

**Mr. Abbey Chikane**

**Executive Chairman**

**Annual Report 2015 2016 financial  
year**

**Portfolio Committee of Human  
Settlements, Old Assembly**

**25 October 2016**



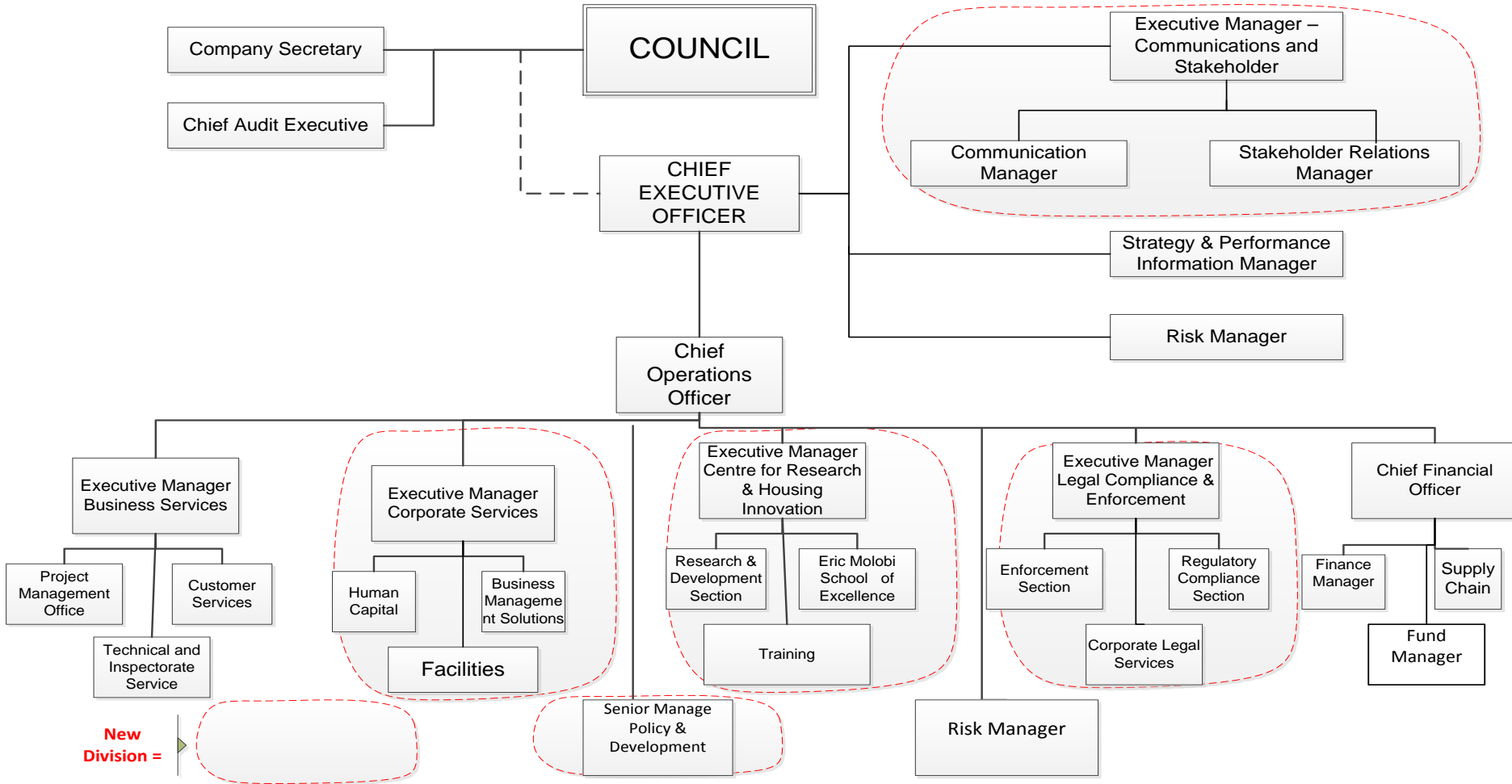
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# Organogram



# NHBRC Mandate

- NHBRC established in terms of the Housing Consumers Protection Measures Act, 1998 (Act No 95 of 1998) (as amended)
- 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
  - j) in particular, to achieve the stated objects of this section in the subsidy housing sector.

# Strategic Direction

## Vision

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

## Mission

*To protect the housing consumer and regulate the home building environment by promoting innovative home building technologies, setting home building standards and improving the capabilities of home builders*

## Strategy

1. To improve visibility and accessibility in the market while enhancing interaction with our stakeholders.
2. To position the NHBRC as a leader in knowledge creation, technical and technological building solutions through strategic partnerships.
3. 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 delight the customer
3. To strengthen the NHBRC operating processes, systems, and procedures
4. To create a learning environment produce products and services

# Products and Services Offered

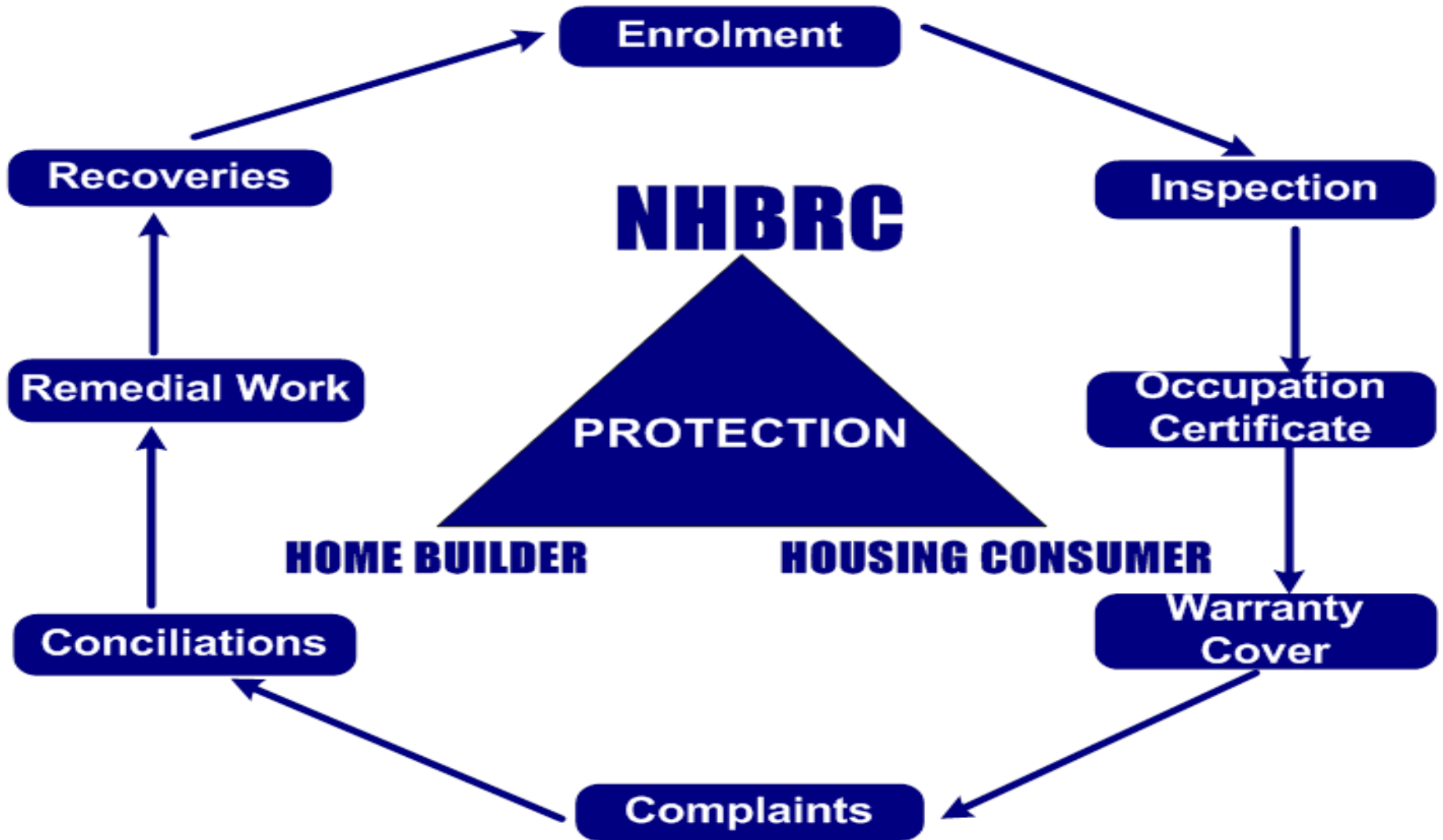
- Enrolment of new homes;
- Late Enrolment of homes;
- Registration of homebuilders;
- Renewal of Registration of homebuilders;
- Inspections of homes (subsidy / non subsidy);
- Forensic engineering investigations and assessment of houses;
- Training;
- Home building dispute resolution;
- Litigation and legal advisory services; and
- Geo-technical and materials engineering.

# Interventions by NHBRC to support delivery

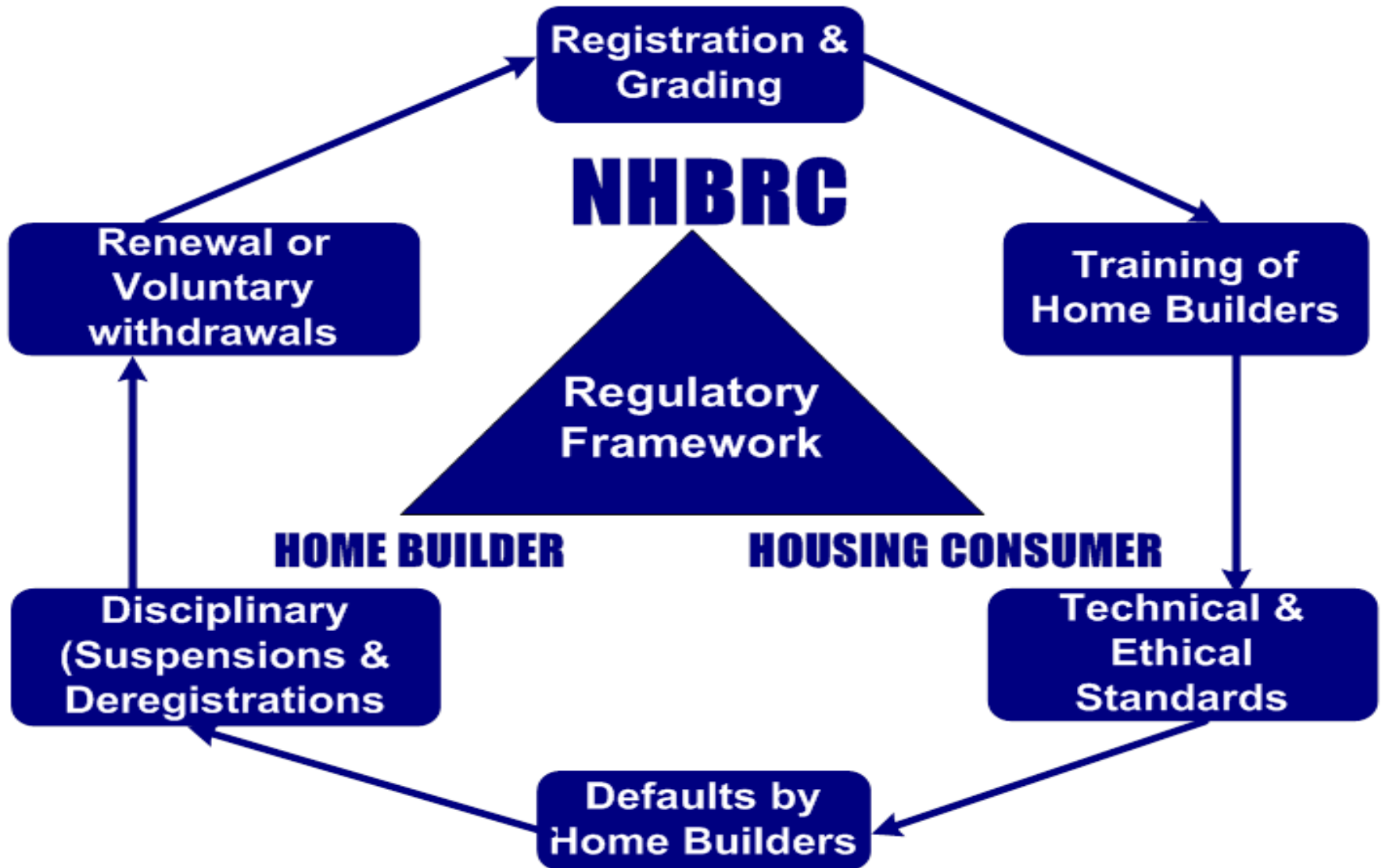
1. Engineers provided by NHBRC in all the provincial human settlements departments to speed up the subsidy enrolments.
2. Plans are in place to ensure that subcontractors are registered with NHBRC.
3. NHBRC testing building materials at Eric Molobi testing center for quality control and to reduce the use of substandard materials in the sector.
4. Turnaround for resolving complaints have been improved for 180 days to 30 days.
5. Implementation of the inspection model to ensure that all homes enrolled with NHBRC are inspected and qualify for a warranty.



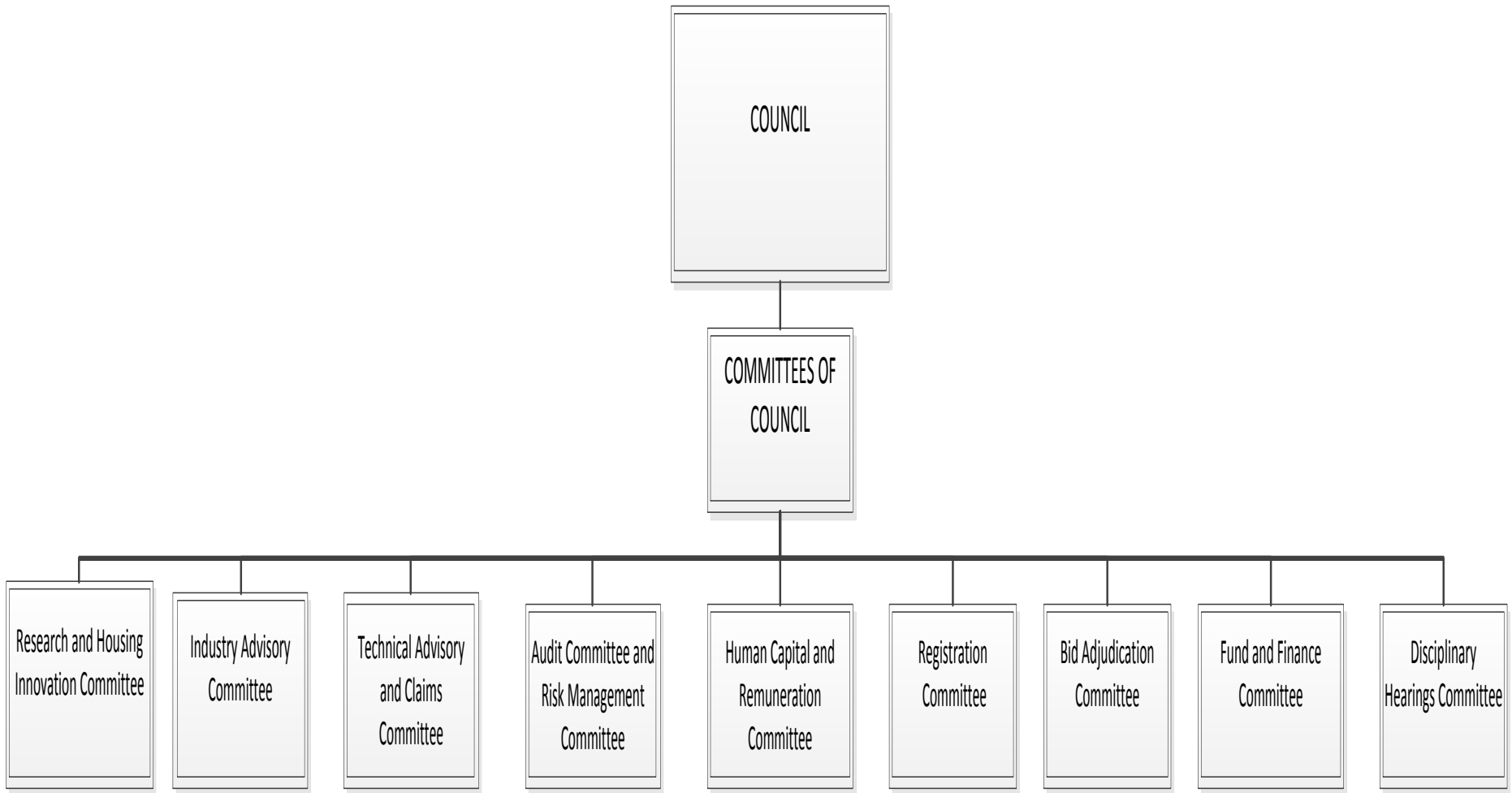
# HOUSING CONSUMERS PROTECTION PROCESS



# Regulation process



# Governance Structure



# Governance Structure of NHBRC

## Committees of Council are as follows:

- Fund Advisory and Finance Committee
- Registration committee
- Audit and Risk Management Committee
- Technical Claims and Advisory Committee
- Disciplinary Steering Committee
- Human Capital and Remuneration Committee
- Industry Advisory Committee
- Bid Adjudication Committee (Tender Committee)
- Research and Housing Innovation Advisory Committee

# Key focus for NHBRC

NHBRC has set itself short-term to medium term 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 at provinces and municipalities to fast track subsidy enrolment
- Enforcement and Compliance of the industry with provisions of the Housing Consumers Protection Measures Act,1998( Act No.95 of 1998).
- Implementation of Training Strategy
- Grow and Sustain the Warranty Fund
- Operationalization of the Centre for Research and Housing Innovation

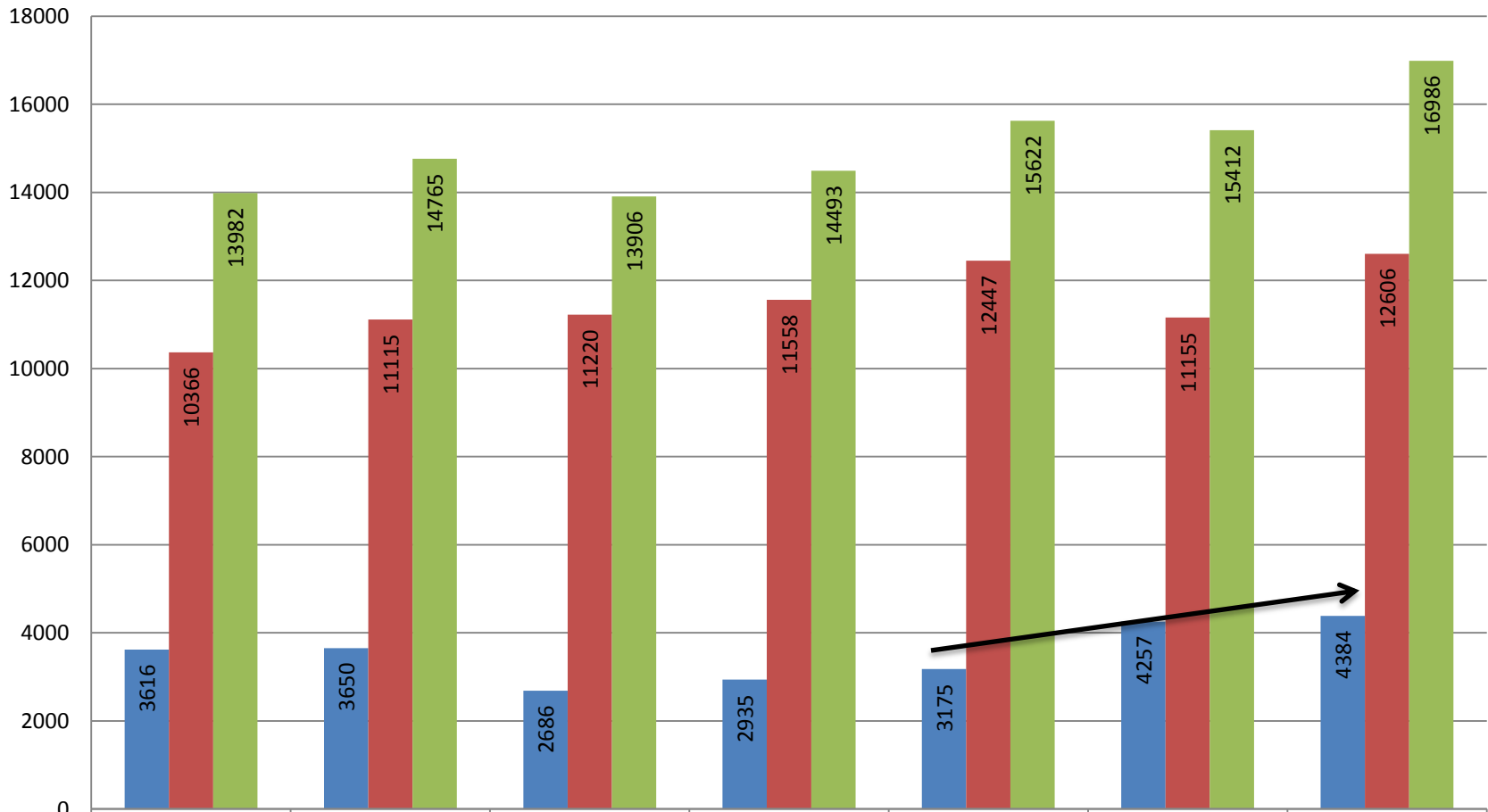
# Valuable Final Products

VFP	Target	Performance	Variance	Variance %	Reason for variance
Registration of home builders	3 500	4 390	890	25%	Target met
Renewal of registration	13 218	12 199	-1 019	-8%	NHBRC has no control over who comes to renew their registration
Enrolment	50 205	49 612	-593	-1%	Target met
Late enrolment	1 255	1 028	227	18%	Target met
Inspection (Subsidy)	385 200	230 103	-155 097	-40%	Inspection depends on houses that are constructed

# Valuable Final Products

VFP	Target	Performance	Variance	Variance %	Reason for variance
Inspection (Non-subsidy)	200 820	258 446	57 626	29%	Target met
Training of home builders	1 200	2 463	1 263	105%	Target met
Training of youth	2 000	1 623	-377	-19%	Target met
Project enrolment	51 665	4 440	-47 225	-91%	NHBRC receives homes to enrol from the Department
Home enrolment	44 645	7 437	-37 208	-83%	NHBRC receives homes to enrol from the Department
Consolidation	81707	69567	-12 140	-15%	NHBRC receives homes to enrol from the Department

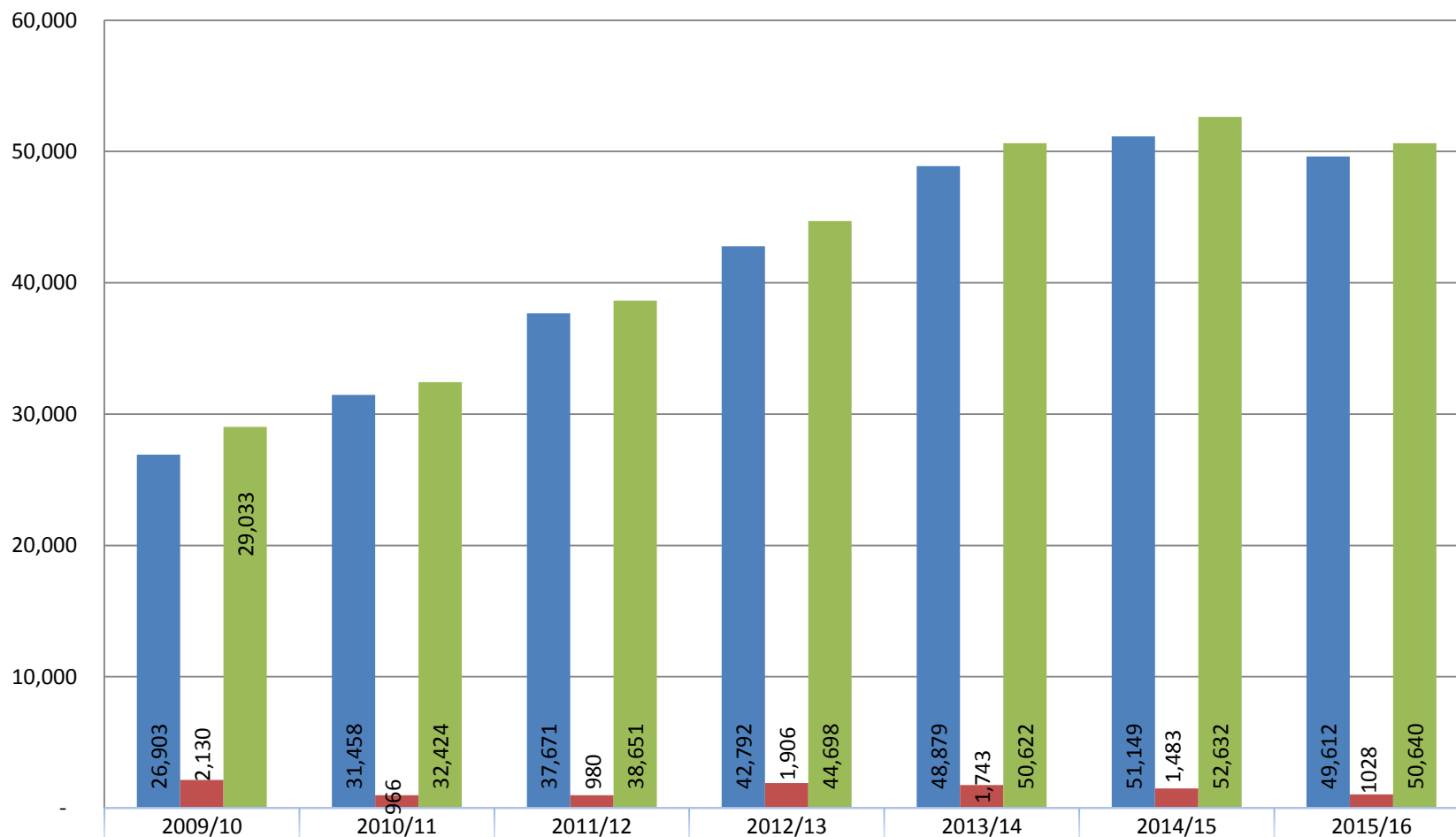
# Registration and Renewal of Registration



	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Registration	3616	3650	2686	2935	3175	4257	4384
Renewal	10366	11115	11220	11558	12447	11155	12606
Total	13982	14765	13906	14493	15622	15412	16986

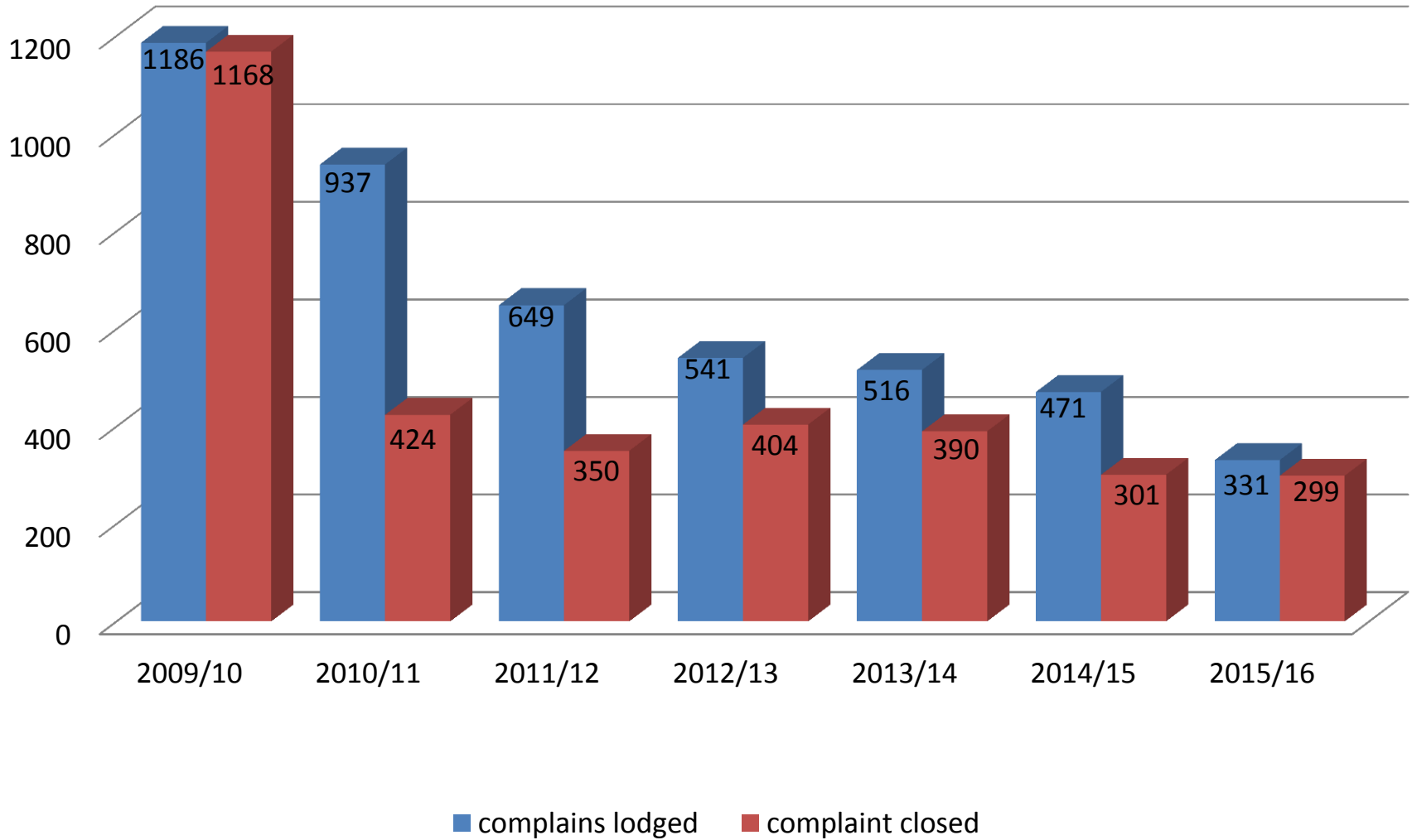


# Enrolment and Late Enrolment

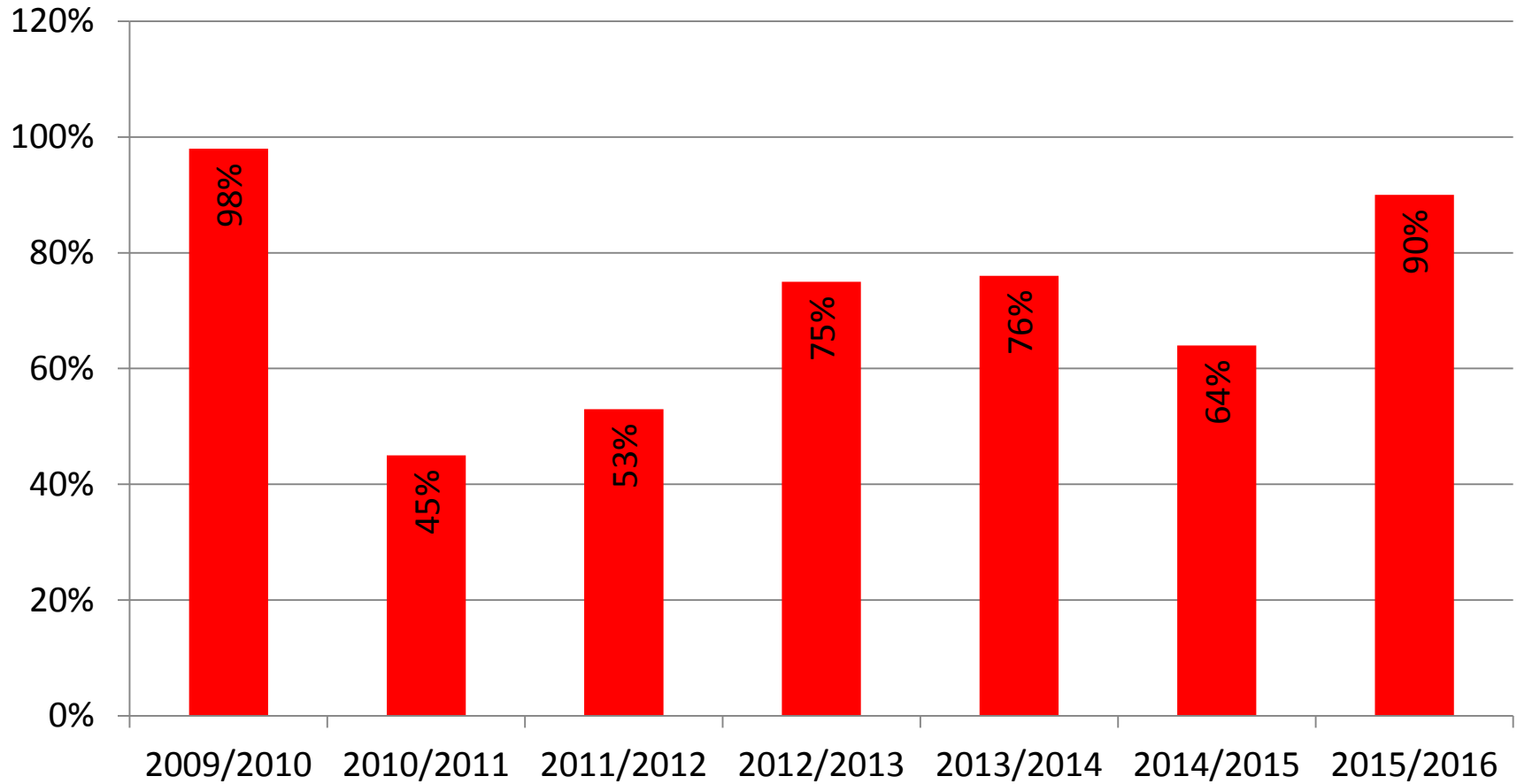


■ Enrolments	26,903	31,458	37,671	42,792	48,879	51,149	49,612
■ Late Enrolments	2,130	966	980	1,906	1,743	1,483	1,028
■ Total	29,033	32,424	38,651	44,698	50,622	52,632	50,640

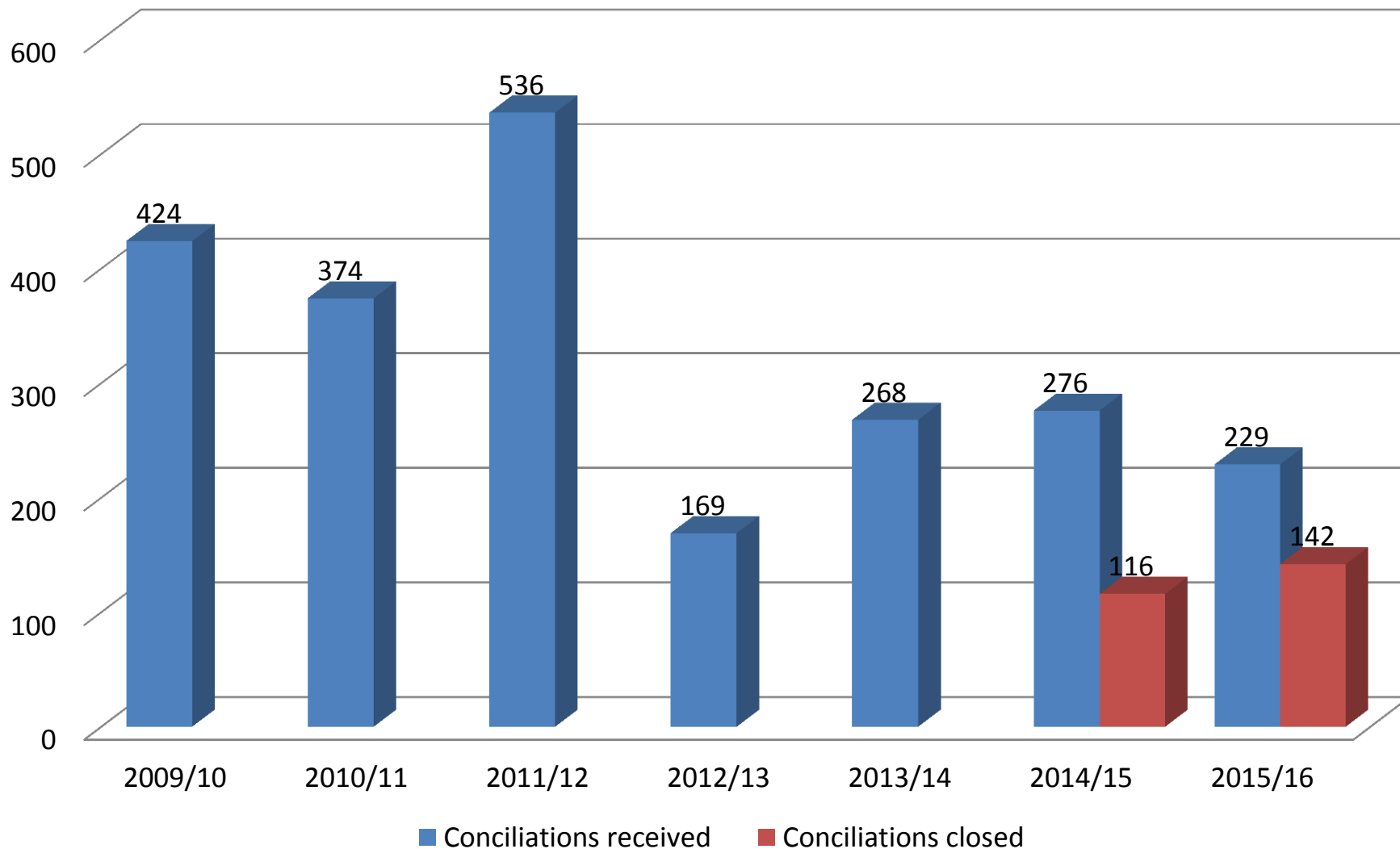
# Complaints and Conciliations



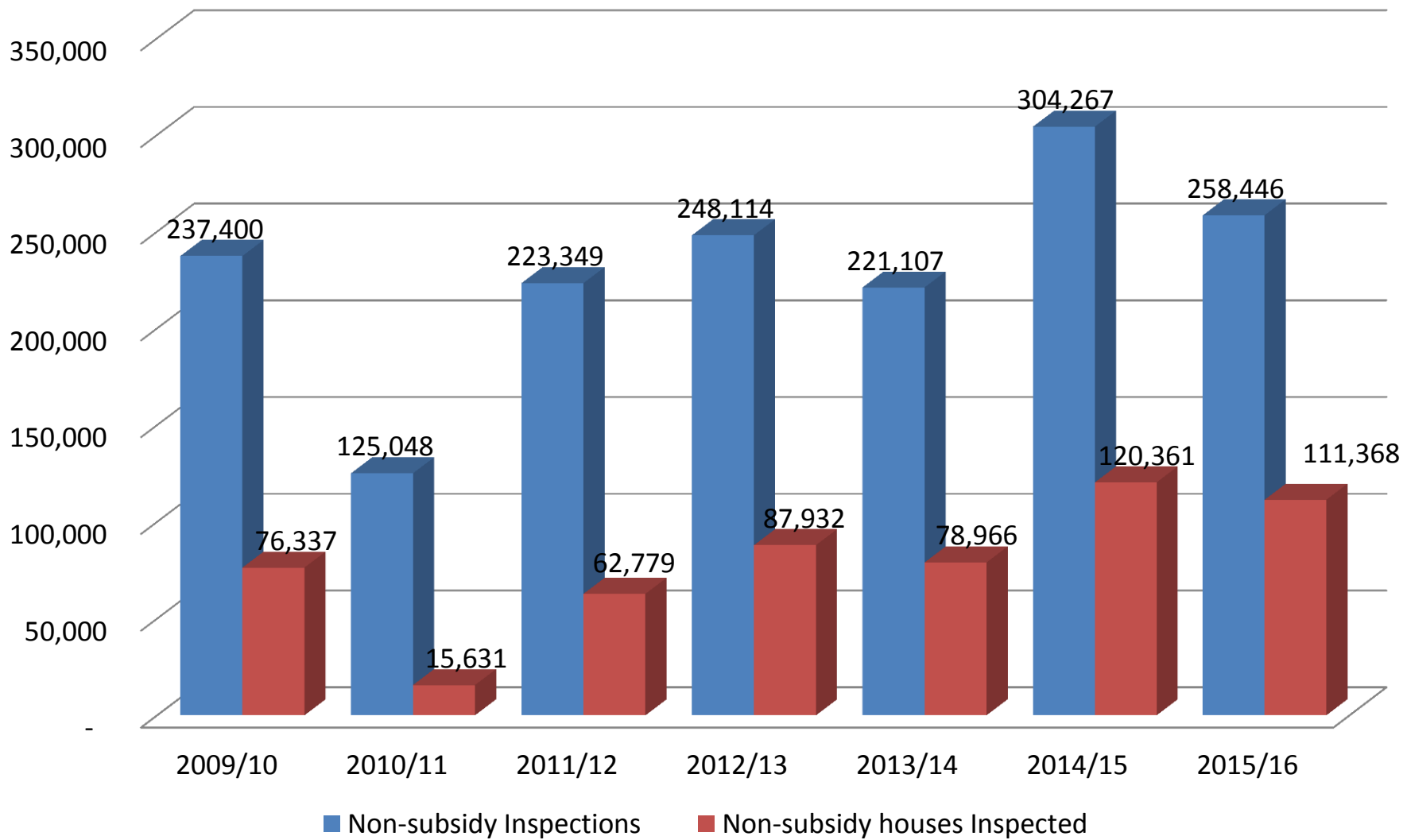
# Percentage of complaints resolved



# Conciliations received and closed between home builder and housing consumer



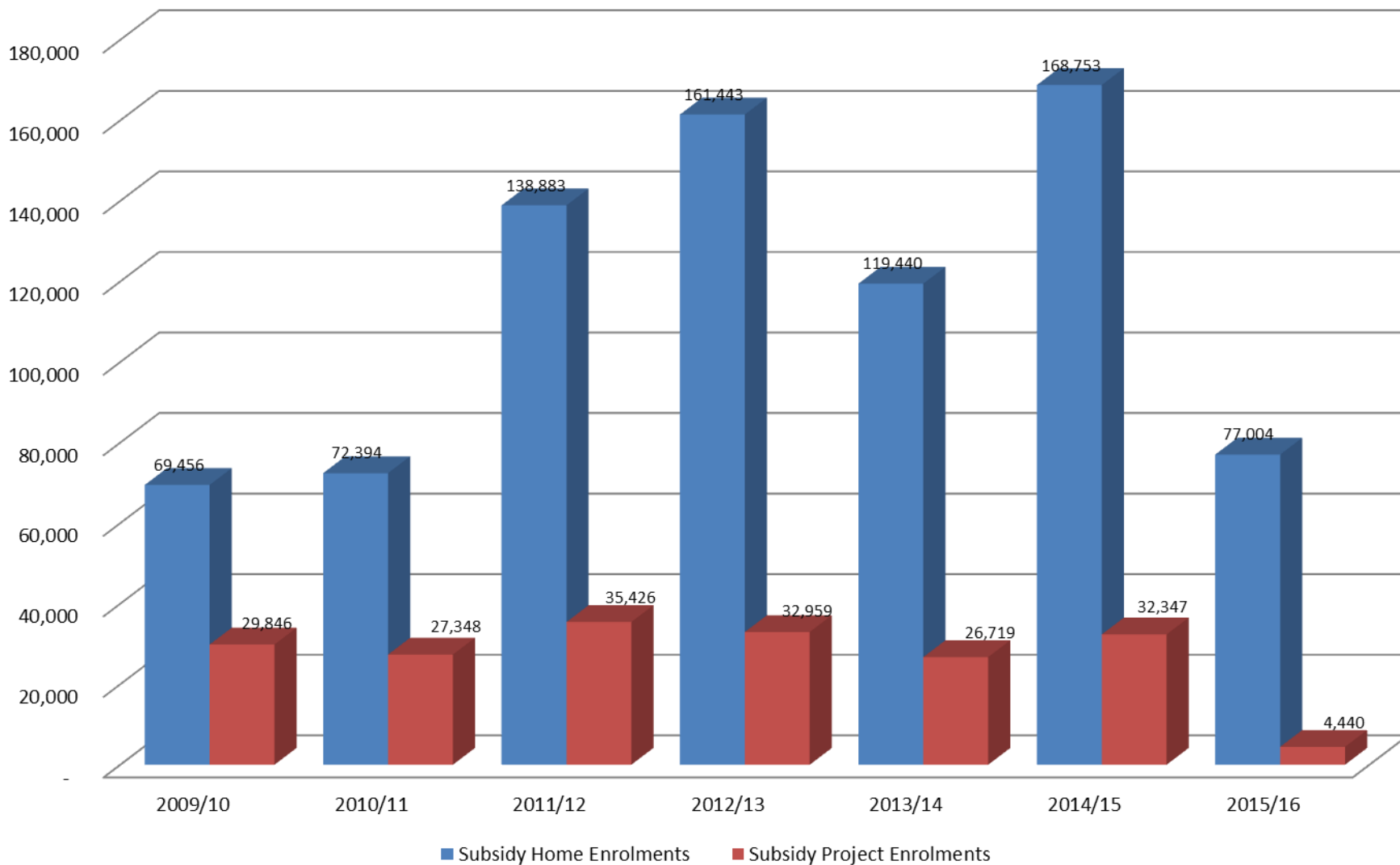
## Non-Subsidy Inspections Stages and Number of houses inspected



# Remedial works per stages

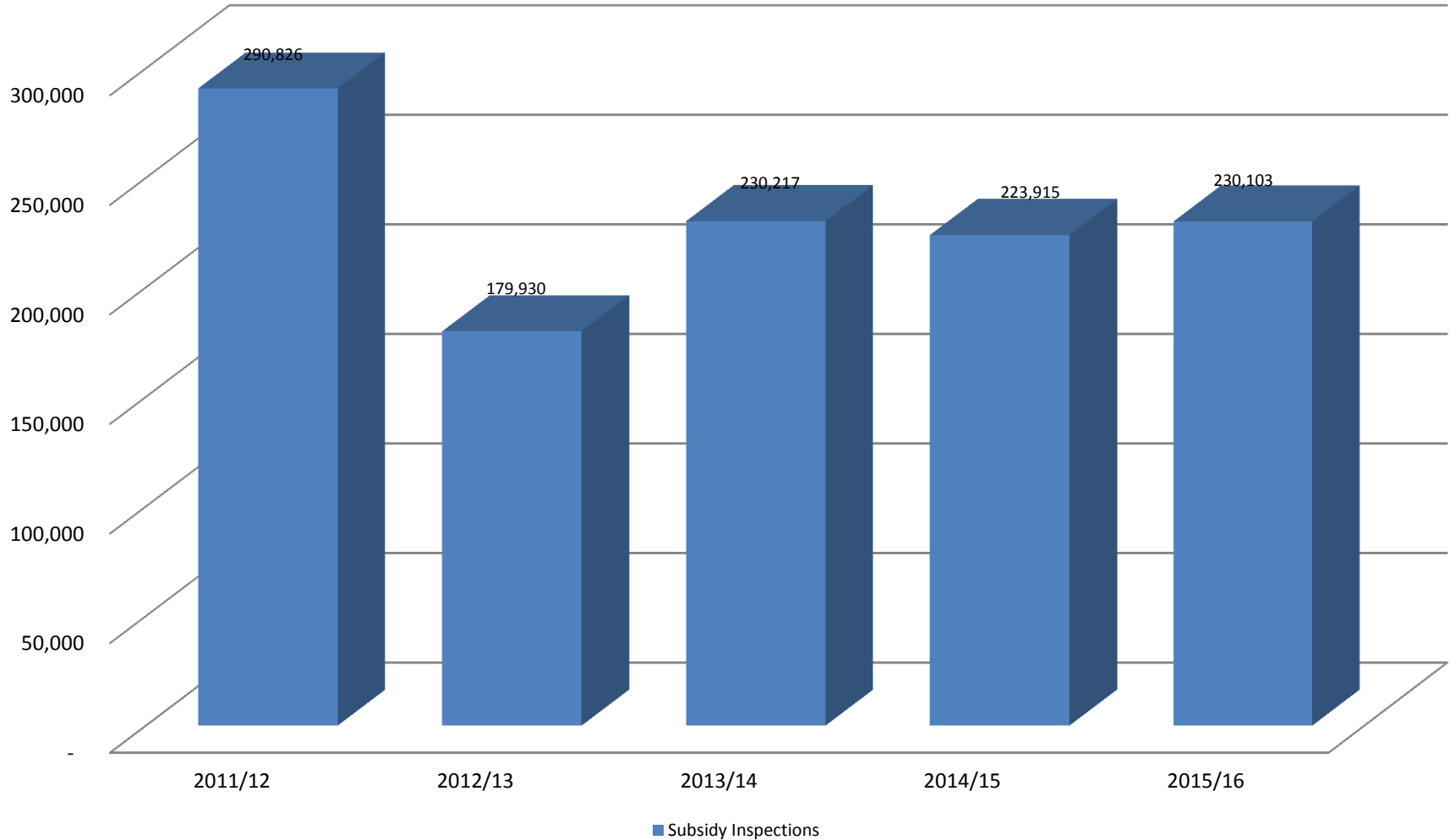
REMEDIAL STAGES	NUMBER OF UNITS RECTIFIED PER STAGE
Foundations	6
Substructure	19
Super-structure	48
Roof	3
Drainage	1
Settlement	18
<b>Total Houses</b>	<b>95</b>

# Subsidy sector



# Subsidy Inspection Stages

Number of subsidy inspections conducted





# Enforcement and Compliance in the industry

NHBRC has 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.

# Disciplinary Committee hearings

Provinces	Suspensions	Total DC Hearings	Not Guilty Verdict	Warning	Fine Imposed	Registration Withdrawn	Matters Postponed / Struck off the Roll	Charges Withdrawn
WC	45	39	0	2	18	1	11	7
KZN	44	54	0	0	39	2	7	6
GP	13	96	1	14	48	4	13	16
EC	10	20	0	2	13	0	1	4
MP	35	18	0	3	6	1	6	2
LP	69	19	3	1	5	1	1	8
NW	22	29	1	2	11	2	8	5
NC	6	12	0	3	6	0	1	2
FS	2	12	0	0	9	0	3	0
<b>TOTAL</b>	<b>246</b>	<b>299</b>	<b>5</b>	<b>27</b>	<b>155</b>	<b>11</b>	<b>51</b>	<b>50</b>

# Growth rate in suspension

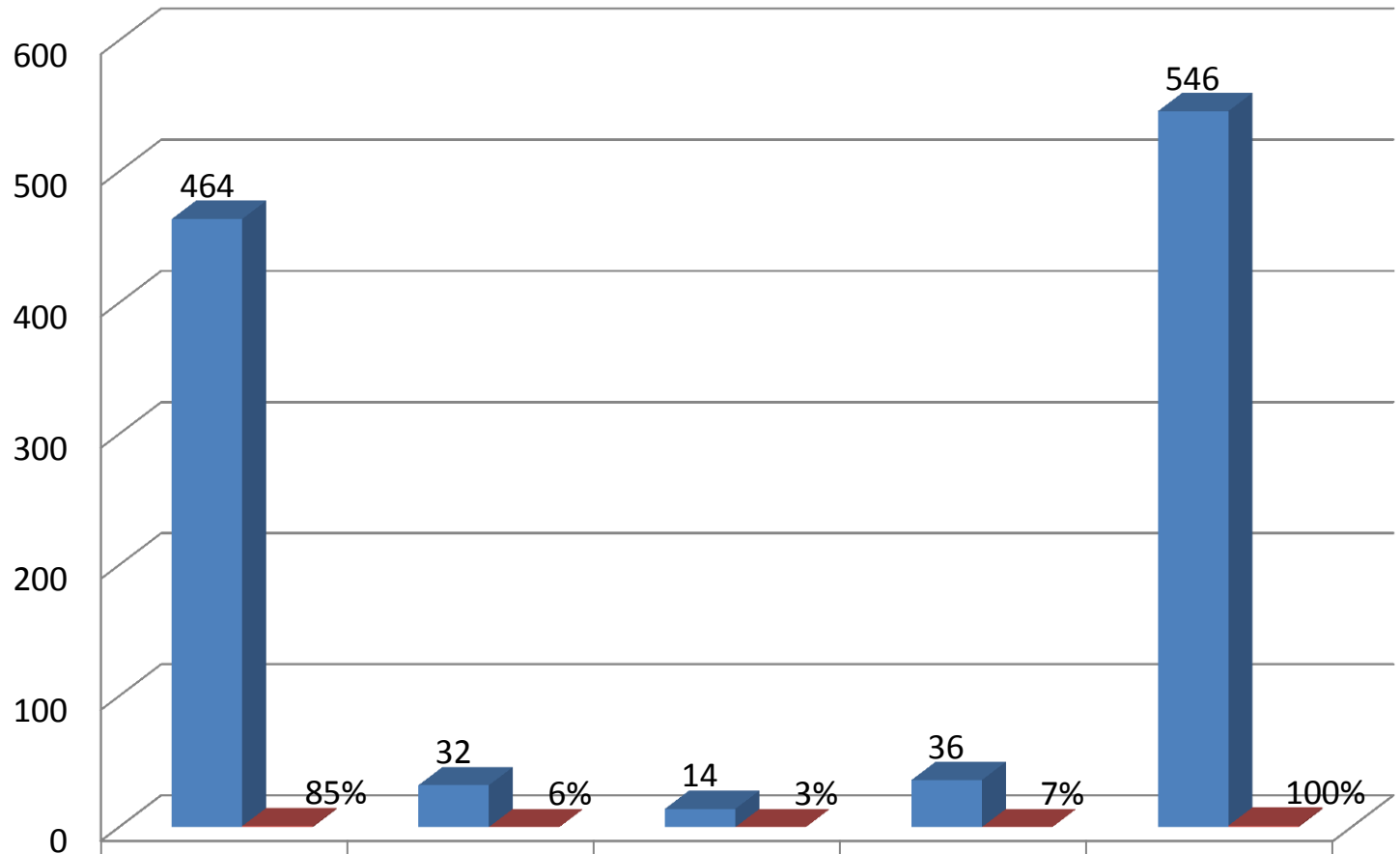
Provinces	2013/2014	2014/2015	2015/2016	TOTAL
WC	78	71	45	194
KZN	15	16	44	75
GP	23	28	13	64
EC	14	8	10	32
MP	5	19	35	59
LP	36	79	69	184
NW	8	9	22	39
NC	4	0	6	10
FS	19	3	2	24
<b>TOTAL</b>	<b>202</b>	<b>233</b>	<b>246</b>	<b>678</b>

# Training Programmes

## 2015/16 PERFORMANCE

PROGRAMME		EC	FS	GP	KZN	MP	NC	LP	NW	WC	YTD PERFORM MANCE
Youth	Male	96	46	57	139	99	0	78	16	30	561
	Female	102	48	160	305	185	0	203	34	25	1062
	<b>Total</b>	<b>198</b>	<b>94</b>	<b>217</b>	<b>444</b>	<b>284</b>	<b>0</b>	<b>281</b>	<b>50</b>	<b>55</b>	<b>1623</b>
Military Veterans	Male	75	0	0	0	0	0	0	0	0	75
	Female	0	0	36	0	0	0	0	0	0	36
	<b>Total</b>	<b>75</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>111</b>
Artisans	Male	32	0	13	0	0	19	11	0	0	75
	Female	44	0	76	0	0	40	21	0	0	181
	<b>Total</b>	<b>76</b>	<b>0</b>	<b>89</b>	<b>0</b>	<b>0</b>	<b>59</b>	<b>32</b>	<b>0</b>	<b>0</b>	<b>256</b>
People with Disabilities	Male	17	0	0	0	0	0	0	0	0	17
	Female	17	0	0	0	0	0	0	0	0	17
	<b>Total</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34</b>
Women	<b>Total</b>	<b>100</b>	<b>0</b>	<b>63</b>	<b>0</b>	<b>30</b>	<b>28</b>	<b>0</b>	<b>58</b>	<b>0</b>	<b>279</b>
GOVERNMENT PROGRAMMES TOTAL	Male	220	46	70	139	99	19	89	16	30	728
	Female	263	48	335	305	215	68	224	92	25	1575
	<b>Total</b>	<b>483</b>	<b>94</b>	<b>405</b>	<b>444</b>	<b>314</b>	<b>87</b>	<b>313</b>	<b>108</b>	<b>55</b>	<b>2303</b>

# Employment Equity Chart



■ Number of employees	464	32	14	36	546
■ Race %	85%	6%	3%	7%	100%

# Annual Financial Statements Analysis

For the year ended 31 March 2016



# Salient features (Audited results)



Warranty Fund profit of R19m (second year of profit)



Growth in the investment portfolio amounts to R258m for 2015/16



Net Cash generated from operations amounts to R59m



Cash invested amounts to R150m



Total income earned of R800m (after actuarial adjustments)



Operating profit amounts to R22m against a budget of R 128k



Improved risk profile of the Warranty Fund



Administrative expenses have increased to R714m in 2015/16



Irregular expenditure has reduced to R 13.6 million in 2015/16 from R53m in 2014/15

# Income statement – 6 years



Operating profit amounts to R22m



Net profit amounts to R189m

NHBRC

## Income Statement 5 year view

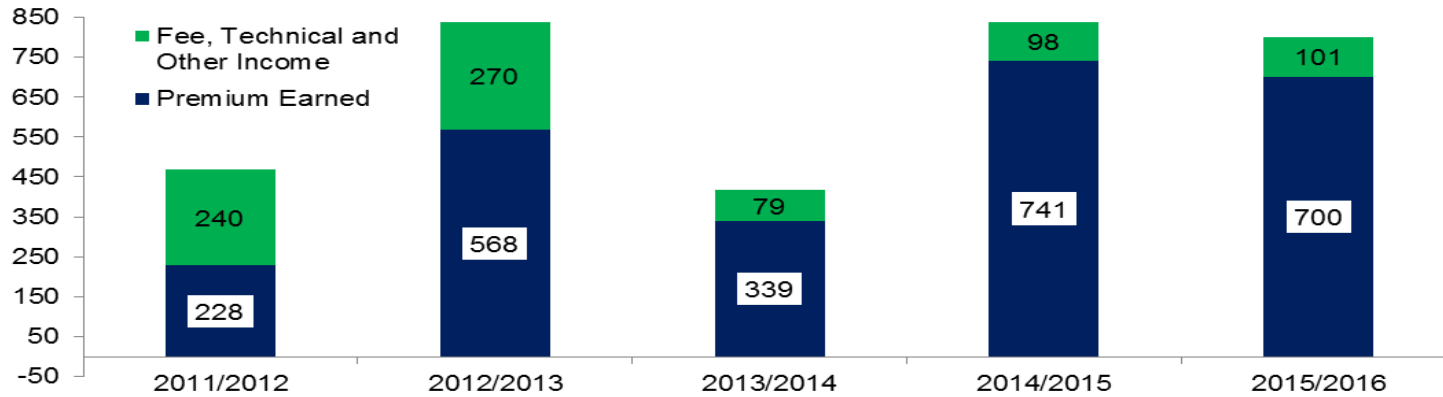
	2011	2012	2013	2014	2015	2016
	R	R	R	R	R	R
Insurance premium revenue	356 560 296	227 674 344	568 476 259	339 061 175	740 770 044	700 272 893
Fee revenue	31 907 933	58 301 592	47 477 895	30 951 855	50 680 650	42 311 370
Technical services revenue	80 396 035	139 283 978	215 989 718	42 214 463	24 124 500	56 045 976
Other income	881 299	42 438 202	6 155 467	5 425 437	23 229 935	2 215 229
<b>Net income</b>	<b>469 745 563</b>	<b>467 698 116</b>	<b>838 099 339</b>	<b>417 652 930</b>	<b>838 805 129</b>	<b>800 845 468</b>
	6%	0%	79%	-50%	101%	
Insurance claims and loss adjustment expenses	11 542 190	5 255 613	8 884 344	2 273 540	14 638 847	5 309 754
Inspections and accreditation expenses	59 041 867	76 928 941	56 849 342	62 894 274	1 708 314	2 935 103
Technical services expenditure	27 700 625	192 065 741	235 913 941	26 652 774	5 368 647	55 807 461
Administration expenses	330 631 250	329 999 135	343 794 695	416 724 764	627 804 025	714 323 262
<b>Expenses</b>	<b>428 915 932</b>	<b>604 249 430</b>	<b>645 442 322</b>	<b>508 545 352</b>	<b>649 519 834</b>	<b>778 375 580</b>
	-9%	41%	7%	-21%	27%	
<b>Profit/(loss) from operating activities</b>	<b>40 829 631</b>	<b>-136 551 314</b>	<b>192 657 017</b>	<b>-90 892 422</b>	<b>189 285 296</b>	<b>22 469 888</b>
	240%	-434%	241%	-147%	312%	
<b>Net investment income</b>	<b>390 961 109</b>	<b>246 710 010</b>	<b>332 667 768</b>	<b>305 467 316</b>	<b>338 272 291</b>	<b>167 032 269</b>
Interest received and investment income	203 122 056	197 357 574	199 183 249	218 047 369	271 072 480	289 109 007
unrealised profit on sale of financial activities	196 607 721	58 197 775	143 092 105	97 185 568	75 067 393	-114 607 285
Asset management services	-8 768 668	-8 845 339	-9 607 586	-9 765 621	-7 867 582	-7 729 453
<b>Net profit before finance costs</b>	<b>431 790 740</b>	<b>110 158 696</b>	<b>525 324 785</b>	<b>214 574 894</b>	<b>527 557 587</b>	<b>189 502 157</b>
Finance costs	255	575	8 470	-	4 369 938	30 690
<b>Surplus for year</b>	<b>431 790 486</b>	<b>110 158 121</b>	<b>525 316 314</b>	<b>214 574 893</b>	<b>523 187 649</b>	<b>189 471 467</b>



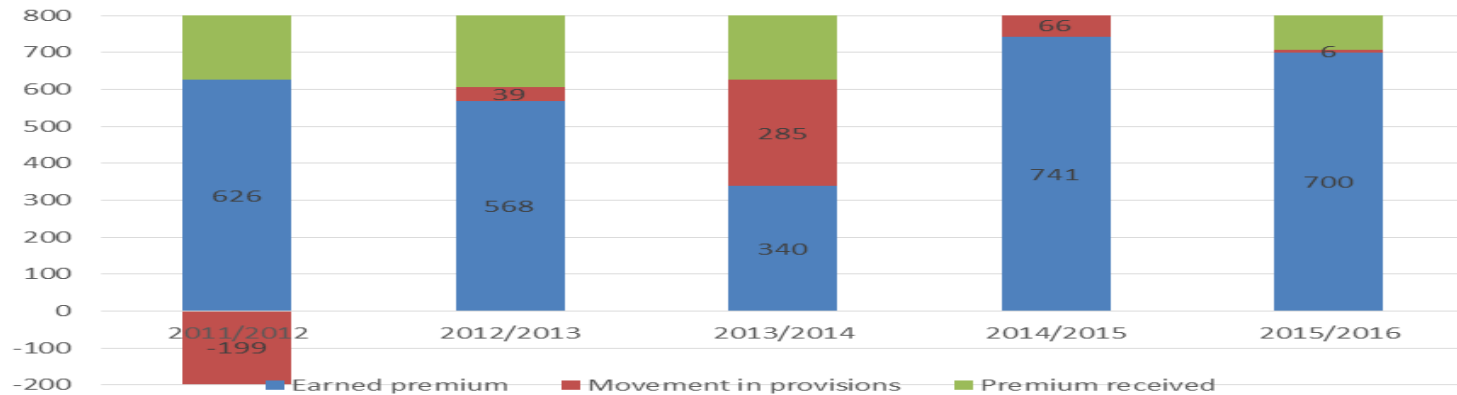
# Revenue



## Total income earned of R800m (after actuarial adjustments)



## Premiums received in 2015/16 amounts to R707m

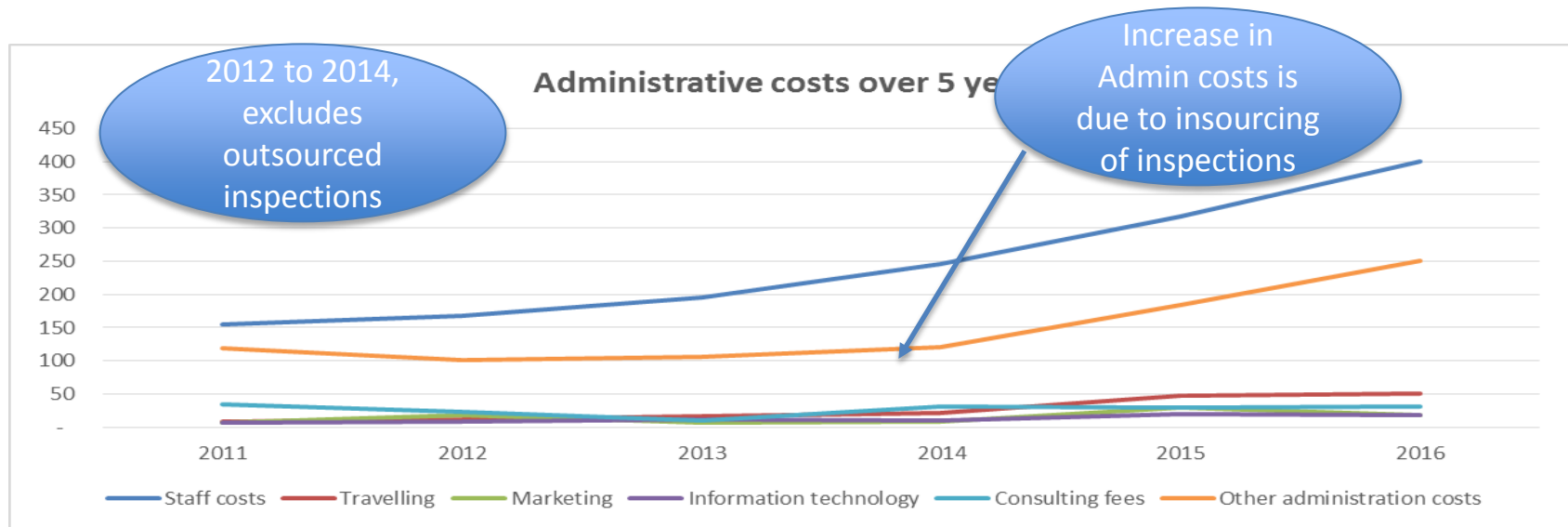


## Premiums earned in 2015/16 amounts to R700m

# Operating costs



Administrative expenses have increased to R714m in 2015/16



	2011 R	2012 R	2013 R	2014 R	2015 R	2016 R
Staff costs	154 608 389	167 284 764	195 008 551	245 534 932	316 659 728	399 913 432
Travelling	9 131 391	11 850 448	16 020 875	21 068 773	47 208 801	51 235 731
Marketing	7 041 256	18 555 156	6 587 804	8 996 145	29 466 696	17 769 921
Information technology	6 296 727	7 738 905	10 984 788	10 291 672	19 600 147	19 545 861
Consulting fees	35 177 400	23 478 727	9 472 229	10 522 795	30 233 667	30 771 998
Other administration costs	118 376 087	101 091 136	105 720 449	120 310 446	184 634 987	195 086 319
<b>Total</b>	<b>330 631 250</b>	<b>329 999 135</b>	<b>343 794 695</b>	<b>416 724 764</b>	<b>627 804 025</b>	<b>714 323 262</b>

# Balance Sheet – 6 year view



Total assets have grown by R209m after adjusting to fair values



Equity has grown by R189m



Total liabilities have increased by R20m

NHBRC

Balance sheet 5 year view

	2011	2012	2013	2014	2015	2016
	R	R	R	R	R	R
<b>ASSETS</b>						
Non current assets	1 310 642 748	1 710 731 713	1 950 434 935	2 580 426 257	2 178 771 619	2 466 078 486
Current assets	2 256 692 908	2 141 610 667	2 271 505 824	2 180 348 811	3 195 273 781	3 117 246 206
<b>TOTAL ASSETS</b>	<b>3 567 335 656</b>	<b>3 852 342 380</b>	<b>4 221 940 760</b>	<b>4 760 775 068</b>	<b>5 374 045 400</b>	<b>5 583 324 692</b>
<b>EQUITY AND LIABILITIES</b>						
Equity	2 450 297 361	2 554 807 853	3 080 124 168	3 294 699 059	3 817 866 709	4 007 358 176
<b>LIABILITIES</b>						
Non current liabilities	577 368 699	775 570 168	818 731 582	1 047 637 607	1 021 732 856	985 781 707
Current liabilities	539 669 597	521 964 358	323 085 010	418 438 402	534 425 834	590 184 809
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 567 335 656</b>	<b>3 852 342 380</b>	<b>4 221 940 760</b>	<b>4 760 775 068</b>	<b>5 374 045 400</b>	<b>5 583 324 692</b>

# Cash flow - 6 year view



Cash generated from operations amounts to R59m



Cash invested amounts to R150m



Cash in bank of R84m

## NHBRC

### Cash Flow Statement 5 year view

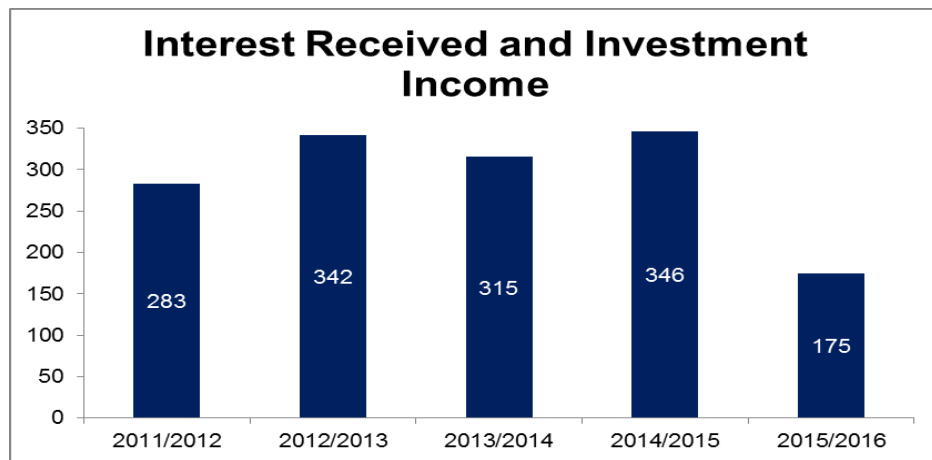
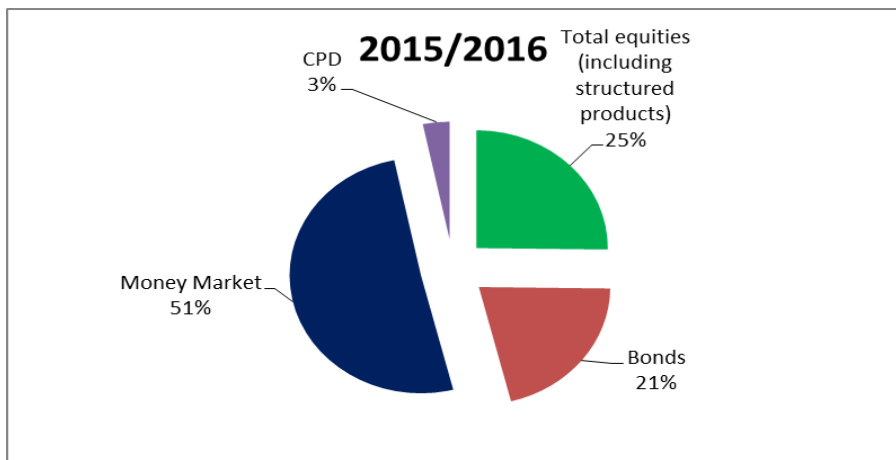
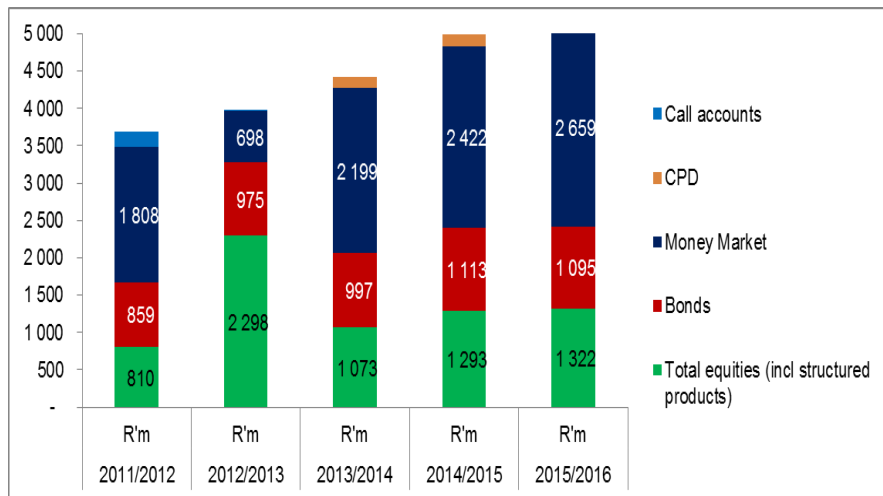
	2011	2012	2013	2014	2015	2016
	R	R	R	R	R	R
Cash flows from operating activities	260 658 071	29 379 227	81 829 055	258 913 629	341 285 575	58 640 694
Cash flows from investing activities	85 203 318	-325 210 181	22 185 597	-237 670 399	-305 946 094	-142 669 682
Cash flows from financing activities	-22 269 995	-311 205 775	-12 558 677	-8 266 727	-11 103 559	- 4 481 925
Cash and cash equivalents at beginning of year	30 665 353	354 256 747	43 050 972	134 506 947	147 483 450	171 719 372
<b>Cash and cash equivalents at end of year</b>	<b>354 256 747</b>	<b>43 050 972</b>	<b>134 506 947</b>	<b>147 483 450</b>	<b>171 719 372</b>	<b>83 208 459</b>

# Investments – 5 Years



Growth in the investment portfolio amounts to R258m for 2015/16

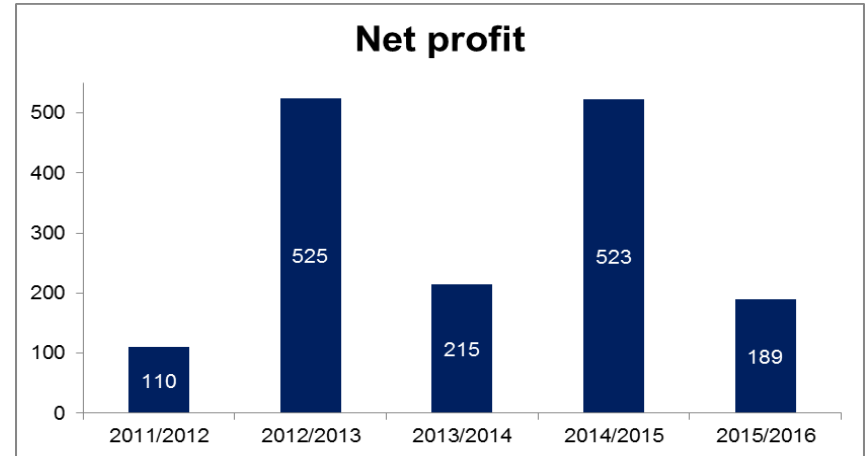
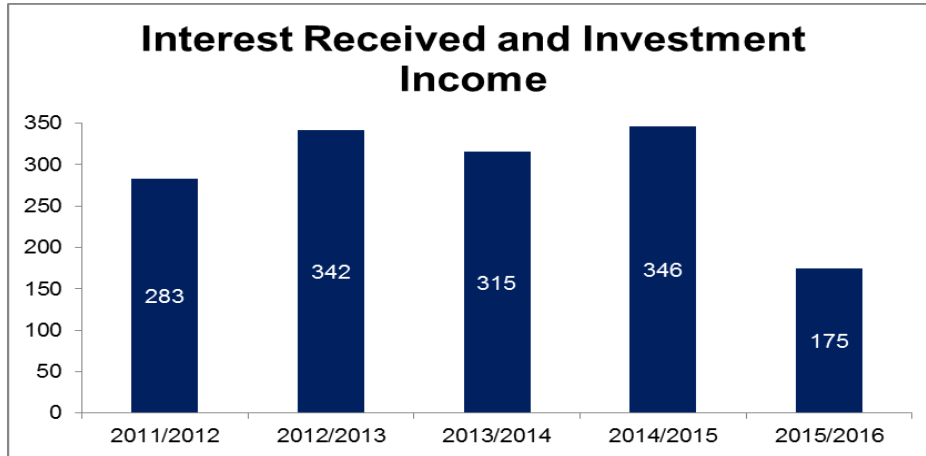
Growth in investment portfolio over 5 years



# Investments and operating profit 5 Years



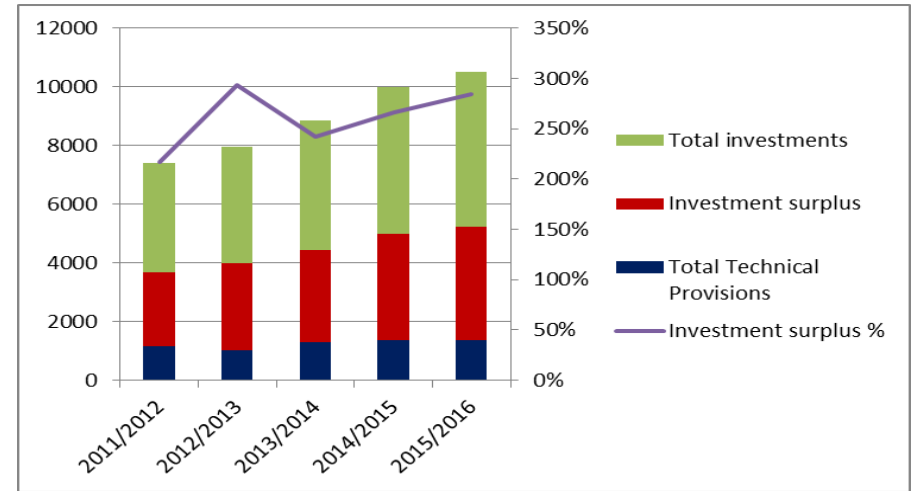
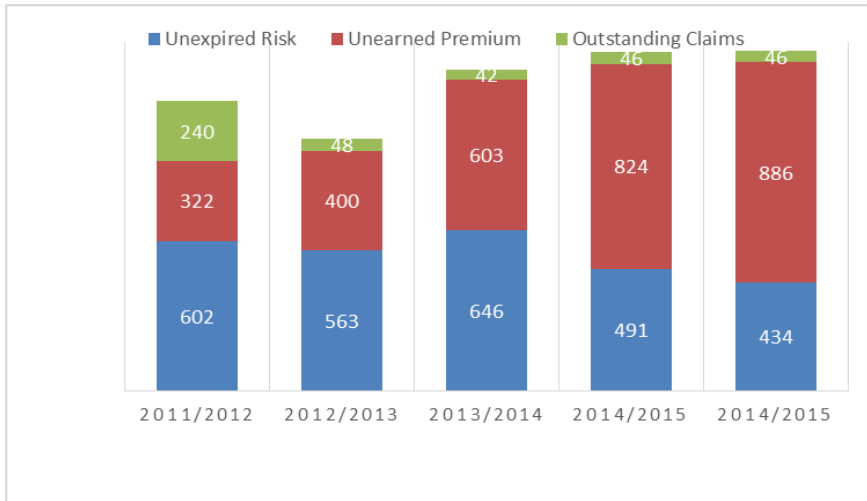
Investment income amounts to R167m for 2015/16



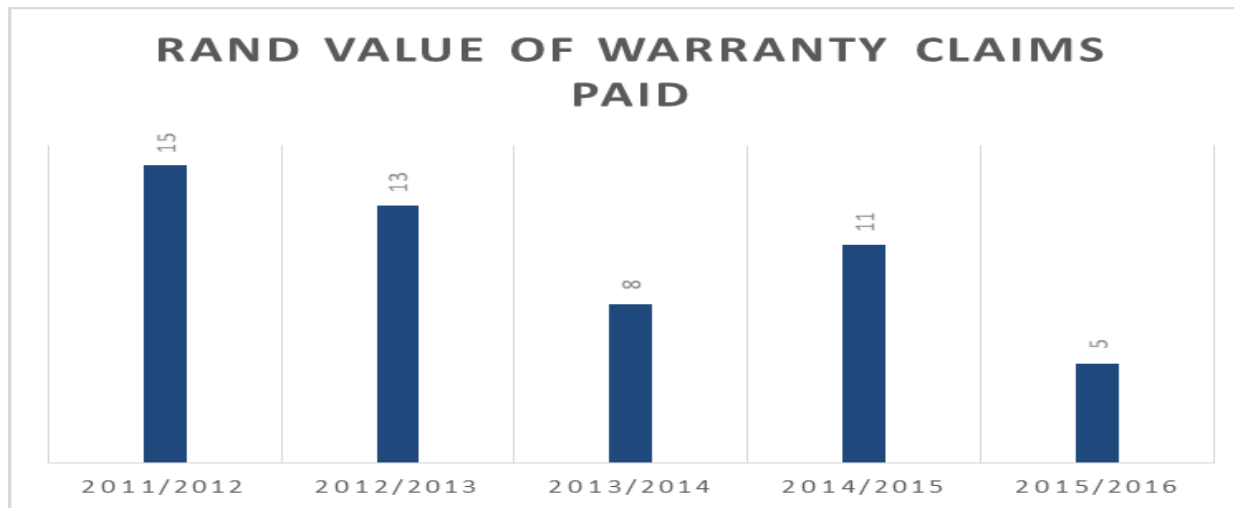
# Liabilities



Investment surpluses exceed technical provisions by 284%



Risk profile of the Warranty Fund



# Irregular expenditure



Irregular expenditure incurred for the 2015/16 financial year is analysed as follows;

- Irregular expenditure for the year was R 705k, (2014: R 21 million)
- Two incidents of non-disclosure by employees amounting to R 524k
- One case of non-compliance with SCM prescripts amounting to R 180k



**END**  
**THANK YOU**  
Questions

