



2023 - 2024 ANNUAL PERFORMANCE PLAN

**Building dreams,
keeping Hope alive**

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EXECUTIVE AUTHORITY STATEMENT



The financial year 2023/24 is the second last financial of the Medium-Term Strategic Framework (MTSF) and the last of the sixth administration. Accordingly, every institution, including the national housing finance corporation, that contributes to the overall Human Settlements MSTF targets must review how well it has played its role thus far and reflect on whether it will be able to meet all its MSTF expectations. Regrettably, two of the last financial four years were affected by the devastating impact of the Covid-19 pandemic and the restrictions on the economy. However, NHFC like all other entities is expected to meet its expected targets. Hence, this year's targets will also be measured by whether they bring the NHFC closer to its MSTF targets.

The Human Settlements Value Chain ('the ecosystem') of the South African affordable housing backlog is an estimated 3 million homes. With the current financially attainable targets of the Human settlements housing delivery system it is evident that this backlog will not be cleared any time soon. Thus, it is incumbent upon the NHFC to find creative and innovative ways of crowding-in developers and funders from both the public and the private sector to assist in accelerating the pace of provision of affordable housing.

During the financial year 2022/23 the NHFC launched the First Home Finance Programme which is a new version of the of the Finance Linked Individual Subsidy Programme (FLISP) reengineered for better performance, and including the online platform to improve

application process. First Home Finance is a once-off housing subsidy that enables qualifying beneficiaries to buy or build their homes on an affordable basis. Previously, there has been challenges as regards the access, for both urban and rural market, to the programme by a large portion of the market segment which it targets. These challenges included the rising cost of building materials leading to affordable housing stock priced beyond the reach of First Home Finance market. With the addition of the new housing finance products offering, we will broaden geographic spread and deepen the reach of the First Home Finance Programme.

I also expect that in the financial year 2023/34 the memorandum of understanding between NHFC and the Department of Public Service as regards Government Employees Housing Scheme (GEHS) will translate into practical implementation. The revision of the policy to allow for non-mortgage home loans enable employees in the lower income segments to access First Home Finance to access homes in both urban and rural areas (PTOs). I am confident that First Home Finance Programme deliver better results.

Noting the slow transformation of the sector, it is encouraging the NHFC has restated its commitment to disburse 30% of its annual target to black owned companies, 40% to companies owned by designated groups which includes women, youth, and people with disabilities, as well as 30% to B-BBEE compliant companies. The provision of loans will be towards black owned, women and youth owned as well as companies owned by people with disabilities.

The board's conclusion of the recruitment process of the Chief Executive Officer is a welcomed development and bodes well for the governance at the institution that has not had a Chief Executive officer overtime. I look forward to the improved performance led by the Board, the Executives and the entire staff of NHFC and implementation of this plan.



M.T. KUBAYI, MP
MINISTER FOR HUMAN SETTLEMENTS

ACCOUNTING AUTHORITY STATEMENT

The key role for the NHFC in 2023 remains continuing to build on the gains made on the recovery to date following the impact of covid-19 pandemic. Whilst there have been notable improvements in the performance of the economy in 2022, end-users continue to be negatively affected by the shrinking household expenditure.

Insights provided by Eighty20, a consumer strategy, analytics and research company that releases a quarterly Credit Stress Report in collaboration with Expert Decision Systems, a segment of 4.1 million adults typically earning between R8 000 and R30 000 per month, are feeling the most financial strain. This segment of the market is in line with our end-user market who took advantage of lower interest rates of 2021 and turned away from rental towards purchasing homes.

The purchasing trend influenced by lower interest rates resulting in a surplus of rental accommodation seems to be reversing, and with university leavers coming into the system and urbanisation, there is expected to be a greater demand for rental and other forms of housing opportunities. The NHFC remains poised to assist partners to take on this challenge. This will also result in the 'crowd in' effect of the private sector and not necessarily displace or compete with the existing banks and non-bank financial intermediaries. In addressing market failure, the following remain of significance – increasing scale to achieve impact, improving the delivery and operational efficiencies, whilst remaining sustainable over the long term. It is for this reason that the board has revised the strategy to focus on building a development bank that acts as a catalyst for a thriving ecosystem that can fund and facilitate the delivery of 150 000 decent homes p.a. on average, to meet the demand of the gap market in South Africa by 2032.

To effectively address the human settlements finance needs, in a sustainable manner, a coordinated and integrated financial institutional structure able to effectively leverage government grants, wholesale, and investments, to maximise private sector funding and participation, as well as household contributions, remains paramount.

It is for this reason that, within this medium-term period, the NHFC's priority will continue to be to work with the shareholder to establish the Human Settlements Development Bank ("HSDB") through enabling legislation, ancillary other statutory measures, and the operationalisation of the bank. The context of the bank's operation will be that of maximising developmental impact, improving the quality of life for households in the under-served segment of the "gap" market, whilst simultaneously driving the transformation of the human settlements sector and remaining self-sustaining.

The achievement of this objective relies on the relentless oversight and leadership of the board and the support of the shareholder. The five-year Strategic Plan is aligned to the

planning cycle and outlines the NHFC's impact statement, outcomes, related outcome indicators, and informs its Annual Performance Plan.

This Annual Performance Plan sets out how the NHFC will implement the fourth year of the Strategic Plan.

PP



Mr L. Vutula

Chairman of the Board

National Housing Finance Corporation SOC Ltd

OFFICIAL SIGN-OFF

It is hereby certified that this Annual Performance Plan:

- Was developed by the management of the NHFC under the guidance of the board;
- Takes into account all the relevant policies, legislation, and other mandates for which the NHFC is responsible; and
- Accurately reflects the outcomes and outputs which the NHFC will endeavour to achieve over the period 2023/24 to 2025/26.



Signature

Ms M. Mamatela

Executive Manager: Corporate Strategy



Signature

Mr B. Gordon

Chief Financial Officer



Signature

Ms A. L. Mayekiso

Chief Executive Officer

PP



Signature

Mr L. Vutula

Chairperson of the Board

Approved By:

Signature:



MT Kubayi, MP

Minister of Human Settlements

Date:

29/03/2023

ABBREVIATIONS AND ACRONYMS

APP	Annual Performance Plan
BNG	Breaking New Ground
CAHF	Centre for Affordable Housing Finance in Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COGTA	Cooperative Governance and Traditional Affairs
DAS	Development, Additionality and Sustainability
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
EEAB	Estate Agency Affairs Board
ESIA	Environmental and Social Impact Assessment
FSC	Financial Sector Charter
GBE	Government Business Enterprise
GC	Government Component
GDP	Gross Domestic Product
GPF	Gauteng Partnership Fund
GTAC	Government Technical Advisory Centre
GVA	Gross Value Added (an alternate measure of the size of the economy to GDP)
HDA	Housing Development Agency
HR	Human Resources
HS	Human Settlements
HSDB	Human Settlements Development Bank

IDC	Industrial Development Corporation of South Africa Limited
IoT	Internet of Things
ICT	Information and Communications Technology
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NT	National Treasury
NDoHS	Department of Human Settlements
MOU	Memorandum of Understanding
DPSA	Department of Public Service and Administration
MTEF	Medium-term Expenditure Framework
MTSF	Medium-term Strategic Framework
NCR	National Credit Regulator
NDoHS	National Department of Human Settlements
NEF	National Empowerment Fund Trust
NHBRC	National Home Builders Registration Council
NHFC	National Housing Finance Corporation SOC Limited
NT	National Treasury
NURCHA	National Urban Reconstruction and Housing Agency NPC
PE	Public Entity
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
POA	Programme of Action
PSA	Public Service Act
RDP	Reconstruction and Development Programme
RFI	Retail Finance Intermediary
RHLF	Rural Housing Loan Fund NPC
ROE	Return on Equity

SCI	State Controlled Institution
SEFA	Small Enterprise Finance Agency
SH	Social Housing
SHRA	Social Housing Regulatory Authority
SOC	State Owned Company
SOE	State Owned Enterprise
SONA	State of the Nation Address
TOR	Terms of Reference
TUHF	TUHF Holdings Limited

PART A: OUR MANDATE

1. Constitutional Mandate

Constitution of RSA Act No 108 of 1996 - Section 26 of the Constitution guarantees the right to have access to housing. The State is mandated to take steps to achieve the progressive realisation of this right.

2. Updates to Legislative and Policy Mandates

Table 1: Overview of legislative and policy mandates

Regulation	Purpose
Housing Act, 1997 (Act No. 107 of 1997)	The Act provides for the facilitation of a sustainable housing development process. For this purpose, it lays down general principles applicable to housing development in all spheres of government
Companies Act, 71 of 2008 and the Companies Regulations, 2011	To ensure the Regulatory Framework for enterprises of all types and sizes promotes growth, employment, innovation, stability, good governance, confidence, and international competitiveness
Housing Consumers Protection Measures Act, 1998 (Act. No. 95 of 1998) as amended by Act No. 27 of 1999)	The Act makes provision for the protection of housing consumers, and to provide for the establishment and functions of the National Home Builders Registration Council
Consumer Protection Act (68 of 2008)	To promote a fair, accessible, and sustainable marketplace for consumer products and services
Public Finance Management Act, 1 of 1999 (PFMA) and Treasury Regulations	To promote good financial management within the public service in order to maximise service delivery through the effective and efficient use of limited resources
Financial Intelligence Centre Act No 38 of 2001	To establish a Financial Centre and Money Laundering Advisory council to combat money laundering activities
National Credit Act, Act 34 of 2005	To promote and advance the social and economic welfare of South Africans, promote a fair, transparent, competitive, sustainable, responsible, efficient, effective, and accessible credit market and industry, to protect consumers
Financial Sector Regulation Act No. 9 of 2017	Introduces the Twin Peaks model of financial sector regulation in South Africa and establishes Prudential Authority under the SARB and Financial Sector

Regulation	Purpose
	Conduct Authority (replacing FSB). The purpose of the Act is to achieve a stable financial system that works in the interest of financial customers and supports balanced and sustainable economic growth.
Housing Development Act (No. 107 of 1997)	The Act provides for the facilitation of a sustainable housing development process. For this purpose, it lays down general principles applicable to housing development in all spheres of government
Rental Housing Act, 1999 (Act. No 50 of 1999)	This Act defines the responsibility of government in respect of rental housing property to create mechanisms to promote the provision of rental housing property.
Home Loan and Mortgage Disclosure Act of 2000	The Act promotes fair lending practices by encouraging financial institutions to disclose information and identifies discriminatory lending patterns
Preferential Procurement Policy Framework Act No 5 of 2000	To give effect to section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in section 217(2) of the Constitution; and to provide for matters connected therewith.
Prevention and Combating of Corrupt Activities Act No 12 of 2004	To provide for the strengthening of measures to prevent and combat corruption and corrupt activities; to provide for the offence of corruption and offences relating to corrupt activities; to provide for investigative measures in respect of corruption and related corrupt activities;
Prevention of Organised Crime Act No 121 of 1998	To introduce measures to combat organised crime, money laundering and criminal gang activities; to prohibit certain activities relating to racketeering activities; to provide for the prohibition of money laundering and for an obligation to report certain information; in Criminal Matters Act, 1996; to repeal the Proceeds of Crime Act, 1996; to incorporate the provisions contained in the Proceeds of Crime Act, 1996; and to provide for matters connected therewith.
Protection of Personal Information Act 4 of 2013	The Act aims to ensure that all South African institutions conduct themselves in a responsible manner when collecting, processing, storing, and sharing a person or entity's personal information.
Promotion of Access to Information Amendment Act 54 of 2002	To amend the Promotion of Access to Information Act, 2000, so as to amend a definition and to provide for the training of presiding officers in the magistrates' courts for purposes of the Act; and to provide for matters connected therewith.

3. Policy Mandates (Current and planned policy initiatives)

As a development financial institution which was established by the National Department of Housing in 1996, NHFC's operations are influenced by a broad range of policies:

- a) **White Paper: A New Housing Policy and Strategy for South Africa, 1994** – which is a broader policy document on the challenges that the country faced around housing and the substantive responses and strategy to the challenge (which include the planned establishment of the National Housing Finance Corporation);
- b) **Government Notice, no.1378 of 17 October 1997**, Designation of an institution of which the activities do not fall within the meaning of “the business of a bank” (“the National Housing Finance Corporation Limited”);
- c) **The National Housing Code, 2000 amended in 2009**, which sets the underlying policy principles, guidelines, norms, and standards which apply to Governments various housing assistance programmes introduced since 1994; and
- d) **Breaking New Ground (BNG), 2004**, A Comprehensive Plan for the new Sustainable Human Settlements. There was a shift in focus from social to financial/wealth creation and from quantitative to qualitative standards.
- e) **The Individual Rural Housing Subsidy Voucher Programme:** During the course of 2022/23 financial year, the NHFC is engaging with the Department to review the Rural Voucher Programme. This Programme was initially approved by the Human Settlements MinMec in 2009, but was never implemented, pending the merger of the three human settlements DFIs. The rationale for the Programme is still evident given the state of mud houses in rural areas of South Africa. Moreover, the Minister has identified eradication of mud houses as one of her priorities. The impact of the April floods in KZN and EC provinces highlighted the need to have this programme in place to also enable government to respond in times of such disasters. It is anticipated that if the Voucher Programme is reviewed and approved by the Minister and MinMec, NHFC will be an implementing agent and make necessary plans for its implementation in the future. This will entail engaging with the provincial departments of human settlements to negotiate implementing agency agreements in line with the Voucher Programme implementation arrangements.

The NHFC typically plays a critical role in informing and influencing policy through commenting on various policy documents that have an impact on the operations of the business.

4. Updates to Institutional Policies and Strategies

The National Development Plan sets out a comprehensive plan to eliminate poverty and reduce inequality by 2030, by drawing on the energy of the country's people, growing an inclusive economy and building key capabilities including the necessary skills and infrastructure, building the capacity of the state, and promoting leadership and partnerships throughout society.

The Department of Human Settlements is committed to the NDP's vision of transforming human settlements and the spatial economy to create more functionally integrated, balanced, and vibrant urban settlements by 2030. It also envisages that by 2030, measurable progress towards breaking apartheid spatial patterns would be achieved. This places a responsibility on the Department of Human Settlements to ensure that the apartheid geography and the fractured housing and land markets are dealt with.

The NDP outlines the following objectives and actions as core to radically revising the human settlements housing sector and creating liveable neighbourhoods:

Objectives

- Strong and efficient spatial planning system, well integrated across the spheres of government.
- Upgrade all informal settlements on suitable, well-located land by 2030.
- More people living closer to their places of work.
- Better quality public transport; and
- More jobs in or close to dense, urban townships.

Actions

- Reforms to the current planning system for improved coordination.
- Develop a strategy for densification of cities and resource allocation to promote better located housing and settlements.
- Substantial investment to ensure safe, reliable, and affordable public transport.
- Introduce spatial development framework and norms, including improving the balance between location of jobs and people.
- Conduct a comprehensive review of the grant and subsidy regime for housing with a view to ensure diversity in product and finance options that would allow for more household choice and greater spatial mix and flexibility. This should

include a focused strategy on the housing gap market, involving banks, subsidies, and employer housing schemes.

- National spatial restructuring fund, integrating currently defused funding.
- Establish a national observatory for spatial data and analysis.
- Provide incentives for citizen activity for local planning and development of spatial compacts.
- Introduce mechanisms that would make land markets work more effectively for the poor and support rural and urban livelihoods.

The NHFC as an apex human settlement development financial institution, will play a critical role in contributing to the objectives of the NDP. Over the next 5-year period 2020 – 2025, the NHFC strategy will be concentrated around the following actions stated in Chapter 8 of the NDP:

- Conduct a comprehensive review of the grant and subsidy regime for housing with a view to ensure diversity in product and finance options that would allow for more household choice and greater spatial mix and flexibility. This should include a focused strategy on the housing gap market, involving banks, subsidies, and employer housing schemes.
- Introduce mechanisms that would make land markets work more effectively for the poor; and support rural and urban livelihoods.
- Reforms to the current planning system for improved coordination.
- Develop a strategy for densification of cities and resource allocation to promote better located housing and settlements.

The NHFC contribution towards the MTSF targets

The Medium-Term Strategic Framework (MTSF) is a five-year plan of government that is intended to implement the electoral mandate and National Development Plan Vision (NDP) 2030. The NDP is the country's vision leading to 2030. It calls for all to work together to deal with poverty, unemployment, and inequality. The MTSF 2019-2024 will be implemented through seven priorities. Priority 5 of the MTSF is Spatial integration, human settlements, and local government. The NHFC's plan is aligned to Priority 5 of the 2019-24 MTFS as reflected below.



Housing Opportunities	NDOHS MTSF Targets	NHFC MTSF Targets	NHFC MTSF Contribution	Actual	Actual	Actual	Target	Target
				Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Social Housing Finance Units	18 000	3 502	3 591	485	493	556	857	1 200
Private Rental Housing Finance Units (including Leveraged Units)**		2 982	4 071	642	905	581	905	1 038
Affordable Housing Units*		6 235	8 319	2 577	1 596	1 640	920	1 586
Affordable Housing - Bridging Finance Units	470 000	2 520	3 462	92	98	1 242	980	1 050
Subsidy Housing - Bridging Finance Units		17 812	13 498	1 845	718	814	4 937	5 184
FLISP units#		30 523	13 234	1 167	1 136	3 268	3 824	3 839
Sub-Total Units		63 574	46 175	6 808	4 946	8 101	12 423	13 897
Incremental Housing Loans ^		140 054	151 398	32 687	20 973	26 330	34 825	36 583
Bridging Affordable – Service Sites	300 000	2 175	2 951	-	490	431	980	1 050
Total Housing Opportunities		205 803	200 524	39 495	26 409	34 862	48 228	51 530

MTSF Indicator	MTSF contribution by entity	Comments
94 area-based integrated multisectoral development plans for priority development areas completed by 2024	Develop periodic reports on geo positioning of investments by PDAs and Districts (District Municipality).	The NHFC is a market taker. The geographical positioning of its investments is determined by the clients it is transacting with. As a lender it heavily relies on the three spheres of government and private developers for selection of project locations. As a lender NHFC can only use location as part of the criteria to approve or reject applications.
18 000 of Social Housing Units developed	Provide affordable bridging finance for the delivery of affordable rental	Refer to MTSF contribution table above, as well as Programme 4 Output Indicators, where amount of social housing finance disbursed is included.
	Report on volume and amount of funding disbursed for development of affordable rental housing units	Refer to MTSF contribution table above, as well as Programme 4 Output Indicators and targets.
20 000 approved subsidy applications for purchasing a unit through the Finance Linked Individual Subsidy Programme (First Home Finance)	Develop a five-year plan to show NHFC's contribution to the achievement sector target of 20 000 First Home Finance units.	NHFC First Home Finance Five-Year Business Plan was developed showing how the growth of the Programme will be achieved and was approved by the NHFC board in March 2021; and subsequently submitted to the Department. However, due to an increase in subsidy range quantum, the targeted numbers in the remainder of the MTSF will be lowered as with confirmed allocation, fewer subsidies will be approved. Plans are being implemented to intensify marketing of First Home Finance nationally in order to scale up delivery of First Home Finance to all Provinces. In addition, First Home Finance partners are being signed up to enable scaling of First Home Finance delivery. MinMec approval of the revised First Home Finance Policy was obtained in February 2022. The sector achieved 68% of the target by end of the third year of the MTSF and is poised to meet the MTSF target. The NHFC only reports on its performance as National Implementing Agent using funds assigned by the National Department of Human Settlements. It does not report on or monitor provincial performance as it has no authority to do so.

MTSF Indicator	MTSF contribution by entity	Comments
	Disburse First Home Finance funding assistance for approved households to relevant financial institutions in order to contribute to the achievement of the 20 000 First Home Finance units	Refer to MTSF contribution table above, as well as Program 5a output indicators and targets. It must be noted, however, that 20 000 MTSF target is for the sector as a whole—that is, combined target for NHFC and Provincial Departments responsible for Human Settlements. NHFC contribution is included in the Table above.
	Implement a communication strategy targeting First Home Finance beneficiaries	Following concerted efforts with the NDoHS to implement the First Home Finance Communication and Marketing Strategy, a First Home Finance Communications and Marketing plan was developed in an attempt to increase awareness of the programme and the resultant update of the offering. The plan is being implemented and progress will be reported on a quarterly basis.
	Keep record of all applications (approved/rejected) for First Home Finance	All applications (approved/rejected) for First Home Finance are kept for the legally required period.
	Report the total volume and value of subsidies disbursed	Refer to Programme 5a Output Indicators and targets.
	Report on the number of households that received subsidy assistance	Refer to Programme 5a Output Indicators and targets.

MTSF Indicator	MTSF contribution by entity	Comments
	Report on the number of consumers with access to affordable finance and the total volume of disbursement	Refer to Programme 5a output indicators and targets.
	Report on the number of beneficiaries that received incremental housing loans as well as the total value of loans disbursed	Refer to MTSF contribution table above, as well as Programme 5b output indicators and targets.
	Report trends on repayment of incremental housing loans	Trends on repayment of incremental housing loans is reported on a quarterly basis.
Consumer protection programmes implemented	Number of consumer disputes submitted and resolved within 90 days	The number of consumer disputes submitted and resolved to be captured and reported in the narrative of the quarterly report. The NHFC reaches the household through a wholesale delivery channel, thus intermediaries interact directly with consumers. The only division that interfaces directly with consumers is First Home Finance, and consumer complaints and/or disputes will be reported on a quarterly basis from this area.
Transactional support programme implemented	Establish a presence in transactional support sites	The NDoHS policy unit is in the process of crafting a policy document to out-line the strategy of rolling out the TSC establishment. The NHFC will engage the NHBRC with the possibility of collaboration as they already have provincial office presence.
	Monitor and report on transaction support programmes	Once policy is approved, the KPIs will be developed and aligned to the NDoHS strategy.
Transformation of the residential property market	In collaboration with NDoHS develop an implementation strategy with targets for the transformation of the residential property sector	<p>The NHFC has identified its purpose for existence as that of prioritising the developmental impact through transformation and sustainability. One of its strategic pillars is to:</p> <p>Transform human settlements through the facilitation of market participation that enables the prioritisation of inclusivity, taking into account size,</p>

MTSF Indicator	MTSF contribution by entity	Comments
		<p>black-owned, women and youth, in the sustainable development of integrated human settlements</p> <p>To this end, the NHFC commits to disburse 30% of its annual target to black owned companies, 40% to companies owned by designated groups which includes women, youth, and persons with disabilities, as well as 30% to B-BBEE compliant companies. The provision of loans will be towards black owned, women and youth owned as well as companies owned by persons with disabilities (youth shareholders in client companies with age equal to or less than 35 years). Social Housing NPC's do not have shareholders so age will apply to Directors.</p> <p>Part of the transformation is ensuring the B-BBEE codes and preferential procurement targets, as well as enterprise development are achieved.</p>
450 000 housing units and 300 000 serviced sites delivered through subsidy mechanism to households earning R0 to R3500 per month	Provide incremental housing finance	Refer to MTSF contribution table above, as well as Programme 5b output indicators and targets for incremental housing finance.

Response to Economic Reconstruction and Recovery Plan (ERRP)

The Economic and Reconstruction and Recovery Plan (ERRP) sets out a reconstruction and recovery plan for the South African economy that is aimed at stimulating equitable and inclusive growth. The ERRP interventions are in pursuit of the National Development Plan goals of reducing unemployment, poverty, and inequality. It is geared towards ensuring that beyond just returning the economy to its pre-COVID19 levels, it adds more GDP growth and Jobs. The plan is anchored on a social compact aimed at ensuring that there is cooperation and collaboration towards growing the economy, protecting the poor and vulnerable, transforming the patterns of ownership in the economy and enhancing competitiveness through provision of quality services and infrastructure. Its success rests on the strength of the social compact and the associated mobilisation of resources.

Below are NHFC interventions that contribute towards the ERRP.

Skills development and graduate programme

The NHFC is planning to implement two programmes under the youth skilling and employment priority of the ERRP.

- A service provider has been appointed to develop and implement a registered learnership programme within the NHFC. It is anticipated that the programme will start in April 2023. The learnership programme will target unemployed graduates. The target number of learners will at least be ten learners in the first year, with gradual increase in the outer years. The main focus of the programme is on project management and related administrative certification at the South African Qualification Authority (SAQA) levels 5 and 6.
- The second one relates to training Chartered Accountant candidates. The NHFC is currently awaiting a response from SAICA on the application for the NHFC being accredited as a training office for TOPP (training outside public practice) institution for Chartered Accountants. It is anticipated that this process to register will take about 6 months, whereafter the NHFC will be in a position to offer training contracts to at least one graduate in the first year with the goal of eventually permanently having 4 to 5 graduates undergoing training to become Chartered Accountants. The NHFC, as part of its commitment to transformation, will ensure that the majority of these trainees are black women.

Job creation and women empowerment

The NHFC is currently running incubator programmes with a plan to scale them up in the outer years.

- The first one is with the City of Cape Town, whereby the NHFC is implementing a Contractor Incubator Programme on a 3-year appointment by the City of Cape Town. The appointment gave NHFC an opportunity to implement the model and refine it for

scaling up. This programme already provides contracts to 123 black construction entrepreneurs, of whom 45% are women with 8 000 jobs created.

- NHFC is marketing and positioning its capabilities in adapting the model in supporting self-help community initiatives through the Peoples Housing Process (PHP). Work has started in the Nelson Mandela Bay Metro with NHFC supporting a Community Based Organisation (CBO) in Walmer-Gqeberha PHP project. The project is developing local co-ops to build housing units.
- Another one, the NHFC is initiating incubator programmes that will cater for enrolment of emerging developers, SHIs, ODA, and incremental housing financial intermediaries. A concept document in this regard is in place and currently exploring strategies for raising finance. A grant from the fiscus to kick start these incubator programmes would go a long way. The incubator programme targets are outlined under transformation in Programme 4c

One of the NHFC's strategic objectives is to increase the participation of women owned, controlled, and managed companies in the human settlements sector. Economic empowerment of designated groups, especially women, enables economic transformation, inclusive growth, and job creation.

- To facilitate increased participation of black owned, women and youth owned and controlled companies, dedicated funding will be set aside to be accessed by qualifying companies. In addition, to support their growth and development, concessional pricing will be availed to black controlled, and women controlled (>50%) entities. Furthermore, these entities will have access to NHFC quasi equity funding (e.g. junior debt or preference shares at less than market rates). The concessional pricing will ensure that the NHFC actively participates in promoting black women owned businesses in the sector and accelerate job creation and economic recovery.

Through our financing activities, the NHFC contributes to job creation in both urban and rural economies, where the impact not only creates, but sustains jobs in the sector. Job multipliers as provided by Stats SA, Construction Industry Development Board, and other credible sources, are utilised to determine the impact of NHFC's financing activities.

Although Covid-19 brought about massive economic challenges and a reduction in construction activity, the NHFC through its financing activities and partnerships with women associations and human settlement entities, continues to make notable impact on the lives of our end user beneficiaries, and support job creation.

The NHFC used to report on the job creation that its products contributed. The auditor-general advised that the methodology was not correct leading to this metric being removed. We are undertaking research into how to set targets and measure performance in this area.

Enabling conditions for ease of doing business

The goal of the NHFC ICT strategy is to provide optimised, enabling and empowering ICT services to NHFC staff, stakeholders, subsidiaries, loan applicants, intermediaries and the public in a more flexible, practical and efficient way that results in a client experience that is simple, empowering, engaging, fair, secure, and unified. It is also the primary role of the ICT division to deploy technologies that improve efficiencies ensuring further reduction of high volume of manual processes (for example loan applications) and costs. Also, the ICT division aims to deploy technological solutions that will enable the current and the desired positioning of the organisation. Key priorities in the ICT strategy amongst others include:

- Improving operational efficiency;
- Optimising turn-around times in the current business processes;
- Automating, modernising and digitalising core Business Support solutions;
- Deploying adequate information security and cyber security measures; and
- Enabling the business with online technological interventions to ensure realisation of business objectives.

Economic inclusion of women, youth and SMMEs

The NHFC continues to procure from suppliers with a B-BBEE status level one to four unless when it is not practical to do so. This procurement strategy is aligned to the NHFC's transformation framework and the Supply Chain Management Policy.

The NHFC will continue to conduct its procurement activities in adherence to the Preferential Procurement Policy Framework Act (the Act), 2000 and the Preferential Procurement Regulations, 2022 (the Regulations) which prescribes that the entities can set up their own preferential procurement policy which allows us to allocate points to designated groups.

NHFC will contribute to transformation through its supply chain management unit by supporting B-BBEE compliant businesses; with a specific focus on qualifying Exempt Micro-enterprises, Qualifying Small Enterprises, Women and Youth Owned enterprises.

Strategic Framework

Aligned to this mandate, the 2020/21–2024/25 Strategic Plan outlines the high-level strategic framework of the NHFC as follows:

Vision

The apex financing partner of choice in the human settlements value chain

Mission

Enabling access to housing finance for low-to middle income families through strategic partnerships and promoting the sustainability of the human settlements ecosystem.



Figure 1: Core Strategic Pillars of the NHFC

Based on its mandate imperative, the NHFC will have a unique approach to doing business. Whilst it is primarily anchored as a development finance institution, with a predominant wholesale offering, it will be flexible enough that it will adopt a hybrid model through its strategic partnerships to make markets more inclusive, while leveraging partners' funding, infrastructure, skills, competencies, systems, innovation, and entrepreneurial process. The choice of strategic partners in each instance, is determined critically by both the desired results and the development objectives.

With increased risk appetite the NHFC seeks to invest or provide finance where, typically, banks would not participate. This will include:

- Addressing missing/unserved segment of the housing market;
- Entering new markets such as unlocking the township residential property market, student accommodation, backyard rental (small scale landlords) and micro living solutions;
- Addressing severe liquidity constraints or perceived commercial risk;

- Facilitating financial closure (longer tenure to improve viability) or take equity stakes; and
- Support project preparation, including scoping, pre-feasibility, and feasibility work to bankable projects.

Specifically, the NHFC's purpose is to directly fill the gap in the human settlement's financing market. The NHFC will predominantly provide finance to catalyse, attract and mobilise the involvement of the private sector, by:

- **Pulling** along like-minded partners (e.g. IFC, AFD, AfDB, etc.);
- **Pushing** the laggards (reluctant partners);
- Acting as a **lead arranger** – “bank of first choice in human settlements financing”; and
- Using **blended finance** solutions to bridge gaps and address market barriers in strategic important and high development impact areas.

In addition to its core functions, the NHFC will utilise ring fenced funding (through its proposed Equity Fund) to achieve its transformation agenda:

- Contribute beyond what is available or otherwise absent from the market (address market failure);
- Contribute to catalyse market development and mobilisation of private sector resources;
- Achieve impact that is sustainable and promotes commercial viability.
- Address market failure effectively and efficiently and minimise the risk of market distortion (crowding out private finance); and
- Promote adherence to high standards, in areas of Corporate Governance, Environment impact, Integrity, Transparency and Disclosure.

Preparing for the HSDB

As the NHFC waits for the legislation for the HSDB to be finalised, it is preparing in the following ways to ensure that it will be a sustainable apex development finance institution within the human settlements sector.

Balance Sheet

Removal of the following non-core assets from the NHFC balance sheet:

- **President Place:** a building with over 300 residential units that came into the possession of the NHFC as a consequence of a client default.

- **Retail mortgage book:** The NHFC took a strategic decision to stop issuing retail mortgages a number of years ago. This book is being collected and not being added to. The disposal of this book is being considered, but as there are mortgages registered to the NHFC, the cost of disposal may lead to this book being retained.
- **Various subsidiaries:** processes to deregister inactive and dormant subsidiaries are underway.
- Recover R37 million provisional income tax paid to SARS, together with interest thereon, prior to the promulgation of the legislation making the NHFC tax exempt.

Income Statement

The following areas are being investigated for improved cost control:

- **Rental:** A procurement process is underway to rent cheaper and smaller premises which is in line with the hybrid working model.
- **Credit loss ratio:** The credit department and its processes have been restructured to ensure that while the book grows rapidly through a higher appetite for financial risk in the pursuit of development impact, the credit loss ratio declines.

Strategic Review:

Mindshift

The NHFC is moving from a mindset of asking: “What can we do?” to “What do we need to do and how must we change to enable this?” In line with the mind shift, the NHFC did a review of the current strategy to ensure it is appropriately aligned to getting ready to be the apex development bank within the Human Settlements value chain. The outcome of the review was a bold objective the board and EXCOM agreed on which is:

‘How do we build a development bank that acts as a catalyst for a thriving ecosystem that can fund and facilitate the delivery of 150 000 decent homes p.a. on average, to meet the demand of the gap market in South Africa by 2032’

Research is being undertaken by the NHFC to determine the actual backlog; the 150,000 homes is an estimate which will be confirmed with the research as this is a long-term target. The outcomes of the strategy review were six priorities which were cascaded into the organisation for further development. This produced a series of 20 sub-priorities (outputs), each with associated activities. The implementation of the strategy will be undertaken in two phases, with the first phase focusing on operational improvements and the second phase on actual impact on the ground, more external focus. It is worth noting that the building blocks towards both phases will begin simultaneously.

Phase 1: FY23-FY24 Focus

The initial phase of the strategy enhancement will focus on operational capacitation, whereby the HSDB gears up to become the market coordinator that catalyses the housing market. The strategic priorities identified and outputs critical as building blocks towards the desired priorities for FY23-FY24 are:

Priorities	Outputs
1. Optimise decision-making: - Optimising the speed and quality of decision-making.	a. Optimise decision-making methods. b. Informed decisions. c. Empower decision-makers.
2. Drive performance: - The HSDB is a capable, capacitated, high-performing organisation with SMART goals linked to individual performance compacts that are enforceable.	a. Accept ownership. b. Empower workforce. c. Optimise systems. d. Deliver value.
3. Instill collaboration: - A cohesive culture exists between team members to deepen internal & external collaboration.	a. Form partnerships b. Serve customers. c. Open leadership. d. De-restrict access.
4. Secure funding: - Sufficient funds have been raised at a reasonable WACC, from a diverse pool of investors.	a. Optimise credit rating. b. Attract funders. c. Stabilise leadership.

Phase 2: FY24 – FY32 Focus

This phase is where the payoffs are realised and a capacitated HSDB is meeting its goals by influencing the housing market. A key consideration is that the HSDB on its own, no matter how well resourced, is unlikely to deliver the number of homes required within the gap market. The strategic priorities for FY24-FY32 are:

Priorities	Operational Outputs
5. Accelerate delivery: - The Human Settlements Value Chain ('the ecosystem') of the South African affordable housing backlog is est. 3 million homes. (Research is being undertaken to determine actual backlog at provincial level).	a. Capacitate value chain. b. Pursue outcomes. c. Reduce turnaround times. d. Sustain human settlements.
6. Maximise impact: - The HSDB, through its products and partnerships, maximises its sustainable-socio-economic-impact	a. Serve intermediary market. b. Focus policies

The detailed implementation of the above priorities will be outlined in the Annual Operational Plan (AOP). The PMO will be established to provide project and change management as well as operationalisation of the revised strategy.

Values

Our guiding values:

- Accountability
- Collaboration
- Excellence
- Leadership
- Integrity
- Innovation
- Diversity
- Ubuntu
- Professionalism

5. Updates to Relevant Court Rulings

There have been no recent court rulings that would have an adverse impact on the operations of the NHFC.

PART B: OUR STRATEGIC FOCUS

6. Situational Analysis

South Africa has not been immune to the negative effects emanating from reactions to the COVID-19 pandemic and this is further exacerbated by the already pre-existing structural challenges the economy is facing. The economy remains characterised by sluggish growth, high unemployment; and recently high inflation and rising interest rates have been of major concern.

South Africa's economy in the recent past has been supported by strong commodity gains (exports), sustaining income gains despite rising oil prices.

Construction sector reflected a slow recovery in the first half of 2021 mainly due to depressed business confidence from the slow vaccine roll-out and the social unrest in Gauteng and KwaZulu Natal in early July 2021. There has also been a huge concern of the adverse impact of the so called "construction mafias" who demand payment from duly appointed contractors—sometimes as high as 30% of contract price for doing nothing. The risk of this behaviour is that it will result in some contractors pulling out of the industry. The latter is expected to have a lasting impact on investor confidence and job creation. High national debt and the massive decline in building permits for both residential and non-residential buildings is weighing in on the industry's output over the short and medium terms.

Our clients are all impacted as they face various challenges:

- Extremely uncertain future due to inability to forecast economic outlook because of uncertainty over the pandemic outlook;
- Production interruptions due to pandemic management functions being implemented;
- Lower demand due to sluggish economic growth, high unemployment, high interest rates and high inflation;
- Potential requirement for interim liquidity and uncertainty over future liquidity requirements and sources; and
- Potential impact on company solvency, covenant breaches due to temporary interruptions.

7. External Environment Analysis

In order to address the needs in the market and ensure that NHFC maximises its developmental impact in terms of its mandate, the external factors must be considered.

When assessing the external environment, the macro economy, the stakeholders, and the consumers were considered to ensure all components of the external environment were addressed.

7.1 PESTEL Analysis

The PESTEL analysis is a framework or tool used to analyse and monitor the macro-environmental factors that may have a profound impact on an organisation's performance. It is used to give a clear understanding of a situation and related internal and external factors.

7.1.1 Political Environment

Over time there has been high levels of fraud and corruption which have reduced investor confidence resulting in a decline in the property market. The Minister of Human Settlements indicated that we can no longer allow, under such a constrained fiscal environment, project developers and contractors to waste public resources on poorly implemented or incomplete projects.

The NDoHS and its entities in line with the post COVID 19 National Economic Plan will adjust the speed of other programme interventions into the housing production process using a set of existing supply driven subsidies, incentive and risk sharing programme instruments (Catalytic projects; Social/Rental and Affordable Housing) into supporting a range of supply linked players in the housing production chain.

Reversing the impact of COVID-19 pandemic requires a public private supply intervention to re-boot the property sector. This can be achieved by leveraging the banking and long-term investment institutions into reigniting the housing market across income streams; by scaling up the most workable products, programmes, and instruments to increase supply, and improve the quality of life in settlements (HSC's to serve as Financial Transactional Support Centres).

The NDoHS allocated an amount of R300 million to the NHFC for the purpose of assisting those NHFC clients adversely affected by the COVID-19 pandemic and experienced hardships in honouring payment of debt to the NHFC. The purpose of the funds was to enable the NHFC to provide a special recovery intervention that will stabilise the functioning of the affordable housing programme. In line with the National Policy Framework for the Debt Relief Programme (DRP), the NHFC developed its own internal DRP Policy which it started implementing in 2021/22 financial year and continued to implement in 2022/23 following approval of National Treasury to retain and

use the funds. The DRP funds have played a critical role in supporting the recovery of the infrastructure for delivery of affordable housing post the pandemic.

The NdoHS has also developed an Economic Recovery Plan focused on securing basic infrastructure as the base for both social protection and economic recovery. This Plan recognises the fact that housing has a significant impact on the economy.

7.1.2 Economic Environment

Macro-Economic Variables

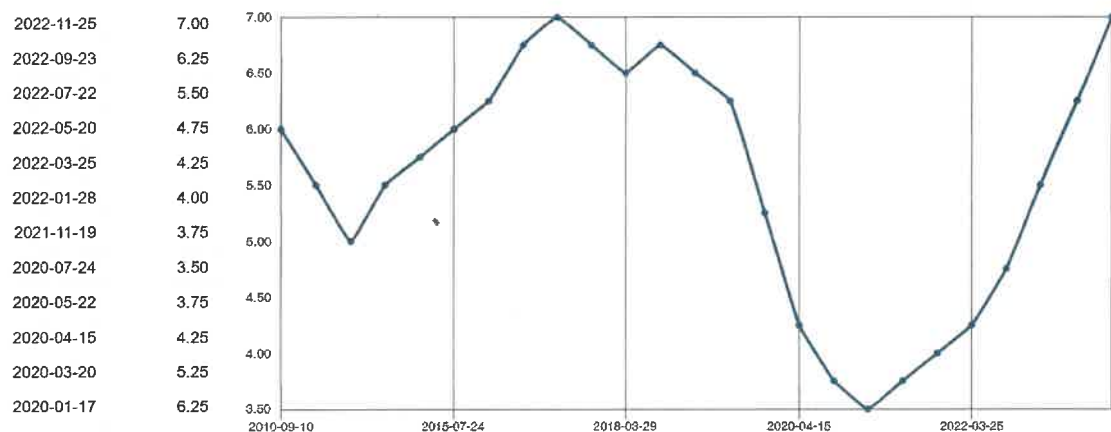
VARIABLE	2022	2023	2024	2025	2026	2027
PPI	14.4%	7.4%	4.8%	5.1%	5.1%	5.0%
CPI	6.9%	5.2%	4.7%	5.0%	5.0%	5.1%
GDP	2.5%	1.1%	1.7%	2.0%	2.5%	2.8%
Pop. Growth	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%
B/of Payments % GDP	0.5%	-1.9%	-2.1%	-2.0%	-2.2%	-2.3%
Exports	9.4%	7.3%	3.8%	4.1%	4.6%	5.1%
Imports	14.1%	6.8%	4.4%	4.4%	5.0%	5.5%
HCE	2.9%	1.3%	2.2%	2.3%	2.4%	2.7%
Salary Wage Increases	4.2%	5.4%	5.1%	5.5%	5.4%	5.4%
Unemployment	33.5%	33.3%	32.8%	32.7%	32.4%	32.2%

Source: Investec- Table Research Unit

SARB 50 bps interest hike expected.

- The South African Reserve Bank Monetary Policy Committee is scheduled to meet on the 26th of January 2023.
- Market expectations and experts have forecasted a 50-basis point interest rate hike at the next meeting, as inflation continues to exert pressure on the mandate of the committee.
- Since the last meeting in November 2022, markets have remained under pressure although inflation drivers have somewhat eased. As a result, market polls expect no further interest rate hikes for the remainder of 2023 after the forecast January hike.
- On balance, and with some exceptions, capital flow and market volatility are expected to remain for emerging market assets and currencies.

- Economic and financial conditions are expected to remain volatile for the foreseeable future. In this highly uncertain environment, policy decisions will continue to be data dependent and sensitive to the balance of risks to the outlook.

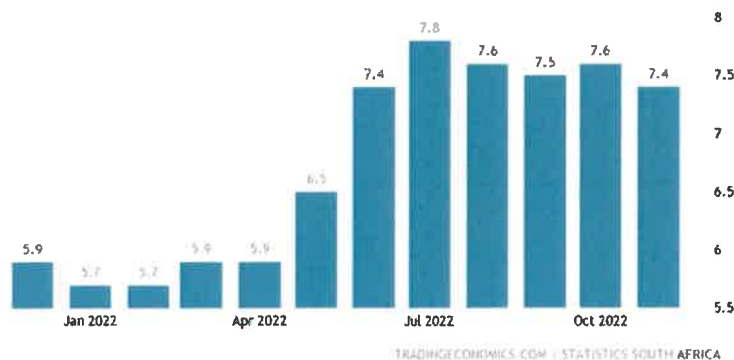


GDP

- South Africa's economic activity will be affected by global trade, with the rand's depreciation boosting export values of dollar-based goods.
- After contracting by 0,7% in the second quarter of 2022, the economy rallied in the third quarter, expanding by 1,6%.
- The agriculture, finance, transport and manufacturing industries were the main drivers of growth on the supply side of the economy. The demand side of the economy was lifted by a rise in exports and government consumption.
- At the time of the last MPC meeting in November 2022, the International Monetary Fund (IMF) reduced its global growth forecast in 2022 to 3,2% and 2,7% in 2023. The SARB's forecast for global growth in 2023 is revised lower to 1,9% (from 2,0%).
- Over the medium term, the South African economy is forecasted to expand by 1,1% in 2023 (from 1,4%) and by 1,4% in 2024 (from 1,7%); below previous projections.

INFLATION

- SA's inflation rate eased to 7,4% in November 2022, from 7,6% in October 2022. This is the lowest reading since June 2022.
- Despite recording a slight recovery, inflation unfortunately remains out of control and continues to sit well above the 3 – 6% Reserve Bank mandate.
- This consistent inflationary pressure continues to strong arm the SARB to increase interest rates as a means to control inflation. Evidently so, markets are expecting a 50 basis points increase at the first MPC meeting of the year 2023.
- Although interest rates have returned to “the norm”, pre-pandemic levels, situations seem to be much worse than before due to high inflation and foreign market pressures.
- Oil import costs and translated fuel prices continue to be at the centerfold of high inflation. Energy supply issues are also going to be key as NERSA have approved Eskom's bid to hike electricity tariffs by 18,65%.
- With food price inflation continuing to run a merry mock, growing at double digit rates, real personal disposable income has seen a great decline with a 0,2% drop at the latest reading for 2022 Q3.
- The drop in real household incomes is directly reflective of the erosive impact of higher inflation.



Property Market

- Comment has been made that in light of all that's happening globally and locally on the economic front, the property sector has, yet again, proven its resilience with buyer activity in some price segments remaining robust.
- Lightstone has reported a significant trend pick up in the relocation of buyers aged 46 and above, who can afford to move to a new city or province, majority of which opt to relocate to the Western Cape. This activity is known as semigration and is majorly comprised of buyers between the ages of 49 to 64.
- Buyers in the 36 to 49 age group making lifestyle changes also opt to relocate, noted Lightstone. It is also interesting that about 20% of buyers moving to the Western Cape, will move to a property that is larger in size but lower in value.

- It has been noticed that many homeowners in the upper-high value end were downgrading to smaller and cheaper properties, there has now been a steady normalization to the market with a partial segment of home buyers having sturdily started to return to the high value end market, particularly in Gauteng. Majority of these homebuyers making purchases in estates that offer security and appealing lifestyle.
- The Western Cape also enjoys first preference to the silver-semigration, also known as the relocation of the older/elderly buyers, with the likes of Garden Route, Whale Coast and Cape Winelands being a particularly popular option. 46% of these buyers will opt for smaller homes as they downsize but the values of these properties may be higher.
- Sectional Title homes remain the popular choice with almost a third of all sales recorded in the past 3-4 years being for sectional title properties. Many of these purchases being made by first-time homebuyers, investing in new developments.

Building Plans

- The value of recorded building plans passed, (at current prices), increased by 7,9% (R7 113,7 million) during January to October 2022 as compared to January to October 2021.
- Increases were recorded for additions and alterations (12,5% or R3 107,5 million), non-residential buildings (7,6% or R1 164,4 million) and residential buildings (5,7% or R2 841,9 million) – see Table A.
- The top 2 contributing provinces to the 7,9% increase in building plans are Western Cape and Mpumalanga in that order.
- December 2022 stats have not yet been released.

Results for January to October 2022

Table A – Recorded building plans passed by larger municipalities at current prices: January to October 2021 versus January to October 2022

Estimates at current prices	Jan – Oct 2021 1/	Jan – Oct 2022 1/	Difference in value between Jan – Oct 2021 and Jan – Oct 2022	% change between Jan – Oct 2021 and Jan – Oct 2022
	R'000	R'000	R'000	
Residential buildings	49 662 079	52 503 936	2 841 857	5,7
-Dwelling-houses	31 453 118	34 278 310	2 825 192	9,0
-Flats and townhouses	17 417 421	17 238 241	-179 180	-1,0
-Other residential buildings	791 540	987 385	195 845	24,7
Non-residential buildings	15 412 481	16 576 840	1 164 359	7,6
Additions and alterations	24 854 235	27 961 710	3 107 475	12,5
Total	89 928 795	97 042 486	7 113 691	7,9

1/ 2021 and 2022 figures should be regarded as preliminary because of possible backlogs and incomplete reporting by municipalities.

Credit Extension

- Growth in credit extension by monetary institutions to the domestic private sector accelerated to double-digit rates from September 2022, a rate last seen at the end of 2012.
- Credit extension was boosted by strong growth in loans to companies and steady growth in loans to households, as banks expanded their loan books.
- South Africa's private sector credit increased by 8,3% year-on-year in November 2022, below market forecasts of 9,05% and easing from 9,34% growth a month earlier. This marks a 17th straight month of growth in private sector credit but at the softest pace since August 2022.
- In addition, the quarter-on-quarter seasonally adjusted and annualised growth in total loans and advances accelerated noticeably to 14,5% in the third quarter of 2022 from 8,2%.
- With rising cost of living by the day, it seems as though the credit extension trajectory will continue to move upwards as more and more households are living hand to mouth and have become heavily and solely dependent on credit to get by.
- With the heavy reliance of households and businesses on credit, there is a constant growing risk of default on repayments. This will not only negatively impact the monetary institutions collections but also see households and businesses sink into debt.

Mortgage Advances

- Growth in mortgage advances on commercial property, which has been weak since the start of 2022, accelerated from 2,0% in April 2022 to 4,7% in October 2022.
- Growth in mortgage advances on residential and agricultural property was slightly more robust at around 7% thus far in 2022 as demand for residential property remained fairly resilient despite the impact of the rising interest rates on monthly instalments.
- On aggregate, growth in total mortgage advances accelerated from 5,3% in January 2022 to 6,3% in October 2022.

7.1.3 Sociological factors

- Historical spatial isolation policies have created rapid urbanisation as predominantly previously disadvantaged and low-income households migrate from distant designated areas to metropolitan areas in order to increase proximity to economical activities and opportunities.

- Rapid urbanisation and population growth have increased migration to metropolitan areas as the market seeks to address spatial issues constructed by the previous regime. It's estimated that approximately two thirds of South Africa population reside in urban areas at the end of 2020. This rapid urbanisation is exerting pressure on urban human settlements and access to services and has resulted in the development of informal settlements that are a challenge to eradicate. At the same time, a significant number of citizens still remain in rural areas and need access to government services.
- The limited exposure, education and awareness of financial planning, savings and wealth generation limits the lower end of the market from participating in property markets.

7.1.4 Technological Environment

- The emergence of new technologies globally and in the financial services industry in particular, has an impact on how the NHFC delivers their services to clients, stakeholders, and shareholder. The rise of the digital economy, innovation and deployment of robust and responsive technologies will also impact the reach of the NHFC and allow it to operate in new demographic locations. Adoption of innovative and new technologies will improve service delivery and operational efficiencies. The NHFC employees will be empowered and enabled with tools and technologies to deliver the required service as and when expected in line with client expectations.
- With the emergence of innovation, fourth industrial revolution and technological advancements, cyber security incidents and threats, the landscape is worsening and most organisations are always on the backfoot because they focus at the issue through the lens of technology rather than that of business risk. Cyber security has become critical to long term sustainability of most businesses.
- The advent of the digital era has brought new technologies and innovation into the market enabling lower income households to access affordable finance. These include enterprise mobility, the use of mobile and online platforms to source funding and utilisation of Blockchain, Big Data, Analytics, Internet of Things (IoT) and Artificial Intelligence (IA) to enable increased spatial planning.
- Innovation in housing materials have led to cheaper raw materials required to build better quality housing. Building projects on a larger scale can dramatically change the productivity and cost of delivering housing, making it possible to employ techniques such as repeatability and off-site fabrication.

7.1.5 Environmental Factors

Increased awareness of enterprise ecological footprint has provided the market with new considerations to ensure that their needs are met in a sustainable - manner.

7.1.6 Legal Environment

As a result of increased political scrutiny around affordable housing solutions and land reform, government is seeking to address historical imbalances with inclusive and equality seeking legislation aimed at previously disadvantaged households.

- The prevalent issues related to land reform and expropriation looms in the distance and casts a shadow within the market as it seeks clarity.
- Legislation approval processes hamper efficiencies.
- Current rental agreements and payment conditions were negatively impacted by COVID-19 as businesses and households pushed back on payment agreements.

7.2 Implications for the economy and property sector:

- With a new covid variant, named Kraken, confirmed on our shores, a slightly more conservative approach is expected from our economy. Booster shots and vaccinations are still encouraged despite the public opinion on vaccinations having taken somewhat of a withdrawn approach and stance.
- The second largest South African pandemic at the moment in the form of load shedding has depressed and constricted economic activity and growth.
- A continued surge in cost of living and inflation as well as high rise interest rates has dropped the gauntlet on the necks of consumers and left very little money in the pockets of households.
- The South African Reserve Bank Monetary Policy Committee looks set to increase interest rates by 50bps which means higher cost of borrowing and increases on existing mortgages.
- As interest rates peak, consumers are left in a tight spot as their disposable income is not enough to get from payday to payday and become reliant on debt which they cannot afford to pay back.
- SOE's continue to sink in the turmoil of mismanagement and lawlessness. Private sector confidence in public sector has diminished to non-existence with Eskom assuming pole position for the most hated organisation currently.

- Pay more, get less. This is SA's current reality of keeping the lights on now.
- The deceleration of rising petrol prices has been welcomed, and with a further drop expected in the coming weeks, consumers can get a bit of relief.
- The property sector continues to display resilience and strength against all odds of cost of living and high rising interest rates. Goes to show the importance of housing and shelter.

NHFC Focal Points

- NHFC remains at the centre of delivering low-cost, high-quality housing to the low to middle income earners. A very big and important mandate as basic housing and shelter remains at the top of the agenda in the human rights of this country.
- With interest rates on the rise, the NHFC's core business of lending should expect to see an increase in lending repayment costs but will also have to be wary of possible increases in defaults and mitigate against any potential impairments.
- Interest rates continue to climb up and mortgage loan repayments get more expensive. The criteria used by commercial banks for mortgage qualifications can only get tighter, making it harder for first time homebuyers in the low to middle income brackets to buy homes. The NHFC will be vital in assisting those first-time home buyers realize their dreams of owning properties through the First Home Finance program.
- Treasury continues to carefully monitor the markets and scout for fertile soil to invest NHFC cash into. With interest rates increasing, there is hope and expectation for higher yield and return on investment.
- With the FRA curves as well as the Reuters Central Bank Polls pricing in a minimum of 50bps increase in interest rates at the next MPC, National Treasury will be adopting a flexible yield investment strategy. Investing in less fixed rate instruments and taking up more floating rate instruments to take advantage of the rate hikes as and when they happen.
- There is an expectation for interest rates to hit their peak this year and based on market expectations, our outlook on the investment strategy may take a slight shift in short term and long-term investments.
- The portfolio remains liquid and well geared to cover any cash requirements for the entity as well as to further seek investment opportunities as and when opportunity arises. Business cashflows for disbursement continue to be monitored for provisions and to ensure liquidity until repayments by clients materialise.
- With consumers which is also made up of the work force within the NHFC relying more and more on credit to make ends meet, the NHFC may look to offer some

form of support to its employees to assist/ coach them through these times. The mental state of employees translates to the success of any business.

- As much as we would love to give credit to all those individuals who have worked tirelessly in making the most of the little good there is in producing positive economic yields, Credit is just a little too sensitive and expensive at the moment for you and I.

Stakeholder Analysis

Housing Finance Value Chain

The housing finance value chain is complex and dependant on a variety of stakeholders from both the public and private sector. Each stakeholder plays a critical role in executing, co-ordinating and facilitating the core functions of the value chain in order to ensure that value is transferred to the end consumer.

- **Planning:** This function entails the formation of a housing development project and involves the identification of demand and formulation of a plan in order to fulfil the demand. This is inclusive of the municipal and provincial planning processes.
- **Land and Tenure:** This function entails acquisition and provision of suitably located land needed for development. Tenure, zoning, and title deeds are key elements of the process which enable developments to proceed.
- **Essential Infrastructure:** This function entails provision of basic services such as water, electricity, transport, and sanitation to the development site. Site infrastructure is connected to municipal bulk infrastructure thus ensuring the development site has access to basic services.
- **Financing:** This function entails the provision / the access to funding facilities in order to finance the development process. Developers and incremental financiers require affordable financial capital to be able to fund development projects.
- **Design and Building Services:** This function entails the process of designing adequate housing solutions and ensuring that production plans are approved by regulators.
- **Building Procurement:** This function entails obtaining the required raw materials from suppliers in order to enable the construction process.

- **Construction:** This function entails the process of developing housing and supervision of building activities.
- **Property Management and Community Development:** This function entails the process of managing and maintaining housing developments and enhancing the surrounding environment to create a conducive healthy area for occupants of the development.

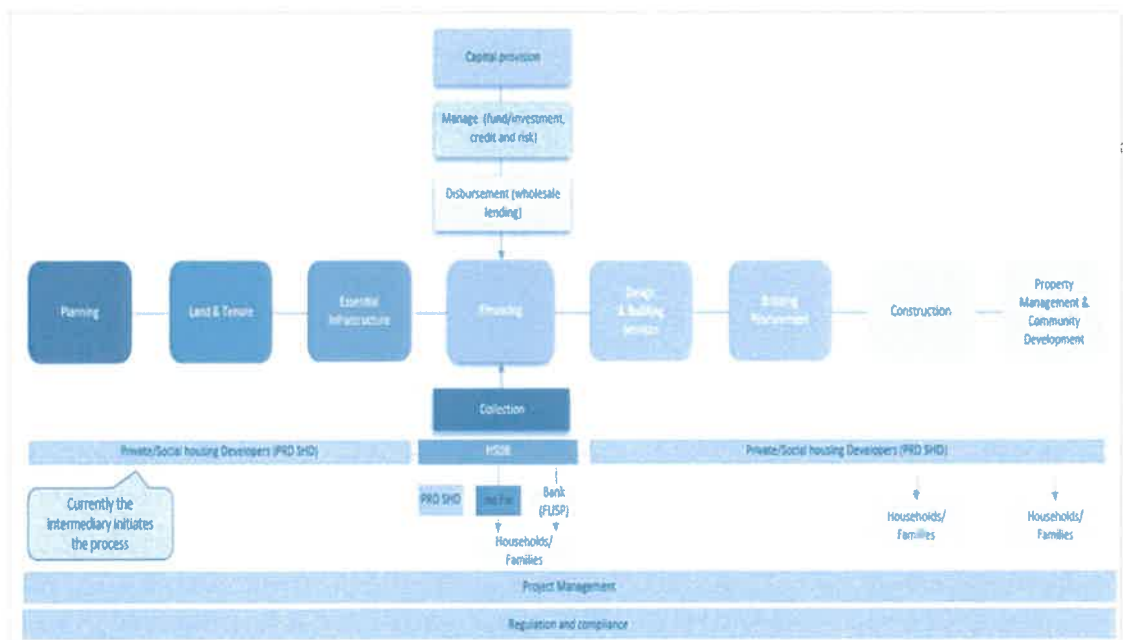


Figure 1: Housing Finance Value Chain

Human Settlements Development Bank Value Chain

The NHFC will be operating as a development bank and as such will be providing the function of financing within the housing finance value chain. In order to provide affordable and accessible financing to intermediaries, the NHFC will require certain functions to be in place that will facilitate the financing process. Therefore, the financing function has an internal value chain that allows financing to be provided to the intermediary.

8. Government Employees Housing Scheme

a) Background

As part of their employment conditions, government employees are provided with a housing allowance to enable them to acquire homes. This allowance is saved by the employee in the GEHS until such time as they buy a house. Where an employee leaves the employment of the state prior to buying a house, these savings are forfeited.

It has been found that a large proportion of government employees are unable to buy homes even with this allowance. The NHFC has been approached to assist in this regard.

b) Challenges

There are two primary challenges that are preventing government employees from acquiring homes.

Lack of affordable housing

According to data compiled by CAHF around 20,000 affordable housing units become available annually. This data is obtained from the Deeds Office so excludes rental units.

The strategy of the NHFC as it moves towards becoming the HSDB is to ensure that the affordable housing backlog is eliminated by a transformed supply chain. In other words, we are moving towards addressing this backlog. When looking at how to do this we have been advised that financial institutions have enough funds that they are prepared to invest in the sector subject to the following:

1. Availability of bankable projects. This is an area where the NHFC / HSDB is increasing its interactions with the Housing Development Agency as well as other property developers to find ways to unlock IRDP projects.
2. De-risking of projects that are not seen as bankable but are developmental.
 - a. One area where the banks are challenged is lack of equity by new players in the market. The manner in which the NHFC / HSDB will deal with this is set out later in this section.
 - b. There is also a challenge around the availability of construction guarantee insurance. The NHFC / HSDB is looking at ways to overcome this challenge.

Poor creditworthiness of government employees

A major challenge to the acquisition of housing by government employees relates to the poor creditworthiness of many of them. This leads to applications for funding either being rejected or to high interest rates being placed on their loans. Even with the First Home Finance product, the credit scores remain poor.

There are two products that the NHFC is investigating to resolve this.

- The first is a process of improving the credit scores of government employees through a variety of means without placing them into debt rescue.
- The second is the use of Mortgage Default Insurance. This is a guarantee provided to the mortgage house on condition that a lower interest rate is charged, since the risk is decreased. This therefore assist with affordability as repayments are lower.

c) **Other areas to be addressed**

Government employees have expressed dissatisfaction with the outcomes they are experiencing with the MOU between the GEHS and SA Homeloans. They have indicated that they do not want to deal with SA Homeloans or the private sector in general for housing finance.

Up till now the HSDB has steered well away from becoming involved in retail products. This is because of losses incurred by the NHFC when it previously entered this market. Data from GEHS indicates that there are some 340,000 state employees who fall into the NHFC / First Home Finance market. Assuming an average mortgage of R500,000, which is low, for the HSDB to address this market would require R170 billion, less the R10 billion in savings currently held by GEHS. This is doable – the HSDB will need to build a securitisation model in which the mortgage books are sold to other institutions to ensure that funds are constantly available for new borrowers. The challenge here is that the risk from the securitised book and the management thereof remains with the HSDB. Very tight controls will be needed to ensure exposure of the HSDB R7 billion balance sheet to a book heading towards R170 billion does not lead to a disaster. This concept worked for many years with the US mortgage market around Fannie Mae, until the rating agencies failed to do their jobs.

The Issue of managing the book is huge. Currently the NHFC has an amortising mortgage book from its previous attempts in this area amounting to some R300 million (face value). Two employees and a manager run this. A R170 billion book is more than 500 times this size. While creating sustainable employment is an excellent goal, a detailed business case for this product would be essential before such a venture can be contemplated.

9. Equity Fund

The strategy of the NHFC as it moves to the HSDB is to eliminate the affordable housing backlog, through a transformed human settlements supply chain. This will require a massive increase in the number of homes delivered annually.

This increase can only be delivered by enabling new entrants to the sector. Clearly if existing players were willing and able to, they would have done so already. These new entrants are developers, constructors, property professionals, town planners, materials manufacturers and suppliers, affordable housing fund managers etc and they will be Black owned, managed and controlled.

a) **Challenges faced by new entrants**

There is a lack of generational wealth because of 350 years of history. A white entrepreneur with a good business idea will be able to approach a family member or family friend for assistance around equity for the new business. For the vast majority of South Africans this is not an option. In addition, there is a constant neo-liberal refrain from providers of debt that there must be “risk sharing” between providers of debt and project sponsors. If the NHFC / HSDB bought into this paradigm it would take us generations to transform the human settlements supply chain. **At the NHFC we are not prepared to accept this paradigm.**

For this reason we are in the process of forming an equity fund, though perhaps a transformation fund is what it should be called. Equity is its tool, transformation its aim. This fund will provide Black owned entrepreneurs with equity / quasi-equity and junior debt products that will allow financiers to see some form of “risk sharing”. The aim would be for the NHFC / HSDB to eventually exit their interest and leave a 100% Black owned business in the hands of people who started with an idea and no backers.

Capital Provision: This function entails provision of funding from external sources that will capitalise the entity and enable funding to be provided to the intermediary by the financing institution.

Management: This function entails managing the operations of the financing institution and includes the strategic and operational direction of the entity. Key elements such as credit risk and investments need to be adequately managed to ensure capital provided can both produce returns and have a developmental impact.

Incubation: This function will provide training and mentorship services to beneficiary companies to ensure their success.

Disbursement: This function entails distribution of capital in the forms of debt or equity to qualifying intermediaries at affordable rates that will catalyse the development of affordable housing within the sector.

Collection: This function entails collecting of payments due from intermediaries in a timely manner to ensure the financing institution is generating a positive return and is sustainable.

Internal Stakeholders

Internal stakeholders can be defined as groups or individuals who work within an organisation. These stakeholders are directly involved in the actions of the entity in either a strategic or operational manner. The following internal shareholders exist within the internal environment of the entity.

Table 2: Core Stakeholders

Name	Function in Value Chain	Interest
Board of Directors	Governance	Strategic direction and oversight of the entity
Executive Committee	Management	Strategy Implementation and operations of the entity
Employees	Disbursement/Collection/ Management	Source of income and career development

External Stakeholders

External stakeholders can be defined as individuals, groups and entities from the external environment that can either have a significant impact on the operations of the entity or be impacted significantly by the operations of the entity. The following external stakeholders exist within the external environment of the entity.

Table 3: External Stakeholders

Name	Function in Value Chain	Role
National Credit Regulator Financial Sector Conduct Authority Financial Intelligence Centre	Financing	Regulator
Property Practitioners Regulatory Authority	Collaboration	Regulator
National Treasury	Capital Provision	Finance provided is used in accordance with mandate
Department of Human Settlements	Capital Provision/Management	Entity delivers on mandate and transforms human settlement sector
Civil Society	Property Management and Community Development	Advocacy
National Home Builders Registration Council	Planning, Land and Tenure and Essential Infrastructure	Regulator
Provincial Government	Planning, Land and Tenure and Essential Infrastructure	Partner
Local Government	Planning, Land and Tenure and Essential Infrastructure	Partner
Private Sector Financial Institutions	Financing	Supplier

Name	Function in Value Chain	Role
Multilateral Funders	Financing	Supplier
Private Rental Developers	All functions except financing	Intermediary Customer
Social Housing Institutions	All functions except financing	Intermediary Customer
Short term Financiers	Financing	Intermediary Customer
Provincial Development Finance Institutions	Financing	Intermediary Customer
Department of Public Services and Administration	Management	Ensures entity maintains a compliant and functioning public service
Private Sector Financiers	Capital Provision	Financing provided generates adequate returns
Housing Finance Institutions	All Functions except financing	Intermediary Customer
Low Income Households	Property Management and Community Development	Beneficiary
Housing Development Agency	Planning, Land and Tenure and Essential Infrastructure	Partner
Social Housing Regulation Authority	Planning, Land and Tenure and Essential Infrastructure	Partner
Research Institutions	Across Value Chain	Partner

Housing Finance Market segments

The South African housing finance market comprises three broad market segments with financial products focused on and limited to each segment (see figure below). There is limited cross over between these segments.

Currently Government fully finances the lower segment (households earning less than R 3,500 per month). Households and private sector initiatives are mobilised in the middle (R 3,500 to R 22,000 per month household income) and upper segment (R 22,000 and above monthly household income).

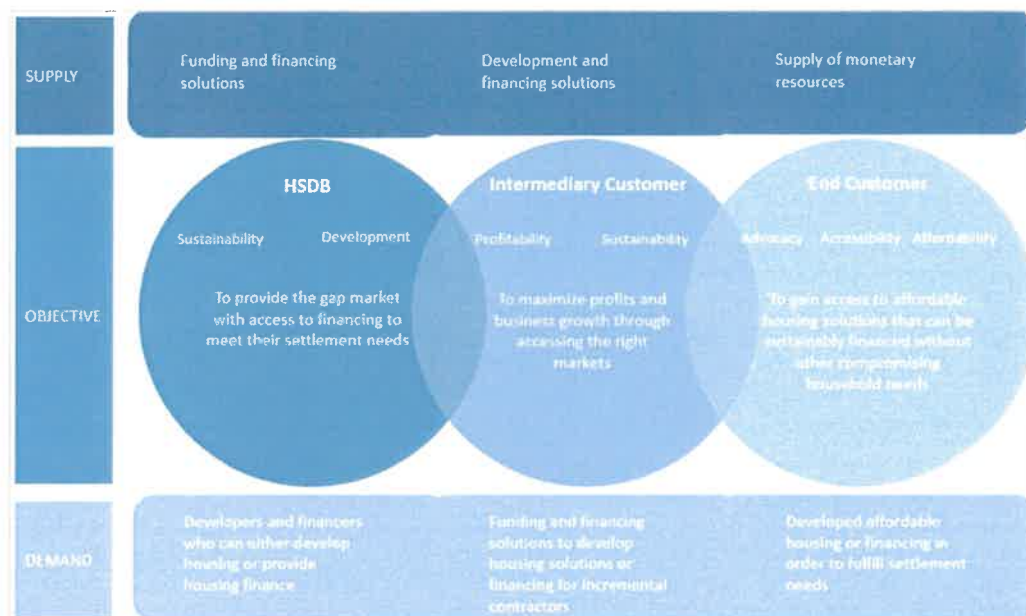


Figure 2: Affordable Housing Market

Defining Customer

NHFC proposed operating model will be in the role as a wholesale financier which shall provide suitable financing for retail financiers. The retail financiers provide affordable financing solutions to end consumers in need of affordable housing.

Thus, the NHFC will ultimately be providing affordable housing finance to individual consumers via an intermediary. That intermediary could be a social housing institution, a retail financial intermediary (such a micro lender providing loans for home improvements), building contractors/developers and other property investment companies (investing on rental housing stock). As such the NHFC will need to provide services and financing to intermediaries which are viable and affordable.

End Consumer

The end customer represents the ultimate beneficiary of the product offered by the NHFC and will be using the financing provided to either build, buy or rent formal accommodation. The end customer will be serviced by an intermediary which has strategically partnered with the NHFC to meet demand and is defined based on gross household income.

Segmentation

The NHFC in its role as a development bank will be focused on serving the gap market for affordable housing. The gap market consists of the following segments:

Table 4: End Consumer Segmentation

Consumer Segment	Definition	Household Income per month	Needs
Incremental Housing	Households who qualify for government housing and are on the housing waiting list or households who do not qualify for government housing and need financing for incremental building Currently reside in informal dwellings and are building a house incrementally Households who have previously received a BNG house, but because of changing income circumstances want to extend/improve BNG house and possibly trade up, thereby supporting secondary housing market	R800 – R22 000	Funding for incremental housing solutions Building materials for renovations and building houses incrementally
Social Housing	Households who fall outside the scope of government housing and are unable to obtain a mortgage loan from a bank	R1 500 – R15 000	Affordable social rental housing Subsidised accommodation
Affordable Housing	Households who fall outside the scope of government full housing subsidy and require a deposit in order to obtain a home loan from a financial institution	R3 501 – R22 000	Affordable private rental and ownership solutions Capital deposits for mortgage loans and other home loans

Intermediary

Intermediaries represent the strategic partners that will obtain funding from the NHFC in order to service the demand of target end customers. The NHFC will use established infrastructure and implicit resources of the intermediaries to facilitate the flow of supply into the market.

Given the different needs of the end consumer, a multitude of intermediaries will be required in order to supply services to satisfy demand. The following intermediaries will be used to service the demands of the end consumer.

Table 5: Description of intermediaries

Intermediary	Description	Needs	End Consumer Served
Retail Financial Intermediaries	Lending businesses who provide short term loans to low-income households who usually build on an incremental basis	Access to affordable funding Advisory and guidance to facilitate business growth	Incremental Housing market
Social Housing Institutions	Non-Profit Institutions who develop and manage social housing projects	Access to affordable funding Government funded subsidies for development costs	Social Housing market
Other Delivery Agents	For Profit Institutions who develop and manage social housing projects	Access to affordable funding Government funded subsidies for development costs	Social Housing market
Private Developers/ Contractors	Property developers and contractors who develop and sell housing across all income levels of households	Access to affordable funding.	Affordable Housing Market Social Housing market Private Rental Market Subsidy Market
Privately-owned long-term property investors	Property investors who develop and invest in property rental stock as well as stock for sale	Access to affordable funding	Private Rental Market Affordable Housing market (seeking rental stock)
Private Financial Institutions	Financial institutions such as banks and non-bank lenders that provide home loans and other lending services for households	Guarantees for possible loan defaults granted to low-income households Initial loan deposits from low-income households (via the First Home Finance for example)	Affordable Housing

The NHFC operating in the capacity as a development financial institution will need to ensure the market failure within the affordable housing market is addressed. To address the market failure, the NHFC will need to service the needs of low-income households through intermediaries that can either provide affordable and accessible finance or develop affordable housing stock.

10. Internal Environment Analysis

Currently, the NHFC is listed as a Schedule 3A entity in the Public Finance Management Act 1999 and is registered in terms of the Companies Act of 2008. The NHFC is starting to operationalise the HSDB model whilst the drafting of the legislation is in progress.

The NHFC still continues in its existing legal format but will change its constitution documents to conform to the HSDB requirements that will be outlined in the legislation once it has been promulgated.

NHFC's offering

Product Offering Detail

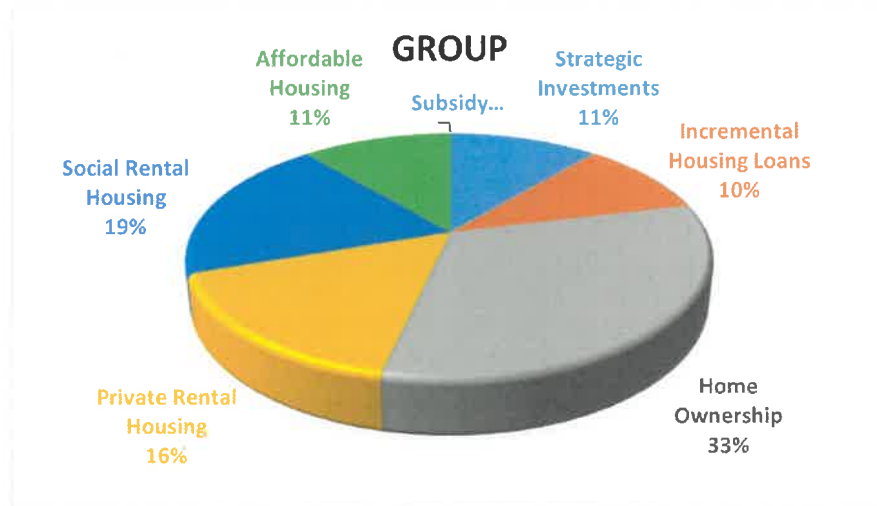
The bulk of the funding provided by the NHFC is secured, senior debt with security in the form of a property or the client's underlying loan book. However, in addition, the NHFC provides funding that falls into the realms of equity and quasi equity (mezzanine debt, junior debt and preference share investing/funding)

Product	Product information
Social Housing Finance	This is subsidised rental housing, made available by social housing institutions registered with the Social Housing Regulatory Authority (SHRA). NHFC provides 30% - 35% project funding as secured debt with the balance provided by SHRA and the Provinces in the form of grants and provincial subsidies.
Private Rental Housing Finance	NHFC provides medium- to long-term funding to develop or refurbish affordable privately-owned rental accommodation.
Affordable and Subsidy housing – Bridging Finance	NHFC provides bridging and development finance to contractors and developers involved in the development of subsidy and affordable housing. Funding is provided to contractors who have been awarded contracts by public and private sector entities for the construction of subsidy housing and related community facilities.

Product	Product information
	Bridging finance entails offering bridging finance to contractors and developers who are building houses during the construction period phase. This type of finance is short-term based and assists contractors and developers with revolving facility finance that financed their approved work in progress certificates. This type of finance is designed to avoid construction stoppages on construction sites while work in progress invoices are processed by clients or other offices, for example Municipalities, Provinces, Deeds offices etc.
Incremental Housing Finance	<p>NHFC offers funding to non-banking intermediaries, who on-lend to homeowners, for incremental improvements, including additional living space.</p> <p>Funding is facilitated to empower both rural and urban low-income earners to better their living conditions. Intermediaries are encouraged to grow to a point where they are able to access funding from other institutions, crowding in the private sector as a funding partner to the NHFC.</p>
Home ownership	NHFC invests in developments where individuals purchase completed units through mortgages (with value typically, not exceeding R900 000). Loans are provided to homeowners via our clients who are non-banking retail intermediaries.
Grant Facilitation: Example— Finance Linked Individual Subsidy Programme (First Home Finance)	The NDoHS commissioned NHFC to administer and facilitate the delivery and access to First Home Finance nationally with effect from 1 April 2019. The First Home Finance programme offers qualifying applicants a once off subsidy that can be used as down payment towards a home loan and a measurable opportunity of accessing a first home on an affordable basis. The Programme, as per the revised First Home Finance Policy, now extends to non-mortgage products
Strategic investments and Partnerships	NHFC works closely with investors, developers and housing development agencies and funds to leverage private sector and development funders to finance and create affordable housing stock.
Programme and fund management programme	Programme management and project implementation services are offered, under this programme, to provincial and local authorities. We therefore support the development of project and programme management capacity and enhance service delivery in the human settlements sector.

Based on the above offering, the NHFC capital allocation to the various segments is as follows:

Figure 3: NHFC's allocated capital as at 31 March 2022

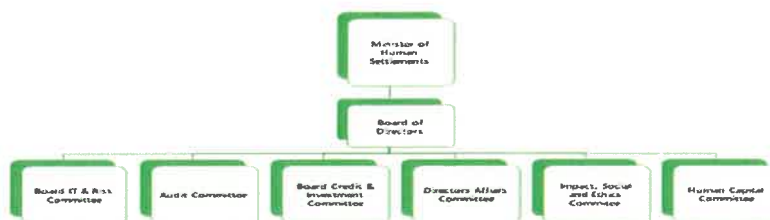


* Subsidy housing is short term in nature and revolving, the balance at year end was very small to the total loan book balance, but there were investments during the year on subsidy housing.

Structure

Governance Structure

The current structure of the NHFC is that the various committees report into the Board of Directors who then report into the Minister of Human Settlements, as identified below:



NHFC Current Governance Structure

Board Structure

The NHFC's board members are appointed by the Minister. The MOI provides for a maximum of 12 members. On 29 March 2022, the Minister re-constituted the board by appointing eleven new independent, non-executive directors, including the chairperson. Two of the members appointed are returning members, which will assist the board with

institutional memory during forthcoming meetings. The board members' qualifications, experiences and specialist skills across the industry, and within their own spheres of competence, enable them to provide balanced, independent advice and judgement in the decision-making process. The new directors are:

Mr Luthando Vutula Chairperson

Mr Tembinkosi Bonakele

Ms Seithati Bolipombo

Ms Thembi Chiliza

Ms Palesa Kadi

Ms Philisiwe Mthethwa

Mr Thulani Mabaso

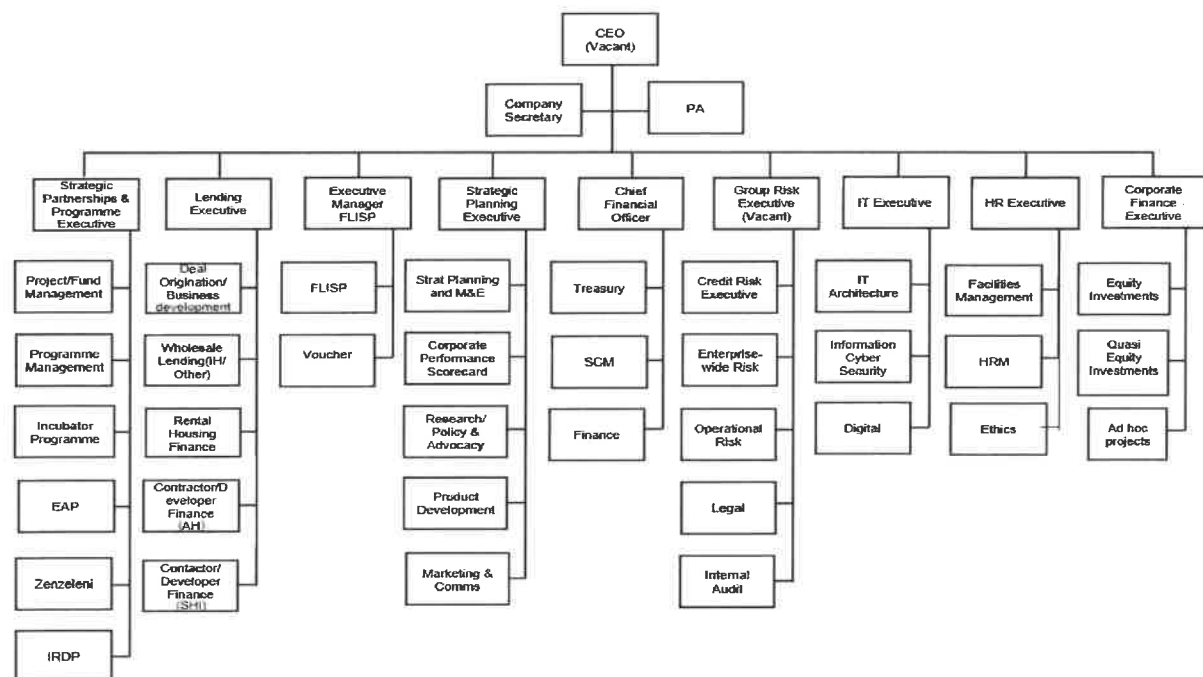
Mr Paul Heeger

Mr Velile Dube

Ms Tshepiso Kobile

Ms Aeysha Seedat

Organisational Structure



The NHFC Excom is accountable to the board as illustrated in the governance section. The organisational delivery structure above is designed to align with the NHFC's market

unique offering and value proposition and broad enough to consider growth in the business. While all functions are highly specialised and critical to the delivery of the organisation on its promise, an attempt has been made for sufficient allocation of resources to the business units which directly address the organisation's value add to our end-to-end strategic objective. Furthermore, structure design encourages collaboration between and among the functional areas.

These are key revenue generating units are:

1. Lending	To expand access to housing finance for NHFC target market
2. Equity Investments and subsidiaries	Key role is to develop strategic alliances and partnerships through investments in equity and quasi equity investments in companies that operate within the affordable housing market.
3. Strategic Partnerships and Programme Management	Key role is to maximize development impact by facilitating partnerships and human settlements programmes.
4. Grant Facilitation	To expand access to housing finance for NHFC target market through facilitating access to subsidies such as First Home Finance that enhances private sector lending in the affordable housing market; and facilitate any other subsidy grant NHFC may be required by the shareholder to implement.

The following divisions provide a supportive role to the revenue generating divisions. The support divisions are:

5. Human Resources	Manages Human Capital
6. Finance and Treasury	Provides financial management and financial reporting capabilities Supply chain management Manages solvency and financial sustainability
7. Credit Management	Oversees the credit assessment process and collections of the loan book
8. EWR	Oversight of the Strategic and Operational Risk Framework
9. ICT	Oversees ICT Strategy execution, process modernisation and Business Technology enablement through technology
10. Corporate Strategy, Marketing and Communications	Oversees Strategic Planning, Monitoring and Reporting, Research Marketing and Communications, Stakeholder Holder Management
11. Company Secretary	Oversees Secretariat functions for Board and management, Governance oversight and coordination between board members, committees and management. Oversight of shareholder returns

- ❖ A Retail book, managed by Credit Division, is currently in the process of being wound down for strategic reasons. In 2009, NHFC took a strategic decision to cease writing new retail business and is currently doing collections only on the outstanding retail mortgage loan book.
- ❖ The NHFC has accumulated a number of subsidiaries over the years. Many of these are now dormant. The process of deregistering is underway and will be completed by the end of the new financial year.

Strategic Partnerships and Equity Investments

One of the objectives of NHFC is to develop strategic alliances and partnerships through investments in equity and quasi equity investments in companies that operate within the affordable housing market. This is to assist with improving the capital structure of undercapitalised companies, introduce innovative solutions into the market and facilitate public and private partnerships. One other primary objective is to stimulate private sector investment through the NHFC investing risk capital which typically takes the first loss in such investments.

Currently, the NHFC has made equity investments into a variety of entities, as identified below¹:

Trust for Urban Housing Finance
<ul style="list-style-type: none"> • TUHF drives inner city investment by helping potential investors become property entrepreneurs and offers loans for the purchase and/or refurbishment of inner-city residential property country-wide with footprints in Gauteng, KwaZulu Natal, Eastern Cape, Western Cape and the Free State • The NHFC owns an equity stake of 33% of TUHF and has exposure through providing debt finance
Housing Investment Partnership (HIP)
<ul style="list-style-type: none"> • This is a strategic joint venture with the Old Mutual Capital Holdings (Pty) Ltd to introduce an innovative income linked housing product (mortgage) which enhances affordability for end-users • The NHFC holds 33.3% equity stake in HIP
Cape Town Community Housing Company (CTCHC)
<ul style="list-style-type: none"> • CTCHC is a development company that provides affordable housing to low income consumers in the subsidy and non-subsidy markets. The products and service provided is mainly collection of an Instalment Purchase Agreement (IPA) structured loan provided for affordable housing in the Western Cape • It is a wholly owned subsidiary of NHFC
Kanga Finance (formerly Lendcor)
<ul style="list-style-type: none"> • Lendcor is an established leader in the prudent financing of home improvements, mostly in rural areas. It is one of the primary non-banking retail intermediaries in the unsecured lending market • The NHFC has a 20% interest in Lendcor as well as being a debt provider
Thuthukani Housing Finance
<ul style="list-style-type: none"> • THF is a micro-lending business providing incremental loans for low income earners • In recent years, it has struggled with achieving financial sustainability. As a result, a capital restructuring exercise has been completed via a debt to equity conversion by THF Management and the NHFC, and introduction of an industry player as an equity investor • The NHFC has a 20% equity interest as well as being a debt provider
Evolution Credit (formerly Real People Holdings)
<ul style="list-style-type: none"> • A well established micro-lender providing loans for home improvement as well as generating returns from acquired, non-performing loans (such as in-store and cellular loan books acquired from large retailers and cellular companies) • The NHFC is owner of 8% ordinary share capital as well as a significant debt provider on balance sheet (direct) and via a special purpose vehicle
International Housing Solutions
<ul style="list-style-type: none"> • International Housing Solutions is a private equity fund manager in which the NHFC has committed R300million of equity capital to Fund II as an anchor investor. • The NHFC's equity investment has been matched with an additional R1.8billion to create an equity & quasi equity fund of approximately R2.1billion • Recently the NHFC approved a R150m investment in an investment vehicle focused on social housing. IHS is expected to bring its property development and management experience to social housing and over time, attract institutional investors (pension funds) to the sector
Kabo Financial Enterprise
<ul style="list-style-type: none"> • The NHFC has a 20% interest in Kabo which is a small non-banking retail intermediary which provides unsecured loans to households for home improvements

Figure 4: NHFC Equity Investments

Delivery Model

The current delivery model is to make housing finance available to wholesale intermediaries, developers, rental landlords, contractors, and strategic partnerships for the facilitation of housing opportunities for households earning below R22 000 a month. The NHFC financing delivery model considers evolving policy frameworks on the need for integration and the development of sustainable settlements (well-located settlements close to work and amenities). This will require some level of flexibility in the household income definition to enable such integration of households of low and high incomes to achieve these policy objectives. In all instances, therefore, where NHFC finance developments (rental or ownership) a minimum threshold of 30% of units must be targeted towards the NHFC core incomes of households earning below R22 000.

Financing of the NHFC interventions will be largely from reserves, other financial institutions, and government grants. The main sources of income include interest on funding and dividends on investment. Currently dividend income is not a major contributor to revenue but as the investment portfolio grows, it too will increase².

Demand and Supply Operating Model Offerings

The delivery model caters to both the demand and supply side of the South African affordable housing market. This is done by providing finance to its target market which will result in affordable housing (demand side) as well as delivering means through which the households' needs are adequately met (supply side). This is depicted in Figure 6 below.

The current user journey is shown in Figure 7 below. It outlines the journey of the primary customer, being the developer and the financial intermediary, as well as when the end-user, being the house owner or renter, partakes in the journey.

It maps the journey from the initial idea through to the collection and repayment period. It also depicts the stakeholders involved at each step of the journey.

The current service delivery model is initiated by the intermediary, contractor and developer who go through several processes before reaching NHFC at the financing application phase. The process to receive the funding from NHFC has evolved as a result of Covid-19 and improved electronic systems. The application processes requires that the applicant submit their documents to NHFC electronically, although a physical submission may be arranged in special circumstances, although this is discouraged. The credit approval process is performed internally and makes use of applications such as excel to run models. The disbursement process is manual in that the funds are released by authorisers from the NHFC bank account into the applicant's designated account. From there, the financial intermediary will provide loan funding to the end-user, the contractor will build the units, with the developer designing, constructing, selling, or renting and managing the property. On the collection and repayment side, the repayment by the primary customer is done online via banking streams.



Figure 5: Service Delivery Model

Strengths, Weaknesses, Opportunities and Threats facing NHFC

The Strengths, Weakness, Opportunities and Threats (SWOT) framework was used to analyse the current status and operations of the NHFC. The categories focused on are end users, funding, innovation, intermediaries, IT, legislation, mandate, market, marketing, monitoring, partnerships, people, performance, process, risk appetite, scale and track record.

Table 76: SWOT analysis

Category	Aspect	S	W	O	T
End users	High rates of unemployment, poor economic growth, high levels of household indebtedness and the rising cost of construction impact on end user affordability, resulting in less demand for loans and/or higher default rates. The COVID-19 impact will exacerbate the situation				✓
	Opportunity to address the untapped market of finance for backyard rentals and the lowest end of the market			✓	
	Opportunity to successfully accelerate the First Home Finance program and expand its reach and brand awareness			✓	
	A pattern has emerged of smaller political parties encouraging rent boycotts and land invasions during election campaigns. This results in defaults and non-payments in the social rental housing sphere, impacting developers' abilities to meet obligations and therefore on the NHFC to have sufficient cash to ensure that construction of new units can be funded.				✓
	There is much demand for affordable housing in both the rural and urban markets			✓	
	Risk that the unemployment rate worsens resulting in higher default and an inability to recover loans				✓

Category	Aspect	S	W	O	T
Funding	Weak income statement and operating cash flows limits the ability of NHFC to obtain loan funding as a result of an inability to meet repayment debt obligations		✓		
	Current slow economic growth could impact the ability to raise funding from third parties and the rates at which NHFC can borrow				✓
	There is a risk of an inability to mobilize sustainable funding				✓
	As the balance sheet grows it will improve the NHFC's access to funding as many foreign DFIs have commented that they prefer to lend to larger organisations.		✓		
Innovation	Opportunity to drive innovation in the human settlements space, through research and partnership with the private sector			✓	
	Innovative employees who advance innovative business solutions	✓			
Intermediaries	Emerging developers and other intermediaries are forced out of business because of increasing costs, weak consumer confidence and an adverse economic growth		✓		
	Lack of supply of suitable and appropriate housing				✓
	Opportunity to drive transformation in the human settlements sector to enable black-owned enterprises to participate meaningfully in the human settlements value chain			✓	
IT	All NHFC information is stored in a secure and private cloud.	✓			

Category	Aspect	S	W	O	T
	There is a greater need for effective records management which will assist with improved record management.		✓		
	Inadequate information and cyber security tools to avoid the risk of exposing NHFC to cybercrimes, attack by hacktivists groups and to safeguard NHFC business information.	✓			
	There is a high rate of manual processes and intervention which affects delivery and turnaround times.		✓		
Legislation	Delay in finalisation of legislation will impact HSDB's commencement date.				✓
Mandate	Imbalance between high-risk business and DFI's mandate to absorb the risk		✓		
Marketing	Marketing to sell and promote products not operating optimally, limiting the ability to grow brand awareness amongst critical stakeholders			✓	
	Opportunity to create greater brand awareness by leveraging existing marketing capabilities			✓	
	NHFC has existing relationships with intermediaries to whom NHFC can offer its product	✓			
	Lack of NHFC brand awareness in the market.		✓		
Partnerships	Opportunity to build strategic partnerships with different entities including Retailers and Building Suppliers	✓			

Category	Aspect	S	W	O	T
	Opportunity to support provinces and municipalities in programme management, financial management and technical support			✓	
	Well-positioned as a state entity to provide Programme Management			✓	
	Relationships are slow to achieve desired results				✓
People	There is a risk that NHFC cannot attract and retain suitable talent due to an inappropriate value proposition	✓			
	Approved Employee Value Proposition in place	✓			
	Approved Retention Strategy in place	✓			
	Job Profiles and capacitation needs to be documented and implemented	✓			
	Balanced Scorecard, approved Performance Management System (alignment with NDoHS required)			✓	
Performance	Potential for a high churn within Board, management and employees prior to finalisation of HSDB resulting in a loss of industry knowledge		✓		
	NHFC may be subject to bureaucratic and administrative delays which will impact its processes and value chain				✓
Process	Inefficiencies and delays in developmental approvals, bulk services, flow of funds for subsidies				✓

Category	Aspect	S	W	O	T
	Customers have complained that the extent of approvals (turnaround) required to obtain funding from the entities is excessive and unnecessary		✓		
	Opportunities for realising operational efficiencies and synergies, and a larger, more flexible pool of capital		✓		
Risk appetite	NHFC does not have an appropriate risk appetite to adequately serve the lower end of the market			✓	
Scale	NHFC has existing experience in the human settlements value chain Currently, NHFC operates at too small a scale to make a meaningful impact	✓			✓
Governance	A qualified board composition with adequate skills and experience	✓			

Findings from the internal analysis

The internal reflection revealed several areas that need to be addressed for the NHFC to function optimally. The figure below summarises some of the key focus areas that should be considered for the NHFC to leverage the strength of current consolidated structure and address the historical challenges. This will enable the future HSDB to position itself to capitalise on new opportunities and proactively manage threats.

During the process of developing a sound business case / strategy and legislation for the HSDB it is important that delivery on the APP is not disrupted by the massive volume of work required. In addition, the business case needs to have an independent review to ensure that it is aligned to the needs of the country and not the whims of the NHFC / HSDB management or the NDoHS. For these reasons the

NHFC has committed to funding a Programme Management Unit that will report to a small committee consisting of a representative from the NHFC Board, the Minister of Human Settlements, the National Department of Human Settlements and, ideally, National Treasury.

Figure 6: Summary of internal analysis

Structure	<p>The board governance structure is considered adequate to service the needs of the company and mandatory statutory committees are in place and functioning.</p> <p>A new board has been appointed by the Minister on 29 March 2022 and has been allocated to board committees accordingly.</p>
Operating Model	<p>The company has geographical presence across South Africa and needs to increase footprint in areas where it is currently not significant</p> <p>Strategic partnerships are an imperative to the success and sustainability of the company and would further enhance achievement of the objectives and mandate reach.</p>
Financial Analysis	<p>The Group balance sheet shows capacity to leverage with improved operating profits. However, consideration must be given to the collections as these are key to NHFCs ability to service the debt.</p> <p>There is clearly demand for the product offerings as the loans and advances balances continue increasing.</p> <p>The entity cost to income is expected to increase in the next two years as the NHFC transitions to the HSDB and further reduce in outer years to ensure financial sustainability, with a proper analysis of the HSDB once off driven implementation costs clearly identified.</p>
SWOT Analysis	<p>The NHFC's knowledge, existing partnerships and stakeholder relationships which will stand it in good stead to achieve its objectives and maximize development impact</p> <p>The numerous weaknesses determined at the time of consolidation in terms of processes and operations are being addressed in order to achieve sustainability and continuity and optimise the use of technology</p> <p>The weaknesses and the economic situation present opportunities for the NHFC to play a pivotal role in the human settlements value chain; and maximize its development impact whilst remaining sustainable, if addressed and target appropriately</p>

PART C: MEASURING OUR PERFORMANCE

Institutional Programme Performance Information

11. Measuring the Impact

In accordance with the Theory of Change framework, NHFC designed its strategy with the intention of contributing to making impact in relation to Outcome 8 of the National Development Plan, being:

Impact Statement	Sustainable human settlements and improved quality of household life
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12. Institutional Programme Performance Information

The NHFC has 4 Programmes and aligned Sub-Programmes:

PROGRAMME No.	PROGRAMME NAME	PROGRAMME PURPOSE AND CORE FUNCTIONS
Programme 1	Administration	<div>Provide strategic leadership, management and support services to the entity:</div> <ul style="list-style-type: none">• Finance and Supply Chain Management• Company Secretary• Human Resources Management• Information Technology Management• Corporate Strategic Planning, Marketing and Communications• Group Risk (Credit, EWR, Legal)

PROGRAMME No.	PROGRAMME NAME	PROGRAMME PURPOSE AND CORE FUNCTIONS
Programme 2	Integrated Human Settlements Planning and Development Programme	Contribute to the development of policy, planning and research in the creation of sustainable and integrated human settlements, oversee the delivery of the integrated residential development programme, and participate in coordination of intergovernmental partnerships with stakeholders. Sub-programmes; <ul style="list-style-type: none"> • Strategic Partnerships, • Lending (Subsidy Housing Finance)
Programme 4	Rental and Social Housing Programme	Promote the provision of affordable rental housing and develop capabilities in the rental housing sector through intergovernmental collaboration. Sub-programmes; <ul style="list-style-type: none"> • Lending (Social Housing Finance & Private Rental Housing Finance)
Programme 5	Affordable Housing Programme	Provision of affordable housing finance. Sub-programmes. <ul style="list-style-type: none"> • Grant facilitation (First Home Finance) • Affordable Housing Finance • Affordable Housing – Bridging Finance • Incremental Housing Finance • Transformation

10.1 Programme 1

PROGRAMME 1	ADMINISTRATION
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Programme purpose: To provide strategic leadership, management, and support services to the entity.

Outcomes, outputs, performance indicators and *annual* targets.

Operational goals such as implementation of fraud risk plan, internal audit corrections and a clean audit have been moved to the AOP.

Outcome	Output	Output indicators	Annual Targets					
			Audited performance			Estimated Performance (Baseline)	MTEF Period	
			2019 / 20	2020/21	2021/2022	2022/23	2023/24	2024/25
Functional, Efficient and Integrated Government	Risk Management Report	1 - Percentage implementation of the risk management plan	100% implementation of the risk management plan	100% implementation of the risk management plan	100% implementation of the risk management plan	100% implementation of the risk management plan	100% implementation of the risk management plan	100% implementation of the risk management plan
Functional, Efficient and Integrated Government	Designated Group Expenditure Reports	2 - Percentage procurement spent on businesses	New indicator	New indicator	New indicator	1% procurement spent on businesses owned by	5% procurement spent on businesses owned by	5% procurement spent on businesses owned by

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Baseline)	MTEF Period		
			2019 / 20	2020/21	2021/2022		2023/24	2024/25	2025/26
		owned by persons with disabilities				persons with disabilities	persons with disabilities	persons with disabilities	owned by persons with disabilities
		3 - Percentage procurement spent on businesses owned by military veterans	New indicator	New indicator	New indicator	0% procurement spent on businesses owned by military veterans	5% procurement spent on businesses owned by military veterans	5% procurement spent on businesses owned by military veterans	5% procurement spent on businesses owned by military veterans
		4 - Percentage procurement spent on businesses owned by women	New indicator	New indicator	New indicator	20% procurement spent on businesses owned by women	40% procurement spent on businesses owned by women	40% procurement spent on businesses owned by women	40% procurement spent on businesses owned by women
		5 - Percentage procurement spent on businesses owned by youth	New indicator	New indicator	New indicator	8% procurement spent on businesses owned by youth	16% procurement spent on businesses owned by youth	16% procurement spent on businesses owned by youth	16% procurement spent on businesses owned by youth
		6. - Unqualified audit opinion with no material findings	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings

Outcome	Output	Output Indicators	Annual Targets				
			Audited performance			Estimated Performance (Baseline)	MTEF Period
			2019 / 20	2020/21	2021/2022	2022/23	
	Jobs created	7. Number of learners hired into learnership programmes	New indicator	New indicator	New indicator	New indicator	2023/24 10 learners hired into learnership programmes 2024/25 15 learners hired into learnership programmes 2025/26 20 learners hired into learnership programmes

Outputs, performance indicators and quarterly targets

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2023/24	Q1	Q2	Q3	Q4	
Risk Management Report	1 - Percentage implementation of the risk management plan	100% implementation of the risk management plan	25% implementation of the risk management plan	50% implementation of the risk management plan	75% implementation of the risk management plan	100% implementation of the risk management plan	

Output	Output Indicators	Annual Target 2023/24	Quarterly Target Q1	Quarterly Target Q2	Quarterly Target Q3	Quarterly Target Q4
Designated Group Expenditure Reports	2 - Percentage procurement spent on businesses owned by persons with disabilities	5% procurement on businesses owned by persons with disabilities	5% procurement on businesses owned by persons with disabilities	5% procurement on businesses owned by persons with disabilities	5% procurement on businesses owned by persons with disabilities	5% procurement on businesses owned by persons with disabilities
	3 - Percentage procurement spent on businesses owned by military veterans	5% procurement on businesses owned by military veterans	5% procurement on businesses owned by military veterans	5% procurement on businesses owned by military veterans	5% procurement on businesses owned by military veterans	5% procurement on businesses owned by military veterans
	4 - Percentage procurement spent on businesses owned by women	40% procurement on businesses owned by women	40% procurement on businesses owned by women	40% procurement on businesses owned by women	40% procurement on businesses owned by women	40% procurement on businesses owned by women
	5 - Percentage procurement spent on businesses owned by youth	16% procurement on businesses owned by youth	16% procurement on businesses owned by youth	16% procurement on businesses owned by youth	16% procurement on businesses owned by youth	16% procurement on businesses owned by youth

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
Business enablers	6. Unqualified audit	2023/24 Unqualified with no material findings	Q1 100% of internal Audit improvement plan targets due in quarter 1 delivered	Q2 100% of internal audit improvement plan targets due in quarter 2 delivered	Q3 100% of internal Unqualified with no material findings	Q4 100% of audit improvement plan targets due in quarter 4 delivered
	7. Jobs created	10 learners hired into learnership programmes	2 learners hired into learnership programmes	4 learners hired into learnership programmes	1 learners hired into learnership programmes	3 learners hired into learnership programmes

During the 2023/24 financial year the NHFC will conduct research into how to report on jobs created through our lending and programme management operations. This will vastly increase our ability to report on jobs created accurately by replacing methodology found unsatisfactory by the auditor general in the past.

10.2 Programme 2

PROGRAMME 2	Integrated Human Settlements Planning and Development Programme
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Programme purpose: Contribute to the development of policy, planning and research in the creation of sustainable and integrated human settlements, oversee the delivery of the integrated residential development programme, and participate in coordination of intergovernmental partnerships with stakeholders.

Sub-Programmes Strategic Partnerships and Lending (Subsidy Housing Finance)

Outcomes, outputs, performance indicators and annual targets.

Sub-Programme 2a – Strategic Partnerships

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Base-line)	MTEF Period		
			2019 / 20	2020/21	2021/2022	2022/23	2023/24	2024/25	2025/26
Increased penetration and participation of low-to middle income households and businesses owned by PDIs in the housing market	In-creased focus on extension of funding to previously disadvantaged intermediaries	2.a – Number of MOUs signed	New indicator	New indicator	New indicator	Established and strengthened collaborations with HDA, GPF, BBC-BE through signing 3 MOUs	Sign three new MOUs	Four reports on the impact of all MOUs that are in place	Four reports on the impact of all MOUs that are in place

Outputs, performance indicators and *quarterly* targets

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2023/24	Q1	Q2	Q3	Q4
Increased focus on extension of funding to previously disadvantaged intermediaries	2.a – Number of MOUs signed	Sign three new MOUs	Progress report on MOUs	Progress report on MOUs	Progress report on MOUs	Sign three new MOUs

10.2.1 Sub-Programme: Strategic Partnerships

The Strategic Partnerships function was established with the full recognition that the NHFC can achieve more impact by mobilising mutually beneficial collaborations with other partners to advance delivery of housing and transformation. The NHFC's strategic priorities are an injunction by the Board for organisational strategic positioning and a proactive developmental stance that will set NHFC on a path to achieve its mandate and scale of impact expected by the shareholder. The Strategic Priorities are about:

- Orchestrating collaborations in the human settlements eco-system of role-players and stakeholders,
- Going up-stream and across the whole value chain mobilising action and productive collaborations to facilitate and create the necessary pre-condition necessary for delivery of a wider choice of housing typologies at a scale that meets the demand.

- Innovating and widening opportunities for transformation, deepening of economic participation, and spread of benefits to the segments of society that are currently excluded and alienated.

The NHFC's mandate and strategic positioning is therefore well aligned with the purpose of programme 2, which encompasses the full value chain from research, policy, pre-planning, planning, execution, and the necessary collaborations that ensure achievement of optimum results or pre-conditions for improvement of housing delivery.

The status quo has challenges that hamper delivery at scale and concurrent widening of housing choices for different household requirements and income profiles. Amongst other challenges the sector is facing are:

- Slow financial and technical closure in many human settlements priority projects,
- Sub-optimal allocation of bulk infrastructure budgets to support priority projects and ensure they reach financial closure and construction stage,
- The loss of market confidence on the ability of the sector to deliver a viable pipeline of projects and improvement in the delivery of affordable housing,
- Sub-optimal investment in collaborations to ensure that they are productive and fulfil the objectives intended.

To be an agent of change, as empowered by its strategic priorities, the NHFC must strengthen its external orientation and embed itself in the fabric of the human settlements' delivery model and in line with the purpose of the programme. Some groundwork has been done in this regard as outlined below but far more needs to be done.

1. An MOU has been entered into with the HDA and it defines the nature of the collaboration, however it requires an alignment of energies around action programmes also allowing the relationship to mature through collaboration at a project level.

The structuring of institutional arrangements and financing arrangements will be geared towards optimising participation of private sector lenders. This will include NHFC exploring several project de-risking measures to crowd in the other lenders.

2. NHFC is one of the DFIs that participate in the new institutional arrangements that were spearheaded by Infrastructure South Africa and participates in the project pipeline preparation process through the Human Settlements Technical Working Group.
3. Transformation forms part of the strategic pillars and this area has received holistic attention across the company. One of the initiatives under strategic partnership is to establish an entrepreneur incubator programme. Once more, the sustainability of the initiative depends on the extent to which NHFC can bring together like minded partners to share resources and create access to finance for entrepreneurs owned by black people, women, youth, and people living with disabilities.

4. NHFC is initiating incubator programmes that will cater for enrolment of emerging developers, a concept document in this regard is in place and currently exploring strategies for raising finance. Further, a Request for Information will be issued through an open call to get a better understanding of players in the market. This follows a failed Request for Proposal that did not attract good quality responses. A grant from the fiscus to kick start these incubator programmes would go a long way. Further details are under Programme 5c.

Outcomes, outputs, performance indicators and *annual* targets.

10.2.1 Sub-Programme 2b – Lending (Subsidy Housing Finance)

Output	Output indicators	Annual Targets						
		Audited performance			Estimated Performance (Baseline)	MTEF Period		
		2019 / 20	2020/21	2021/2022	2022/23	2023/24	2024/25	2025/26
Disbursements of approved loans	Value of approval (R'm)							
	2b - Subsidy Housing - Bridging Finance (R'm)	64	98	114	24	58	90	128

Outputs, performance indicators and *quarterly* targets

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2023/24	Q1	Q2	Q3	Q4
Disbursements of approved loans	Value of approvals - (R'm)					
	2b - Subsidy Housing - Bridging Finance (R'm)	58	12	17	12	17

Explanation of planned performance over the medium-term period – Programme 2

The contribution of its outputs to achieving the intended outcomes and impact in the Strategic Plan and the institution's mandate including, where applicable, priorities in relation to women, youth, and people with disabilities.

Through the output indicators of Approvals and Disbursements we are contributing towards the outcomes of improved delivery of affordable housing opportunities in the 2019-2024 MTSF.

a) Description of planned performance in relation to the programme's outputs:

The planned performance for the APP includes approvals planned for the period of R276 million in the three-year cycle which will begin with a contribution of R 58 million in 2023/2024.

The NHFC does not address programme 3 of the Department.

10.3 Programme 4

PROGRAMME 4	Rental and Social Housing Programme
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Programme purpose: Promote the provision of affordable rental housing, and develop capabilities in the rental housing sector through intergovernmental collaboration

Programme 4 Outcomes, outputs, performance indicators and annual targets.

Programme 4 – Lending (Social and Rental Housing Finance)

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Baseline)	MTEF Period		
			2019 / 20	2020/21	2021/2022	2022/23	2023/24	2024/25	2025/26
Improved delivery of affordable housing	Disbursements of approved loans	Value of disbursements (R'm)							
		4.1 - Social Housing Finance (R'm)	36	89	70	160	65	108	140
Improved delivery of affordable housing	Disbursements of approved loans	Value of approval (R'm)							
		4.2 - Social Housing Finance (R'm)	35	219	216	74	200	224	258
		4.3 - Private Rental Housing Finance (R'm)	215	43	173	176	185	207	238

Programme 4 Outputs, performance indicators and quarterly targets

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2023/24	Q1	Q2	Q3	Q4
Disbursements of approved loans	Value of disbursements					
	4.1 - Social Housing Finance (R'm)	65	34	8	5	18
	Value of approvals - (R'm)					
Disbursements of approved loans	4.2 - Social Housing Finance (R'm)	200	40	60	40	60
	4.3 - Private Rental Housing Finance (R'm)	185	37	56	37	55

Explanation of planned performance over the medium-term period – Programme 4

- a) The contribution of its outputs to achieving the intended outcomes and impact in the Strategic Plan and the institution's mandate including, where applicable, priorities in relation to women, youth and people with disabilities.

Through the output indicators of Approvals and Disbursements we are contributing towards the outcomes of improved delivery of affordable housing opportunities in the 2019-2024 MTSF.

- b) Description of planned performance in relation to the programme's outputs:

The planned performance for the APP includes a total approvals of R 1311 million in the three-year cycle, which will begin with a contribution of R385 million in 2023/2024 for both Social Housing Finance and Private Rental Finance.

There is an increase in disbursements in 2023/2024 due the April 2022 Grant quantum increase, which will have a positive effect on viability of Social Housing financial model which will contribute to increased performance in the outer years of the APP period.

10.4 Programme 5

PROGRAMME 5	Affordable Housing Programme
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Programme purpose: Provision of affordable housing finance.

Sub-Programmes: Grant Facilitation (First Home Finance); Affordable Housing Finance and Transformation

Outcomes, outputs, performance indicators and annual targets.

10.4.1 Sub-Programme 5a – Grant facilitation (First Home Finance)

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Baseline)	MTEF Period		
			2019 / 20	2020/21	2021/2022	2022/23	2023/24	2024/25	2025/26
Improved delivery of affordable housing	Disbursements of First Home Finance subsidies	5a.1 - Number of subsidy applications approved (No.)	2212	2136	2935	4780	4615	5010	5240
		5a.2 - Value of approvals - First Home Finance Grant (R')	123	111	166	478	300	501	524
Increased access to affordable finance to enable end-users to have appropriate, spatially just and adequate housing		5a.3 - Value of disbursements - First Home Finance Grant (R'm)	60	61	173	359	240	361	419
		5a.4 - Number of subsidies disbursed (No.)	1167	1136	3268	3824	3692	4008	4192
		5a.5 - Amount leveraged from the private sector (R'm)	943	1,030	1,519	1,912	1,760	1,927	2,104

Outputs, performance indicators and *quarterly* targets

Sub-Programme 5a – Grant facilitation (First Home Finance)

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2023/24	Q1	Q2	Q3	Q4
Disbursement of FLISP subsidies	5a.1 - Number of subsidy applications approved (No.)	4615	1040	1300	1025	1250
	5a.2 - Value of approvals - First Home Finance Grant (R')	300	75	85	65	75
Disbursement of FLISP subsidies	5a.3 - Value of disbursements - First Home Finance Grant (R'm)	240	60	68	52	60
	5a.4 - Number of subsidies disbursed (No.)	3692	852	1060	820	960
	5a.5 - Amount leveraged from the private sector (R'm)	1 760	400	560	400	400

a. Explanation of planned performance over the medium-term period – Programme 5a

b. Finance Linked Individual Subsidy Programme (First Home Finance):

- NHFC contributes to the improved delivery of affordable housing and increased access to affordable finance to enable targeted First Home Finance beneficiaries to have spatially just and adequate housing. The housing opportunities delivered through First Home Finance form part of contribution to the number of houses and serviced sites delivered through a range of programmes in the housing code.
- The focus of the Programme is to enable qualifying households earning from R3 501 up to R22 000 per month to access adequate homes on an affordable basis through the Finance Linked Individual Subsidy Programme. The current MTSF target set for First Home Finance is 20 000 units. It is important to note that this is the target for the whole sector and NHFC and Provincial Departments of Human Settlements are contributing towards the achievement of this target.
 - ✓ Since the inception of the First Home Finance, its implementation has been linked with mortgage finance only. However, in February 2022, Human Settlements MINMEC approved a revised First Home Finance Policy that enables First Home Finance to be implemented with a number of non-mortgage products such as incremental housing loans, pension pension-backed housing loans, instalment sales, and others. Addition of these non-mortgage finance products is intended to enhance the uptake of the First Home Finance as many working people are unable to access mortgage finance for various reasons, such as the following:
 - Households in the lower First Home Finance income brackets—R3 501 to about R15 000 per month find it difficult to access mortgage finance (available for urban areas) and therefore miss an opportunity to access First Home Finance.
 - Households in rural areas where no title to land is available are not able to access mortgage finance, which requires title to land as a form of collateral.

It is, therefore expected that addition of non-mortgage products with First Home Finance implementation will enable a large proportion of households in the First Home Finance target market to access this subsidy and affordable adequate housing.

- The addition of new non-mortgage products, however, will bring about new risks in First Home Finance implementation. In addition, at the time revised Policy was approved, the Housing Code does not have implementation guidelines for First Home Finance. The National Department of Human Settlements, NHFC and Provinces were working on the project of developing First Home Finance Implementation Guidelines

that will also cover the new products. As part of the process of developing Implementation guidelines, the project also entailed risk assessment of various products as well as risk mitigation measures.

- To scale up delivery of First Home Finance, NHFC has signed and is negotiating Memorandum of Understanding with various partners.
 - ✓ **MOU on Government Employees Housing Scheme:** NHFC has signed MOU with the Department of Public Service to enable participants of GEHS to easily access First Home Finance to achieve homeownership. The MOU is being implemented and roadshows and marketing efforts are being implemented to raise First Home Finance awareness among government employees.
 - ✓ **MOUs with private sector employers with Employer Assisted Housing Schemes:** We have signed an MOU with a mining company in this category and more MOUs are being negotiated with other mining companies as well as companies in the financial services sector.
 - ✓ **MOU with PPRA:** In July 2022, NHFC signed MOU with the Property Practitioners Regulatory Authority. The objective of the partnership is to collaborate in raising awareness about First Home Finance to applicants in all provinces by targeting estate agents operating in various provinces—especially blacks, women and youth owned agents. The objective is for property practitioners to package their house sales with First Home Finance in order to grow their sales and in the process deepen the reach of the Programme.
 - ✓ **Private Sector Partners MOUs:** We have signed an MOU with two largest bond originators in South Africa to ensure that first home buyers are assisted to apply for First Home Finance when applying for home loans. We have also signed a MOU with a leading building merchant to partner in the delivery of First Home Finance at a national scale. Other building merchants are being pursued, especially as we begin to implement non-mortgage products such as unsecured housing loans and pension backed loans. More private sector players are being pursued to partner NHFC in the delivery of First Home Finance going forward.
 - ✓ Following the approval of the revised First Home Finance Policy in February 2022, NHFC and BASA are reviewing the draft Memorandum of Agreement which was negotiated but not signed pending the finalisation of the Policy. BASA has indicated that member banks prefer that the MOA be signed after the conclusion of the implementation guidelines as they are interested in participation with non-mortgage products as well, in addition to the traditional mortgage product. The signing of MOA will trigger conclusion of Service Level Agreements with individual banks to define specific implementation arrangements with each bank because of competitive issues.

- ✓ Service Level Agreements with non-bank partners for the implementation of non-mortgage products. New products open opportunities to work with many other implementation partners such as retail financial intermediaries, community groups, and others who offer non-mortgage products such as incremental housing loans, pension-backed loans, and so on. These new partners are being engaged with a view of concluding SLAs after implementation guidelines have been approved, and it is anticipated that in 2023/24 these partnership arrangements will be in full implementation. This will further give an opportunity to scale up the uptake and delivery of First Home Finance.
- It is anticipated that as the Programme grows, an enabler will be the First Home Finance CRM System which will allow an automated processing of applications—a game changer given that processing of applications have been done manually since NHFC started implementing First Home Finance. This system is an interim solution, while NHFC is preparing to implement an ERP Solution project that will result in a new bespoke system to automate all its business processes. The customer made system will bring about even more efficiencies in First Home Finance applications processing.

Supporting the effort to scale delivery of First Home Finance nationally, will be the intensification of efforts to raise awareness of the Programme at the national scale.

c. Description of planned performance in relation to the programme's outputs:

- **First Home Finance Programme** The main driver of First Home Finance performance will be an increase in number of First Home Finance applications from the open market, which we expect as First Home Finance marketing of the Programme gains traction. We further expect to see improved performance as First Home Finance implementation gets linked to non-mortgage products, such as pension backed loans, incremental loans, instalment sales, rent to buy, and loans savings groups, and others. These changes achieve intended policy objectives, we expect that First Home Finance allocation will be increased to meet the expected increased demand for the subsidy in the years ahead as mentioned above. There are two factors that will likely potentially reduce the planned programme performance targets in the First Home Finance Five Year Business Plan that was approved by the NHFC Board in 2020/21 and submitted to the National Department of Human Settlements. These factors are:
 - ✓ **Implementation of First Home Finance with non-mortgage products:** Since non-mortgage products are accessed by households in the lower income of the First Home Finance market, the average subsidy will increase. This is so because the lower you earn, the higher the subsidy you qualify for. In recent years, the average subsidy has hovered around R57 000, reflecting that households accessing First Home Finance are those accessing mortgage with average income of about R16 000 per month. Based on preliminary observation, we anticipate that as more applicants from lower income segments access First Home Finance, the average subsidy

amount is likely to increase to about R100 000 when First Home Finance is implemented with non-mortgage products.

- ✓ **Increased First Home Finance Subsidy Quantum:** The increase of First Home Finance subsidy range has increased with effect from 1 April 2022, from the range of R27 960—R121 626 to the new range of R30 001 to R130 505, will also result in much higher subsidy amount paid for each qualifying beneficiary, thus pulling up the average subsidy amount.

It must be noted that the impact of these two changes has not been visible in First Home Finance performance during 2022/23 financial year precisely because the programme was implemented with mortgage product for the whole financial year, pending the Director-General's formal approval of Implementation Guidelines for non-mortgage products. Performance planning for the 2023/24 financial year has, therefore, not factored in the implementation of the subsidy with non-mortgage products as approval of Guidelines remains outstanding at this point.

Even with these changes, there is no risk that the MTSF sector target of 20 000 First Home Finance units will be missed. However, for future years it may be necessary for the government to consider an increase in First Home Finance allocation if evidence of the improvements dictates it. The major value proposition of First Home Finance is that the government subsidy leverages huge private sector funds into the affordable housing market—an opportunity that government should not miss given the constraints with the fiscus. It is important to note that these changes are necessary to ensure that the Programme reaches the intended beneficiaries and enhances affordability of housing finance for the targeted market in both urban and rural areas. However, it is equally important to highlight that the implications of these changes will likely result in the need for Government to provide even more First Home Finance funding allocation in future MTSF period.

Increased First Home Finance allocation resulting from these changes will also trigger even more amount leveraged from private financial institutions lent in the affordable market—a key partnership in delivering affordable housing in the low-to-middle income households in South Africa. This Programme has shown the leveraging effect of the constrained fiscus to go further in the delivery of homes in the affordable housing space. In addition to this leveraging, the Policy now allows households to also use their own resources to access First Home Finance—i.e., leveraging finance from Programme beneficiaries.

11.4.2 Sub-Programme 5b – Affordable Housing Finance

Outcomes, outputs, performance indicators and annual targets.

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Baseline)	MTEF Period		
			2019 / 20	2020/21	2021/2022	2022/23	2023/24	2024/25	2025/26
Improved delivery of affordable housing	Disbursements of approved loans	Value of disbursements (R'm)	596	546	872	606	733	880	1,144
		5b.1 - Value of consolidated disbursements – affordable housing products (R'm)							
		Value of disbursements (R'm)							
		5b.2 - Value of disbursements - Strategic Investments (R'm)	91	83	35	14	61	99	115
		Value of approval (R'm)							
		5b.3 - Affordable Housing - Bridging Finance (R'm)	215	532	613	434	456	510	587
		5b.4 - Incremental Housing Finance (R'm)	409	100	61	200	208	233	268
		5b.5 - Affordable Housing - Strategic Investments (R'm)	-	120	310	46	99	126	163

Sub-Programme 5b – Affordable Housing Finance

Outputs, performance indicators and *quarterly* targets

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2023/24	Q1	Q2	Q3	Q4
Disbursements of approved loans	Value of disbursements (R'm)					
	5b.1 - Value of Consolidated Disbursements – Affordable Housing Products (R'm)	733	217	174	122	220
	Value of disbursements (R'm)					
	5b.2 - Value of disbursements - Strategic Investments (R'm)	61	10	17	17	17
	Value of approvals - (R'm)					
	5b.3 - Affordable Housing - Bridging Finance (R'm)	456	91	137	91	137
	5b.4 - Incremental Housing Finance (R'm)	208	42	62	42	62
	5b.5 - Affordable Housing - Strategic Investments (R'm)	99	25	29	21	24

Explanation of planned performance over the medium-term period – Programme 5b

- The contribution of its outputs to achieving the intended outcomes and impact in the Strategic Plan and the institution's mandate including, where applicable, priorities in relation to women, youth and people with disabilities.

Through the output indicators of Approvals and Disbursements we are contributing towards the outcomes of improved delivery of affordable housing opportunities in the 2019-2024 MTSF.

b) Description of planned performance in relation to the programme's outputs:

The planned performance for the consolidated disbursements are R 3 167 million in the three-year cycle which will begin with a contribution of R906 million in 2023/2024. Furthermore, Approvals planned for Affordable Housing – Bridging Finance in the period include R 1 552 million in the three-year cycle which will begin with a contribution of R 456 million in 2023/2024. The planned performance for Incremental Housing Finance over the period includes total approvals of R 709 million in the three-year cycle which will begin with a contribution of R 208 million in 2023/2024.

Explanation of planned performance over the medium-term period – Strategic Investments

The Strategic Investments unit disburses to its clients via equity and quasi-equity investments (junior debt, mezzanine debt and preference shares) which is to complement our core business which is lending through secured loans to our clients. All these instruments have a commonality of being on the high-risk spectrum and having no security (as is typically found in senior debt funding).

The investments will typically be in either start-ups or in emerging companies that are seeking investors willing to take a long-term view of the investments (+seven years).

The NHFC will invest in strategic equity investments for purposes of enhancing the scaled delivery of housing supply, introducing financially innovative products and new technology typically in partnership with the private sector, as well as supporting transformation of the human settlements delivery value chain.

This will be done for the following reasons:

- To improve the capital structure of under-capitalised companies to enable them to have the appropriate capital structure which will facilitate their ability to raise debt and equity capital either privately or publicly (with particular focus on B-BBEE companies).
- To introduce innovative housing finance solutions in the market with the intention of attracting suitable partners and new forms of housing delivery. This supports innovation in product, technology, business concepts and services as viable means of encouraging entrepreneurial ways of achieving the mandate.
- To facilitate public and private partnerships and leveraging increased private sector investments in large scale implementation of affordable housing.
- To identify companies, including start-ups, owned by historically disadvantaged people (hereinafter referred to as HDPs) that require capacity building support to kick start their businesses. This should lead to the attraction of additional capacitation funding from other investors, donors, and funders.
- To turnaround ailing intermediaries (that display potential for turnaround) that would otherwise fail and remove scale in the target market. This type of

intervention would be for a specified period after which investors would be sought to buy-out the NHFC's equity stake in that investment. The intention would be to preserve the NHFC's value and to provide the necessary expertise to ensure that the intermediary is eventually capable of paying back any debts due to the NHFC due to an improved operating position.

- To support viable transactions from the Lending Division that support the NHFC's mandate but do not satisfy the requisite capital adequacy requirements.
- For any other reason necessary to enhance our delivery on our mandate.

In terms of securing business, the division will pursue business from its internal clients who are currently in the NHFC database of clients (on the debt side) as well as new clients in the marketplace who are identified as requiring risk capital to make their projects financially viable.

10.5 Sub-Programme 5c – Transformation

Outcome	Output	Output indicators	Annual Targets						
			Audited performance		Estimated Performance (Baseline)		MTEF Period		
			2019 / 20	2020/21	2021/2022	2022/23	2023/24	2024/25	2025/26
Increased penetration and participation of low-to middle income households and businesses owned by PDIs in the housing market	Increased focus on extension of funding to previously disadvantaged intermediaries	Sector Transformation							
		5c.1 - Value of disbursements targeted towards designated groups (R'm)	83	68	124	306	319	395	513
		5c.2 - Value of disbursements targeted towards B-BBEE compliant companies - Level 4, 3, 2, 1 Contributor (R'm)	566	519	367	566	239	296	385
		5c.3 - Value of disbursements targeted towards black owned entities (R'm)	New Indicator	New Indicator	New Indicator	230	239	296	385
Increased penetration and participation of low-to middle income households and businesses owned by PDIs in the housing market	Increased focus on extension of funding to previously disadvantaged intermediaries	5c.4 - Value of payments to designated group owned contractors (R)	New Indicator	New Indicator	31	85	75	100	150
		5c.5 - Number of SMME's appointed on managed programmes	New Indicator	New Indicator	New Indicator	123	128	200	300
		5c.6 - Percentage implementation of multi-year incubator programme plan	New Indicator	New Indicator	New Indicator	Request for information issued to the market	50% implementation of multi year incubator programme	75% implementation of multi year incubator programme	100% implementation of multi year incubator programme

Outputs, performance indicators and quarterly targets

Sub-Programme 5c – Transformation

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2023/24	Q1	Q2	Q3	Q4
Increased focus on extension of funding to previously disadvantaged intermediaries	Sector Transformation					
	5c.1 - Value of disbursements targeted towards designated groups (R'm)	319	100	73	51	95
	5c.2 - Value of disbursements targeted towards B-BBEE compliant companies - Level 4, 3, 2, 1 Contributor (R'm)	239	75	55	38	71
	5c.3 - Value of disbursements targeted towards black owned entities (R'm)	239	75	55	38	71
Increased focus on extension of funding to previously disadvantaged intermediaries	5c.4 - Value of payments to designated group owned contractors (R'm)	75	34	19	11	11
	5c.5 - Number of SMME's appointed on managed programmes	128	123	5	0	0
	5c.6 - Percentage implementation of multi-year incubator programme plan	50% implementation of multi year incubator programme	10% implementation of incubator programme multiyear plan	25% implementation of incubator programme multiyear plan	40% implementation of incubator programme multiyear plan	50% implementation of multi year incubator programme

Explanation of planned performance over the medium-term period – Programme 5c

The sector transformation set asides are a percentage of the total product disbursements.

- a) The transformation outputs contribute to the intended outcomes and impact in the Strategic Plan and are aligned with the institution's mandate towards transformation. Disbursements and transactions to the following groups are prioritised:
- Black owned entities;
 - Women owned entities;
 - Youth owned entities;

- Entities owned by people living with disabilities;
- and B-BBEE Levels 1 – 4 compliant entities.

b) Description of planned performance in relation to the programme's outputs:

The planned performance for the APP includes a total disbursement to designated groups (women, youth, people with disabilities) of R 1 227 million in the three-year cycle which will begin with a contribution of R 319 million in 2023/2024. The planned performance for the APP includes a total disbursement to B-BBEE compliant companies of R 921 million in the three-year cycle which will begin with a contribution of R 239 million in 2023/2024. Furthermore, the planned performance for the APP includes a total disbursement to black owned companies of R 921 million in the three-year cycle which will begin with a contribution of R 239 million in 2023/2024.

There is an increase in Transformation disbursements as informed by the NHFC board's drive to focus on B-BBEE and Transformation. The Transformation Framework informs the APP forecasts which includes a set aside provision of 40% of disbursements to designated groups, 30% to black owned entities and 30% to B-BBEE Levels 1 – 4 compliant entities over the period. The 40% is informed by amongst others, the May 2021 NDoHS guideline for advancing socio-economic transformation and empowerment of women, youth, people with disabilities.

Explanation of planned performance over the medium-term period – Programme Management

We will be contributing to additionality and development impact by managing housing delivery or retrofit through previously disadvantaged Small, Medium, and Micro Enterprises. Programme management is a capability NHFC has built over the years and is a key lever in planning and structuring programmes for optimal participation by small enterprises in communities where projects are implemented. This stream of developmental service is rendered on a full cost recovery basis and therefore NHFC charges fees for services provided to clients.

The programme planning and delivery model is about mainstreaming black owned enterprises and optimal community participation. It therefore optimises the local economy multiplier effect, jobs creation and participation of local enterprises.

Description of planned performance in relation to the programme's outputs:

- Value disbursements to Black-owned businesses (51% ownership) on managed programmes. This optimises the proportion of project expenditure paid to black-owned

enterprises and designated groups as a percentage of the total project spend in programmes managed by NHFC.

- We target to spend 80% of total projected programme expenditure for funds managed in 2023/24 financial period.

The NHFC Transformation Framework recognises the slow pace of transformation in the sector. The framework has enabled the initiation and implementing of Incubator programmes for its mainstreams of business. Against this backdrop, the NHFC has partnered with the City of Cape Town in the implementation of a Contractor Incubator Programme spanning three-years. The appointment gave NHFC an opportunity to implement its holistic model and refined it for scaling up. The scope of the programme has two pillars.

- Repair and maintenance of CRU's with about 57 000 maintenance request that make up the scope of work for repairs,
- To undertake the work with the use of small contractors in CIDB grades 1-3 and support them with enterprise development.

There are currently 123 participating contractors. NHFC adopts a holistic approach and that has been enabled by the following.

- Hosting of the programme budget and managing the full programme management process, including payments,
- The scope and multi-year nature of the programme gives contractors opportunity for multiple appointments and unbundling of work packages to suit their capacity. It further gives them a track record to upgrade their CIDB grades.
- It has a strong localisation and community component and therefore strong local economic multiplier element and community participation.

The programme has given the implementation model good data and lessons on how to implement at scale and replicate in other settings.

NHFC is also implementing an Enhanced Peoples' Housing Project EPHP programme on a three-year basis appointed by the Eastern Cape Department of Human Settlements.

The programme scope entails:

- Construction of 406 houses.
- Development of local cooperatives
- And accounts administration which is fund management.

13. Programme resource considerations and budget

FINANCIAL OVERVIEW OF THE NHFC GROUP

The income of the NHFC is sensitive to movements in interest rates and other general economic indicators which impact the demand for housing projects. All assumptions are constant across the scenarios except for the timing of the shareholder capitalisation and debt and the assumption on reduced disbursements if no shareholder capitalisation is received.

The following assumptions have also been used in the budget formulation (over and above disbursements and funding assumptions)

Prime lending rate

Budget Year	Assumptions
2022/23	9.75% from Sep 2022
2023/24	10.75%
2024/25	10.75%
2025/26	10.75%
From 2026/27 onwards	10.75%

Consumer price index ^

Budget Year	Assumptions
2022/23	4.23%
2023/24	4.42%
2024/25	4.45%
2025/26	4.48%
2026/27 onwards	4.48%

^ from National treasury guidelines

Annual Salary increases: 5%

Credit loss rate

Budget Year	Assumptions
2022/23	2.5%
2023/24	2.0%
2024/25	2.0%
2025/26	2.0%
2026/27 onwards	1.5%

Collection rate (Performing book)

	Current APP Period									
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Private rental	78%	80%	82%	84%	86%	88%	90%	92%	94%	95%
Social housing	70%	72%	74%	76%	78%	80%	82%	84%	86%	88%
Subsidy housing	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Affordable housing	90%	91%	92%	93%	94%	95%	95%	95%	95%	95%
Incremental housing	90%	91%	92%	93%	94%	95%	95%	95%	95%	95%
Average Collection Rate	85%	86%	87%	88%	89%	91%	91%	92%	93%	94%

The NHFC business is highly susceptible to interest rate changes with more than 90% of its lending book linked to the prime lending rate, and a low gearing ratio to offset this risk. The NHFC Held to Maturity short term investments are also sensitive to changes in the prime rate.

Operational efficiency remains a key lever that is under the control of the management of the NHFC. Over the next years a significant amount will be spent towards digitising the systems and applications. Further costs will be incurred in filling key positions identified for the establishment of the HSDB.

The credit loss ratio which reflects the quality of the loan book is expected to be under control in the long-term period with a target of 1.5%. The fluctuations in the credit loss ratio provide added volatility to the income statement.

Refining risk-based pricing, refining credit policies and risk appetite statements, and improving collections is crucial in ensuring the prepared for the HSDB's financial sustainability and aggressive growth.

While the fiscus remains constrained, the HSDB will need to find innovative ways of accessing equity, such as through special purpose vehicles with the private sector, operating the Government Employees Housing Scheme and possibly accessing excess funds from the NHBRC. With this equity, the HSDB will then be in a position to gear up through borrowing from international DFIs and maybe locally if the costs are aligned with our WACC

needs. The HSDB will need to ensure that it has a sustainable return on equity, and on assets, to enable it to gear up..

Existing borrowings

- The NHFC group currently has the following existing debt:
 - Agency Francaise de Development (AFD)
 - European Investment Bank (EIB)
 - Development Bank of South Africa (DBSA)
 - Old Mutual Capital Holdings
 - Futuregrowth Asset Management
- The existing foreign debt i.e. AFD and EIB will be fully repaid in three years' time.

Relationships with funders have strengthened over the years as indicated by their willingness to accommodate and play a strategic partnership role to the NHFC.

Key assumptions:

- Assuming HSDB is not implemented, remain as NHFC.
- No additional shareholder or debt funding

Summary of the Statement of Financial Performance

	COMPANY						GROUP									
	2020 Actual R'000	2021 Actual R'000	2022 Actual R'000	2023 Budget R'000	2023 Forecast R'000	2024 Budget R'000	2025 Budget R'000	2026 Budget R'000	2020 Actual R'000	2021 Actual R'000	2022 Actual R'000	2023 Budget R'000	2023 Forecast R'000	2024 Budget R'000	2025 Budget R'000	2026 Budget R'000
Interest on loans and advances	249 707	190 798	201 489	284 328	266 353	291 275	296 989	361 230	269 224	232 364	210 315	289 466	266 353	298 536	304 573	369 154
Revenue from controlled entities	-	-	-	-	-	-	-	-	209 876	168 903	167 015	171 528	229 304	238 476	248 015	257 936
Share of residual income in controlled entities	18 261	41 559	44 411	43 973	25 853	45 292	46 651	48 051	-	-	-	-	-	-	-	-
Interest on Investments	102 616	62 989	52 168	49 000	69 223	56 000	40 000	45 000	105 537	64 032	54 032	49 866	69 223	56 267	40 279	45 292
Sale of houses	-	-	-	-	-	-	-	-	20 468	28 712	2 649	-	217	-	-	-
Management fees	11 643	17 578	17 490	16 381	20 404	21 424	22 495	23 620	7 549	17 745	53 722	81 500	74 195	67 776	71 164	74 723
Fees on loans for construction projects	3 367	7 048	2 695	14 636	5 937	9 928	11 909	12 505	3 367	8 413	2 942	16 119	5 937	9 928	11 909	12 505
Dividends received	9 960	5 585	1 498	20 300	3 600	8 200	13 300	19 630	9 960	5 585	1 498	20 300	3 600	8 200	13 300	19 630
FLISP recovery	5 525	6 758	22 399	23 085	18 824	19 585	20 465	21 038	5 525	6 758	22 399	23 085	18 824	19 585	20 465	21 038
Rental income	14 174	12 209	13 230	12 983	12 946	12 720	-	-	16 931	14 249	14 879	12 983	12 946	12 871	158	165
Revenue	415 253	344 524	355 380	464 687	423 139	464 424	451 809	531 074	648 438	546 761	529 451	664 847	680 598	711 638	709 863	800 442
Interest paid	(22 335)	(18 482)	(12 420)	(11 870)	(13 135)	(10 415)	(8 286)	(6 827)	(22 334)	(18 482)	(12 420)	(11 870)	(13 135)	(10 415)	(8 286)	(6 827)
Finance costs from controlled entity	-	-	-	-	-	-	-	-	(120 774)	(86 042)	(82 248)	(80 938)	(109 740)	(97 711)	(99 468)	(91 522)
Net revenue	392 918	326 042	342 960	452 817	410 005	454 009	443 523	524 247	505 330	442 237	434 783	572 039	567 723	603 512	602 109	702 093
Cost of sales	-	-	-	-	-	-	-	-	(20 707)	(29 940)	(2 572)	-	(1 751)	-	-	-
Programme implementation cost	-	-	-	-	-	-	-	-	(71 877)	(41 400)	(32 117)	(58 500)	(67 000)	(49 738)	(52 126)	(54 628)
Net impairments and bad debts	(70 095)	(55 186)	(49 857)	(88 117)	(88 117)	(83 117)	(60 767)	(64 567)	(12 303)	(15 771)	(504)	(4 769)	(88 117)	(83 117)	(60 767)	(64 567)
Net impairments and bad debts from Controlled entity	-	-	-	-	-	-	-	-	(12 303)	(15 771)	(504)	(4 769)	(88 117)	(83 117)	(60 767)	(64 567)
Gross profit	322 823	270 856	293 103	364 700	321 888	370 892	382 757	459 679	400 443	355 126	338 387	420 663	403 695	466 674	488 711	579 217
Other operating income	2 844	15 331	9 771	-	13 678	-	-	-	27 290	18 617	14 889	8 412	26 475	2 032	2 122	2 217
Operating expenses	(192 911)	(203 899)	(222 073)	(295 759)	(252 514)	(323 472)	(289 415)	(309 744)	(204 791)	(214 016)	(230 693)	(304 838)	(258 352)	(335 792)	(302 980)	(324 483)
Operating expenses from controlled entities	-	-	-	-	-	-	-	-	(34 384)	(34 621)	(36 243)	(34 550)	(35 853)	(37 475)	(37 153)	(34 133)
Operating profit	132 756	82 298	80 801	68 941	83 052	47 420	93 342	149 936	188 558	125 106	86 340	89 677	135 865	96 439	160 701	222 818
Fair value adjustments	(84 062)	(20 476)	(30 431)	20 824	-	-	-	-	1 157	(47 746)	(20 400)	20 824	-	-	-	-
Share of profit of an associate	-	-	-	-	-	-	-	-	28 362	12 638	7 521	13 730	7 997	8 292	8 706	9 142
Surplus for the year	48 694	61 822	50 370	89 765	83 052	47 420	93 342	149 936	218 077	89 999	73 461	124 232	143 762	103 731	159 407	231 960

Summary Cash flow

R' Million	FY 2021	FY 2022	2 023	2 024	2 025	2 026
Opening Balance	1 488	1 282	1 104	1 193	904	729
Total Cash Outflow	956	1 229	1 078	1 279	1 417	1 748
Total Disbursements	625	922	766	799	988	1 284
Disbursements Strategic Investment	-	17	14	61	99	115
Loan Repayments (Interest & Capital)	130	68	47	42	31	12
Capital Expenditure (Facilities, IT Hardware & Software)	-	-	-	54	10	26
Opex	201	222	251	323	289	310
Total Cash Inflow	750	1 051	1 166	990	1 242	1 331
Shareholder funding	-	-	-	-	-	-
Debt Funding	-	-	-	-	-	-
Investment & Other Income	78	63	69	56	40	45
Income Tax Assets	-	-	38	-	-	-
Sale of Investment Property	-	-	-	40	-	-
Dormant subsidiaries(e.g. NLF etc)	-	-	87	-	-	-
Loan Book Collection & Other	672	988	972	894	1 202	1 286
Closing Cash	1 282	1 104	1 193	904	729	391

Key Financial Indicators

Key Financial Indicators		Actual	Actual	Actual	Forecast	Budget		
		2020	2021	2022	2023	2024	2025	2026
Surplus before tax (R'm)	Group	218 077	89 999	73 461	143 762	103 731	159 407	231 960
	Company	48 694	61 822	50 370	83 052	47 420	93 342	149 936
Return on equity (%)	Group	4.7%	1.9%	1.5%	2.9%	2.1%	3.1%	4.3%
	Company	1.1%	1.4%	1.1%	1.8%	1.0%	2.0%	3.0%
Return on assets (%)	Group	3.5%	1.5%	1.2%	2.3%	1.6%	2.5%	3.5%
	Company	1.0%	1.3%	1.0%	1.7%	1.0%	1.9%	2.9%
Cost to income ratio (%)	Group	47%	58%	64%	57%	67%	62%	55%
	Company	49%	60%	63%	60%	71%	65%	59%
Credit Loss ratio incl bad debts (%)	Group	2%	1%	1.3%	2.4%	2.2%	1.6%	1.3%
	Company	1%	2%	1.6%	2.4%	2.2%	1.6%	1.3%
Debt:Equity (%)	Group	32%	29%	28%	28%	26%	23%	19%
	Company	7%	6%	5%	4%	3%	2%	2%
Interest cover ratio (times)	Group	2.5	1.9	1.8	2.2	2.0	2.5	3.4
	Company	3.2	4.3	5.1	7.3	5.6	12.3	23.0
Net loan book growth	Group	-1%	5%	3%	4%	4%	8%	9%
	Company	-4%	9%	7%	-1%	4%	14%	11%
Productive assets	Group	69%	72%	73%	74%	78%	80%	87%
	Company	66%	71%	75%	73%	79%	82%	89%
Net interest margin	Group	3%	2%	2%	2%	4%	2%	1%
	Company	3%	0%	1%	2%	3%	2%	2%

Quarterly Key Financial Indicators

Key Financial Indicators		Budget			
		2024 Q1	2024 Q2	2024 Q3	2024 Q4
Surplus before tax (R'm)	Group	32 731	53 814	87 183	103 731
Return on equity (%)	Group	0.7%	1.1%	1.7%	2.1%
Return on assets (%)	Group	0.5%	0.8%	1.4%	1.6%
Cost to income ratio (%)	Group	77%	74%	70%	67%
Credit Loss ratio incl bad debts (%)	Group	0.0%	0.5%	1.0%	2.0%
Debt:Equity (%)	Group	29%	29%	28%	28%
Interest cover ratio (times)	Group	2.2	1.8	2.2	1.6
Net loan book growth	Group	1%	2%	3%	4%
Productive assets	Group	75%	76%	77%	78%
Effective yield on loan book	Group	3%	6%	9%	12%

14. Key risks and mitigation

No	Outcome	Risk/ Threat	Mitigation
1	Functional, efficient and integrated governance	Inadequate acquisitions, adoption, implementation and utilisation of ICT Solutions	<ul style="list-style-type: none"> • Implementation of IT strategy, IT Governance Framework and IT Architecture • Review and improve implementation of information and cyber security measures in line with industry standards, benchmarks and best practise to ensure the safeguarding of information assets of the NHFC • Implementation of an IT Risk Management framework with self-control assessment measures to ensure regular review of IT Controls • Plan to address the security concerns raised by the insurer. • Ensure that all POPI Act requirements are fully implemented (consent forms to be made available for all business units and applications)
2	Increased access to affordable finance to enable end-users to have appropriate, spatially just and adequate housing	Challenge in granting and managing loans	<ul style="list-style-type: none"> • Implementation and monitoring of the business process re-engineering for the credit process (strengthen post investment process) • In-depth Portfolio analysis • Ensure compliance to credit policy (risk- based pricing, collection processes., credit assessment criteria) • Strategy and plan for improvement in credit reviews • Strategy and plan for improvement in the monitoring of account performance • Review of the credit policies • Review of the risk appetite statement

No	Outcome	Risk/ Threat	Mitigation
3	Improved delivery of affordable housing	Balance of being developmental vs operating as a sustainable business	<ul style="list-style-type: none"> • Implementation of Strategic and Annual Performance Plan - quarterly targets • Review of the Business Case • Fund developers that use cheaper ABTs • Review the pricing model • Strategy and plan for improvement for the marketing and awareness of NHFC product offerings • Develop the financial model, monitor and manage results (taking into account market risk/economic conditions) • Review Risk Appetite Statement and related policies • Strategy and plan for improvement in cash flow forecasting • Development and implementation of the Funding Plan • Develop a financial sustainability model (looking at alternative means of securing NHFC funds)
4	Functional, efficient, and integrated governance	Timely acquisition of goods and services in a compliant manner	<ul style="list-style-type: none"> • Approval and implementation of supply chain policy • Ongoing Supply Chain management training and awareness • Ongoing implementation of Contract Management system • Ensure SCM compliance to PFMA and National Treasury Regulations • Reduce irregular, fruitless and wasteful expenditure by ensuring compliance with the SCM policy

No	Outcome	Risk/ Threat	Mitigation
5	Functional, efficient and integrated governance	Ability to manage and engage with political influential stakeholders	<ul style="list-style-type: none"> • Development and implementation of a stakeholder communication and engagement plan • Embedding NHFC in the fabric of human settlements delivery at the national, provincial and local level partnerships
6	Increased penetration and participation of low-to middle income households and businesses owned by PDIs in the housing market	Not delivering on the dual-mandate of the NHFC (providing housing and transforming the industry)	<ul style="list-style-type: none"> • Review of the APP - Ensure that APP and BSC targets are aligned. Agree the targets with the Shareholder. • Re-alignment of the strategic plan - HSDB • Implementation of Strategic and Annual Performance Plan • Review of the Business Case • Review the funding model • Appoint the Program Management Unit for implementation of the HSDB • Finalise the leasing of new office accommodation
7	Functional, efficient and integrated governance	Undefined expected returns and sustainable socio-economic impact from strategic investments	<ul style="list-style-type: none"> • Ensure compliance to PFMA and National Treasury Regulations • Review and implementation of supply chain policy • Ongoing Supply management training and awareness • Ongoing implementation of Contract Management system • Define return expectations in line with the target ROE

No	Outcome	Risk/ Threat	Mitigation
8	Functional, efficient and integrated governance	Non-compliance to legislation, regulations and policies	<ul style="list-style-type: none"> • Monitor compliance to all legislation • Define Compliance Risk Framework and Matrix • Monitoring and updating compliance universe as and when required • Establish monitoring mechanisms to ensure that all products provided are in line with regulations prescribed by the NCR, FIC & FSDA as well as the NHBRC and CIDB. • Implement a compliance management system • Complete review and analysis of compliance to NHFC core legislation
9	Functional, efficient and integrated governance	Inadequate speed and quality of operational decision-making	<ul style="list-style-type: none"> • All EXCOM, Board sub-committee and Board committee ToRs to be finalised and approved • Implement processes and systems to improve quicker decision making • Approved corporate calendar and workplans • Review the delegations of authority and ensure that they are approved • Improve the quality and substance of submissions
10	Improved delivery of affordable housing	Unavailability of essential commodities to support business objectives and activities	<ul style="list-style-type: none"> • Social facilitation plans (client and stakeholders) • Procure an alternative work area site – BCM

No	Outcome	Risk/ Threat	Mitigation
11	Functional, efficient and integrated governance	Perception of misalignment of conduct and association to stakeholder expectations and a lack of an integrated and coordinated approach between stakeholders in the human Settlements value chain	<ul style="list-style-type: none"> • Improve engagements with stakeholders along the Human Settlements value chain • Robust digital marketing of all NHFC products on all relevant platforms • Adopt a hybrid model through its strategic partnerships to make markets more inclusive, while leveraging partners' funding, infrastructure, skills, competencies, systems, innovation and entrepreneurial process • Market research to better understand stakeholder requirements and needs • Plan to improve stakeholder communications on all platforms • Adherence to good corporate governance practice. • Implementation of consequence Management

No	Outcome	Risk/ Threat	Mitigation
12	Functional, efficient and integrated governance	Inability to manage environmental, social and governance responsibilities at all levels.	<ul style="list-style-type: none"> Stakeholder engagement to understand effect of ESG Analysis of building cost fluctuations due to climate change Introducing financial incentives to encourage clients to be aware of climate decisions Contract consolidations to be considered for specifically force majeure clauses and the financial liability exposure Perform research to understand the effects of this risk and develop specific action plans to address all relevant matters Fast track service delivery initiatives in order to effectively address our social responsibility Credit policies and review processes to incorporate ESG risks
13	Increased penetration and participation of low-to middle income households and businesses owned by PDIs in the housing market	Inability to attract suitable funding partners (Attrition of partners, potential partners)	<ul style="list-style-type: none"> Establishment of Equity Fund - to broaden Funding options for NHFC clients Develop the financial model Adopt a hybrid model through its strategic partnerships to make markets more inclusive, while leveraging partners'g funding, infrastructure, skills, competencies, systems, innovation and entrepreneurial process
14	Functional, efficient and integrated governance	Inability for the organisation to perform at an adequate level during disruptions between stakeholders in the human Settlements value chain	<ul style="list-style-type: none"> Improve engagements with stakeholders along the Human Settlements value chain Ongoing implementation of business continuity policy and framework

No	Outcome	Risk/ Threat	Mitigation
			<ul style="list-style-type: none"> Regular review and update of business continuity plans and testing Secure an external BCM site
15	Functional, efficient and integrated governance	Inability to lead people and promote the achievement of NHFC mandate and targets and finding the right skills within the market	<ul style="list-style-type: none"> Revised and approved HR policies Review and implement training and development policies Review and implement the performance management system and targets Continue to embed change management into everyday business Implement retention strategies Target Operating Model in the process of being implemented. Consequence management Monitoring of Annual Performance Plan results
16	Functional, efficient and integrated governance	Inability of NHFC to drive performance in line with organisational goals	<ul style="list-style-type: none"> Aligning the balanced scorecard to the strategic plan and APP Improve performance management system Monitoring of Annual Performance Plan results Address all audit findings Reduce irregular expenditure

No	Outcome	Risk/ Threat	Mitigation
17	Functional, efficient and integrated governance	Misalignment of NHFC values and employees conduct	<ul style="list-style-type: none"> • Ongoing implementation of ethics policy • Implementation of the Climate Survey action plans • Continued promotion of the NHFC Values • Ongoing training and awareness of the code of conduct and ethics policy • Embedding of change management • Implementation of security vetting

15. Public Entities

Not applicable

16. Infrastructure Projects

Not applicable Do we not have an MOA in place with the Infrastructure Fund?

17. Public-Private Partnerships (PPPs)

Not applicable. The Minister mentioned our association with Cosmopolitan at the FHF launch as a good example of a PPP. Are we saying we don't have these in place through the lending we do to private sector developers? It seems our definition of PPP is not aligned to that of the NDoHS?

18. Materiality Framework

FOR THE PURPOSE OF THE INTERPRETATION OF AND COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT 1 OF 1999 ("PFMA")

Disclosure of Material Losses – Section 55(2) (b) of the PFMA.

This section of the framework seeks to provide guidance on the quantum of losses that should be disclosed in the Annual Financial Statements of the NHFC. Section 55(2) (b) of the PFMA classifies these losses under three categories as follows:

Material Losses	Proposed Framework	Resulting Figures for 2023/24*	Recommended Disclosure Practice	Preventative Measures
<ul style="list-style-type: none"> ▪ Criminal conduct losses ▪ Irregular expenditure ▪ Fruitless and wasteful expenditure 	<p><u>Quantitative:</u></p> <p>0.5% of Revenue</p>	R1.5 million	Each loss due to criminal conduct, irregular expenditure or fruitless and wasteful expenditure, as identified, will be evaluated in context of the expense category to which it relates to determine whether it qualifies for disclosure in the Annual Financial Statements.	NHFC's systems and processes are designed and are continually reviewed to ensure the prevention and detection of all such expenditure, irrespective of the size thereof.

* Based on latest budgeted revenue for FY 2023/24

Significance - Section 54(2) of the PFMA

Section 54(2) of the PFMA requires that before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing, inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction:

PFMA	TERMS AS SET OUT IN THE SECTION	APPLICATION OF SECTION 54(2) OF PFMA TO THE NHFC
Section 54(2)(a)	Establishment or participation in the establishment of a company	<p>All transactions of this nature that require the NHFC to take up equity or equity related loans in a company to be established will require an application.</p> <p>Where the NHFC will not have an interest (equity or loans) in the company to be established, for example where it is only facilitating the formation on behalf of or with other parties in pursuance of a social objective, an application need not be made.</p>
Section 54(2)(b)	Participant in a <u>significant</u> partnership, trust, joint venture or similar arrangement.	<p>The following will require that an application be made in terms of this Section:</p> <ul style="list-style-type: none"> Any participation that entails incorporation under the Companies Act (or similar foreign legislation). Any transaction not entailing incorporation of monetary value of more than 1% of total assets, <u>other than project funding given in the normal course of business.</u> A participation in any partnership, trust, joint venture or similar arrangement that is located outside the republic of South Africa.

Section 54(2)(c)	Acquisition or disposal of a significant shareholding in a company	<p>The following will require that an application be made in terms of this section:</p> <ul style="list-style-type: none"> • Ownership control is affected. • The NHFC's right to pass or block a special resolution will be affected • There is a change of ownership of at least 20% • For an acquisition, any transaction that results in a shareholding of at least 20% in a company. • Regardless of the percentage holding, any direct equity investment exceeding 1% of total assets of the NHFC.
Section 54(2)(d)	Acquisition or disposal of a significant asset.	<p>The following will require an application in terms of this section:</p> <ul style="list-style-type: none"> • Any asset with a value of more than 5% of the total assets of the NHFC, excluding financial instruments. • Disposal of the major part of the assets of the NHFC. • Assets classified as current assets according to generally accepted accounting practice need not be regarded as falling under this subsection.
Section 54(2) (e)	Commencement or cessation of a significant business activity.	Any business activity outside the NHFC's core business will require an application in terms of this section.
Section 54(2) (f)	A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	<p>The NHFC should make an application in terms of this Section if:</p> <ul style="list-style-type: none"> • Any change in interest in the rand value of which exceeds 1% of the total assets; • Where the nature of the NHFC's interest changes between any of the vehicles (that is, between a partnership, trust, unincorporated joint venture or similar arrangement); • Any transaction that results in a cumulative interest of at least 20% in the vehicle (partnership, trust,

		unincorporated joint venture or similar arrangement); or <ul style="list-style-type: none"> Any subsequent transaction that results in an increase of the cumulative interest by at least 10% in the vehicle (partnership, trust, unincorporated joint venture or similar arrangement).
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The NHFC's total assets (Group) as at 31 March 2022 (audited) – R7.22 billion

The NHFC's total assets (Group) as at 31 March 2023 (Forecast) – R7.25 billion

The NHFC's total assets (Group) as at 31 March 2024 (Budget) – R7.91 billion

For the purposes of section 54(2) (b) (c) and (f) 1% of total assets in 2024 = R79.10 million

For the purposes of section 54(2) (d) 5% of total assets in 2024 = R395.5 million.

PART D: TECHNICAL INDICATOR DESCRIPTION (TID)

Technical Indicator Description (TID) Index

Programme	No.	Indicator Title
Programme 1 : Administration		
	1	1 - Percentage implementation of the risk management plan
	2	2 - Percentage procurement spent on businesses owned by persons with disabilities
	3	3 - Percentage procurement spent on businesses owned by military veterans
	4	4 - Percentage procurement spent on businesses owned by women
	5	5 - Percentage procurement spent on businesses owned by youth
	6	6 - Percentage automation of enterprise architecture artifacts
	7	Unqualified audit opinion with no material findings
	8	Number of learners hired into learnership programmes
Programme 2 : Integrated Human Settlements Planning and Development Programme		
Sub-Programme 2a – Strategic Partnerships		
	7	2a - Number of MOUs signed
Sub-Programme 2b – Lending (Subsidy Housing Finance)		
	8	2b - Subsidy Housing - Bridging Finance (R'm)
Programme 4 : Rental and Social Housing Programme		
	9	4.1 - Value of disbursements - Social Housing Finance (R'm)
	10	4.2 - Value of approvals - Social Housing Finance (R'm)
	11	4.3 - Value of approvals - Private Rental Housing Finance (R'm)
Programme 5 : Affordable Housing		
Sub-Programme 5a – Grant facilitation (First Home Finance)		
	12	5a.1 - Number of subsidy applications approved (No.)
	13	5a.2 - Value of approvals - First Home Finance Grant (R')
	14	5a.3 - Value of disbursements - First Home Finance Grant (R'm)
	15	5a.4 - Number of subsidies disbursed (No.)
	16	5a.5 - Amount leveraged from private sector (R'm)
Sub-Programme 5b – Affordable Housing Finance		
	17	5b.1 - Value of disbursements - Affordable housing (R'm)
	18	5b.2 - Value of disbursements - Strategic Investments (R'm)

Programme	No.	Indicator Title
	19	5b.3 - Value of approvals - Affordable Housing - Bridging Finance (R'm)
	20	5b.4 - Value of approvals - Incremental Housing Finance (R'm)
	21	5b.5 - Value of approvals - Affordable Housing - Strategic Investments (R'm)
Sub-Programme 5c – Sector Transformation		
	22	5c.1 - Value of disbursements targeted towards designated groups (R'm)
	23	5c.2 - Value of disbursements targeted towards B-BBEE compliant companies - Level 4, 3, 2, 1 Contributor (R'm)
	24	5c.3 - Value of disbursements targeted towards black owned entities (R'm)
	25	5c.4 - Value of payments to black and designated group owned contractors (R)
	26	5c.5 - Number of SMME's appointed inn managed programmes
	27	5c.6 - Approved implementation plan for an entrepreneur incubator programme targeting residential developers owned by designated groups and black people.

PROGRAMME 1 TIDs	ADMINISTRATION
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Indicator Title	1 - Percentage implementation of the risk management plan
Definition	Risk management implementation plan is aligned to risk management strategy and unpacks specific risk management activities which will be implemented for particular year including responsible persons, resources required and targets dates.
Source of data	Annual Risk Management Plan; Strategic Risk Register; Progress Reports on Risk Management
Method of calculation / Assessment	Total number of activities implemented/ total number of planned activities for the financial year X 100
Means of verification	Approved risk management plan Progress report Strategic Risk Registers
Assumptions	Complete, accurate, timeous risk information and co-operation from internal stakeholders (Risk Champions and Risk Owners).
Disaggregation of Beneficiaries (where applicable)	N/A

Indicator Title	1 - Percentage implementation of the risk management plan
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative (Year to date)
Reporting cycle	Quarterly and annually
Desired performance	100% of the approved risk management plan implemented
Indicator responsibility	Executive Manager Corporate Services not EWRM exec?

Indicator title	2 - Percentage of procurement spent on persons living with disabilities
Definition	This indicator measures the percentage of the entity's procurement spent on businesses owned by persons living with disabilities. The entity will procure 5% of products & services from businesses whose 51% shareholding is owned by persons living with disabilities. The awarding of such contracts will be done through competitive bidding processes using the Central Supplier Database (CSD).
Source of data	Input information from suppliers awarded contracts. invoices, Commitment registers
Method of calculation or assessment	Total amount of discretionary spend paid to businesses owned by persons living with disabilities within a specific period / the total amount of discretionary spend paid to all service providers for the same period x 100.
Means of verification	Supplier payment report Report on procurement spend
Assumptions	That businesses owned by persons living with disabilities are registered on the National CSD database.
Disaggregation of beneficiaries (where applicable)	Annual Target for Persons living with disabilities– 5%
Spatial transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting cycle	Quarterly and Yearly
Desired performance	5% of annual procurement spent, targeted at businesses owned by persons living with disabilities
Indicator responsibility	Chief Financial Officer

Indicator title	3 - Percentage of procurement spent on business owned by military veterans
Definition	This indicator measures the percentage of the entity's annual procurement spent on businesses owned by military veterans. The entity will procure 5% of products & services from businesses whose 51% shareholding is owned by military veterans. The awarding of such contracts will be done through competitive bidding processes using the Central Supplier Database (CSD).
Source of data	Input information from suppliers awarded contracts. invoices, Commitment registers B-BBEE Certificates
Method of calculation or assessment	Total amount of discretionary spend paid to businesses owned by military veterans within a specific period / the total amount of discretionary spend paid to all service providers for the same period x 100.
Means of verification	Supplier payment report Report on procurement spend
Assumptions	That businesses owned by military veterans are registered on the National CSD database.
Disaggregation of beneficiaries (where applicable)	Annual Target for military veterans-- 5%
Spatial transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting cycle	Quarterly and Yearly
Desired performance	5% of annual procurement spent, targeted at businesses owned by military veterans
Indicator responsibility	Chief Financial Officer

Indicator title	4 - Percentage of procurement spent on businesses owned by women
Definition	This indicator measures the percentage of the entity's procurement spent on businesses owned by women. The entity will procure 40% of products & services from businesses whose 51% shareholders is owned by women. The awarding of such contracts will be done through competitive bidding processes using the Central Supplier Database (CSD).
Source of data	Input information from suppliers awarded contracts. invoices, Commitment registers B-BBEE certificates
Method of calculation or assessment	Total amount of discretionary spend paid to businesses owned by women within a specific period / the total amount of discretionary spend paid to all service providers for the same period x 100.
Means of verification	Supplier payment report Report on procurement spend
Assumptions	That businesses owned by women are registered on the National CSD database.
Disaggregation of beneficiaries (where applicable)	Annual Target for businesses owned by Women – 40%
Spatial transformation (where applicable)	N/A
Calculation Type	Non-Cumulative
Reporting cycle	Quarterly and Yearly
Desired performance	40% of annual procurement spent, targeted at businesses owned by women
Indicator responsibility	Chief Financial Officer

Indicator title	5 - Percentage of procurement spent on businesses owned by youth
Definition	This indicator measures the percentage of the entity's procurement spent on businesses owned by youth. The entity will procure 16% of products & services from businesses whose 51% shareholding is owned by youth. The awarding of such contracts will be done through competitive bidding processes using the Central Supplier Database (CSD).
Source of data	Input information from suppliers awarded contracts. invoices, Commitment registers B-BBEE certificates
Method of calculation or assessment	Total amount of discretionary spend paid to businesses owned by youth within a specific period / the total amount of discretionary spend paid to all service providers for the same period x 100.
Means of verification	Supplier payment report Report on procurement spend
Assumptions	That businesses owned by youth are registered on the National CSD database.
Disaggregation of beneficiaries (where applicable)	Annual Target for businesses owned by youth – 16%
Spatial transformation (where applicable)	N/A
Calculation Type	Non-Cumulative
Reporting cycle	Quarterly and Yearly
Desired performance	16% of annual procurement spent, targeted at businesses owned by youth
Indicator responsibility	Chief Financial Officer

Indicator title	6 - Unqualified audit opinion with no material findings
Definition	It is the opinion expressed by the auditor-general on the integrated report after assessing the financial statements and performance report. This takes place after year end performance is reviewed against the predetermined objectives set out in the APP
Source of data	Audit report contained in integrated report
Method of calculation or assessment	The audit report needs to state that it offers an unqualified opinion on the financial statements. In addition there should be no comment on material findings.
Means of verification	Scrutinising the auditor's report in the integrated report
Assumptions	Adherence to good practices
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Non-cumulative (binary)
Reporting cycle	Annually
Desired performance	Receive unqualified opinion from external auditors
Indicator responsibility	Chief Financial Officer

Indicator title	7 - Number of learners hired into learnership programmes
Definition	Jobs created by hiring learners into the organisation
Source of data	Employment and / or training contracts of learners
Method of calculation or assessment	Counting number of contracts
Means of verification	Viewing contracts
Assumptions	Hiring will take place
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Counting
Reporting cycle	Quarterly

Desired performance	Hire at least the number of employees targeted
Indicator responsibility	Human Resources Executive

PROGRAMME 2 TIDs	Integrated Human Settlements Planning and Development Programme
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Indicator title	2a - Number of MOUs signed
Definition	Formalised partnerships through legal agreements that capture objects of the relationship in relation to collaborative interventions to be undertaken to improve planning, financing or delivery of the affordable housing value chain.
Source of data	Partnership agreements signed, e.g. (MOUs),
Method of calculation or assessment	No of agreements signed
Means of verification	Partnership agreements signed,
Assumptions	<p>Willing partners to collaborate on areas of mutual interest.</p> <p>Willingness of parties to invest resources in advancement of identified interventions or initiatives.</p> <p>Constant or improving demand for affordable housing.</p>
Disaggregation of beneficiaries (where applicable)	Disaggregation in line with scope of the Partnership agreement.
Spatial transformation (where applicable)	In line with scope of the Partnership agreement.
Calculation type	Cumulative (year-end),
Reporting cycle	Quarterly
Desired performance	Improvements in the planning, financing or delivery of affordable housing
Indicator responsibility	Executive: Strategic Partnership and Programme Management

Indicator Title	2b - Value of approvals – Subsidy Housing – Bridging Finance (R'M)
Definition	Value of loans approved for the provision of bridging finance to contractors building subsidised free housing to bridge contractor cash flows during construction
Source of Data	Minutes of approval by highest applicable sanctioning committee or signed resolutions from COSEC
Method of Calculation/ Assessment	Facilities approved by the relevant governance structures in line with the delegated authority. Facilities may be withdrawn and/or not taken up by the client.
Means of verification	Minutes of approval by highest applicable sanctioning committee or signed resolutions.
Assumptions	Funds available to approve
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Robust pipeline towards the provision of affordable housing finance solutions to the low-to middle income housing market.
Indicator Responsibility	Programme Manager – Subsidy Housing (Bridging Finance)

PROGRAMME 4 TIDs	Rental and Social Housing Programme
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Indicator Title	P4.1 - Value of disbursements – Social Housing Finance (R'M)
Definition	Provision of finance to rental housing developments accredited by the Social Housing Regulatory Authority and funded through debt finance and consolidated capital grants.
Source of Data	Drawdown requisition form with draw specific supporting documentation (Payment Certificates, invoices, Project Management Report, Project Payment Summary (PPS)) from client
Method of Calculation/ Assessment	Funds disbursed to clients
Means of Verification	Drawdown requisition form with draw specific supporting documentation (Payment Certificates, invoices, Project Management Report, Project Payment Summary)
Assumptions	Funds available to disburse
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Broaden and deepens access to housing finance thus enabling the low to middle income households to have choices of renting, owning or incrementally building to meet their needs.
Indicator Responsibility	GM: Lending and relevant Programme Manager

Indicator Title	P4.2 - Value of approvals – Social Housing Finance (R'M)
Definition	Value of loans approved for the provision of finance to rental housing developments accredited by the Social Housing Regulatory Authority and funded through debt finance and consolidated capital grants.
Source of Data	Minutes of approval by highest applicable sanctioning committee or signed resolutions from COSEC
Method of Calculation/ Assessment	Facilities approved by the relevant governance structures in line with the delegated authority. Facilities may be withdrawn and/or not taken up by the client.
Means of verification	Minutes of approval by highest applicable sanctioning committee or signed resolutions.
Assumptions	Funds available to approve
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Robust pipeline towards the provision of affordable housing finance solutions to the low-to middle income housing market.
Indicator Responsibility	GM: Lending and relevant Programme Manager

Indicator Title	P4.3 - Value of approvals – Private Rental Housing Finance (R'M)
Definition	Value of loans approved for the provision of finance to rental housing developments which are private in nature, with no grant contributions and are only funded through debt and equity.
Source of Data	Minutes of approval by highest applicable sanctioning committee or signed resolutions from COSEC
Method of Calculation/ Assessment	Facilities approved by the relevant governance structures in line with the delegated authority. Facilities may be withdrawn and/or not taken up by the client.
Means of verification	Minutes of approval by highest applicable sanctioning committee or signed resolutions.
Assumptions	Funds available to approve
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Robust pipeline towards the provision of affordable housing finance solutions to the low-to middle income housing market.
Indicator Responsibility	GM: Lending and relevant Programme Manager