

NATIONAL HOME BUILDERS

**NHBRC**

REGISTRATION COUNCIL



*Quality  
is our  
priority*

ANNUAL REPORT 2009



# Glossary of acronyms and abbreviations

AG	Auditor-General
BBBEEA	Broad Based Black Economic Empowerment Act
BNG	Breaking New Ground
EEA	Employment Equity Act
ERP	Enterprise Resource Planning
EWP	Employee Wellness Programme
IHHWC	International Housing and Home Warranty Conference
HRD	Human Resource Development
IDP	Individual Development Plan
IRMSA	Institute of Risk Management of South Africa
MDP	Management Development Programme
MoH	Minister of Housing
MINMEC	Minister and Members of Executive Committee
NCA	National Credit Act
NDoH	National Department of Housing
NHBRC	National Home Builders Registration Council
PFMA	Public Finance Management Act
PHD	Provincial Housing Department
PPPFA	Preferential Procurement Policy Framework Act
SARS	South African Revenue Services
SDL	Skills Development Levy
SDP	Skills Development Programme
UIF	Unemployment Insurance Fund
YIH	Youth in Housing

## VISION

To be a world-class organisation that protects consumers of the built environment and regulates the built industry.

## MISSION

The NHBRC's mission is to:

- provide excellent customer care and service to all stakeholders in the home building industry;
- benchmark the NHBRC's technical standards against national and international norms;
- build the capacity of competent home builders, with particular focus on uplifting historically disadvantaged individuals;
- promote quality and innovative construction in the home building industry;
- grow and sustain the warranty fund;
- capacitate housing consumers about their rights, duties and obligations;
- promote and maintain ethical standards in the home building industry;
- promote ministerial sustainable human development initiatives; and
- provide a warranty cover to housing consumers.

## MOTTO

Quality is our priority.

## VALUE STATEMENTS

- Customer service excellence
- Good corporate governance
- Research and innovation
- Learning and caring organisation
- Commitment and moral integrity
- Promoting technical excellence

## STRATEGY

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

## OUR COMMITMENT

Customers are in our hearts and quality is our priority.

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# Message from the Minister of Housing, Dr. Lindiwe Sisulu:



“It is our hope that the availability of cheaper and alternative building material, once it has been found to be efficient, will also help us address the challenges relating to the rising cost of the material needed including its shortage. We would know, for instance, that from the data collected by the Bureau for Economic Research, the price of cement has in the past seven years more than doubled and that in 2005 alone building costs accelerated by 17,5% and in the first half of 2006 by 6,2%. For us this is indeed a worrying trend that is bound to have major implications on our ability to roll out low-cost housing and thereby create sustainable communities.

It is also worrying in view of the programme to meet the demand caused by expectations flowing from the 2010 World Cup. For here it will not only be the development of low-cost housing that will require an adequate supply of building material, particularly cement, but also the provision of social housing that is key in the integration of different income groupings.”

# Chief Executive Officer's Report

The NHBRC has over the past three years experienced the best and worst growth of the home building industry. During 2006/07 and 2007/08 financial years, the highest number of homes were enrolled with records registering between 78 000 and 80 000. The present global economic situation has not spared the home building industry any of its negative impact with enrolments showing a negative decline in respect of values of homes being enrolled with the NHBRC.

In the implementation of the NHBRC' mandate, we remained conscious of the organization's proportionate statutory duty to contribute to the National Department of Housing's aim of meeting the government's constitutional responsibility of ensuring that every South African has access to permanent housing that provides secure tenure, privacy, protection from elements, and access to basic services. The NHBRC has been exemplary in the function of supporting one of the priorities of the National Department of Housing, i.e. one of providing quality housing to turn homes into assets, through the performances of its diverse Divisions. The training of home builders, which included the emerging builders, the unemployed, youth, women and people with disabilities, remained a critical strategic and operational focus for the NHBRC. The upliftment of women and the youth through home building training programs also remained an initiative in support of empowering previously disadvantaged communities through skills development, thus resulting in the socio-economic upliftment of the various communities.



The boom in the home building industry challenged the manner in which we pursued our vision relating to the industry. The Office of Honourable Minister of Housing engaged us to participate in programmes meant to accelerate housing delivery to South African citizens. Our trip overseas, as part of the delegation of the Honourable Minister of Housing, introduced us to a self placing and self leveling concrete meant to provide alternative building technologies with a specific focus on addressing the consistency of quality and the up scaling of delivery of houses in South Africa. The NHBRC' object of establishing and promoting ethical and technical standards in the home building industry is the driving force propelling us to investigate various building methods and to improve structural quality of home in the interests of housing consumers and the home building industry. We intend to ensure that our participation in Special Ministerial Projects will sufficiently contribute to the process of acceleration of housing delivery.

The global boom in the construction industry posed further challenges for the NHBRC in respect of the scarcity of engineering skills. It was difficult to compete with the attractive packages that were being offered by the private sector to engineers. While we have intentions of negotiating with international countries in terms of sourcing engineers, we are also aware that the global economic downturn presents an opportunity for South Africa to source such skills from other countries which are facing massive retrenchment of skilled labour.

Our partnership with all our stakeholders has significantly improved over the years. The inclusive approach which we have adopted in relating to them has ensured that the NHBRC remains aware of the dynamics, challenges and changes in the home building industry. The NHBRC is adamant in its mission to ensure that the NHBRC remains visible to its stakeholders. We have improved our visibility by establishing satellite offices. Our marketing strategies extended also to Road shows which were held in various provinces of the country.

We always aim to incentivise our home builders and the hosting of the top 50 Builders' Breakfast in 2007 was in recognition of the top performing Builders. The Govan Mbeki Housing Awards which were during October 2008 and which are pioneered by the National Department of Housing are aimed to be a beacon of incentives for the home builders of this country; especially to those who are committed to the mission of the NHBRC of promoting quality and innovative construction in the home building industry. This is supported by the NHBRC as it is inclusive also of the emerging home builders and home owners. The NHBRC has reverence for the creed of home builders who are committed to delivering, not a structure, but a permanent home that provides secure tenure, privacy, protection from elements, and access to basic services.

We have been compelled by the present negative economic situation to review the manner in which the NHBRC operationally conducts its business. We realized that it was "business unusual" and we understand the task to steer the organisation while ensuring sustainability will remain a formidable challenge as the negative driving elements are mainly external. While the King III report will admittedly only be effective in the near future, the NHBRC embraces the principles therein, such as the duty for Council to consider sustainability as a business opportunity; the duty to commence business rescue proceedings as soon as the company is financially distressed and to act in the best interest of the company.

## FINANCIAL PERFORMANCE

The financial performance is as follows:-

- Decrease in gross insurance premium revenue by 46,52%
- Net surplus for the year decreased by 21,46%
- Cash inflow from operating activities decreased by 58,67%
- Cash flow from investing activities decreased by 49,9%
- Investments increased by 14,02%
- Net income increased by 0,34%

## PERFORMANCE

The NHBRC subscribes to the King II Governance Report and the Protocol on Corporate Governance in the Public Sector and the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended. Over the past four years, we have achieved unqualified reports from the office of the Auditor-General. This assures the public that public funds are properly managed and the NHBRC is executing its mandate. The NHBRC also complies with International Financial Reporting Standards (IFRS).

There is an increase in the number of newly registered home builders in that 3 788 were registered this year compared to 3 628 in the financial year of 2007/08. This shows a 4,4% increase in the registration of new home builders, as compared to the 2007/08 financial year.

The renewal of registration by home builders has shown a remarkable decrease of 8,5%. The previous year shows a record of 12 390 and against 11 326 for the reporting year.

There has been a drastic decrease in the number of new homes being enrolled with the NHBRC for the reporting year. While we enrolled 80 239 the previous year, this year the number of enrolled homes was 42 228. A total of R6, 884,517 has been spent on remedial work for the financial year covering actual rectifications, professional and accommodation fees.

## SUPPLY CHAIN AND PREFERENTIAL PROCUREMENT

We are happy to report a record of preferential procurement orders in the amount of R198 730 502.10 for the financial year under review. This translates to an average of 40.6% against 48% target that the institution has set itself to achieve. This reflects a 7.35% annual performance below the planned percentage. This is a remarkable contribution in the light of the suspended programmes on account of the economic downturn.

The reduction on the cost of doing business has not only become a priority but a critical factor that the institution monitors constantly in this recessionary period where the prices of commodities, inflation and interest rate rises at the rate they are currently doing. Reduction in the costs of doing business does however not remove the responsibility to advance the socio economic strategy for the advancement of the government's Broad – Based Black Economic Empowerment.



## SOLVENCY OF THE NHBRC WARRANTY FUND

The solvency and financial position of the Warranty Fund is performed annually by independent actuaries. The current year assessment of the solvency of the Warranty Fund, performed by Matlotlo Group (Pty) Ltd, is as follows: Best practice actuarial techniques were applied to value the insurance liabilities of the NHBRC on a run-off basis, using best estimate assumptions per general practise in the South African short-term insurance industry.

"The Outstanding Claims Provisions ("OCP") is determined at a 99.5% sufficiently level. This is consistent with the FSB's proposed Financial Condition Reporting requirements, which will require companies to hold liabilities at the 75% level, and capital at 99, 5%.

The Unearned Premium Provision ("UPP") has been estimated using the enrolment fee earnings curve, having deducted initial expenses which are assumed to be earned uniformly over the first two quarters following enrolment date (estimated period between enrolment and occupation dates). The OCP has been estimated by applying chain ladder techniques to a run-off triangle of remedial work claims paid grouped by quarter of complaint. The Bornhuetter Ferguson method ("BF Method") was used to calculate the OCP, as this method was deemed most suitable fit to the data.

The results of the actuarial valuation indicate that the NHBRC as a whole, including both subsidy and non-subsidy houses, is solvent and in a sound financial position as at 31 March 2009 when valued on a run-off basis. The actuarial liabilities are 327% funded.

However, for future business, the enrolment fees currently charged are inadequate to cover future expenses and liabilities for both subsidy and non-subsidy homes. This is largely because of relatively high enrolment and inspection costs (initial expenses) that do not seem to respond to lower volumes of enrolments.

# Members of Council



## SIBONGILE NENE

- Chairperson: Council
  - Chairperson: Human Capital and Remuneration Committee
  - Chairperson: Fund Advisory and Finance Committee
- 



## CHRIS CUDMORE

- Deputy Chairperson: Council
  - Risk Management Committee
  - Registration Committee
- 



## PRINCE MALULEKE

- Chairperson: Disciplinary Steering Committee
  - Fund Advisory and Finance Committee
  - Human Capital and Remuneration Committee
- 



## DR ADAM GOLIGER

- Chairperson: Technical Advisory and Claims Committee
  - Risk Management Committee
- 



## SHARON DE GOIS

- Chairperson: Disciplinary Committee
  - Chairperson: Registration Committee
  - Human Capital and Remuneration Committee
  - Audit Committee
  - Risk Management Committee
- 



## YANDISWA JIYA-TIBA

- Technical Advisory and Claims Committee
  - Education, Training and Development Committee
  - Human Capital and Remuneration Committee
  - Disciplinary Committee
- 



## SAM MOLESHIWA

- Chairperson: Industry Advisory Committee
- Fund Advisory and Finance Committee
- Tender Committee
- Disciplinary Committee
- Education, Training and Development Committee

# Members of Council (*continued*)



**CASSIM KADWA**

- Chairperson: Risk Management Committee
  - Technical Advisory and Claims Committee
  - Audit Committee
  - Tender Committee
  - Disciplinary Steering Committee
- 



**BART DORRESTEIN**

- Risk Management Committee
  - Technical Advisory and Claims Committee
  - Disciplinary Committee
  - Tender Committee
- 



**JULIA MOJAPELO**

- Chairperson: Tender Committee
  - Industry Advisory Committee
  - Disciplinary Steering Committee
  - Technical Advisory and Claims Committee
- 



**JOHN MATTHEWS**

- Fund Advisory and Finance Committee
  - Industry Advisory Committee
  - Disciplinary Steering Committee
- 



**OBED SHABANGU**

- Human Capital and Remuneration Committee
  - Risk Management Committee
  - Registration Committee
  - Disciplinary Committee
  - Tender Committee
- 



**FIKISWA NTUMBU**

- Technical Advisory and Claims Committee
  - Industry Advisory Committee
  - Education, Training and Development Committee
  - Tender Committee
- 



**DR MARIA VENTER**

- Chairperson: Education, Training and Development Committee
- Industry Advisory Committee
- Registration Committee
- Disciplinary Steering Committee
- Risk Management Committee

# Central Office Team



**KGOMOTSO MAHLOBO**

Chief Operating Officer



**THITINTI MOSHEOU**

Executive Director: Customer Care



**PAUL THABETHE**

Manager: Internal Audit



**DR AWELANI MALADA**

Manager: Strategic Planning and Research



**DONALD MATLOU**

Manager: Information Technology



**LAURENE LESS**

Executive Director: Corporate Services



**COURTENEY THORP**

Executive Director: Finance, Fund and Supply Chain



**DR JEFFREY MAHACHI**

Executive Director: Technical and Information Technology



**TSHABALALA PHOFA**

Risk Coordinator



**KWENA MOLOKO**

Manager: Supply Chain

# Central Office Team *(continued)*



**MNCEDI VAKALISA**

Manager: Legal Services



**FRED WAGENAAR**

Manager: Centre for Housing  
Performance Excellence



**CHARLOTTE MAVHUNGU**

Manager: Human Capital Management



**BEATRICE MOTSISI**

Manager: Marketing and Public Relations



**PETER MOSALO**

Manager: Education, Training and  
Development



**ZOLISWA LUFELE**

Manager: Finance and Fund  
Management

# Provincial Managers



**STEFAN JANSER**

Western Cape



**THIHANGWI MUDAU**

Gauteng



**COLIN POLLOCK**

Eastern Cape



**NURSE CHAVALALA**

Limpopo



**MONA MOLEPO**

Northern Cape



**DR CATHERINE NDINDA**

Mpumalanga



**GARY OLCKERS**

KwaZulu-Natal



**SEFISO NTSIZWANE**

North West



**CHRIS SLABBER**

Free State

# Financial Performance Review

## Overview

The economic downturn in the housing construction industry has over the past year has negatively affected the income generated by the NHBRC through the enrolment of new homes. Statistics South Africa, in their quarterly report to April 2009, reported that the Value and percentage change of recorded building plans passed by larger municipalities at constant 2005 prices for the residential market declined by 56.7% (Statistics SA). The annual percentage change is the change in the values of recorded building plans passed by municipalities of the relevant year compared with the values of recorded building plans passed by municipalities of the comparable period of the previous year expressed as a percentage.

## Results for the year

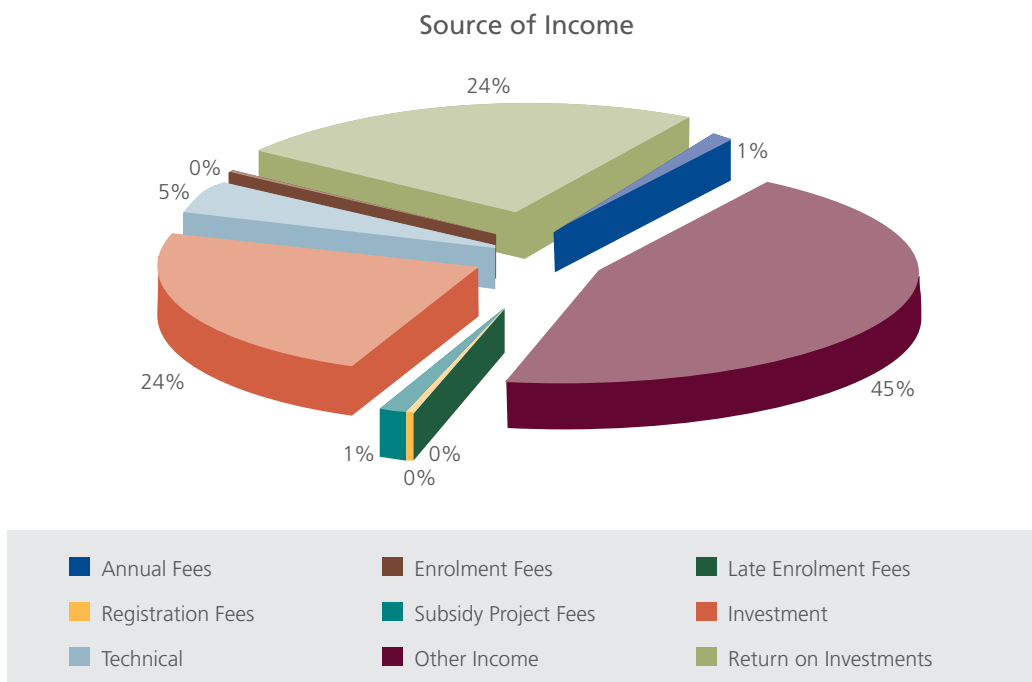
### Revenue

The NHBRC experienced its first year of declining revenue, due mainly to lower enrolment fee income. The lower enrolment fees are a direct result of the downstream effect of the National Credit Act, the prevailing higher interest rates over the reporting period and the financial sectors reluctance to grant fully funded home loans. Income before investment income decreased by R61,9 million (10,3%) compared to the previous financial year. The full effect of the economic downturn will only become evident during the 2009/10 financial year.

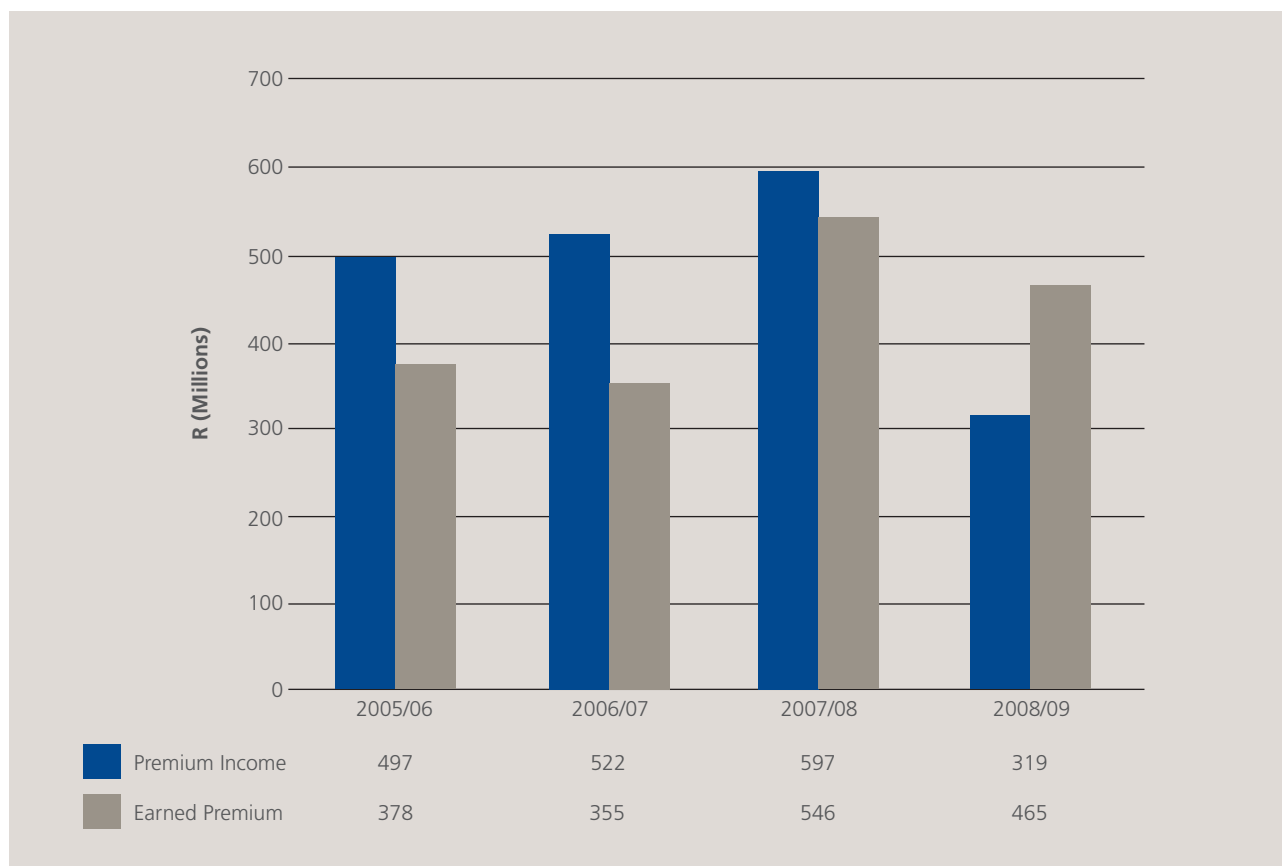
The gross premium earned, at R465.4 million includes the release of additional enrolment fees realised from the unearned premium reserve from the previous financial years of R237,9 million (2008 R 5,9 million) which was partially reduced by the increase in the unexpired risk provision of R91,9 million (2008 R56,8 million).

Gross insurance premium revenue, before the IFRS 4 adjustments, decreased from R597,1 million to R319,4 million (46.5 %) (2008: increase 14.8%).

Income from investments at R241.9 million increased by R64,6 million (36.4%) compared to the previous financial year.



The effect on the difference between written and earned premiums as reported is depicted below:



## Expenditure

Operating expenditure, which excludes insurance claims and loss adjustment expenses (R27.2 million) at R384.7 million (2008 R305.2 million) increased by R79.5 million (26.0%) compared to previous year.

Expenditure is categorised into risk mitigation and business support expenditure. Risk expenditure is incurred to reduce the risk to the warranty fund and enforce legislated building regulations, and business support expenditure is incurred to maintain the NHBRC operations and service to customers.

The risk mitigation expenditure of R118.4 million (2008 R63.9 million), an increase of R54.5 million, is mainly attributed to the increase in the inspection cost of homes under construction (R24.9 million) and technical services expenditure of R33.8 million, incurred mainly, in the rectification program on subsidy homes in the Eastern Cape. This expenditure is set off by the income generated by the Technical department of R47.6 million.

The business support expenditure of R258.9 million (2008 R232.6 million), an increase of R26.3 million, is incurred to service business growth and improve service delivery to all stakeholders. The increase compared to the prior year, other than for general inflation, is due to the increase in the amortisation and depreciation charge on computer software which was brought into use at the beginning of the financial year amounting (R12.1 million). The increase in technical resources during the current year to maintain technical standards and engage in forensic audits on subsidy houses built prior to 2001 increased staff costs and consulting contributed to the expenditure increase.

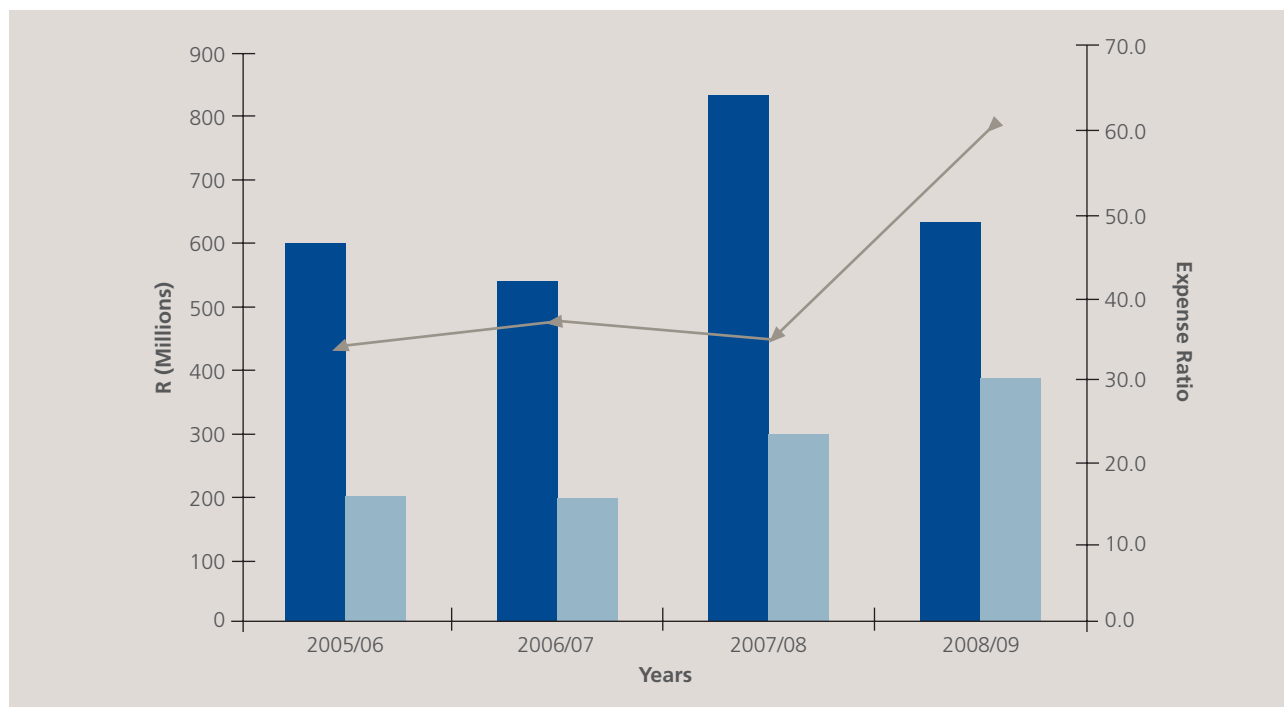


The asset management service fees of R6.8 million (2008 R5.0 million) are paid to Fund managers who administer the investments on behalf of the NHBRC. Management fees are charged on a sliding scale on the investments under management.

### Net surplus for the year

The net surplus for the year at R367.9 million (2008 R468.5 million) is R100.6 million (21.4 %) lower than the previous financial year. The effect of the economic downturn in the home building industry, which reduced premium income generated, was the main reason for the lower net surplus. The decrease was partly mitigated by the reversal of technical liabilities.

Revenue and Operating Expenditure (Excluding non cash flow items)

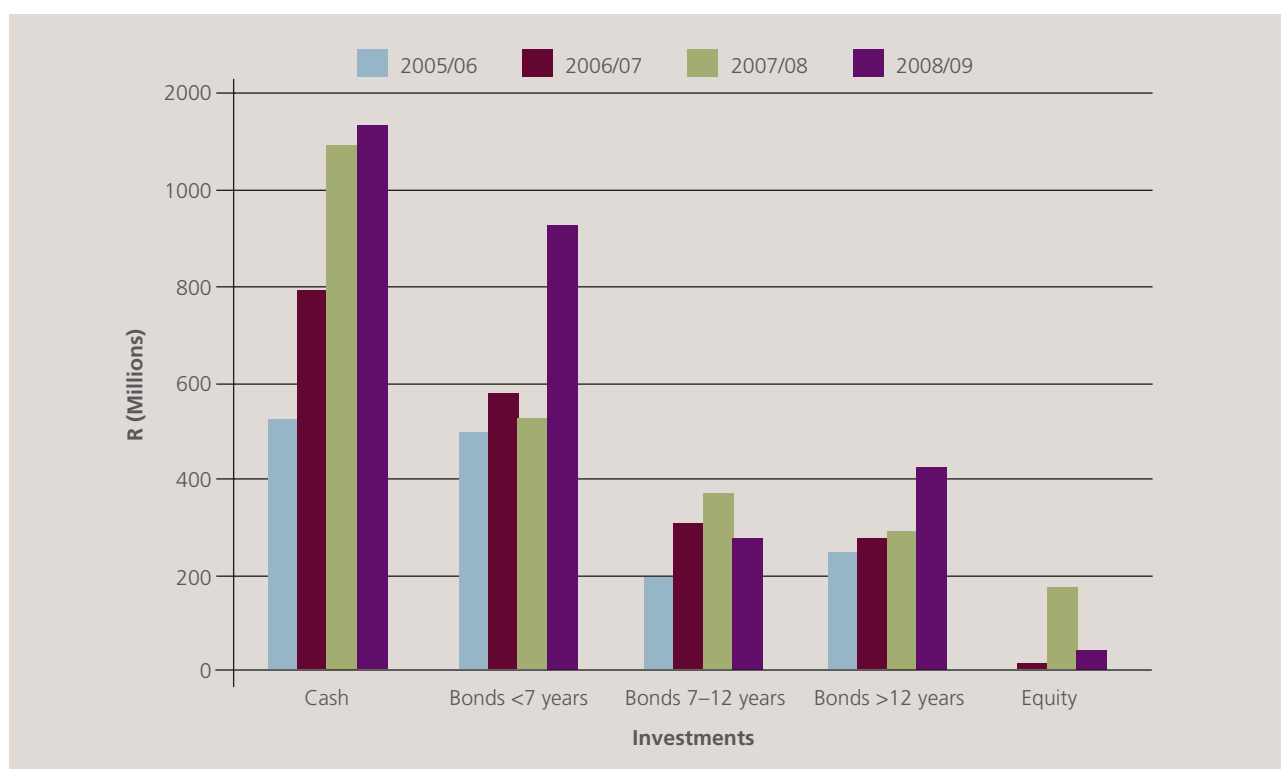


### Investments

The NHBRC is regulated in terms of the Housing Consumers Protection Measures Act, 1998 (Act of 1998) to establish a fund for the purposes of providing assistance to housing consumers under circumstances where the home builder fails to meet their obligations under section 13(e)(b)(i) of the Act. The investment mandate concentrates on the preservation of capital so as to ensure that the NHBRC remains financially sound to meet housing consumer claims as they arise.

Investments are held in either the fixed interest portfolio or an absolute return fund portfolio. The two investment portfolios are managed on behalf of the NHBRC by five fund managers, and returns are managed against predetermined benchmarks. The total investment, at market value, increased from R2,4 billion to R2,8 billion during the financial year. The fair value adjustment in terms of IAS 39, at year end, increased by R66,8 million (2008 decrease of R34,9 million). The investment returns outperformed the benchmark over the past 12 months with an annualised return on investments of 8.7% (2008 7.8%).

### Investment Maturity Profile



### Technical Liabilities

The technical liabilities are actuarially determined annually as part of the actuarial assessment. The technical liabilities consists of Outstanding claims, Unearned premium and Unexpired risk provisions which are defined in note 1, "summary of significant accounting policies", in the Annual Financial Statements.

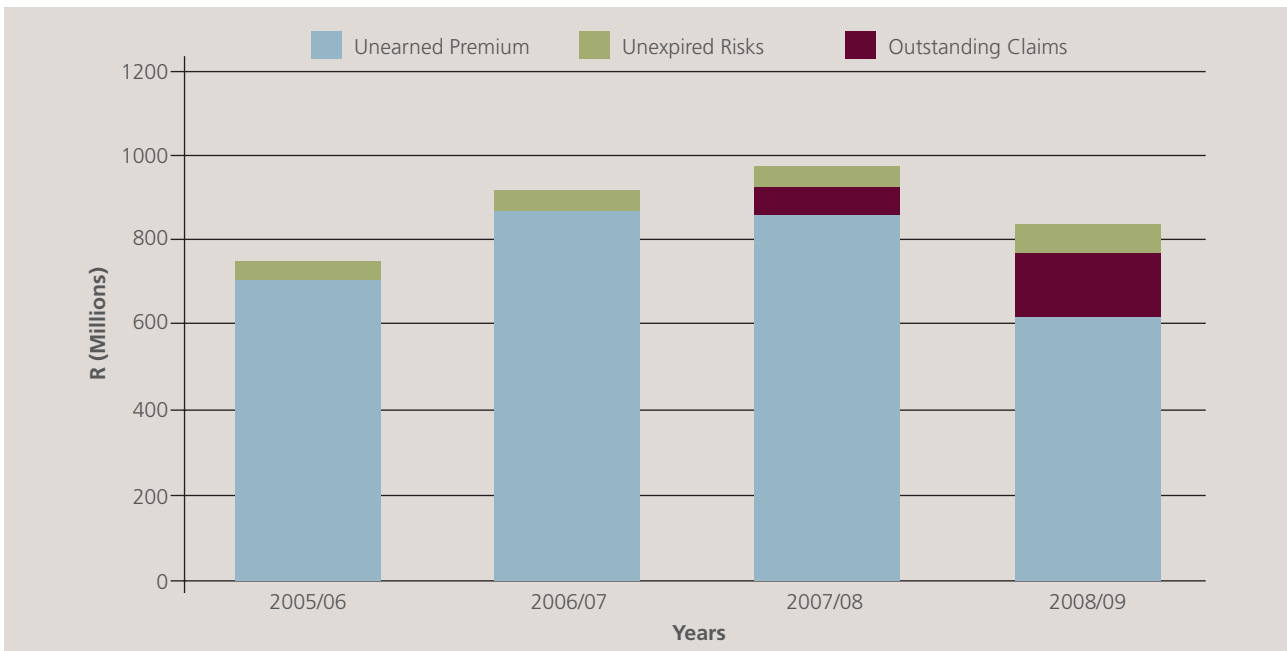
The results of the actuarial valuation indicated that the Council as a whole is solvent, and able to fund its liabilities when valued on a run-off basis. The actuarial liabilities are 227% (2008 150%) funded.

The Outstanding Claims provision is determined at a 99.5% sufficiency level. This is consistent with the Financial Services Board's draft guidelines on Financial Condition Reporting (FCR). These standards require short term insurers to hold liabilities at a 75% sufficiency level, and capital at a 99,5% sufficiency level.

The Unexpired Risk provision for Subsidy Housing increased from R56,8 million to of R148,8 million. This provision is required for subsidy housing to be independently solvent in terms of the insurance risk taken on for such houses.

The provision for unearned premium decreased from R870,4 million to R632,4 million which resulted in additional premium income being released from prior year amounting to R238 million.

### Technical Liabilities



### Cash Flow

The cash flow generated from operating activities decreased by 58.6% (2008: increase 4.7%) to R247,1 million. The decrease in cash flow is attributable to a decrease in cash generated from operations (R415,5 million) reduced by higher cash generated by investments (R64,6 million), compared to the previous financial year. Cash flow from investing activities decreased by R292,6 million compared to the previous year.

The organization net outflow of funds for the year R45.7 million (2008 inflow R12.4 million).

### Reserves

The Council increased the Emerging Contractor reserve by R17,4 million of which R13,7 million was utilized during the year. The reserve is established in terms of Section 15(5) (d) of The Act. The non distributable reserve represents the fair value adjustment of investments to market value and increased to R66,8 million.

### Reserves



### Long-term Sustainability and Efficiency

The long-term financial sustainability of the NHBRC can only be achieved by continuously managing the expense to income ratio, which will by implication grow investment reserves. This will ensure the ability of the Council to honour the warranty obligations to home owners without government assistance. Management is committed to maintain a cost-effective operation, ensure effective internal controls and compliance with established policies and procedures.

Despite the downturn in the economy the Council has consistently achieved a steady growth in investments through efficient portfolio management, to ensure maximum return on investments.

# Corporate Governance

The NHBRC is committed to the principles of openness, integrity and accountability in its interactions with all stakeholders. The NHBRC embraces corporate practices based on values, integrity, excellence and equity within the organisation. The NHBRC endorses the Code of Corporate Practices and Conduct as set out in the King II Report; the Protocol on Corporate Governance in the Public Sector; and the Public Finance Management Act.

The primary objective of the NHBRC's corporate governance framework is to ensure that the Council and executive management team carry out their fiduciary responsibilities faithfully and effectively. A well developed and structured approach is followed for delegation, reporting and accountability, which includes reliance on Council committees. The Council has approved a charter and code of conduct that provides guidance to the members in discharging their duties and responsibilities.

The corporate governance culture within the NHBRC ensures that state resources are used in an efficient, economic and effective manner to further the mandate as prescribed in the Housing Consumers Protection Measures Act, 1998 ( Act No.95 of 1998).

The following section sets out the governance structures and activities within the NHBRC.

## The NHBRC Council

### Mandate of the Council

The NHBRC derives its mandate through the enactment of the Act. The broad mandate is outlined under Section 3, as stated below:

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

### Composition of the Council and attendance of council meetings

The Council shall consist of a minimum of seven (7) and a maximum of fifteen (15) members appointed by the Minister of Housing, in terms of Section 4 of the Act. The Minister appointed 14 members of Council including the Chairperson and the Deputy Chairperson.

In line with good governance principles as espoused by the King II Report on good corporate governance, the Council is required to hold at least four (4) formal meetings per annum.

The table below reflects the members of Council and their attendance of meetings scheduled for the year under review:

Member name	Capacity	Council meetings									
		30 May 2008	20 Jun 2008	15 Aug 2008	1 Oct 2008	26 Nov 2008	27 Nov 2008	10 Dec 2008	27 Jan 2009	26 Feb 2009	31 Mar 2009
Sibongile Nene	Chairperson	✓	☐	✓	☐	✓	✓	✓	✓	✓	✓
Chris Cudmore	Deputy Chairperson	✓	☐	✓	☐	☐	☐	✓	✓	✓	✓
Adam Goliger	Member	✓	✓	✓	✓	✓	☐	☐	✓	☐	☐
Obed Shabangu	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cassim Kadwa	Member	☐	☐	✓	☐	✓	✓	✓	✓	✓	☐
John Matthews	Member	✓	☐	✓	✓	☐	✓	✓	✓	✓	✓
Bart Dorrestein	Member	☐	☐	☐	✓	✓	☐	☐	☐	☐	☐
Fikiswa Ntumbu	Member	✓	✓	✓	✓	☐	☐	✓	✓	✓	✓
Julia Mojapelo	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sharon De Gois	Member	☐	✓	✓	✓	✓	✓	✓	✓	☐	✓
Maria Venter	Member	✓	✓	✓	✓	✓	✓	✓	☐	☐	✓
Yandiswa Jiya-Tiba	Member	✓	✓	✓	✓	✓	☐	✓	☐	✓	✓
Prince Maluleke	Member	☐	✓	✓	☐	✓	✓	✓	✓	✓	☐
Sam Moleshiwa	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
14	Total members	10	9	13	10	11	9	12	11	10	10

Key: ✓ = attendance and ☐ = non-attendance

## **Council Committees**

### **Audit Committee**

The Audit Committee is responsible for assisting the Council by reviewing the effectiveness of its system of internal controls and risk management mitigation strategies; reviewing its financial policies and procedures; reviewing financial information reported to its stakeholders; and assessing the effectiveness of the internal and external audit functions.

### **Fund Advisory and Finance Committee**

The Fund Advisory and Finance Committee is responsible for advising the Council on the prudent management of its funds. The committee shall make recommendations to the Council regarding the setting of fees, procedures and policies for approval by the Council, as well as on all matters relating to the management of risk, administration of its fund or any other Council fund. The committee regularly reviews the financial reports of management, approves the budget and advises Council on all financial matters.

### **Registration Committee**

The Registration Committee is responsible for monitoring the registration, suspension and deregistration of home builders and also recommends appropriate policies and procedures to Council. It evaluates owner-builder applications received, and determines whether home builders qualify in terms of the Act.

### **Technical and Claims Advisory Committee**

The Technical and Claims Advisory Committee is responsible for evaluating remedial work claims submitted by provincial offices and making recommendations to the Council. In addition, the committee advises the NHBRC technical division on all technical aspects of construction and innovation (both professional and technical), which may impact on the NHBRC's risk management process.

### **Disciplinary Committee**

This committee is responsible for adjudicating alleged breaches of the Act by home builders and recommending disciplinary measures where home builders do not comply with the Act.

### **Human Capital and Remuneration Committee**

The Human Capital and Remuneration Committee advise Council on employees' remuneration policies. This committee also maintains a corporate overview of the Council's human capital policies such as employee sourcing, development, relations and rewards.

### **Risk Management Committee**

The Risk Management Committee advises Council on the maintenance of effective, efficient and transparent systems of risk management and internal control. The committee should therefore ensure that this requirement is met through ongoing maintenance and monitoring of the risk management framework. The committee further reviews the risk register and the assessment of reports, to ensure efficiency and effectiveness of the risk management strategy and plans.

### **Industry Advisory Committee**

The Industry Advisory Committee is responsible for giving advice to the Council on all matters relating to the operations of the home building industry, in addition to acting as a communication channel between the industry and the Council.

## **Education, Training and Development Committee**

The Education, Training and Development Committee is responsible for overseeing the formulation and implementation of the Council's education, training and development strategy. This strategy is aimed at internal and external training, with particular emphasis on training emerging contractors, the youth, women and the unemployed.

## **Tender Committee**

The Tender Committee receives, evaluates, adjudicates and awards tenders in line with the NHBRC Procurement Policy and relevant legislation i.e. the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000) and related regulations such as the Broad Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003) amongst others.

## **Disciplinary Steering Committee**

The Disciplinary Steering Committee is responsible for approving disciplinary policies, procedures and guidelines to manage the process of disciplining defaulting home builders. The Committee assesses and approves the charges that will be preferred against home builders who have allegedly breached the Act.

## **Council Matters Committee**

The Council Matters Committee acts as a consultative forum that effectively addresses the welfare of Council members, and monitors the effectiveness of Council programmes and activities against its statutory mandate.

## **Eric Molobi Long Term Committee**

The Eric Molobi Long Term Committee was established to deal with a number of historical challenges such as developing the social compact and finding legitimacy within the Soshanguve community.

## **Marketing Committee**

The Marketing Committee advises Council on matters that are related to the marketing and communication of the NHBRC.

## **Special Ministerial Projects Committee**

The Special Ministerial Projects Committee advises Council on matters and projects that are meant for the Minister. Its key responsibility is to review, assess and analyse all Special Ministerial Projects reports in terms of compliance with the NHBRC's mandate.

## **Risk Management**

Risk management is an integral part of the NHBRC's operations. The Risk Management Committee oversees the risk management activities of the organisation by evaluating the adequacy of internal controls and significant risks facing the organisation. The NHBRC utilises the services of insurance brokers on an annual basis to analyse and assess the risks associated with the NHBRC's assets, together with public liability and professional indemnity, for the risk assessed.

In prioritising the Council's approach to risk management, it is a primary objective to manage each specific risk so as to neutralise its impact on the organisation. The methodology set out in global risk management standards incorporating the King II Report; Institute of Risk Management South Africa (IRMSA); the Committee of Sponsoring Organisations of the Treadwell Commission (COSO) and the Public Finance Management Act, 1999 (Act No. 1 of 1999) amongst others, has been used as a benchmark in developing the organisation's policy, and in monitoring and implementing risk management process.

## Internal Audit

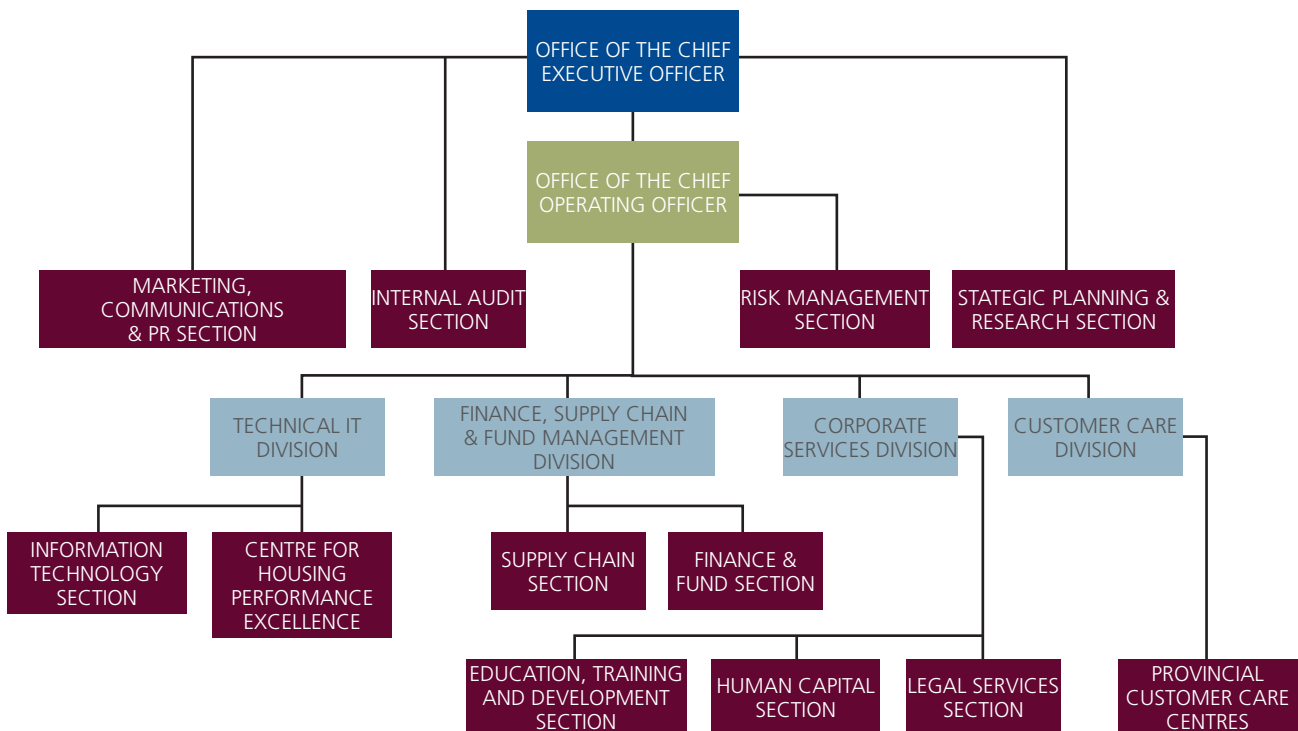
The NHBRC continues to have in place an internal audit function; this is in compliance with Section 27.2 of the Treasury Regulations of the PFMA. The purpose of the internal audit function is to continuously provide independent, objective assurance and consulting services to all divisions and sections of the Council, to ensure adequate and effective systems of corporate governance, risk management and internal control. Furthermore, it evaluates financial and operational performance information to assist management in ensuring that the strategic and operational objectives of the Council are achieved. Any gaps that may exist are identified early through the performance audits, with remedial action being taken to ensure the attainment of strategic and operational objectives.

The function reports administratively to the Chief Executive Officer and functionally to the Audit Committee, with full access to the chairpersons of the Audit Committee and the Council.

The internal audit function is guided by a three-year rotational strategic audit plan. The audit plan ensures that internal audit resources are focused on the high-risk areas of the organisation's operations and is reviewed regularly to ensure relevance in terms of focus.

## The NHBRC Management Structure

In order to fulfill its mandate and to ensure accountability, the NHBRC has the following management structure in place. The management complement is 28 or 7.4% of a total staff complement of 372 which includes 11 interns





# Non-financial Performance Information Report

## NON-SUBSIDY SECTOR

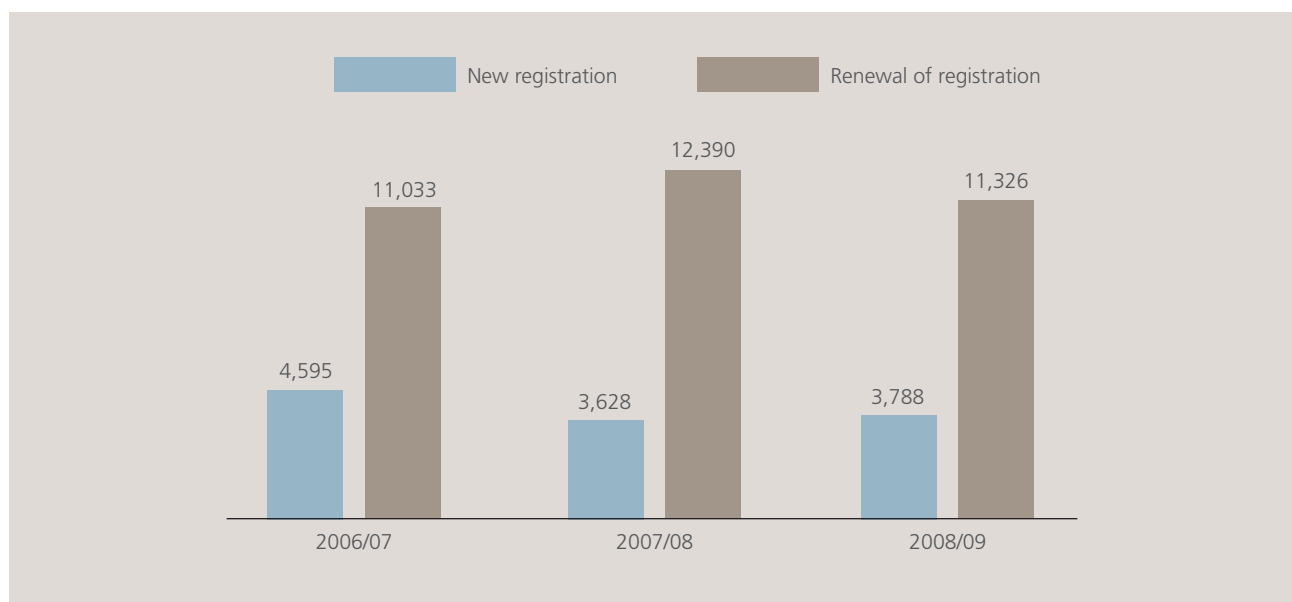
### New registration and renewal of registration for home builders

In terms of Section 10(1) of the Act, any person in the business of home building must register with the NHBRC. Evaluation of registration is based on technical and construction capabilities, and financial and credit worthiness of the applicant. A non-refundable registration fee of R750 is payable to NHBRC before registration.

During the 2008/09 financial year, 3 788 new home builders were registered and 11 326 home builders renewed their membership. This represents a 4,4% increase in registrations and 8,5% decline in renewals as compared to the 2007/08 financial year. Home builders continue to register and renew their membership on an annual basis in order to comply with the Act. Although builders continue to register and renew membership, this is offset by a lack of potential business in the home building industry. Home builders are struggling to find potential home owners due to weak economic conditions and stringent bank lending practices, as a result of the National Credit Act, 2005 ( Act No.34 of 2005).

The performance of the NHBRC on new home builder registrations and home builder renewals for the financial year 2008/09 is shown in the figure below.

New registration and renewals of registration for home builders

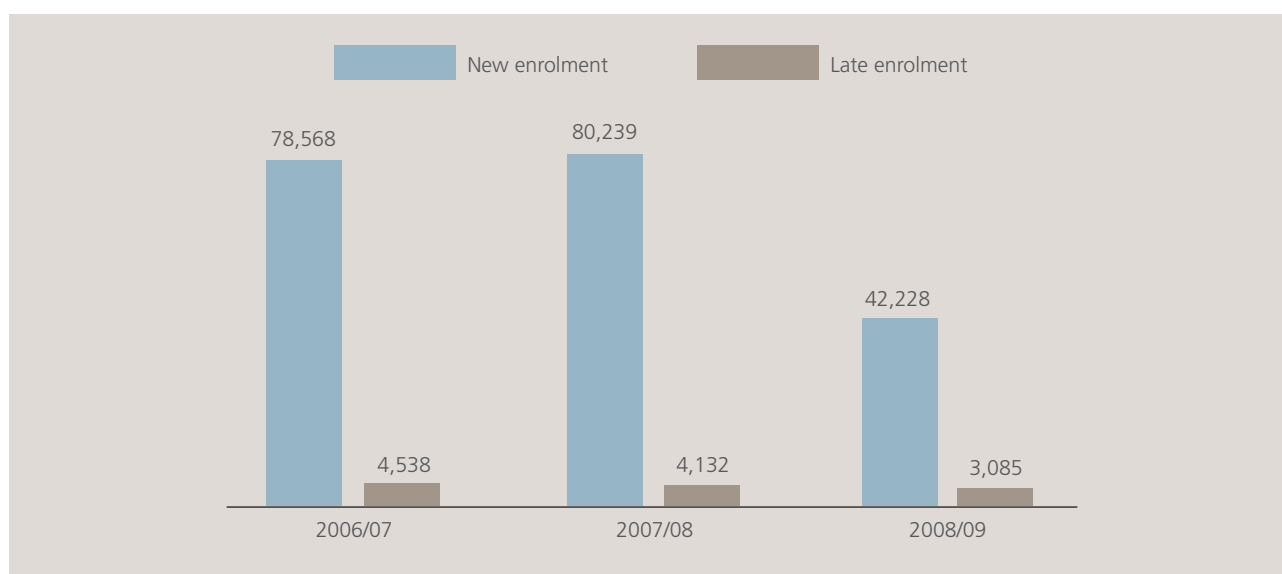


## Enrolment and late enrolment of homes

Section 14 of the Act requires that all new homes must be enrolled with the NHBRC 15 days prior to construction. For homes under R500 000, the enrolment fee is calculated as 1.3% of the value of the property including land. For houses above R500 000, a sliding scale is used to calculate the enrolment fee.

The NHBRC has enrolled 42 228 new homes timeously and 3 085 homes were enrolled late. The reduction in enrolment and late enrolment was 47% and 25% respectively for the 2008/09 financial year as compared with the 2007/08 financial year. The economic meltdown has contributed to the decline of enrolments.

Enrolment and late enrolment of homes

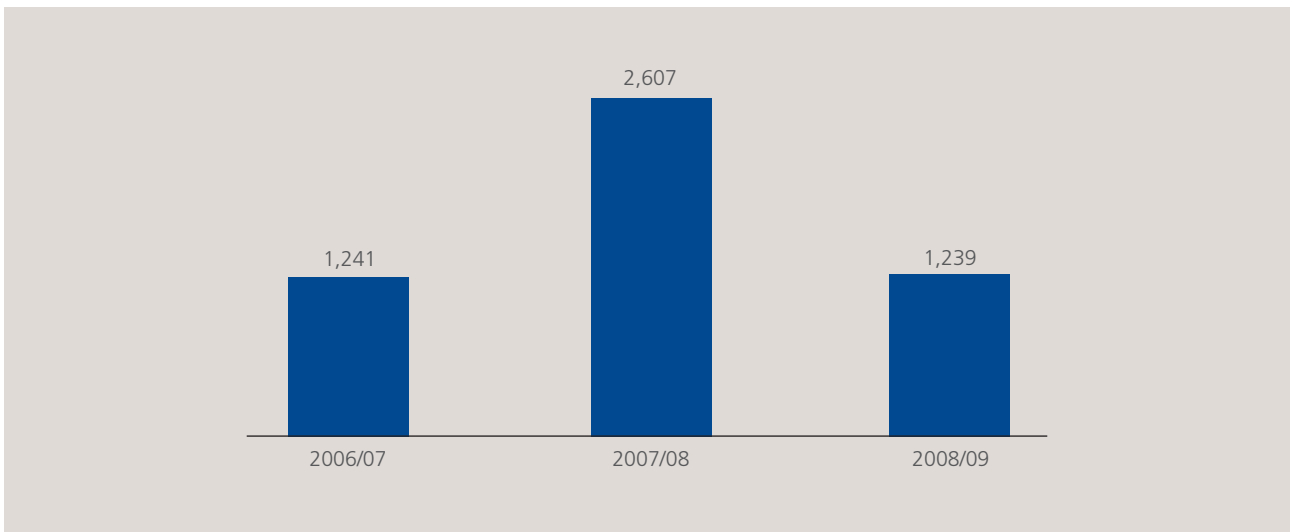


## Complaints

The housing consumer is entitled to lodge a complaint where the home builder is in contravention of Section 13 of the Act for failing to respond to legitimate complaints by the housing consumer. An observation by NHBRC has indicated that decreased late enrolments would result in reduced numbers of complaints. If a builder enrolls before construction, that affords the NHBRC an opportunity to inspect the house, thus limiting future complaints from the home owner. Complaints usually arise when home builders deviate from set home building standards by the NHBRC. These are complaints lodged by housing consumers after they took occupation of their homes.

A housing consumer can lodge a complaint against a home builder where a home has been constructed and occupied and is still under the five year warranty period. A total of 1 239 complaints were received during 2008/09. Of these, 902 complaints were in terms of NHBRC mandate, whereas 337 were outside the mandate. These complaints are related to alterations or renovations of existing homes, contractual disputes between the housing consumers and home builders, and incomplete homes. Maintenance related complaints and roof leak complaints were resolved within one working day and two months respectively. Complaints in terms of major structural defects were finalised within a maximum of six months. This was due to poor response by the affected home builders. In terms of the regulations, the home builder should be given a maximum of 30 days to respond to the complaint before the NHBRC warranty comes into effect. The NHBRC warranty comes into effect when the builder is unable or unwilling to rectify the house. A large number of complaints, which are classified as technical non-compliances, were resolved during the inspection of homes. It takes a maximum of seven days to close technical non-compliance cases.

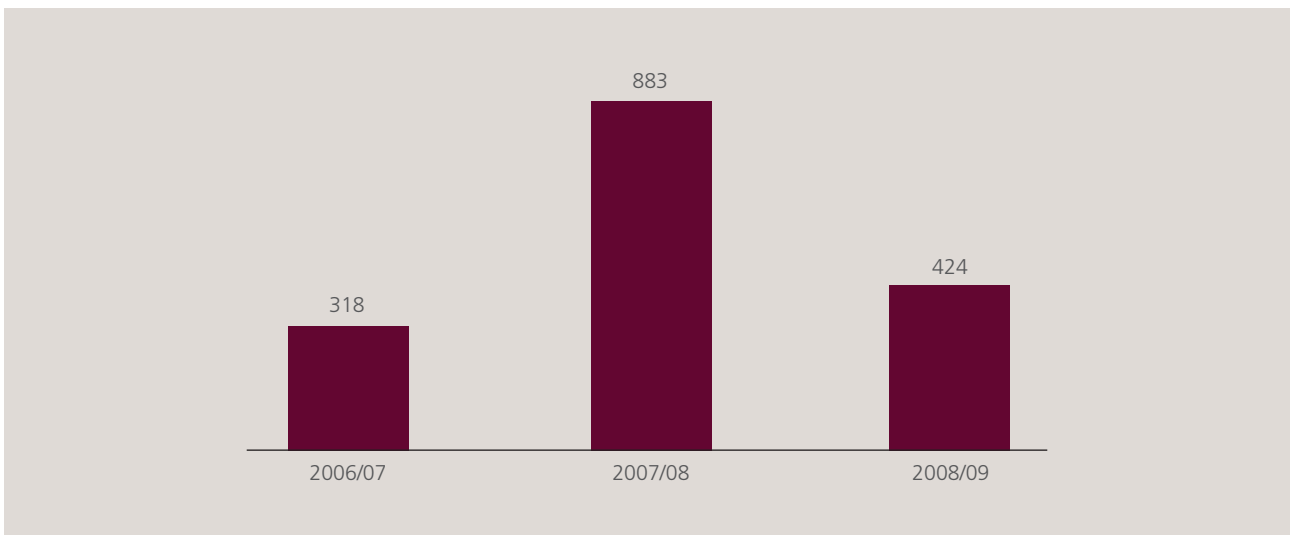
## Complaints



## Conciliations

Of the 902 complaints received during the 2008/09 financial year, 424 complaints were escalated to conciliation level and 478 complaints were resolved amicably. Conciliation is where the NHBRC mediates between the home builder and housing consumer in an effort to reach an amicable solution. A total of 186 conciliations were finalised or closed during the year. The 238 conciliations that are currently in progress will be carried over to the next financial year. The 186 conciliations were finalised when home builders and housing consumers reached a positive agreement in terms of addressing the reported complaints. The delay in closing conciliations was caused mainly by home builders who refused to take liability of the reported defects.

## Conciliations between housing consumers and home builders



## Remedial work completed by the NHBRC

When home builders are unable or unwilling to take liability for major structural defects, the NHBRC undertakes to do remedial work in accordance with the Act.

## Remedial work costs

The NHBRC has spent R6, 884 517 for remedial works in the financial year 2008/09. The NHBRC has however, spent more than R83 million in the mitigation of risks through inspections conducted during the period under review.

This only happens where it is not possible for the housing consumer to occupy the house during the rectification process. In some cases, where the value of the house enrolled is less than the amount of rectification, settlement between the housing consumer and the NHBRC may be reached.

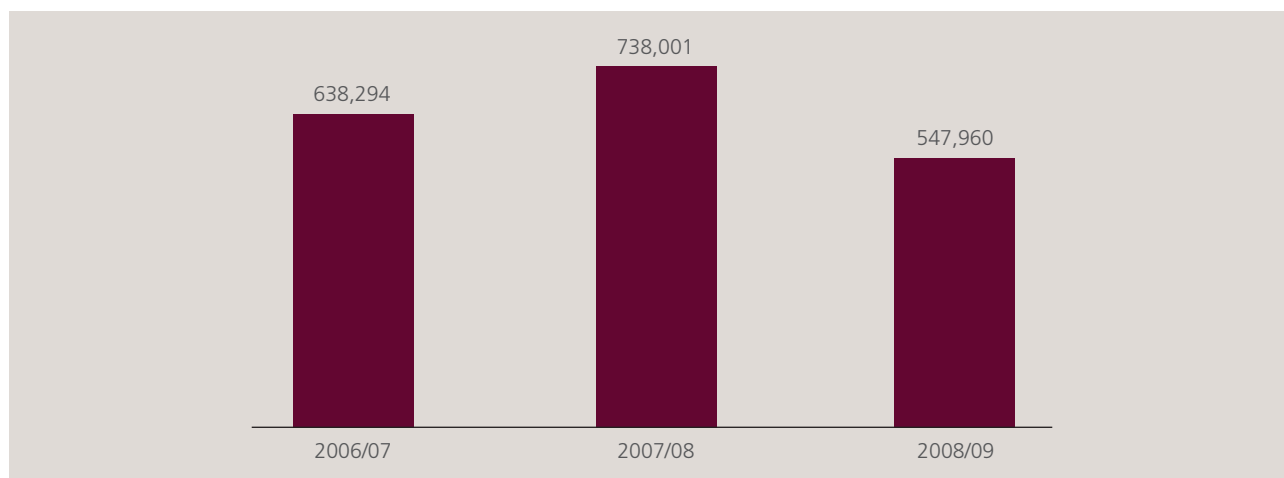
## Inspections

In terms of the Act, every new house enrolled and under construction must be inspected. If the house is enrolled prior to construction, the first inspection includes the foundation. The number of inspections conducted per house is a function of the size and the complexity of the design of the house.

As part of our risk management strategy, the NHBRC's target is to have a minimum of four inspections per house. The chart below indicates the number of inspections completed for the year. A total of 547 960 inspections were conducted during the 2008/09 financial year, with a total of 158 680 houses being inspected during this time. The average inspection ratio for the year was 3.4.

The total number of inspections comprises normal inspections for houses enrolled during the year, which would normally be a verification of whether construction has started or not; inspections for houses enrolled in previous years but that are still under construction; ad hoc inspections; and inspections in terms of technical non-compliance. There is no relationship between houses enrolled during a particular year and the number of inspections conducted, simply because houses enrolled are not necessarily being built within the same year of enrolment.

### Inspections



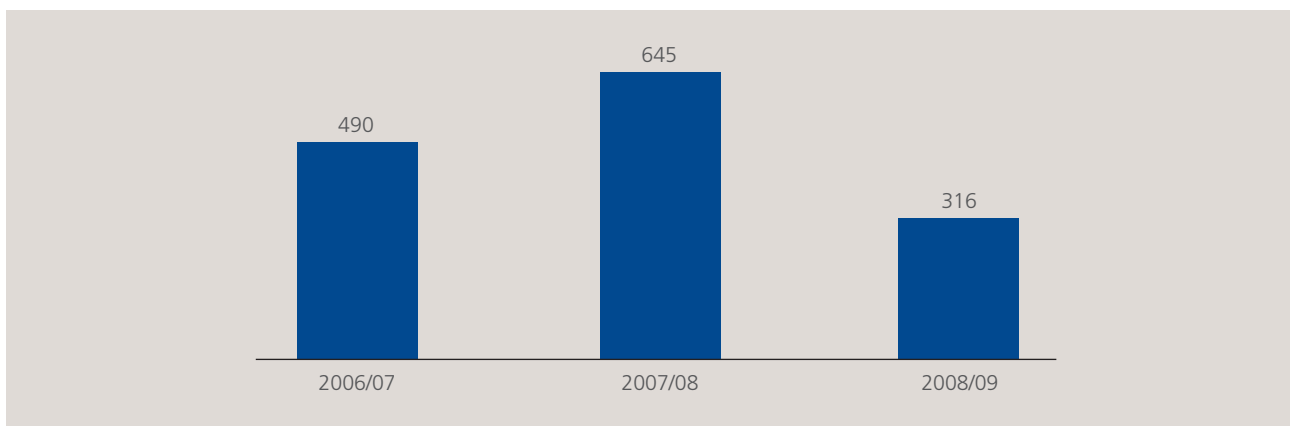
## Suspensions, deregistrations and withdrawals

If a home builder is deregistered or withdraws from the home building industry, this poses a huge risk to the NHBRC because in the event that there are structural defects, recourse to the home builder would be difficult. A home builder is suspended for a number of reasons, one of which is non-compliance with the NHBRC's technical requirements, as stipulated in the Home Building Manual.

In the 2008/09 financial year, no home builder was withdrawn or deregistered. A total of 316 home builders were suspended. Suspensions are a function of complaints. With fewer complaints, fewer suspensions were realised during the year.

Builders are suspended due to a number of reasons including the inability to rectify housing consumers' homes and non-compliance with National Building Standards. Withdrawal of registration from the NHBRC is a voluntary process, usually due to personal reasons. Reasons advanced by most builders are lack of sustainable business opportunities in the home building industry.

Number of suspended home builders



## SUBSIDY SECTOR

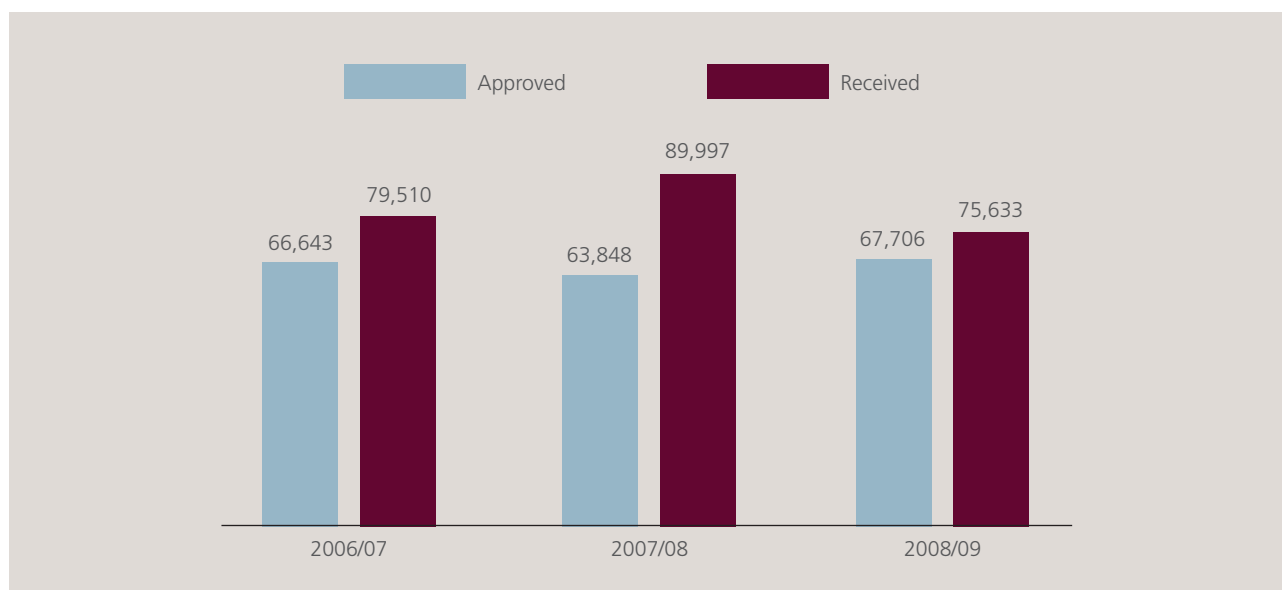
### Performance of subsidy projects

In line with the Act, and Part 3, Chapter 3 of the Housing Code, developers of subsidy projects are required to register and enroll all projects with the NHBRC. The NHBRC uses various risk management tools which include geotechnical assessments and the inspection of infrastructural services (i.e. roads, water and sewer reticulation, and storm water systems), as well as the structural assessment of both sub- and super-structures. In addition, the NHBRC places full-time project inspectors on site. Since 31 March 2006, subsidy projects have been subjected to a two phase enrolment process in order for the NHBRC to achieve the required risk management before issuing a home enrolment certificate. These phases include project enrolment and home enrolment.

### Project enrolment

During the project enrolment phase, the NHBRC assesses the submitted projects with particular emphasis on the phase 1 geotechnical investigation report. The objective of the phase 1 geotechnical site investigation is to comply with the conditions for township establishment and perform a detailed risk assessment with more focus on soil classification, ground conditions, suitability of dolomitic land, established subsidy variations, etc. On successful assessment, the NHBRC issues a project enrolment certificate. During the year, a total of 103 projects were received for project enrolment, with a combined total of 75 633 units. Out of the 103 projects received, 90 projects were approved, amounting to 67 706 units. There were 13 projects (7 927 units) which were not approved. Annual trends for the last three years are shown in the graph below.

Project enrolment phase

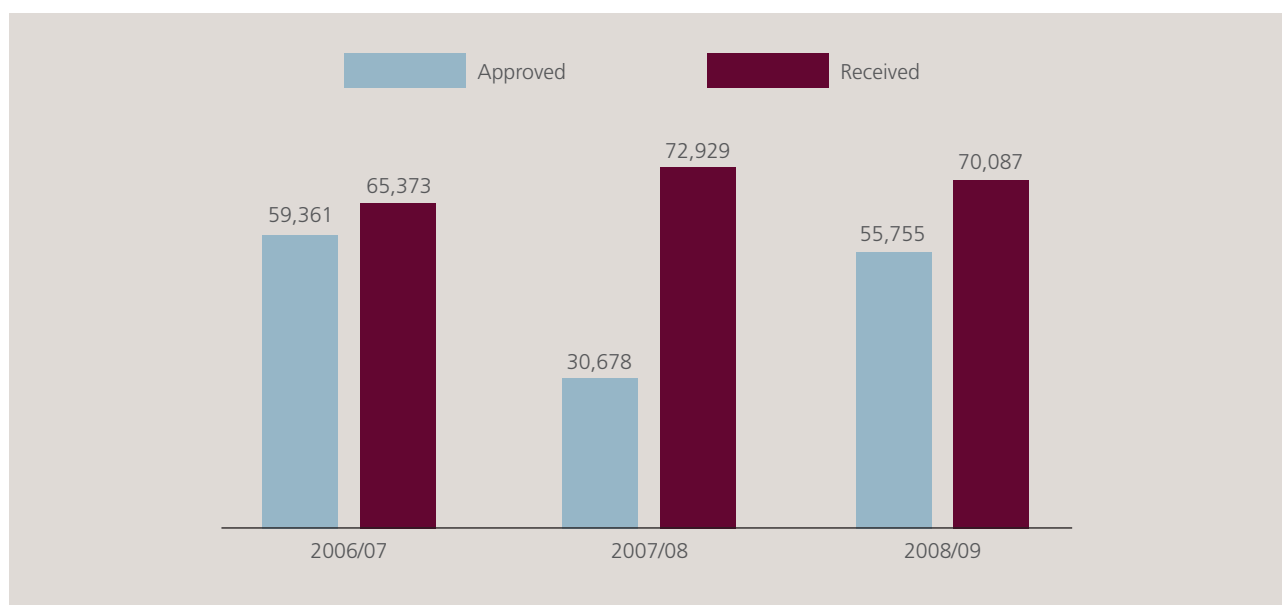


### Home enrolment

Prior to the construction of homes, the developer or home builder prepares comprehensive designs based on each erf soil class designation certified by a competent person for the different typologies in accordance with the provisions of the NHBRC Home Building Manual. The home builder then prepares and submits a home enrolment report to the NHBRC. The report includes a second phase geotechnical site investigation report, township layout plan, house drawings and specifications, rational designs (if applicable) and confirmation of appointment of a competent person including any other relevant documentation. On completion of construction of a unit, the home builder provides a completion certificate and

a final unit inspection report, conducted by NHBRC, after which a home enrolment warranty certificate is issued. This year, 89 projects were received for home enrolment, totaling 70 087 units. Out of the 89 projects, 84 projects were approved, amounting to 55 755 units. In that period, five projects (14 332 units) were declined for enrolment. Annual trends for the last three years are shown in the graph below.

### Home enrolment phase



The home enrolment phase is the ultimate stage that leads to a warranty certificate. This stage is characterised by the following challenges:

- Under-designed foundations and roofs;
- Substandard specification of material;
- Inappropriate use of building methods, codes and practices;
- Reluctance to provide rational designs where compliance with National Building Codes, as contained in the NHBRC's Home Building Manual, is not obvious;
- Reluctance to obtain Agrément Certification and abide by its conditions;
- Incomplete information for enrolments of projects; and
- Deviations from approved designs by the NHBRC.

It is worth noting that the long turnaround time of the subsidy enrolment process has been identified as a challenge for developers in submitting projects for enrolment. The enrolment process is currently in two phases and the NHBRC is reviewing the process to a single phase process. In the next financial year, the project enrolment stage will be phased out and the turnaround time on the remaining phase (i.e. home enrolment) will be reduced from 15 to seven days.

## Training

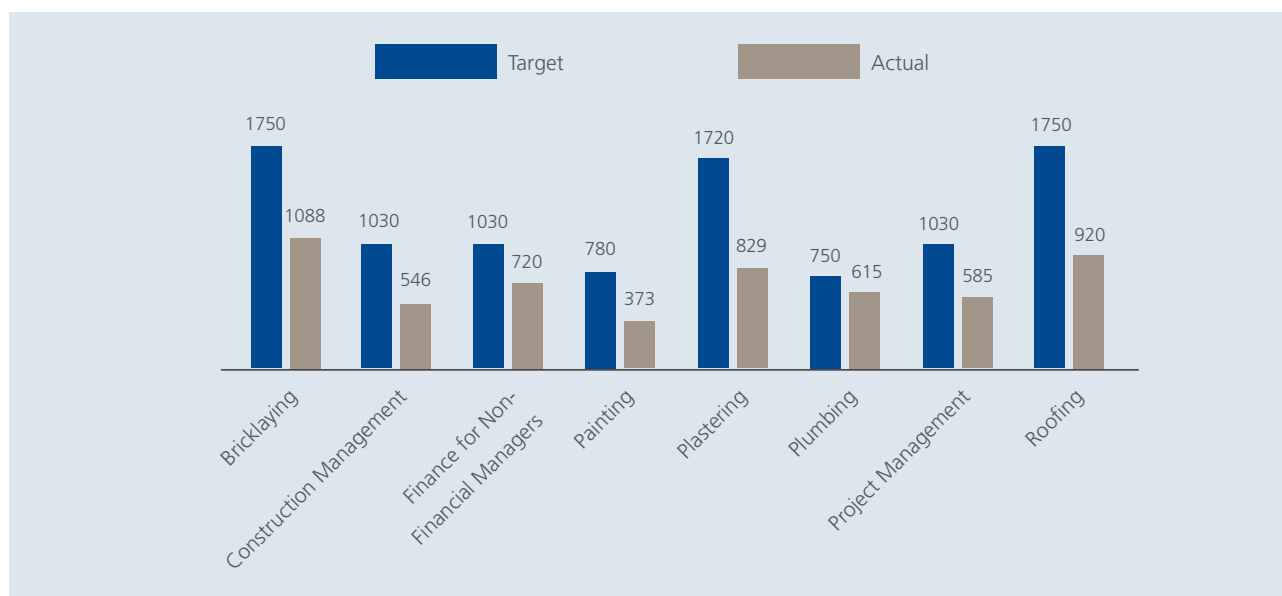
### Emerging home builder training

A total of 5 676 home builders were trained during the 2008/09 financial year. This was 42% below the training targets set for the period. We had planned to train 9 840 home builders nationally. Compared to the 2007/08 period, wherein only 4 512 learners were trained, this represents a 26% increase. The chart below shows targeted figures against the actual number of interventions conducted.

### Youth training project – Special Ministerial Projects

The National Youth Service Initiative launched in August 2004 aims to engage young people in service activities towards nation-building, while providing opportunities for learning. The Minister of Housing launched the Youth Service Programme in her 2006 Budget vote speech. Studies conducted in the United States of America on youth service in December 2006, led to the National Youth in Housing Indaba, which convened in May 2007. This culminated in the draft framework for the Participation and Empowerment of Youth in Housing Programme. Since 2006, the NHBRC has actively supported and funded Special Ministerial Projects by empowering youth, women, people with disabilities and the unemployed through skills development, with a pilot project launched at Bela-Bela. To date, R6 million has been spent on various training projects.

Chart for training of home builders per module



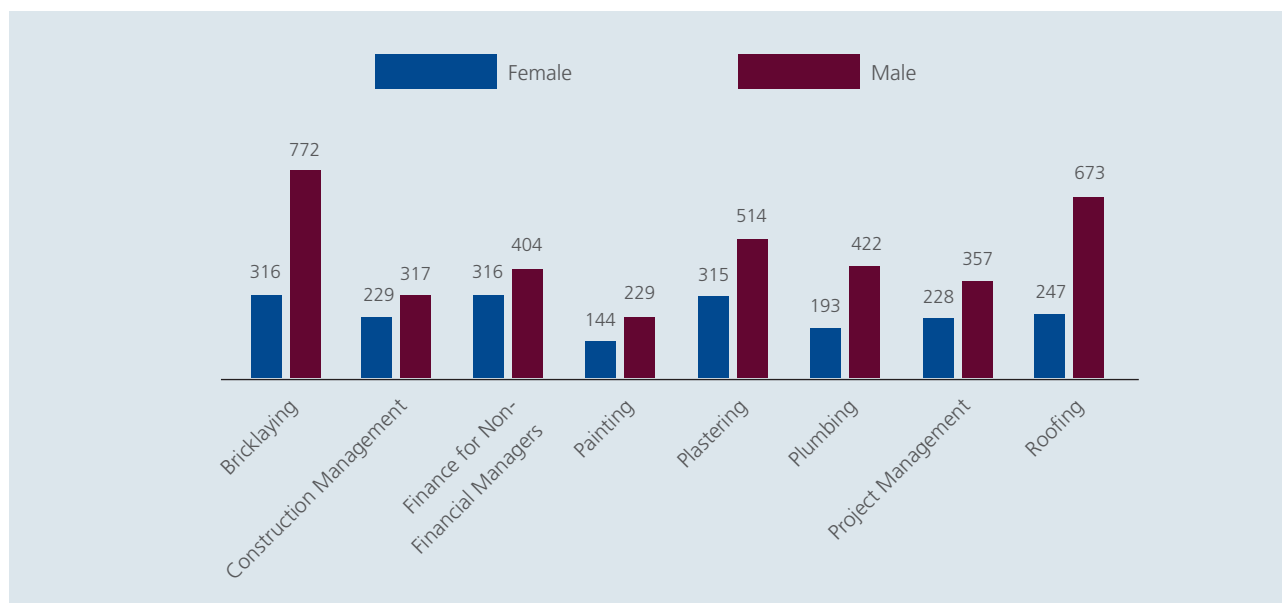
### Targets versus actual interventions analysis

The number of training interventions versus the targeted numbers indicates that the performance was 42% lower than expected i.e. 9 840 was the target with 5 676 learners trained. The NHBRC offers training in the following modules: bricklaying, construction management, finance for non-financial managers, painting, plastering, plumbing, project management and roofing.

The training ratios at the NHBRC are consistent with the trends regarding women's participation and representation in the construction industry. The NHBRC has trained a total of 5 676 learners, of which 3 688 (65%) were male and 1 988 (35%) were female. The course breakdown in terms of gender is shown in the chart on the following page.



Chart for male vs. female trained home builders



Considering the dominance of males in the construction industry, the number of females trained in the 2008/9 financial year is a significant achievement towards the attainment of gender parity. The NHBRC is therefore reinforcing its efforts by implementing the following strategic objectives to address gender disparities:

- When embarking on recruitment drives, the NHBRC actively sources female registered home builders and/or female employees of registered home builders;
- Service providers are encouraged to strive for a 65/35 split when inviting learners sourced from the NHBRC's registered home builders database. Where there are sufficient numbers of female registered contractors, the rule of thumb is that employees recruited for learning will comprise 65/35 male / female learners from the different companies.

## Marketing and Public Relations

The marketing and public relations department has a responsibility to educate and inform housing consumers, home builders and the general public about their rights and responsibilities with regards to the Housing Consumers Protection Measures Act, 1998 (Act No.95 of 1998) as amended.

Various channels of communication have been utilised to convey several of the NHBRC's messages to relevant target audiences. The NHBRC supported community-driven sponsorships where rural housing, youth training projects, land and environmental issues were coordinated holistically to provide sustainable programmes that improve the lives of communities in rural areas.

## Strategic Planning and Research

Strategic planning and research is a division established to manage the development, implementation and monitoring of the NHBRC strategic and performance plans. It coordinates research and market analysis of the home building industry in order to create benchmarks for the NHBRC. This division reports administratively to the Chief Executive Officer of the NHBRC. The NHBRC attended the 11th International Housing and Home Warranty Conference held in Edinburgh, Scotland, from 6 – 10 September 2008. The conference dealt with international perspectives on residential construction, home warranty and insurance, consumer protection and new products and systems. The NHBRC won the bid to host the 12th International Housing and Home Warranty Conference to be held in South Africa in 2011, for which preparations are underway. The NHBRC also attended the International Housing Association Conference, held in Kampala, Uganda from 16 – 18 October 2008. The conference theme was 'financing shelter for all' and the organisation shared its experiences in the home building industry with delegates.

## Corporate services division

The responsibility of the corporate services division is to render optimal customer support service through quality training, legal advice and best human capital practices, in line with good corporate governance principles, to enable the NHBRC to be a world leader in the home building industry. The aim of the division is to contribute to the NHBRC becoming an employer of choice.

The key functions of the human capital management division are:

- Compensation management (payroll, provident fund, South African Revenue Services, Unemployment Insurance Fund and skills development levy);
- Talent management (recruitment, terminations and retention of skills);
- Organisational development and employee wellness;
- Employee relations;
- Performance management; and
- Human resource development (training).

A major challenge facing the organisation is the retention of scarce skills in both the technical (engineering) and finance sections. To this end a Council decision was taken in the 2007 financial year to implement a staff retention strategy.

## Human capital administration

During the period under review, the NHBRC experienced a number of terminations as per the table below:

Category	Numbers
Resignation	22
Retirement	1
Deceased	1
Dismissal	1
End of Contract	0
Incapacity	0
<b>TOTAL</b>	<b>25</b>

Of the total 25 terminations, 19 were African (or 5.21% of total employees), one was coloured, two were Asian and three were white. In terms of gender, 12 males and 13 females terminated their services. A cause for concern in the data is the high number of African male and female employees with professional and scarce skills who constantly leave the NHBRC. A retention/career progression and planning policy is being developed that will assist the NHBRC in retaining scarce skills. A dual salary system is also being developed.

## Employment equity

The NHBRC has made good progress to date in addressing employment equity, but two challenges remain: gender representation at management level and meeting our overall target for people with disabilities.

### Occupation categories in terms of gender:

Categories of employment	Male	Female
Top management /legislators	1	1
Senior management	2	2
Professional qualified	16	7
Skilled/academic/junior management /supervisors	83	52
Skilled/technicians and associate professionals	25	48
Skilled/ academic/clerks	13	88
Semi-skilled/discretionary decision makers	2	6
Unskilled/elementary occupations	10	16
<b>TOTAL</b>	<b>152</b>	<b>220</b>

The above table contains information on different categories of staff within the NHBRC. It shows that the NHBRC has 152 staff members who are male and 220 staff members who are female. The total staff complement is 372, which includes 11 interns.

## Employee wellness programme

The NHBRC has established an employee wellness programme to ensure the wellbeing of NHBRC staff. This programme is being supported by staff and an initiative was developed to implement an employee loyalty programme, to reward excellent performance.

## Internal staff training

The human resource development component of the education, training and development section focuses primarily on internal staff development programmes for purposes of individual and group capacity building. Accelerated learning and competency-based training provides NHBRC employees with career pathing opportunities, upward mobility and retention of core skills. Internal staff training programmes comprise the following:

- Supervisory development programme
- Management development programme
- Individual development plan; and
- Internal bursary programme.

During the period under review, the following numbers of employees attended courses provided by the NHBRC:

#### Human resource development programmes:

Course	No. of learners
Supervisory development programme	7 learners enrolled
Management development programme	6 learners enrolled
Individual development programme	114 learners enrolled
<b>TOTAL</b>	<b>127 learners enrolled</b>

#### Bursaries

##### Internal bursaries

In total there were 34 bursary holders within the NHBRC in the past financial year. During the period under review, 41 bursary applications were received of which 39 were approved and two were not approved. The NHBRC saw eight bursary holders resigning in the 2008/09 financial year.

##### External bursaries

The NHBRC awarded 31 bursaries to external candidates to study different courses relating to the home building industry.

#### Legal services

The legal services section is responsible for litigation, prosecutions, recoveries, legal advice and contract management for the organisation. The legal services section also services the NHBRC Disciplinary Steering Committee and Disciplinary Committee. The following cases were handled by the NHBRC in the 2008/09 financial year:

##### Prosecutions:

Total owner builders matters to be placed on the roll for prosecutions at the Disciplinary Committee	19
Total matters where builders were not registered and were reported to the South African Police Service for criminal prosecutions	17
Total matters where Disciplinary Steering Committee approved prosecution, however, complainant/ builder not traceable and closure is recommended	24
Total work in process matters (preparing for Disciplinary Committee)	10
Total matters closed (by the Disciplinary Steering Committee)	21
Total matters prosecuted, finalised and closed	24
<b>TOTAL CASES</b>	<b>115</b>

### Recoveries:

During the period under review, the section recovered an amount of R178 334 out of a total amount of R6,4 million owed to the NHBRC.

### Interdicts:

During the period under review, the legal section interdicted 374 home builders. These are home builders who did not comply with the NHBRC's administrative requirements. The NHBRC encourages Provincial Customer Care Centre managers to submit the names of those builders who are not complying with the provisions of the Act, so that they can be interdicted. Guidelines for this process have been developed and budget created per Provincial Customer Care Centre.

## Supply Chain

### Procurement and expenditure

The NHBRC serves to ensure compliance with the approved Preferential Procurement Policy, the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000) and the Broad Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003).

Procurement of goods and services during the financial year from Historically Disadvantaged Individuals (HDI) in percentage of the total procurement expenditure of R198,7 million is tabled by equity category of suppliers. Out of the total procurement expenditure, an amount of R100,2 million (50.4%) was placed with suppliers where a percentage of equity was held by women.

### Procurement expenditure:

Category	Expenditure	
	HDI %	Women-owned %
0- 50%	4.9	48.1
51- 70%	5.4	4.1
71 - 100%	89.7	47.8

## Technical and Information Technology Division

### Centre for housing performance excellence

The function of the technical and information technology division is to support the organisation in all technical and IT related aspects. Other important purposes include promoting the application of technical standards within the home building industry, encouraging innovation, and facilitating the development and transfer of information, knowledge and best practice. The following summary highlights the major activities and achievements of the division during the 2008/09 financial year.

- **Finalisation of the Eric Molobi Housing Innovation Hub**

The challenges confronting the South African home building industry, in terms of the poor rate of delivery of quality houses, resulted in the establishment of the Eric Molobi Housing Innovation Hub in Soshanguve, Pretoria. The project was initiated in 2006 by the Minister of Housing, Dr. Lindiwe Sisulu, in conjunction with the NHBRC and ABSA.

During the current financial year, the NHBRC completed the construction of a conference and testing center at the hub. It is envisaged that the center would facilitate testing and evaluation for compliance of materials and products in accordance with acceptable building standards, thereby ensuring that quality and functional housing products are delivered. The testing facility would also assist other organisations such as the Agrément Board of South Africa in the approval of innovative housing systems. To date, 22 innovative housing systems have been built at the Eric Molobi Housing Innovation Hub, and these systems are currently being subjected to performance assessments in order to develop a comprehensive understanding of their performance in time.

- **Assistance to Provincial Housing Departments in geotechnical investigations**

As part of its strategic objective, the NHBRC supports government's initiative and strategy of constructing sustainable human settlements to provide indigent communities with quality, comfortable and secure housing. In line with this objective, the NHBRC assists Provincial Housing Departments (PHDs) and local authorities during all stages of housing developments and the implementation of subsidy projects. One of the major initiatives of the NHBRC was to assist PHDs in the appointment and project management of geotechnical investigations. This has resulted in an improved turnaround time for approval of subsidy enrolments. The following Provincial Housing Departments were assisted during the financial year:

Eastern Cape	(7 819 erven)
Mpumalanga	(11 702 erven)
Northern Cape	(3 162 erven)
Free State	(4 600 erven)

- **Development of the Breaking New Ground (BNG) energy efficient architectural typologies**

The NHBRC was requested by the Minister of Housing to develop a portfolio of BNG housing typologies, and to research energy efficient typologies and facilities for the disabled. This information will be used to formulate the subsidy quantum and to guide government on the expenditure framework for subsidy housing.

The development of the BNG typologies and the research on energy efficient requirements have both been completed, and the relevant technical paper was presented at the International Housing and Home Warranty Conference in Scotland in October 2008. The proposed typologies are currently awaiting MINMEC approval.

- **Assistance to the Eastern Cape in the rectification programme**

In 2006, the Eastern Cape Provincial Housing Department appointed the NHBRC to manage the assessment and rectification of approximately 19 500 housing units. These were houses that were built prior to the warranty of the NHBRC being extended to the subsidy market. After the assessment process, a pilot rectification project involving 5 145 housing units commenced (in April 2008).

By the end of the financial year, 1 145 houses were completed; 852 were under construction; and 3 148 houses had not yet started. The necessary measures have been put in place to accelerate delivery in the next financial year by utilising the skills and capacity of established contractors.

- **Facilitation of strategic procurement of building materials for Provincial Housing Departments**

The NDoH raised serious concerns regarding the shortage in contractor capacity, technical skills and building materials supply (especially cement and steel), and is promoting the idea of stimulating enterprise and job creation opportunities within the areas of housing material production. The issues highlighted by the department are relevant and could have severe constraints on the delivery of quality houses.

Based on the mandate given to the NHBRC by the NDoH, the NHBRC technical division developed models for the strategic procurement of bulk building materials and products. These models were approved by MINMEC, and the Limpopo Provincial Housing Department is currently running a pilot project of one of the procurement models. The outcomes of this project will become apparent in the next financial year.

## **Information technology**

The NHBRC awarded the Oracle e-business solution system project to Waymark InfoTech Company on 17 November 2006. The system went live on 1 April 2008, presenting a number of problems and challenges. The main challenge was the migration of data from the old JDE system to the new Oracle system.

The following modules were in production as of the end of the 2008/09 financial year:

- Human capital management
- Supply chain
- Finance
- Operations (Valuable Final Products)
- Document management
- Mobile solution

## Strategic intent

As a national home building regulator, the NHBRC's Valuable Final Products have a great influence on, and contribution to, the South African economy. The continual improvement and maintenance of high quality service in operations is therefore a priority.

Although the home building industry slowed down during the 2008/09 financial year, the demand for quality and sustainable accommodation remained higher. The NHBRC is therefore committed to supporting government programmes and projects coordinated by the Minister of Housing. It acknowledges that housing contributes towards improving the quality of life for poor communities and to the economy at large.

Strategic focus is to maintain strong and capable resources, and ensure the establishment of strategic partnerships with relevant role players to enhance and enforce high quality services and products in the home building industry through ongoing and proactive communication, empowerment and interaction.

## Conclusion

In conclusion, there remain many challenges to provide better quality homes for all our citizens and I am committed to ensuring that the NHBRC will continue as a major role player in the upliftment of quality housing.

## Appreciation

The major achievements reported would not have been possible without the unreserved support of the Minister of Housing, Director General, the Council of the NHBRC and management and staff of the NHBRC. I would like to express my gratitude to you all.



**Ms. K. Mahlobo**

*Acting Chief Executive Officer*

*July 2009*



# Annual Financial Statements

*For the year ended 31 March 2009*

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# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL HOME BUILDERS REGISTRATION COUNCIL FOR THE YEAR ENDED 31 MARCH 2009

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the accompanying financial statements of the National Home Builders Registration Council (NHBRC) which comprise the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 47 to 80.

### The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (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.

### The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the NHBRC as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury as set out in the accounting policy note 1.1 and in the manner required by the PFMA.

## **Emphasis of matters**

Without qualifying my audit opinion, I draw attention to the following matters:

### **Basis of accounting**

8. The public entity's policy is to prepare financial statements on the basis of accounting as determined by the National Treasury, as set out in accounting policy note 1.1.

### **Restatement of corresponding figures**

9. As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2008 were restated as a result of errors discovered during 2009 in the financial statements of the NHBRC at, and for the year ended, 31 March 2009.

### **Fruitless and wasteful expenditure**

10. As disclosed in note 23 of the financial statements, fruitless and wasteful expenditure of R1 340 780 was incurred due to late cancellation of a conference, interest paid on late payments, not utilising rented office space and designing of a road that was re-designed and built by Tshwane municipality.

## **Other matters**

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

### **Non-compliance with applicable legislation**

#### **Public Finance Management Act**

11. The annual financial statements were not submitted to the Auditor-General by 31 May 2009 as required by section 55(1)(c)(i) of the PFMA. The financial statements were received on 30 July 2009.

### **Governance framework**

12. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the key governance responsibilities addressed below:

#### **Key governance responsibilities**

13. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
<b>Timeliness of financial statements and management information.</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 55 of the PFMA).		✓
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.		✓
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	• The public entity had an audit committee in operation throughout the financial year.	✓	
	• The audit committee operates in accordance with approved, written terms of reference.	✓	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	✓	
7.	Internal audit		
	• The public entity had an internal audit function in operation throughout the financial year.	✓	
	• The internal audit function operates in terms of an approved internal audit plan.		✓
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		✓
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2.		✓
12.	Powers and duties assigned are in place, as set out in section 56 of the PFMA.	✓	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.		✓
14.	SCOPA resolutions have been substantially implemented.	n/a	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	✓	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the NHBRC against its mandate, predetermined objectives, outputs, indicators and targets (Treasury Regulation 29.1/30.1).		✓
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

## Investigations

14. The following investigations were conducted by independent consulting firms on request of the NHBRC:
  - Allegations of fraud and/or abuse of authority against certain council members. The report was finalised and sent to the Minister of Human Settlement for his action.
  - Allegations of abuse of power, fruitless and wasteful expenditure and lack of management against the previous Chief Executive Officer. The report was finalised and the labour dispute was settled by both parties whereby the CEO left the NHBRC with a settlement amounting to R2 243 743.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on performance information

15. I have reviewed the performance information as set out on pages 21 to 36.

### The accounting authority's responsibility for the performance information

16. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

### The Auditor-General's responsibility

17. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.
18. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
19. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

### Findings on performance information

#### Non-compliance with regulatory requirements

20. The accounting authority of the NHBRC did not submit the proposed strategic plan at least six months before the start of the financial year of the designated department, or another time period as agreed to between the executive authority and the public entity, as required by Treasury Regulation 30.1.1.

## Usefulness and reliability of reported performance information

21. The following criteria were used to assess the usefulness and reliability of the information on the entity's performance with respect to the objectives in its strategic plan:
- Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan?
  - Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
  - Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following finding relates to the above criteria:

### Reported performance information not reliable

#### Lack of source documentation

22. Sufficient appropriate audit evidence in relation to the reported performance information of the number of learners trained could not be obtained, as the relevant source documentation could not be provided for audit purposes.

## APPRECIATION

23. The assistance rendered by the staff of the National Home Builders Registration Council during the audit is sincerely appreciated.

*Auditor-General*

Johannesburg

22 September 2009



**AUDITOR-GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

# Accounting Authority's Report



There is no greater duty than that of ensuring that the powers and responsibilities that are placed on government and institutions are exercised and discharged with a higher sense of moral and legal duty, to ensure the protection of the rights of those who lack the power and influence to bring about meaningful change in their own lives. Such elevated sense of duty is elusive to many but requires the selfless commitment and self consciousness of many men and women, whose vision in discharging such, overtakes their own sense of comfort but is prompted by the plight of many and the desire to contribute sufficiently to the policies of government.

With the last year of its term of office, it was thus important for Council to again consider the policy imperatives relating to the NHBRC and to review all the strategies and programs that have been put in place to ensure that the mandate entrusted on the organisation is discharged. The National Department of Housing's role in its capacity as the Executive Authority remained critical throughout the remainder of Council's term of office.

## WARRANTY PROTECTION

The NHBRC' obligation to represent the interest of housing consumers by providing warranty protection against defects in new homes

remained one of our strategic focal point. It is regrettable that the onset of the 2008/09 financial year bore testimony to the economic meltdown whose debilitating effects was experienced by various industries across the global spectrum. The growth of the residential property market was not spared the onslaught brought about by the stringent lending methods and the high prices of building materials.

Council put strategies in place for the preservation of capital so as to ensure that the NHBRC remained financially solvent to meet remedial claims against the warranty fund, with no recourse to the National Department of Housing, Dr. Lindiwe Sisulu for additional funds. Council considered the recommendations arising from the annual actuarial assessment and it further reviewed its investments policy.

We are happy to state that the Warranty Fund remains solvent and the enrolment fees currently charged by the NHBRC are sufficient to provide warranty cover, with non-subsidy houses subsidizing the subsidy houses sector.

The appointment of the Council Advisory Committee during 2008 by the Honourable Minister of Housing, Dr. Lindiwe Sisulu, ensured that the Committee commenced its work of investigating amongst others, the feasibility of introducing a requirement that the home builder's obligations to rectify defects as prescribed, shall be insured by an insurer exempted from the provisions of the Insurance Act, 1943 (Act No. 27 of 1943). Council remained supportive of the process and the NHBRC, like its key stakeholders, will await the outcome of the investigation as prescribed.

## REGULATION OF THE HOME BUILDING INDUSTRY

While the training of home builders remained one of the NHBRC' statutory obligations, it became clear that the compelling negative economic reality required fortified alliances with strategic partners. The National Department of Housing approached the NHBRC to propose that the latter becomes its Service Provider Organisation in order to roll out the Youth-In-Housing Project (YiH) and deliver construction training to 2000 youths nationally. We continued to partner also with other industry players in respect of training of the youth and women. The NHBRC's Education, Training and Development

programmes were put in place for the purpose of benefiting the home builders with special emphasis on empowering and building capacity among the unemployed, women, youth and people with disabilities.

The challenge that faces the residential property industry remains one of ensuring that there is no mass exodus of home builders necessitated by the strict lending rates that constricts the growth of new residential properties. While it is evident that the demand for new houses remains, the stark reality remains of lack of supply of such, which inevitably leads to liquidation of businesses of home builders. It remains our duty to ensure that strategic partnerships with other role players are fostered which will ensure viability, sustainability and an integrated regulation of the home building industry.

International strategic partnerships have cemented the participation of the NHBRC in the International Housing and Home Warranty Conference (IHHWC) which is a global platform for regulatory bodies in the home building industries to discuss issues relating to, amongst others, warranty fund models, inspections, the effect of the global economic factors on the residential industry and licensing of home builders. Our participation in the conference enables the NHBRC to continue to monitor its risk appetite by monitoring and being informed of the international standards, norms and practices relating to regulation of a home building industry. It was indeed an honour when South Africa, through the NHBRC, was announced as the next country to host the 11th IHHWC in 2011. Council has confidence that the NHBRC will successfully host a remarkable conference.

## RESEARCH

The evolution of the socio, economic and political factors in the home building industry challenged Council to reflect more on innovative technologies.

A South African delegation which included the NHBRC was arranged to investigate whether Taiwanese technology with regard to renewable energy technologies, more specifically solar power, would assist South Africa in finding new sources of electricity and ways to reduce carbon dioxide gas emissions. The objective of visiting Taiwan was, in view of the housing sector being identified as the third largest energy consuming sector in South Africa, of which electricity is the energy type used mostly, to investigate improved methods of providing energy. The visit culminated in the NHBRC designing energy efficient typologies for the subsidy sector.

In support of an initiative from the Honourable Minister of Housing, the NHBRC investigated other innovative technologies capable of delivering quality houses at a faster rate. The NHBRC was mandated to investigate these products, facilitate the identification of projects where the products may be used and provide for the procurement of innovative systems. Council approved the use of those products in the home building industry.

## LEGISLATION

The past three years has witnessed significant legislative changes that were first approved by Council which were meant for the protection of housing consumers and home builders. We are satisfied with the promulgation of the amendment to our enabling Act, the Code of Conduct and the Grading System for Home Builders. There is an ongoing commitment, through ongoing research, to continue to study the changes in the home building market to ensure its effective regulation. The NHBRC continued to educate the housing consumers, home builders and the public at large about our legislative mandate and related prescripts of the law. The outreach programmes targeted for rural communities remain integral to our consumer awareness projects.

It is imperative that NHBRC continues to reinvent itself within its policy and legislative mandate to ensure that it remains responsive to its key stakeholders. While legislation remains empowering instruments organisations utilize, the challenge remains that of keenly striving to respond to challenges peculiar to their organisations even prior to their materialization. It is a vision that Council hopes the NHBRC will continue to strive for.



## EMERGING HOME BUILDERS

Council has been supportive of an integrated approach in dealing with emerging home builders. The Department of Trade and Industry stated that black economic empowerment reflects the government's approach, which is to "situate black economic empowerment within the context of a broader national empowerment strategy... focused on historically disadvantaged people, and particularly black people, women, youth, people with disabilities, and rural communities".

Council was conscious of the need to ensure that the home building industry not only grows by attracting new comers into the industry but also to ensure support for programs initiated by the Honourable Minister of Housing such as facilitation of strategic procurement of building materials. While the need to grow the database of skilled builders remains essential, the reality becomes bleak when consideration is had to other social and economic factors that impact negatively on the ability of emerging home builders to grow sustainable building businesses. It is our sincere hope that the NHBRC will, within the parameters of its mandate, be in the position to continue to support noble and progressive initiatives of supporting emerging home builders.

## STAKEHOLDERS

The vibrant nature of the home building has afforded the NHBRC with an opportunity of attracting competent and skilled staff members. While the Management of the NHBRC, like any other organisation, faces the task of remaining relevant and responsive to its key stakeholders, Council has confidence that it is duty that will surely be discharged through an enduring leadership.

On behalf of Council, I thank the support of the Ministry of Housing, the industry players, the management and staff of the NHBRC during Council's last year of its term of office.



**Ms. S. Nene**

*Chairperson of Council*

# Statement of Responsibility

*for the year ended 31 March 2009*

The Council, which is the Accounting Authority of the National Home Builders Registration Council (NHBRC), is responsible for the preparation, integrity and fair presentation of the annual financial statements of the NHBRC.

The annual financial statements for the year ended 31 March 2009 presented on pages 47 to 82 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP), with Standards of Generally Recognised Accounting Practice (GRAP) 1,2 and 3 replacing the equivalent GAAP statements.

They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements and estimates. The going concern basis has been adopted in preparing the annual financial statements. The Council have no reason to believe that the NHBRC will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The Council is also responsible for the NHBRC's system of internal controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored throughout the NHBRC by management and employees, in an attempt to address the segregation of authority and duties with available resources. Processes are in place to monitor internal controls, to identify material breakdowns and implement timely corrective action.

The Council and NHBRC management treat corporate governance matters seriously and whenever any instances of non compliance to regulation are uncovered or reported, appropriate disciplinary measures in terms of policy and legislation are instituted.

*The annual financial statements were approved by the Council on 21 September 2009 and are signed on its behalf:*



**Ms. S. Nene**

*Chairperson: Council*



**Ms. K. Mahlobo**

*Acting CEO*

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2009

	Notes	2009 R	2008 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	36,741,921	26,800,220
Intangible assets	3	44,182,540	56,625,860
Investments	4	2,778,683,490	2 437 072 337
		<u>2,859,607,951</u>	<u>2,520,498,417</u>
<b>Current assets</b>			
Inventories	5	308,615	339,736
Trade and other receivables	6	23,282,981	12,882,690
Cash and cash equivalents	7	27,084,595	72,843,292
		<u>50,676,191</u>	<u>86,065,718</u>
<b>Total assets</b>		<u>2,910,284,142</u>	<u>2,606,564,135</u>
<b>NET ASSETS</b>			
Accumulated surplus		1,766,557 395	1,402,307,973
Emerging contractor reserve	8	40,905,760	37,206,007
Non-distributable reserve	9	66,812,155	-
<b>Total equity</b>		<u>1,874,275,310</u>	<u>1,439,513,980</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision for outstanding claims	10	52,322,366	36,684,393
Provision for unearned premium	10	325,032,477	515,282,209
Provision for unexpired risk	10	148,805,469	56,837,956
		<u>526,160,312</u>	<u>608,804,558</u>
<b>Current liabilities</b>			
Trade and other payables	11	187,030,724	184,252,831
Provisions	12	-	8,200,000
Provision for outstanding claims	10	15,353,961	10,625,159
Provision for unearned premium	10	307,463,835	355,167,607
		<u>509,848,520</u>	<u>558,245,597</u>
<b>Total net assets and liabilities</b>		<u>2,910,284,142</u>	<u>2,606,564,135</u>

# STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2009

	Notes	2009 R	2008 R
Insurance premium revenue	13	465,366,798	546,296,578
Fee revenue	14	24,469,059	36,468,471
Technical services revenue	15	47,552,155	8,606,131
Investment income	16	241,910,321	177,330,055
Other operating income		605,243	8,559,893
<b>Net income</b>		<b>779,903,576</b>	<b>777,261,128</b>
Insurance claims and loss adjustment expenses	17	27,251,292	3,421,057
Realised loss on sale of financial assets	4	601,183	3,675,840
Operating expenses		118,408,229	63,955,648
Administration expenses		258,907,592	232,563,227
Asset management services		6,765,701	4,978,124
<b>Expenses</b>	18	<b>411,933,997</b>	<b>308,593,896</b>
<b>Results from operating activities</b>		<b>367,969,579</b>	<b>468,667,232</b>
Finance costs	19	20,404	155,866
<b>Surplus for the year</b>		<b>367,949,175</b>	<b>468,511,366</b>

# STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2009

	Accumulated surplus R	Emerging contractor reserve R	Non-distributable reserve R	Total R
<b>Balance at 31 March 2007</b>	954,899,270	16,103,344	31,170,058	1,002,172,672
Net surplus for the year - restated (note 28)	468,511,366	-	-	468,511,366
Transfer to reserve (note 8)	(37,000,000)	37,000,000	-	-
Reserve utilised (note 18) - restated (note 28)	15,897,337	(15,897,337)	-	-
Loss on available for sale investments taken to equity (note 4)	-	-	(31,170,058)	(31,170,058)
<b>Balance at 31 March 2008</b>	1,402,307,973	37,206,007	-	1,439,513,980
Net surplus for the year	367,949,175	-	-	367,949,175
Transfer to reserve (note 8)	(17,435,800)	17,435,800	-	-
Reserve utilised (note 18)	13,736,047	(13,736,047)	-	-
Gain on available for sale investments taken to equity (note 4)	-	-	66,812,155	66,812,155
<b>Balance at 31 March 2009</b>	1,766,557,395	40,905,760	66,812,155	1,874,275,310

# CASH FLOW STATEMENT

for the year ended 31 March 2009

	Notes	2009 R	Restated 2008 R
<b>Cash flows from operating activities</b>			
Cash generated from operations	20.1	5,266,864	420,809,465
Interest paid		(20,404)	(155,866)
Interest received		241,910,321	177,330,055
Net cash inflow from operating activities		<u>247,156,781</u>	<u>597,983,654</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(17,543,225)	(21,919,120)
Proceeds from disposal of property, plant and equipment	20.2	27,928	53,050
Payments for intangible assets		-	(31,365,045)
Payments to acquire financial assets		(1,656,021,630)	(2,218,795,155)
Proceeds on sale of financial assets	20.3	1,380,621,449	1,686,464,951
Net cash outflow from investing activities		<u>(292,915,478)</u>	<u>(585,561,319)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		(45,758,697)	12,422,335
<b>Cash and cash equivalents at beginning of year</b>		72,843,292	60,420,957
<b>Cash and cash equivalents at the end of the year</b>	20.4	<u>27,084,595</u>	<u>72,843,292</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2009

## 1. Summary of significant accounting policies

The NHBRC is a statutory body incorporated in terms of the Housing Consumers Protection Measures Act, (Act No. 95 of 1998). Its principle business is the protection of housing consumers by the establishment of a warranty fund.

### 1.1 Basis of preparation

In terms of section 55(1) of the Public Finance Management Act, the NHBRC is required to comply with South African Statements of Generally Accepted Accounting Practice, unless the Accounting Standards Board approves the application of Generally Recognised Accounting Practice.

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

#### 1) Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends
Reporting date	Balance sheet date

2) The cash flow statement is, however, prepared in accordance with the direct method.

3) Amount and nature of any restrictions on cash balances is required.

Paragraph 11 – 15 of GRAP 1 has not been implemented due to the fact that the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments, and incorporate the principal accounting policies set out below.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

## 1. Summary of significant accounting policies (*continued*)

### 1.2 New standards and interpretations

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board, replacing the equivalent GAAP statements issued by the Accounting Standards Board as the prescribed framework by National Treasury, effective from 2006.

The Accounting policies are consistent with those of the previous financial year except as follows:

*Standards, amendments to standards and interpretations adopted in the 2009 annual financial statements:*

The following standards, amendments to standards and interpretations which are relevant to the NHBRC, have been adopted in these financial statements:

The amendments to AC133 'Financial Instruments: Recognition and Measurement', issued in October 2008, in respect of the reclassification of financial instruments have been adopted in these financial statements. The amendments extend the ability of preparers to make reclassifications of financial instruments between AC133 categories in restricted circumstances. Under the revised reclassification rules an entity has the ability to reclassify financial instruments from the held-for-trading and available for sale financial instrument categories in certain specified rare circumstances. The NHBRC have not reclassified any of its financial instruments under this amendment.

The amendments to AC144 'Financial Instruments: Disclosures', issued in October 2008, in conjunction with the changes to AC133, in respect of the reclassification of financial instruments. The amendments require additional disclosures where reclassifications have been made in respect of the extended reclassifications provisions in AC133. The NHBRC has not reclassified any of its financial instruments under the amendments to AC 133 and/or amendments to AC144.

*At the date of the authorisation of these financial statements the following standards, amendment to standards and interpretations, which are relevant to the NHBRC have been issued by the Accounting Standards Board and are effective for periods beginning on or after 1 April 2009:*

- GRAP 13 "Leases" (replaces AC 105) – prescribe for lessees and lessor, the appropriate accounting policy and disclosure to apply in relation to finance and operating leases
- GRAP 14 "Events after the Reporting Date" (replaces AC 107) – prescribe when an entity should adjust its financial statements for events after the reporting date, disclosure about the date when the financial statements were authorised and events after reporting date
- GRAP 16 "Investment Property" (replaces AC 135) - prescribe the accounting treatment for investment property and related disclosure requirements
- GRAP 17 "Property, Plant and Equipment" (replaces AC 123) - prescribe the accounting treatment for property, plant and equipment - recognition of the asset, the determination of their carrying amount, the depreciation charges and impairment losses to be recognised in relation to them
- GRAP 19 "Provisions, Contingent Liabilities and Contingent Assets" (replaces AC 130) – define provisions, contingent liabilities and contingent assets, circumstances in which provisions should be recognised, how they should be measured and disclosed including disclosure of contingent liabilities and contingent assets.

The implementation of the mentioned GRAP standards will not have a material effect on the financial position of the NHBRC since the standards of GRAP are closely aligned with SA GAAP.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

## 1. Summary of significant accounting policies (*continued*)

### 1.3 Insurance technical result

The technical result is determined on an annual basis whereby the incurred cost of insurance claims and related expenses, together with any change in other technical provisions is charged against the earned proportion of insurance premiums, as follows:

#### *Insurance premiums written*

Insurance premiums are defined as an enrolment fee in terms of Section 14 of the Housing Consumers Protection Measures Act. Insurance premiums written relate to business incepted during the year, together with any differences between booked insurance premiums for prior years and those previously accrued. They include the insurance premiums for the whole of the period of risk covered by the warranty regardless of whether or not these are wholly due for payment in the accounting period.

Insurance premiums written comprise the total insurance premiums payable by the insured to which the insurer is contractually entitled and are shown net of insurance premium refunds. Insurance premiums written exclude value added taxation.

#### *Unearned insurance premiums*

In terms of the Housing Consumers Protection Measures Act, the Council shall provide a warranty to housing consumers for a maximum period of five years from the date of occupation. Insurance premiums are earned over the period of the policy commensurate with the expected incidence of risk. In reaching its assessment of the pattern of risk the Council makes reference to past insurance claims experience. Unearned insurance premiums represent the proportion of insurance premiums written that is held to cover expenses, claims and profits attributable for future years of warranty cover.

In determining the unearned premium provision, initial expenses are deducted from the enrolment fee. The remaining portion of the enrolment fee is assumed to be earned over the life of the policy in accordance with the earnings curve. Initial expenses are earned uniformly over two quarters. The unearned premium provision includes an allowance for the future release of profits.

#### *Insurance claims incurred*

Insurance claims incurred, comprise insurance claims and related expenses paid in the year and changes in the outstanding claims provision, including provisions for insurance claims incurred but not reported and related expenses, together with any other adjustments to insurance claims from previous years. Insurance claims are typically reported relatively quickly after the insurance claims event and are therefore subject to significantly less uncertainty than future insurance claims events.

Insurance claims outstanding represent the cost of settling all insurance claims arising from events that have occurred up to the balance sheet date, including the provision for insurance claims incurred but not reported, less any amounts paid in respect of those insurance claims.

In estimating the cost of notified but not paid insurance claims, the Council has regard to the insurance claim circumstances as reported. Basic chain ladder techniques are applied to project outstanding remedial work payments for each complaint period. The difference between the ultimate claims and the claims paid to date produced a result which includes both the "Incurred But Not Reported" and "Notified Outstanding Claims" provisions.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

## 1. Summary of significant accounting policies (continued)

### 1.3 Insurance technical result (continued)

#### *Unexpired risk provisions*

An unexpired risk provision is made where the estimated cost of insurance claims, related expenses and deferred acquisition costs exceed unearned insurance premiums, after taking account of future investment income. An assessment is made at the year-end for the estimated cost of insurance claims, which will arise during the unexpired terms of policies in force at the balance sheet date. The estimated cost of insurance claims includes expenses to be incurred in settling insurance claims.

The provisions are inevitably subject to inherent uncertainties because of the range of factors, which could give rise to potentially significant insurance claims over the five year period covered by the "unexpired risk provision". The time expected to elapse between the inceptions of policies, the manifestation of events giving rise to insurance claims, and the notification to and settlement by the Council of such insurance claims accentuate these uncertainties.

In calculating the estimated cost of future insurance claims, actuarial and statistical projections of the frequency and severity of future insurance claims events are used to project ultimate settlement costs. Such projections are based on current facts and circumstances. Due to inherent uncertainties a significant degree of caution has been included in exercising the judgement required for setting the unexpired risk provision at a level such that the Council is confident that it is not understated.

Given the inherent uncertainty in estimating the cost of future insurance claims, it is likely that the final outcome will prove to be different from the estimate established at the balance sheet date. Any consequential adjustments to amounts previously reported will be reflected in the results of the year in which they are identified.

#### *Liability adequacy test*

The solvency of the warranty fund is tested annually by an independent actuarial service company. The assessment is to confirm the solvency of the organisation and its ability to meet its future obligations. The results of the actuarial valuation indicated that the NHBRC as a whole, including both subsidy and non-subsidy houses, is solvent and able to fund its liabilities on a run-off basis. The change in mix of business between subsidy and non-subsidy houses and enrolment fee structures will in future determine the solvency position of the NHBRC.

### 1.4 Revenue recognition

Revenue arising from registration, renewal, late enrolment, document sales, technical services and subsidy project enrolments fees is recognised on the accrual basis. Revenue from the sale of goods and service is recognised when significant risks and rewards of ownership have been transferred to the buyer.

Interest income is accrued on a time proportion basis, taking into account the principal outstanding amount and the effective interest rate over the period to maturity.

### 1.5 Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the Public Finance Management Act, or any legislation providing for procurement procedures in Government.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

## 1. Summary of significant accounting policies (continued)

### 1.5 Irregular and fruitless and wasteful expenditure (continued)

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of Government or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act.

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

All irregular, unauthorised, fruitless and wasteful is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.6 Taxation

No provision has been made for South African Normal Tax as the Council has been granted exemption in term of Section 10 (1) (cA) (i) of the Income Tax Act No 58 of 1962.

### 1.7 Property, plant and equipment

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

Items of property plant and equipment are initially recognised at cost, being the cash price equivalent at the recognition date. Expenditure on additions and improvements to property, plant and equipment including the cost of related interest is capitalised as the expenditure is incurred. Subsequent to initial recognition, items of property plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to surplus or deficit so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following rates are used for the depreciation of property, plant and equipment:

Computer equipment	33.3% p.a
Furniture, fittings and office equipment	16.7% p.a
Motor vehicles	20.0% p.a
Buildings	5.0% p.a

Land is not depreciated.

The residual values, useful lives and economic consumption patterns for all items of property, plant and equipment are reviewed annually and, if necessary, the consequent depreciable amounts, rates and methods are adjusted at each balance sheet date. Any changes are accounted for as changes in accounting estimates and included in surplus or deficit for the current and future periods by adjusting the relevant future depreciation charges.

The gain or loss arising from the disposal or retirement of an asset is determined by deducting the carrying value from the proceeds on the date of disposal and are included in surplus or deficit.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

## 1. Summary of significant accounting policies (continued)

### 1.8 Intangible assets

The intangible assets are purchased and have a finite life. Amortisation is recorded by a charge to income computed on the straight line basis, after adjusting for residual value at the end of their useful life, so as to write off the cost of the assets over their expected useful lives. The expected useful life of intangible assets has changed from 3 to 5 years. The following rates are used for the amortisation of intangible assets:

Computer software	20.0% p.a
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### 1.9 Impairment

The carrying value of the assets is reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their estimated recoverable amount. Impairment losses are recognised as an expense.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

### 1.10 Inventories

Inventories are initially measured at cost and subsequently written down to the lower of cost and estimated net realisable value. Any write-down is recognised in surplus or deficit. Cost is calculated using the first-in-first-out method and comprises direct purchase costs. Estimated net realisable value is the estimated selling price in the ordinary course of business, less any costs to be incurred in distribution.

### 1.11 Financial instruments

Significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed below:

#### Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs. Financial assets are classified into the following specified categories: held-to-maturity, available-for-sale and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

## 1. Summary of significant accounting policies (continued)

### 1.11 Financial instruments (continued)

#### Financial assets (continued)

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

##### *Held-to-maturity investments*

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Council has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are initially recorded at fair value, and subsequently at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

##### *Available For Sale ("AFS")*

Unlisted shares and listed redeemable notes, traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 24. Gains arising from changes in fair value are recognised directly in equity as a non-distributable reserve. Impairment losses, are recognised directly in surplus or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the non-distributable reserve is included in surplus or deficit for the period.

##### *Loans and receivables*

Trade receivables, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

## 1. Summary of significant accounting policies (*continued*)

### 1.11 Financial instruments (*continued*)

#### Financial assets (*continued*)

##### *Impairment of financial assets (continued)*

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

##### *Derecognition of financial assets*

Financial assets are derecognised when the contractual rights to the cash flows from that asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Where the risks and rewards of ownership are not transferred or retained continue to control the transferred asset, the retained interest in the asset and the associated liability are recognised. Where risks and rewards of ownership are retained, the financial asset and a collateralised borrowing is recognised.

#### Financial liabilities

Financial liabilities, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### *Derecognition of financial liabilities*

Financial liabilities are derecognised when, and only when, the obligations are discharged, cancelled or they have expired.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

*for the year ended 31 March 2009*

## 1. Summary of significant accounting policies (*continued*)

### 1.12 Cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and short term bank deposits.

### 1.13 Leased assets

Rentals payable under operating leases are charged to surplus or deficit on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### 1.14 Critical accounting judgements and key sources of estimation uncertainty

Certain of the critical accounting policies require the use of judgement in their application or require estimates of inherently uncertain matters. Listed below are those policies that the Council believe are critical and require the use of complex judgement in their application.

#### *Insurance technical result*

The accounting for the insurance technical result as disclosed in 1.3 requires the Council to make certain assumptions that have a significant impact on the revenues, expenses and liabilities that are recorded for these insurance premiums. The expected impact as recorded in note 10 are based on historical performances, current and long-term outlooks and the actuarial statistics compiled and updated by the actuarial industry on an ongoing basis.

#### *Plant and equipment*

Residual values and estimated useful lives are assessed on an annual basis. The residual values of vehicles are estimated on published second hand vehicle values as well as trading history. The residual values of all other assets are estimated to be zero.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

## 2. Property, plant and equipment

	Computer equipment R	Office furniture and equipment R	Motor vehicles R	Land R	Buildings R	Total R
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### Year ended 31 March 2009

Opening net book amount	11,262,281	4,221,346	160,408	-	11,156,185	26,800,220
Additions	2,472,194	2,060,152	-	1,453,947	11,556,932	17,543,225
Disposals	(30,770)	-	-	-	-	(30,770)
Depreciation on disposal	16,096	-	-	-	-	16,096
Depreciation charge	(5,376,909)	(1,267,616)	(57,269)	-	(885,056)	(7,586,850)
Closing net book amount	8,342,892	5,013,882	103,139	1,453,947	21,828,061	36,741,921

### At 31 March 2009

Cost	25,374,917	11,001,604	323,347	1,453,947	22,713,117	60,866,932
Accumulated depreciation	(17,032,025)	(5,987,722)	(220,208)	-	(885,056)	(24,125,011)
Net book amount	8,342,892	5,013,882	103,139	1,453,947	21,828,061	36,741,921

### Year ended 31 March 2008

Opening net book amount	6,700,374	3,167,416	217,677	-	-	10,085,467
Additions	8,713,942	2,048,993	-	-	11,156,185	21,919,120
Disposals	(792,820)	(59,227)	-	-	-	(852,047)
Depreciation on disposal	759,875	57,726	-	-	-	817,601
Depreciation charge	(4,119,090)	(993,562)	(57,269)	-	-	(5,169,921)
Closing net book amount	11,262,281	4,221,346	160,408	-	11,156,185	26,800,220

### At 31 March 2008

Cost	22,933,493	8,941,452	323,347	-	11,156,185	43,354,477
Accumulated depreciation	(11,671,212)	(4,720,106)	(162,939)	-	-	(16,554,257)
Net book amount	11,262,281	4,221,346	160,408	-	11,156,185	26,800,220

### Land

Land comprises of ERF's situated in Soshanguve A Township, Registration Division JR, Province of Gauteng; under General Plan No A9923/1996 and held by Certificate of Registered Title No. T4866/1997. The register of land is available at the Council's premises.

### Buildings

Buildings comprise of show houses, a training centre and a conference centre at the Eric Molobi Housing Innovation Hub. The Hub was established towards the end of 2005 at Thorntree View, Soshanguve A, in the Tshwane Metropolitan Municipality in Gauteng.

### Useful lives

The estimated useful lives are reflected under "Critical accounting judgements and key sources of estimation uncertainty" (note 1.14) in the summary of significant accounting policies.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

## 3. Intangible assets

	Computer software R	Total R
<b>Year ended 31 March 2009</b>		
Opening net book amount	56,625,860	56,625,860
Disposals	(11,547,325)	(11,547,325)
Amortisation disposals	11,547,325	11,547,325
Amortisation charge	(12,443,320)	(12,443,320)
Closing net book amount	44,182,540	44,182,540
<b>At 31 March 2009</b>		
Cost	60,217,727	60,217,727
Accumulated amortisation	(16,035,187)	(16,035,187)
Net book amount	44,182,540	44,182,540
<b>Year ended 31 March 2008</b>		
Opening net book amount	25,767,587	25,767,587
Additions	31,365,045	31,365,045
Amortisation charge	(506,772)	(506,772)
Closing net book amount	56,625,860	56,625,860
<b>At 31 March 2008</b>		
Cost	71,765,052	71,765,052
Accumulated amortisation	(15,139,192)	(15,139,192)
Net book amount	56,625,860	56,625,860

### Change in estimate

The carrying value of the assets is reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

The amortisation rate for intangible assets was changed during the current year from 33.33% to 20%. This was due to the fact that a new ERP system with an economic life of five years was implemented effective 1 April 2008.

The effect of change in estimate in the current year's amortisation expense is as follows:.

- Rate	<b>20%</b>	<b>33.33%</b>
- Amortisation expense	12,443,320	20,428,018

### Impairment

Intangible assets were tested for impairment during the year under review. No impairment was recognised for current or prior year.

## 4. Investments

Investments represent investments in cash, listed bond securities and equities, which generate interest income and trading gains.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

	2009 R	2008 R
<b>4. Investments (continued)</b>		
<b>Available-for-sale investments carried at fair value comprise the following:</b>		
Cash investments	1,126,500,406	1,089,999,307
Listed bond securities		
- Short-term < 7 years	775,986,048	525,955,552
- Medium-term 7 to 12 years	270,440,990	366,509,527
- Long-term > 12 years	416,536,136	289,642,720
- Inflation linked bonds	151,365,081	-
Equity	37,854,829	164,965,231
	2,778,683,490	2,437,072,337

### **Reconciliation of opening and closing balance**

Opening balance	2,437,072,337	1,943,375,793
Additions	1,656,021,630	2,218,795,155
Administration fee	(7,254,334)	(5,959,045)
Disposals	(1,373,367,115)	(1,680,505,906)
Fair value adjustment	66,812,155	(31,170,058)
Realised loss on sale of financial assets	(601,183)	(3,675,840)
Fair value adjustment transferred to surplus or deficit	-	(3,787,762)
	2,778,683,490	2,437,072,337

A fair value gain of R66 812 155 (2008: loss of R31 170 058) was processed directly in equity during the year.

The fair value adjustment increased the carrying value of the investments to equal the market value as at 31 March 2009. Details of investments are available at the registered office of the NHBRC for inspection by authorised agents.

## 5. Inventories

Builders manuals carried at cost	308,615	339,736
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## 6. Trade and other receivables

Trade receivables	17,839,856	256
Other receivables:		
- Deposits	223,880	223,880
- Staff loans	501,856	52,843
- VAT receivable	1,529,427	11,928,002
- Operating lease prepayment	-	68,768
- Other	3,187,962	608,941
	23,282,981	12,882,690

Included in the trade receivable balance are debtors with a carrying amount of R17 839 856 (2008: Rnil) which are past due at the reporting date for which the NHBRC has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The NHBRC does not hold any collateral over these balances. The full balance is owing from the Eastern Cape Housing Department. Trade receivables are stated at cost which approximates fair value. This represents the NHBRC's maximum exposure to credit risk.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

	2009 R	2008 R
<b>6. Trade and other receivables (continued)</b>		
Ageing of past due but not impaired:		
Amounts in 30 days and less	1,162,750	-
Amounts in 90 days +	16,677,106	-
	<u>17,839,856</u>	<u>-</u>

In determining the recoverability of a trade receivable, the NHBRC considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is high due to the customer base being small and related. The entire trade receivable balance is due from the Eastern Cape Housing Department.

### 7. Cash and cash equivalents

Cash balances	27,048,966	70,927,111
Short-term bank deposits	35,629	1,916,181
	<u>27,084,595</u>	<u>72,843,292</u>

### 8. Emerging contractor reserve

The reserve was established to develop programmes to assist home builders, through training and inspection, to achieve and to maintain satisfactory technical standards of home building in terms of Section 3(h) of the Housing Consumers Protection Measures Act. The emerging contractor reserve has been established, with ministerial approval, to develop programmes targeted at the empowerment of emerging home builders registered with the NHBRC, which will enable learners to be able to start and manage their own construction contracting businesses. The Council authorised the transfer of R17 435 800 (2008: R37 000 000) for this project in terms of Section 15(5)(d) of the Housing Consumer Protection Measures Act.

### 9. Non-distributable reserve

The non-distributable reserve relates to unrealised gains / losses earned on available for sale investments. This reserve is not substantiated by cash reserves, which makes it inaccessible to the NHBRC.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)  
for the year ended 31 March 2009

**10. Technical liabilities**

	Outstanding claims R	Unearned premium R	Unexpired risk R	Total R
<b>Balance at 31 March 2007</b>	47,887,169	876,430,357	-	924,317,526
Increase during the year (note 17)	3,421,057	-	-	3,421,057
Utilised during the year (note 17)	(3,998,674)	-	-	(3,998,674)
(Decrease) increase during the year (note 13)	-	(5,980,541)	56,837,956	50,857,415
<b>Balance at 31 March 2008</b>	47,309,552	870,449,816	56,837,956	974,597,324
Increase during the year (note 17)	27,251,292	-	-	27,251,292
Utilised during the year (note 17)	(6,884,517)	-	-	(6,884,517)
(Decrease) increase during the year (note 13)	-	(237,953,504)	91,967,513	(145,985,991)
<b>Balance at 31 March 2009</b>	67,676,327	632,496,312	148,805,469	848,978,108
<b>10.1 Split between current and non-current</b>				
<b>Balance at 31 March 2008</b>				
Current	10,625,159	355,167,607	-	365,792,766
Non-current	36,684,393	515,282,209	56,837,956	608,804,558
	47,309,552	870,449,816	56,837,956	974,597,324
<b>Balance at 31 March 2009</b>				
Current	15,353,961	307,463,835	-	322,817,796
Non-current	52,322,366	325,032,477	148,805,469	526,160,312
	67,676,327	632,496,312	148,805,469	848,978,108

The split between current and non-current was not made in the prior year. The prior year has thus been restated.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

## 10. Technical liabilities (continued)

### 10.2 Basis and methodology of valuation

Best practice actuarial techniques were applied to value the insurance liabilities of the NHBRC on a run-off basis, using best estimate assumptions per general practice in the South African short-term insurance industry.

The Outstanding Claims Provision (OCP) is determined at a 99.5% sufficiency level. This is consistent with the Financial Services Board's proposed Financial Condition Reporting requirements, which will require companies to hold liabilities at the 75% level, and capital at 99.5%.

The OCP has been estimated by applying chain ladder techniques to a run-off triangle of remedial work claims paid grouped by quarter of complaint. The Bornhuetter Ferguson (BF) method was used to calculate the OCP, as this method was most suitable to the data. The methodology is consistent with that applied in the prior year. The OCP includes insurance claims incurred, changes in outstanding claims provision, and provision for insurance claims incurred but not yet reported.

The Unearned Premium Provision (UPP) has been estimated using the enrolment fee earnings curve, having deducted initial expenses which are assumed to be earned uniformly over the first two quarters following the enrolment date (estimated period between enrolment and occupation dates).

This methodology is consistent with that used in the prior year.

The unexpired risk provision (URP) is the sum of all UPP's plus any additional unexpired risk provision (AURP) that may be required if the unearned premium is considered to be inadequate to pay for the unexpired risks.

### 10.3 Assumptions

The basis of assumptions used is consistent with those used in the prior year valuation. The discount rate and inflation rates are consistent with the market. The ultimate complaint rate is dependent on a run-off triangle (historical and projected) of complaints. Actuarial judgement was applied on setting other assumptions supported by internal data.

Key assumption	2009		2008	
	Non-subsidy	Subsidy	Non-subsidy	Subsidy
Discount rate	8.3%	8.3%	11.5%	11.5%
General price inflation	6.0%	6.0%	7.0%	7.0%
Building cost inflation	7.0%	7.0%	10.0%	10.0%
Ultimate complaint rate	3.0%	3.0%	3.0%	3.0%
BF complaints loss ratio	2.76%	N/A	N/A	N/A
Remedial work rate	2.0%	2.0%	2.0%	2.0%
Average claim cost	R 108,946	R 23,758	R 94,933	R 14,703
Initial expense ratio	102.0%	47.0%	42.0%	58.0%
BF method loss ratio	2.5%	2.5%	2.5%	2.5%
BF method tail factor	15.0%	15.0%	20.0%	20.0%
Spread of risk period	"Per earnings curve (of complaints)"		"Per earnings curve (of complaints)"	

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

## 10. Technical liabilities (continued)

### 10.4 Sensitivity analysis

The table below shows the key assumptions the liabilities are most sensitive to:

	Assumption change	Change in liability
	%	%
Discount rate	1%	-1.97%
	-1%	2.05%
BF Tail Factor	1%	0.03%
	-1%	-0.03%

### 10.5 Attribution analysis

A change in the initial expense ratio and economic assumptions (inflation and discount rate) will have a negative impact of R51 429 128 and a positive impact of R37 405 266 on the balance sheet respectively.

## 11. Trade and other payables

	2009 R	2008 R
Trade payables and accrued expenses	35,892,352	49,496,711
Operating lease accrual	1,168,066	1,437,860
Income received in advance	5,764,713	36,754,200
Unprescribed deposits	3,822,660	4,634,644
Leave accrual	6,135,537	4,988,724
Unallocated Receipts	130,312,487	84,346,911
Other payables	3,934,909	2,593,781
	<u>187,030,724</u>	<u>184,252,831</u>

No interest is charged on the trade payables for the first 30 days from the date of the invoice.

Thereafter, interest is charged on the outstanding balance. The NHBRC has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Due to the short-term nature of the payables, management believes that the carrying amount approximates the fair value.

## 12. Provisions

Balance at beginning of the year	8,200,000	8,500,000
- Reversed during the year	(2,000,000)	-
- Utilised during the year	(6,200,000)	(300,000)
Balance at the end of year	<u>-</u>	<u>8,200,000</u>

Legal disputes:

The provision represents the best estimate of the future outflow of economic benefits that will be required to settle legal disputes in progress at year end.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

### 13. Insurance premium revenue

	2009 R	2008 R
Premium received	319,380,807	597,153,993
Change in unearned premium provision (see note 10)	237,953,504	5,980,541
Change in unexpired risk provision (see note 10)	(91,967,513)	(56,837,956)
	<u>465,366,798</u>	<u>546,296,578</u>

### 14. Fee revenue

Annual registration fees	1,960,465	2,706,796
Annual renewal fees	6,404,102	7,315,237
Registration fees	2,290,722	1,926,901
Builder manual fees	328,860	452,906
Subsidy project enrolments fees	12,054,918	21,968,526
Late enrollment fees	1,332,146	1,860,130
Document sales	97,846	237,975
	<u>24,469,059</u>	<u>36,468,471</u>

### 15. Technical services revenue

Rectification work	29,159,606	6,736,283
Forensic audit and Geo-tech work	18,392,549	1,869,848
	<u>47,552,155</u>	<u>8,606,131</u>

### 16. Investment income

Investment income earned on financial assets, analysed by category of asset, is as follows:

Interest from available for sale investments	237,657,936	171,226,280
Interest from loans and receivables (cash and cash equivalents)	4,252,385	6,103,775
	<u>241,910,321</u>	<u>177,330,055</u>

### 17. Insurance claims and loss adjustment expenses

Current year warranty claims	6,884,517	3,998,674
Increase (decrease) in the outstanding claims provision	20,366,775	(577,617)
	<u>27,251,292</u>	<u>3,421,057</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

### 18. Results from operating activities

	2009 R	2008 R
Results from operating activities is arrived at after taking into account the following:		
Auditor's remuneration	721,912	695,790
Depreciation	7,586,850	5,169,921
Computer equipment	5,376,909	4,119,090
Office furniture and equipment	1,267,616	993,562
Motor vehicles	57,269	57,269
Buildings	885,056	-
Amortisation of intangible assets	12,443,320	506,772
Net profit on disposal of property plant and equipment	13,254	18,604
Emerging contractor training	13,736,047	15,897,337
Rentals in respect of operating leases	10,198,892	6,530,240
The Council leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.		
The future minimum lease payments are as follows:	20,722,723	25,362,552
Not later than 1 year	10,078,491	9,656,796
Later than 1 year and not later than 5 years	10,644,232	15,705,756
Salaries and related costs	134,024,298	127,875,913
Directors emoluments	11,007,820	9,128,003
Executive directors	8,345,020	7,139,241
For managerial services	8,345,020	7,139,241
Non-executive directors	2,662,800	1,988,762
For services as directors	2,662,800	1,988,762
19. Finance costs		
Interest paid - trade payables	20,404	34,054
Interest paid - enrolment refunds	-	121,812
	20,404	155,866



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

### 20. Notes to the cash flow statement

#### 20.1 Cash generated from operations

	2009 R	Restated 2008 R
Surplus for the year	367,949,175	468,511,366
Adjustments for:		
Depreciation	7,586,850	5,169,921
Amortisation	12,443,320	506,772
Net profit on disposal of property plant and equipment	(13,254)	(18,604)
Realised loss on sale of financial assets	601,183	3,675,840
Fair value adjustment transferred to surplus or deficit	-	3,787,762
Movement in provisions	(8,200,000)	(300,000)
Movement in technical liabilities (insurance premium revenue)	(125,619,216)	50,279,798
Interest paid	20,404	155,866
Interest received	(241,910,321)	(177,330,055)
<b>Operating income / (loss) before working capital changes</b>	<b>12,858,141</b>	<b>354,438,666</b>
Decrease / (increase) in inventories	31,121	(214,996)
(Increase) decrease in trade and other receivables	(10,400,291)	(10,515,611)
Increase in trade and other payables	2,777,893	77,101,406
	<b>5,266,864</b>	<b>420,809,465</b>

#### 20.2 Proceeds on disposal of property, plant and equipment

Net book value	14,674	34,446
Surplus on sale of property, plant and equipment	13,254	18,604
	<b>27,928</b>	<b>53,050</b>

#### 20.3 Proceeds on sale of financial instrument

Net book value	1,381,222,632	1,690,140,791
Deficit on sale of financial instruments	(601,183)	(3,675,840)
	<b>1,380,621,449</b>	<b>1,686,464,951</b>

#### 20.4 Cash and cash equivalent

Cash and cash equivalents consist of cash balances and short term bank deposits. Cash and cash equivalents included in the cash flow statement comprise the following amounts indicating financial position:

Cash on hand and balances with banks	27,084,595	72,843,292
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2009

### 21. Remuneration

#### 21.1 Total cost - Non-executive council members

	Fees and salaries R	Subsistence and travel R	Total 2009 R	Total 2008 R
S Nene (Chairperson)	335,267	40,058	375,324	371,125
C Cudmore	71,887	12,434	84,320	121,543
V Maluleke	82,361	14,343	96,703	84,524
J Matthews	117,714	27,333	145,047	93,675
S De Gois	79,254	20,163	99,417	173,213
Y Jiya Tiba	133,625	35,922	169,547	79,627
S Moleshiwa	335,264	49,704	384,968	184,662
C Kadwa	103,657	33,565	137,222	143,990
F Ntumbu	179,420	32,854	212,274	77,427
S Mojapelo	235,054	62,475	297,529	157,200
A Goliger	122,120	31,817	153,937	123,067
O Shabangu	219,372	43,038	262,410	183,062
M Venter	189,627	53,737	243,364	168,833
A Dorrestein	738	-	738	26,814
	2,205,360	457,443	2,662,800	1,988,762

#### 21.2 Total cost - Top management

P Makgathe (Ex Chief Executive Officer)	2,067,966	19,152	2,087,118	1,922,034
K Mahlobo (Acting Chief Operating Officer)	1,541,369	11,760	1,553,129	1,396,528
	3,609,335	30,912	3,640,247	3,318,562

#### 21.3 Total cost - Executive directors

J Mahachi (Technical and Information Technology)	1,325,863	29,537	1,355,400	1,276,132
C Thorp (Finance and Supply Chain)	1,332,931	6,584	1,339,515	932,250
P Latta (Corporate Services) <sup>1</sup>	-	-	-	482,594
T Moshoeu (Customer Care)	1,016,114	1,691	1,017,804	931,330
L Less (Corporate Services) <sup>2</sup>	979,732	12,321	992,054	198,373
	4,654,640	50,133	4,704,773	3,820,679

<sup>1</sup> Resigned - 07/09/2007

<sup>2</sup> Appointed - 15/01/2008

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)  
for the year ended 31 March 2009

21. Remuneration (continued)

21.4 Bonuses

	2009 R	2008 R
<b>Top management</b>		
P Makgathe (Ex Chief Executive Officer)	-	179,919
K Mahlobo (Acting Chief Operating Officer)	-	130,821
	-	310,740
<b>Executive Directors</b>		
J Mahachi (Technical and Information Technology)	37,174	86,090
C Thorp (Finance and Supply Chain)	28,057	85,023
P Latta (Corporate Services) <sup>1</sup>	-	84,661
T Moshoeu (Customer Care)	27,910	84,575
	93,141	340,349

<sup>1</sup> Resigned - 07/09/2007

22. Related Parties

**Transactions with the Department of Housing:**

Subsidy project enrolment fee (note 14)	12,054,918	21,968,526
Insurance premium revenue	-	3,783,864
Technical service revenue (note 15)	47,552,155	8,606,131

**Balances with the Department of Housing:**

Trade receivable (note 6)	17,839,856	-
Income received in advance (note 11)	5,764,713	36,754,200

The NHBRC provides a warranty for both non subsidy and government subsidised homes. The fee payable by government in the subsidy market comprises 1% project enrollment fee and 0.75 % home enrollment fee. The subsidy income is funded by national government through the Department of Housing.

23. Fruitless and wasteful expenditure

Conference centre cancellation fee	214,912	-
Rental of Gauteng office	598,761	-
Eric Molobi road design	506,703	-
Interest paid to suppliers	20,404	121,812
	1,340,780	121,812

Disciplinary measures were taken against responsible employees

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

### 24. Financial instruments

#### 24.1 Categories of financial instruments and maturity profile

	0-1 Year R	>1 Year R	Total R
<b>2009</b>			
<b>ASSETS</b>			
<i>Loans and receivables</i>			
Trade and other receivables	21,753,554	-	21,753,554
Cash and cash equivalents	27,084,595	-	27,084,595
<i>Available for sale financial assets</i>			
Investments	1,126,500,406	1,652,183,084	2,778,683,490
<i>Non financial assets</i>			
Property, plant and equipment	36,741,921	-	36,741,921
Intangible assets	44,182,540	-	44,182,540
Inventories	308,615	-	308,615
VAT receivable	1,529,427	-	1,529,427
<b>Total assets</b>	<b>1,258,101,058</b>	<b>1,652,183,084</b>	<b>2,910,284,142</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	181,266,011	-	181,266,011
<i>Equity and non financial liabilities</i>			
Accumulated surplus	-	-	1,766,557,395
Other reserves	-	-	40,905,760
Non-distributable reserve	-	-	66,812,155
Provision for outstanding claims	15,353,961	52,322,366	67,676,327
Provision for unearned premium	307,463,835	325,032,477	632,496,312
Provision for unexpired risk	-	148,805,469	148,805,469
Income received in advance	5,764,713	-	5,764,713
Provisions	-	-	-
<b>Total equity and liabilities</b>	<b>509,848,520</b>	<b>526,160,312</b>	<b>2,910,284,142</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

## 24. Financial instruments (continued)

### 24.1 Categories of financial instruments and maturity profile (continued)

	0-1 Year R	>1 Year R	Total R
<b>2008</b>			
<b>ASSETS</b>			
<i>Loans and receivables</i>			
Trade and other receivables	954,688	-	954,688
Cash and cash equivalents	72,843,292	-	72,843,292
<i>Available for sale financial assets</i>			
Investments	1,089,999,307	1,347,073,030	2,437,072,337
<i>Non financial assets</i>			
Property, plant and equipment	26,800,220	-	26,800,220
Intangible assets	56,625,860	-	56,625,860
Inventories	339,736	-	339,736
VAT receivable	11,928,002	-	11,928,002
<b>Total assets</b>	<b>1,259,491,105</b>	<b>1,347,073,030</b>	<b>2,606,564,135</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	147,498,631	-	147,498,631
<i>Equity and non financial liabilities</i>			
Accumulated surplus	-	-	1,402,307,973
Other reserves	-	-	37,206,007
Non-distributable reserve	-	-	-
Provision for outstanding claims	10,625,159	36,684,393	47,309,552
Provision for unearned premium	355,167,607	515,282,209	870,449,816
Provision for unexpired risk	-	56,837,956	56,837,956
Income received in advance	36,754,200	-	36,754,200
Provisions	-	-	8,200,000
<b>Total equity and liabilities</b>	<b>550,045,597</b>	<b>608,804,558</b>	<b>2,606,564,135</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

## 24. Financial instruments (continued)

### 24.2 Fair value of financial instruments

The NHBRC considers that the carrying amounts of trade and other receivables, cash and cash equivalents and trade and other payables approximates their fair values due to the short term nature of these assets and liabilities.

The fair values of financial assets represent the market value of quoted instruments and other traded instruments. For non-listed investments and other non-traded financial assets fair value is calculated using discounted cash flows with market assumptions, unless the carrying amount is considered to approximate fair value.

The fair values of financial liabilities carried at amortised cost is calculated based on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

### 24.3 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The NHBRC does not undertake transactions in foreign currencies and is thus not unduly exposed to foreign currency risk.

### 24.4 Capital risk

The NHBRC manages its capital to ensure that the NHBRC will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The NHBRC's overall strategy remains unchanged from 2008.

### 24.5 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the NHBRC. Financial assets, which potentially subject the NHBRC to concentrations of credit risk, consists principally of cash and cash equivalents and trade and other receivables.

The NHBRC's cash and cash equivalents are placed with high credit quality financial institutions. Refer note 6 for further information on the NHBRC's exposure to credit risk with regards to trade and other receivables.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

### 24. Financial instruments (continued)

#### 24.5 Credit risk (continued)

There has been no significant change during the financial year, or since the end of the financial year, to the NHBRC's exposure to credit risk, the approach to the measurement or the objectives, policies and processes for managing this risk.

#### 24.6 Liquidity risk

Liquidity risk is the risk that the NHBRC will not be able to meet its financial obligations as they fall due.

The NHBRC manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Refer note 24.1 for the maturity profile of financial instruments.

#### 24.7 Management risk

The key risk is underwriting risk, as the NHBRC is governed by the Act and the risk of defaulting home builders.

Premiums for the non-subsidy markets are based on the selling price of the home to be constructed, and applied on a sliding scale limited to a maximum premium of R34 000 and a maximum claim of R500 000 per home.

The premiums for the subsidy sector are based on 0,75% of the current subsidy cost per unit of R67 879.

The risk to the NHBRC and housing consumers is managed primarily through the assessment and registration of home builders who have the appropriate financial, technical, construction and management capacity for their specific business.

Within the insurance process, concentration of risks may arise in the subsidy market where a particular event or series of events could impact the NHBRC technical liabilities. Such concentrations may arise from a single contract or through a number of related contracts in concentrated housing developments and sectional title developments.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

### 24. Financial instruments (continued)

#### 24.7 Management risk (continued)

Approximately 99% of the assets of the NHBRC are invested in interest bearing instruments and 1% in equity instruments (shares and equity derivatives). Approximately R1.17 billion (40%) of financial assets are expected to realise within 12 months of year-end compared to approximately R526 million of liabilities expected to be settled within the same period. R1.65 billion (60%) of assets matures within 12 years, covering the remaining liability. Approximately 76% of bonds maturing after the first year carry an AAA credit risk, equivalent to that of government (government, parastatal and quality senior corporate debt). 20% carry an AA rating and no rating is available for 4% of the bonds.

The results of the actuarial valuation indicate that the NHBRC as a whole, including both subsidy and non-subsidy houses, is solvent and in a sound financial position as at 31 March 2009 when valued on a run-off basis. The actuarial liabilities are 327% funded. However, for future business, the enrolment fees currently charged are inadequate to cover future expenses and liabilities for both subsidy and non-subsidy homes.

Enrolment Fee Adequacy						
	All	%	Non-Subsidy	%	Subsidy	%
Utilisation						
Enrolments and inspections	3 947	86%	7 384	86%	1 234	104%
Complaints conciliations	1 382	30%	1 755	20%	1 088	92%
Remedial claims	70	2%	124	1%	27	2%
<i>Average</i>	<i>36</i>	<i>-</i>	<i>64</i>	<i>-</i>	<i>14</i>	<i>-</i>
<i>Variation margin (99,5% certainty)</i>	<i>34</i>	<i>-</i>	<i>60</i>	<i>-</i>	<i>13</i>	<i>-</i>
Total expenses and claims	5 399	118%	9 263	108%	2 349	198%
<b>Average fee per enrolment</b>	<b>4 564</b>		<b>8577</b>		<b>1 188</b>	
<b>Surplus / Deficit</b>	<b>(835.24)</b>	<b>-18%</b>	<b>(686.40)</b>	<b>-8%</b>	<b>(1 161.02)</b>	<b>-98%</b>

#### 24.8 Insurance risk

The primary insurance activity carried out by the NHBRC assumes that the risk to the warranty fund relates to the warranty cover as defined in the Housing Consumers Protection Measures Act (Act 95 of 1998) as amended (the Act). The insurance premiums are received in advance as a "home enrolment fee" and a portion of the insurance premium is invested in terms of the NHBRC investment policy to cover future rectification of homes paid out under the warranty scheme.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

## 24. Financial instruments (continued)

### 24.8 Insurance risk (continued)

The risks to the warranty fund are defined in section 3 of the Act "Objects of Council" which states:

The Council shall:

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

There is no risk categorisation in determining the enrolment fees charged. The enrolment fee structure is promulgated in the regulations to the Act. Enrolment fees are charged on the selling price of the home (including land value) so that equal value homes yield equal enrolment fees. The subsidy and non subsidy markets each have their own enrolment fee structure. The NHBRC is exposed to the uncertainty surrounding the timing and severity of claims under the warranty contract. The NHBRC also has exposure to market risk through its insurance and investment activities.

The NHBRC uses several methods to assess and monitor insurance risk exposures for the protection of housing consumers. A home builder can only be registered if he has the appropriate financial, technical, construction and management capacity for the specific business carried on by the home builder in order to protect housing consumers and the Council from being exposed to unacceptable risks. The Council may withdraw the registration of a home builder where the home builder has been found guilty by the disciplinary committee as prescribed in the Act. The insurance risk is further mitigated by the inspection of houses under construction, interdicts issued against home builders who do not comply with the provisions of the Act and in cases of a late enrolments, a financial guarantee is required from the home builder, calculated on a risk model which takes the stage of completion of the house at enrolment date into account. The financial guarantee is held for the full five year warranty period.

Risk to the warranty fund is further controlled by the inspection of the house during the construction phase, and rectifications are enforced when construction of the house does not comply with the provisions of the Act.

The NHBRC is an insurer of last resort, as claims, are only paid where a home builder fails to perform the necessary remedial work, due to liquidation or unavailability. The maximum claim per home is limited to the insured value up to a maximum claimable amount of R500 000 per home.

The NHBRC has an internal audit function which regularly reviews the degree of compliance with Council procedures.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

## 24. Financial instruments (continued)

### 24.8 Insurance risk (continued)

#### ***Underwriting strategy***

The registration of all home builders is prescribed in terms of section 10 of the Act. The NHBRC is obliged to register and insure all new homes constructed. The NHBRC may on the recommendation of the Council, on application made to it, in exceptional circumstances, exempt a person or home from any provision of the Act.

#### ***Reinsurance strategy***

The NHBRC does not reinsure any portion of the risk it underwrites due to the current low claim rate experienced. Reinsurance of the exposure to losses has been identified as a medium term strategic objective.

#### ***Terms and conditions of Insurance contracts***

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

The NHBRC's main business is highly specialised, and covers the rectification of:

- major structural defects in a home caused by non-compliance with the NHBRC technical requirements within a period of five years from the occupation date;
- non-compliance with or deviation from the terms, plans and specification or the agreement of any deficiency related to design, workmanship or material notified to the home builder by the housing consumer within three months from the occupation date; and
- repair roof leaks attributable to workmanship, design or materials occurring and notified to the home builder by the housing consumer within 12 months of the occupation date.

The event giving rise to a claim occurs with the insolvency, liquidation and protracted default of the home builder. The claim will be notified to the NHBRC in terms of the specific regulations to the Act. The business of the NHBRC can be classified as short to long term as the NHBRC may only be notified of a claim up to five years after occupation of the home in the instance of structural defects.

#### ***Concentration of insurance risk***

##### *Insurance risk by geographical area*

The geographical concentration of home enrolments is predominantly in the Gauteng province (51%) and the Western Cape province (20%). Both Gauteng and the Western Cape have a lower complaints ratio relative to Kwa Zulu Natal which has the highest complaints rate.

##### *Insurance risk by dwelling type*

Relative to enrolments, single storey houses have experienced more complaints than double storey houses. Properties with more than one story account for approximately 60% of sum insured exposure.

##### *Insurance risk by developer*

The risk per developer is ranked by units of exposure (enrolments after Sep 2003). Liquidation of the 15 largest developers constitute R298,6 million of sum insured (comparison of 384 321 home enrolments) which could potentially increase claims against the warranty fund.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)

for the year ended 31 March 2009

## 24. Financial instruments (continued)

### 24.9 Interest rate and price risk

#### **Interest rate risk**

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All cash surpluses are invested with investment fund managers in terms of the investment policy. The exposure to interest rate risk is determined by the maturity profile of investments (see note 4).

#### **Price risk**

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or foreign currency risk. The NHBRC is exposed to equity price risk as it holds equity securities classified as available for sale. However, due to the investments in equities being immaterial, the exposure to equity risk is limited.

#### **Sensitivity Analysis**

31 March 2009							
	Carrying Amount at 30 March 2009	Interest rate risk			Equity Risk		
		Rand amount exposed to risk	Reasonable Possible change		Rand amount exposed to risk	Reasonable Possible change	
			Rate Increase	Rate Decrease		Adverse impact	Favourable Impact
<b>Financial Assets</b>							
Cash investments	1,126,500,406	1,126,500,406	1%	-1%			
Listed bond securities		-					
- Short-term < 7 years	775,986,048	775,986,048	1%	-1%			
- Medium-term 7 to 12 years	270,440,990	270,440,990	1%	-1%			
- Long-term > 12 years	416,536,136	416,536,136	1%	-1%			
- Inflation linked bonds	151,365,081	151,365,081	3%	-3%			
Equity	37,854,829				37,854,829	14%	-14%
<b>Impact of financial assets on:</b>							
Statement of changes in net assets						(5,299,676)	5,299,676
Statement of financial performance	-	-	30,435,588	(30,435,588)			
Impact on financial position	2,778,683,490	2,740,828,661	30,435,588	(30,435,588)	37,854,829	(5,299,676)	5,299,676

## 25. Capital commitments

	2009 R	2008 R
Commitments in respect of capital expenditure approved by the Council but not accrued at balance sheet date:		
- Contracted for	18,981,736	31,728,905
- Not contracted for	-	-
	<u>18,981,736</u>	<u>31,728,905</u>

This expenditure is in respect of intangible assets (2008: buildings and intangible assets) and will be financed by cash generated from operating activities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (*continued*)  
for the year ended 31 March 2009

26. Guarantees

	Expiry date	2009 R
<b>Beneficiary</b>		
Barinor Properties	30/11/2010	215,570
Medscheme Holdings (Pty) Ltd	10/10/2008	551,000
Brunt Investments Trust, Tyger Valley	N/A	14,142
Fernridge Office Park (Pty) Ltd	10/10/2008	441,132
		1,221,844

27. Contingent liabilities

- 1) NHBRC has outstanding letters of credit and other contingent liabilities to the value of R45 800 established on behalf of the NHBRC by First National Bank;
- 2) There is an outstanding claim pending in the High Court in relation to a dispute between the NHBRC and a service providers totalling R5 779 829, the outcome of which is unknown.

28. Restatements and reclassifications

During the prior year, the portion of the emerging contractor reserve utilised (the expense actually incurred) was not recorded as an expense in the statement of financial performance. In addition, the amount utilised was not brought back into accumulated surplus (through a transfer of reserves). The restatement has no impact on the accumulated surplus.

	Balance previously stated	Adjustment	Restated balance
Administration expenses	216,665,890	15,897,337	232,563,227
Reserve utilised - transfer back to accumulated surplus	-	(15,897,337)	(15,897,337)
Accumulated surplus	1,402,307,973	-	1,402,307,973

29. Post reporting date events

No material facts or circumstances have arisen after the reporting date which affects the financial position of the NHBRC as reflected in the financial statements.

# REPORT OF THE AUDIT COMMITTEE OF THE NATIONAL HOME BUILDERS REGISTRATION COUNCIL

We are pleased to present our report for the financial year ended 31 March 2009.

## Audit Committee responsibility

The Audit Committee is pleased to report that it is properly constituted as required by section 77 of the PFMA and has complied with its responsibilities arising from section 38(1)(a) of the PFMA and paragraph 3.1.13 of the Treasury Regulations. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and has regulated its affairs in compliance with this charter. As mandated, we hereby report on the functions of the Audit Committee for the year ended 31 March 2009.

## Audit Committee meetings and attendance

The Audit Committee consists of the members listed below. The Committee meets at least four times per annum in line with its approved terms of reference. Six meetings were held during the year under review, the attendance of the different members is detailed below.

Audit committee member	Scheduled meetings		Special meetings	
	Scheduled	Attended	Scheduled	Attended
<b>Mr. K Mokoka – (Chairperson – Independent member)</b>				
Resigned before year end	4	3	2	-
<b>Ms. Z Lekubu (Independent member)</b>	4	2	2	-
<b>Mr. R. Moyo (Independent member)</b>				
Appointed Acting Chairperson for remainder of period	4	2	2	2
<b>Ms. S. de Gois (Council member)</b>	4	3	2	1
<b>Mr. C. Kadwa (Council member)</b>	4	3	2	1

## Effectiveness of internal control

In carrying out its mandate which is conferred by its terms of reference and section 27.1.8 of the Treasury Regulations (March 2005), the Committee confirms that taking into consideration the reports by both internal and external auditors, it has reviewed and assessed the following:

- the effectiveness of the internal control systems;
- the effectiveness of internal audit;
- the risk areas of the entity's operations to be covered in the scope of internal and external audits;
- the adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- any accounting and auditing concerns identified as a result of internal and external audits;
- the entity's compliance with legal and regulatory provisions;
- the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- where relevant, the independence and objectivity of both the internal and external auditors.

Based on the information and explanations given by management, Internal Audit function and discussions with the independent external auditors on the result of their audits, the Audit Committee is of the opinion that the systems of internal controls are not adequately designed and fully effective to ensure completeness, accuracy and reliability of financial records for preparation of the annual financial statements, and that the accountability for assets and liabilities is maintained.

Though the external auditors confirmed that nothing has come to their attention during the course of their normal statutory audit to indicate a material breakdown in the system of internal controls, the matters they raised in their management report indicate that accounting and operational controls were not adequate and fully effective during the period under review.

# REPORT OF THE AUDIT COMMITTEE OF THE NATIONAL HOME BUILDERS REGISTRATION COUNCIL (continued)

## Evaluation of financial statements and management reports

In terms of section 3.1.13 of the Treasury Regulations (March 2005) the Committee has reviewed and evaluated the following:

- Effectiveness of internal control
- Quality of management reports
- The annual financial statements

### *Management reports*

The audit committee has noted that the Information Management system that produces management reports was not fully functional during the year under review. At year end the system was unable to produce a reliable set of annual financial statements due to the lack of certain functionality and errors in processing transactions; this led to a delay in the submission of the annual financial statements to the Auditor General, constituting a non compliance with section 8(1) of the PFMA. The completeness and reliability of the management reports that were produced during the year can not be guaranteed. The committee is however confident that remedial actions undertaken by management post year end will resolve the challenges in respect of the management reports.

### *Annual financial statements*

The Audit Committee has:

- Reviewed and discussed the audited financial statements to be included in the annual report with the Auditor-General and the Chief Executive Officer;
- Reviewed the Auditor-General's management letter and the management's response thereto;
- Reviewed changes in accounting policies and practices; and
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and recommends that the audited financial statements be accepted by the Council and read together with the report of the Auditor General.



**Mr. R. Moyo CA (SA)**

*Acting Chairman of Audit Committee*

*October 2009*

# Message from Zoliswa Kota, Chairperson of the Portfolio Committee for Housing:

“Centralised planning on identified projects is the key to success. Alexander is a case in point where housing does everything despite the fact that this was identified as a Presidential Project. The Gauteng Department of Housing is doing this with no support from relevant departments. I can mention other examples. We do have the Inter. Relations Act, 2005 (Act No.13 of 2005) but this is lacking in its application.

Allow me Madam Speaker to speak about priorities in the Comprehensive Housing Plan, they are as follows:

- Accelerating housing delivery as the key strategy for the restoration of human dignity;
- Improving the quality of housing products and environments to secure asset creation;
- Ensuring a single, efficient formal housing market to reduce the duality within the sector by breaking the barriers between the first economy residential property boom and the second economy slumps;
- Utilising housing as an instrument for the development and restructuring of integrated human settlements; and
- Utilising the provision of housing as job creation strategy through labour intensive methods.



We have noted with concern that there is no mention from the department on how the emerging contractors will be assisted. Big contractors cannot build houses alone; they must in the process empower the emerging contractors by sub-contracting to them so that these skills can be transferred. We see this as an incubator process. One of the dilemmas faced by housing is that many of the blocked projects were as a result of emerging contractors not being able to meet their targets. But we cannot throw in the towel if we are committed to creating a single housing market. Emerging contractors do need seed capital and the present arrangement is full of bottlenecks. Levelling of the playing fields is essential in order to create a conducive environment for them to operate.”

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>1. To develop a 1 stop shop business model for Customers, Clients and stakeholders.</b>	1. Implementation of E – Valuable Final Products, (Internet – Based VFP).	Operational E-VFP model.	All VFP's processed on line by end of year.	Target partially met.	Business and functional specifications were completed. Implementation in progress. Model to be moved into production after Oracle/ Siebel has stabilized, implementation delayed due to problems with Oracle.
	2. Establishment and implementation of call centers.	Report on established call centers.	Report on established call centers for the year.	Target not met.	Project not approved due to cash flow challenges
	3. Decentralization of support services.	Report on decentralized support service.	Report on decentralized support service for the year.	Target met.	100% of functional processes carried out according to Delegation of Matrix.
	4. Multi-skill employees on VFP delivery.	Report on employee's multi skilled on VFP delivery.	Report on employees' multi skilled on VFP delivery for the year.	Target met.	Employees were trained on Enrolments, Registrations and Renewals.
	5. Contribute to information hubs process in tandem with other Housing Institutions.	Information sharing report.	Reports on information shared with other institutions for the year.	Target met.	Presentation made to NHFC, Minmec and Provincial Housing Departments.
	6. Provide Professional Service to stakeholders.	Professional services reports.	Provision of professional services as per Service Level Agreement for the year with Provincial Housing Department.	Target met.	Professional engineering services provided to Eastern Cape, North West and Free State.
	7. Develop consumer awareness and education programs.	Reports on consumer awareness and education programs done.	Reports on consumer awareness and education programs done for the year.	Target met.	Information brochures on housing consumer education were printed and circulated to housing departments, municipalities and other housing institutions.



## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>2. To lead and support government in meeting its subsidy housing business initiative.</b>	1. Promote BNG architectural designs and implementations thereof.	Designed housing typologies and subsequent adaptation of subsidy quantum.	At least 2 housing typologies designed every quarter for the year.	Target met.	Designs done and approved by MINMEC Designs being implemented for Breaking New Grounds delivery by Limpopo Provincial Housing Department.
	2. Enhance and support mobile solutions.	Signed-off business and functional requirements.	Functional mobile solutions (Palm Top Digital Assistant) for the year.	Target partially met.	Mobile solutions not fully functional because of change request by business and problems with some functionalities.
	3. Continuous improvement of the Inspection process for subsidy.	New subsidy inspection model.	Approved new subsidy inspection model by end of 2008/9 financial year.	Target met.	Model completed. Implementation to be done in the next financial year.
	4. Compilation of geotechnical reports.	Geotechnical reports.	Geotechnical reports compiled as per Service Level Agreement with Provincial Housing Departments for the year.	Target met.	NHBRC appoints Geotechnical Engineers to carry out investigations on behalf of Provincial Housing Departments. Investigations were done for Eastern Cape, Mpumalanga, Northern Cape and Free State.
	5. Familiarize municipalities with NHBRC'S processes and information requirements.	Attendance register on workshops.	1 meeting every quarter per province	Target met.	On average, 4 workshops were held with selected municipality per province.
	6. Ensure technical expertise is offered to enhance and improve enrolment and inspection processes for subsidy.	Technical Reports.	Geotechnical reports compiled as per Service Level Agreement with Provincial Housing Departments for the year.	Target met.	Technical expertise offered to Eastern Cape, Mpumalanga, North West Provincial Housing Departments.
	7. Contribute to national policy on Sustainable Human Settlement (SHS) and integrated development projects.	Report on Sustainable Housing and unconventional housing systems assessed.	Unconventional housing systems assessed within 15 days.	Target met.	Contributed to assessment of Innovative technology houses in collaboration with Agreement Board of SA.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	8. Ensure subsidy projects are enrolled timeously.	Quarterly subsidy compliance report.	100% of projects enrolled timeously provided all information meets required standards.	Target met.	Enrolment of subsidy projects is carried out at provincial level (Provincial Housing Departments). Assist the Provincial Housing Department in geotechnical investigations.
	9. Ensure efficient risk management, strategy and plan.	Report on inspection risk model.	Report on inspection risk model developed by Quarter 3 for the year.	Target met.	Inspection risk model approved by Council.
	10. Efficient coordination of subsidy business risk profile and risk register.	Subsidy business risk profile and risk register report.	A risk register developed by quarter 4 for the year.	Target partially met.	Risk register developed and awaiting approval by Risk Committee.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>3. To enhance corporate image and identity in line with organizational vision.</b>	1. Develop and maintain an intensive marketing strategy.	Report on marketing strategy.	Report on marketing strategy for the year.	Target not met.	Marketing Plan, including advertising plan circulated to Executive Committee, awaiting comments.
	2. Develop awareness programs to educate Housing consumers.	Report on awareness program to educate housing consumers.	Report on awareness program to educate housing consumers for the year.	Target met.	Program developed and approved by Council for implementation. Supporting pamphlets and brochures developed and translated where budget allowed. Cartoon animation service provider approved by Council, placed on hold due to budgetary constraints.
	3. Manage knowledge based website	Report on knowledge based website.	Report on knowledge based website for the year.	Target not met.	Marketing to develop a new template and source content management tool. Service provider yet to be appointed, however, implementation dependent on budget. Project delayed due to problems with Oracle implementation.
	4. Enhance and support of the Business Intelligence reporting system.	Business Intelligence reports.	Business Intelligence reports available for all modules.	Target partially met.	Some of the business and functional requirements completed and under development.
	5. Establish and enhance a culture of risk management.	Risk management reports.	Risk management reports for the year.	Target partially met.	RISCURA has been developed and currently being updated as a tool to help with risk management. Quarterly reports by Executives on risk mitigating measures submitted.
	6. Monitor communications management system (Media monitoring).	Communication management system report.	Report on monitored communications system for the year.	Target not met.	Not yet in place due to budgetary constraints.
	7. Use education, training and development to enhance the reputation and brand name of NHBRC.	Report on reputation and brand development strategy.	Report on reputation and brand development strategy for the year.	Target met.	Full compliance 100% registered home builders are aware of the NHBRC capacity building program.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	8. Promote the NHBRC through radio, TV, and print media.	Report on the programs that were done through radio, TV, and print media.	Report on the programs that were done through radio, TV, and print media for the year.	Target met.	<p>CEO interviewed on various radio stations e.g. Kaya FM, 702.</p> <p>CEO appeared on SABC TV consumer affairs program.</p> <p>Manager Education Training and Development interviewed on Soweto TV, Lesedi FM.</p> <p>Provincial media also targeted.</p> <p>Corporate adverts also placed in Top Performing Companies, SA Leading Managers, CEO Magazine, Soweto Homes, Sowetan, City Press, Pretoria News, Pan African Parliament publication, ISIZA, Architecture Digest, Steel Aluminum and Wood publication.</p>
	9. Focus on Consumer Education by Marketing and Education Training and Development Sections.	An approved consumer education plan.	An approved consumer education plan for the year.	Target met.	Promote consumer rights, obligations and home builder training.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>4. To strategically and effectively manage the VFP's of Council.</b>	1. Improve turnaround times on VFP's.	Report on improved turnaround times.	Registration takes a maximum of 5 days, Renewals takes 1 day and home enrolment takes a maximum of 15 days.	Target met.	The system does not have monitoring tool, so the achievement is not easy to measure.
	2. Register homebuilders.	NHBRC registered home builders.	5 612 home builders to be registered by NHBRC for the year.	3788 registered homebuilders, Target partially met.	Registration of new builders has been impacted negatively by economic conditions in the home building industry.
	3. Renew registration.	NHBRC renewed registrations of homebuilders.	11 824 registrations of home builders to be renewed for the year.	11326 renewed registrations of home builders, Target not met.	The variance is due to builders exiting the market voluntarily.
	4. Enrolment of homes: Non Subsidy.	NHBRC enrolled homes in the non subsidy sector.	79 640 homes to be enrolled by NHBRC for the year.	42228 enrolled homes for Non-Subsidy, Target not met.	Weak economic conditions impacted negatively on the housing consumers' ability to secure a building loan. Increasing costs in building materials and food prices made home ownership not the obvious priority.
	5. Process late enrolment: Non Subsidy.	NHBRC processed late enrolments in the non subsidy sector.	3 980 late enrolments to be processed by NHBRC for the year.	3085 enrolments processed for late enrolment, Target partially met.	Late Enrolments are a function of enrolments. With the number of enrolments slowing down, late enrolment of homes decreased.
	6. Inspections.	NHBRC inspected enrolled homes.	379 717 homes to be inspected by the NHBRC for the year.	547960 homes inspected, Target met.	Ineffective system led to higher than expected inspected visits. Of the total number of inspections done, more than 25% were for completed houses.
	7. Conciliations.	NHBRC conducted conciliations.	400 complaints to be conciliated by NHBRC for the year.	424 conciliations completed, Target met.	424 conciliations were received and 186 were closed.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	8. Training of emerging home builders.	NHBRC trained emerging home builders and their employees.	9840 emerging home builders to be trained for the year.	5676 homebuilders trained. Target partially met.	The reason for this poor performance was due to the economic decline in the sector. To this end we submitted a request to the Education Training and Development committee and council to review / reduce the training targets to 6500.
	9. Training of Youth.	NHBRC trained youths.	1000 Youth to be trained by NHBRC for the year.	549 Youth trained. Target partially met.	The launch of youth programs is entirely dependent on the department and participating municipalities. If there are delays then we are negatively impacted. During the period under review the NDoH only launched youth programs in 4 provinces.
	10. Project Enrolment: Subsidy.	Subsidy quarterly compliance report.	124 140 units enrolled for project enrolment for the year.	67706 project enrolment done for subsidy. Target not met.	Targets are provided by Provincial Housing Department and failure to reach target is because of Departments not meeting their own targets, as well as failure to complete and submit adequate geotechnical reports
	11. Home Enrolment: Subsidy.	Subsidy Quarterly compliance report.	100 000 units enrolled for home enrolment for the year.	55755 home enrolment done for subsidy. Target not met.	Targets are provided by Provincial Housing Department and failure to reach target is because of Departments not meeting their own targets, as well as failure to provide adequate structural designs.
	12. Ensure efficient and effective remedial program.	Effective remedial works program.	Current turnaround times reduced by 50% for the year.	Target met.	The program has been decentralized and remedial works are being approved at provincial offices within approved turnaround times.
	13. Manage network infrastructure and business system.	New servers and infrastructure.	Replace old infrastructure by Quarter 2 for the year.	Target met.	New servers bought and infrastructure upgraded so that the new Oracle Enterprise Resource Planning system functions effectively.
	14. Ensure business continuity management.	Business continuity management report.	Business continuity management report for the year.	Target met.	Business continuity process put in place.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	15. Co-ordination of critical task analysis in all processes.	Critical task analysis report .	Critical task analysis reports identified for the NHBRC for the year.	Target not met.	The critical task analysis was not identified.
	16. Ensure efficient & effective complaints resolution system.	Effective complaints resolution system.	Effective complaints resolution system by end of 2008/9 financial year.	Target not met.	The Complaint resolution system for both home owners and housing consumers was linked to Establishment of Call Center which was disapproved by Council.
	17. Send regular updates on VFP's to Council members.	Report on VFP's sent to Council Members.	Report on VFP's sent to Council Members for the year.	Target met.	Done on a quarterly basis.
	18. Adopt a -5% on non subsidy and a 10% on Subsidy on Enrolment fee.	Approved Budget to include enrolment fee adjustments.	Adjusted annual budget to include percentage adjustments.	Target met.	Percentage adjustments included in approved budget.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>5. To establish and maintain strategic partnership with all stakeholders.</b>	1. Provision of a platform for information sharing with industry players.	Workshops and conference proceedings.	At least 1 workshop with key stakeholders.	Target met.	Workshops held with ECSA, CGS, Banking Council, SAICE, Agremènt SA, SABS. 2 papers were published in conference proceedings.
	2. Introduce third party systems with NHBRC systems.	Operational Geographical Information System.	Introduce Geographical Information System to Oracle Enterprise Resource Planning system.	Target partly met.	Business and functional requirements of Geographical Information System completed. System to be moved into production next financial year once Oracle system has stabilized. Project delayed due to problems with Oracle.
	3. Offer IT services to the inspectorate agents.	Inspection requests (reports) escalated to the inspectorate agents.	All inspectorate agents to have access to Siebel.	Target met.	All inspectorate agents have access to Siebel.
	4. Participate in partnerships and facilitate the growth of SMME's.	Minutes of meetings with strategic partners. Signed Service Level Agreement's with partners.	One signed service level agreement in place.	Target met.	Developed Youth in Housing program Business Plan, training youth and supporting them to be exited into their own businesses. Co-Funded by National Department of Housing and Umsobomvu youth fund. Service Level Agreement signed with DoHS.
	5. Facilitate sourcing and certification of quality Building Materials.	Business case report.	Business case approved by MINMEC by quarter 3 for the year.	Target met.	Business case was approved by MINMEC and Limpopo Province is running a pilot project.
	6. Improve relations with strategic partners.	Service Level Agreement's with stakeholders.	At least 1 collaborative meeting with key stakeholders per quarter for the year.	Target met.	Relations achieved with ECSA, SAICE, SABS and Agremènt SA.



## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	7. Match the enrolment values with recorded values at municipalities or financial institutions.	Report on matched enrolment values at municipalities.	Report on matched enrolment values at municipalities for the year.	Target not met.	The enrolment value can only be matched against bills of quantity provided by the bank and/or copy of bond approval. NHBRC does not have any benchmarks to guide the builders on market values.
	8. Engage international countries and organizations with a view to expanding NHBRC product and services.	Report available on visits to international countries.	Report available on visits to international countries for the year.	Target met.	NHBRC had interactions with Democratic Republic of Congo, Angola.
	9. Information sharing sessions with Institutions of excellence, learned societies, Academic Institutions and Housing Institutions.	Workshops and conference proceedings.	At least 1 workshop with key stakeholders for the year.	Target met.	Sessions held with Universities (University of Cape Town, University of Witwatersrand, University of Johannesburg); National Housing Finance Corporation (ABSA Housing Innovation Competition).
	10. Manage the outstanding debtors and develop action plans with provincial accountants for collection and allocation of deposits.	Establish credit terms for each revenue stream and communicate action plans to collect debtors.	Debtors to be within credit terms in terms of plan by the financial year end.	Target met.	Age debtors within credit terms.
	11. Provide support to all the divisional strategic endeavors.	Report on divisional strategic endeavors embarked on.	Report on divisional strategic endeavors embarked on for the year.	Target met.	All Divisional financial strategic plans implemented.
	12. Assistance in providing periodic supply chain statistics and reports to the Department of Housing, National Treasury.	% compliance with returns.	Half yearly returns in Treasury format.	Target met.	Statistics submitted and updated on time.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	13. Establish feedback to suppliers, service providers and internal customers on Supply Chain Management related activities.	Meetings with suppliers to address supply and service issues based on Service Level Agreement. Internal customers communication of procurement processes.	Minutes of meetings with suppliers to monitor suppliers service and quality. Service Level Agreement with main suppliers.	Target met.	Meetings held with suppliers where necessary. Mostly service in the Travel suppliers.
	14. Attendance of provincial Portfolio Committees by Customer Care managers.	Report on Provincial Portfolio Committees attended by Customer Care managers.	Report on Provincial Portfolio Committees attended by Customer Care managers by end of 2008/9 financial year.	Target met.	Provincial Managers attend only on invitation by Portfolio Committees. Portfolio Committees are not obliged to invite NHBRC, they only do that if necessary.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>6. To become a market leader in knowledge management in the home building industry.</b>	1. Compilation and publishing of economic indicators and trends in the home building industry.	Statistical report.	Publish a statistical report every 6 months for the year.	Target partially met.	Research documents are still in draft form. Delayed due to peer review.
	2. Research and publish construction economic indicators that impact on the home building industry.	Statistical report.	Publish a statistical report every 6 months for the year.	Target partially met.	Research documents are still in draft form. Delayed due to peer review.
	3. Ensure Technical information in the home building Manual is updated.	Report on changes to the Home Building Manual.	Draft report on changes to Home Building Manual for the year.	Target not met.	Awaiting finalization of SANS 10400. Changes to Home Building Manual will commence when the standard is published.
	4. Develop Geographic Information System (Geographical Information System) database.	Functional requirements sign-off and system operational.	Geographical Information System fully operational by end of year for the year.	Target partially met.	Business and functional requirements of Geographical Information System completed. System to be moved into production next financial year once Oracle system has stabilized. Delayed due to problems with Oracle.
	5. Develop, implement, and manage Business Intelligence Systems.	Business Intelligence reports.	Business Intelligence reports available for all modules for the year.	Target partially met.	Some of the business and functional requirements completed. Implementation in progress and will be completed in next financial year. Delayed due to problems with Oracle.
	6. Develop, implement and manage Oracle Enterprise Resource Planning (OERP)	Compliance report to Business Requirements.	A functioning Enterprise Resource Planning by financial year end.	Target partially met.	Some modules fully operational except finance, PDA, Geographical Information System, BI and e-VFP. Modules to be implemented in next financial year. Delayed due to problems with Oracle.
	7. Implement and support Virtual Private Network (VPN).	Availability of VPN.	Fully Implemented Virtual Private Network by end of year.	Target met.	

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	8. Implementation of risk management data warehouse and risk systems (RISCURA).	Reports from Risk Management Data Warehouse and Risk Systems.	Reports from Risk Management Data Warehouse and Risk Systems are available for the year.	Target partially met.	RISCURA established and installed and currently being updated.
	9. Establishment of Accredited Construction Centre of Excellence (Eric Molobi Housing Innovation Hub).	Certificate of accreditation.	Established Accredited Construction Centre of Excellence (Eric Molobi Housing Innovation Hub), by end of 2008/9 financial year.	Target partially met.	All Education Training and Development Policies have been completed and approved by Council and submitted to CETA. Quality manual developed and approved. Accreditation process is in progress. Regular meetings with CETA.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>7. To grow and sustain the warranty fund.</b>	1. Annual review of the investment policy.	Review investment policy annually in terms of Housing Consumers' Protection Measures Act and actuarial risk assessment.	Approved investment policy by May.	Target met.	Investment policy approved by Council
	2. Perform Annual Actuarial evaluation.	Appoint actuaries and update and issue terms of reference.	January 2009.	Target met.	Actuaries appointed by target date.
	3. Review enrolment fees.	Report on new enrolment fees.	Enrolment fee structure reviewed by end of year.	Target not met.	The research on review of enrolment fees has not been conducted. Awaiting a comprehensive actuary report (2008/09).
	4. Review of grading system.	Grading system report.	Grading system reviewed by end of 2008/9 financial year.	Target met.	Grading System gazetted and to be implemented in the next financial year.
	5. Management of forensic investigation (remedial works program) in Provincial Housing Departments.	Progress report.	Approx 5, 200 houses in eastern Cape rectified by financial year end.	Target not met.	Rectification program delayed because of lack of capacity by appointed emerging contractors.
	6. Sound corporate governance finance practices.	Corporate governance finance practices implemented. Employment of a Company Secretary. Resolution Book to track all council decision.	Compliance to all statutory obligations and reports to DoH and Finance. Compliance to IFRS and GAAP met. Company Secretary appointed March 2009.	Target met.	All quarterly reports submitted to the DoH and Finance. Unqualified external audit report .
	7. Recoveries of remedial work.	10% recovery of claims against the Warranty Fund.	R 179 000,00 (4%) recovered end of 2008/9 financial year. Total of R5 367 820.35 was not recovered.	Target not met.	The recoveries section in the Legal section was unable to collect all outstanding monies. The root cause of this is the infrastructure to collect. Council took a decision to outsource all recoveries to an external service provider as we do not have internal capacity. MBD attorneys have been appointed.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	8. Budget development.	Compliance with S 53 (2) of the Public Finance Management Act.	Submit Budget to Executive Authority 6 months before year end for approval.	Target met.	Budget submitted In terms of S 53.
	9. Asset and equipment management.	Asset register reconciliation to physical assets.	Updated asset register.	Target partially met.	Asset register not updated as to location of assets, only by cost center.
	10. 1% earnings for staff development.	Department of Labour report on compliance to the works skills development program.	Work Skills Development Program completed and submitted to the Department of Labour. 100% compliance to our training plan. 2% of salary bill spent on training during 2008/9.	Target met.	2% of the salary bill was spent on internal staff development.
	11. Evaluate claims against the fund to ensure that NHBRC operations are in line within its mandate.	Mitigating Risk Report.	Mitigating risk report produced every quarter.	Target met.	Assessments are conducted through Quarterly reports submitted National Department of Housing.
	12. Maintain and support the Investigation and Audit forensic system (Engineering).	Operational forensic audit engineering system.	Forensic engineering system supported and maintained by end of 2008/9 financial year.	Target met.	System is in production.
	13. Implementation of financial risk assessment and risk models.	Implemented financial risk assessment and risk models.	Implemented financial risk assessment and risk models by end of 2008/9 financial year.	Target met.	The major financial risk is the solvency of the warranty fund. This was completed in May 2008.
	14. Enhance the effective management of cost of risk.	Effective management of cost of risk effected.	Effective management of cost of risk affected by end of 2008/9 financial year.	Target met.	Appropriate insurance for risk provided.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	15. Review of NHBRC risk investment and exposure.	Implement annual actuarial report and recommendations.	Approved revised investment policy by May.	Target met.	Approved revised Investment policy.
	16. Enable appreciation in the value of NHBRC warranty scheme.	Investment reports detailing return on investment on investments.	% return on investment greater than benchmark.  Consumer price index plus 3% (Absolute).  Return on investment greater than benchmark (fixed).	Target met.	Return on investment above NHBRC benchmarks. Return average of 12.7 %
	17. Manage warranty funds in accordance with the approved investment policy.	Report on the warranty fund.	Report on the warranty fund for the year.	Target met.	The fund was managed according to the approved investment policy.
	18. Review liquidity and sustainability.	Review annual actuarial report and implement recommendations.	Approved Actuarial report.	Target met.	NHBRC sustainable no recommendation to be implemented.
	19. Manage fixed and working capital.	Monthly cash flow statement – maintaining sufficient working capital.	Invest surplus funds in terms of policy to maximize return on investment.	Target met.	Surplus funds invested timeously to maximize return on investment.
	20. Annual review of Liability adequacy.	Review annual actuarial report and implement recommendations.	Approved Actuarial report.	Target met.	Actuarial report concluded that liability was sufficiently covered.
	21. Measured reduction in the cost of doing business.	% deviation from budget on operating expenditure.	Within 10% or R20 000 per object code.  Variance of expenditure to income lower than 64%.	Target met.	Actual ratio at 47%.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	22. Negotiate the most economical prices.	Quotations per Procurement policy and Preferential Procurement Policy Framework Act points adjudication.	Full compliance with quotation requirements and Procurement policy and Preferential Procurement Policy Framework Act points adjudication.	Target met.	No deviation in % form price and Preferential Procurement Policy Framework Act points.
	23. Obtain most favorable payment terms and Service Level Agreement conditions.	Service Level Agreement with major suppliers.	Service Level Agreement - 30 Day payment.	Target partially met.	Payment terms exceeded 30 days.
	24. Structure effective penalty clauses on non conforming suppliers.	Service Level Agreement with major suppliers.	Number of penalties imposed.	Target met.	Penalty clauses are included in contracts. No non conforming suppliers. No non performance in current year
	25. To maintain sound procurement controls.	Compliance with the Procurement policy.	Full compliance with procumbent policy.	Target met.	No recorded deviations from policy
	26. Provide sound asset disposal policies.	Compliance with Treasury regulation.	Full compliance with Treasury Regulation.	Target met.	No deviation from the treasury regulations
	27. Apply proper methods and conduct of events.	Agreement with donors, funds generated as revenue into NHBRC account.	Report on proper methods of conducting events applied for end of year.	Target not met.	Proper methods not entirely applied on conducting events.
	28. Generate donor funding.	Donor funding generated. Partnership with donors established.	Partnership with Lafarge to co-fund engineers exchange programmer. Signed Service Level Agreement with the Department of Housing and the Umsobomvu Youth Initiative to train and capacitate Youth through the Youth in Housing program.	Target met.	Engineers exchange program. Co-funding on the Youth in Housing Program.



## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>8. To ensure optimal compliance with legislative framework.</b>	1. Develop and implement compliance framework.	Reports drawn from the compliance framework.	Reports drawn from the compliance framework for the year.	Target met.	Compliance framework developed and implemented by end of 2008/9 financial year.
	2. Coordinate and enhance fraud prevention and control.	Reports for fraud prevention and control.	Reports for fraud prevention and control done for the year.	Target met.	Fraud prevention and control enhanced and coordinated by end of 2008/9 financial year.
	3. Corporate governance assessment and evaluation.	Corporate governance assessed and evaluated.	Corporate governance assessed and evaluated by end of 2008/9 financial year.	Target met.	Corporate governance assessment and evaluation done.
	4. Implementation and compliance to security policy and procedure.	Reports for compliance to security policy and procedure done.	Reports for compliance to security policy and procedure done for the year.	Target met.	Security policy and procedure are in place.
	5. Maintain records (Procurement database).	Updated supplier data base.	Update Quarterly.	Target met.	Records updated quarterly.
	6. Provident fund management laws.	Minutes of board of trustees.	Provident fund management laws reviewed and implemented by end of 2008/9 financial year. 6 provinces were completed with the roll out 3 remain.		All rules are in place. Full compliance with the Financial Services Board requirements. Board of trustees duly elected and meets on a regular basis. Financial statements completed and submitted for audit.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	7. Medical aid laws – information sharing with all staff.	Improve and enhance the knowledge amongst staff. Attendance sheet of staff who have attended medical aid briefing. Report from Pinnacle Health.	Intranet access (website) developed for all NHBC staff to process queries. Regular monthly meetings with all staff by the Pinnacle Health agents Weekly at head office. New medical aid information distributed regularly to all staff. Newsletter distributed regularly to all staff via intranet site.	Target met.	A medical aid administrator on site weekly. All new changes are implemented immediately as we have an appointed medical aid administrator who is on site weekly and monthly to provinces.
	8. Report to all stakeholders on due dates (Managers, Executives, Council, Department of Housing, Stats SA, National Treasury, Auditor General).	100% compliance with S 51(1) f and S 54(1) of the Public Finance Management Act.	Full compliance.	Target partially met.	Two quarters not reported on time.
	9. Prepare financial statements maintaining objectivity, accuracy and ensuring qualitative and timely reporting.	2 months after year end (end May) S 55 (1) (c) of Public Finance Management Act.	Full compliance.	Target not met.	Financial statements submitted to auditor general after deadline date.
	10. Prepare annual financial budgets according to the set timetable.	6 months after year end S 55 (1) (d) of Public Finance Management Act.	Full compliance.	Target met.	Budgets sent to the Executive Authority on time.
	11. All training to be aligned to NQF / SAQA and contribute to NSDS and Skills Development Act.	Course certification by SAQA and NQF.	100% of all training on offer is aligned to NQF/SAQA and contributed to NSDS and Skills Development Act by end of 2008/9 financial year.	Target met.	NHBC training modules are accredited and in line with NQF standards.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>9. To implement optimal governance, delivery and resource management.</b>	1. Achieve ISO 9001 certification.	All policies approved by Council in place. ISO9001 certificate.	Report on achievements towards ISO 9001 certification for the year. All Corporate Services policies ISO'd and approved by Council.	Target met.	The certification process is in progress. Policies are completed and in a process of being aligned to the ISO templates.
	2. Review policies, procedures and processes.	Report on policies, procedures and processes reviewed.	Report on policies, procedures and processes reviewed for the year.	Target partially met.	Most reviewed policies have been approved with some still outstanding.
	3. Provide efficient and effective IT business solutions.	Compliance report.	Fully operational Enterprise Resource Planning system.	Target partially met.	Oracle Enterprise Resource Planning system is running although there are some problems with finance and PDA's. Problems due to data migrated from JDE to Oracle.
	4. Provision of conducive working environment to effectively serve customer needs.	Completed annual customer satisfaction / climate survey.	Improved customer satisfaction rating/metric. No baseline established. Conducive working environment to effectively serve customer needs provided by end of 2008/9 financial year.	Target not met.	NHBRC has experienced major change and turbulence with respect to its leadership in the past six months. No survey was conducted. An employee loyalty awards program was developed but there was no allocated budget to fund this program. We envisage the roll out of such a program during 2009/10.
	5. Maintain efficient enterprise wide risk management.	Reports drawn from the Risk Management Enterprise.	Reports drawn from the Risk Management Enterprise for the year.	Target partially met.	Risk register in place.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	6. Enhance and support IT service delivery business continuity.	Availability of a Business Continuity Plan.	Disaster Recovery Site fully operational by Quarter 3.	Target partially met.	Disaster recovery project implementation is in progress. Project delayed by supplier of hardware.
	7. Ensure sound strategic and risk management framework and practices.	Ensured sound strategic and risk management framework and practices.	Ensured sound strategic and risk management framework and practices by end of 2008/9 financial year.	Target met.	NHBRC risk register is updated on an annual basis. Risk register report completed and submitted to risk committee.
	8. Ensure compliance with financial frameworks.	Compliance with approved materiality framework.	Full compliance.	Target met.	No recorded deviations from approved materiality framework.
	9. Ensure sound financial management.	Within 10% or R20 000 variance investigation and explanations between actual and budget.	Full compliance.	Target met.	Quarterly review and investigation into variances between actual and budget fully reported.
	10. Unqualified external and internal report.	Auditor General Audit report.	Full compliance.	Target met.	Unqualified report for 2008/2009.
	11. Regular review of policies, procedures and processes in line with ISO 9001.	Policies, procedures and processes reviewed regularly in line with ISO 9001.	Policies, procedures and processes reviewed regularly in line with ISO 9001 by end of 2008/9 financial year.	Target partially met.	Draft policies and procedures available.
	12. Sound Inventory management; optimal inventory levels.	Compliance with stock reorder report and budgeted stock.	Full compliance.	Target met.	Stock of builders manuals controlled as to value and volume of stock on hand.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>10. To provide strategic leadership and effective management.</b>	1. Develop and implement Strategic Corporate Plan.	Report on strategic corporate plan developed and implemented.	An approved Strategic Corporate Plan for the year.	Target met.	The strategic corporate plan has been compiled and submitted to the Accounting Authority on time.
	2. Develop and implement Balance Score Card.	Develop and implement Balance Score Card.	Balance Score Card developed and implemented.	Target met.	Balance Score Cards were compiled and submitted on time 100% compliance.
	3. Development and optimal utilization and implementation of Performance Contracts and Agreements.	100% performance contracts and policy in place.	Developed and optimally utilized and implemented Performance Contracts and Agreements.	Target met.	100% all staff members have a signed contract and have fulfilled their obligations with their supervisors. Full compliance
	4. Logistics, Transport, Administrative Communication and distribution services.	Report on logistics, Transport, Administrative Communication and distribution services implemented.	Report on logistics, Transport, Administrative Communication and distribution services implemented by end of 2008/9 financial year.	Target met.	No service delivery problems in logistics or administration.
	5. Goods receipting and accountability.	Goods receipted and accounted for.	Goods receipted and accounted for by end of 2008/9 financial year.	Target met.	Receipting is controlled via Enterprise Resource Planning (Oracle) successfully.
	6. Written administrative procedures and code of ethics for frontline staff.	Written administrative procedures and code of ethics for frontline staff established.	Written administrative procedures and code of ethics for frontline staff established by end of 2008/9 financial year.	Target not met.	Policies to be approved by Exco.
	7. Establish administrative help-desk.	Established administrative help-desk.	Established administrative help-desk by end of 2008/9 financial year.	Target partially met.	E-mail administration for maintenance at central office.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	8. Establish written Facilities management guidelines.	Report on written approved facilities management guidelines.	Established written Facilities management guidelines by end of 2008/9 financial year.	Target not met.	Policies to be approved by Exco.
	9. Enforce Service Level Agreements between divisions.	Enforced Service Level Agreements between divisions.	Enforced Service Level Agreements between divisions by end of 2008/9 financial year.	Target not met.	Decision made at Executive Management not to use this method of working.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>11. To create internal capacity to deliver on the objective of Council.</b>	1. Compliance with skills development program.	Compliance with skills development program.	Work Skills Development Program and Skills Development Program complied with.	Target met.	Workplace skills plan submitted to the Department of Labour and most courses planned for training staff have been achieved. 2% of salary bill spent on training.
	2. Establish and implement training initiatives for staff.	Internal training program established. Report on progress per employee. Bursary committee minutes.	Supervisory development, Management development courses developed and implemented for targeted staff. Total of 21 attended (attrition 3 due to resignations) and 34 bursaries awarded to staff to continue with academic studies.	Target met.	Sizimisele Consultants were contracted to conduct a skills audit. Highly skilled and competent workforce at the NHBC.
	3. Compliance with Advanced Risk management Training and development program.	Report on workshops conducted.	Report on workshops conducted for the year.	Target partially met.	Management trained on introduction to ISO 9001 by SABS.
	4. Ensure effective risk management training and empowerment program.	Report on training conducted.	Report on training conducted for the year.	Target partially met.	Management trained on introduction to ISO 9001 by SABS.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>12. To ensure effective Human Resources Management and work ethics.</b>	1. Maintain effective staff retention strategy and plans. Manage staff turnover.	Approved staff retention strategy and plans. Staff turnover reduced.	Staff retention strategy and plan developed by Sizimisele but not approved due to poor quality. Staff turnover reduced over last year. Total staff movement is 25 and total resignations are 22 (5.91%).	Target not met.	The reason for not meeting this target was due in part to the service provider's inability to develop an appropriate career retention and talent management policy. The policy is incomplete and therefore could not be approved. However, staff turnover has declined over last financial year.
	2. Perform formal performance reviews.	100% Formal performance reviews performed.	All staff has been assessed for performance.	Target met.	Moderating Committee convened to moderate scores and approve final performance of employees.
	3. Build working conducive environment for increased productivity.	Satisfaction index report.	Satisfaction index report of 70%.	Target not met.	Satisfaction index not measured due to financial constraints.
	4. Reduce the number of late coming, absenteeism, employee turnover and wellbeing.	Reports on late coming, absenteeism, employee turnover and wellbeing.	Employee turnover was reduced. Total number of resignations is 25 or 6.86%. Late coming will be monitored in future using Oracle Business Information reports.	Target met.	The total terminations year to date is 25 or 6.86%. This is down from last year which was: 8.64% or 32 resignations out of 370 staff. Our telephonic wellness program enquiries are also lower than in previous years.
	5. Job Evaluation.	Minutes of job evaluation committee.	4 posts were evaluated for the year under review as we placed a moratorium on all new job evaluation processes given the Organizational Review process.	Target met.	All jobs were evaluated through the Sizimisele contract.



## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	6. Bargaining compliance.	Reduce labour dispute. Minutes of bargaining forum meeting.	Bargaining compliance adhered to by end of 2008/9 financial year.	Target met.	No disputes experienced in the current financial year.
	7. Employment Equity.	100% compliance. Employment Equity report to Department of Labour.	Compliance to the NHBC Employment Equity plan. No targeted plan to employ disabled staff.	Target partially met.	Letter confirming our compliance rate was received from Department of Labour. Area of weakness is disability and women in management posts. The department views our equity targets as highly satisfactory except for the number of disabled employees. A targeted drive must be made next year to designate certain posts for disabled employees. Our organization is also highly technical and we employ a number of field workers, limiting the ability to employ certain categories of disability. The EE plan going forward targets at least 2% posts being designated.
	8. Customer service continuous improvement.	An approved service charter.	An approved service charter for the year.	Target not met.	We are in the process of developing a Service Charter which will set out all turnaround standards.
	9. Employee award system.	Approved employee award system in place. Six monthly reports.	Employee award system introduced by end of 2008/9 financial year.	Target not met.	A concept paper for an Employee awards program was developed and approved at council. We could not proceed with this project due to a number of factors: e.g. insufficient budget.
	10. HC Magazine and new remuneration model.	Introduce HC magazine and new remuneration model.	Introduce HC Magazine and new remuneration model by end of 2008/9 financial year.	Target not met.	Magazine was cancelled due to the promise of an overall NHBC magazine. Whole remuneration module changed and effected on Oracle.
	11. New payroll and payroll reconciliation.	Oracle sign off on the payroll. All business intelligence payroll reports.	New payroll and payroll reconciled by end of 2008/9 financial year. Successfully implemented oracle and all BI reports.	Target met.	NHBC moved from JD Edwards to Oracle and no reconciliations were done due to lack of BI reports.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	12. Recruitment turnaround and train recruitment panels.	Approved recruitment policy. 100% managers trained and attendance minutes.	Developed and implemented revised recruitment policy, improve turnaround times.	Target met.	Roll out of Human Capital training of all policies and new recruitment policy development.
	13. Improve selection techniques.	Revised and improved recruitment policy.	New policy specifically covers all recruitment processes in detail.	Target met.	New recruitment policy developed and approved by Council. Greater clarity provided.
	14. Change management strategies.	Approved change management strategy.	Approved change management strategy for the year.	Target not met.	Due to cost cutting measures, this budget was cut. There was thus no budget to implement a change management program which was planned for.
	15. Quality reports calendars e.g. women's day.	The number of successful calendar days of celebrating.	Successfully held a health day, bring a girl child to work, woman's day and secretaries day, bosses day and themed year end function.	Target met.	A successful celebration of key calendar dates completed and a 60's themed end of year function.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>13. To expand products and services of NHBRC through R and D.</b>	1. Investigate the possibility of introducing protection against loss of deposit or stage payments on new homes.	Report on the commissioned research.	Report on the commissioned research for the year.	Target met.	Actuarial assessment on this model done.
	2. Investigate a warranty cover on major structural defects for a period of ten years.	Report on the commissioned research.	Report on the commissioned research for the year.	Target met.	Actuarial assessment on this model done.
	3. Investigate the introduction of a warranty cover on rural housing projects.	Report on rural housing projects.	Report on rural housing projects for the year.	Target met.	Rural houses are covered in the warranty if they follow proper enrolment methods.
	4. Investigate the establishment of an optimal one year warranty cover for poor workmanship.	Report on the commissioned research.	Report on the commissioned research for the year.	Target met.	Actuarial assessment on this model done.
	5. Review enrolment fees charged in both the non subsidy and the subsidy sector.	Enrolment Fee Report.	Reviewed enrolment fees charged in both the non subsidy and the subsidy sector by end of financial year.	Target not met.	Awaiting the actuarial report. Review will commence in the next financial year.
	6. Investigate the conversion of warranty scheme into an insurance scheme.	Report on the investigation done.	The conversion of warranty scheme into an insurance scheme investigated in three years.	Target partially met.	CAC has three years to finalize the research (2008-2011).
	7. Investigate the feasibility into renting or purchasing / development of building premises.	Report on investigation conducted.	The feasibility into renting or purchasing/ development of building premises investigated by end of financial year.	Target not met.	The project is on hold since we will be extending our lease at Medscheme buildings.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	8. Research and develop new technology and best practices for the non subsidy and subsidy sector.	Research reports.	Produce at least 1 research report on new technologies by Quarter 3 for the year.	Target met.	Remedial technologies investigated in consultation with CSIR.
	9. Conduct research on development of new product and processes; alterations and additions.	Research reports.	Produce at least 1 research report on new products or process by financial year end.	Target partially met.	Research on innovative technologies is in progress. Research delayed due to late acquisition of equipment
	10. Promote BNG architectural designs and implementation of special projects.	Designed housing typologies and subsequent adaptation of subsidy quantum.	At least 2 housing typologies designed every quarter.	Target met.	Designs done and approved by MINMEC. Designs being implemented for Breaking New Grounds delivery by Limpopo Provincial Housing Department.
	11. Develop environmentally friendly houses, standards and guidelines.	Research paper.	Publish a research paper by Quarter 3.	Target met.	Research published in International Housing and Home Warranty Conference proceedings in Scotland.
	12. Growing the training fund.	Training fund developed as a ring fenced budget item.	Training fund has been cut, experiencing under spending.	Target met.	A training fund was established in the financial year but we experienced a roll over due to under spending.
	13. Conduct research on flexi time.	A report on benchmark by other companies.	Research was not completed.	Target not met.	Although the benchmark (research) was completed for flexi time, it was mainly driven by the fact that Eskom power cuts impacted the day to day work hours and operations of the NHBRC. This was at the time of the electricity crisis but we have since invested in a generator for business continuity during load shedding.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	14. Conduct research on development of new products and processes: Implementing a grading system as a way of giving back to the industry / expending on the benefits to HB / expending on the benefits to HC.	Grading system on Oracle Enterprise Resource Planning.	Perform a dry-run on the grading system and implement on Oracle Enterprise Resource Planning by end of financial year.	Target met.	Roll-out of grading system approved by Council.
	15. Contribute to the developments of building standards.	Report on published standards.	Contribute to the developments of building standards by end of 2008/9 financial year.	Target partially met.	NHBRC participates in SABS Technical Forums. NHBRC does not control the publication of the standards.
	16. Research and develop new IT technology and best practices.	Report on rolled-out document for the new IT technology.	Introduce video conferencing by end of financial year.	Target partially met.	Research on Video Conferencing done and also the emailing archiving has been done. Implementation put on hold because of financial constraints till next financial year.
	17. Develop and implementation of financial risk model.	Report on developed and implemented financial risk model.	Report on developed and implemented financial risk model for the year.	Target met.	The methodology used in establishing the risk to the warranty fund was changed in the 2008/2009 actuarial assessment. The relevant technical provisions were adjusted to prior years.
	18. Establish risk management research and development program.	Report on established programs for risk management research and development.	Report on established programs for risk management research and development for the year.	Target not met.	RISCURA has been introduced.
	19. Research and investigate the alterations and additions.	Report on research conducted.	Report on research conducted for the year.	Target not met.	Research not conducted.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
	20. The appointment of independent professional consultants to assess the extent to which the NHBRC is meeting its mandate.	Report on the commissioned research.	Report on the commissioned research for the year.	Target met.	The research was commissioned.
	21. Research and investigate on social housing on conversions.	Researched and Investigated social housing on conversions.	Researched and investigated social housing on conversions by end of 2008/9 financial year.	Target not met.	Research not conducted.
	22. Focus and advise NHBRC on World Summit on Sustainable Development, African Peer Review Committee.	Report on the commissioned researched.	Report on the commissioned researched for the year.	Target met.	The research has been commissioned.

## ANNEXURE A: PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Strategic Objective	Output	Service Delivery Indicators	Target	Actual Achievement	Comments for Achieved / Not achieved
<b>14. To build capacity of building of home builders, youth, women and unemployed.</b>	1. Accredit inspector training program.	Report on the commissioned researched.	Fully accredited SAQA and NQF inspector training module.	Target partially met.	Research has been commissioned. Work on the modules started late.
	2. Implement and maintain effective environmental management programme (ISO 14001).	Report on implemented and maintain ISO 14001.	Report on implemented and maintain ISO 14001 for the year.	Target partially met.	Awaiting SANS 1400 development.
	3. Market the NHBRC and create brand awareness.	Report on marketing and brand awareness campaigns conducted.	Report on marketing and brand awareness campaigns conducted for the year.	Target met.	5 Information brochures on housing consumer education were printed and circulated to housing departments, municipalities and other housing institutions.









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