–**	**589 998 082**	**589 998 082**
Total recognised income and expenses for the year	**23 314**	**589 998 082**	**590 021 396**
Refund of prior year accumulated surplus to National Treasury**	**–**	**(473 338 332)**	**(473 338 332)**
Total changes	**23 314**	**116 659 750**	**116 683 064**
Balance at 31 March 2015	**319 665**	**589 998 082**	**590 317 747**

* *Refer to note 6.*

** *The refund of prior year accumulated surplus to National Treasury represents surplus funds that were not utilised by the Social Housing Regulatory Authority in the prior year and were subsequently paid back to the National Treasury in the current financial year.*

Cash flow statement

for the year ended 31 March 2015

	Notes	31 March 2015 R	31 March 2014 R
Cash flows from operating activities			
Receipts			
Government grants		**1 067 023 000**	214 151 000
Interest income	16	**37 364 799**	2 443 473
Recalled Grant Funds (SHIP Projects)		**277 390 360**	–
Other receipts		**–**	39 452
		1 381 778 159	216 633 925
Payments			
Employee costs		**(15 276 884)**	(16 073 632)
Refund of prior year surplus		**(473 338 332)**	(170 628 820)
Other payments (including programme costs)	17	**(60 239 353)**	(162 278 539)
		(548 854 569)	(348 980 991)
Net cash flows from operating activities	18	**832 923 590**	(132 347 066)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(134 162)**	(372 409)
Proceeds from sale of property, plant and equipment	6	**8 147**	1 426
Purchase of other intangible assets	7	**(31 567)**	(178 142)
Net cash flows from investing activities		**(157 582)**	(549 125)
Net increase/(decrease) in cash and cash equivalents		**832 766 008**	(132 896 191)
Cash and cash equivalents at the beginning of the year		**45 675 384**	178 571 575
Cash and cash equivalents at the end of the year	5	**878 441 392**	45 675 384

Accounting policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including interpretations, guidelines and derivatives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand. The financial statements have been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, is disclosed below. These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment testing for property, plant and equipment and intangible assets

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates of expected future cash flows for each of the assets are prepared.

Provisions

Provisions were raised and management determined the best estimate of the expenditure required to settle the present obligation. Additional disclosure of these estimates of provisions is included in note 11 – Provisions.

Property and equipment and intangible assets

The entity's management determines the estimated useful lives and residual values of property and equipment and intangible assets. These assessments are made on an annual basis and use historical evidence and current economic factors to estimate the values.

Administrative IT equipment, office furniture and equipment, exhibits and motor vehicles are not componentised. These assets do not have significant parts that are considered to have an estimated useful life different to the estimated useful life of the asset as a whole.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Any subsequent expenditure on property, plant and equipment is capitalised when the costs can be estimated reliably and the expenditure increases the economic benefits or service potential of the asset – all other expenditure is expensed..

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using a fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Items of property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Furniture and fixtures	6 – 15 years
Motor vehicles	3 – 6 years
Office equipment	3 – 6 years
IT equipment	3 years
Leasehold improvements	lower of useful life and term of lease

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

For an intangible asset acquired at no or nominal cost, the cost shall be deemed to be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

For intangible assets amortisation is provided on a straight-line basis over their useful lives. The residual value, the useful life and amortisation method for intangible assets are reviewed at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of the intangible asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Amortisation commences on the date the asset is brought into use.

The amortisation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

Annual licence renewals and incidental costs are written off as period costs.

1.4 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit – designated;
- Financial assets measured at amortised cost; and
- Financial liabilities measured at amortised cost

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

Receivables from non-exchange transactions

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Receivables from exchange transactions

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.5 Taxation

No provision has been made for taxation. The entity is exempt from taxation in terms of section 10 (1) cA of the Income Tax Act.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.

1.7 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

As the entity is not profit orientated and it holds its assets to facilitate the pursuance of its mandate, its assets are non-cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Basis for estimates of future cash flows

In measuring value in use, the entity:

- bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- bases cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts cover a maximum period of five years, unless a longer period can be justified; and
- estimates cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease to the extent that the impairment reverses a previous revaluation increase of the same asset.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.9 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity identifies a contract as onerous, the loss is recognised immediately in surplus or loss and the counter present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.11 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) the Public Finance Management Act, No 1 of 1999; or

(b) the State Tender Board Act, No 86 of 1968 or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial period and which was condoned before year end and/or before finalisation of the financial statements is recorded appropriately in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.13 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Only transactions with government related parties not at arm's length or not in the ordinary course of business are disclosed.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2015 or later periods:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 18: Segment reporting	No effective date	No material impact as not relevant, the entity does not report on segments.
GRAP 105: Transfers of functions between entities under common control	No effective date	No material impact as not relevant, the entity does not expect to transfer its functions to another entity or control the functions of another entity.
GRAP 106: Transfers of functions between entities not under common control	No effective date	No material impact as not relevant, the entity does not transfer its functions to another entity or control the functions of another entity.
GRAP 107: Mergers	No effective date	No material impact as not relevant, the entity does not expect to merge with another entity.
GRAP 20: Related parties	No effective date	No material impact, the standard has been used to formulate and inform the current accounting and disclosures.
IGRAP 11: Consolidation – Special purpose entities	No effective date	No material impact as not relevant, the entity is not a controlling or controlled entity.
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	No effective date	No material impact as not relevant, the entity does not have jointly controlled entities.
GRAP 32: Service concession arrangements: Grantor	1 April 2016	No material impact as not relevant, the entity is not a grantor of service concession assets.
GRAP 108: Statutory receivables	1 April 2016	No material impact as not relevant, the entity currently has no statutory receivables.
IGRAP 17: Service concession arrangements where a grantor controls a significant residual interest in an asset	1 April 2016	No material impact as not relevant, the entity is not a grantor of service concession assets.
DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	1 April 2016	The impact of the amendment is not material.

	2015 R	2014 R
3. Receivables from exchange transactions		
Prepayments	**13 750**	35 516
Deposits	**550 722**	550 722
Sundry debtors	**129 874**	114 128
	694 346	700 366

Trade and other receivables pledged as security

No receivables were pledged as security.

Deposits

Deposits relate to rental deposit on the premises occupied by the entity and Telkom deposit.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Trade receivables

Counterparties with external credit rating (Moody's)

BBB-	**550 722**	550 722

Counterparties without external credit rating

Unrated	**143 624**	149 644

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired. At 31 March 2015, no balances were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	**–**	114 128

Trade and other receivables impaired

As of 31 March 2015, trade and other receivables of R114 128 were impaired and provided for.

The ageing of amounts impaired and provided for is as follows:

Over 12 months	**114 128**	–

	2015 R	2014 R
4. Receivables from non-exchange transactions		
Government grants and subsidies	–	436 000 000
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	**559**	669
Call accounts	**876 609 674**	45 112 366
Current accounts	**1 810 948**	557 206
Debit card	**20 210**	5 143
	878 441 391	45 675 384

Cash and cash equivalents include unspent conditional grants received in the current financial year which are not available for the day-to-day operations of the Social Housing Regulatory Authority. (refer to note 10).

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaire can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2015 R	2014 R
Credit rating		
A	**878 440 832**	45 674 715

	2015		
	Cost/ valuation R	Accumulated depreciation, accumulated impairment and accumulated fair value adjustments R	Carrying value R
6. Property, plant and equipment			
Furniture and fixtures	1 384 435	(730 735)	653 700
Motor vehicles	357 719	(162 719)	195 000
Office equipment	617 892	(408 592)	209 300
IT equipment	1 936 257	(1 271 958)	664 299
Leasehold improvements	1 909 562	(1 411 333)	498 229
Total	6 205 865	(3 985 337)	2 220 528

	Opening balance R	Additions R	Disposals R
Reconciliation of property, plant and equipment 2015			
Furniture and fixtures	790 400	12 329	–
Motor vehicles	230 000	–	–
Office equipment	310 800	–	–
IT equipment	761 452	121 833	(8 147)
Leasehold improvements	885 106	–	–
	2 977 758	134 162	(8 147)

2014		
Cost/ valuation R	Accumulated depreciation, accumulated impairment and accumulated fair value adjustments R	Carrying value R
1 372 106	(581 706)	790 400
357 719	(127 719)	230 000
617 892	(307 092)	310 800
1 832 754	(1 071 302)	761 452
1 909 562	(1 024 456)	885 106
6 090 033	(3 112 275)	2 977 758

Depreciation R	**Revaluation surplus/ (deficit) R**	**Impairment reversal/ (losses) R**	**Total R**
(184 621)	**35 592**	**–**	**653 700**
(71 544)	**–**	**36 544**	**195 000**
(102 890)	**–**	**1 390**	**209 300**
(198 561)	**(12 278)**	**–**	**664 299**
(386 877)	**–**	**–**	**498 229**
(944 493)	**23 314**	**37 934**	**2 220 528**

6. Property, plant and equipment

continued

Reconciliation of property, plant and equipment 2014

	Opening balance R	Additions R	Disposals R
Furniture and fixtures	792 955	53 139	–
Motor vehicles	339 833	–	–
Office equipment	321 355	70 368	–
IT equipment	566 040	143 901	(27 258)
Leasehold improvements	1 163 482	105 001	–
	3 183 665	372 409	(27 258)

Revaluations

The effective date of the revaluations was 1 April 2015. Revaluations were performed by an independent valuer. The valuation was performed using the current market value of the assets.

When the revalued amount of an asset is lower than its cost an impairment loss is recognised. An impairment reversal is recognised to the extent of impairment losses recognised in prior years.

The revaluation resulted in the revaluation surplus/(deficit) and impairment reversals/(losses) recognised,

	2015		
	Cost/ valuation R	**Accumulated amortisation and accumulated impairment R**	**Carrying value R**
7. Intangible assets			
Computer software	**854 615**	**(762 733)**	**91 882**

Depreciation R	Revaluation surplus/ (deficit) R	Impairment reversal/ (losses) R	Total R
(166 064)	100 241	10 129	790 400
(71 544)	–	(38 289)	230 000
(98 465)	–	17 542	310 800
(400 602)	196 110	283 261	761 452
(383 377)	–	–	885 106
(1 120 052)	296 351	272 643	2 977 758

2014

Cost/ valuation R	Accumulated amortisation and accumulated impairment R	Carrying value R
823 049	(579 584)	243 465

	Opening balance R	Additions R	Amortisation R	Total R
7. Intangible assets continued				
Reconciliation of intangible assets 2015				
Computer software	**243 465**	**31 567**	**(183 150)**	**91 882**
Reconciliation of intangible assets 2014				
Computer software	320 881	178 142	(255 558)	243 465

	2015 R	2014 R
8. Lease straight-lining accrual		
Current liabilities – Premises	**287 030**	404 244
9. Payables from exchange transactions		
Accrued expenses (exchange transaction)	**12 684 066**	9 705 548
Credit card (exchange transaction)	**92 320**	114 677
Interest on provincial bank balances (exchange transaction)	**–**	162 171
	12 776 386	9 982 396

Payables are settled on invoice or 30-day terms.

Accrued expenses comprise running costs and programme costs that had been incurred at year end but not yet paid for.

10. Recalled Grant Funds (SHIP Projects)

Province/Institution	Project	Programme	2015 R	2014 R
Eastern Cape Province				
Imizi Housing Utility	Fairview Link	SHIP	**2 626 189**	–
Social Housing Company (SOHCO)	Emerald Sky Phase 4	SHIP	**28 921**	–
			2 655 110	–
Free State Province				
Free State Social Housing Company	Brandwag	SHIP	**12 879 328**	–
Gauteng Province				
Yeast City Housing	Thembelihle	SHIP	**55 228 078**	–
Yeast City Housing	Salvokop	SHIP	**295 487**	–
			55 523 565	–
Mpumalanga Province				
Emalahleni Housing Institution	Klarinet	SHIP	**1 135 899**	–
KwaZulu-Natal Province				
Msunduzi Housing Association	Westgate Grange	SHIP	**90 320 877**	–
First Metro Housing Company	Lakehaven Phase 2	SHIP	**9 543 446**	–
First Metro Housing Company	Avoca Hills	SHIP	**15 896 782**	–
First Metro Housing Company	Hampshire	SHIP	**16 841 680**	–
First Metro Housing Company	Hamptons	SHIP	**40 232 926**	–
First Metro Housing Company	Hilltops	SHIP	**22 455 591**	–
			195 291 302	–
Western Cape Province				
Social Housing Company (SOHCO Amalinda)	Steenberg	SHIP	**177 657**	–
Madulammoho Housing Association	Scottsdene	SHIP	**1 818 040**	–
Western Cape Province	Institution Investment	Institution Investment	**1 340 000**	–
Domus Social Housing	E-Junction Phase 1	SHIP	**6 569 459**	–
			9 905 156	–
			277 390 360	–

10. Recalled Grant Funds (SHIP Projects) continued

SHIP – Social Housing Investment Programme

Recalled Grant Funds (SHIP Projects) relate to amounts that were disbursed in prior years to qualifying grant recipients using a Social Housing Institution imprest account in the control and name of the Social Housing Institution. In an effort to mitigate the risks associated with lack of control, the Social Housing Regulatory Authority has abandoned the use of the Social Housing Institution imprest account to a new system where payments to grant recipients are aligned to actual project expenditure. The possibility of abusing the Social Housing Institution imprest account and incurring unnecessary irregular expenditure has been eliminated. Unutilised funds that had been granted using the imprest account system were requested to be repatriated back to the Social Housing Regulatory Authority to be disbursed later according to actual project expenditure.

	Opening balance R	Additions R	Utilised during the year R	Total R
11. Provisions				
Reconciliation of provisions – 2015				
Provision for leave	**626 600**	**1 118 521**	**(1 068 496)**	**676 625**
Provision for bonuses	**949 050**	**–**	**(949 050)**	**–**
	1 575 650	**1 118 521**	**(2 017 546)**	**676 625**
Reconciliation of provisions – 2014				
Provision for leave	691 722	1 297 259	(1 362 381)	626 600
Provision for bonuses	188 831	949 050	(188 831)	949 050
	880 553	2 246 309	(1 551 212)	1 575 650

The bonus provision represents management's best estimate of the entity's liability for employee benefits taking into account individual performance.

The leave provision is estimated to be utilised within the next 12 months. However, the timing of the utilisation of the provision is uncertain as it depends on the employees utilising their benefits during their term of employment. The provision is determined using the leave days outstanding and the total cost to company.

	2015 R	2014 R
12. Revenue from non-exchange transactions		
National Department of Human Settlements (non-exchange transaction)	**631 023 000**	650 151 000
13. Other income		
Sundry income	**–**	39 452

14. Programme costs

Province/institution	Project	Programme	2015 R	2014 R
Eastern Cape Province				
Imizi Housing Utility	Fairview Link	SHIP	**–**	9 245 264
Imizi Housing Utility	Willowdene	SHIP	**1 725 068**	–
			1 725 068	9 245 264
Gauteng Province				
Arrow Creek Investments 25	Mogale Junction	PSP	**–**	33 853 243
Toproot Property Management	Pennyville	SHIP	**1 414 666**	–
Norvena Property Consortium	O'Reilly Road	SHIP	**16 446 175**	7 271 675
Toproot Property Management	Riverlea	SHIP	**1 792 293**	–
			19 653 134	41 124 918
Mpumalanga Province				
Emalahleni Housing Institution	Klarinet	SHIP	**–**	10 700 435
North West Province				
Manapendlo	Ellaton	SHIP	**7 235 425**	59 755 040
Western Cape Province				
Social Housing Company (SOHCO)	Steenberg Phase 2B	SHIP	**–**	2 512 300
Madulammoho Housing Association	Belhar	SHIP	**7 350 702**	–
			7 350 702	2 512 300
Consulting and professional fees			**8 007 305**	20 621 004
			43 971 634	143 958 961

SHIP – Social Housing Investment Programme

PSP – Provincial Special Project

	2015 R	2014 R
15. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
– Straight-lined amount	**2 331 131**	2 275 796
Equipment		
– Straight-lined amount	**112 270**	112 059
	2 443 401	2 387 855
Loss on sale of property, plant and equipment	**–**	(25 832)
Amortisation of intangible assets	**183 150**	255 558
External audit fees	**1 102 455**	929 912
Consulting and professional fees	**8 007 305**	20 621 004
Council members remuneration	**2 355 295**	3 855 996
Internal audit fees	**708 503**	400 463
Impairment adjustments of property, plant and equipment	**–**	38 289
Reversal in impairment of property, plant and equipment	**(37 934)**	(310 932)
Depreciation on property, plant and equipment	**944 493**	1 120 052
Employee costs	**14 773 701**	15 149 801
Defined contribution funds	**503 183**	923 831
Programme costs	**35 964 329**	123 337 957
16. Investment revenue		
Interest income		
Bank (exchange transaction)	**37 364 799**	2 443 473

	2015 R	2014 R
17. Other payments (including programme costs)		
Movement in payables and accruals	**(2 676 776)**	764 797
Movement in provisions	**899 025**	(695 097)
Movement in receivables from exchange transactions	**(6 020)**	115 677
Total expenses	**78 389 717**	179 295 593
Non cash items:		
Depreciation, amortisation and impairments	**(1 127 643)**	(1 375 610)
Loss on sale	**–**	(25 832)
Impairment reversals	**37 934**	272 643
Separately disclosable items:		
Employee costs	**(15 276 884)**	(16 073 632)
	60 239 353	162 278 539
18. Net cash flows from operating activities		
Surplus	**589 998 082**	473 338 332
Adjustments for:		
Depreciation and amortisation	**1 127 643**	1 375 610
Loss on sale of assets	**–**	25 832
Impairment reversals	**(37 934)**	(272 643)
Bad debts written off	**114 128**	–
Movements in operating lease assets and accruals	**(117 214)**	38 892
Movements in provisions	**(899 025)**	695 097
Refund of prior year surplus to National Treasury	**(473 338 332)**	(170 628 820)
Changes in working capital:		
Receivables from exchange transactions	**6 020**	(115 677)
Bad debts written off	**(114 128)**	–
Other receivables from non-exchange transactions	**436 000 000**	(436 000 000)
Payables from exchange transactions	**2 793 990**	(803 689)
Recalled Grant Funds (SHIP Projects)	**277 390 360**	–
	832 923 590	(132 347 066)

	2015 R	2014 R
19. Irregular expenditure		
Irregular expenditure as a result of capital budget being used for operational requirements	–	20 253 060
Irregular expenditure incurred in respect of Provincial Special Projects	–	93 608 283
Irregular expenditure incurred in respect of Projects approved by inappropriately constituted Council	**12 167 452**	–
Condoned by Council	–	(113 861 343)
	12 167 452	–
20. Fruitless and wasteful expenditure		
Disbursement to Marang Estate Development Project	–	59 755 040

There is no fruitless and wasteful expenditure in the current financial year.

A transfer was made in respect of the Marang Estate Development Project for which not all value had been received. The accumulated amount is R144 755 040 (2014: R59 755 040; 2013: R85 000 000).

21. Commitments

	2015 R	2014 R
Authorised capital expenditure		
Already contracted for but not provided for		
Grants	**932 766 185**	617 893 497
Total capital commitments		
Already contracted for but not provided for	**932 766 185**	617 893 497

This committed expenditure relates to the investment programmes related to social housing projects and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated.

	2015 R	2014 R
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	**2 126 139**	1 975 094
– in second to fifth year inclusive	–	2 126 139
	2 126 139	4 101 233

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of five years and have an escalation of between 8% – 10% (2014: 8% – 10%). No contingent rent is payable.

	National Department of Human Settlements 2015 R	2014 R
22. Related parties		
Relationships		
Controlling entity		
Related party transactions		
Revenue received from related parties		
National Department of Human Settlements	**631 023 000**	650 151 000

	Travel expenses R	Salary R	Council fees R	Medical contri-bution R	Pension benefits R	Bonus R	**Total package 2015 R**	Total package 2014 R
Executive Management Remuneration								
Executive Council Members								
Chief Executive Officer: Mr B Moholo	–	–	–	–	–	–	**–**	1 651 877
Corporate Service Manager: Mr E Perumal	–	–	–	–	–	–	**–**	1 135 056
Acting CEO: Adv S Ntsaba-Letele	13 932	1 493 713	19 500	6 287	–	–	**1 533 432**	434 419
Corporate Service Manager: Ms T Shongwe	898	695 587	–	–	35 177	–	**731 662**	–
	14 830	2 189 300	19 500	6 287	35 177	–	**2 265 094**	3 221 352

22. Related parties continued

Mr Moholo was placed on special leave on 9 December 2013, pending an investigation and disciplinary hearing, Adv S Ntsaba-Letele was appointed as Acting Chief Executive Officer with effect from the same date. Mr Moholo's fixed term employment contract terminated automatically at the end of its term on 31 December 2013. Adv S Ntsaba-Letele was seconded to the National Department of Human Settlements on 31 October 2014, Ms S Ngxongo was appointed as Acting Chief Executive Officer with effect from the same date.

Ms S Ngxongo is an employee of the National Department of Human Settlements and therefore not remunerated. Mr E Perumal resigned on 5 January 2014.

	Travel expenses R	Salary R	Medical contribution R	Pension benefits R	Bonus R	**Total package 2015 R**	Total package 2014 R
Executive Managers							
Company Secretary: Ms M Hlaba (Resigned)	–	–	–	–	–	**–**	714 055
Finance Manager: Mr V Fakudze	6 481	1 073 182	7 934	54 056	65 250	**1 206 903**	1 081 699
Investment Manager: Mr M Nkuhlu (Resigned)	–	–	–	–	–	**–**	1 007 599
Company Secretary: Ms K Mahlangu	–	462 511	–	23 898	–	**486 409**	–
Regulations Manager: Mr K Boqwana	12 765	1 219 005	37 340	62 817	77 250	**1 409 177**	1 193 768
Intervention Manager: Mr D Koekemoer	20 530	1 009 384	7 934	50 866	71 250	**1 159 964**	1 003 197
	39 776	3 764 082	53 208	191 637	213 750	**4 262 453**	5 000 318

	Receivables R	Total R
23. Financial assets by category		
The carrying values of financial assets, as disclosed below, approximate the fair values of the financial assets		
2015		
Receivables from exchange transactions	**680 596**	**680 596**
Cash and cash equivalents	**878 441 392**	**878 441 392**
	879 121 988	**879 121 988**
2014		
Receivables from exchange transactions	664 850	664 850
Cash and cash equivalents	45 675 384	45 675 384
Receivables from non-exchange transactions	436 000 000	436 000 000
	482 340 234	482 340 234

	Financial liabilities at amortised cost R	Total R
24. Financial liabilities per category		
The carrying values of financial liabilities, as disclosed below, approximate the fair values of the financial liabilities		
2015		
Payables	**12 776 386**	**12 776 386**
Provisions	**676 625**	**676 625**
	13 453 011	**13 453 011**
2014		
Payables	9 982 398	9 982 398
Provisions	1 575 650	1 575 650
	11 558 048	11 558 048

25. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including cash flow and interest rate risk), credit risk and liquidity risk.

The entity's exposure to risk, its objectives, policies and processes for managing the risk arising from its financial instruments and methods used to measure the entity's exposure to these risks, have not changed significantly from the prior year.

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation. The entity manages liquidity risk through an ongoing review of future commitments and cash flows.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
At 31 March 2015				
Payables	**12 776 386**	**–**	**–**	**–**
Provisions	**676 625**	**–**	**–**	**–**
At 31 March 2014				
Payables	9 982 398	–	–	–
Provisions	1 575 650	–	–	–

Credit risk

Credit risk consists mainly of cash deposits and cash equivalents. There are minimal risks relating to receivables from exchange transactions as it mainly consists of prepayments and deposits. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

25. Risk management continued

Market risk

Interest rate risk

Interest rate risk results from the cash flows and financial performance uncertainty arising from interest rate fluctuations. Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits.

This is a risk that fair value or future cash flows from financial instruments will fluctuate as a result of changes in the market interest rates. Values in the financial instruments may change thus resulting in both potential gains and losses.

The entity managed the market interest rate risk by keeping the cash in the operating bank account at a minimum in order to maximise interest earned on cash deposits.

The entity has invested any surplus cash in a call account. The interest rate on this account fluctuates in line with movements in current market rates.

26. Contributions to defined contribution plan

	2015 **R**	2014 R
Pension	**503 183**	923 831

The entity entered into a defined contribution plan with Momentum Group Limited whereby the entity contributes to a pension fund for the employees on a one for one ratio with the employees.

27. Update on subsequent events disclosed in the financial statements for the year ended 31 March 2014

On 15 July 2014 the Minister of Human Settlements – in the National Department of Human Settlements 2014 Budget Vote speech – announced that the Social Housing Regulatory Authority (SHRA) would be placed under administration and be absorbed as a component of the National Department of Human Settlements as it had been unable to fulfil its mandate. The Minister went on further to indicate that the Council of the SHRA at that time, would retain its responsibility until the restructuring is complete.

Since the date of the announcement, the entity engaged the Minister to clarify the impact and intention of the statement. A new Council, comprising 12 non-executive members, was appointed on 18 March 2015. Post this announcement, additional responsibilities have been given to the entity by the National Department of Human Settlements to effectively align the SHRA's mandate and delivery in line with the targets set out in the Medium Term Strategic Framework 2015 – 2019. It is, therefore, Council's opinion that the continued operation of the entity, in its current legal form, will remain intact for the foreseeable future.

28. Subsequent events

No other significant events have occurred subsequent to year end that require disclosure in or adjustments to these financial statements.

Detailed statement of performance

for the year ended 31 March 2015

	Notes	31 March 2015 R	31 March 2014 R
Revenue			
Government Grants	12	**631 023 000**	650 151 000
Other income			
Other income		**–**	39 452
Interest received	16	**37 364 799**	2 443 473
		37 364 799	2 482 925
Operating expenses			
Advertising		**(483 839)**	(429 482)
Auditor's fees		**(1 102 455)**	(929 912)
Bad debts		**(114 128)**	–
Bank charges		**(35 406)**	(27 981)
Cleaning		**(108 485)**	(106 211)
Computer, IT and website hosting expenses		**(399 253)**	(509 636)
Consulting and professional fees		**(8 007 305)**	(20 621 004)
Depreciation, amortisation, impairments and fair value adjustments		**(1 089 709)**	(1 102 967)
Donations		**–**	(25 000)
Employee costs		**(17 632 180)**	(19 929 628)
Entertainment		**(1 819)**	(11 558)
Insurance		**(29 766)**	(48 780)
IT expenses		**(229 214)**	–
Legal fees		**(4 544 305)**	(4 053 129)
Licence fees		**(46 180)**	(58 661)
Loss on disposal of assets		**–**	(25 832)
Meeting costs		**(106 777)**	(23 860)
Motor vehicle expenses		**(59 476)**	(45 196)
Outsourced services		**(2 307 031)**	(980 209)
Postage, printing and stationery		**(489 077)**	(560 991)
Programme cost – Eastern Cape Province		**(1 725 068)**	(9 245 264)
Programme cost – Gauteng Province		**(19 653 134)**	(41 124 918)
Programme cost – Mpumalanga Province		**–**	(10 700 435)
Programme cost – North West Province		**(7 235 425)**	(59 755 040)
Programme cost – Western Cape Province		**(7 350 702)**	(2 512 300)
Rent and utilities		**(2 443 401)**	(2 387 855)
Repairs and maintenance		**(61 777)**	(195 796)
Staff welfare		**(130 421)**	(254 799)
Subscriptions		**(67 064)**	(24 057)
Telephone and fax		**(583 920)**	(647 503)
Training and workshops		**(420 525)**	(680 574)
Travel		**(1 931 875)**	(2 277 015)
		(78 389 717)	(179 295 593)
Surplus for the year		**589 998 082**	473 338 332

The supplementary information presented does not form part of the annual financial statements and is unaudited.

General information

Country of incorporation and domicile
Republic of South Africa

Legal form of entity
Schedule 3A public entity listed in terms of the PFMA

Council Members
Mr A Vawda *(Chairperson)*
Ms S Ngxongo *(Acting Chief Executive Officer)*
Ms T Shongwe *(Corporate Services Manager)*
Mr SK Ganda
Mr IW Kotsoane
Ms RS Molokoane
Mr PWW Ximiya
Ms NN Mbiza
Mr MR Moroka
Adv M Mdludlu
Ms MJ Lamola
Ms KE Kwinana
Ms ZZ Ntlangula
Mr ZT Ngcakani

Registered office
Ground Floor Building B, Sunnyside Office Park
32 Princess of Wales Terrace, Parktown
Johannesburg 2193

Postal address
Postnet Suite 240, Private Bag X 30500
Houghton 2041

Bankers
First National Bank Limited

Auditors
Ernst & Young Incorporated
Registered Auditors

purple.frog

human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA

SHRA
Social Housing
Regulatory Authority

Social Housing Regulatory Authority

A public entity that falls under the
National Department of Human Settlements

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