

**Mr. Mongezi Mnyani**

**Chief Executive Officer**

**Annual Performance Plan 2016 2017**

**31 March 2016**

**Portfolio Committee of Human  
Settlements**



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# Vision and Mission

## **VISION**

“To be a champion of the housing consumer”

## **MISSION**

“To protect the housing consumers and to regulate the home building environment.”

## **MOTTO**

“Assuring Quality homes”

# Strategy

- To improve visibility and accessibility in the market while enhancing interaction with our stakeholders.
- To position the NHBRC as a leader in knowledge creation, technical and technological building solutions through strategic partnerships.
- To provide diversified services and products in line with changing building requirements and needs

## Committees of Council are as follows:

- Technical, Research and Advisory Committee
- Social and Ethics Committee
- Social and Transformation Committee
- Industry Advisory Committee
- Audit and Risk Management Committee
- Human Capital and Remuneration Committee
- Registration Committee
- Bid Adjudication Committee
- Fund and Finance Committee and the
- Disciplinary Committee

# Objects of Council

- To represent the interests of housing consumers by providing warranty protection **against defects in new homes.**
- To **regulate the home building industry.**
- To provide protection to housing consumers in respect of the failure of home builders to comply with their obligations in terms of the Act.
- To **establish and promote ethical and technical standards** in the home building industry.

# Objects of Council....continue

- To improve structural quality in the interest of housing consumers and the home building industry.
- To promote housing consumer rights and to provide housing consumer information.
- To communicate with and to assist home builders to register in terms of the Act.
- To assist home builders through training and inspections

# Values of NHBRC

VALUE	MEANING
<b>Customer Service &amp; Technical Excellence</b>	We will at all times use our technical competence and skills to provide the best service to our customers in a timely and responsive manner.
<b>Learning, growth and Caring Organisation</b>	We will promote continuous learning and growth of our staff for the benefit of improved service delivery
<b>Integrity</b>	We will at all times act with integrity, honesty and consideration of our customers and our stakeholder
<b>Good Corporate Governance</b>	We will at all times exercise the duty of skill & care , loyalty and act in the best interest of the organisation in all of our transactions as well as act in a manner that promotes transparency
<b>Research and Innovation</b>	We will at all times use our innovative ability to come with new products and services.



# Ten priorities of Council

1. Visibility and accessibility
2. Leader in knowledge creation
3. Products and services
4. Review of the operating model
5. Review of the legislation
6. SAP implementation
7. Investment strategy
8. Clean audit
9. Social transformation strategy
10. Strategic capacitation of the NHBRC

# New products to be explored

- *Explore the formal application of ADR mechanisms such as mediation and arbitration processes at a fee of R450 an hour plus reasonable disbursements.*
- *Indirect revenue as grading is performance based – minimum claims.*
- *Improved/continued relations with human settlements departments in terms of provision of services in respect of government projects to ensure structural integrity of homes.*
- *Any other source” means that Council may create other avenues/initiatives in line with Council’s objects to source additional funds.*
- *Training/capacity building fund*

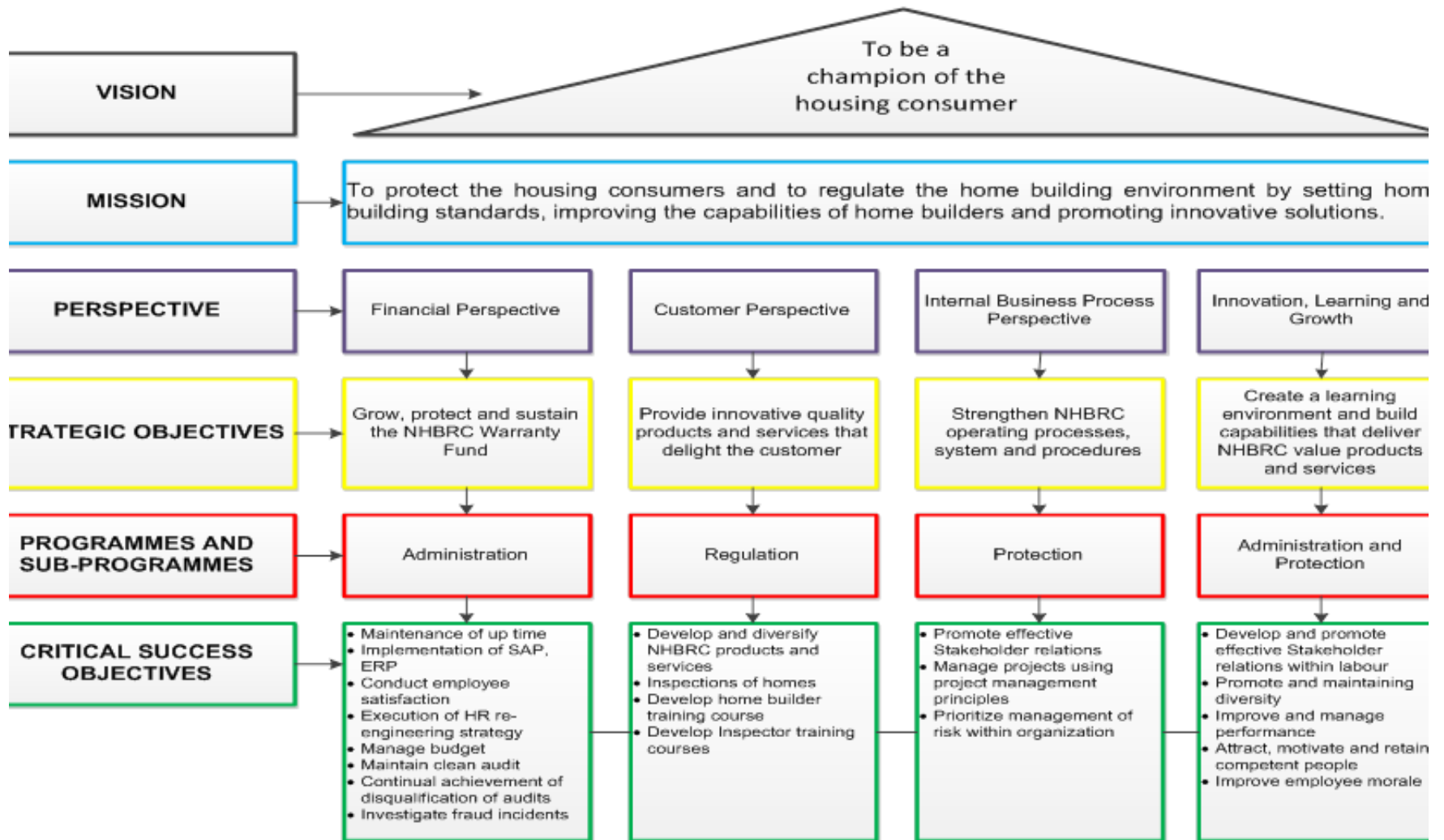
# Strategic Objectives

- To grow, protect and sustain the NHBRC warranty fund
- To provide innovative quality products and services that will delight the customer
- Strengthen NHBRC operating processes, systems and procedures
- Create a learning environment and build capacities to products and services

# Products and Services

- Registration of home builders
- Renewal of home builder registrations
- Enrolment of homes
- Late enrolment of homes in the subsidy sector
- Late enrolment of homes in the non-subsidy sector
- Inspection of subsidy homes
- Inspection of non-subsidy homes
- Home enrolment in the subsidy sector
- Geotechnical Investigation
- Dispute resolution
- Conciliation of disputes
- Legal advisory and enforcement of norms and standards

# Strategy map



# Socio-economic imperatives

Outcome 8 deals with the following issues:

- Sustainable Human Settlements and the improved quality of Human Settlements
- Upgrade of human settlements,
- The delivery of affordable rental units, land acquisition and ;
- Improved property management.
- A total of 3,7 m houses were delivered since 1994
- The Minister has targeted to deliver a total of 1,5 million housing opportunities in the five years from 2014-2019.

# Economic imperatives

- The economy of South Africa has posted real economic growth of 1.9% in 2015 with the forecasts by the Barclays Research Group (ABSA) forecasting growth to be slightly higher at 2,2% in 2015 and rising to 2,8% in 2016/2017 financial year.
- National Treasury has revised these growth figures to 1.4% in the first quarter of 2015 growing slightly to less than 2% by the end of the 4<sup>th</sup> quarter in 2015.
- According to StatsSA (Statistics South Africa), year on year growth in building plans approved for 2015 to 2016 are at 16%.

# Enrolment Categories

Category	PA003	Sectional Title	Speculative	TOTAL
0-500k	2	12,212	8,729	20,943
500k-R1m	3	8,665	5,626	14,294
R1m-R2m	0	4,740	5,398	10,138
R2m - R5m	2	952	3,945	4,899
>R5m	2	74	799	875
<b>TOTAL</b>	<b>9</b>	<b>26,643</b>	<b>24,497</b>	<b>51,149</b>



# Financial Perspective

- The revenue trend is based on the enrolment of homes where the building activity in the segment of flats and townhouses.
- The market for new houses will be affected by trends on the macroeconomic front (economic growth, employment, inflation, interest rates).
- The state of household finances (income, consumption, savings, debt levels, debt servicing, and credit risk profiles) affect consumer confidence and property market related factors (investment, sentiment, property running costs, building costs).

# Financial perspective

*NHBRC is re-engineering the Supply Chain Management section. Management has realised that the root cause for the supply chain are as follows:*

- Lack of/or ineffective policies, processes and procedures as it pertains to SCM, Irregular expenditure and BBBEE.*
- Lack of demand planning and integration with business needs.*
- Lack of appropriate control monitoring and compliance in the SCM function.*
- Limited, and where present cumbersome, analytical and reporting capabilities on the ERP system.*
- Relatively new SCM team with recruitment on critical positions still in progress.*
- Limited business user knowledge, discipline and accountability for compliance to SCM requirements.*

# Financial perspective

*The NHBRC has established the following measures to close the gap in terms of challenges that were identified:*

- Comprehensive independent maturity assessment carried out on the SCM function with a view to developing the function.*
- SCM, Unauthorized Irregular and Fruitless Expenditure and BBBEE policy currently being updated and finalized.*
- More efficient and automated SCM processes and related controls have been designed and will be enabled by SAP.*
- Improved analytical and reporting, particularly on non-compliances, currently being designed on SAP.*
- Implementation of Demand Management, integrated with the budgeting and planning process, carried out to fully understand business requirements and to inform SCM resourcing requirements.*
- Implementation of contracts for items less than R500 000, instead of 3 quotes, for frequently purchased items.*
- Improved Control Framework and compliance thereto to be designed and implemented.*
- Finalisation of the SCM organogram and recruitment in progress. To be followed by appropriate training and accreditation of SCM officials.*
- Training of end users on SCM policies, procedures and applicable accountabilities.*

# Financial perspective

*In order to enhance measurement and evaluation of the NHBRC, the Communication and Stakeholder Section will ensure that the following tasks are carried out:*

- *Annual stakeholder surveys*
- *Quarterly employee dipstick research*
- *Best Company to work for campaigns*
- *Media monitoring*
- *Reputation tracking*
- *Return on Investment (ROI) for campaigns, events etc*
- *Google Analytics*
- *Customer Satisfaction Index*
- *Internal Employee feedback sessions*
- *Audit findings*
- *Policies and Procedures*

# Internal Business processes

The NHBRC will be reporting per subsidy instrument and the focus will be on:

1. Upgrading of Informal Settlements ( UISP)
2. Social Housing Programme
3. Finance Linked Individual Subsidy Programme( FLISP)
4. Integrated Residential Development Programme
5. Rural Housing Programme
6. Community Residential Units

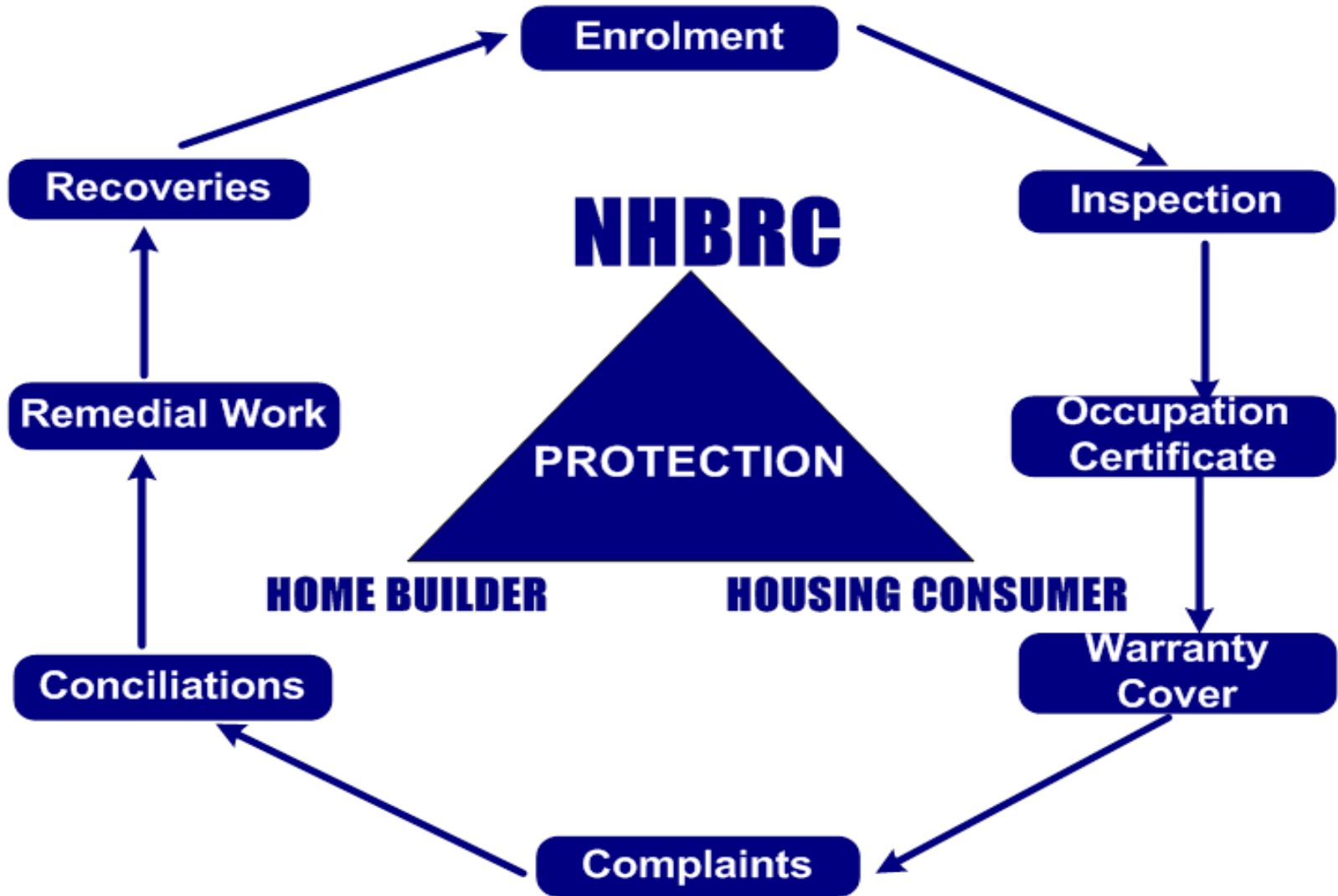
*Human Capital will ensure that the following critical interventions are in place:*

- *Identification, selection and placement of suitable candidates for available positions*
- *Ensure retention of staff to keep turnover at a minimum*
- *Ensure that succession planning in place*
- *Conduct skills audit to fill gaps in terms of the required skills*
- *Continuous development of the current staff*

# Research and development

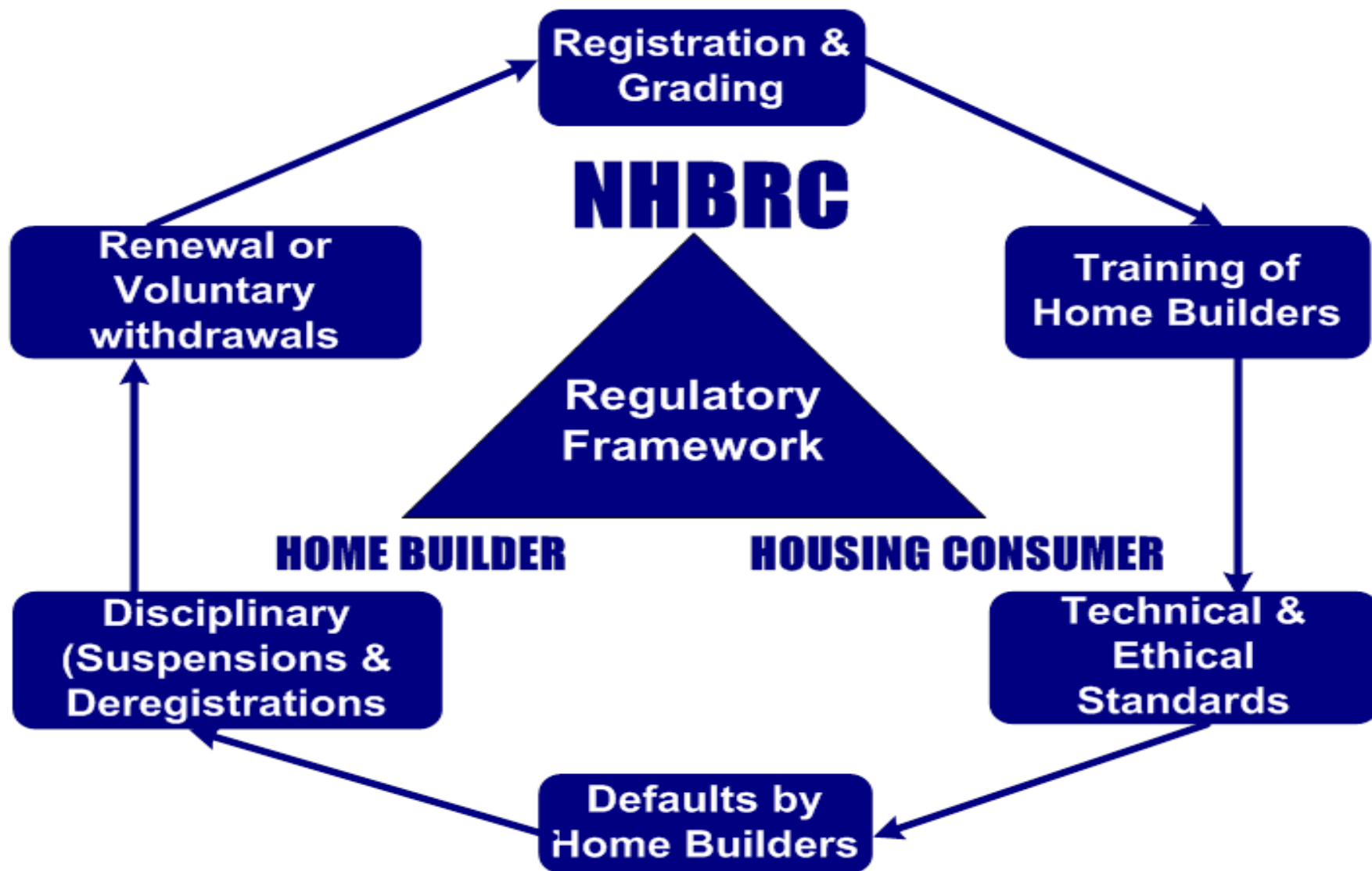
Focus Area	Intellectual	Technical	Transformational
Research and Development	Alliance with Agrément SA, CSIR, SABS, Banks, and academic institutions	<ul style="list-style-type: none"> <li>▪ Production of technical brochures</li> <li>▪ Knowledge base</li> <li>▪ Introduction of revised and new standards in the industry</li> <li>▪ Technical publications in journals and conference proceedings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Assist system developers in introducing new products in the industry</li> <li>▪ Quality products in market</li> <li>▪ Assist in delivery of quality houses</li> </ul>
Focus Area	Intellectual	Technical	Transformational
Upliftment of emerging home builders and Quality Assurers through training	Alliance with CETA, ECSA	<ul style="list-style-type: none"> <li>▪ Production of training materials</li> <li>▪ Simplified home building manuals</li> <li>▪ Training of emerging home builders and</li> <li>▪ Quality Assurers (Inspectors)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Home building performance improvement</li> <li>▪ Qualified home builders in industry</li> <li>▪ Certification of Inspections</li> </ul>
Standards	Alliance with Agrément SA & SABS	<ul style="list-style-type: none"> <li>▪ Development of technical requirements</li> <li>▪ Production of Home Building Manuals</li> <li>▪ Development of technical guidelines</li> <li>▪ Training of professionals in the built environment.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Development of housing policies</li> <li>▪ Contribution to Sustainable Human Settlements</li> </ul>

# Housing Consumers Protection process





# Regulation of home building industry



# KEY PROGRAMMES FOR 2016/2017

The **Administration and Governance** programme consists of:

- Governance and leadership;
- Well-functioning organization;
- Efficient Information Technology system;
- Satisfied and skilled staff compliment (Human Resources);  
and
- Internal control (Supply Chain Management, Finance and Audit);

# Programme for regulation

The programme for Regulation consists of :

- Home builders registration;
- Home builders de-registration;
- Home builders reinstated;
- Compliance of home builders to set norms and standards;
- Enforcement of home builders to set norms and standards;
- and
- Trained home builders.

# Programme for Protection

The programme for protection consists of Sub-programme 1 for Subsidy Sector:

- Project enrolment;
- Enrolment of homes;
- Issuing of warranty certificates;
- Stakeholder engagement; and
- Sustained warranty fund.

# Programme for Protection

The programme for protection consists of Sub-programme 2 for Non-Subsidy Sector:

- Enrolment of homes;
- Issuing of warranty certificates;
- Stakeholder engagement; and
- Sustained warranty fund.

# Key focus for NHBRC

Council has set itself short to medium plans in order to address a number of short-comings in the execution of the mandate. That is to:-

- ✓ Implementation and full execution of the inspection model
- ✓ Alignment of NHBRC deliverables with the MTSF( Medium Term Strategic Framework) targets for 2014-2019
- ✓ Provide Technical Support within NHBRC and built environment Sector
- ✓ Enforcement and Compliance with provisions of the Housing Consumers Protection Measures Act,1998( Act No.95 of 1998).
- ✓ Full implementation of Training Strategy
- ✓ Grow and Sustain the Warranty Fund
- ✓ Operationalization of the Centre for Research and Housing Innovation

# MTSF targets

Key Performance Indicator	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	TOTAL
<b>Enrolment of homes</b>	51,149	50,205	53,994	59,393	65,332	280,073
<b>Subsidy Home Enrolment</b>	168,753	167,846	140,196	152,000	167,290	796,085
<b>Late Enrolment of Non-Subsidy homes</b>	1,483	1,255	1,397	1,474	1,562	7,171
<b>Project Enrolment for Subsidy</b>	32,347	51,655	54,496	57,493	60,655	256,646
<b>Inspection for Non-Subsidy homes</b>	304,267	200,820	212,869	225,641	239,180	1,182,777
<b>Inspection for Subsidy Homes</b>	223,915	385,200	408,312	432,811	458,779	1,909,017
<b>Registration of homebuilders</b>	4,470	3,500	3,710	3,933	4,168	20,051
<b>Renewals of registration of new homebuilders</b>	12,192	13,218	13,945	14,712	15,521	69,588



# MTSF targets

Key Performance Indicator	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	TOTAL
<b>Homebuilders trained</b>	2,629	1,200	1,500	2,000	2,500	9,829
<b>Youth trained</b>	1,184	2,000	2,000	2,000	2,000	9,184
<b>Home Inspectors trained</b>	-	400	440	490	530	1,860
<b>Artisans trained</b>	-	351	351	381	419	1,502
<b>Women trained</b>	-	900	900	990	1,080	3,870
<b>People with disabilities trained</b>	-	100%	100%	100%	100%	100%
<b>Military Veterans trained</b>	-	180	180	200	220	780

# Enforcement and Compliance in the industry

NHBRC Established a fully fledged division to ensure that:

- There is an efficient and effective execution of the NHBRC's legislative mandate by ensuring compliance with the applicable legislative framework, enforcement of the Act and provision of cutting edge legal advisory services.
- Key Focus Areas
  - To ensure compliance with applicable legislative and regulatory framework;
  - To ensure enforcement with the Act through prosecution of defaulters;
  - To implement an efficient contract management system;
  - To ensure prudent litigation management system (including interdicts and recoveries); and
  - To provide cutting edge legal advisory services.

# Key focus for NHBRC

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# Level 1 Scorecard KPA's

Number	MTSF target( 2014-2019)	KPA for 2016/2017
1	% of uptime ICT systems	Achieve 99% uptime of ICT systems
2	1,590	Train and develop 300 workforce
3	BBBEE spend > 51%	BBBEE spend > 51%
4	R2230,000,000	R361m
5	95% implementation of the approved internal audit plan	95% implementation of the approved internal audit plan
6	100% implementation of the approved Annual compliance Plan for Legal Enforcement and Compliance.	100% implementation of the approved Annual compliance Plan
7	100% assurance of the implementation of the approved Annual compliance Plan from Audit	100% assurance of implementation of the approved Annual compliance Plan
8	100% assurance of the implementation of the approved Annual compliance Plan from risk section	100% assurance of implementation of the approved Annual compliance Plan

# Level 1 Scorecard KPA's

Number	Performance indicator	MTSF target( 2014-2019)	KPA for 2016/2017
9	Number of homebuilders to be registered	<b>20,051</b>	4,068 homebuilders to be registered.
10	Number of homebuilders to renew their registration	<b>69,588</b>	14,337 to renew their registration
11	Number of homes to be inspected in the <b>subsidy sector</b>	<b>1,909,017</b>	140,196
12	Number of homes to be inspected in the non- <b>subsidy sector</b>	<b>1,182,777</b>	53,994
13	Number of days it takes to prosecute defaulting homebuilders. of defaulting home builders.	80% of prosecutable matters presented before DC committee within 160 days from date of suspension	80% of prosecutable matters presented before DC committee within 160 days from date of suspension

# Level 1 Scorecard KPA's

Number	Performance indicator	MTSF target(2014-2019)	KPA for 2016/2017
14	Number of women to be trained on construction related courses	560	110
15	Number of homes enrolled as aligned with business plans of National Department of Human Settlements	<b>796,085</b>	140,196 subsidy homes enrolled as aligned with business plans of NDHS
16	Number of late enrolments to be processed in the non-subsidy sector	2,079	1,349 late enrolments to be processed in the non-subsidy sector
17	Number of late enrolment processed in the subsidy sector	7,171	40,700 late enrolments to be processed in the subsidy sector

# Level 1 Scorecard KPA's

Number	Performance indicator	MTSF target( 2014-2019)	KPA for 2016/2017
18	% of approved risk management plan implemented.	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan
19	Number of enrolments to be processed in the non-subsidy sector	<b>280,073</b>	53,994 enrolments processed in the non-subsidy sector
20	Number of consumer complaints resolved.	70% of housing consumer complaints resolved or escalated to conciliation within 60 days of being captured	70% of housing consumer complaints resolved or escalated to conciliation within 60 days of being captured
21	Number of conciliations resolved between a homebuilder and housing consumer	70% of conciliations resolved or escalated to remedial works process within 30 days of being received	70% of conciliations resolved or escalated to remedial works process within 30 days of being received

# Level 1 Scorecard KPA's

Number	Performance indicator	MTSF target( 2014-2019)	KPA for 2016/2017
22	% of approved communication strategy implemented	100% execution of plans against the strategy	100% execution of plans against the strategy
23	% execution of organizational reputational survey	100% execution of organizational reputational survey	100% execution of organizational reputational survey
24	Number of youths to be trained	9,184	2,000
25	Number of artisans to be trained	1,502	351



# Level 1 Scorecard KPA's

Number	Performance indicator	MTSF target( 2014-2019)	KPA for 2016/2017
26	Number of home inspectors to be trained	1,860	440
27	Number of women to be trained	3,870	900
28	Number of military veterans to be trained	780	180
29	Number of people with disabilities to be trained	100%	100%
30	Execute research as per the project plan in line with approved research agenda	100% execution of Research as per the project plan	100% execution of Research as per the project plan

Category	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL 2016/2017
Quarter 1	800	2452	2566	1337	2341	3168	1149	7096	1849	22758
Quarter 2	800	2452	2566	1337	2341	3168	1149	7096	1849	22758
Quarter 3	800	2452	2566	1337	2341	3168	1149	7096	1849	22758
Quarter 4	800	2452	2566	1337	2341	3168	1149	7096	1849	22758
<b>Total</b>	<b>3200</b>	<b>9811</b>	<b>10264</b>	<b>5348</b>	<b>9366</b>	<b>12670</b>	<b>4595</b>	<b>28383</b>	<b>7394</b>	<b>91032</b>

Category	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL 2016/2017
Quarter 1	278	338	2265	445	166	345	121	748	988	5694
Quarter 2	278	338	2265	445	166	345	121	704	948	5610
Quarter 3	278	338	2265	445	166	345	121	748	948	5654
Quarter 4	278	338	2265	445	166	345	121	748	948	5654
<b>Total</b>	<b>1112</b>	<b>1352</b>	<b>9060</b>	<b>1780</b>	<b>664</b>	<b>1380</b>	<b>484</b>	<b>2948</b>	<b>3832</b>	<b>22612</b>

# Social Housing Programme

Category	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL 2016/2017
Quarter 1	107	118	773	207	86	120	47	214	261	1933
Quarter 2	107	118	773	207	86	120	47	214	250	1922
Quarter 3	107	118	773	207	86	120	47	214	250	1922
Quarter 4	107	118	773	207	86	120	47	214	250	1922
<b>Total</b>	<b>428</b>	<b>472</b>	<b>3092</b>	<b>828</b>	<b>344</b>	<b>480</b>	<b>188</b>	<b>856</b>	<b>1011</b>	<b>7699</b>

# Social Housing Programme

										TOTAL 2016/2017
Category	EC	FS	GP	KZN	LP	MP	NW	NC	WC	
Quarter 1	4728	2277	11675	6435	4098	2965	864	2731	4518	40291
Quarter 2	4728	2277	11675	6435	4098	2965	864	2731	4518	40291
Quarter 3	4728	2277	11675	6435	4098	2965	864	2731	4518	40291
Quarter 4	4728	2277	11675	6435	4098	2965	864	2731	5060	40833
<b>Total</b>	<b>18912</b>	<b>9108</b>	<b>46700</b>	<b>25740</b>	<b>16392</b>	<b>11860</b>	<b>3456</b>	<b>10924</b>	<b>18614</b>	<b>161706</b>

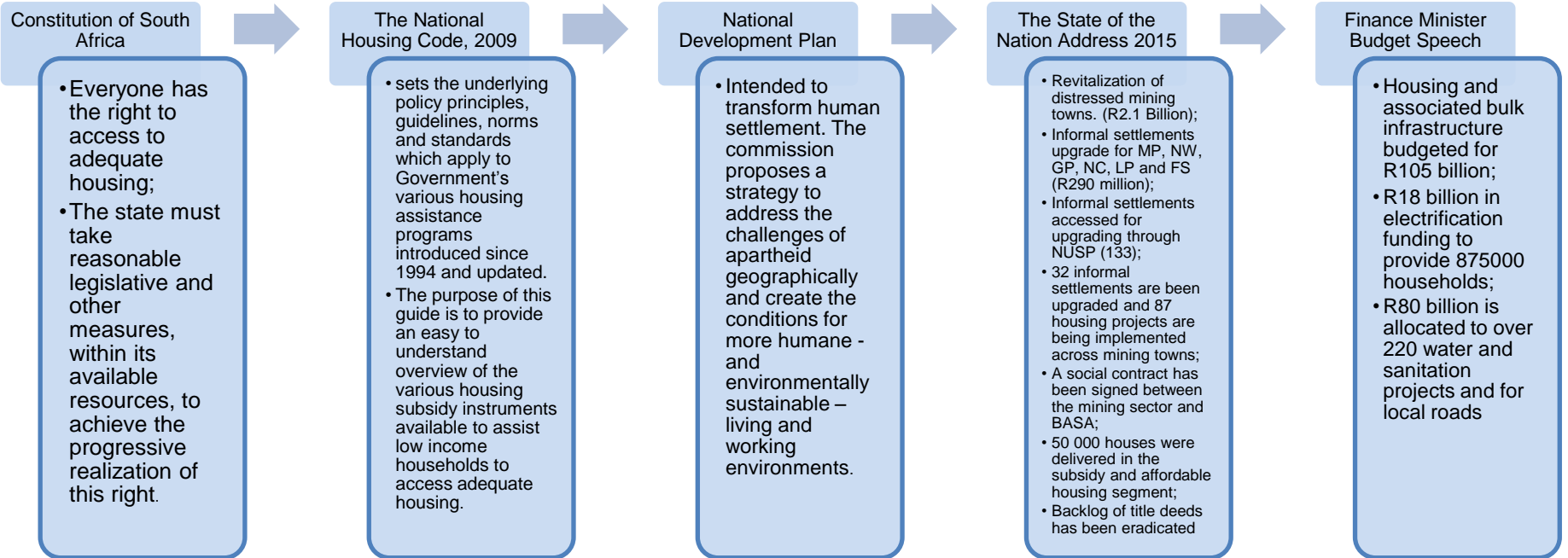
# Rural Housing Programme

Category	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL 2016/20 17
Quarter 1	0	0	0	0	0	0	0	0	0	0
Quarter 2	0	0	0	0	0	0	0	0	0	0
Quarter 3	0	0	0	0	0	0	0	0	0	0
Quarter 4	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0

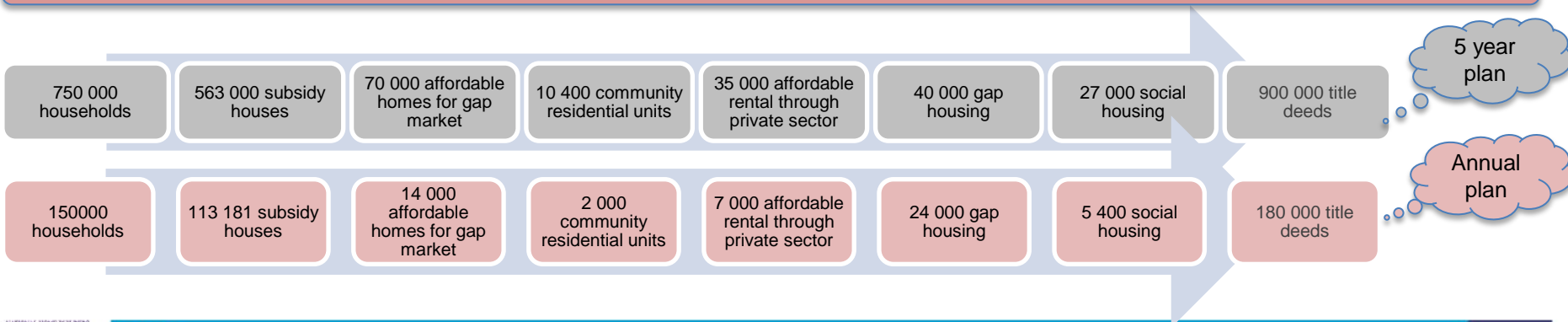
# Community Residential Units

Category	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL 2016/20 17
Quarter 1	96	2	123	105	62	52	14	23	8	485
Quarter 2	96	3	123	106	63	52	15	23	9	490
Quarter 3	96	2	123	105	62	52	14	23	8	485
Quarter 4	96	3	123	106	63	52	15	23	13	494
<b>Total</b>	<b>384</b>	<b>10</b>	<b>492</b>	<b>422</b>	<b>250</b>	<b>208</b>	<b>58</b>	<b>92</b>	<b>38</b>	<b>1954</b>

# MTSF TARGETS



## Delivery of 1.495 million housing opportunities for 2014 - 2019 MTSF period





# MTSF TARGETS IN NUMBERS

Primary MTSF Target	Secondary Target	5-Year Target	Annual Target
750 000 households in informal settlements upgraded to level 2 services	households located in 2 200 informal settlements	750 000	150 000
563 000 individual subsidy units (linked with title deeds target)	5 854 units for military veterans included	5 854*	1 951
		557 146	111 230
110 000 Gap Housing	70 000 FLISP	70 000	14 000
	40 000 DFIs	40 000	10 000
35 000 Affordable rental through the private sector	10 000 mineworker housing	10 000	2 000
	25 000 affordable private rental	25 000	5 000
27 000 state led social housing	-	27 000	5 400
10 000 CRU	-	10 000	2 000
900 000 Title Deeds backlog eradicated	-	900 000	180 000
Total number of housing opportunities created by the state* (excl private rental and title deeds backlog)		1 460 000	293 801

# Budget presentation for the years ending 2016/17 to 2019/20



# A successful budget needs to ensure...

## 1 Strategic alignment

### Enable the organisations mandate

Mandate and strategic direction	
<p><b>NHBCRC Mandate</b></p> <ul style="list-style-type: none"> <li>NHBCRC established in terms of the Housing Consumers Protection Measures Act, 1995 (Act No 95 of 1995) (as amended)</li> <li>The objectives of the NHBCRC as set out in the Act are to:               <ol style="list-style-type: none"> <li>represent the interests of housing consumers by providing warranty protection against defects in new homes;</li> <li>regulate the home building industry;</li> <li>provide protection to housing consumers in respect of the failure of home builders to comply with their obligations in terms of this Act;</li> <li>establish and to promote ethical and technical standards in the home building industry;</li> <li>improve structure quality in the interests of housing consumers and the home building industry;</li> <li>promote housing consumer rights and to provide housing consumer information;</li> <li>communicate with and to assist home builders to register in terms of this Act;</li> <li>assist home builders, through training and inspection, to achieve and to maintain satisfactory technical standards of home building;</li> <li>regulate insurers contemplated in section 23 (9) (a), and</li> <li>in particular, to achieve the stated objects of this section in the subsidy housing sector.</li> </ol> </li> </ul>	<p><b>NHBCRC Strategic Direction</b></p> <p>A world class home builders warranty organization that ensures the delivery of sustainable quality homes.</p> <p><b>Vision</b></p> <p><b>Mission</b></p> <p><b>Strategy</b></p> <ol style="list-style-type: none"> <li>To protect the housing consumer and require the home building environment by promoting innovative home building technologies setting home building standards and improving the capabilities of home builders.</li> <li>To improve visibility and accessibility in the market while enhancing interaction with our stakeholders.</li> <li>To position the NHBCRC as a leader in knowledge creation, technical and technological building solutions through strategic partnerships.</li> <li>To provide diversified services and products in line with changing building requirements and needs.</li> </ol> <p><b>Strategic objectives</b></p> <ol style="list-style-type: none"> <li>To grow, protect and sustain the NHBCRC warranty fund</li> <li>To provide innovative quality funds and services that will weight the customer to strengthen the NHBCRC operating processes, systems, and procedures</li> <li>To create a learning environment produce products and services</li> </ol>

### Address Council priorities



### Support Shareholder priorities

**Shareholder priorities**

**1,460,000 housing opportunities to be delivered over the MTSF...**

MTSF IN NUMBERS			
Primary MTSF Target	Secondary Target	5-Year Target	Annual Target
750 000 households in informal settlements upgraded to level 2	households located in 2 200 informal settlements	750 000	150 000
Services			
563 000 Individual subsidy units (linked with title deeds target)	3 854 units for military veterans	3 854*	1 951
330 000 Gap Housing	70 000 FUPP	70 000	14 000
35 000 Affordable rental through the private sector	40 000 DFw	40 000	10 000
27 000 state led social housing	25 000 affordable private rental	25 000	5 000
10 000 CRU	-	10 000	2 000
900 000 Title Deeds backlog (redrafted)	-	900 000	180 000
<b>Total number of housing opportunities created by the state* (excl private, rental and title deeds backlog)</b>			
		1 460 000	293 801

# A successful budget needs to ensure...

## 1 Strategic alignment

### Enable the organisations mandate

**Mandate and strategic direction**

**NHBRC Mandate**

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The objectives of the NHBRC as set out in the Act are to:

- represent the interests of housing consumers by providing warranty protection against defects in new homes;
- regulate the home building industry;
- provide protection to housing consumers in respect of the failure of home builders to comply with their obligations in terms of this Act;
- establish and to promote ethical and technical standards in the home building industry;
- improve structure quality in the interests of housing consumers and the home building industry;
- promote housing consumer rights and to provide housing consumer information;
- communicate aims and to assist home builders to register in terms of this Act;
- assist home builders, through training and inspection, to achieve and to maintain satisfactory technical standards of home building;
- regulate insurers contemplated in section 23 (9) (a), and
- in particular, to achieve the stated objects of this section in the subsidy housing sector.

**NHBRC Strategic Direction**

A world class home builders warranty organization that ensures the delivery of sustainable quality homes.

**Vision**

To protect the housing consumer and require the home building environment by promoting innovative home building technologies setting home building standards and improving the credibility of home builders.

**Mission**

To improve visibility and accessibility in the market while enhancing interaction with our stakeholders.

**Strategy**

- To position the NHBRC as a leader in knowledge creation, technical and technological building solutions through strategic partnerships.
- To provide diversified services and products in line with changing building requirements and needs.

**Strategic objectives**

- To grow, protect and sustain the NHBRC warranty fund
- To provide innovative quality funds and services that will weight the customer to strengthen the NHBRC operating processes, systems, and procedures
- To create a learning environment produce products and services

### Address Council priorities



### Support Shareholder priorities

**Shareholder priorities**

**1,460,000 housing opportunities to be delivered over the MTSF...**

**MTSF IN NUMBERS**

Primary MTSF Target	Secondary Target	5-Year Target	Annual Target
750 000 households in informal settlements upgraded to level 2	households located in 2 200 informal settlements	750 000	150 000
Services		537 148	111 230
563 000 individual subsidy units (linked with title deeds target)	3 854 units for military veterans	3 854*	3 951
3 130 000 Gap Housing	70 000 FUPP	70 000	34 000
	40 000 DFH	40 000	10 000
35 000 affordable rental through the private sector	10 000 non-subsidy housing	10 000	3 000
27 000 state led social housing	25 000 affordable private rental	25 000	5 000
10 000 CRU		27 000	5 400
900 000 Title Deeds backlog eradicated		10 000	3 000
		900 000	180 000
<b>Total number of housing opportunities created by the state* (excl private rental and title deeds backlog)</b>		<b>1 460 000</b>	<b>293 803</b>

## 2 Service delivery

### Valuable final products

**Products and Services**

- Enrolment of new homes;
- Home builder registration and renewals;
- Home building inspections;
- Forensic engineering investigations;
- Assessment of houses for rectification;
- Home builder training and development;
- Home building dispute resolution;
- Litigation and legal advisory services; and
- Geo-technical and materials engineering.

### Deliver services to our citizens

**What does the budget deliver to SA Inc.?**

	UoM	2016/17	2015/16	2014/15	2013/14
Total non-subsidy enrolments	Number	53,955	50,205	52,032	50,022
Subsidy home enrolments	Number	140,196	97,910	168,753	119,440
Subsidy project enrolments	Number	53,898	10,632	32,437	26,719
Non-subsidy inspections	Number	215,820		304,267	221,107
Subsidy inspections	Number	560,784		223,915	230,217
Total inspections	Number	776,604	525,705	528,182	451,324
Registration	Number	4,020	3,500	4,257	3,175
Renewal	Number	13,250	13,218	11,155	12,447
Total registration & renewals	Number	17,270	16,718	15,412	15,622
Complaints lodged	Number			471	516
Conciliations received	Number			325	288
Suspensions	Number			233	202
DC Hearings	Number			339	328
Forensic investigations	Number	17,000	15,205	7,555	-
Geotechnical assessments	Number	40,000	23,172	2,177	-
People to be trained	Number	5,071	3,951	3,813	2,303
Remedial claims to be paid	R'm	13,856	13,072	11,103	8,266

# A successful budget needs to ensure...

## 1 Strategic alignment

### Enable the organisations mandate

**Mandate and strategic direction**

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**Mission**

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**Strategy**

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2. To provide diversified services and products in line with changing building requirements and needs.

**Strategic objectives**

- To grow, protect and sustain the NHBRC warranty fund
- To provide innovative quality funds and services that will weigh the customer
- To strengthen the NHBRC operating processes, systems, and procedures
- To create a learning environment produce products and services

### Address Council priorities



### Support Shareholder priorities

**Shareholder priorities**

1,460,000 housing opportunities to be delivered over the MTSF...

**MTSF IN NUMBERS**

Primary MTSF Target	Secondary Target	3-Year Target	Annual Target
750 000 households in informal settlements upgraded to level 2	households located in 2 200 informal settlements	750 000	150 000
565 000 individual publicly owned units included with title deeds target	3 854 units for military veterans	3 854*	3 991
310 000 Gap Housing	70 000 FUSP	597 148	313 290
35 000 affordable rental through the private sector	40 000 DFH	70 000	34 000
27 000 state led special housing	10 000 non-market housing	40 000	10 000
10 000 CRU	25 000 affordable private rental	10 000	5 000
900 000 Title Deeds backlog eradicated	27 000	27 000	9 400
Total number of housing opportunities created by the state* (excl private rental and title deeds backlog)	1 460 000	1 460 000	293 803

## 2 Service delivery

### Valuable final products

- Products and Services**
- Enrolment of new homes;
  - Home builder registration and renewals;
  - Home building inspections;
  - Forensic engineering investigations;
  - Assessment of houses for rectification;
  - Home builder training and development;
  - Home building dispute resolution;
  - Litigation and legal advisory services; and
  - Geo-technical and materials engineering.

### Deliver services to our citizens

**What does the budget deliver to SA Inc.?**

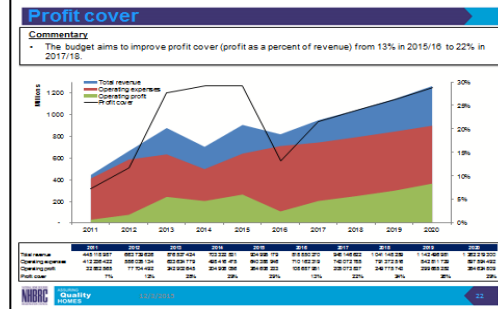
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Subsidy inspections	Number	560,784	623,915	230,217	-
Total inspections	Number	776,604	928,705	528,182	451,324
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Renewal	Number	13,250	13,218	11,155	12,447
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Suspensions	Number	-	-	233	202
DC Hearings	Number	-	-	358	328
Forensic investigations	Number	17,000	15,205	7,555	-
Geotechnical assessments	Number	40,000	23,172	2,177	-
People to be trained	Number	5,071	3,951	3,813	2,303
Remedial claims to be paid	R'm	13,856	13,072	11,103	8,206

## 3 Financial sustainability

### Navigate economic conditions

- Economic context**
- SA Reserve Bank (SARB) forecast for GDP growth:**
    - revised down marginally for 2015 and 2016 to 1,4 per cent and 1,5 per cent, but remains unchanged at 2,1 per cent for 2017.
  - SARB outlook on inflation:**
    - Inflation is expected to average 4,6 per cent in 2015, and 6,0 per cent and 5,8 per cent in the next two years.
  - Outlook on interest rates:**
    - Two interest rates in 2015 of 0,25 % each
    - The US Fed is likely to raise its policy rate in December, and further volatility in financial markets can be expected in the lead-up to this – impetus for further interest rate hikes
    - Rand weakness – The SA Reserve Bank (Sarb) noted portfolio outflows in recent months and cautioned that additional outflows could pressure the rand further – further impetus for further interest rate hikes
    - Potential for two more interest rate hikes of 0,25% each in 2016 – [www.tradingeconomics.com](http://www.tradingeconomics.com)

### Ensure financial sustainability



### Build financial strength

**Balance Sheet**

**Commentary**

- Financial strength as represented by total assets grows from R5,6bn to R6,2 bn in 2017.

Year	Equity	Liabilities	Total assets
2015	3 817 886 709	4 209 705 734	4 646 507 543
2016	5 150 528 576	5 720 985 062	6 373 981 235
2017	1 563 819 297	1 651 964 426	1 731 102 750
2018	1 563 819 297	1 651 964 426	1 731 102 750
2019	1 563 819 297	1 651 964 426	1 731 102 750
2020	1 563 819 297	1 651 964 426	1 731 102 750

# Top 10 priorities of Council are adequately funded



# A successful budget needs to ensure...

## 1 Strategic alignment

### Enable the organisations mandate

#### Mandate and strategic direction

**NHBRC Mandate**

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The objectives of the NHBRC as set out in the Act are to:

- (a) represent the interests of housing consumers by providing warranty protection against defects in new homes;
- (b) regulate the home building industry;
- (c) provide protection to housing consumers in respect of the failure of home builders to comply with their obligations in terms of this Act;
- (d) establish and to promote ethical and technical standards in the home building industry;
- (e) improve structural quality in the interests of housing consumers and the home building industry;
- (f) promote housing consumer rights and to provide housing consumer information;
- (g) communicate with and to assist home builders to register in terms of this Act;
- (h) assist home builders, through training and inspection, to achieve and to maintain satisfactory technical standards of home building;
- (i) regulate insurers contemplated in section 23 (9) (a), and
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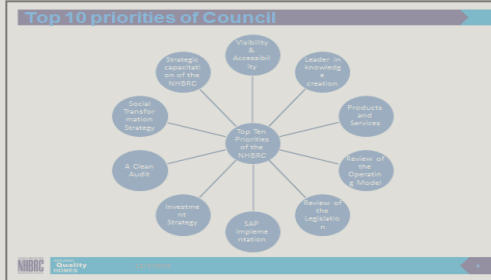
**Strategy**

1. To position the NHBRC as a leader in knowledge creation, technical and technological building solutions through strategic partnerships.
2. To provide diversified services and products in line with changing building requirements and needs.

**Strategic objectives**

1. To grow, protect and sustain the NHBRC warranty fund.
2. To provide innovative quality funds and services that will weight the customer to safeguard the NHBRC operating processes, systems, and procedures.
3. To create a learning environment produce products and services.

### Address Council priorities



### Support Shareholder priorities

#### Shareholder priorities

1,460,000 housing opportunities to be delivered over the MTSF...

MTSF IN NUMBERS				
Primary MTSF Target	Secondary Target	3-Year Target	Annual Targets	
750 000 households in informal settlements upgraded to level 2	Households located in	750 000	150 000	
Services	included	937 148	313 290	
365 000 individual subsidy units	3 854 units for military veterans	3 854*	3 951	
3 130 000 Gap Housing	70 000 FUPP	70 000	34 000	
35 000 affordable rental through the private sector	40 000 DPA	40 000	30 000	
27 000 state led social housing	60 000 residential housing	10 000	3 000	
20 000 GRI	25 000 affordable private rental	25 000	5 000	
900 000 Title Deeds backlog addressed	27 000 state led social housing	27 000	5 800	
Total number of housing opportunities created by the water* (excl private rental and title deeds backlog)	900 000 Title Deeds backlog addressed	900 000	1 800 000	
			1 460 000	283 803

## 2 Service delivery

### Valuable final products

#### Products and Services

- Enrolment of new homes;
- Home builder registration and renewals;
- Home building inspections;
- Forensic engineering investigations;
- Assessment of houses for rectification;
- Home builder training and development;
- Home building dispute resolution;
- Litigation and legal advisory services; and
- Geo-technical and materials engineering.

### Deliver services to our citizens

#### What does the budget deliver to SA Inc.?

	UoM	2016/17	2015/16	2014/15	2013/14
Total non-subsidy enrolments	Number	53,955	50,205	52,032	50,022
Subsidy home enrolments	Number	140,196	97,910	168,753	119,440
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People to be trained	Number	5,071	3,951	3,813	2,303
Remedial claims to be paid	R'm	13,856	13,072	11,103	8,266

# Operating Model

Housing Consumer Protection

**Home Builder Regulation**

**Warranty Provision**

Building Regulations (norms & standards)

Enrolment of House

Registration, renewals & training  
(licensing)

Inspection of House

Enforcement (compliance)

Complaint & Conciliation

Disciplinary hearings & suspensions

Remedial work and recoveries

Synergy

Synergy

Synergy

**Asset liability management process**

**Liability management**

Enrolment – Warranty Cover

Statistical estimate of probable loss

Quantification of probable loss

Nature, value and timing of probable loss  
(Liability maturity horizon)

**Asset management**

Enrolment – Enrolment fees (less operational costs)

Investment policy & strategy (defined risk appetite and defined investment universe)

Investment performance (subject to market dynamics and approved mandate)

Nature Value Timing  
Investment maturity profile (nature, timing and value of investment maturity)



# Products and Services

- Enrolment of new homes;
- Home builder registration and renewals;
- Home building inspections;
- Forensic engineering investigations;
- Assessment of houses for rectification;
- Home builder training and development;
- Home building dispute resolution;
- Litigation and legal advisory services; and
- Geo-technical and materials engineering.



# What does the budget deliver to SA Inc. for R743m?

	UoM	2016/17	2015/16	2014/15	2013/14
Total non-subsidy enrolments	Number	53,955	50,205	52,632	50,622
Subsidy home enrolments	Number	140,196	97,910	168,753	119,440
Subsidy project enrolments	Number	63,866	10,632	32,437	26,719
Non-subsidy inspections	Number	215,820		304,267	221,107
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Remedial claims to be paid	R'm	13,856	13,072	11,103	8,266

# Key business activities

The following key business activities have been factored into the budget over the planning period :

- Commercial operation of SAP Implementation (R117m investment)
- Unified communications (R100m over 5 Years)
- Consumer education and awareness (R43m over 3 years)
- Insourcing of inspectorate (R187m per annum)
- Centre for Innovation and Research (R30 m per annum)
- Construction of new building (+/- R60m once off investment)
- Forensic engineering/geotechnical service to provinces (R160m over 3 years)

# A successful budget needs to ensure...

## 1 Strategic alignment



### Enable the organisations mandate

**Mandate and strategic direction**

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- improve structural quality in the interests of housing consumers and the home building industry.
- promote housing consumer rights and to provide housing consumer information;
- communicate with and to assist home builders to register in terms of this Act;
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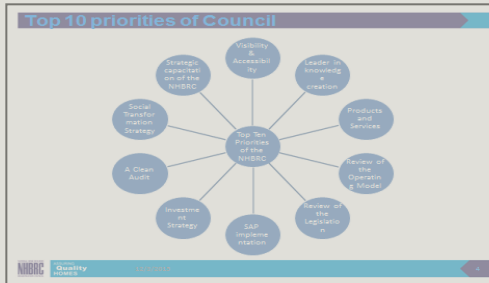
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### Address Council priorities



### Support Shareholder priorities

**Shareholder priorities**

1,460,000 housing opportunities to be delivered over the MTSF...

**MTSF IN NUMBERS**

Primary MTSF Target	Secondary Target	3-5 Year Target	Annual Targets
750 000 households in informal settlements upgraded to level 2	Households located in settlements upgraded to level 2	750 000	150 000
565 000 individual subsidy units (linked with title deeds target)	565 000 individual subsidy units included	3 854	3 951
330 000 Gap Housing	70 000 FUPP	937 548	333 230
35 000 affordable rental through the private sector	40 000 DPA	70 000	34 000
27 000 state led social housing	50 000 intermediate housing	40 000	30 000
10 000 CSR	25 000 affordable private rental (addressed)	27 000	9 400
900 000 Title Deeds backlog (addressed)	10 000	10 000	3 000
Total number of housing opportunities created by the state* (exit private, rental and title deeds backlog)	900 000	900 000	180 000
		1,460,000	283,803

## 2 Service delivery



### Valuable final products

**Products and Services**

- Enrolment of new homes;
- Home builder registration and renewals;
- Home building inspections;
- Forensic engineering investigations;
- Assessment of houses for rectification;
- Home builder training and development;
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- Geo-technical and materials engineering.

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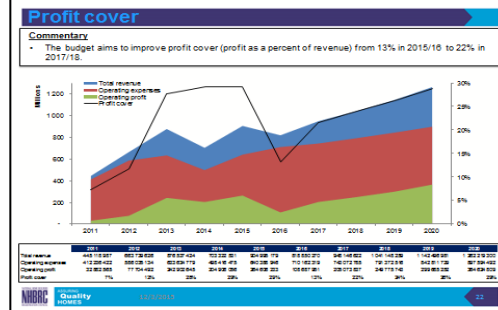
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Subsidy project enrolments	Number	53,898	10,632	32,437	26,719
Non-subsidy inspections	Number	215,820	324,267	221,107	-
Subsidy inspections	Number	550,784	223,915	230,217	-
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## 3 Financial sustainability

### Navigate economic conditions

- Economic context**
- SA Reserve Bank (SARB) forecast for GDP growth:**
    - revised down marginally for 2015 and 2016 to 1,4 per cent and 1,5 per cent, but remains unchanged at 2,1 per cent for 2017.
  - SARB outlook on inflation:**
    - Inflation is expected to average 4,6 per cent in 2015, and 6,0 per cent and 5,8 per cent in the next two years.
  - Outlook on interest rates:**
    - Two interest rates in 2015 of 0,25 % each
    - The US Fed is likely to raise its policy rate in December, and further volatility in financial markets can be expected in the lead-up to this – impetus for further interest rate hikes
    - Rand weakness – The SA Reserve Bank (Sarb) noted portfolio outflows in recent months and cautioned that additional outflows could pressure the rand further – further impetus for further interest rate hikes
    - Potential for two more interest rate hikes of 0,25% each in 2016 – [www.tradingeconomics.com](http://www.tradingeconomics.com)

### Ensure financial sustainability



### Builds financial strength

**Balance Sheet**

**Commentary**

- Financial strength as represented by total assets grows from R5,0bn to R5,2 bn in 2017.

Year	Equity	Liabilities	Total Assets
2015	3 817 886 709	4 209 705 734	4 646 507 543
2016	5 150 528 576	5 720 985 062	6 373 981 235
2017	1 651 964 426	1 731 102 750	1 809 510 511
2018	5 374 045 399	5 682 046 367	6 210 326 840
2019	6 802 493 001	7 452 087 811	8 183 491 745
2020	-	-	-

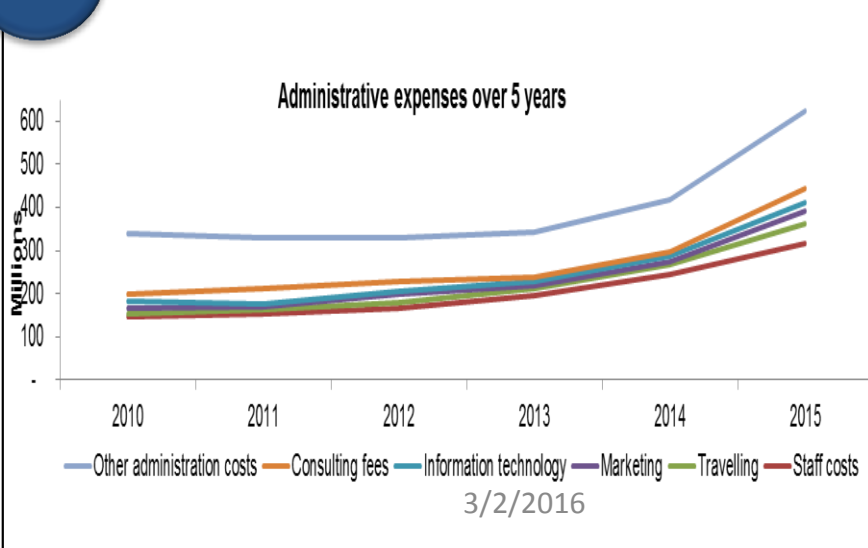
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- **Outlook on interest rates:**
  - Two interest rate hikes in 2015 of 0.25 % each
  - The US Fed is likely to raise its policy rate in December, and further volatility in financial markets can be expected in the lead-up to this – impetus for further interest rate hikes
  - Rand weakness - The SA Reserve Bank (Sarb) noted portfolio outflows in recent months and cautioned that additional outflows could pressure the rand further. – further impetus for further interest rate hikes
  - Potential for two more interest rate hikes of 0.25% each in 2016 – [www.tradingeconomics.com](http://www.tradingeconomics.com)

# Key concerns that need to be factored

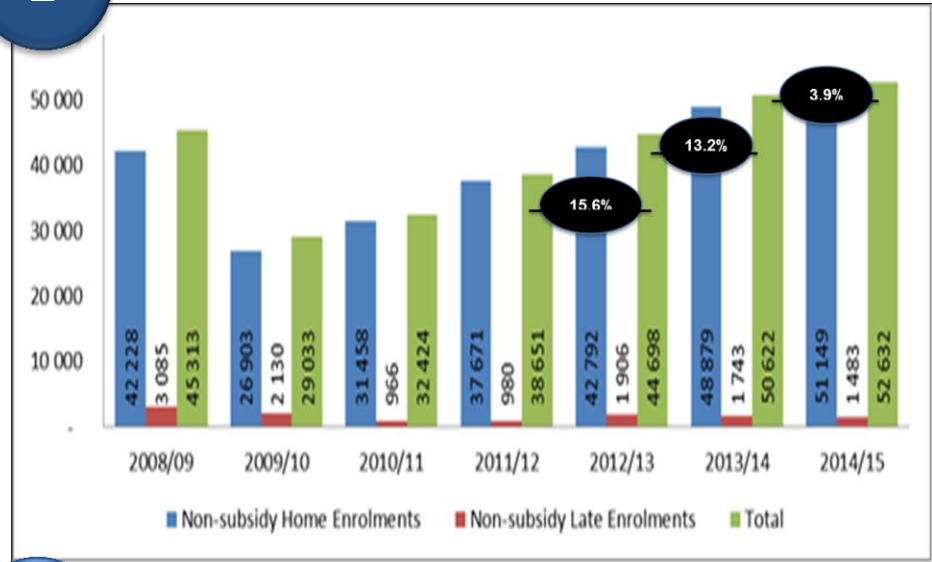
## 1 Restore underwriting profits

	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Earned Enrol. Fees	727	333	426	202	396	326	537
- Expenses	638	483	423	403	385	416	526
- Incurred Claims	15	4	9	5	12	19	27
= Underwriting P/L	74	(154)	(6)	(206)	(1)	(109)	(16)
+ Investment P/L	346	315	300	215	207	240	242
= Surplus / Deficit	420	161	294	9	206	131	226

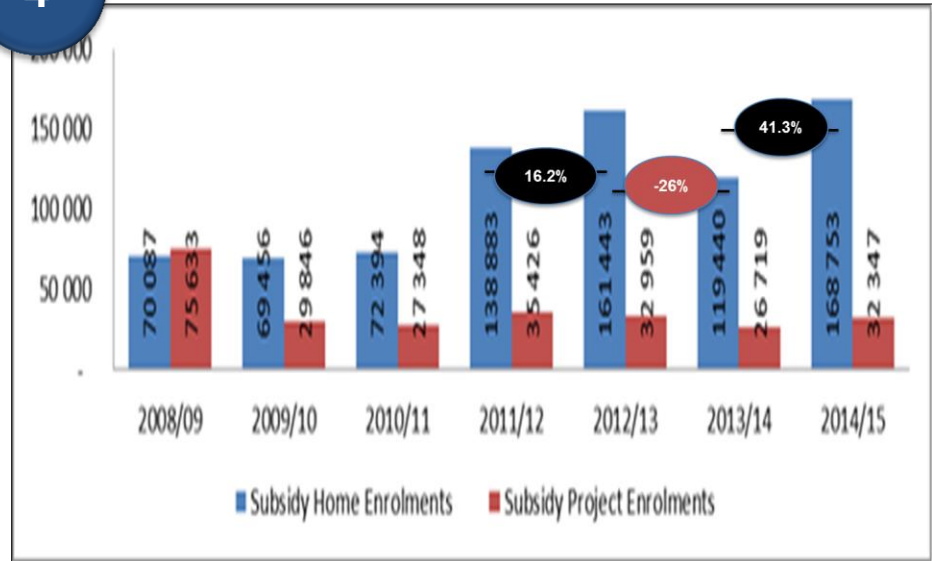
## 3 Above inflation growth in admin expenses



## 2 Stagnating growth in primary revenue base



## 4 High volatility in subsidy market



# History – 2014/15 five year financial plan

Cumulative losses from operations using the original budget amounts to R829 million over 5 years

Budget at June 2014

1



Cumulative losses from operations using a bottom up approach amounts to R293 million over 5 years

2<sup>nd</sup> iteration of Budget

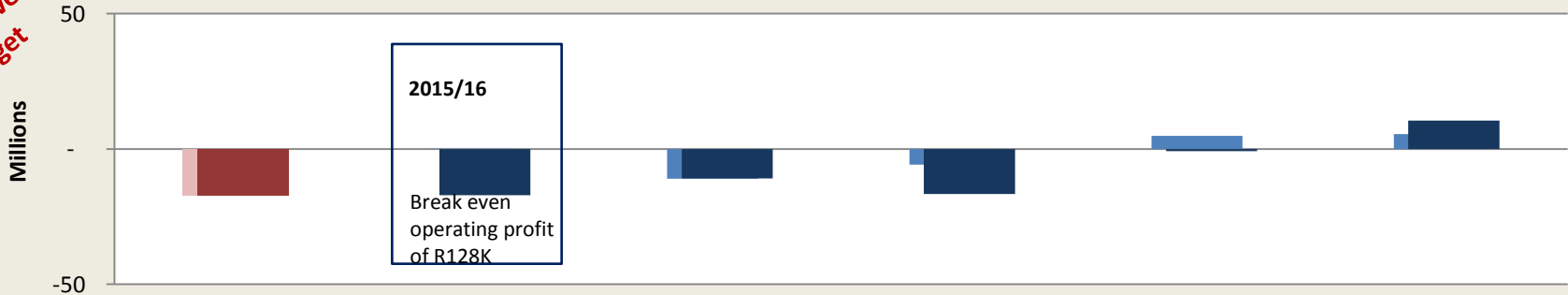
2



Cumulative profits from the final proposed budget amounts to R10 million over 5 years\*

Final Approved Budget

3



# Budget formulation – guiding principles

1. Five year budget to enable the strategic plan of the NHBRC – **alignment of financial resources with strategic objectives.**
2. Five year budget to set the direction in ensuring the financial viability of the NHBRC – **appropriate risk management in cost structure and balance sheet management**
  - caution to be exercised when growing the cost base.
  - cost containment guidelines apply
3. Actuarial **warranty fund losses to be reduced** over the 5 year planning period
4. **Warranty fund assets and related investment activities** to be used to cover warranty **fund liabilities and economic capital requirements only**
5. Operational requirements to be funded out of revenue generated for period – **restore operating profit**
6. Budget to embed a **culture of accountability, efficiency, value and innovation**



# Introducing the concept of profit cover

## Question:

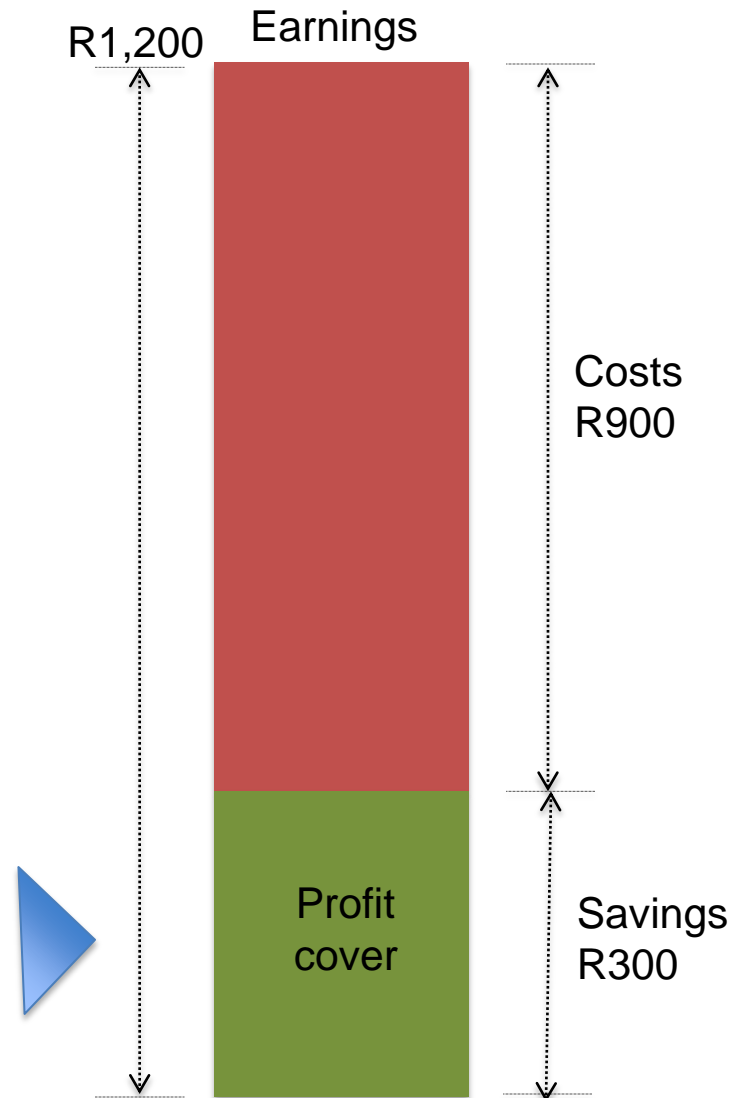
If I work for myself and generate an earning R1,200 per annum. How much should I save in case I do not secure new work immediately?

## Assumption:

Assuming it will take me 3 months to find new work, I should at least have 3 months income as savings (25%) before I start defaulting on my obligations.

## Answer:

We call this profit cover (3 months savings) and when as expressed as a ratio of earnings equates to 25% (300/1200)



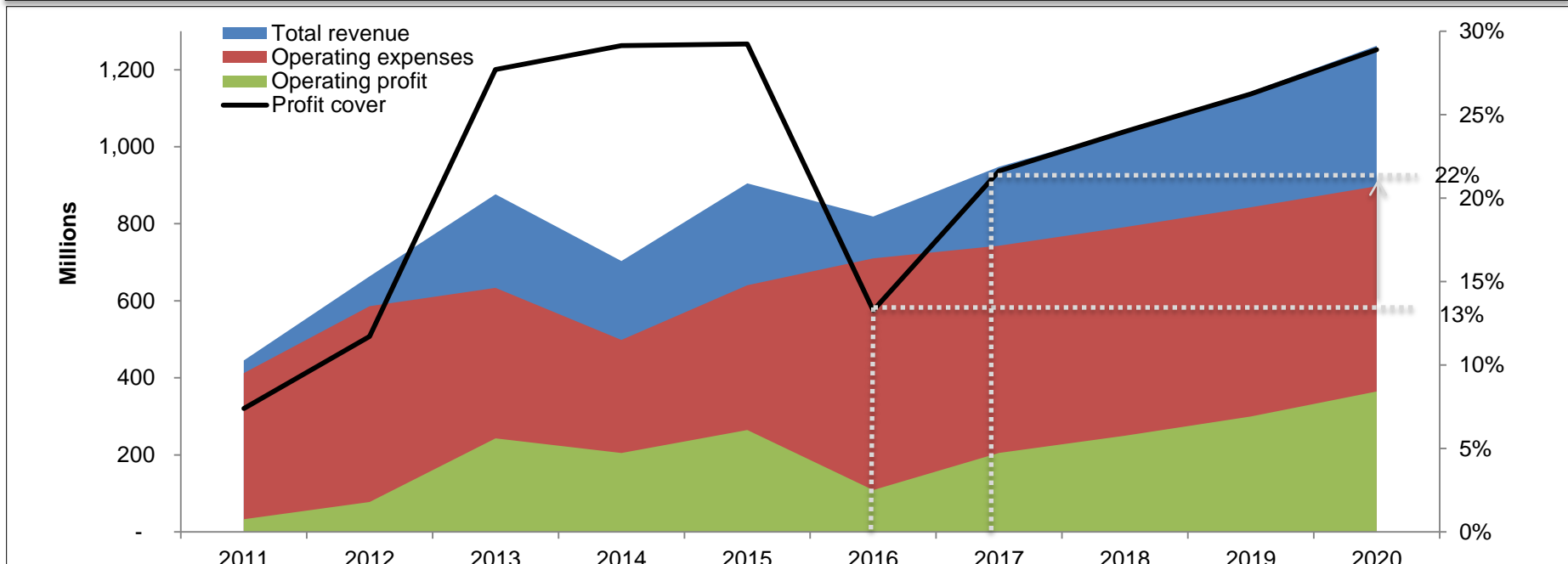
# Profit cover

## Objective

- To establish an optimal level of profit that provides adequate risk mitigation and allows for sufficient time to respond to a possible decline in revenue before sustaining operating losses.

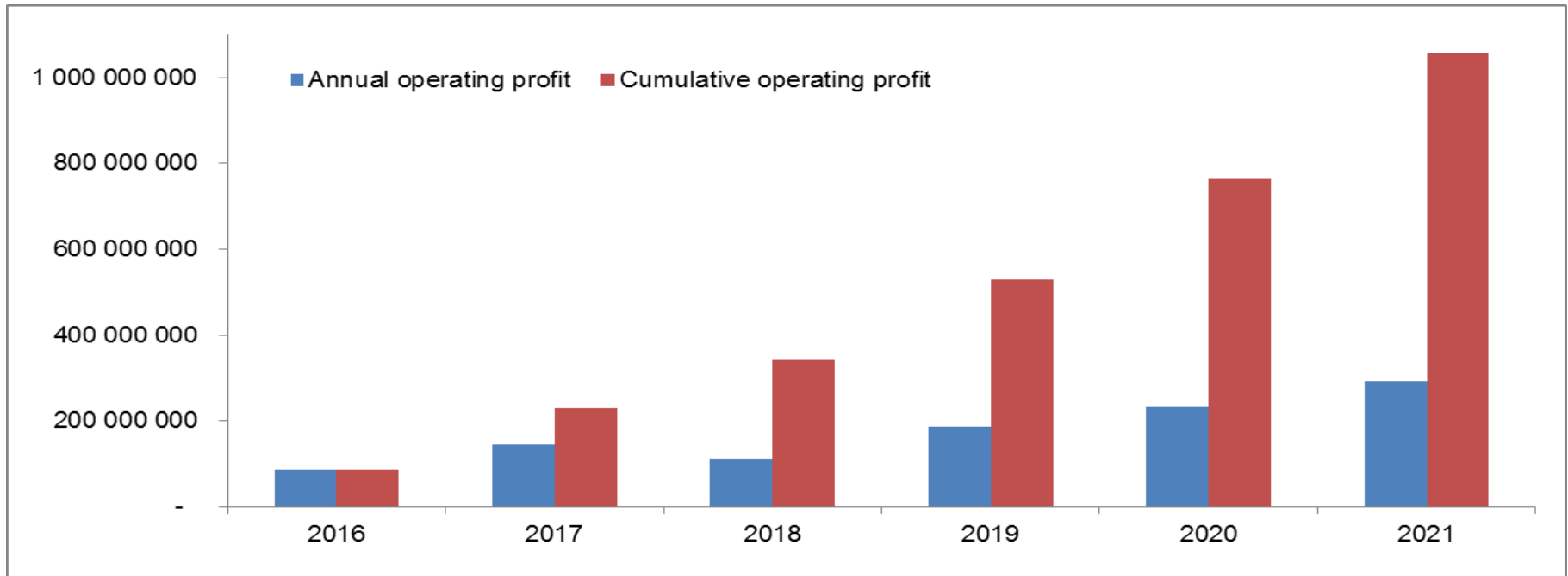
## Approach

- Establish a robust revenue line against which a cost base can be committed.
- Establish an acceptable profit cover ratio that can ensure sustainability over the longer term (25% of revenue)
- Establish a cost curve that adequately provides for the needs of the business but also ensures efficiency and sustainability within the parameters identified in 1 and 2.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total revenue	445 118 987	663 739 626	876 537 424	703 322 531	904 995 179	818 850 270	948 146 622	1 041 148 259	1 142 496 981	1 262 219 300
Operating expenses	412 236 422	586 035 134	633 634 779	498 416 475	640 388 946	710 162 319	743 072 785	791 372 516	842 811 729	897 594 492
Operating profit	32 882 565	77 704 492	242 902 645	204 906 056	264 606 233	108 687 951	205 073 837	249 775 743	299 685 252	364 624 809
Profit cover	7%	12%	28%	29%	29%	13%	22%	24%	26%	29%

# 2015/16 - Proposed Five Year Plan



	<b>FYF 2016</b>	<b>Budget 2017</b>	<b>Budget 2018</b>	<b>Budget 2019</b>	<b>Budget 2020</b>	<b>Budget 2021</b>
Annual operating profit	85 029 785	146 205 213	111 476 274	187 080 659	232 914 987	293 514 477
Cumulative operating profit	85 029 785	231 234 998	342 711 272	529 791 931	762 706 918	1 056 221 395

# Planning assumptions

	Budget				
	2015/16	2016/17	2017/18	2018/19	2019/20
Average Consumer Price Index – CPI		5.5	5.5	5.5	5.5
Salary escalation (annual increases + growth)		7	6	6	6
Performance bonus - percentage of salaries		7.5	7.5	7.5	7.5
Escalation - all other expenses		5.5	5.5	5.5	5.5
Employee numbers	613	663	663	663	663
Accommodation cost per night – Treasury guideline	R1,300		Escalated at CPI		
Flight	R4,000		Escalated at CPI		

INCOME STATEMENT	2011	2012	2013	2014	2015	2016	2016	2017	2018	2019	2020
	Actuals	Actuals	Actuals	Actuals	Actuals	Budget	Real FYF	Budget	Budget	Budget	Budget
<b>Total Revenue</b>	<b>445 118 993</b>	<b>663 739 626</b>	<b>876 537 423</b>	<b>703 322 531</b>	<b>904 995 179</b>	<b>813 163 785</b>	<b>817 850 270</b>	<b>948 146 622</b>	<b>1 041 148 259</b>	<b>1 142 496 981</b>	<b>1 262 219 300</b>
Insurance premium revenue	331 933 726	426 811 091	606 914 343	624 730 776	806 960 094	671 697 394	770 608 012	786 100 789	837 197 340	891 615 167	949 570 153
Subsidy project enrolments	17 220 892	43 520 150	34 240 457	16 515 161	33 420 077	57 309 673	5 453 035	81 485 991	118 154 687	159 508 827	215 336 916
Fee revenue	14 687 041	12 144 367	13 237 438	14 436 694	17 260 573	11 906 718	15 449 965	37 026 842	39 433 587	41 996 770	44 726 560
Technical services revenue	80 396 035	139 283 978	215 989 718	42 214 463	24 124 500	72 250 000	25 198 116	34 000 000	36 210 000	38 563 650	41 070 287
Other income	881 299	41 980 039	6 155 467	5 425 437	23 229 935	-	1 141 141	9 533 000	10 152 645	10 812 567	11 515 384
<b>Growth in Revenue</b>		<b>33%</b>	<b>24%</b>	<b>-25%</b>	<b>22%</b>	<b>-11%</b>	<b>-12%</b>	<b>14%</b>	<b>18%</b>	<b>9%</b>	<b>9%</b>
Insurance claims and loss adjustment expenses	11 542 190	5 255 613	8 884 344	2 273 540	14 638 847	-	15 443 984	16 293 403	17 189 540	18 134 965	19 132 388
Inspections and operating expenses	60 103 623	82 184 554	54 676 784	62 894 274	1 708 314	5 146 633	2 166 973	24 745 831	26 354 310	28 067 340	29 891 717
Technical services expenditure	37 246 675	186 403 203	240 982 706	26 652 774	5 368 647	48 300 000	34 134 818	36 012 233	38 353 029	40 845 975	43 500 964
Administration expenses	148 735 545	144 907 000	134 082 394	161 060 955	302 013 410	274 731 085	267 572 403	247 818 087	263 926 263	281 081 470	299 351 765
Permanent Staff costs	154 608 389	167 284 764	195 008 551	245 534 932	316 659 728	449 691 082	390 844 141	418 203 230	445 386 440	474 336 559	505 168 435
<b>Expenses</b>	<b>412 236 422</b>	<b>586 035 134</b>	<b>633 634 779</b>	<b>498 416 475</b>	<b>640 388 946</b>	<b>777 868 800</b>	<b>710 162 319</b>	<b>743 072 785</b>	<b>791 372 516</b>	<b>842 811 729</b>	<b>897 594 492</b>
<b>Growth in cash operating expenses</b>		<b>30%</b>	<b>8%</b>	<b>-27%</b>	<b>22%</b>	<b>18%</b>	<b>11%</b>	<b>4%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>
<b>Operating Profit/ (Loss) before Amortisation, Depreciation, Research and Development</b>	<b>32 882 571</b>	<b>77 704 492</b>	<b>242 902 645</b>	<b>204 906 056</b>	<b>264 606 232</b>	<b>35 294 985</b>	<b>107 687 951</b>	<b>205 073 837</b>	<b>249 775 743</b>	<b>299 685 252</b>	<b>364 624 809</b>
Amortisation and depreciation	16 679 765	15 126 675	11 807 542	10 128 876	9 130 887	25 166 476	16 158 166	28 868 623	30 745 084	32 743 514	34 871 843
Research and Development	-	-	-	-	-	10 000 000	6 500 000	30 000 000	31 950 000	34 026 750	36 238 489
<b>Operating Profit/ (Loss) before actuarial provisions</b>	<b>16 202 806</b>	<b>62 577 817</b>	<b>231 095 103</b>	<b>194 777 180</b>	<b>255 475 345</b>	<b>128 508</b>	<b>85 029 785</b>	<b>146 205 213</b>	<b>187 080 659</b>	<b>232 914 987</b>	<b>293 514 477</b>
<b>Growth in operating profit</b>		<b>286%</b>	<b>269%</b>	<b>-16%</b>	<b>31%</b>	<b>-100%</b>	<b>-67%</b>	<b>72%</b>	<b>68%</b>	<b>24%</b>	<b>26%</b>

## Commentary

- Revenue grows by 14% in 2016/17 to R948 million largely due to growth in the subsidy market.
- Cash operating expenses grow by 4% in 2016/17 largely due to a reduction and containment of administrative expenses and restrained growth on permanent staff costs.
- Operating profit grows by 72% in 2016/17 largely due to the above as a well lower operating profit base in 2014/15

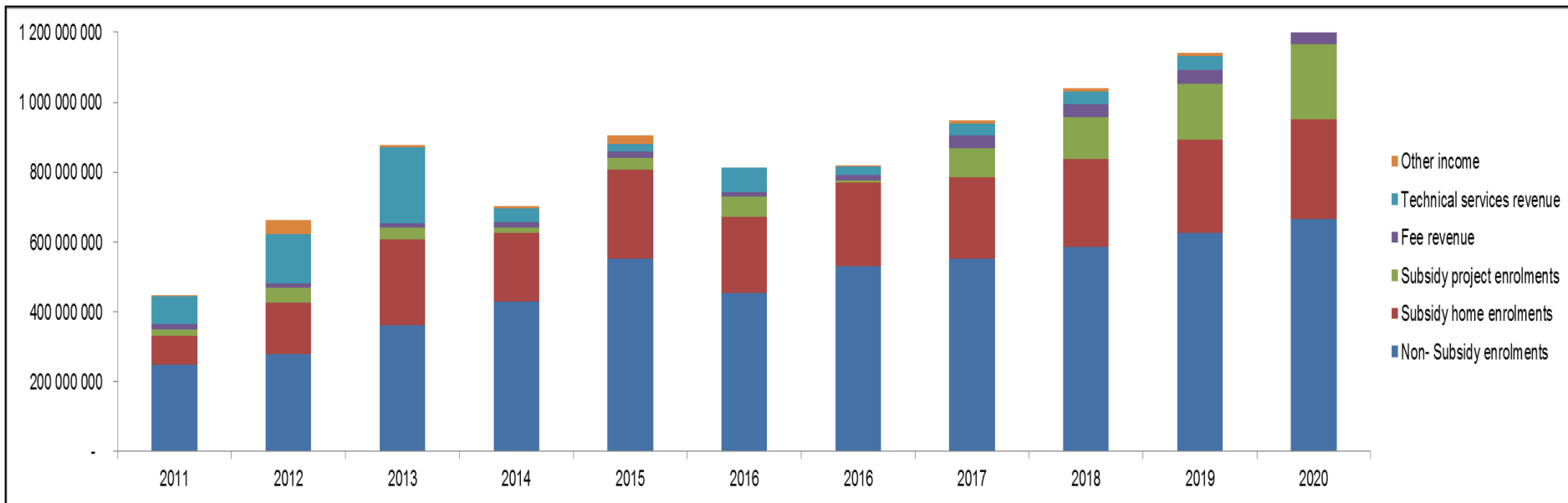
INCOME STATEMENT	2011	2012	2013	2014	2015	2016	2016	2017	2018	2019	2020
	Actuals	Actuals	Actuals	Actuals	Actuals	Budget	Real FYF	Budget	Budget	Budget	Budget
<i>Actuarial Provisions</i>	24 626 570	-199 129 707	-38 438 084	-285 669 601	-66 190 050	-	-70 000 000	-70 000 000	-74 550 000	-79 395 750	-84 556 474
<b>Operating Profit/ (Loss) After Actuarial adjustments</b>	<b>40 829 376</b>	<b>-136 551 890</b>	<b>192 657 019</b>	<b>480 446 781</b>	<b>189 285 295</b>	<b>128 508</b>	<b>15 029 785</b>	<b>76 205 213</b>	<b>112 530 659</b>	<b>153 519 237</b>	<b>208 958 003</b>
<b>Net Investment income</b>	<b>320 825 582</b>	<b>246 710 010</b>	<b>332 667 767</b>	<b>305 467 316</b>	<b>338 272 291</b>	<b>264 500 000</b>	<b>346 789 240</b>	<b>367 596 594</b>	<b>391 490 373</b>	<b>416 937 247</b>	<b>444 038 168</b>
Interest received and Investment income	203 122 057	197 357 574	199 183 248	218 047 369	271 072 480	275 000 000	256 385 784	271 768 931	289 433 912	308 247 116	328 283 179
Unrealised profit on sale of financial assets	126 472 192	17 955 244	95 394 737	75 540 246	32 394 978	-	100 000 000	106 000 000	112 890 000	120 227 850	128 042 660
Realised Profit on sale of financial assets	-	40 242 531	47 697 368	21 645 322	42 672 415	-	-	-	-	-	-
Asset management services	-8 768 668	-8 845 339	-9 607 586	-9 765 621	-7 867 582	-10 500 000	-9 596 544	-10 172 337	-10 833 539	-11 537 719	-12 287 670
<b>Net profit before finance costs</b>	<b>361 654 958</b>	<b>110 158 120</b>	<b>525 324 785</b>	<b>214 574 893</b>	<b>527 557 586</b>	<b>264 628 508</b>	<b>361 819 025</b>	<b>443 801 808</b>	<b>504 021 032</b>	<b>570 456 485</b>	<b>652 996 172</b>
Finance costs	-	-	8 470	-	4 369 938	-	-	-	-	-	-
<b>Surplus for the year</b>	<b>361 654 958</b>	<b>110 158 120</b>	<b>525 316 315</b>	<b>214 574 893</b>	<b>523 187 648</b>	<b>264 628 508</b>	<b>361 819 025</b>	<b>443 801 808</b>	<b>504 021 032</b>	<b>570 456 485</b>	<b>652 996 172</b>
Operating costs as a percentage of revenue	93%	88%	72%	71%	71%	96%	87%	78%	76%	74%	71%
Staff costs (includes inspectorate) only as % of revenue	48%	38%	28%	44%	35%	55%	48%	44%	43%	42%	40%
Staff costs and administration costs as % of revenue	82%	59%	44%	67%	69%	90%	81%	73%	71%	69%	66%

## Commentary

- Net investment income grows at average of 6%, which is largely based on money market rates.
- Net profit is budgeted to grow to R443,8 million in 2016/17.
- Actuarial provisions of R70 million has been budgeted for with growth at 6.5% per annum

# Revenue composition

91% of 2017 Revenue is expected to be generated from three sources namely non-subsidy enrolments, subsidy home enrolments and subsidy project enrolments



Description	2011	2012	2013	2014	2015	2016	2016	2017	2018	2019	2020
Non- Subsidy enrolments	246 984 120	279 237 050	361 603 231	428 336 374	551 057 663	452 840 783	531 364 675	550 930 889	586 741 397	624 879 588	665 496 761
Subsidy home enrolments	85 551 957	147 786 648	245 968 738	196 438 477	256 427 889	219 358 661	239 678 505	235 709 450	251 030 564	267 347 551	284 725 141
Subsidy project enrolments	17 220 892	43 520 150	34 240 457	16 515 161	33 420 077	57 309 673	5 453 035	81 485 991	118 154 687	159 508 827	215 336 916
Fee revenue	14 084 684	11 931 761	12 579 812	14 392 619	16 735 116	11 404 668	15 014 797	36 487 292	38 858 966	41 384 799	44 074 811
Technical services revenue	80 396 035	139 283 978	215 989 718	42 214 463	24 124 500	72 250 000	25 198 116	34 000 000	36 210 000	38 563 650	41 070 287
Other income	881 299	41 980 039	6 155 467	5 425 437	23 229 935	-	2 141 141	9 533 000	10 152 645	10 812 567	11 515 384
	<b>445 118 987</b>	<b>663 739 626</b>	<b>876 537 424</b>	<b>703 322 531</b>	<b>904 995 179</b>	<b>813 163 785</b>	<b>818 850 270</b>	<b>948 146 622</b>	<b>1 041 148 259</b>	<b>1 142 496 981</b>	<b>1 262 219 300</b>

# Non subsidy revenue

## Provincial view

Enrolment fee mix - Rands				
Categories in Rands	FYF 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19
<=500000	R 106 413 779	R 99 436 165	R 105 899 516	R 112 782 984
500001 to 1m	R 133 061 922	R 147 507 834	R 157 095 843	R 167 307 073
1m to 2m	R 140 243 624	R 145 393 440	R 154 844 014	R 164 908 874
2m to 5M	R 127 669 727	R 127 827 920	R 136 136 735	R 144 985 623
Over 5m	R 23 540 455	R 30 225 980	R 32 190 669	R 34 283 062
<b>Total</b>	<b>R 530 929 507</b>	<b>R 550 391 339</b>	<b>R 586 166 776</b>	<b>R 624 267 616</b>

## Modelled view

Enrolment fee mix - Rands				
Categories in Rands	FYF 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19
<=500000	R 106 413 779	R 118 438 536	R 131 822 091	R 146 717 987
500001 to 1m	R 133 061 922	R 138 437 623	R 145 442 567	R 157 296 136
1m to 2m	R 140 243 624	R 126 569 871	R 131 670 637	R 142 401 793
2m to 5M	R 127 669 727	R 133 414 865	R 144 288 177	R 156 047 663
Over 5m	R 23 540 455	R 20 762 681	R 21 599 417	R 22 650 080
<b>Total</b>	<b>R 530 929 507</b>	<b>R 537 623 576</b>	<b>R 574 822 888</b>	<b>R 625 113 660</b>

Differences of 2.4%(2016/17); 2% (2017/18); and 0.16% (2018/19)

## Number of enrolments - units

Categories in Rands	FYF 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19
<=500000	22 343	21 489	22 563	23 692
500001 to 1m	14 989	16 741	17 076	17 930
1m to 2m	10 175	9 534	9 630	10 111
2m to 5M	5 680	5 302	5 567	5 845
Over 5m	719	889	898	916
<b>Total</b>	<b>53 906</b>	<b>53 955</b>	<b>55 734</b>	<b>58 494</b>

## Number of enrolments - units

Categories in Rands	FYF 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19
<=500000	22 343	23 460	24 633	25 865
500001 to 1m	14 989	15 289	15 594	16 374
1m to 2m	10 175	9 667	9 763	10 251
2m to 5M	5 680	6 248	6 561	6 889
Over 5m	719	647	653	666
<b>Total</b>	<b>53 906</b>	<b>55 310</b>	<b>57 205</b>	<b>60 045</b>

## Average enrolment fee - Rands

Categories in Rands	FYF 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19
<=500000	4 763	4 627	4 905	5 199
500001 to 1m	8 877	8 811	9 076	9 348
1m to 2m	13 783	15 250	15 707	16 178
2m to 5M	22 475	24 109	24 833	25 578
Over 5m	32 763	34 000	35 020	34 000
<b>Total</b>	<b>82 662</b>	<b>86 797</b>	<b>89 540</b>	<b>90 303</b>

## Average enrolment fee - Rands

Categories in Rands	FYF 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19
<=500000	4 763	5 049	5 351	5 673
500001 to 1m	8 877	9 055	9 327	9 606
1m to 2m	13 783	13 094	13 486	13 891
2m to 5M	22 475	21 352	21 992	22 652
Over 5m	32 763	32 108	33 071	34 000
<b>Total</b>	<b>82 662</b>	<b>80 657</b>	<b>83 228</b>	<b>85 822</b>

Conclusion: Provincial non-subsidy revenue budgets are robust enough to commit a cost base against.

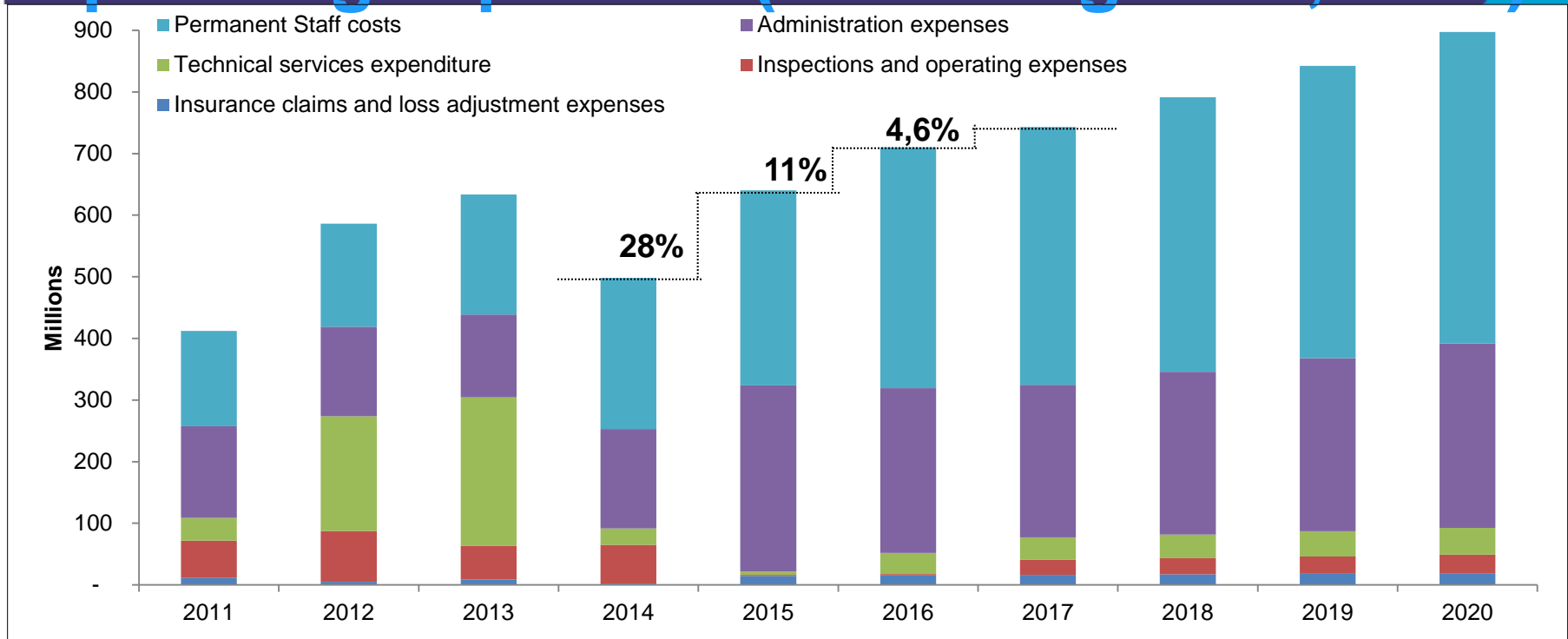


# Subsidy revenue

## National Home Builders Registration Council Subsidy home and project enrolment fees

Description	Actual 2010/11	Actual 2011/12	Actual 2012/13	Actual 2013/14	Actual 2014/15	FYF 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19
<b>Subsidy home enrolments - units</b>									
Provincial DoHS planned units	120 213	120 110	209 800	211 300	143 911	103 980	140 196	140 196	140 196
NHBRC Budgeted - units	94 000	105 050	209 800	211 300	125 119	81 707	140 196	140 196	140 196
Actual subsidy home enrolments	72 394	138 883	161 443	119 440	168 753	97 910			
Actual as a % DoHS planned	60%	116%	77%	57%	117%	94%			
<b>Subsidy project enrolments - units</b>									
Provincial DoHS planned units	61 402	59 333	45 698	58 193	49 345	63 866	150 000	150 000	150 000
NHBRC Budget - units	61 402	59 333	45 698	48 193	45 100	51 655	63 866	68 337	73 804
Actual subsidy project enrolments	27 348	35 426	32 959	26 719	32 347	10 632			
Actual as a % DoHS planned	45%	60%	72%	46%	66%	17%			
No. of subsidy and project enrolments	155 402	164 383	255 498	259 493	170 219	133 362	204 062	208 533	214 000
<b>Subsidy revenue - Rands</b>									
Subsidy home enrolments	85 551 957	147 786 648	245 968 738	196 438 477	256 427 889	239 678 505	235 709 450	251 030 564	267 347 551
Subsidy project enrolments	17 220 892	43 520 150	34 240 457	16 515 161	33 420 077	5 453 035	81 485 991	118 154 687	159 508 827
	<b>102 772 849</b>	<b>191 306 798</b>	<b>280 209 195</b>	<b>212 953 638</b>	<b>289 847 966</b>	<b>245 131 540</b>	<b>317 195 440</b>	<b>369 185 251</b>	<b>426 856 378</b>
<b>Percent growth</b>		86%	46%	-24%	36%	-15%	29%	16%	16%

# Operating expenses (excluding R&D; A&D)



OPERATING EXPENSES	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Insurance claims and loss adjustment expenses	11 542 190	5 255 613	8 884 344	2 273 540	14 638 847	15 443 984	16 293 403	17 189 540	18 134 965	19 132 388
Inspections and operating expenses	60 103 623	82 184 554	54 676 784	62 894 274	1 708 314	2 166 973	24 745 831	26 354 310	28 067 340	29 891 717
Technical services expenditure	37 246 675	186 403 203	240 982 706	26 652 774	5 368 647	34 134 818	36 012 233	38 353 029	40 845 975	43 500 964
Administration expenses	148 735 545	144 907 000	134 082 394	161 060 955	302 013 410	267 572 403	247 818 087	263 926 263	281 081 470	299 351 765
Permanent Staff costs	154 608 389	167 284 764	195 008 551	245 534 932	316 659 728	390 844 141	418 203 230	445 386 440	474 336 559	505 168 435
<b>Total operating expenses</b>	<b>412 236 422</b>	<b>586 035 134</b>	<b>633 634 779</b>	<b>498 416 475</b>	<b>640 388 946</b>	<b>710 162 319</b>	<b>743 072 785</b>	<b>791 209 582</b>	<b>842 466 309</b>	<b>897 045 270</b>
Growth in Expenses		42%	8%	-21%	28%	11%	5%	6%	7%	7%
Growth in Revenue		49%	32%	-20%	29%	-10%	16%	10%	10%	10%
Staff costs as a percentage of total	3/2/2015 52%	43%	39%	62%	49%	55%	56%	56%	56%	56%
Staff costs and admin costs as % of total	88%	67%	61%	94%	97%	93%	90%	90%	90%	90%

# Inspection costs

Rands	Actual	Actual	Actual	Actual	FYF	Budget	Budget	Budget
Categories	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Inspection Fees (Outsourced)	58 130 320	52 849 342	57 737 571	317 643	-	-	-	-
Depreciation	401 141	499 167	142 215	320 902	472 380	1 743 000	1 856 295	1 976 954
Permanent Staff Costs	26 471 056	40 024 237	76 475 528	113 197 870	117 464 470	151 684 607	161 544 106	172 044 473
Temporary Staff	-	29 452	1 908 044	856 360	291 050	-	-	-
Telephone and Cellphone Cost	713 400	765 000	1 274 782	2 803 005	2 453 924	4 026 000	4 287 690	4 566 390
Travelling Expenses	1 661 112	1 898 321	5 507 031	24 244 721	24 857 192	29 244 721	31 145 628	33 170 094
General and other administration	1 976 112	2 707 176	408 314	685 342	398 128	424 006	451 567	480 919
<b>Total</b>	<b>89 353 141</b>	<b>98 772 695</b>	<b>143 453 485</b>	<b>142 425 843</b>	<b>145 937 144</b>	<b>187 122 334</b>	<b>199 285 286</b>	<b>212 238 829</b>

Number of inspections	Actual	Actual	Actual	Actual	FYF	Budget	Budget	Budget
Categories	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
EC	30 086	29 108	35 178	48 745	44 888	63 980		
FS	48 798	14 145	14 625	17 472	17 469	36 568		
GP	115 934	130 130	122 268	118 777	118 777	306 836		
KZN	98 483	64 532	85 009	95 248	96 119	98 200		
MP	34 223	17 345	22 899	51 745	51 359	54 872		
NC	19 917	21 820	18 008	27 533	27 533	51 592		
LP	65 827	39 176	28 462	27 566	28 572	49 640		
NW	23 891	33 029	53 548	34 924	34 924	16 872		
WC	77 016	78 759	71 327	106 172	106 064	98 044		
<b>Total</b>	<b>514 175</b>	<b>428 044</b>	<b>451 324</b>	<b>528 182</b>	<b>525 705</b>	<b>* 776 604</b>	<b>783 720</b>	<b>794 763</b>

Cost per inspection per province	Actual	Actual	Actual	Actual	FYF	Budget	Budget	Budget
Categories	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
EC	467	534	641	459	511	460		
FS	121	461	648	538	552	338		
GP	122	120	185	189	194	96		
KZN	168	283	312	276	281	352		
MP	254	555	610	268	277	332		
NC	382	386	679	441	452	309		
LP	122	227	453	465	459	339		
NW	170	136	122	185	190	504		
WC	134	145	233	156	160	221		
<b>National average</b>	<b>174</b>	<b>231</b>	<b>318</b>	<b>270</b>	<b>278</b>	<b>241</b>	254	88 267

\* - equivalent of 194 151 homes inspected

# Inspection costs (cont.)

Inspection cost per province	Actual	Actual	Actual	Actual	FYF	Budget	Budget	Budget
Province	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
EC	14 051 507	15 532 808	22 559 225	22 397 620	22 949 801	29 426 506	31 339 229	33 376 279
FS	5 899 782	6 521 734	9 471 904	9 404 051	9 635 894	12 355 257	13 158 349	14 013 642
GP	14 118 415	15 606 770	22 666 645	22 504 270	23 059 080	29 566 626	31 488 456	33 535 206
KZN	16 511 516	18 252 150	26 508 687	26 318 790	26 967 641	34 578 228	36 825 813	39 219 491
MP	8 703 117	9 620 594	13 972 564	13 872 470	14 214 475	18 225 969	19 410 657	20 672 349
NC	7 616 732	8 419 683	12 228 409	12 140 809	12 440 123	15 950 874	16 987 680	18 091 880
LP	8 033 226	8 880 083	12 897 076	12 804 686	13 120 367	16 823 090	17 916 591	19 081 169
NW	4 060 274	4 488 306	6 518 634	6 471 937	6 631 494	8 502 980	9 055 673	9 644 292
WC	10 358 572	11 450 567	16 630 342	16 511 209	16 918 269	21 692 805	23 102 837	24 604 521
<b>Total</b>	<b>89 353 141</b>	<b>98 772 695</b>	<b>143 453 485</b>	<b>142 425 843</b>	<b>145 937 144</b>	<b>187 122 334</b>	<b>199 285 286</b>	<b>212 238 829</b>

Inspectors per province	Actual	Actual	Actual	Actual	FYF	Budget	Budget	Budget
Province	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
EC				26	30	30	30	30
FS				11	16	16	16	16
GP				30	34	34	34	34
KZN				34	39	39	39	39
MP				19	19	19	19	19
NC				8	8	8	8	8
LP				25	25	25	25	25
NW				24	28	28	28	28
WC				22	25	25	25	25
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>199</b>	<b>224</b>	<b>224</b>	<b>224</b>	<b>224</b>

Number of inspections per inspector	Actual	Actual	Actual	Actual	Actual	FYF	Budget	Budget	Budget
Categories	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
EC					1 875	1 496	2 133		
FS					1 588	1 092	2 286		
GP					3 959	3 493	9 025		
KZN					2 801	2 465	2 518		
MP					2 723	2 703	2 888		
NC					3 442	3 442	6 449		
LP					1 103	1 143	1 986		
NW					1 455	1 247	603		
WC					4 826	4 243	3 922		
<b>National average</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 654</b>	<b>2 347</b>	<b>3 467</b>	<b>3 499</b>	<b>3 548</b>

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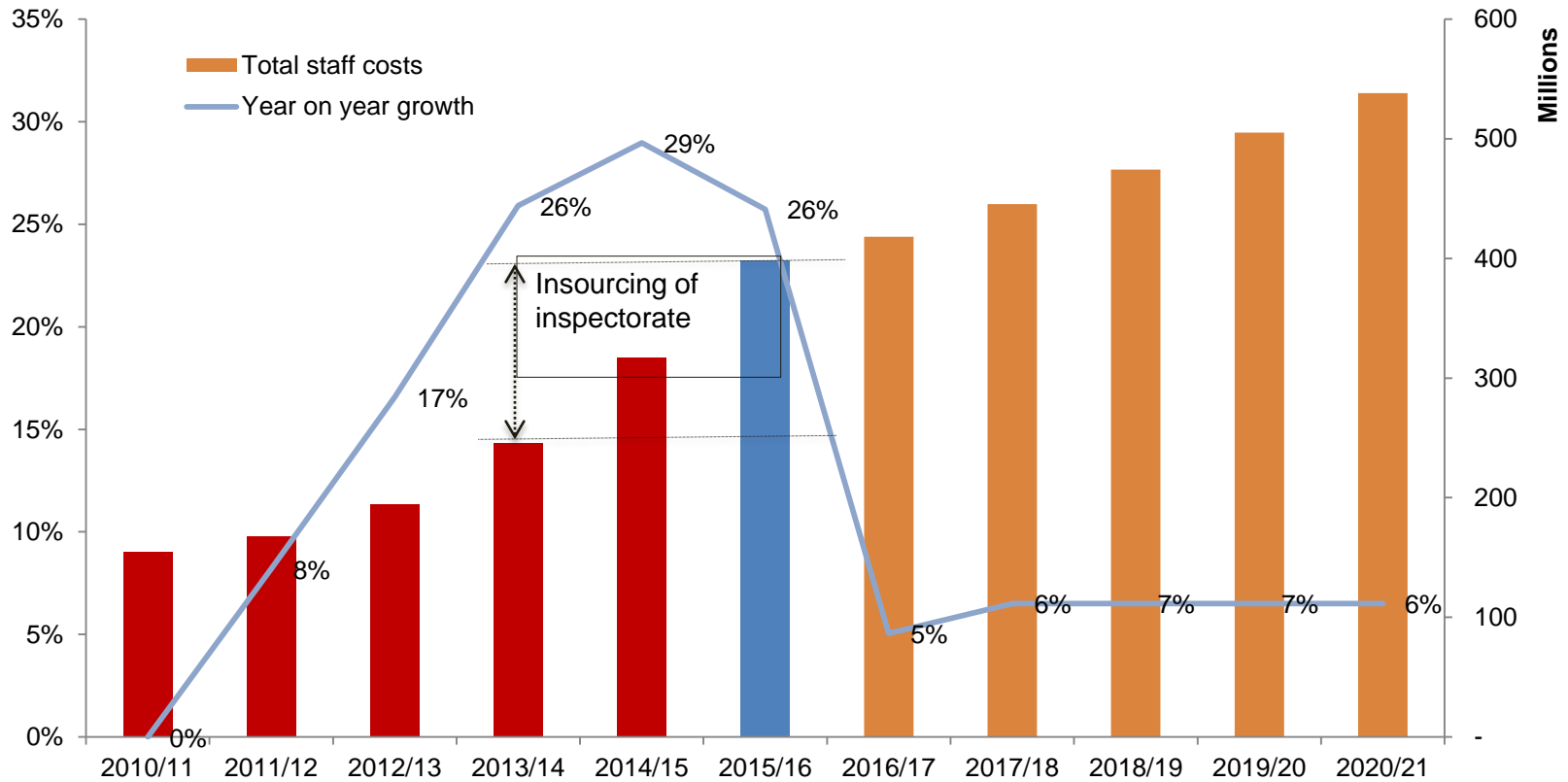
# Employee benefits

Description	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 FYF	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget
Permanent staff costs	141 104 305	149 504 765	173 210 638	220 299 631	297 458 716	346 769 583	370 927 538	395 037 828	420 715 286	448 061 780	477 185 796
Staff costs (Incentive Bonus)	4 963 607	8 241 227	8 224 889	8 815 887	7 565 251	26 972 314	27 761 240	29 565 720	31 487 492	33 534 179	35 713 901
Additional SARS Penalties	-	-	-	-	-	7 267 158	-	-	-	-	-
Staff Costs - Allowances	7 090 536	7 451 636	10 065 384	11 668 378	9 687 079	17 040 458	18 403 694	19 599 934	20 873 930	22 230 736	23 675 734
Other Employment Costs	1 449 942	2 087 136	3 507 640	4 751 036	1 948 681	61 786	1 110 759	1 182 958	1 259 850	1 341 741	1 428 954
<b>Total staff costs</b>	<b>154 608 389</b>	<b>167 284 764</b>	<b>195 008 551</b>	<b>245 534 932</b>	<b>316 659 728</b>	<b>398 111 299</b>	<b>418 203 230</b>	<b>445 386 440</b>	<b>474 336 559</b>	<b>505 168 435</b>	<b>538 004 384</b>
<b>Percentage growth</b>		8%	17%	26%	29%	26%	5%	6%	7%	7%	6%
Staff incentive as a %	4%	5.5%	4.7%	4.0%	2.5%	7.8%	7.5%	7.5%	7.5%	7.5%	7.5%

EMPLOYEE NUMBERS (TOTAL)	Legal, Compliance and Centre for Research and Innovation									Total	%	
	CEO	COO	Finance and Supply Chain	Corporate Services	Non core	Business Services	Enforcement	Innovation				
Executive	1	1	1	1	4	1	1	1	3	7	1%	
Managerial	5	3	2	4	14	14	2	1	17	31	5%	
Staff	19*	8	45	34	106	428	22	19	469	575	94%	
<b>Total</b>	<b>25</b>	<b>12</b>	<b>48</b>	<b>39</b>	<b>124</b>	<b>443</b>	<b>25</b>	<b>21</b>	<b>489</b>	<b>613</b>		
Percentage of total complement	4%	2%	8%	6%	20%	72%	4%	3%	80%	100%		
Maximum allowable positions											663	
Vacancies that can be absorbed by the budget											50	

\* - relates to staff of Internal Audit, Company Secretariat, Marketing, Strategy who report into the CEO Division.

# Employee benefits (cont.)

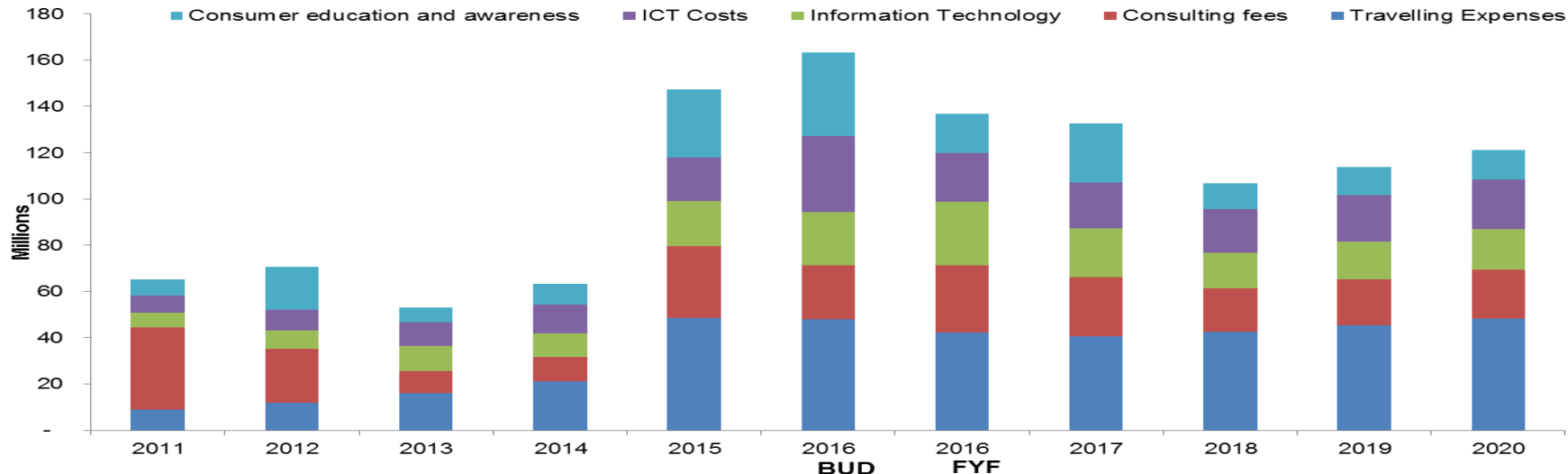


# Research and development costs

Projects	Centre for Research & Housing Innovation	Proposed budget	
<b>Totals</b>	<b>50 000 000</b>	<b>50 000 000</b>	
HomQuas	20 000 000	20 000 000	Capital costs
Promoting IBT	15 000 000	15 000 000	
Simplify Home Building Manual	3 000 000	3 000 000	
Green Building & Energy Efficiency	3 000 000	3 000 000	
Materials Procurement	6 000 000	6 000 000	
Warranty Research	2 000 000	2 000 000	
Quality Assurance	1 000 000	1 000 000	
	50 000 000	50 000 000	
Capex	20 000 000	20 000 000	
Opex	30 000 000	30 000 000	
Printing of Home Building Manual (recovered through sales)	20 000 000	20 000 000	This will be a revolving account based on 5000 copies @ R4,000

Note: Numbers have been rounded off to the nearest million.

# Top 5 admin costs



Expense	Actual 2011	Actual 2012	Actuals 2013	Actuals 2014	Actual 2015	Budget 2016	FYF 2016	Budget 2017	Budget 2018	Budget 2019	Budget 2020
Travelling Expenses	9 131 391	11 850 448	16 020 875	21 068 773	48 734 609	47 960 884	42 175 790	40 482 688	42 581 562	45 349 364	48 297 073
Consulting fees	35 353 448	23 478 727	9 472 229	10 522 795	30 828 199	23 450 000	29 247 464	25 536 324	18 676 185	19 890 137	21 182 996
Information Technology	6 296 727	7 738 905	10 984 788	10 291 672	19 600 147	22 942 695	27 238 000	21 315 453	15 303 151	16 297 856	17 357 216
ICT Costs	7 468 517	9 093 529	10 055 871	12 420 249	18 779 182	32 913 580	21 094 063	19 812 037	18 965 482	20 198 238	21 511 123
Consumer education and awareness	7 041 256	18 555 156	6 587 804	8 996 145	29 543 767	36 198 000	17 073 552	25 625 000	11 315 625	12 051 141	12 834 465
<b>Total for Top 5</b>	<b>65 291 339</b>	<b>70 716 764</b>	<b>53 121 567</b>	<b>63 299 634</b>	<b>147 485 903</b>	<b>163 465 159</b>	<b>136 828 869</b>	<b>132 771 502</b>	<b>106 842 005</b>	<b>113 786 736</b>	<b>121 182 873</b>
<b>Total operating expenditure</b>	<b>148 735 545</b>	<b>144 907 000</b>	<b>134 082 394</b>	<b>161 060 954</b>	<b>302 013 410</b>	<b>274 731 085</b>	<b>267 572 403</b>	<b>247 818 087</b>	<b>263 926 263</b>	<b>281 081 470</b>	<b>299 351 766</b>
<b>Top 5 as a percentage of total</b>	<b>44%</b>	<b>49%</b>	<b>40%</b>	<b>39%</b>	<b>49%</b>	<b>60%</b>	<b>51%</b>	<b>54%</b>	<b>40%</b>	<b>40%</b>	<b>40%</b>

## Commentary

- 73% of travelling expenses relates to the inspectorate function.
- Consulting fees relates to actuarial services, investment services, SAP support, information security , specialised audit, etc.
- Information technology relates to ERP costs.
- ICT costs relate to hosting related costs and hardware
- Consumer awareness and education relates improved visibility of regulatory function and promotion of housing consumer rights



# Capital expenditure

## CAPITAL EXPENDITURE

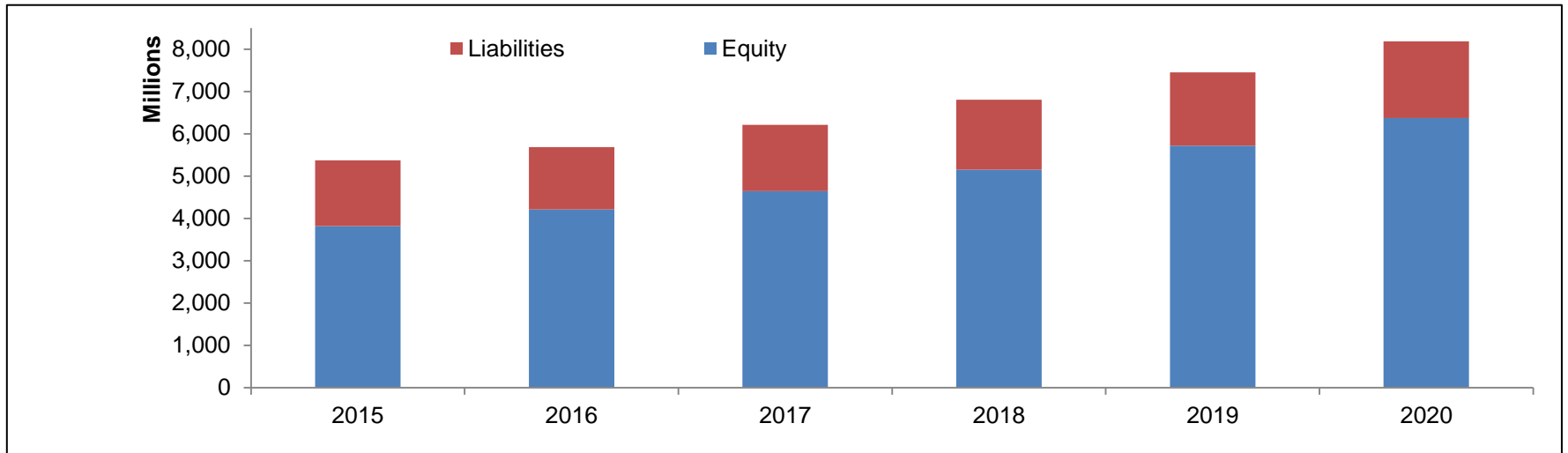
Asset Class	Budget	Comment
Computer Equipment	3 000 000	Budget centralised at BMS, Computers for new employees, upgrade to infrastructure
Software	41 140 000	SAP implementation, completion of phase 1 and Software for Homequas
Office Furniture	13 280 000	New building, as well as provincial requirements
Motor Vehicles	100 000	Fleet
Office Equipment	22 090 000	Video conferencing equipment, security equipment, testing equipment and new office furniture
Land and building	75 815 000	Gauteng Building New building, as well as the construction of the school of inspectors
<b>Total Capex requirement</b>	<b>155 425 000</b>	

**Note: Gauteng Building funding – Council permission to be sought to be funded out of Warranty Fund – Operating Cash Flows not strong enough to fund Gauteng office of R60 million + furniture and fittings of R5 million + plus risk provision.**

# Balance Sheet

## Commentary

- Financial strength as represented by total assets grows from R5,6bn to R6,2 bn in 2017.



	2015	2016	2017	2018	2019	2020
Equity	3 817 886 709	4 209 705 734	4 646 507 543	5 150 528 576	5 720 985 062	6 373 981 235
Liabilities	1 556 158 690	1 472 340 633	1 563 819 297	1 651 964 426	1 731 102 750	1 809 510 511
<b>Total assets</b>	<b>5 374 045 399</b>	<b>5 682 046 367</b>	<b>6 210 326 840</b>	<b>6 802 493 001</b>	<b>7 452 087 811</b>	<b>8 183 491 746</b>

**Thank you**

