



SHRA

Social Housing
Regulatory Authority

ANNUAL REPORT
2016/17



SHRA

Developing a **Thriving** Social Housing Sector

The theme of this year's Annual Report was selected because the sector and SHRA, which is ultimately the custodian of social housing, has been undergoing renewal in the period under review. In addition, as announced by Minister of Human Settlements Lindiwe Sisulu in her budget vote speech on 18 May 2017, certain key enablers to upscale social housing delivery have been implemented. The turnaround of SHRA, coupled with key policy enablers, have been instituted to develop a thriving social housing sector.

MAIN DRIVERS AROUND THE THEME:



*"We promised that we
would upscale the
delivery of social housing.*

The absorption capacity of the South African economy for good-quality, high-density, affordable rental housing (social housing) is 320 000 units. This need is outlined in the State of the Sector Report for 2016 published by SHRA in March 2017. This demand for social housing is concentrated primarily around sixteen (16) urban areas where there is job growth and where the local economy is more buoyant (235 000 units in the metros and 83 000 units in various secondary towns).

In order to enable large-scale development of social rental housing, I have approved and gazetted 138 restructuring zones across 38 municipalities.

There are currently development applications for the SHRA to fund the development of 26 139 units spread across 54 projects.

We launched the biggest social housing development in the country with the President on 1 April 2017. On completion it will deliver 1 000 housing units, accommodating more than 4 000 beneficiaries while improving their quality of lives through decent living."

– Speech by LN Sisulu, Minister of Human Settlements, on the occasion of the budget vote of the Ministry of Human Settlements

18 May 2017
National Assembly, Parliament



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SECTION A





01

FOREWORD BY THE CHAIRPERSON

I am pleased to present the 2016/17 Annual Report for the Social Housing Regulatory Authority (SHRA). This report marks the end of the second year of the Council's three-year term at the SHRA, as well as the third year of the Medium Term Strategic Framework (MTSF) period, 2014 to 2019. Two years of the MTSF period remains, in which to achieve the delivery target of 27 000 social housing units.

Following on from the Minister's instruction to the SHRA's Council in 2015 to turn the entity around, various interventions were instituted to enhance its performance. A new strategic plan and vision for the entity was developed in the preceding financial year, and the period under review was one of significant change whereby this new strategy was executed. A new structure for the entity was approved by the Minister in December 2016 and subsequently implemented. The entity is now in an intensive phase of recruitment and

revising policies, procedures and systems to align to the updated strategy and new structure. This portion of work will be completed in the 2017/18 financial year.

From a policy perspective, recommendations were made on the Restructuring Capital Grant quantum and income bands that were identified as key impediments, emanating from the sector, in terms of delivery. The portfolio of gazetted restructuring zones has greatly increased, which should enable an increase to the pool of grant applications.

Furthermore, the *Rules on Long-Term Accreditation of social housing institutions* were gazetted. These extend the timeframe an entity is accredited for, in order to streamline the accreditation process and relieve somewhat of the administrative burden on the Social Housing Institutions (SHIs) and SHRA, as well as providing further surety for the SHIs and potential partners and funders.

A priority for SHRA, as directed by the Minister, is that of inner-city renewal. The SHRA has formed

several key partnerships and initiated various projects in the year under review to address this critical issue. The Canadian and South African governments have signed a four-year agreement aimed at increasing social housing in selected metropolitan areas. SHRA is one of the partners in this project, which aims to develop more than 11 000 social housing units in well-located areas with a focus on urban regeneration.

The SHRA has partnered with the City of Johannesburg, through its implementation partner the Johannesburg Development Agency, to identify suitable buildings in the inner city for social housing development. The first phase of this project has been completed, constituting an audit of 785 properties in the study area to determine their suitability and appropriateness for a social-housing project. The identification of buildings to take forward as part of this project will be concluded in the 2017/18 financial year.

An agreement has been signed with the KwaZulu-Natal Department of Human Settlements to assist packaging 27 projects. Furthermore, there are plans to initiate a pilot building-acquisition programme with selected metros – the City of Johannesburg, eThekweni Metropolitan Municipality, and the City of Ekurhuleni – and the formation of a partnership with the Housing Development Agency to acquire land and buildings for social housing.

With respect to the City of Tshwane, a large social housing development named Thembelihle Village is nearing completion. The inner-city project will yield 734 units and forms part of the city's Western Capital Precinct Development programme.

The focus of 2017/18 and the remaining MTSF period will be on capitalising these critical policy amendments, partnerships and operational changes, as well as capacitating SHRA itself to deliver on its mandate. The new structure was approved



**The SHRA has
formed several key
partnerships to
address inner
city renewal.**



by the Minister in December 2016, recruitment commenced in the fourth quarter of 2016/17 and will be continuing into the following financial year. It is anticipated that these interventions will enhance the scale of social housing delivery and help to develop a thriving social housing sector.

I would also like to congratulate my fellow Council member Ms Rose Molokoane from Slum Dwellers International for her appointment in Quito, Ecuador, at *Habitat III* as a co-chair of the World Urban Campaign Steering Committee for the next two years. As noted by Deputy Minister Zou Kota-Fredericks, this will assist us in localising the New Urban Agenda.

On behalf of SHRA's Council, I would like to thank the Honourable Minister Lindiwe Sisulu for her ongoing guidance and support of the entity by lifting SHRA's administration. This is further detailed in the annual financial statements. We extend our gratitude to the Portfolio Committee, colleagues at the national Department of Human Settlements and to SHRA's staff for their commitment to turning around the entity.

**Z. Ngcakani
Chairperson**



02

CHIEF EXECUTIVE OFFICER'S OVERVIEW

The Chairperson has noted that the period under review was the first year of implementation of the SHRA's new strategy, which focuses heavily on upscaling social-housing delivery and inner-city revitalisation. In order to position the SHRA to radically increase the scale of social-housing delivery, changes have been necessary to adjust the entity's operational framework, as well as the broader policy environment.

A stakeholder engagement session was held in March 2016, before the commencement of the financial year, to deliberate on the changes necessary for the sector to position itself to take on these priorities. A list of action items was developed, including the

policy recommendations that the Chairperson has addressed, as well as operational issues related to the SHRA directly, specifically how we interface with the sector and our own operational efficiencies.

Based on the directive from the Minister to turn the entity around and the valuable insight gained from the sector, the SHRA embarked on a comprehensive Organisation Development (OD) project. A range of OD interventions were instituted in the period under review, such as revisions to the governance and management structures, enhancement of internal communications and the prioritisation of monitoring and reporting.

Included in the OD interventions was the modification of the entity's structure and workflow. Focus was given to developing a strategic

human-resource management plan, given that our most valuable resource is our human capital. These interventions culminated in the new structure being implemented in January 2017. There have been setbacks, such as the significant lack of capacity, which at year-end was over 50%. It was a major challenge to try to combat the lack of capacity in the period under review, but I am pleased to note that with a small team of committed employees and the support of Council, the SHRA has achieved an unqualified audit opinion, as well as the following noteworthy successes:

- Delivery of 3 058 social-housing units
- Approval of 6 529 social-housing units for capital grant award
- Accreditation of 65 entities, of which 13 were fully accredited and 52 conditionally accredited
- The regulation of a social-housing stock portfolio of 27 047 units

This places the total number of units delivered in the MTSF period at 8 165. The target of 27 000 is formidable, but potentially achievable, considering the conducive policy environment, sizeable number of accredited entities, innovative partnerships and the diverse delivery methods currently underway.

A second annual stakeholder engagement session was held in March 2017 with wide-scale participation from the sector, for which we are grateful. This provided us with the opportunity to launch the 2016 *State of the Sector Report*, which was a significant body of work and considerable piece of research. It is hoped this report will lay the foundation for further research and development, as well as acting as a useful tool for existing stakeholders and new entrants to the sector.

The coming year will see the continuation of the OD project, with the development and implementation of re-engineered business



This places the total number of units delivered in the MTSF period at 8 165.



processes and tools and a more advanced information technology platform. These improvements are necessary to improve engagement with our sector clients and to enhance our efficiencies.

Social housing is a collaborative programme and the strides made in the period under review could not have been possible without the joint and continued effort by all social-housing sector stakeholders: National Treasury, the Department of Human Settlements, our provincial and municipal counterparts, SHIs, the National Housing Finance Corporation, the Gauteng Partnership Fund, the National Association of Social Housing Organisations, as well as other funders and delivery agents.

My gratitude to the Honourable Minister Lindiwe Sisulu for her continued guidance, as well as that of the SHRA Council. I would also like to thank SHRA's staff for driving the entity forward and continued commitment to the entity's vision to develop a thriving social housing sector.

R Gallocher

R Gallocher
Chief Executive Officer

03

Strategic Overview

The Social Housing Regulatory Authority (SHRA) was established by the National Department of Human Settlements as prescribed by the Social Housing Act (Act 16 of 2008).

SHRA is classified as a national public entity in terms of Schedule 3A of the Public Finance Management Act (Act 1 of 1999).

3.1 Vision

The Social Housing Regulatory Authority's (SHRA's) vision is to see affordable rental homes in integrated urban environments through sustainable institutions. To achieve this:

- SHRA will be a world-class organisation resourced by highly skilled, values-driven leaders in the industry.
- SHRA will fund and facilitate funding for affordable, well-designed, environmentally sustainable (energy-efficient, green) social housing estates.
- SHRA will ensure investment in communities that form new or regenerated cities, which in turn enhance social mobility and access to basic tenant needs for healthcare, education, transport and communication.
- SHRA will be a thought leader, stimulator and regulator of appropriate policies and research to support programme development for an African model of managed rental and social housing; and will create a self-sufficient social and rental housing environment.

In summary, this can be defined in the following vision statement:

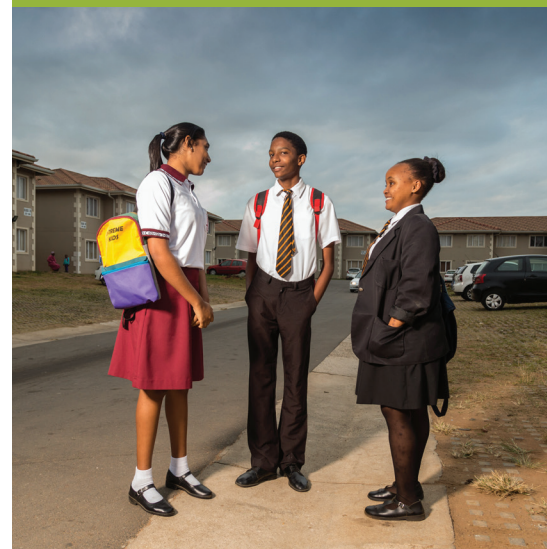
A thought leader, stimulator and regulator of world-class self-sufficient social housing solutions.



3.3 Values

Service excellence

Service excellence as a core value demonstrates SHRA's commitment to quality delivery of the highest standard on a consistent basis. Furthermore, service excellence indicates professionalism, taking full accountability for actions and always seeking ways in which to find solutions.



3.2 Mission

Facilitate delivery of quality, sustainable social housing at scale to advance the needs of low- and middle-income groups in support of spatial, economic and social restructuring.



Independence

The establishment of SHRA as a Public Entity affords the institution a degree of independence from the national Department of Human Settlements (DoHS). Independent, impartial and objective decision-making is a central value within SHRA. Independence as a value also ensures that SHRA is able to avoid situations of conflict of interest, and that SHRA will assess, manage and balance the risk between its independence and the requirements of its stakeholders.



Transparency

Transparency is a fundamental value for SHRA, which will demonstrate commitment to open, transparent and public processes and communication.

Integrity

As a regulatory authority, SHRA subscribes to a code of ethics and at all times ensures compliance with these standards in every aspect of its work.

Innovation

SHRA is committed to being alert and responsive to the external environment; to acting with imagination, enthusiasm and tenacity, but with rigour and discipline.



3.4 Strategic goals:

- Stimulate social housing delivery
- Ensure an effective, risk-based regulatory system
- A professionalised and sustainable social housing sector
- Enhanced performance



I was employed as a cleaner on this project, but have been trained and am now doing plumbing and really enjoying it, I will have a skill to find work after the project finishes.



04

LEGISLATIVE AND OTHER MANDATES

SHRA derives its mandate from the following legislation and policies:

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

The Social Housing Act defines social housing as “a rental or co-operative housing option for low- to medium-income households at a level of scale and built form that requires institutionalised management and is provided by social housing institutions or other delivery agents in approved projects in designated restructuring zones with the benefit of public funding as contemplated in this Act”.

A social housing institution is defined as “an institution accredited or provisionally accredited under this Act which carries or intends to carry on the business of providing rental or co-operative housing options for low- to medium-income households (excluding immediate individual ownership and a contract as defined under the Alienation of Land Act (Act 68 of 1981)), on an affordable basis, ensuring quality and maximum benefits for residents, and managing its housing stock over the long term”.

A restructuring zone is defined as a geographic area that has been identified by the municipality, with the concurrence of the provincial government, for purposes of social housing; and that has been designated by the Minister in the *Government Gazette* for approved projects.

Restructuring comprises three main dimensions

- Spatial
- Social
- Economic



4.1. Social housing within the context of rental housing

Table 1. Social housing in the context of the rental sector

Type	Definition	Main delivery agent	Governing legislation	Key funding sources
Social housing	Rental units aimed at households with incomes of between R1,500 and R7,500 per month	Social housing institutions	Social Housing Act, 2008	Grants from the SHRA, predominantly the Restructuring Capital Grant (RCG) and institutional subsidy
Institutional housing	Supports social housing (above) by providing additional funding, and provides a range of special needs and niche market options to people with very low incomes (R1,500 to R3,500 per month)	Social housing institutions	Housing Code (2009)	Institutional subsidy (IS) allocated by provincial government (not via the SHRA) applied in two ways as a “top up” to the RCG and grants to specific projects outside of the SHRA income band
Community residential unit (CRU)	Rental units for very low-income households (R1,500 to R3,500 per month). The programme includes hostels, public rental stock and distressed buildings (eg inner city)	Municipal government	Housing Code (2009)	CRU subsidy as detailed in the Housing Code, 2009, and allocated by provincial government (not via the SHRA).

Table 1. Social housing in the context of the rental sector {continued}

Type	Definition	Main delivery agent	Governing legislation	Key funding sources
Local government rental housing	Post-1994 Government-constructed housing, occupied by private families or government staff on a rental basis	Municipal government	Municipal bylaws and regulations	Capital and operating allocations from the municipal budget. In some cases IS or CRU is used
Private sector rental (small-scale landlords)	Affordable rental (R3,500+ per month), comprising backyard flats and rooms in existing suburbs and townships	Small private landlords	Municipal bylaws and regulations	Private equity. No public funding support provided other than some indirect costs to municipalities
Private sector rental (larger landlords)	Corporate private-sector landlords providing rental both at affordable prices (similar to social housing) and at market-related rentals (R7,500+ per month).	Medium to large private landlords	Municipal bylaws and regulations	Private equity and loans from commercial financial institutions. Since 2012, the SHRA RCG can be accessed under specific circumstances

Source: Impact and Implementation Evaluation of the Social Housing Programme report, initiated by the Department of Human Settlements and the Department of Planning, Monitoring and Evaluation (2016).

4.2 The Social Housing Act, No. 16 of 2008

The purpose of the Social Housing Act is to:

- Establish and promote a sustainable social housing environment
- Define the functions of national, provincial and local governments in respect of social housing
- Provide for the establishment of the SHRA in order to regulate all SHIs obtaining or having obtained public funds
- Allow for the undertaking of approved projects by SHIs and other delivery agents with the benefit of public money
- Give statutory recognition to SHIs

The Social Housing Act (Act 16 of 2008) provides the regulatory foundation for the social housing sector and sets the framework through which social housing is currently implemented, funded and regulated.

This act provides for the following:

- The definition of functions of national, provincial and local governments in respect of social housing
- The establishment of SHRA to promote, regulate and guide the investment of public money in the social housing sector
- Giving statutory recognition to, and regulating, SHIs
- Providing for the creation of restructuring zones



4.3 Functions of SHRA

- Promote the development and awareness of social housing and promote an enabling environment for the **growth and development of the sector**
- Provide advice and support to the Department of Human Settlements in its development of policy for the social housing sector and facilitate the national social housing programme
- Provide best-practice information and research on the status of the social housing sector
- Support provincial governments with approving project applications by social housing institutions and assist, where requested, in the designation of restructuring zones
- Enter into agreements with provincial governments and the National Housing Finance Corporation to ensure that implementation by these entities is coordinated
- Provide financial assistance to social housing institutions through grants to enable them to develop institutional capacity, gain accreditation as social housing institutions and submit viable project applications
- Accredite institutions meeting criteria for social housing institutions and maintain a register of such institutions
- Conduct compliance monitoring through regular inspections and enforce compliance where necessary
- Intervene in the affairs of social housing institutions in cases of maladministration
- Approve, administer and disburse institutional investment grants and capital grants

STRUCTURE OF THE ENTITY

The Minister approved SHRA's new structure on 6 December 2016 and it was implemented in January 2017. The structure was amended to represent the change in SHRA's strategy. The key components of this new structure include four Executives reporting to the Chief Executive Officer. In the former structure, the investment and regulatory programmes were consolidated into one business unit; in the new structure these have been separated.

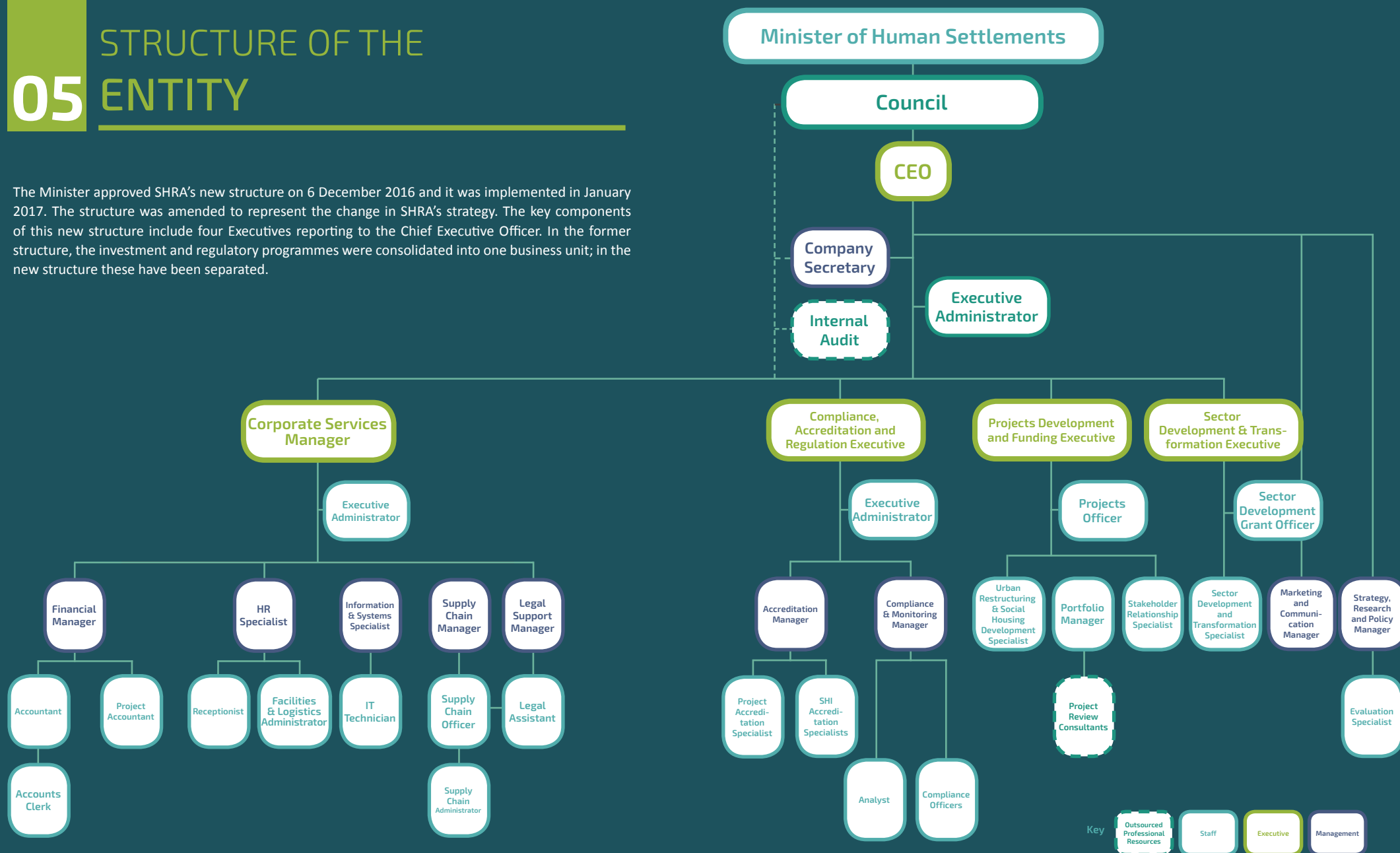


Figure 1 – Organisational structure of SHRA



In the former structure, the investment team was responsible for accepting projects onto SHRA's pipeline, awarding grants and managing these grants. In the new structure, the investment team consists of construction and development professionals whose role it is to "make projects happen" on a proactive basis. Grant award is managed independently via the Compliance, Accreditation and Regulations programme, creating the separation of powers.

The approved headcount has increased from 40 to 44, and the increase in salary budget will be accommodated by the operational grant.

The programme names were also amended, taking effect on 1 April 2017. However, the new structure implemented on 1 January 2017 allocated staff into the different units with the revised names.

In the period under review, there were five programmes: Administration, Investment, Capacitation, Compliance and Accreditation. In the next financial year, these will be streamlined to four programmes, with Compliance and Accreditation combined in order to develop a holistic regulatory system.

Capacitation has been changed to Sector Development in order to ensure focus on social housing delivery and transformation and not just capacity building without a measured outcome. Investment has changed to Project Development and Funding, as SHRA does not have an investment function but rather a grant disbursement and project packaging/facilitation function. Project development has been included to ensure the SHRA focuses on project development and social housing delivery.

Table 2. SHRA programme names 2016/17 and 2017/18

No	Programme name 2016/17	Programme name 2017/18
1	Administration	Administration
2	Capacitation	Sector Development
3	Investment	Project Development and Funding
4	Compliance	Compliance, Accreditation and Regulations
5	Accreditation	



I love this estate, the children have room to play and my daughter is safe, she can play whilst I am doing my domestic chores.





SECTION B



PERFORMANCE OF THE ENTITY

6.1 Service delivery environment

The National Development Plan 2030 (NDP), which aims to eliminate poverty and reduce inequality by 2030, advises that this can be achieved through building an inclusive economy, increasing capabilities, capacity building of the state, leadership and the formation of partnerships throughout society (National Planning Commission, 2012).

According to the NDP, South Africa's major challenges are unemployment; poor economic growth; an economy that is too reliant on resources; poor infrastructure, which is often poorly located and maintained; high levels of corruption; poor quality of education; poor public health and spatial divides (National Planning Commission, 2012).

Chapter 8 of the NDP presents further detail on the "transformation of human settlements and the national space economy" and reaffirms the priority to restructure spatial divides, as well as to enhance the spatial economy to address inequality and economic efficiencies. The transformation objectives are to ensure human settlements are "liveable, equitable, sustainable, resilient and efficient, which support economic opportunities and social cohesion" (National Planning Commission, 2012:263).

The social housing programme plays a key role in contributing towards the achievement of the NDP. South Africa's social housing programme is set out in three key documents: the Social Housing Policy (2005), the Housing Code (2007; revised 2009) and the Social Housing Act (Act 16 of 2008). As set out in these documents, the social housing programme has two primary objectives:

- To contribute to the national priority of restructuring South African society in order to address structural, economic, social and spatial dysfunctionalities, thereby contributing to the government and the NDP's vision of an economically empowered, non-racial and integrated society living in sustainable human settlements
- To improve and contribute to the overall functioning of the housing sector and in particular the rental sub-component, in so far as social housing is able to contribute to widening the range of housing options available to the poor. (Department of Human Settlements and Department of Planning, Monitoring and Evaluation, 2016:19)

These objectives can only be achieved when social housing is delivered at scale, and their realisation is becoming increasingly critical.

It is estimated that most of the world's inhabitants (54.5%) now reside in urban areas. The New Urban Agenda, adopted by member states at the United Nations (UN) *Habitat III* conference in October 2016, positions the challenges and opportunities involved with rapid urbanisation and the

achievement of the UN Sustainable Development Goals. South Africa is experiencing the “phenomenon of the urbanisation of poverty” and South Africa’s adoption of the New Urban Agenda highlights the need for a coordinated response to these challenges (Republic of South Africa, 2016:21).

6.2. Organisational environment

The entity experienced significant change in the period under review. Following the Minister’s instruction to SHRA’s Council to turn the entity around, various interventions were instituted to enhance performance, including:

- Regular staff meetings, or “business conversations”, were introduced, allowing for non-hierarchical discussions among SHRA staff on organisational and sector-wide issues affecting their individual performance
- An e-noticeboard is circulated after every Executive Committee (EXCO) meeting to communicate EXCO decisions to staff on the day they are made. This also helps to inculcate a culture of information sharing between management and staff
- Weekly programme-oriented EXCO meetings were instituted to better track ongoing work within the entity and to speed up decision-making to increase operational efficiency
- A revised reporting and accounting system was introduced to align to the monthly EXCO meetings for each programme
- Operational plans for all programmes including operational risk registers were developed, updated and tracked at monthly EXCO meetings
- An invoice tracking system was implemented to ensure invoices are paid within 30 days

SHRA also initiated an Organisation Development (OD) project in April 2016 to assist the entity to refine and operationalise the strategy, to develop and implement a structure to support the strategy, and to implement systems to enhance performance. SHRA recognised that specific OD interventions were required to address the following areas:

- Workflow design
- Policies, procedures and tools for all programmes
- Organisation design to restructure the entity to align it to the strategy
- Change management
- Strategic human resource management planning
- Monitoring and evaluation
- Information communication technology (ICT)

Due to the variety of specialisations required to develop and implement these “organisation development” interventions, this project was conducted in two broad stages. The first consisted of a situational analysis, followed by strategic planning, structure redesign, development of a strategic human resource management plan and a change-management process.

The second stage involved the appointment of specialist consultants to design and implement the interventions identified in stage one.

Stage one was completed in the period under review, while stage two is ongoing. The expected outcome of the OD project is that SHRA will have the strategy, plans, systems, policies, processes and skills in place to economically, efficiently and effectively deliver on its mandate, within a favourable organisational environment.

6.3. Key policy developments and legislative changes

There have not been any changes to key policies and legislation in the period under review. However, advancements were made in respect of two issues: the increase to the Restructuring Capital Grant quantum and the designation of additional restructuring zones.

6.3.1. Rules on Long-Term Accreditation

The purpose of the Rules on Long-Term Accreditation was to provide a clear framework on how SHRA accredits entities in order to enable them to more easily submit applications. These rules also provide for two levels of accreditation, full or conditional. The SHRA no longer awards entities with a pre-accredited status.

Conditional accreditation may be awarded for up to two years and full accreditation for a period not exceeding five years. The intention behind the longer-term accreditation is to streamline the process and relieve some of the administrative burden on the SHI and SHRA, as well as to provide further surety for the SHI and potential partners and funder.

An institution that is conditionally accredited is required to develop and implement a plan to ensure that the remaining criteria for full accreditation are satisfied. The Regulatory Authority is committed to a developmental approach to accreditation, and will assist and support institutions where necessary to achieve full accreditation. If an institution fails to meet the criteria for full accreditation at the end of the two-year period, its conditional accreditation may be revoked, subject to the provisions of the rules. This is to ensure that social housing institutions continue to improve their practices and systems, as required by full accreditation status, instead of confining themselves to the minimum criteria. The maximum duration for conditional accreditation is two years, but institutions will be individually reviewed to determine individual compliance timeframes.

6.3.2. Restructuring Capital Grant Quantum

The Departments of Human Settlements and Planning, Monitoring and Evaluation’s 2016 *Impact and Implementation Evaluation of the Social Housing Programme* report identified the Restructuring Capital Grant quantum as a key issue to be addressed. SHRA’s Council deliberated on the issue and submitted recommendations to the Executive Authority and Department of Human Settlements on this matter in December 2016. The Department has considered these recommendations and, in turn, submitted a recommendation to the Executive Authority.

6.3.3. Restructuring zones

Following approval by the Executive Authority, an additional 138 restructuring zones were gazetted under Notice 390 of 2017, with the intention to expand the social housing programme to additional towns.

Municipalities were required to identify their restructuring zones in line with their Integrated Development Plans (IDPs) and Spatial Development Frameworks (SDFs). Provinces and municipalities identified a number of towns and areas, proposing them as additional restructuring zones for expansion of the social housing programme. SHRA also identified a number of good social housing projects outside existing restructuring zones that could potentially be approved and developed.

Consultation with the provinces and municipalities on their identified proposed restructuring zones was undertaken as a team effort by officials from the Department of Human Settlements, SHRA, the HDA and the South African Local Government Association (SALGA).

The consultation was initiated in 2014 in the form of workshops, task-team and assessment meetings and general communication in the form of letters, emails and telephone calls. The final consultation process took place on 15 and 16 September 2016 during the National Rental Housing Task Team (NRHTT) meeting, whereafter municipalities and provinces were given the opportunity to submit outstanding information.

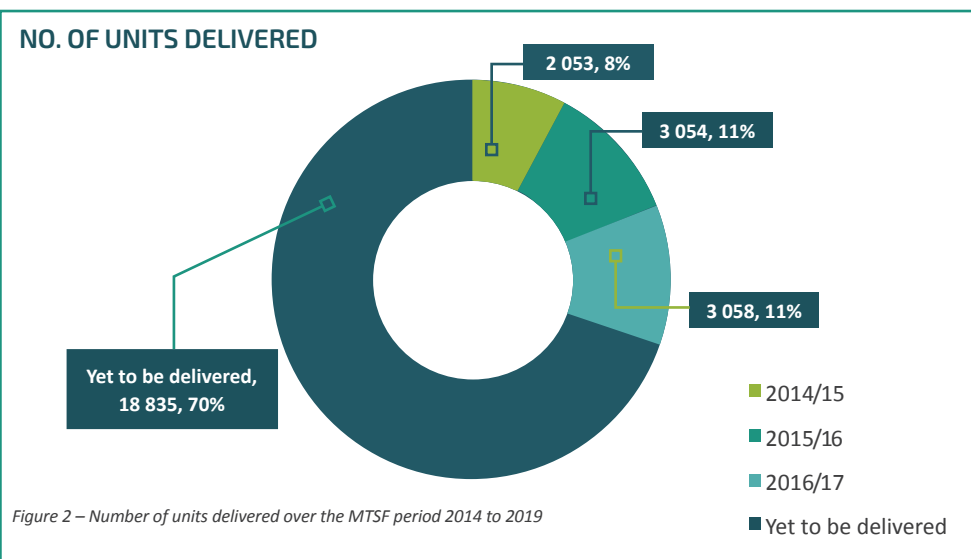
This was followed by a meeting of the Assessment Committee on 31 October 2016 to assess the applications for compliance with policy requirements, including the spatial, social and economic restructuring objectives of the programme. The new restructuring zones were approved by the Ministers and Members of Executive Councils Meeting on 24 November 2016 and subsequently approved by the Executive Authority and gazetted.

These new restructuring zones (located in six provinces and 38 municipalities) add to the existing zones gazetted under Notice 848 of 2011, Notice 900 of 2011 and Notice 857 of 2013, totalling 127 restructuring zones. However, it is important to assess the zones' performance, and SHRA is assessing the implementation of the existing 127 zones and their effectiveness as an urban restructuring tool.

6.4. Strategic outcome-oriented goals

Strategic outcome-oriented goal 1: Stimulate social housing delivery

Goal statement: To upscale and fast-track social housing development in order to deliver 27 000 units by 2019.



The MTSF target is the delivery of 27 000 units by 2019. In the year under review, 3 058 units were delivered; 8 165 units have been delivered thus far within the MTSF period of 2014 to 2019.

Strategic outcome-oriented goal 2: Effective, risk-based, automated regulatory system

Goal statement: To revise the accreditation and compliance system to a risk-based automated system by 2019, allowing for a more effective and streamlined regulatory system.

The revision of the accreditation system has been partly addressed through the *Rules on Long Term Accreditation* of SHIs, gazetted under Notice No 624 of 2016, and the development and approval of two accreditation policies in March 2017, Accreditation of SHIs and Accreditation of Projects. These rules and policies aim to provide a more regularised, systematic accreditation system. Further enhancements to the compliance system will be addressed through the OD project.

Strategic outcome-oriented goal 3: Professionalised and sustainable social housing sector

Goal statement: To implement accredited social-housing training programmes by 2019 in order to professionalise the sector and ensure the required expertise and capacity are created to propel the sector forward.

There are three qualifications registered with the South African Qualifications Authority (SAQA) regarding social housing and administered by the Public Service Sector Education and Training Authority (PSETA). These are:

- Social Housing Supervision NQF Level 4 x 2
- Social Housing Property Management

These courses were registered around 2005 under the European Union-funded Support Programme for Social Housing. However, to date, no training providers have been accredited to offer these programmes; nor has training material been developed.

More recently, the skills accreditation framework has undergone legislative changes, with a change in responsibilities of entities in this field. The SETAs and SAQA will no longer be responsible for accrediting training. Instead, the Quality Council for Trades and Occupations (QCTO) will take over this role.

This is part of a national initiative to standardise professions and ensure appropriate training for each profession. This new system ensures that practical workplace learning is included in every training programme. Training providers therefore need to be able to place learners within workplace environments for a particular length of time.

SHRA has held preliminary meetings with sector stakeholders and is currently conducting a pre-feasibility study to determine how to take this initiative forward.

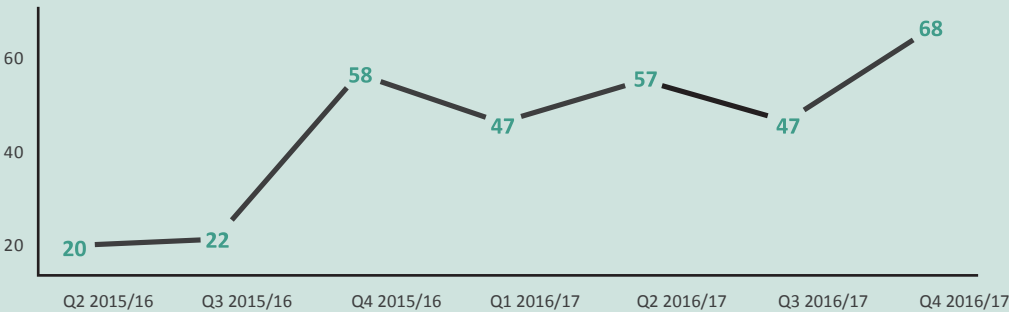
Goal statement: To restructure the entity and implement new systems, policies and procedures by 2019 to enhance its performance and reputation.

The entity has been restructured and is in the process of developing new systems, policies and procedures. This should be achieved by the end of the 2017/18 financial year as it is currently being undertaken as a component of the OD project.

6.5. Performance information by programme

SHRA’s annual performance rate in the period under review was 67%. Tracked against pre-approved targets over the past seven quarters ending on 31 March 2017, this percentage shows that the Minister’s intervention to turn the entity around is showing the desired results. The organisation’s percentage performance over the past seven quarters has been 20%, 22%, 58% (end 2015/16), 47%, 57%, 47% and 68% (end 2016/17).

Performance rate percentage



I was an unskilled worker but am now a safety officer taking care of the construction site and ensuring people comply with safety.



6.6. Administration programme

The aim of the programme is to provide leadership, support the entity's activities and help enhance its performance. This programme consists of the Office of the Chief Executive Officer, Finance and Corporate Services.

6.6.1. Programme structure

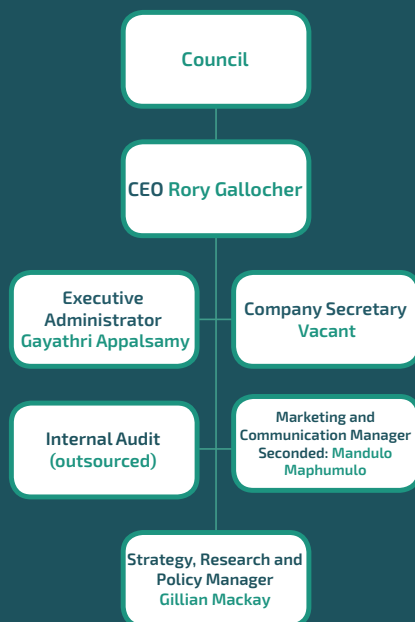


Figure 3 – Office of the CEO



The Office of the CEO (see Figure 3) drives governance, internal audit (an outsourced function), marketing and communications, strategy, research and policy. The previous Company Secretary resigned in September 2016, so the recruitment process to hire a new Secretary had commenced by the end of March 2017. The position of Marketing and Communication Manager is being filled by an official from the Department of Human Settlements.

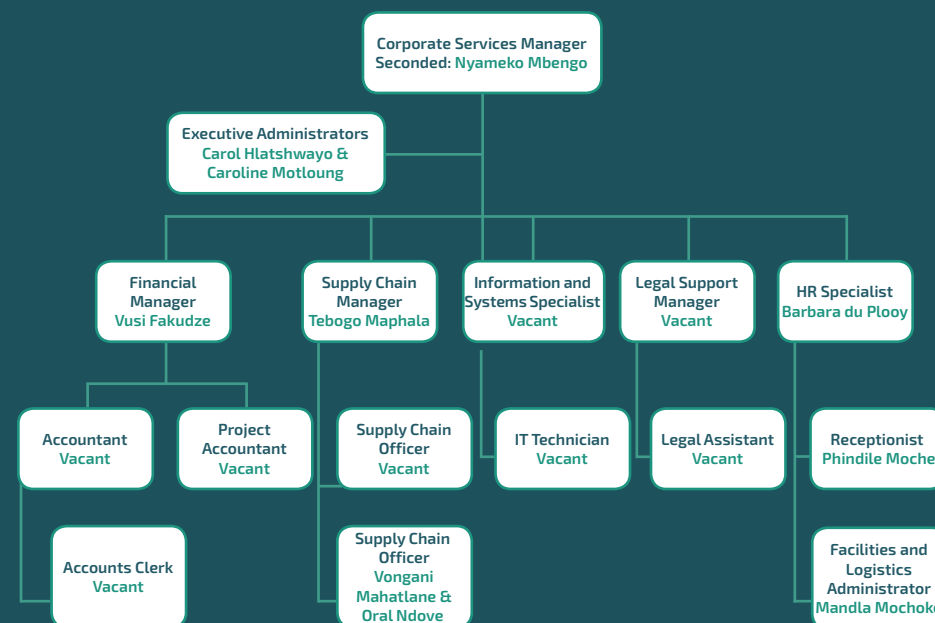


Figure 4 – Corporate Services

The Corporate Services unit (see Figure 4) consists of finance, supply chain, information technology, legal, human resource management and facilities. Recruitment has commenced for a Corporate Services Manager and the position is currently being filled by an official from the National Department of Human Settlements. The positions of accountant and information technology support are currently outsourced.

6.6.2. Economic transformation

SHRA is prioritising economic transformation as demonstrated by the new indicators and targets within the Annual Performance Plan (APP) 2017/18. These include targets to ensure the graduation of accreditation status of black-owned or controlled SHIs, and awarding resources such as restructuring capital grants to black-owned or controlled SHIs and other delivery agents (private developers).

In terms of the above, SHRA must increase the “percentage of conditionally and fully accredited SHIs that are classified as B-BBEE owned/controlled”. SHRA must also ensure that “50% of the Social Housing Consolidated Capital Grant (CCG) allocation is awarded to B-BBEE owned/controlled companies as defined in the B-BBEE Act”. In addition, SHRA has begun tracking award of contracts to black-owned and -controlled companies and will be reporting on this every quarter in 2017/18.

6.6.3. Marketing and Communications

SHRA's Marketing and Communications function has improved dramatically in the last 18 months due to the secondment of a staff member from the Department of Human Settlements. This function had not been resourced previously, but is allowed for in the new structure. Various work has been undertaken in the period to enhance SHRA's internal communications, marketing and brand management.

SHRA staff and the Council receive daily clippings of news of the sector. These are distributed electronically and cover all major national news outlets and social media. One opinion piece published in *The Citizen* newspaper was on the importance of social housing as a tool for housing delivery. SHRA was profiled by three community radio stations – Jozi FM, Ngqubela FM and Soshanguve Community Radio – in the period under review. The 10-minute interviews profiled SHRA's work with the intention of building brand awareness among would-be beneficiaries in areas where the SHIs operate.

On 13 May 2017, the Minister of Human Settlements Lindiwe Sisulu launched the Belhar Gardens Rental Estate project in Cape Town.

Belhar Gardens



Madulammoho Housing Association developed and now manages Belhar Gardens. The estate provides 629 social housing units. SHRA invested R79-million in the project.



Willowdene



On 30 July 2016, Minister Sisulu launched the Willowdene Village project in Nelson Mandela Bay Municipality.

Imizi Housing Association developed and manages Willowdene Village. The state provides 400 social housing units; SHRA invested R50-million into the project.

SHRA works with a number of partners and was pleased to participate in the following events in the period under review:

- The SHRA was a proud sponsor of the 2016 South African Women in Construction conference. SHRA branded the venue and also delivered a message of support to the conference. This was part of SHRA's ongoing engagements with different women's organisations as a way of bringing more women into the National Social Housing Programme
- SHRA Council Chairperson Zolile Ngcakani delivered a keynote address at the National Association of Social Housing Organisations (Nasho) Annual General Meeting in 2016

SHRA undertook a series of project visits with employees and Council members to expose them to the tangible and physical delivery by the entity. Five project visits were undertaken in the period under review. The Investment Committee visited Thembelihle Village in Pretoria and Fleurhof in Johannesburg, where they were welcomed by the SHIs and able to engage directly with our delivery partners.

Thembelihle Village



Yeast City Housing is currently developing Thembelihle Village rental estate, which will consist of 734 social housing units. SHRA has invested R92-million into this project.

Fleurhof



Fleurhof is a large integrated housing development in Johannesburg, comprising of various housing products and typologies. There are a number of social housing estates within Fleurhof that have received RCG funding. The estate was primarily developed and managed by both Madulammoho Housing Association and the Johannesburg Social Housing Company (Joshco).

Norvena Court



SHRA also visited the Norvena Court and O'Reilly Street development in Hillbrow, Johannesburg, with 271 social housing units. The SHRA invested R34-million in the project through property developer the Norvena Property Consortium.

Klarinet in Emalahleni (Lesedi Court)



The Investment Committee visited Klarinet in Emalahleni. This project is already tenanted and was developed by the Emalahleni Housing Company. The estate provides 104 social housing units; SHRA invested R13-million into this project.

SHRA staff visited three projects in December 2016, including BG Alexander (a Madulammoho Housing Association and Joshco joint venture), City Deep (Joshco) and Fleurhof Riverside Ridge (Joshco). The main aim was for staff to have a physical experience of the projects and gain a better appreciation of the work done by SHRA.

BG Alexander



Image courtesy of grahamdelacy.com

BG Alexander in Hillbrow was developed before SHRA's establishment. It was once the site of a nursing college, but was "hijacked" by illegal residents in the early 2000s. It was later redeveloped by Madulammoho Housing Association and Joshco and provides 400 social housing units. It is a large inner-city development, occupying an entire city block that includes a five-a-side soccer pitch, church, aftercare centre, crèche and lecture hall, among other facilities.

Joshco developed and manage the City Deep project. SHRA was a funder of this project (more than R100-million in RCG funding), both through the Interim Social Housing Programme and the Social Housing Investment Programme. City Deep was once a hostel, but now provides bachelor, one-bedroom and two-bedroom apartments for families.

Fairview Link



The Govan Mbeki Awards took place on 23 November 2016 in KwaZulu-Natal. SHRA sponsored the Best Social Housing Project category, which was won by Imizi Housing Association for its Fairview Link project.



Human Settlements Deputy Minister Zou Kota-Fredericks



Second annual corporate engagement

In March 2016, SHRA held its first stakeholder engagement session, where it was decided that this would be an annual event. On 28 March 2017, SHRA hosted its second annual stakeholder engagement session, now known as the Social Housing Annual Stakeholder Corporate Engagement.

Corporate Engagement refers to the coming together of stakeholders to take stock of work done and to come up with strategies towards making a company/sector grow. With this in mind, the event was themed *Developing a Thriving Social Housing Sector*. Content was developed to support the theme and to provoke debate that would lead towards development of a thriving social housing sector.

A panel discussion on how to develop a thriving social housing sector was preceded by an address by Deputy Minister of Human Settlements Zou Kota-Fredericks. The panel included the following stakeholders: SHRA, National Association of Social Housing Organisations (Nasho), TUHF, two SHIs, Nedbank and the Steffanuti construction group.

This year's engagement incorporated an accreditation ceremony, which had not taken place for two years. The dinner attracted mainly SHIs, which were there to receive their accreditation certificates. The ministerial event was attended by Deputy Minister Kota-Fredericks, who engaged with stakeholders in both parts of the programme. SHRA used the night to launch the *State of The Social Housing Sector Report 2016*, which is an independent review of the sector.

Performance against the programme's strategic objective/s

Strategic objective	Strategic plan target	Audited performance	Target	Actual	Medium-term targets		Total achieved over MTSF	Variance and comments
					2014/15	2015/16		
Programme 1: Administration Programme								
To ensure sound corporate and financial governance and best practice adhering to statutory regulations	Maintain an unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Thus far SHRA has maintained an unqualified audit opinion	The annual target has been achieved
To enhance SHRA's performance and effective corporate services	Implementation of a comprehensive performance management system that includes performance targets and performance standards	New indicator	Performance management system including performance targets and standards for all positions developed, approved and implemented	Performance agreements have all been signed. Half-year performance appraisals have been undertaken as well as performance reviews in the third quarter.	Performance management system including performance targets and standards for all positions implemented	Performance management system including performance targets and standards for all positions implemented	Performance agreements have all been signed	Management made a decision that the end-of-year performance assessments would not be done by end of Q4 due to the fact that some targets are set for Q4 and final assessment cannot be done before the end of the quarter. End-of-year assessments will be done in April 2017

Performance against the programme's annual indicators

Performance indicator for	Audited/actual performance	Target	Actual	Medium-term targets		Variance and comments
	2014/15	2015/16	2016/17	2017/18	2018/19	
Programme 1: Administration Programme						
Strategic objective: To ensure sound corporate and financial governance and best practice adhering to statutory regulations						
Maintain an unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	The annual target has been achieved
Number of Council Evaluation reports developed and submitted to the Department	None	One (1) Council Evaluation report developed and submitted to the Department	One (1) Council Evaluation report developed and submitted to the Department	One (1) Council Evaluation report developed and submitted to the Department	One (1) Council Evaluation report developed and submitted to the Department	The annual target has been achieved
Strategic objective: To enhance SHRA's performance and effective corporate services						
Average number of months to fill approved positions	New indicator	3 months	More than 3 months	3 months	3 months	The target was not achieved. On 23 August 2016, a decision was made to re-advertise the CSM vacancy. The interviews were conducted in December 2016. This position has not yet been appointed. In addition, further positions were approved to be recruited for in January 2017 and although recruitment is well underway no appointments have yet been made
Implementation of a comprehensive performance management system that includes performance targets and performance standards	New indicator	Performance management system including performance targets and standards for all positions developed, approved and implemented	Performance agreements have all been signed. Half-year performance appraisals have been undertaken as well as performance reviews in the 3rd quarter	Performance management system including performance targets and all positions implemented	Performance management system including performance targets and standards for all positions implemented	The end-of-year performance assessments would not be done by end of Q4 due to the fact that some targets are set for Q4 and final assessment cannot be done before the end of the quarter. End-of-year assessments will be done in April 2017

6.7. Investment Programme

The purpose of the Investment Programme is to upscale and fast-track social housing development. This programme looks at the methods of ensuring that SHRA delivers on the MTSF target of 27 000 units.

6.7.1. Programme structure

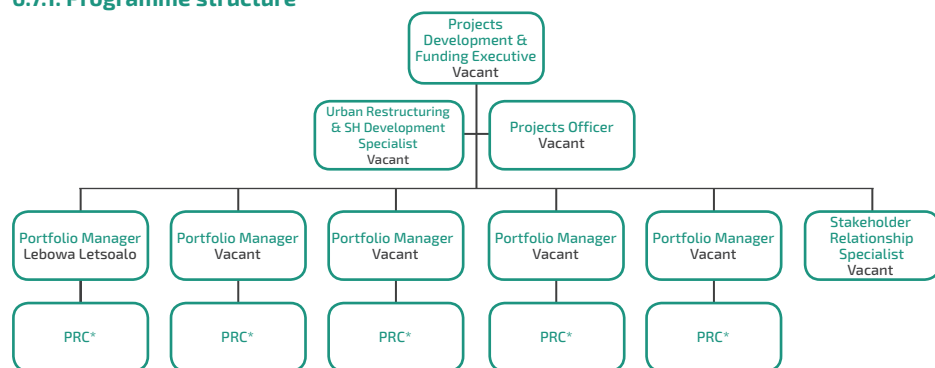


Figure 5 - Investment/project development and funding structure

Figure 5 represents the structure implemented on 1 January 2017. Due to two resignations in the Investment Programme, by the end of March 2017 only one position was filled.

6.7.2. Units delivered

During the year under review, 3 058 units were delivered against a target of 3 500. This translates to a shortfall of 442 units for the year and an 87% achievement of the target.

The units delivered in the period under review consisted of the following:

Table 3 (below) details the units delivered in the period under review.

Project name	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total units delivered in 2016/17
Willowdene	50		200		250
Brandwag Phase 2	67				67
Brandwag Phase 3			106		106
O'Reilly Road			22		22
Dobsonville	40	52			92
Devland		153			153
Thembelihle	100	141*			241
Akasia			40		40
Germiston Fire Station			150		150
Westgate Grange	120	177	253		550
Hamptons			128		128
Hampshire		90			90

Project name	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total units delivered in 2016/17
Hilltops				120	120
Flamwood			240	480	720
Belhar	80	72	77	100	329
TOTAL	457	685	317	1 599	3 058

6.7.3. Units approved

SHRA approved a total of 6 529 units (65.3%) against an annual target of 10 000 units. This represents a shortfall of 3 471 units (34.78%). SHRA has a social housing pipeline of 14 545 units that have been pre-assessed and are ready for evaluation by the Technical Evaluation Committee.

SHRA management has decided to have monthly Technical Evaluation Committee (TEC) meetings to fast-track project recommendations to the TEC and Council per quarter. It must, however, be noted that the SHRA Council gave in-principle approval for an additional three projects with a total yield of 3 444 units. SHRA delayed contracting with the grant recipients on these projects until conditions have been met. The total number of Council-approved units and units that received in-principle approval for the year under review is therefore 9 973 units.

The projects approved for RCG award in the period under review are reflected in Table 4.

Historically, and in the period under review, SHRA has only administered the RCG, but in the next financial year, the entity will be administering the RCG and the "top-up grant" (the portion of the institutional subsidy earmarked for social housing). SHRA will agree on standard operating procedures with all nine provinces in terms of administering the balance of contracts with grant recipients in order to avoid any administrative lags.

Table 4 – Units approved in 2016/17

SHIP 7					
Grant recipient	Name of project	Province	Municipality	No. of units	Total rcg amount (R)
AMASU	Bontle Golf Course Phase 1 and 2	Gauteng	City of Tshwane	475	610 902 215.00
Norvena Property Consortium	O'Reilly Road	Gauteng	City of Johannesburg	22	2 763 530.00
Salamax	Helderwyk Ext 8	Gauteng	Ekurhuleni	903	113 807 190.00
Own Haven	Walmer Cosmo	Eastern Cape	Nelson Mandela Bay	630	86 687 370.00
Housing Company Tshwane	Townlands	Gauteng	City of Tshwane	767	96 346 705.00

SHIP 7					
Grant recipient	Name of project	Province	Municipality	No. of units	Total rcg amount (R)
Imizi	Fairview Extension Phase 2	Eastern Cape	NMMB	144	18 196 416.00
Golden West	Westonaria Borwa	Gauteng	Westonaria	582	73 107 930.00
HAEL	Belgravia Phase 3	Eastern Cape	Buffalo City	372	12 561 500.00
HCT	Townlands	Gauteng	City of Tshwane	433	19 479 750.00
Arrow Creek	Mogale Junction	Gauteng	Mogale City	1590	199 727 850.00
NOMDA	Germiston Ext. 4	Gauteng	Ekurhuleni	201	63 936 000.00
Urbanscape	Upstream Development	Gauteng	City of Tshwane	368	26 379 150.00
Urbanscape	301 Marshalltown	Gauteng	City of Johannesburg	42	26 379 150.00
TOTAL				6 529	1 350 274 756.00



Performance against the programme's strategic objectives

Strategic objective	Strategic plan target	Audited performance		Target	Actual	Medium-term targets		TOTAL achieved over MTSF period	Variance and comments
		2015/16	2015/16			2016/17	2017/18		
To facilitate the growth of social housing development	95% disbursement of RCG grant	4% disbursement of RCG grant	42% disbursement of RCG grant	95% disbursement of RCG grant	75.67% disbursement of RCG grant	95% disbursement of RCG grant	95% disbursement of RCG grant		The variance for the year is -24.33%

Performance against the programme's annual indicators

Performance indicator	Audited/actual performance		Target	Actual	Medium-term targets		Variance and comments
	2014/15	2015/16			2017/18	2018/19	
Programme 3: Investment Programme							
Strategic objective: To facilitate the growth of social housing development							
Consolidated cashflow and construction dashboard for social housing programme development	New indicator	Consolidated cashflow and construction dashboard developed	Consolidated cashflow and construction dashboard for Social Housing Programme updated	Dash-board updated	Dash-board updated	There is no variance as the target was achieved	

Performance indicator	Audited/actual performance		Target	Actual	Medium-term targets		Variance and comments
	2014/15	2015/16			2017/18	2018/19	
Number of units approved for RCG award	5 398	1 979	10 000	6 529 units approved with an additional 3 444 in-principle approval	12 000	14 000	The variance for the year is -3 471 Currently recruiting Portfolio Managers to increase viable projects in the pipeline. It is expected that units approved will greatly increase in next financial year
Number of units delivered	2 053	3 054	3 500	3 058	6 000	12 508	The variance for the year is -442. This is 87% achievement of the target. SHRA has appointed Programme Managers to help fast-track project implementation. SHRA is also intervening with projects that have struggled to perform to assist grant recipients in unlocking projects
95% disbursement of RCG grant	4% disbursement of RCG grant	42% disbursement of RCG grant	95% disbursement of RCG grant	75.67%	95% disbursement of RCG grant	95% disbursement of RCG grant	The total RCG expenditure for the period under review is R321,136,944, which equates to 75.67%. The remaining amount will be utilised for the acquisition of inner-city buildings as per the Council resolution of 26 March 2017. The variance for the year is -24.33%

6.8. Capacitation Programme

This programme undertakes numerous functions pertaining to the growth of the social housing sector, as well as administration of the Institutional Investment Grant programme. Its purpose is to ensure the viability and sustainability of the social housing programme and that the programme continues to be innovative. The Capacitation Programme will undertake research to develop best practice for the sector, to recommend policy changes to the Minister and Department and to support the growth and development of social housing.



6.8.1. Programme structure

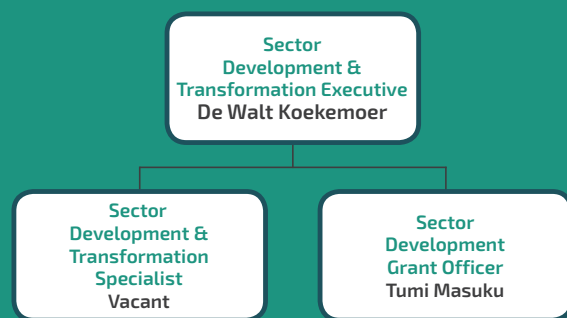


Figure 6 – Capacitation/sector development programme structure

Figure 6 represents the structure of the Capacitation Programme’s business unit implemented on 1 January 2017.

6.8.2. Overview of grants

The policy provides for three types of grants for capacity building:

- The first type of grant concerns assistance for gearing up staff in accredited and conditionally accredited institutions
- The second type is the provisional accreditation grant, which consists of two sub-components:
 - Project feasibility grants, aimed at providing financial support for the preparation of project proposals and obtaining approval for them. The focus is therefore on supporting the preparation of viable projects
 - Pre-accreditation grants, which provide financial support for the preparation and submission of proposals for accreditation or increasing accreditation status
- The third type is the general capacity-building grant, which also has two sub-components:
 - The first relates to *ad-hoc* grants linked to the institution’s business-planning process, and should be demand driven
 - The second component provides programme-related grants to support the social housing sector as a whole

6.8.3. Grants disbursed in the period under review

A number of staff gear-up grants were disbursed in the period under review for projects already completed and in the process of tenanting, and for projects already under construction. In future, the

focus will be on newly accredited institutions that are developing their first social housing projects, since established institutions should focus on effectively and efficiently growing and developing the required internal capacity to absorb new project requirements without significant grant support. SHRA will also focus on sector-wide back-office and other efficiencies.

Several pre-accreditation grants were disbursed. SHRA supports and assists new entrants and institutions with accreditation requirements and/or compliance conditions to strengthen governance, financial management, property development and tenant and property management.

Grants disbursed in the period under review included:

- Strategic and business plan development support for 52 institutions with a strong focus on their intended projects with dedicated and tailor-made training, coaching and skills development and transfer
- Social housing training workshops held in different provinces on different topics applicable to newly established SHIs, such as property development and financial management
- Ten (10) new institutions were provided with specified support as recommended via the Accreditation Programme
- Thirteen (13) existing institutions with stock were provided with specified support as recommended via the Compliance Programme

Several project feasibility grants were awarded and disbursed. SHRA supports and assists institutions, municipalities and provinces with potential social housing projects to complete pre-feasibility and project readiness work, so that these projects may qualify for Consolidated Capital Grants. Project feasibility studies were conducted throughout the country, including:

- DCI Holdings were awarded grants to undertake three (3) new social housing projects at Goodwood, Retreat and Heideveld train stations in the Western Cape. This grant was awarded on 20 April 2015. A service provider was appointed to undertake the work and this was completed in the period under review
- The Ekurhuleni Development Company was awarded with pre-feasibility work on 11 buildings in the Germiston and Benoni inner cities
- The Western Cape Department of Human Settlements and the City of Cape Town were assisted with precinct planning and feasibility work along the Voortrekker Road Corridor and in other key areas such as Century City
- The City of Johannesburg was awarded a grant to provide planning and implementation support to the Inner City Housing Implementation Programme through the Johannesburg Development Agency (JDA). The aim was to identify and assess buildings and land for social housing and to develop implementation plans, including conceptualising the required partnership arrangements
- Various planning and feasibility support and assistance grants were awarded to help institutions to get social housing projects in the pipeline ready for construction

SHRA supports the sector to facilitate sustained growth and development. This includes research funding through General Capacitation Grants. Details of some of these grants awarded in the period under review included:

- The *State of the Social Housing Sector report 2016*; completed and launched in March 2017
- Various pieces of research, including the social housing norms and standards, unit typologies, the

funding structure; delivery models; the operational models of the institutions/delivery agents; cost of social housing units; assessment of effectiveness of restructuring zones where social housing projects are implemented as a spatial targeting tool; and the spatial, social and economic impact of our projects over time

- Workshops, roadshows and awareness campaigns to promote social housing and to increase awareness and knowledge

6.8.4. State of the Sector Report 2016

SHRA published the *State of the Sector 2016* report, which it launched in March 2017. This was a significant piece of research and arguably the most comprehensive and informative research undertaken on social housing for public consumption since the closure of the Social Housing Foundation in 2010. The report was written for a wide audience consisting of sector stakeholders, new entrants into the sector, researchers and the media. It has been well received and provides evidence for certain key assertions about social housing, such as:

- (1) There is demand for 320 000 units
- (2) A focus on targeted investment is required
- (3) Most demand is around 16 municipal areas with higher growth
- (4) Market prices are not in reach of most poorer families (twice what they can afford)
- (5) Municipal data is needed to make investment decisions
- (6) Average social housing rents are half of average rents in general
- (7) Projects are taking too long to complete
- (8) Institutions are taking too long to reach maturity (only three SHIs have more than 2 000 units)
- (9) The number of institutions qualifying for grant support increased from 15 in 2012/13 to 48 in 2015/16 (an increase of 320%)
- (10) Programme objectives are being reached, but not at adequate scale

The absorption capacity of the South African economy for good-quality, high-density, affordable rental housing (social housing) is 320 000 units. Research undertaken to assess household growth, economic development and employment indices indicates that 16 urban areas have the greatest absorption capacity for social housing. These are the City of Johannesburg, City of Cape Town, Ekurhuleni, City of Tshwane, eThekweni, Rustenburg, Emalahleni, Polokwane, Mafikeng, Mmabatho, Mmase, Mmase, Mogale City, Steve Tshwete municipal area, Govan Mbeki local municipality, Matjhabeng and Matlosana.

6.8.5. Inner-city revitalisation

Although there has been inadequate focus specifically on inner-city revitalisation, this is changing. As I indicated in my 2015 Budget Vote, the inner cities will be revitalised by expropriating unused buildings and assigning them for the purpose of building social housing next to places of work.

Speech by LN Sisulu, Minister of Human Settlements on the occasion of the Budget Vote of the Ministry of Human Settlements, National Council of Provinces, Parliament, 19 May 2016

SHRA is providing support to both the Metros, as well as to registered Social Housing Institutions to do this. Examples of this include the Project Agreement entered into between the SHRA and the Ekurhuleni Development Company for the acquisition and redevelopment of numerous derelict inner-city properties in Ekurhuleni; the agreements signed with both the Tshwane and the eThekweni Housing Associations; and the contract agreed with the City of Johannesburg for the Implementation Framework to densify and develop inner-city affordable rental and social housing.

Speech by LN Sisulu, Minister of Human Settlements on the occasion of the Budget Vote of the Ministry of Human Settlements, National Council of Provinces, Parliament, 19 May 2016

The revitalisation of inner cities is a priority for SHRA as directed by the Executive Authority. SHRA has adopted a multi-pronged approach to tackle this critical issue, including the funding of building acquisitions, project feasibility studies, project packaging and forming partnerships with key sector stakeholders.

a. International partnerships

The Canadian and South African governments have concluded a four-year bilateral partnership agreement. Part of the work to be undertaken is the Equal Spaces: Social Housing to end spatial apartheid in South Africa project. The Canadian government will manage this project through Global Affairs Canada and Rooftops Canada / Abri International.

The South African government partners are National Treasury, the Department of Human Settlements, the Department of Planning, Monitoring and Evaluation and SHRA. The project seeks to build partnerships and protocols to put into operation and manage social housing and urban regeneration initiatives in at least four South African cities.

The project will also focus on the institutional strengthening of SHIs to ensure their independent financial viability and to upscale their ability to develop and manage inclusive social housing developments. This will include developing and implementing coordinated sector-wide capacity building with the SHRA, Nasho and other important sector stakeholders. The project aims to create the right conditions for the construction of 4 500 social housing units in regeneration projects and 6 700 or more units in other well-located urban areas.

The Canadian government investment amounts to approximately R30-million over four years.

Two Canadian technical advisors have been seconded to South Africa to manage the programme, with current interventions consisting of back-office support for sector development and managing capacity building, life-cycle costings to assist SHIs to build reserves, the development of an SHI Performance Management tool and gender research.

SHRA received an invitation from Rooftops Canada to participate in a study tour on back-office efficiencies in March 2017. Two Council members and one staff member formed part of the delegation that visited Toronto from 18 to 25 March 2017. The aim of the tour was to promote the development and awareness of the social housing sector by providing an enabling environment.

In addition, four metros – the City of Cape Town, Ekurhuleni, eThekweni and the City of Johannesburg – were selected to participate in the programme following the adjudication of proposals. These cities will receive support with precinct planning, including urban management activities; mixed-income, mixed-tenure and mixed-use planning; and urban regeneration.

b. Partnerships with local and provincial authorities

SHRA currently provides support to the Ekurhuleni Development Company social housing institution and three metropolitan municipalities, City of Johannesburg, eThekweni and Ekurhuleni, with capacitation contracts already concluded.

SHRA's partnership with the City of Johannesburg, with the JDA as implementation agency, has made substantial progress in the period under review. This project forms part of the Johannesburg Inner City Housing Strategy and Implementation Plan 2014-2021. SHRA has funded the JDA to undertake a land audit and identification of buildings for social housing and, potentially, other housing instruments in targeted inner-city precincts.

The first phase of the project has been completed, constituting an audit of 785 properties in the study area to determine their suitability and appropriateness for a social housing project. The identification of buildings to include in the project will be concluded in the 2017/18 financial year.

The City of Johannesburg estimates that at least 30 000 units are required in the short to medium term to address the housing needs of the most vulnerable households, specifically in the inner city, and that there are more than 115 000 people illegally occupying inner-city buildings, with most living in deplorable conditions. Most of these buildings have been abandoned by their owners and are in arrears with respect to rates and taxes. The city is concerned that large parts of the inner city have been taken over by criminal elements, drug dealers and slumlords.

The JDA and SHRA are optimistic that the rejuvenation of the inner city can lead to a new growth trajectory for Johannesburg. A well-managed urban environment – including the provision of affordable housing to people who currently live in overcrowded and slum conditions – will increase confidence among investors and the private sector to return to the inner city.

SHRA is also providing the KwaZulu-Natal Department of Human Settlements with funding for project feasibility and project packaging for 27 projects. This work will be initiated in the 2017/18 financial year.

c. Pilot building-acquisition programme

The Council approved a pilot building-acquisition programme for the City of Ekurhuleni, City of Johannesburg and eThekweni Metropolitan Municipality at a meeting on 24 March 2017. A key principle in the implementation of this programme will be the consideration of property ownership in the inner city in order to address the policy objective of economic transformation.

d. Partnership with Housing Development Agency

At its meeting on 24 March 2017, SHRA's Council agreed to the signing of a working contract (implementation protocol) with the HDA to establish a working relationship on acquisition of inner-city and other strategically located properties, to assist SHRA to achieve its social housing policy objectives. R100-million was set aside for acquisition and potential allocation to the HDA for the purpose of acquiring the buildings.

Performance against the programme's strategic objective/s

Strategic objective	Strategic Plan target	Audited performance		Target	Actual	Medium-term targets		TOTAL achieved over MTSF period	Variance and Comments
		2015/16	2015/16			2017/18	2018/19		
To ensure the sustainability of the social housing programme	Norms and standards for social housing developed and approved		New indicator	Norms and standards for social housing developed and approved	Consultation with sector undertaken. Draft norms and standards developed and discussion paper on social housing estate norms and standards developed	Main- tain and enhance norms and standards for social housing	Maintain and enhance norms and standards for social housing	Consultation session with sector undertaken. Draft norms and standards developed and discussion paper on social housing estate norms and standards developed	Norms and standards partially developed with sector consultation but not yet approved. Longer process to ensure proper consultation and transparency. Sector consultation to continue to obtain inputs and comments whereafter norms and standards will be completed and submitted for approval
To achieve social, economic and spatial restructuring through social housing	Evaluation of restructuring zones report		New indicator	Evaluation of restructuring zones report	Report completed and presented to SHRA Executive Committee and Subcommittee of Council for final input and comment	Advise the Minister and Department on policy relating to restructuring zone report		Report completed and presented to SHRA Executive Committee and Subcommittee of Council for final input and comment	No variance

Performance against the programme's annual indicators

Performance indicator	Audited/actual performance	2014/15	2015/16	Target	Actual	Medium-term targets	Variance and comments	
Programme 2: Capacitation Programme								
Strategic objective: Ensuring the sustainability of the social housing programme								
Norms and standards for social housing developed and approved		New indicator	Norms and standards for social housing developed and approved		Consultation session with sector undertaken. Draft norms and standards and discussion paper on social housing estate norms and standards developed	Maintain and enhance norms and standards for social housing	Maintain and enhance norms and standards for social housing	Norms and standards partially developed with sector consultation but not yet approved. Longer process to ensure proper consultation and transparency. Sector consultation to continue to obtain inputs and comments where after norms and standards will be completed and submitted for approval
Number of new social housing institutions accredited by 2019	9	19	6		10 new SHIs already accredited in this financial year	10	9	There is a positive variance of four, as the target was surpassed.
Number of social housing institutions re-accredited by 2019	37	41	50		60 institutions already re-accredited in this financial year	50	50	There is a positive variance of 10, as the target was surpassed.
Number of <i>State of the Sector</i> reports published	0	1	1		<i>State of the Sector</i> report published and launched at the social housing event on 28 March 2017	1	1	There is no variance, as the target was achieved.
Strategic objective: To achieve social, economic and spatial restructuring through social housing								
Evaluation of restructuring zones report		New indicator	Evaluation of restructuring zones report		Report completed and presented to SHRA Executive Committee and circulated to Subcommittee of Council for final input and comment	Advise the Minister and Department on policy relating to restructuring zone report		There is no variance as the target was achieved
95% disbursement of Institutional Investment grant		New indicator	95% disbursement of Institutional Investment grant		Final drawdown received from National Department of Human Settlements (R28 083 000). The expenditure for 2016/2017 is at 48%.	95% disbursement of Institutional Investment grant	95% disbursement of Institutional Investment grant	Expenditure in first quarter was less than 5%, increased to 12% in second quarter and almost 25% in third quarter with substantial increase to 48% in last quarter. The total expenditure for the period under review consist of R12,925,847 purely for grants with an additional amount of R652,173 for operational expenses related to these grants; hence, a total expenditure of R13,578,020.

Performance against the programme's annual indicators (continued)

Performance indicator	Audited/actual performance		Target	Actual	Medium-term targets		Variance and comments
	2014/15	2015/16			2017/18	2018/19	
No of work opportunities for women		New indicator	Research completed on opportunities created for women within sector. Policy and procedures developed to monitor work opportunities created for women in sector. Targets for work opportunities in sector determined	Policy and procedures developed and approved and targets for work opportunities in sector determined	Policy and monitoring implemented	Policy and monitoring implemented and evaluated	There is no variance as the target was achieved.
No of work opportunities created for youth		New indicator	Research completed on opportunities created for youth within sector. Policy and procedures developed to monitor work opportunities created for youth in sector. Targets for work opportunities in sector determined	Policy and procedures developed and approved and targets for work opportunities in sector determined	Policy and monitoring implemented	Policy and monitoring implemented and evaluated	There is no variance as the target was achieved
No of training days for women		New indicator	Research completed on training created for women within sector. Policy and procedures developed to monitor training created for women in sector. Targets for training days in sector determined	Policy and procedures developed and approved and targets for training days in sector determined	Policy and monitoring implemented	Policy and monitoring implemented and evaluated	There is no variance as the target was achieved
No of training days for youth		New indicator	Research completed on training created for youth within sector. Policy and procedures developed to monitor training created for youth in sector. Targets for work training days in sector determined	Policy and procedures developed and approved and targets for training days in sector determined	Policy and monitoring implemented	Policy and monitoring implemented and evaluated	There is no variance as the target was achieved



Children can easily make friends and play as a group within the enclosed project.

6.9. Compliance Programme

The purpose of this programme is to monitor the sector to ensure adherence to the Social Housing Act and Regulations. This programme will enforce the Act and Regulations, where required. It also monitors adherence to applicable legislation related to social housing stakeholders and ensures the protection of stock and the secure tenure of its residents.

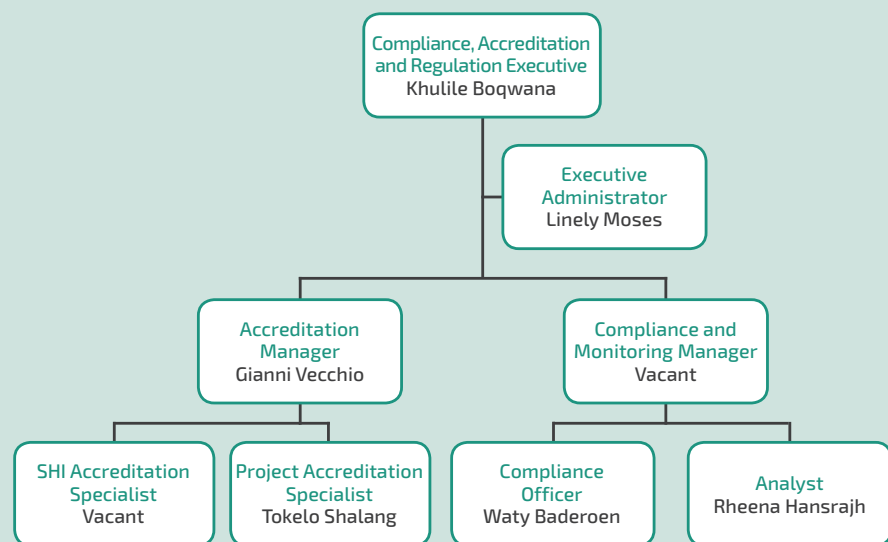


Figure 7 – Compliance, accreditation and regulation structure

Figure 7 represents the structure of the Compliance Programme and Accreditation Programme as from 1 January 2017. These two programmes are consolidated into one business unit.

Performance against the programme's strategic objective/s

Strategic objective	Strategic plan target	Audited performance		Target	Actual	Medium-term targets		TOTAL achieved over MTSF period	Variance and Comments
		2015/16	2015/16			2017/18	2018/19		
To regulate social housing institutions, other delivery agencies and safeguard social housing stock	Number of social housing units under regulation	20 447	18 580	26 886	27 047	32 886	45 394	27 047	The variance is a positive variance of 161. The target was achieved and surpassed.

Performance against the programme's annual indicators

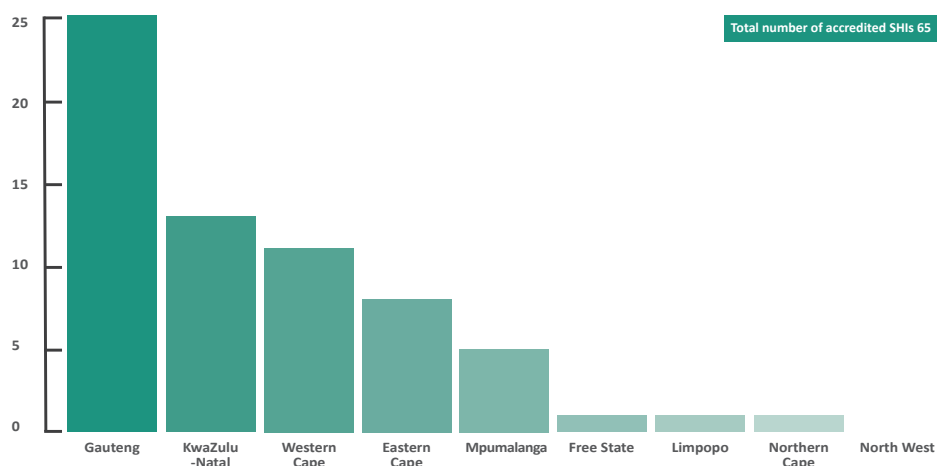
Performance indicator	Audited/actual performance		Target	Actual	Medium-term targets		Variance and comments
	2014/15	2015/16			2016/17	2017/18	
Programme 4: Compliance Programme							
Strategic objective: To regulate social housing institutions and other delivery agencies, and to safeguard social housing stock							
Number of social housing units under regulation	20 447	18 580	26 886	27 047	32 886	45 394	A positive variance of 161 The target was achieved and surpassed

6.10. Accreditation Programme

The purpose of this programme is the accreditation of entities, projects and service providers. The programme assesses and awards accreditation to entities wishing to participate in the social-housing programme. It also assesses and accredits project applications for RCG award. Service providers who wish to work with SHRA will also be accredited by the programme. The Accreditation Programme is separate from the work done by the rest of the organisation in order to maintain its independence. Its work is measured by performance and quality standards and not by targets that can jeopardise its integrity.

By the end of March 2017, 65 entities had been accredited, of which 13 were fully accredited and 52 conditionally.

The number of accredited entities per province is presented below:



The Accredited Entities

#	Entity	Region	Stock	Status
1	Communicare	Western Cape	Yes	Full
2	Cape Town Community Housing Company	Western Cape	Yes	Conditional
3	Emalaheni Housing Company	Mpumalanga	Yes	Full
4	First Metro Housing Company	KwaZulu-Natal		
5	Free State Social Housing Company	Free State	Yes	Full
6	HAEL	Eastern Cape	Yes	Full

#	Entity	Region	Stock	Status
7	Imizi Housing Association	Eastern Cape	Yes	Full
8	Johannesburg Social Housing Company	Gauteng	Yes	Full
9	Johannesburg Housing Company	Gauteng	Yes	Full
10	Madulammoho Housing Association	Gauteng	Yes	Full
11	Own Haven Housing Association	Eastern Cape	Yes	Full
12	Sohco Property Investments	Western Cape	Yes	Full
13	Yeast City Company	Gauteng	Yes	Full
14	Africa Lemuel Properties	Gauteng	No	Conditional
15	Agri Housing	Western Cape	No	Conditional
16	Ahanang (Prontox)	Gauteng	No	Conditional
17	Amasu Properties	Gauteng	No	Conditional
18	Buhlebezwe	Gauteng	No	Conditional
19	Cardimanzi	Gauteng	No	Conditional
20	Daheko Care	Western Cape	No	Conditional
21	Dangalaza	KwaZulu-Natal	No	Conditional
22	DCI	Western Cape	No	Conditional
23	Dezzo Social Housing Agency	KwaZulu-Natal	No	Conditional
24	Ekurhuleni Housing Company	Gauteng	Yes	Conditional
25	Ethekweni Housing Association	KwaZulu-Natal	No	Conditional
26	GHSC (Co-operative)	Gauteng	No	Conditional
27	Golden West	Gauteng	No	Conditional
28	Govan Mbeki Housing Company	Mpumalanga	Yes	Conditional
29	Hlalanathi Housing Association	Eastern Cape	No	Conditional
30	Housing Company Tshwane	Gauteng	Yes	Conditional
31	Ikusasa	Western Cape	No	Conditional
32	Kenako Housing Institute	KwaZulu-Natal	No	Conditional
33	Konny Developments	Gauteng	No	Conditional
34	Legacy Housing Projects	KwaZulu-Natal	No	Conditional

#	Entity	Region	Stock	Status
35	Lets Care Sa NPC	Gauteng	No	Conditional
36	Liyema Nolita	Western Cape	No	Conditional
37	Manapendlo	Gauteng	No	Conditional
38	MBLC Social Housing	Gauteng	No	Conditional
39	Mbombela Housing Association	Mpumalanga	Yes	Conditional
40	Moko Rental Housing Project	KwaZulu-Natal	Yes	Conditional
41	Motheo Social Housing	Gauteng	No	Conditional
42	Mother City Housing Company	Western Cape	No	Conditional
43	Msunduzi	KwaZulu-Natal	Yes	Conditional
44	Mzanzi	Mpumalanga	No	Conditional
45	Naldovision	KwaZulu-Natal	No	Conditional
46	Nationwide Housing	KwaZulu-Natal	No	Conditional
47	Polokwane Housing Association	Limpopo	Yes	Conditional
48	Povicom	Western Cape	No	Conditional
49	Qhama	Eastern Cape	No	Conditional
50	Royal Stock Housing	KwaZulu-Natal	No	Conditional
51	Salamax	Gauteng	No	Conditional
52	SKG	Eastern Cape	No	Conditional
53	Sohco (SAH)	Eastern Cape	Yes	Conditional
54	South African Swedish International Housing Co (Spha)	Northern Cape	Yes	Conditional
55	Steve Tshwete Housing Association	Mpumalanga	Yes	Full
56	Tanacento	Eastern Cape	No	Conditional
57	Thusong	Gauteng	No	Conditional
58	Tobibex	Gauteng	No	Conditional
59	Toproot Property Management	Gauteng	No	Conditional
60	Tova Property	Gauteng	No	Conditional
61	Ubuntu Housing	KwaZulu-Natal	No	Conditional
62	Urban Status Rentals (Devmark)	Western Cape	No	Conditional
63	Urbanscape Development	Gauteng	No	Conditional
64	Vascowiz Investments	KwaZulu-Natal	No	Conditional
65	Viturmix	Gauteng	No	Conditional

Performance against the programme's strategic objective/s

Strategic objective	Strategic plan target	Audited performance		Target	Actual	Medium-term targets		TOTAL achieved over MTSF period	Variance and Comments
		2015/16	2015/16			2017/18	2018/19		
To ensure the accreditation of entities and projects is undertaken promptly and with the greatest integrity	Percentage application of quality standards on accreditation of entities			Quality standards on accreditation of entities approved and implemented 90% adherence to quality standards on accreditation of entities	100% adherence to the quality standards from 1 April 2016 to 31 March 2017. Council approved policies on 24 March 2017	90% adherence to quality standards on accreditation of entities	90% adherence to quality standards on accreditation of entities	100% adherence to the quality standards from 1 April 2016 to 31 March 2017. Council approved policies on 24 March 2017	With a positive variance of 10%, the target was achieved and surpassed

Performance indicator	Audited/actual performance		Target	Actual	Medium-term targets		Variance and comments
	2014/15	2015/16			2016/17	2017/18	
Programme 5: Accreditation Programme							
Strategic objective: To ensure the accreditation of entities and projects is undertaken promptly and with the greatest integrity							
Percentage application of quality standards on accreditation of entities		New indicator	Quality standards on accreditation of entities approved and implemented 90% adherence to quality standards on accreditation of entities	Accreditation policy and procedures were approved on 24 March 2017 Operationally implemented, quality standards are 100 % adhered to	90% adherence to quality standards on accreditation of entities	90% adherence to quality standards on accreditation of entities	With a positive variance of 10%, the target was achieved and surpassed
Percentage application of standards on accreditation of projects		New indicator	Quality standards on accreditation of projects approved and implemented 90% adherence to quality standards on accreditation of entities	Project accreditation policy approved on 24 March 2017 Operationally implemented, quality standards were adhered to	90% adherence to quality standards on accreditation of projects	90% adherence to quality standards on accreditation of projects	With a positive variance of 10%, the target was achieved and surpassed



A photograph of a man and a woman in an office environment. The man, on the left, is bald, wears glasses, and a blue and white checkered shirt. He is looking down at a laptop. The woman, on the right, has dark hair in a braid and is wearing a black turtleneck sweater. She is also looking at the laptop. The laptop is open on a dark wooden desk. In the background, there are blurred figures of other people and office furniture. A blue rectangular overlay with a thin green border is positioned in the upper right corner of the image.

SECTION C

GOVERNANCE

SHRA's Council, appointed in terms of Section 9 of the Social Housing Act, acts as the Accounting Authority in terms of the PFMA and the Shareholder Compact Agreement and reports to the Executive Authority, the Minister of Human Settlements.

The Portfolio Committee on Human Settlements provides parliamentary oversight of SHRA through the Department of Human Settlements. The Council's responsibilities as the Agent of the Shareholder are to ensure SHRA's mandate and strategic objectives are achieved. Please refer to Part E: Annual Financial Statements for the full Council report.

7.1. Presentations made to the Portfolio Committee on Human Settlements

SHRA made four presentations to the Portfolio Committee on Human Settlements in the period under review:

- **14 April 2016 – Presentation of the Strategic Plan and Annual Performance Plan 2016/17**

The Portfolio Committee noted concern around the lack of expenditure, questioned whether inner-city projects would also be carried out in provinces other than Gauteng and reiterated the nation's need for affordable housing.

- **25 October 2016 – Presentation of the Annual Report 2015/16**

The Portfolio Committee noted improvements made by the Department of Human Settlements at SHRA and voiced its expectations regarding further improvements. The Committee also stressed the importance of improved unit delivery and fast-tracked restructuring zone approvals.

- **28 March 2017 – Presentation of the Strategic Plan and APP 2017/18.**

The Portfolio Committee stressed the importance of transforming the sector. In response to questions about establishing targets for the number of SHIs it accredits, SHRA explained that it did not have a target. The initial eight SHIs had grown to 13 SHIs, before expanding to the current 65 institutions. Consequently, SHRA no longer focused on a target number of accreditations, but instead accredited SHIs according to quality of work and capacity building. The Portfolio Committee stressed the importance of working with provincial partners, particularly with regards to administration of the Consolidated Capital Grant and programme delivery.

- **21 February 2017 – Presentation of SHRA's turnaround strategy.**

SHRA's CEO delivered a presentation on the turnaround and OD project, and provided information on SHRA's pipeline of projects. The Portfolio Committee stressed the importance of comprehensive pipeline planning and speeding up project development and tenanting, and expressed concern about the slow pace of social housing delivery.

7.2. Key directives from the Executive Authority

There have been several engagements with the Executive Authority during the period under review. Critical issues discussed included ways to improve social housing delivery. Priorities for SHRA include intervening where buildings have been "hijacked" and to renew inner cities, transforming SHIs, planning for restructuring zone assessments transforming SHIs, planning for restructuring zone assessments and approvals, and providing consumer education to facilitate greater public awareness.

7.3. Composition of the Council

The Council consists of 12 non-executive members and two executive members. The Council has an approved Board Charter in place.

7.4. Composition of Council Sub-Committees

The SHRA Council has four Sub-Committees: the Audit and Risk Committee, the Investment Committee, the Regulations Committee and the Human Resources and Remuneration Committee. Committee members are elected by the Council.

Council training for 2016/17 took place on 10 and 15 March 2017, covering corporate governance, the *King IV Report on Corporate Governance* and the Companies Act, 2008. The last session was scheduled for 4 May 2017.

Training areas will include:

- Public Finance Management Act (Act 1 of 1999)
- Companies Act, 2008 (Act 71 of 2008)
- Corporate governance
- Strategy, risk and compliance
- Leadership
- Board effectiveness and evaluation

SECTION D

HUMAN RESOURCE MANAGEMENT

A number of priority areas related to human resources (HR) management were identified for the period under review. These included HR governance, development of a strategic HR plan, systems, staff consultations and the restructuring of the organisation. Almost all of the planned activities were achieved during the period under review due to the appointment of an HR business partner (the SHRA previously outsourced this function.)

The Human Resource and Remuneration Committee Terms of Reference were reviewed and updated in the period under review. The redesign of the entity was prioritised and successfully achieved. In December 2016, the Minister of Human Settlements approved the new SHRA structure, allowing for a total staff complement of 44. All existing staff members were positioned within the new structure.

The entity strived to reduce the vacancy and staff-turnover rates. On 31 March 2017, the total staff complement was 20. At its meeting on 16 January 2017, EXCO had decided to follow a phased recruitment process and approved 11 vacancies to be advertised in the first phase. These positions were advertised in February 2017, with interviews commencing on 23 March 2017.

The vacancy rate (excluding secondments and temporary staff) at 31 March 2017 was as follows:

Approved complement	Actual staff	Number of vacancies	Vacancy rate
44	20	24	54.5%

Staff appointments, resignations and promotions during the period under review comprised:

- Two appointments
- Five resignations
- One staff member was suspended and subsequently resigned

A strategic HR plan was developed to be implemented in 2017/18. This was undertaken as a component of the broader OD project and encompassed activities to enhance the entity's performance. The current HR system was also re-evaluated and upgraded.

Significant improvements, including a new policy and improved methodology, were made to the performance management system. Performance agreements were signed with all staff at the beginning of the year and quarterly reviews were held.

As part of the OD project match-and-place process, all staff underwent skills audits and competency assessments. Managers underwent the Department of Public Service and Administration's Senior Management Service Competency Assessment. The results of these assessments were used in the match-and-place process and will also be used in the 2017/18 financial year to draw up individual development plans.

A number of HR policies were reviewed and approved in the period under review to support the development of the HR environment and to ultimately enhance staff performance.

Employment Equity

The table below reflects SHRA's Employment Equity status at 31 March 2017 compared with the planned Employment Equity statistics. There are variances, but as a result of the decision not to recruit pending approval of the new organisational structure, these had not been addressed during the period under review. Employment Equity will be prioritised when recruiting in the next financial year.

Equity Planning Report								
Numerical goals for the period 1 April 2014 to 31 March 2017 vs actual figures as at 31 March 2017								
Occupational levels	Female							
	African		Coloured		Indian		White	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Professionally qualified, experienced specialists and mid-management	7	1	0	0	2	1	2	1
Senior management	2	0	0	0	0	0	0	0
Top management	1	0	0	0	0	0	0	0
Semi-skilled and discretionary decision makers	1	1	0	0	1	0	1	0
Unskilled and defined decision makers	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	5	3	2	2	0	1	1	0
Temporary staff	0	0	0	0	0	0	0	0
Total	16	5	2	2	3	2	4	1



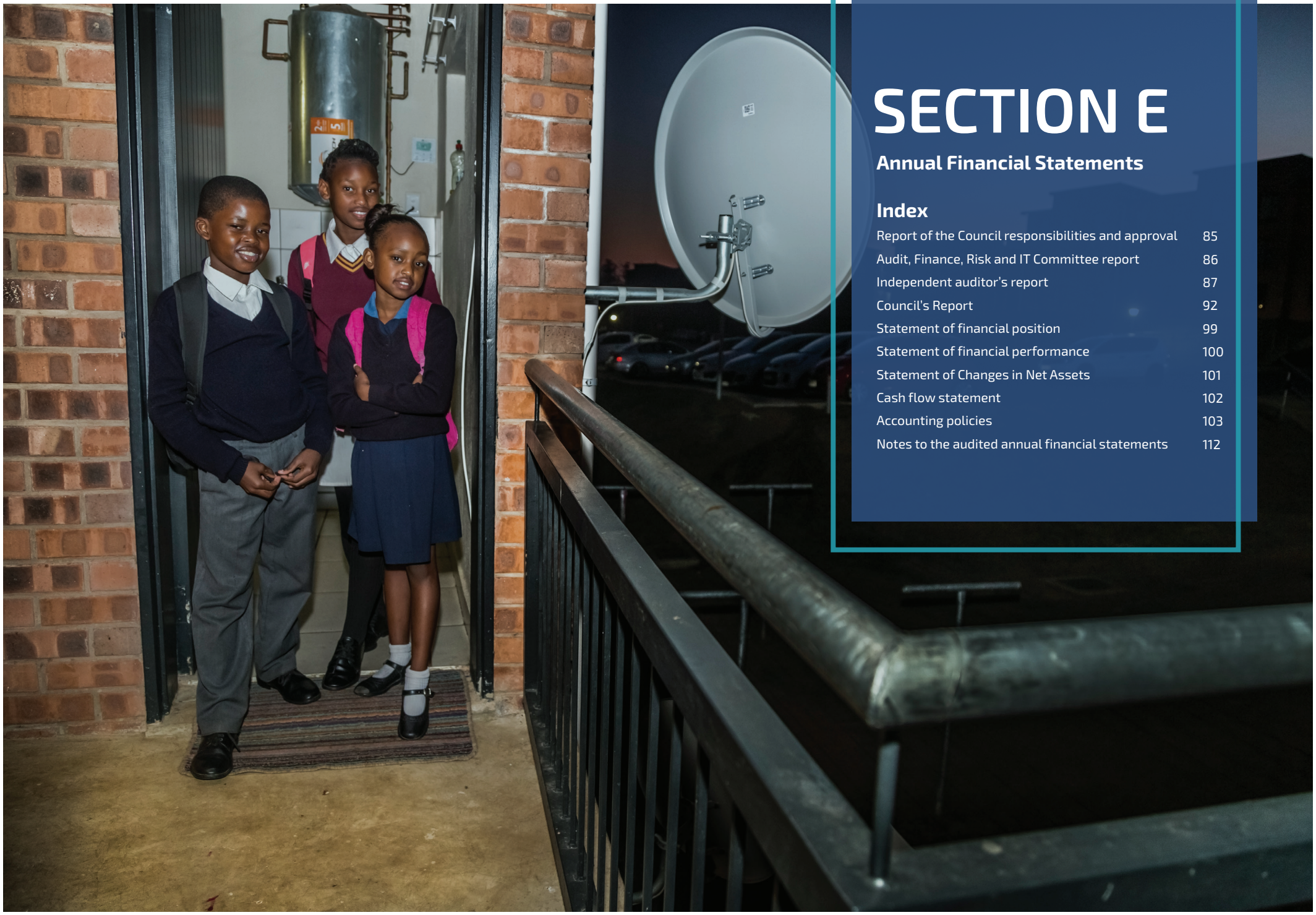
Equity Planning Report								
Numerical goals for the period 1 April 2014 to 31 March 2017 vs actual figures as at 31 March 2017								
Occupational levels	Male							
	African		Coloured		Indian		White	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Professionally qualified, experienced specialists and mid-management	1	1	0	0	1	0	8	3
Senior management	1	1	0	0	0	0	2	1
Top management	0	1	0	0	0	0	0	0
Semi-skilled and discretionary decision makers	0	0	0	0	0	0	2	1
Unskilled and defined decision makers	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	1	0	1	0	0	0	2	2
Temporary staff	0	0	0	0	0	0	0	0
Total	3	3	1	0	1	0	14	7

Equity Planning Report								
Percentage (%) goals for the period 1 April 2014 to 31 March 2017 vs actual percentages at 31 December 2016								
Occupational levels	Female							
	African		Coloured		Indian		White	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Professionally qualified, experienced specialists and mid-management	15,9%	2,3%	0,0%	0,0%	4,5%	2,3%	4,5%	2,3%
Senior management	4,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Top management	2,3%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Semi-skilled and discretionary decision makers	2,3%	2,3%	0,0%	0,0%	2,3%	0,0%	2,3%	0,0%
Unskilled and defined decision makers	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	11,4%	6,8%	4,5%	4,5%	0,0%	2,3%	2,3%	0,0%
Temporary staff	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Total	36%	13.6%	4.5%	4.5%	6.8%	4.5%	9%	2.2%

CONTINUED:
HUMAN RESOURCE MANAGEMENT

Equity Planning Report								
Percentage (%) goals for the period 1 April 2014 to 31 March 2017 vs actual percentages at 31 December 2016								
Occupational levels	Male							
	African		Coloured		Indian		White	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Professionally qualified, experienced specialists and mid-management	2,3%	2,3%	0,0%	0,0%	2,3%	0,0%	18,2%	6,8%
Senior management	2,3%	2,3%	0,0%	0,0%	0,0%	0,0%	4,5%	2,3%
Top management	0,0%	2,3%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Semi-skilled and discretionary decision makers	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	4,5%	2,3%
Unskilled and defined decision makers	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	2,3%	0,0%	2,3%	0,0%	0,0%	0,0%	4,5%	4,5%
Temporary staff	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Total	6.8%	6.8%	2.2%	0%	2.2%	0%	31.8%	15.9%





SECTION E

Annual Financial Statements

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SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

General Information

Country of incorporation and domicile Council Members

Republic of South Africa
Mr. ZT Ngcakani (Chairperson)
Mr. R Gallocher (Chief Executive Officer)
Mr. V. Fakudze (Former Acting Corporate Service Manager)
Mr. N Mbengo (Acting Corporate Service Manager)
Mr. SK Ganda
Ms. RS Molokoane
Mr. PWW Ximiya
Ms. NN Mbiza
Mr. MR Moroka
Adv. M Mdludlu
Ms. MJ Lamola
Ms. KE Kwinana
Mr. IW Kotsoane
Ms. ZZ Ntlangula
Mr. MI Higgins

Registered office

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

Postal address

Postnet Suite 240
Private Bag X 30500
Houghton
2041

Bankers

First National Bank Limited

Auditors

Ernst & Young Incorporated
Registered Auditors

Preparer

The annual financial statements were compiled by:
Excelerate Chartered Accountants Inc.
Chartered Accountants (SA)

Reviewer

Mr N Mbengo
Acting Corporate Services Manager

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Report of the Council Responsibilities and Approval

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

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

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

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

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

The Council has reviewed the entity's cash flow forecast for the year to 31 March 2018 and, in light of this review and the current financial position, are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently reviewing and reporting on the entity's audited annual financial statements. The audited annual financial statements have been examined by the entity's external auditors and their report is presented on pages 87 to 91.

The audited annual financial statements set out on pages 92 to 126, which have been prepared on the going concern basis, were approved by the Council on 26 July 2017 and were signed on its behalf by:



Mr. ZT Ngcakani
Chairperson



Mr. R Gallocher
Chief Executive Officer

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Audit, Finance, Risk and IT Committee Report

We are pleased to present our report for the financial year ended 31 March 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference.

	Number of Attended Ordinary Meetings	Number of Attended Special Meetings	Apologies
Mr SK Ganda (Chairperson)	5	-	-
Mr MR Moroka	5	-	-
Adv M Mdludlu	5	-	-
Ms ZZ Ntlangula	1	-	4
Mr IW Kotsokane (Appointed on 20 May 2016)	4	-	1

Audit committee responsibility

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

The effectiveness of internal control

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

Evaluation of audited annual financial statements


The audit committee has:

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

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

Internal audit

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


Mr. SK Ganda
Chairperson of the Audit Committee
25 July 2017

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE SOCIAL HOUSING REGULATORY AUTHORITY FOR THE YEAR ENDED 31 MARCH 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Social Housing Regulatory Authority set out on pages 99 to 127, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Social Housing Regulatory Authority as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa (PFMA).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the entity in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct for registered auditors (IRBA code), the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and other independence requirements applicable to performing the audit of the Social Housing Regulatory Authority. We have fulfilled our other ethical responsibilities in accordance with the IRBA code, IESBA code and in accordance with other ethical requirements applicable to performing audit of the Social Housing Regulatory Authority.

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

Responsibilities of the Council

The Council, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Social Housing Regulatory Authority

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the annexure to the auditor's report. This description, which is located on page 6, forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance. Accordingly, we do not express an opinion or conclusion on these matters.

Our procedures address the reported performance information which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance indicators established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information. Accordingly our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the Performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 2: Capacitation	53, 54, 55, 56, 57, 58, 59, 60, 61
Programme 3: Investment	48, 49, 50, 51, 52,
Programme 4: Compliance	62, 63
Programme 5: Accreditation	64, 65, 66, 67, 68

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 3: Investment

Number of units delivered

We were unable to obtain sufficient appropriate audit evidence for the reported achievement of 3 058 housing units. This was due to inadequate processes that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for managing programme performance information. We were unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of 3 058 housing units.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 2: Capacitation
- Programme 4: Compliance
- Programme 5: Accreditation

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Other matters

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

Achievement of planned targets

Refer to the annual performance report on pages 48, 49, 50, 51, and 52 for information on the achievement of planned targets for the year and explanations provided for the achievement of targets. This information should be considered in the context of the qualified conclusion expressed on the usefulness and reliability of the reported performance information included in this report.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the entity's with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance. Accordingly, we do not express an opinion or conclusion on these matters.

We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

The Social Housing Regulatory Authority's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the Council's report and audit committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

Our opinion the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INTERNAL CONTROL DEFICIENCIES

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation, however the objective is not to express any form of assurance thereon. Accordingly, we do not express an opinion or conclusion on these matters.

The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual of performance report

Financial and performance management

Management has not implemented adequate processes for collection, collation, monitoring and reporting of performance information. The annual performance target setting process was inappropriately planned, executed and monitored. Insufficient oversight was performed by the accounting authority over the planning and reporting of performance information.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Ernst & Young Inc.

Ernst and Young Inc.
Director: Sifiso Sithabe
Registered Auditor
Chartered Accountant (SA)
31 July 2017

Annexure – Auditor's responsibility for the audit

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on entity's compliance with specific key legislation respect to the selected subject matters.

Financial statements

In addition to our responsibility for the audit of the financial statements as described in the auditor's report, we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Social Housing Regulatory Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

The members submit their report for the year ended 31 March 2017.

1. Review of activities

Main business and operations

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

The entity is the sole regulatory authority in social housing countrywide, and is therefore an autonomous statutory organisation established to ensure the sustainability and growth of the social housing rental sector in line with government's objectives by investing in and regulating the social housing sector as well as providing guidance to the sector. The operating results and state of affairs of the entity are fully set out in the attached audited annual financial statements and do not in our opinion require any further comment.

2. Going concern

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

3. SHRA no longer under administration

On 15 July 2014 the Minister of Human Settlements in the National Assembly during the National Department of Human Settlements 2014 Budget Vote speech announced that the Social Housing Regulatory Agency (SHRA) would be placed under administration and be absorbed as a component of the National Department of Human Settlements as it had been unable to fulfil its mandate.

Since the date of the announcement and with the appointment of a new Council on 18 March 2015, the Minister has had the opportunity to engage with the Council on numerous occasions. On 6 July 2017, the Minister expressed her satisfaction with the performance turnaround strategy that the Council has adopted thus placing the SHRA on stable ground and formally indicated in writing that the SHRA is no longer under administration.

4. Subsequent events

The members are not aware of any subsequent events after the annual financial year.

5. Council's interest in contracts

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

6. Accounting policies

The audited annual financial statements for the year ended 31 March 2017 were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), the PFMA and its regulations, directives and interpretations issued by the Accounting Standards Board. No GRAP statements were applied prior to its commencement dates in the current year.

7. Non-current assets

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

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

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

8. Council Members

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

Name	Nationality
Executive Members	
Mr. R Gallocher (Chief Executive Officer)	South African
Mr. V Fakudze (Former Acting Corporate Services Manager)	South African
Mr. N Mbengo (Acting Corporate Services Manager)	South African
Non-Executive Members	
Mr. ZT Ngcakani (Chairperson)	South African
Mr. SK Ganda	South African
Ms. RS Molokoane	South African
Mr. PWW Ximiya	South African
Ms. NN Mbiza	South African
Mr. MR Moroka	South African
Adv. M Mdludlu	South African
Ms. MJ Lamola	South African
Ms. KE Kwinana	South African
Mr. IW Kotsoane	South African
Ms. ZZ Ntlangula	South African
Mr. MI Higgins	South African

Council's Report

9. Council Members and Executive Managers Remuneration

Council	Meeting fees	Travel expenses	Council fees	Salary	Bonus	Other services	Total package	Total package
							2017	2016
Non-Executive Members								
Chairperson:								
ZT Ngcakani	72,000	-	40,000	-	-	47,850	159,850	170,833
Members:								
N Mbiza	106,000	-	26,000	-	-	33,600	165,600	194,250
M Lamola	52,000	3,117	26,000	-	-	11,800	92,917	125,681
IW Kotsoane	86,000	-	26,000	-	-	10,900	122,900	62,688
KE Kwinana	85,000	30,136	26,000	-	-	16,000	157,136	211,685
Adv M Mdludlu	69,000	8,015	26,000	-	-	18,800	121,815	151,756
MR Moroka	59,000	6,724	26,000	-	-	5,200	96,924	575,840
MI Higgins	61,000	790	26,000	-	-	18,800	106,590	27,000
PWW Ximiya	79,000	-	26,000	-	-	12,800	174,600	441,890
RS Molokoane	41,000	-	26,000	-	-	7,600	143,900	122,512
SK Ganda	47,000	-	26,000	-	-	30,900	143,900	176,368
ZZ Ntlangula	33,000	-	26,000	-	-	11,600	70,600	173,292
	830,000	48,782	326,000	-	-	226,250	1,431,032	2,443,465
Executive Members								
Former Acting Chief Executive Officer:								
Ms S Ngwenyo	-	-	-	50,000	-	-	50,000	323,144
Former Corporate Services Manager:								
Ms T Shongwe	-	-	-	-	-	-	-	53,915
Chief Executive Officer:								
Mr R Gallocher	-	17,106	-	2,208,370	-	-	2,225,476	346,603
Former Acting Corporate Services Manager:								
Mr V Fakudze	-	1,266	-	115,071	-	-	116,337	608,536
Acting Corporate Services Manager:								
Mr N Mbengo	-	-	-	141,914	-	-	141,914	-
	-	18,372	-	2,515,355	-	-	2,533,727	1,332,198

Other services rendered resulted from SHRA Council appointing available Council members to perform specific services as per approved terms of reference in the Council meeting of 29 September 2015. These services include project visits, minister meetings, interviews and training events.

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Council's Report

Ms. S Ngxongo is an employee of the National Department of Human Settlements and an Acting allowance of R50,000 (2016: R323,144) has been provided for. Ms. S Ngxongo secondment ended with the appointment of Mr. R Gallocher as Chief Executive Officer on 1 February 2016. Mr. V Fakudze was appointed as Acting Corporate Services Manager on 22 October 2015 up to 26 April 2016, included in the Salary of Mr V Fakudze is an Acting allowance of R21,537 (2016: R146,137). Subsequently Mr. N Mbergo was appointed as Acting Corporate Services Manager from 26 April 2016.

	Meeting fees	Travel expenses	Council fees	Salary	Bonus	Other services	Total package 2017	Total package 2016
Executive Managers								
Compliance, Accreditation and Regulations Executive:	-	3,767	-	1,398,596	34,000	-	1,436,363	1,374,071
Mr K Boqwana	-	9,648	-	1,180,504	34,000	-	1,224,152	1,169,908
Sector Development & Transformation Executive: Mr D Koekemoer	-	13,415	-	2,579,100	68,000	-	2,660,515	2,543,979
	830,000	80,569	326,000	5,094,455	68,000	226,250	6,625,274	6,319,642

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Council's Report

10. Corporate governance

General

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

Council members

The Council:

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

Chairperson and chief executive

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

The roles and responsibilities of the Chairperson of the Council and Chief Executive Officer are separate.

Remuneration

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

Executive Committee meetings

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

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

Audit, Finance, IT Governance, and Risk Committee

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

Procurement framework

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

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

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Council's Report

11. Council

Ordinary Council Meetings

	Total Number of Ordinary Meetings	Number of Attended Ordinary Meetings	Apologies	Number of Attended Workshops
Mr ZT Ngcakani (Chairperson)	4	4	-	4
Mr MI Higgins	4	4	-	3
Mr IW Kotsoane	4	4	-	4
Ms RS Molokoane	4	1	3	2
Mr ZZ Ntlangula	4	1	3	3
Ms MJ Lamola	4	4	-	2
Adv M Mdludlu	4	4	-	2
Ms KE Kwinana	4	3	1	5
Ms NN Mbiza	4	4	-	6
Mr SK Ganda	4	3	1	4
Mr PWW Ximiya	4	3	1	5
Mr MR Moroka	4	4	-	1

Special Council Meetings

	Total Number of Special Meetings	Number of Attended Special Meetings	Apologies	Number of Attended Workshops
Mr ZT Ngcakani (Chairperson)	4	4	-	-
Mr MI Higgins	4	4	-	-
Mr IW Kotsoane	4	4	-	-
Ms RS Molokoane	4	3	1	-
Mr ZZ Ntlangula	4	2	2	-
Ms MJ Lamola	4	2	2	-
Adv M Mdludlu	4	3	1	-
Ms KE Kwinana	4	3	1	-
Ms NN Mbiza	4	4	-	-
Mr SK Ganda	4	4	-	-
Mr PWW Ximiya	4	3	1	-
Mr MR Moroka	4	3	1	-

12. HR Committee

Ordinary HR Meetings

	Number of Ordinary Meetings	Number of Attended Ordinary Meetings	Apologies	Number of Attended Workshops
Ms NN Mbiza (Chairperson)	5	5	-	-
Ms KE Kwinana	5	3	2	-
Ms MJ Lamola	5	3	2	-
Ms RS Molokoane	5	4	1	-
Mr ZT Ngcakani	5	2	3	-
Mr PWW Ximiya	5	4	1	-
Adv M Mdludlu	5	5	-	-

Special HR Meetings

	Number of Special Meetings	Number of Attended Special Meetings	Apologies	Number of Attended Workshops
Ms NN Mbiza (Chairperson)	1	1	-	-
Ms KE Kwinana	1	-	1	-
Ms MJ Lamola	1	1	-	-
Ms RS Molokoane	1	-	1	-
Mr ZT Ngcakani	1	-	1	-
Mr PWW Ximiya	1	1	-	-
Adv M Mdludlu	1	1	-	-

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Council's Report

13. Regulations Committee

Ordinary Regulations Committee Meetings

	Number of Ordinary Meetings	Number of Attended Ordinary Meetings	Apologies	Number of Attended Workshops
Mr PWW Ximiya (Chairperson)	5	4	1	-
Mr MR Moroka	5	4	1	-
Ms RS Molokoane	5	1	4	-
Ms MJ Lamola	5	2	3	-
Mr MI Higgins	5	5	-	-

Special Regulations Committee Meetings

	Number of Special Meetings	Number of Attended Special Meetings	Apologies	Number of Attended Workshops
Mr PWW Ximiya (Chairperson)	1	1	-	-
Mr MR Moroka	1	-	1	-
Ms RS Molokoane	1	1	-	-
Ms MJ Lamola	1	1	-	-
Mr MI Higgins	1	1	-	-

14. Investment Committee

Ordinary Investment Committee Meetings

	Number of Ordinary Meetings	Number of Attended Ordinary Meetings	Apologies	Number of Attended Workshops
Ms KE Kwinana (Chairperson)	5	4	1	-
Mr SK Ganda	5	3	2	-
Ms NN Mbiza	5	4	1	-
Ms ZZ Ntlangula	5	2	3	-
Mr IW Kotsoane (Appointed on 26 April 2016)	5	4	1	-

Special Investment Committee Meetings

	Number of Special Meetings	Number of Attended Special Meetings	Apologies	Number of Attended Workshops
Ms KE Kwinana (Chairperson)	4	3	1	-
Mr SK Ganda	4	4	-	-
Ms NN Mbiza	4	4	-	-
Ms ZZ Ntlangula	4	-	4	-
Mr IW Kotsoane (Appointed on 26 April 2016)	4	4	-	-

15. Auditors

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

16. Irregular expenditure

	2017	2016
Opening balance	-	12,167,452
Irregular expenditure incurred in respect of Projects approved by inappropriately constituted Council	-	117,460,367
Condoned by Council	-	(129,627,819)
Irregular expenditure awaiting condonement	-	-

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Council's Report

16.1 Projects approved by inappropriately constituted Council

In terms of the Social Housing Act, 2008 the Council of the Social Housing Regulatory Authority must consist of between seven and twelve non-executive members. During March 2014 to February 2015 and March 2015 the Council only comprised of six and five members respectively. Decisions taken by the Council during the relevant period has been rendered invalid as the Council was not properly constituted and was not authorised to act in terms of the Act. The Social Housing Regulatory Authority has sought legal advice and it has been proposed that the decisions of Council made during the relevant period be remedied by the new Council, which has been properly constituted. (Refer also to note 17.1 in the financial statements)

The Council have reviewed and considered its responsibilities in accordance with Treasury Regulations 33 and section 55(2) (b) of the PFMA and have after revision, condoned the irregular expenditure as indicated above on 28 July 2016.

17. Fruitless and wasteful expenditure

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

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Statement of Financial Position as at 31 March 2017

		31 March 2017	31 March 2016
	Note(s)	R	Restated R
Assets			
Current Assets			
Receivables from exchange transactions	3	635,005	842,632
Cash and cash equivalents	4	835,627,276	789,712,344
		836,262,281	790,554,976
Non-Current Assets			
Property, plant and equipment	5	1,618,655	659,779
Intangible assets	6	221,779	5,670
		1,840,434	665,449
Total Assets		838,102,715	791,220,425
Liabilities			
Current Liabilities			
Operating lease liability	7	426,886	-
Recalled Grant Funds	8	76,515,304	139,855,209
Payables	9	56,661,180	106,091,084
Provisions	10	813,291	954,622
		134,416,661	246,900,915
Total Liabilities		134,416,661	246,900,915
Net Assets		703,686,054	544,319,510
Accumulated surplus		703,686,054	544,319,510

* See Note 25

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Statement of Financial Performance

		31 March 2017	31 March 2016 Restated
	Note(s)	R	R
Revenue	11	494,863,000	143,714,031
Other income		10,982	-
Operating expenses		(42,790,441)	(37,307,460)
Programme costs	12	(334,062,791)	(196,237,386)
Operating surplus (deficit)	13	118,020,750	(89,830,815)
Interest income	14	41,345,794	44,143,197
Surplus (deficit) for the year		159,366,544	(45,687,618)

* See Note 25

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 April 2015	590,007,128	590,007,128
Changes in net assets		
Deficit for the year as previously reported	(50,760,764)	(50,760,764)
Prior period error (Refer to note 25)	5,073,146	5,073,146
Total changes	(45,687,618)	(45,687,618)
Balance at 01 April 2016 as restated	544,319,510	544,319,510
Changes in net assets		
Surplus for the year	159,366,544	159,366,544
Total changes	159,366,544	159,366,544
Balance at 31 March 2017	703,686,054	703,686,054

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Cash Flow Statement

	Note(s)	31 March 2017 R	31 March 2016 Restated R
Cash flows from operating activities			
Receipts			
Government Grants		494,863,000	143,714,031
Interest income	14	41,345,794	44,143,197
Recalled Grant Funds (SHIP Projects)		-	43,351,119
		<u>536,208,794</u>	<u>231,208,347</u>
Payments			
Employee costs		(21,589,085)	(15,969,670)
Recalled Grant Funds (SHIP Projects)		(104,848,042)	(180,886,270)
Programme costs		(340,288,240)	(103,380,108)
Other payments	15	(22,781,119)	(19,671,765)
		<u>(489,506,486)</u>	<u>(319,907,813)</u>
Net cash flows from operating activities	16	46,702,308	(88,699,466)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(529,263)	(29,581)
Proceeds from sale of property, plant and equipment	5	2,240	-
Purchase of other intangible assets	6	(260,353)	-
Net cash flows from investing activities		(787,376)	(29,581)
Net increase/(decrease) in cash and cash equivalents		45,914,932	(88,729,047)
Cash and cash equivalents at the beginning of the year		789,712,344	878,441,391
Cash and cash equivalents at the end of the year	4	835,627,276	789,712,344

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Policies

1. Presentation of Audited Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including interpretations, guidelines and directives issued by the Accounting Standards Board. These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand. The financial statements have been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Impairment testing for Property, plant and equipment and intangible assets

The recoverable service amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions when determining the relevant fair value where no other information is available.

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

Provisions

Provisions were raised and management determined the best estimate of the amount required to settle the present obligation. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

Useful lives and residual values of property and equipment and intangible assets

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

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Policies

1.2 Property, plant and equipment (continued)

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Items of Property, plant and equipment are depreciated from the date it is available for use, on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 - 15 years
Motor vehicles	Straight line	3 - 6 years
Office equipment	Straight line	3 - 6 years
IT equipment	Straight line	3 - 6 years
Leasehold improvements	Straight line	Lower of useful life and term of lease

The residual value, and the useful life and depreciation method are reviewed when there is an indication that the entities expectation thereof have changed since the previous reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Indicators of reassessment used by management includes assets that are approaching the end of their useful life, planned replacement or refurbishment of assets, technology changes or change in use of an asset.

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

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

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

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

1.3 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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Accounting Policies

1.3 Intangible assets (continued)

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

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

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

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

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis over their expected useful lives, to their estimated residual values as follows:

Item	Useful life
Computer software	2 years

Annual licence renewals and incidental costs are not capitalised as part of the cost of intangible assets and are recognised immediately in surplus or deficit when the cost is incurred.

1.4 Financial instruments

Classification

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

- Financial assets measured at amortised cost
- Financial liabilities measured at amortised cost

Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value.

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

Subsequent measurement

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

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Policies

1.4 Financial instruments (continued)

Impairment of financial assets

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

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

Impairment losses are recognised in surplus or deficit.

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

Reversals of impairment losses are recognised in surplus or deficit.

Receivables from exchange transactions

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

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

Payables from exchange transactions

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash. These are initially measured at fair value and subsequently recorded at amortised cost.

1.5 Taxation

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

1.6 Leases

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

Operating leases - lessee

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

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Accounting Policies

1.7 Impairment of non-cash-generating assets

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

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

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation). Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and of its value in use.

Identification

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

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

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

Value in use

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

Future service potential is determined using depreciated replacement costs and/or restoration costs methods.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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Accounting Policies

1.7 Impairment of non-cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

1.8 Employee benefits

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

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

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Policies

1.8 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.9 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised, but disclosed in the notes to the financial statements.

1.10 Revenue from non-exchange transactions

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

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Policies

1.10 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

1.11 Fruitless and wasteful expenditure

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

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

1.12 Irregular expenditure

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

- (a) this Act; or
- (b) the Treasury Regulations;
- (c) a National Treasury Instruction, issued in terms of section 76 of the PFMA;
- (d) a Provincial Treasury Instruction issued in terms of section 18(2)(a) of the PFMA; or

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Policies

1.12 Irregular expenditure (continued)

- (e) any other applicable legislation.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure must be removed from the balance of the irregular expenditure notes when it is either

- (a) condoned by the relevant authority if no official was found to be liable in law;
- (b) recovered from an official liable in law;
- (c) written-off if it's irrecoverable from an official liable in law; or
- (d) written-off if it's not condoned and not recoverable.

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

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

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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

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

1.13 Related parties

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

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

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Audited Annual Financial Statements

	31 March 2017 R	31 March 2016 R
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities 	1 April 2018	The impact of the amendment is not material due to the entity already applying GRAP as their accounting framework.
<ul style="list-style-type: none"> GRAP 20: Related parties 	Still to be determined	No material impact, the standard has been used to formulate and inform the current accounting and disclosures.
<ul style="list-style-type: none"> GRAP 26 (as amended 2015): Impairment of cash-generating assets 	01 April 2018	The impact of the amendment is not material, as the entity does not have any cash-generating assets.
<ul style="list-style-type: none"> GRAP 109: Accounting by Principals and Agents 	Still to be determined	The impact of the amendment is not material, as the entity does not have any principal-agent agreements.
<ul style="list-style-type: none"> GRAP 21 (as amended 2015): Impairment of non-cash-generating assets 	01 April 2018	The impact of the amendment is not material, but could result in additional disclosure where the relevant impairments have been performed.
<ul style="list-style-type: none"> GRAP 108: Statutory Receivables 	Still to be determined	The impact of the amendment is not material, as the entity does not have any separate segmented information to report.
<ul style="list-style-type: none"> GRAP 32: Service Concession Arrangements: Grantor 	Still to be determined	The impact of the amendment is not material, as the entity is not a grantor of session

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Audited Annual Financial Statements

	2017 R	2016 R
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3. Receivables from exchange transactions

Prepayments	-	16,500
Deposits	635,005	550,722
Sundry debtors	-	275,410
	635,005	842,632

Trade and other receivables pledged as security

No receivables were pledged as security.

Deposits

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

Credit quality of trade and other receivables

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

Trade receivables

Counterparties with external credit rating (Moody's)

BAA2	635,005	550,722
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Counterparties without external credit rating

Unrated	-	291,910
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Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2017, no balances were past due but not impaired.

Trade and other receivables impaired

As of 31 March 2017, trade and other receivables of Rnil (2016: Rnil) were impaired and provided for.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,613	694
Current accounts	45,685,064	18,128,980
Call accounts	789,821,380	771,537,507
Debit cards	118,219	45,163
	835,627,276	789,712,344

Cash and cash equivalents include Recalled Grant Funds in the current financial year which are not available for the day to day operations of the Social Housing Regulatory Authority. (refer to note 8)

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Audited Annual Financial Statements

	2017 R	2016 R
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4. Cash and cash equivalents (continued)

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

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

Credit rating BAA2	835,624,663	789,711,650
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5. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1,394,200	(802,524)	591,676	1,390,676	(1,038,894)	351,782
Motor vehicles	357,719	(208,830)	148,889	357,719	(226,555)	131,164
Office equipment	641,233	(542,328)	98,905	641,233	(518,711)	122,522
IT equipment	2,446,513	(1,667,328)	779,185	1,936,257	(1,881,946)	54,311
Leasehold improvements	1,909,562	(1,909,562)	-	1,909,562	(1,909,562)	-
Total	6,749,227	(5,130,572)	1,618,655	6,235,447	(5,575,668)	659,779

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Change in estimate	Depreciation	Total
Furniture and fixtures	351,782	3,524	-	332,440	(96,070)	591,676
Motor vehicles	131,164	-	-	67,807	(50,082)	148,889
Office equipment	122,522	-	-	46,167	(69,784)	98,905
IT equipment	54,311	525,739	(13,367)	509,788	(297,286)	779,185
	659,779	529,263	(13,367)	956,202	(513,222)	1,618,655

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Change in estimate	Depreciation	Total
Furniture and fixtures	517,867	6,240	-	(172,325)	351,782
Motor vehicles	196,745	-	-	(65,581)	131,164
Office equipment	255,345	23,341	-	(156,164)	122,522
IT equipment	441,723	-	-	(387,412)	54,311
Leasehold improvements	498,229	-	-	(498,229)	-
	1,909,909	29,581	-	(1,279,711)	659,779

Other information

Property, plant and equipment fully depreciated and still in use

Furniture and fixtures	-	181,956
Office Equipment	-	50,800
IT Equipment	-	1,686,315
Leasehold improvements (depreciated over lease period ended 31 March 2016)	1,909,562	1,909,562
	1,909,562	3,828,633

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Notes to the Audited Annual Financial Statements

	2017 R	2016 R
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5. Property, plant and equipment (continued)

Changes in useful lives and residual values

During the year the useful lives and residual values were re-estimated, which decreased the depreciation for the year with R 956,202 and the impact on the future depreciation will be R 956,202.

6. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,114,968	(893,189)	221,779	854,615	(848,945)	5,670

Reconciliation of intangible assets - 2017

	Opening balance	Additions acquired	Amortisation	Total
Computer software	5,670	260,353	(44,244)	221,779

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	91,882	(86,212)	5,670

7. Operating lease liability

Current liabilities - Premises	(426,886)	-
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The operating lease liability relate to the rental of premises of the entity which have been negotiated for a period of 5 years. The previous lease contract has expired as at 31 March 2016.

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Audited Annual Financial Statements

			2017 R	2016 Restated R
8. Recalled Grant Funds				
Province/Institution	Project	Programme*		
Eastern Cape Province				
Imizi Housing Utility Social Housing Company (SOHCO)	Fairview Link Emerald Sky Phase 4	SHIP SHIP	- 28,921	314,873 28,921
			28,921	343,794
Free State Province				
Free State Social Housing Company	Brandwag	SHIP	9,339,322	9,339,322
Gauteng Province				
Yeast City Housing Yeast City Housing	Thembelihle Salvokop	SHIP SHIP	5,641,880 295,487	22,073,453 295,487
			5,937,367	22,368,940
Mpumalanga Province				
Emalahleni Housing Institution	Klarinet	SHIP	-	1,135,899
Kwa-Zulu Natal Province				
Msunduzi Housing Association	Westgate Grange	SHIP	3,722,766	6,924,072
First Metro Housing Company	Lakehaven Phase 2	SHIP	2,709,902	2,709,902
First Metro Housing Company	Avoca Hills	SHIP	2,832,823	6,101,713
First Metro Housing Company	Hampshire	SHIP	1,017,033	1,017,033
First Metro Housing Company	Hamptons	SHIP	2,422,811	40,232,926
First Metro Housing Company	Hilltops	SHIP	245,165	245,165
			12,950,500	57,230,811
Western Cape Province				
Social Housing Company (SOHCO Amalinda)	Steenberg	SHIP	177,657	177,657
Madulammohe Housing Association	Scottsdene	SHIP	-	-
Western Cape Province	Institutional Investment	Institutional Investment	820,959	1,998,208
Johannesburg Social Housing Company	City Deep Phase 1	SHIP	37,491,535	37,491,535
Johannesburg Social Housing Company	City Deep Phase 2	SHIP	1,955,248	1,955,248
Johannesburg Social Housing Company	Fleurhof	SHIP	1,244,336	1,244,336
Domus Social Housing	E-Junction Phase 1	SHIP	6,569,459	6,569,459
			48,259,194	49,436,443
			76,515,304	139,855,209

* See Note 25

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Audited Annual Financial Statements

	2017 R	2016 Restated R
8. Recalled Grant Funds (continued)		
Recalled Grant Funds (SHIP* Projects) relate to amounts that were disbursed in prior years to qualifying grant recipients using a Social Housing Institution Imprest account in the control and name of the Social Housing Institution. In an effort to mitigate the risks associated with lack of control, Social Housing Regulatory Authority has abandoned the use of the Social Housing Institution Imprest account to a new system where payments to grant recipients are aligned to actual project expenditure. The possibility of abusing the Social Housing Institution Imprest account and incurring unnecessary irregular expenditure has been eliminated. Unutilized funds that had been granted using the Imprest account system were requested to be repatriated back to the Social Housing Regulatory Authority to be disbursed later according to actual project expenditure.		
*SHIP - Social Housing Investment Programme		
9. Payables		
Trade payables (exchange transactions)	627,741	508,214
Accrued expenses (exchange transactions)	55,270,346	104,296,262
Travel card (exchange transactions)	271,836	92,234
PAYE (non-exchange transaction)	491,257	1,194,374
	56,661,180	106,091,084

Payables are settled on invoice or 30 day terms.

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

10. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Paid during the year	Utilised during the year	Total
Provision for leave	954,622	813,291	(222,305)	(732,317)	813,291

Reconciliation of provisions - 2016

	Opening Balance	Additions	Paid during the year	Utilised during the year	Total
Provision for leave	676,625	954,622	(139,339)	(537,286)	954,622

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

11. Revenue from non-exchange transactions

National Department of Human Settlements	494,863,000	143,714,031
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* See Note 25

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Audited Annual Financial Statements

			2017 R	2016 Restated R
12. Programme costs				
Restructuring Capital Grant				
Province/Institution	Project	Programme		
Eastern Cape Province				
Hlalanathi Social Housing Association	Ocean View	SHIP	20,590,639	-
Imizi Housing Utility NPC	Fairview Link	SHIP	1,819,642	-
Imizi Housing Utility NPC	Willowdene	SHIP	2,951,953	38,471,732
Qhama Social Housing Institute NPC	Steve Biko Munford	SHIP	9,925,510	2,510,375
			<u>35,287,744</u>	<u>40,982,107</u>
Free State Province				
Free State Social Housing Company NPC	Brandwag Phase 3	SHIP	16,721,099	1,365,252
Gauteng Province				
Johannesburg Social Housing Company	Fleurhof	SHIP	10,228,960	-
Toproot Property Management	Pennyville	SHIP	4,972,730	4,190,510
Toproot Property Management	Riverlea	SHIP	2,738,316	5,225,257
Norvena Property Consortium	O'Reilly Road	SHIP	9,571,863	-
Instratin Properties	Devland Ext 36	SHIP	28,086,683	8,969,840
Ekurhuleni Development Company	Germiston Firestation	SHIP	8,411,649	-
Golden West Social Housing Institution	Westernoria Borwa	SHIP	7,307,223	-
Johannesburg Social Housing Company	Plein street	SHIP	12,046,389	-
Johannesburg Social Housing Company	Devland-Golden Highway	SHIP	26,331,941	-
Johannesburg Social Housing Company	Fleurhof Phase 2	SHIP	32,032,476	17,900,680
The Housing Hub (Pty) Ltd	Akasia	SHIP	23,766,234	-
Salamax 434 NPC	Helderwyk Ext 8	SHIP	11,197,200	-
			<u>176,691,664</u>	<u>36,286,287</u>
Mpumalanga Province				
Emalahleni Housing Institution	Klarinet Land Use Ext 6	SHIP	2,675,109	-
North West Province				
Gobonewe Housing Estate	Frischgewaadg Farm	SHIP	8,500,806	-
Instratin Properties	Flamwood	SHIP	65,789,796	51,584,860
			<u>74,290,602</u>	<u>51,584,860</u>
Kwa-Zulu Natal Province				
First Metro Housing Company	Lakehaven Phase 2	SHIP	1,004,920	-

* See Note 25

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Audited Annual Financial Statements

			2017 R	2016 Restated R
12. Programme costs (continued)				
Western Cape Province				
Madulammoho Housing Association	Belhar	SHIP	7,461,656	56,006,382
Madulammoho Housing Association	Scottsdale	SHIP	7,004,150	2,046,610
Urban Status Rentals	The Block (Glenhaven)	SHIP	-	5,142,541
			<u>14,465,806</u>	<u>63,195,533</u>
Consulting and professional fees			-	2,823,347
			<u>-</u>	<u>-</u>
Total Restructuring Capital Grants			<u>321,136,944</u>	<u>196,237,386</u>
Institutional Investment Grants				
General Capacitation Grant			5,804,080	-
Project Feasibility Grant			4,204,786	-
Pre-Accreditation Grant			341,698	-
Remedial Grant			1,874,871	-
Staff Gear-Up Grant			700,412	-
			<u>12,925,847</u>	<u>-</u>
Total Institutional Investment Grants			<u>12,925,847</u>	<u>-</u>
Total Grants			<u>334,062,791</u>	<u>196,237,386</u>

Restructuring Capital Grants

These programme costs relate to capital grants disbursed to social housing institutions in accordance with the relevant investment criteria.

Institutional Investment Grants

These programme costs relate to the following:

- Gearing up staff in accredited and conditionally accredited institutions
- Providing financial support for the preparation of project proposals and obtaining approval
- Providing financial support for the preparation and submission of proposals for accreditation and increasing accreditation status
- Ad-hoc grants linked to institutional business planning and other programme related support grants

* See Note 25

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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	2017 R	2016 Restated R
13. Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Straight lined amount	3,192,343	2,381,178
Equipment		
• Contractual amounts	112,402	112,311
	3,304,745	2,493,489
Loss on sale of property, plant and equipment	11,127	-
Amortisation of intangible assets	44,244	86,212
External audit fee	818,163	1,060,666
Consulting and professional fees	7,866,331	2,823,347
Council members remuneration	3,964,759	3,775,663
Internal audit fees	182,710	317,413
Depreciation on property, plant and equipment	513,222	1,279,711
Change in estimate	(956,202)	-
Employee costs	17,202,444	16,128,204
Defined contribution funds	952,455	972,075
Programme costs	334,062,791	198,487,185
14. Interest income		
Interest received		
Bank (exchange transaction)	41,345,794	44,143,197
15. Other payments		
Movement in payables and accruals	1,247,323	(170,392)
Movement in provisions	141,331	(277,996)
Movement in receivables from exchange transactions	(207,627)	148,286
Total expenses	42,790,441	37,307,460
Non Cash Items:		
Depreciation, amortisation and impairments	(557,466)	(1,365,925)
Change in estimate	956,202	-
Separately Disclosable Items:		
Employee costs	(21,589,085)	(15,969,670)
	22,781,119	19,671,765

* See Note 25

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Audited Annual Financial Statements

	2017 R	2016 Restated R
16. Net cash flows from operating activities		
Surplus (deficit)	159,366,544	(45,687,618)
Adjustments for:		
Depreciation and amortisation	557,466	1,365,925
Loss on sale of assets	11,127	-
Change in estimate	(956,202)	-
Movements in operating lease assets and accruals	426,886	(287,030)
Movements in provisions	(141,331)	277,997
Changes in working capital:		
Receivables from exchange transactions	207,627	(148,287)
Payables	(49,429,904)	93,314,698
Recalled Grant Funds	(63,339,905)	(137,535,151)
	46,702,308	(88,699,466)
17. Irregular expenditure		
Opening balance	-	12,167,452
Add: Irregular Expenditure - current year	-	117,460,367
Less: Amounts condoned	-	(129,627,819)
	-	-

17.1 Projects approved by inappropriately constituted Council

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

The Council have reviewed and considered its responsibilities in accordance with Treasury Regulations 33 and section 55(2)(b) of the PFMA and have after revision, condoned the irregular expenditure as indicated above on 28 July 2016.

* See Note 25

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Audited Annual Financial Statements

	2017	2016
	R	Restated R

18. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Grants	1,405,894,557	1,213,536,287
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Total capital commitments

Already contracted for but not provided for	1,405,894,557	1,213,536,287
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The committed expenditure relates to the contractual arrangement on items that meet project milestones in the investment programme related to social housing projects and will be funded by existing cash resources, retained surpluses and future MTEF budget allocations.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	2,362,651	-
- in second to fifth year inclusive	8,442,056	-
	10,804,707	-

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of five years and have an escalation of between 9% per year (2016 : 8% - 10%). No contingent rent is payable.

* See Note 25

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Audited Annual Financial Statements

	2017	2016
	R	Restated R

19. Related parties

Relationships	
Controlling entity	National Department of Human Settlements

Related party transactions

Revenue received from related parties

National Department of Human Settlements	494,863,000	143,714,031
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Executive Management Remuneration

	Salary	Travel expenses	Bonus	Total package 2017	Total package 2016
Executive Members					
Former Acting Chief Executive Officer:	50,000	-	-	50,000	323,144
Ms S Ngxongo					
Corporate Services Manager:	-	-	-	-	53,915
Ms T Shongwe					
Chief Executive Officer:	2,208,370	17,106	-	2,225,476	346,603
Mr R Gallocher					
Former Acting Corporate Services Manager:	115,071	1,266	-	116,337	608,536
Mr V Fakudze					
Acting Corporate Services Manager:	141,914	-	-	141,914	-
Mr N Mbengo					
	2,515,355	18,372	-	2,533,727	1,332,198

Ms. S Ngxongo is an employee of the National Department of Human Settlements and an Acting allowance of R50,000 (2016: R323,144) has been provided for. Ms. S Ngxongo's secondment ended with the appointment of Mr. R Gallocher as Chief Executive Officer on 1 February 2016. Mr. V Fakudze was appointed as Acting Corporate Services Manager on 22 October 2015 up to 26 April 2016. Included in the Salary of Mr V Fakudze is an Acting allowance of R21,537 (2016:R146,137). Subsequently Mr. N Mbengo was appointed as Acting Corporate Services Manager from 26 April 2016.

	Salary	Travel expenses	Bonus	Total package 2017	Total package 2016
Executive Managers					
Compliance, Accreditation and Regulation Executive:	1,398,596	3,767	34,000	1,436,363	1,374,071
Mr K Boqwana					
Sector Development & Transformation Executive:	1,180,504	9,648	34,000	1,224,152	1,169,908
Mr D Koekemoer					
	2,579,100	13,415	68,000	2,660,515	2,543,979

* See Note 25

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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20. Other financial assets

2017

Financial assets

	Financial assets at amortised cost	Total
Receivables from exchange transactions	635,005	635,005
Cash and cash equivalents	835,627,276	835,627,276
	836,262,281	836,262,281

2016

	Financial assets at amortised cost	Total
Receivables from exchange transactions	826,132	826,132
Cash and cash equivalents	789,712,344	789,712,344
	790,538,476	790,538,476

21. Financial liabilities per category

2017

Financial liabilities

	Financial liabilities at amortised cost	Total
Payables	55,169,923	55,169,923
	55,169,923	55,169,923

2016

	Financial liabilities at amortised cost	Total
Payables	104,896,711	104,896,711
	104,896,711	104,896,711

* See Note 25

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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22. Risk management

Financial risk management

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

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

Liquidity risk

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

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

At 31 March 2017	Between 1 to 3 months	Between 4 to 6 months	Between 7 to 9 months	Between 10 to 12 months
Trade and other payables	55,703,653	-	-	-
At 31 March 2016	Between 1 to 3 months	Between 4 to 6 months	Between 7 to 9 months	Between 10 to 12 months
Trade and other payables	104,896,711	-	-	-

Credit risk

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

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

Market risk

Interest rate risk

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

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

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

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

23. Contributions to Defined Contribution Plan

Pension	952,455	972,075
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* See Note 25

SOCIAL HOUSING REGULATORY AUTHORITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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23. Contributions to Defined Contribution Plan (continued)

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

24. Subsequent events

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

25. Prior period errors

During the prior year a payment of R5,073,146, relating to the Yeast City Housing - Hofmeyer, was incorrectly accounted for as a programme cost, while it should have been allocated to Recalled Grant Funds. This has been corrected retrospectively.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Recalled Grant Funds (SHIP Projects)	-	5,073,146
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Statement of Financial Performance

Programme costs	-	(5,073,146)
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Cash flow statement

Cash flow from operating activities

Recalled Grant Funds (SHIP Projects)	-	5,073,146
Programme costs	-	(5,073,146)
	-	-

* See Note 25

List of abbreviations and acronyms

APP	Annual Performance Plan
B-BBEE	Broad-based black economic empowerment
BNG	Breaking New Ground
CEO	Chief Executive Officer
CoJ	City of Johannesburg
CSOS	Community Schemes Ombud Service
CRU	Community Residential Unit
CSM	Corporate Services Manager
EXCO	Executive Committee
HDA	Housing Development Agency
HR	Human Resources
IDP	Integrated Development Plan
IRC	Independent Review Consultant
IS	Institutional subsidy
ICT	Information communication technology
IT	Information technology
JDA	Johannesburg Development Agency
Joshco	Johannesburg Social Housing Company
Minmec	Minister and Members of the Executive Council
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
Nasho	National Association of Social Housing Organisations
NRHTT	National Rental Housing Task Team
DoHS	Department of Human Settlements
NDP	National Development Plan
NHFC	National Housing Finance Corporation
NRHTT	National Rental Housing Task Team
NSHP	National Social Housing Programme
OD	Organisation Development
ODA	Other Delivery Agents
PFMA	Public Finance Management Act, No. 29 of 1999
PSETA	Public Service Sector Education and Training Authority
QCTQ	Quality Control for Trades and Occupations
RCG	Restructuring Capital Grant
SALGA	South African Local Government Association
SAQA	South African Qualifications Authority
SAWIC	South African Women in Construction
SDF	Spatial Development Framework
SHI	Social Housing Institution
SHIP	Social Housing Investment Programme
SHRA	Social Housing Regulatory Authority
TEC	Technical Evaluation Committee



human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA



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