

Strategic Corporate Plan 2012-2017

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Quality is our priority
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Vision

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

MISSION

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

Strategy

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

Key Products and services

- Enrolment of new homes
- Home builder registration
- Home building inspections
- Homebuilder training and development
- Litigation and legal advisory services; and
- Geo-technical and materials engineering

Governance

Committees of Council are as follows:

- Industry Advisory Committee
- Technical Claims Advisory Committee
- Audit and Risk Management Committee
- Human Capital and Remuneration Committee
- Registration committee
- Bid Adjudication Committee (Tender Committee)
- Fund Advisory and finance Committee
- Disciplinary Steering Committee
- Disciplinary Hearings Committee

Strategic Objectives

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

Short Term Plans

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

1. Enhance the regulatory function of Council;
 - ∅ Establishment of Enforcement and Compliance Division;
 - ∅ Recommend review of the current Act and the regulations; and
 - ∅ Review the inspection model.

Short Term Plans cont...

2. Transforming the organisation into a viable and modern organisation with :-
 - ∅ sound corporate governance;
 - ∅ risk management profile; and
 - ∅ World-class processes and system with a strong and reliable IT platform base.

Short Term Plans cont...

3. Drive the growth and development of NHBRC to be relevant and support the initiatives of Government. President's speech of 22nd April 2010, "*we are upgrading informal settlements in municipalities to provide security in the next 5 years*".

Medium and Long Term Plans

1. Establish partnerships
2. Implement inspection models
3. Recommend the review the Legislative Act and regulations;
4. CETA accreditation of Eric Molobi Training Centre
5. Sustain the warranty fund
6. Achieve Capability Maturity Model Score of 4 across all divisions.

NHBRC'S contribution to National Outcomes (Outcome 8)

- Ensuring compliance to norms, standards and quality within the sector.
- Assisting the public and private sector in improving programme and project management through training and skills transfer.
- Assisting the state in the implementation of the rectification programme.
- Improving the capacity of government to monitor and oversight of human settlements development programmes and projects.

NHBRC'S contribution to National Outcomes (Outcome 8) CONT...

- Building and developing appropriate capacity at the provincial and municipal spheres to undertake human settlements development capacity for compliance and monitoring and oversight of norms and standards.
- Protection of the interests of the public within the human settlements sector.
- Assisting government in the development of appropriate norms and standards in the provision of services, infrastructure and housing.

NHBRC'S contribution to National Outcomes (Outcome 8) CONT...

- The development of appropriate policy and legislative frameworks in ensuring compliance to norms and standards in human settlements development and protection of all stakeholders from poor workmanship.
- Improving coordination and cooperation with the Department, Provinces and Municipalities in monitoring, compliance and adherence to the norms and standards set for development.
- Assisting the Department in the improvement of governance and performance in the sector.

BUDGET 2011/2012 REVISED

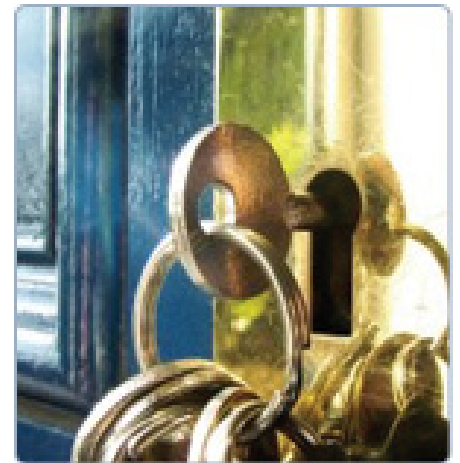
- General Assumptions
- Consumer Price Inflation Assumptions

GENERAL ASSUMPTIONS

- § Recovery of residential home building market remains under pressure.
- § Household consumption expenditure accelerating and indebtedness increasing.
- § Interest rate fluctuations impacts on housing consumer's ability to service mortgage bonds.
- § Existing homes 18% cheaper than new homes.
- § Prospective homeowners compliance with Financial Institutions lending criteria. (National Credit Act No. 34 of 2005).

GENERAL ASSUMPTIONS CONT...

- § Subsidy Market:
 - Housing Delivery Plan (Projects & Enrolments).
 - Alignment with Department of Human Settlements housing construction plan.
- § Rectification Programme
 - KZN & Eastern Cape.



CPI ASSUMPTIONS

- § Late enrolments decrease from present levels by 5% annually.
- § Expenditure estimates aligned with Government guidelines.



REVENUE NON SUBSIDY

3/15/12

MARKET RESEARCH

Market Research

- § Signs of recovery on regional level.
 - Increase in building plans approved <80m²: 5%, >80m²: 9.5% (Stats S.A. 2009:2010).
- § Nominal house price increases; vary in segments with small houses most growth 4.3% (Feb 2010: Feb 2011) fuelled by demand in the affordable sector (Absa).

MARKET RESEARCH CONT...

§ NHBRC primary data shows:

- 58% growth in the affordable category (<R500k).
- 30% growth in category R500k-R2m.
- Negative growth of 13% in the category R2m-R5m.
- The luxury end of market (>R5m) appears constant.



REVENUE - ASSUMPTIONS

- Increase in enrolment and fee structure by 14 % to compensate NHBRC Vat de-registration.
- Changes to regulations to be approved by Department of Human Settlements and implemented by 1 April 2012.

Revenue Assumptions - Non Subsidy

Registration Fees **R 658 to R 750 (Excl.) per builder**

Annual Fee **R 526 to R 600 (Excl.) per builder**

Manuals **R 87 to R 100 (Excl.) per set**

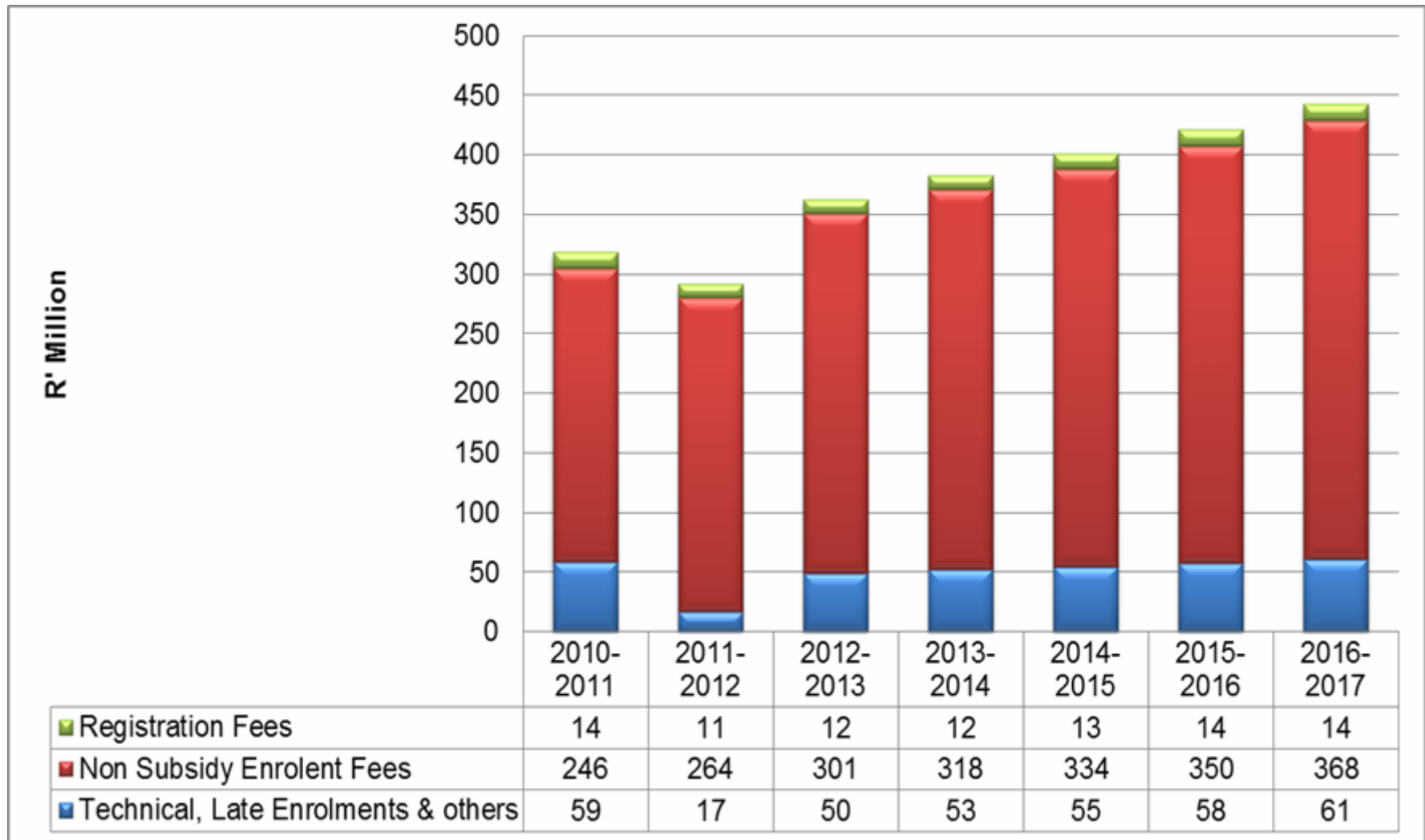
Enrolment Fee Structure (Excl. Vat)

Fee Scale	Selling Price (R)	Applicable Enrolment Fee (R)
A	0 to 500 000.	1.3%
B	500 001 to 1,0 million	A + 1.0% of difference
C	1,0 million to 2,0 million	B + 0.75% of difference
D	2,0 million to 5,0 million	C + 0.5% of difference
E	5,0 million +	Maximum of R 34,000

Valuable Final Products - Trend & summary

VFP's	2010/11 ACTUAL	2011/12 BUDGET	2012/13 BUDGET Final	COMMENTARY
Registration number	3 680	3 337	3335	Credit profile, CIPRO De-listings, excl Western Province. Peoples Housing Process in Western Province.
Registration Rand	R 5.4m	R 4.3m	R 4.8m	Vat Included at 14%
Renewals number	11 115	12 000	11 431	Credit Profile, CIPRO De-listings.
Renewals Rand	R 8.3m	R 6.3m	R 6.9m	Vat Included at 14%
Enrolment Units	29 268	33 170	33 919	Coastal growth in <R500 k market.
Enrolments Rand	R 246.4	R 264m	R 301.2m	Vat included at 14% Enrolment values R 301.2
Average Enrolment Fee	R 8 418	R 7 964	R 8 881	

Revenue – Non Subsidy - History & Budget



REVENUE SUBSIDY

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REVENUE ASSUMPTIONS SUBSIDY MARKET

0.75% of total enrolment fee

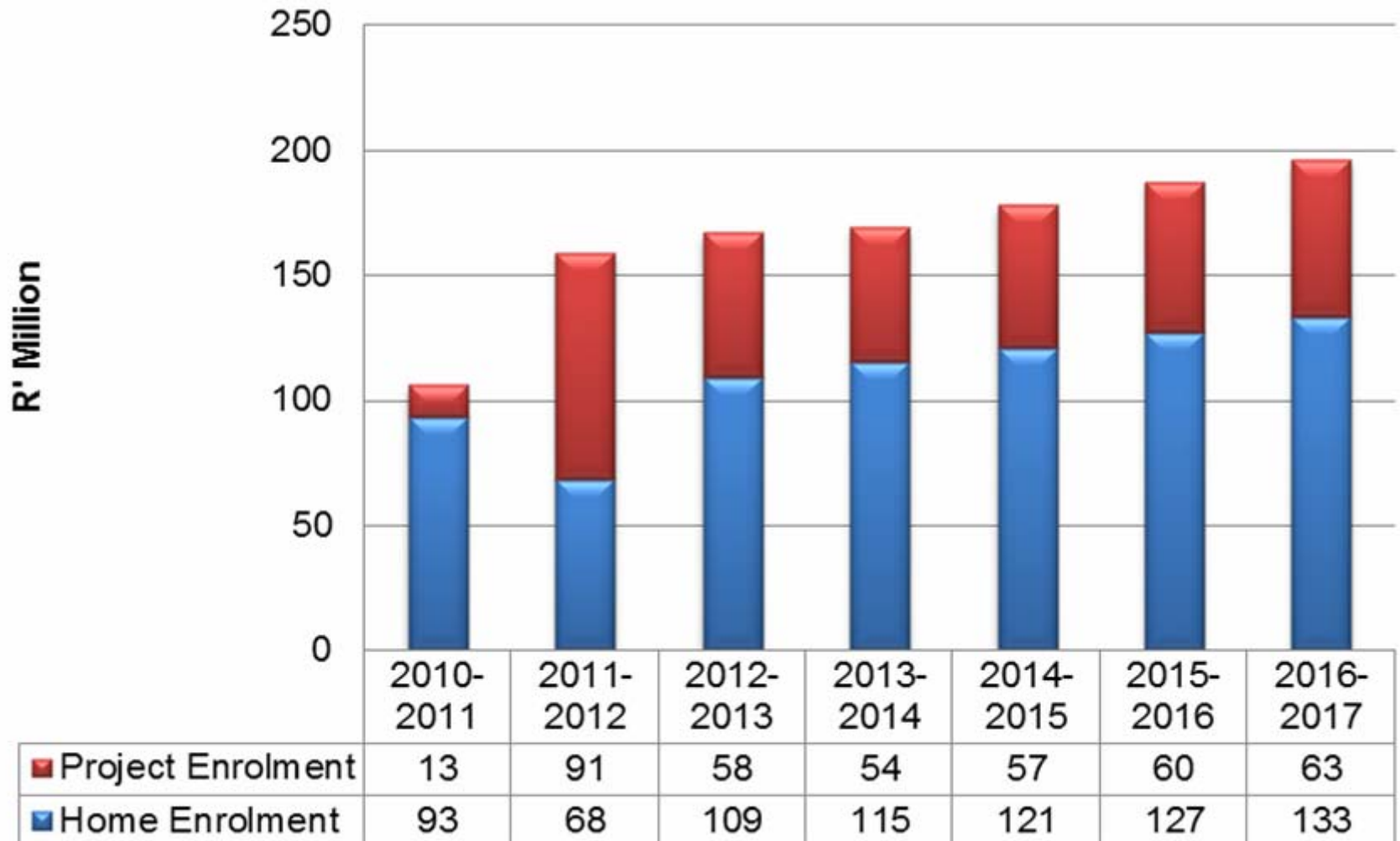
Subsidy Quantum Consolidation
(After Service Installation) Subsidy Enrolments

R 86 223

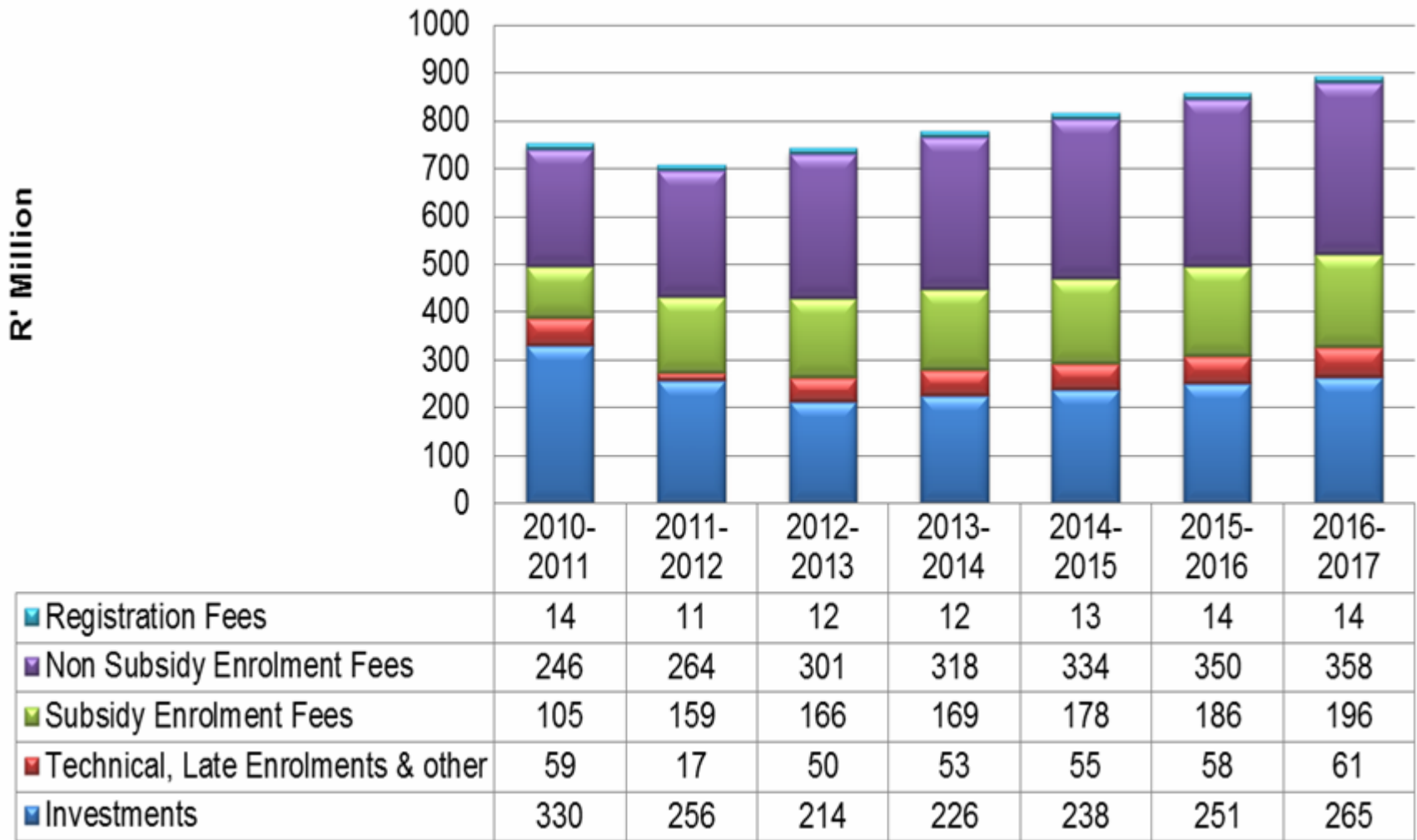
REVENUE - SUBSIDY

VFP's	2010/11 ACTUAL	2011/12 BUDGET	2012/13 BUDGET
Subsidy Projects Units	16 931	105 050	66 700
Subsidy Projects Rand	R 13m	R 91m	R 57,5m
Subsidy Enrolment Units	59 212	105 050	181 783
Subsidy Enrolment Rand	R 93m	R 68m	R 108.5m

SUBSIDY REVENUE – HISTORY AND BUDGET



TOTAL REVENUE TREND R' Millions



EXPENDITURE

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EXPENDITURE ASSUMPTIONS

- § VAT de-registration increases expenditure by 14%.
- § Inspection hybrid model fully implemented for Non-Subsidy.
- § Enforcement and Legal division.
- § Project Management Office.



INSPECTORATE ASSUMPTIONS

§ INSPECTORS AND PDA SPECIALISTS

- Increase number of inspectors to ensure quality of homes from 69 to 157 plus 8 PDA specialists.

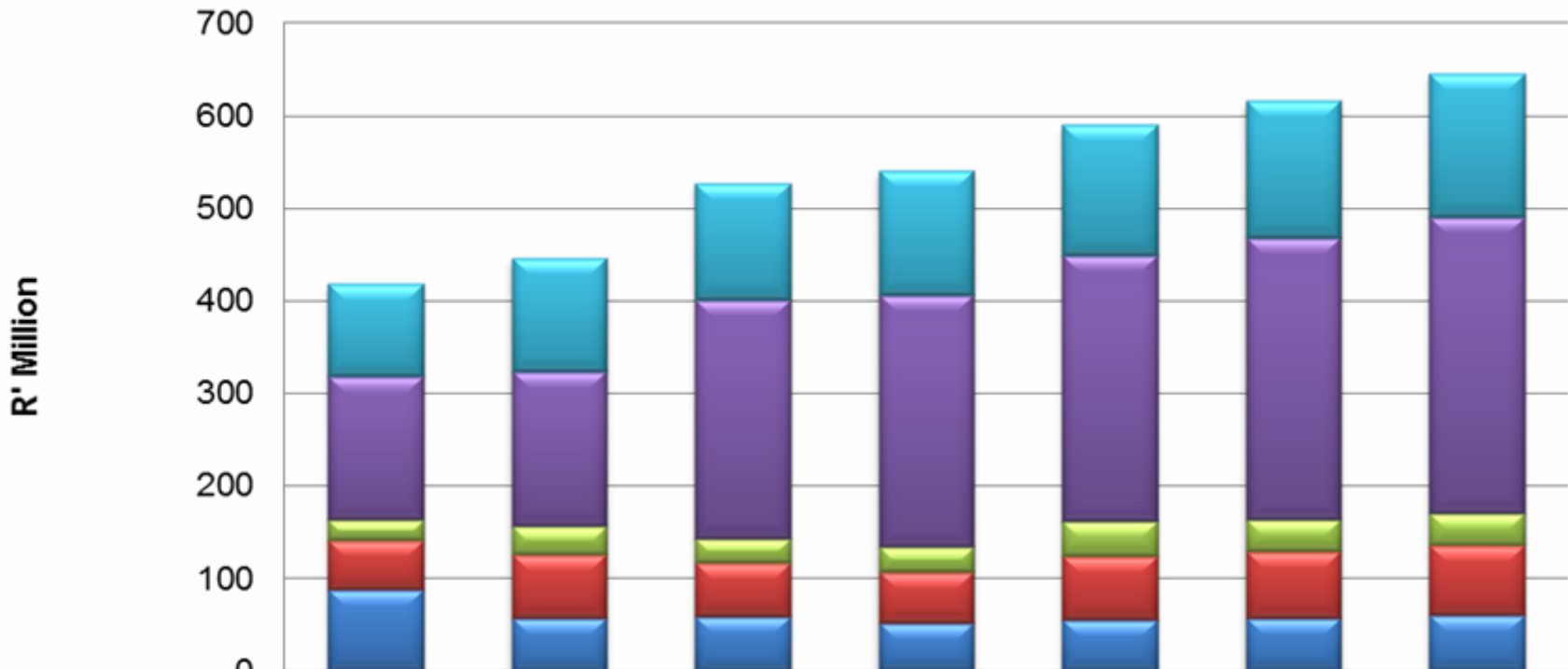
§ FINANCIAL IMPLICATION

- Increase in Permanent Staff costs:
 - 88 inspectors + 8 PDA Specialists salary costs R 58 m
 - Staff Costs R 4,5 m

TOTAL INSPECTION COSTS AS A PERCENTAGE OF ENROLMENT REVENUE

Inspection costs	Non Subsidy	Subsidy	Total
Outsourced	4	5	9
Insourced	0	8	18
	8	1	0
Total Cost R'	8	1	9
Million	8	1	0
Enrolment income	3	9	4
	0	0	1
% Cost to Revenue	12	9	05
	9	1	0

EXPENDITURE HISTORY AND BUDGET



	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Operating	99	123	127	134	141	148	155
Payroll	155	167	257	272	287	303	320
Administrative	22	30	27	27	38	35	35
Service	54	69	57	56	69	72	75
Fixed	88	58	60	52	55	58	61

STATEMENT OF FINANCIAL PERFORMANCE

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Description	Budget	Budget	Budget	Budget	Budget
Revenue	529 065 835	551 973 435	579 463 728	608 333 954	638 652 840
Registration Fees	11 694 350	12 337 539	12 954 416	13 602 137	14 282 244
Reg - Administration	2 501 250	2 638 819	2 770 760	2 909 298	3 054 763
Reg - Annual	2 001 000	2 111 055	2 216 608	2 327 438	2 443 810
Reg - Annual Renewals	6 858 600	7 235 823	7 597 614	7 977 495	8 376 370
Reg - Builders Manual	333 500	351 843	369 435	387 906	407 302
Non Subsidy Enrolment Fees	301 219 544	317 786 619	333 675 950	350 359 748	367 877 735
Cluster PA003	41 014 348	43 270 137	45 433 644	47 705 326	50 090 593
Speculative	154 801 106	163 315 167	171 480 925	180 054 971	189 057 720
Cluster Sectional Title	105 404 090	111 201 315	116 761 381	122 599 450	128 729 423
Subsidy enrolment fees	166 011 109	169 070 486	177 524 011	186 400 211	195 720 222
Home Enrolment (0.75%)	108 500 368	115 010 390	120 760 909	126 798 955	133 138 903
Project Enrolment (1%)	57 510 741	54 060 097	56 763 101	59 601 256	62 581 319
Technical, Late Enrolments & other	50 140 831	52 778 790	55 309 350	57 971 858	60 772 639
Late Enrolment Fees	1 140 831	1 083 790	1 029 600	978 120	929 214
Technical Audit	49 000 000	51 695 000	54 279 750	56 993 738	59 843 424
Operation Expenses	127 243 892	134 242 306	140 954 421	148 002 142	155 402 249
Inspection Fees - Non Subsidy	40 158 089	42 366 784	44 485 123	46 709 379	49 044 848
Inspection Fees - Subsidy	57 671 460	60 843 390	63 885 560	67 079 838	70 433 830
Accreditation Fees	1 647 191	1 737 787	1 824 676	1 915 910	2 011 705
Direct Cost of Builders Manuals	646 979	682 563	716 691	752 526	790 152
Direct Cost of Certificates	720 173	759 782	797 771	837 660	879 543
Technical Services	26 400 000	27 852 000	29 244 600	30 706 830	32 242 172
2017/18					

STATEMENT OF FINANCIAL PERFORMANCE CONT...

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Description	Budget	Budget	Budget	Budget	Budget
General & Administration	22 608 650	22 002 837	32 450 765	29 774 720	29 228 161
Amortization	11 353 818	11 353 818	19 447 800	19 447 800	19 447 800
Depreciation	8 848 292	8 110 119	10 337 121	7 527 783	6 841 268
Motor Vehicle Expenses	171 500	180 933	189 979	199 478	209 452
Office Equipment Expenses	2 157 140	2 275 783	2 389 572	2 509 050	2 634 503
Office Furniture Expenses	77 900	82 185	86 294	90 608	95 139
Payroll Costs	4 840 000	5 106 200	5 361 510	5 629 586	5 911 065
Council Remuneration	3 000 000	3 165 000	3 323 250	3 489 413	3 663 883
Non Council Costs	1 000 000	1 055 000	1 107 750	1 163 138	1 221 294
CAC Costs	840 000	886 200	930 510	977 036	1 025 887
Permanent Staff Costs	257 006 960	272 427 378	287 410 884	303 218 483	319 895 499
Permanent Staff : Salary	232 478 926	246 427 662	259 981 183	274 280 148	289 365 556
Permanent Staff : Incentive Bonus	7 064 017	7 487 858	7 899 690	8 334 173	8 792 552
Staff Costs - Allowances	16 888 270	17 901 567	18 886 153	19 924 891	21 020 760
Other Employment Costs	575 747	610 292	643 858	679 270	716 630
General Costs	56 550 273	56 344 788	69 162 028	72 120 129	75 226 135
Insurance Paid	1 696 686	1 790 004	1 879 504	1 973 479	2 072 153
Information Technology	9 200 000	9 706 000	10 191 300	10 700 865	11 235 908
Legal Fees	7 650 000	8 070 750	8 474 288	8 898 002	9 342 902
Marketing Fees	10 650 000	7 920 000	8 316 000	8 731 800	9 168 390
Telephone Expenses	7 846 551	8 278 111	8 692 016	9 126 617	9 582 948
Travelling Expenses	8 479 730	8 946 115	9 393 421	9 863 092	10 356 247
Training	5 046 013	5 323 544	5 589 721	5 869 208	6 162 668
Training for Emerging	-	-	10 000 000	10 000 000	10 000 000
Audit Fees	1 700 000	1 793 500	1 883 175	1 977 334	2 076 200
Staff Costs	4 281 293	4 516 764	4 742 602	4 979 732	5 228 719

STATEMENT OF FINANCIAL PERFORMANCE CONT...

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Description	Budget	Budget	Budget	Budget	Budget
Other Expenses	59 798 828	52 351 264	54 968 827	57 717 269	60 603 132
Bank Charges	1 100 000	1 160 500	1 218 525	1 279 451	1 343 424
PE - Cleaning	1 467 442	1 548 151	1 625 559	1 706 837	1 792 179
Conferences and Seminars	1 940 000	2 046 700	2 149 035	2 256 487	2 369 311
Consulting Fees	18 300 000	8 020 000	8 421 000	8 842 050	9 284 153
Courier & Freight	1 004 400	1 059 642	1 112 624	1 168 255	1 226 668
PE - Electricity & Water	1 101 529	1 162 113	1 220 219	1 281 230	1 345 291
Entertainment Expenses	738 000	778 590	817 520	858 395	901 315
Flowers & Gifts	99 280	104 740	109 977	115 476	121 250
Management Fee	8 142 951	8 590 813	9 020 354	9 471 371	9 944 940
PE - Rates & Taxes	270 201	285 062	299 315	314 280	329 995
PE - Rent of Premises	18 422 791	19 436 045	20 407 847	21 428 239	22 499 651
PE - Repair & Maintenance	316 660	334 076	350 780	368 319	386 735
Postage	342 195	361 016	379 067	398 020	417 921
Printing	991 800	1 046 349	1 098 666	1 153 600	1 211 280
Research & Development	250 000	263 750	276 938	290 784	305 324
PE - Security	1 688 080	1 780 924	1 869 971	1 963 469	2 061 643
Special Projects	-	550 000	577 500	606 375	636 694
PE - Plant Expenses	287 260	303 059	318 212	334 123	350 829
Stationery	1 549 440	1 634 659	1 716 392	1 802 212	1 892 322
Subscriptions	788 800	832 184	873 793	917 483	963 357
PE - Office Refurbishment	998 000	1 052 890	1 105 535	1 160 811	1 218 852
Take on balances					
EXPENSES	528 048 604	542 474 773	590 308 435	616 462 328	646 266 242
SURPLUS/(DEFICIT) BEFORE INTEREST	1 017 231	9 498 662	-10 844 708	-8 128 374	-7 613 402
Interest Received	213 744 662	225 500 619	237 903 153	250 987 826	264 792 157
Interest Received	213 744 662	225 500 619	237 903 153	250 987 826	264 792 157
Surplus (Deficit)	214 761 893	234 999 281	227 058 445	242 859 453	257 178 755

3/15/12



STATEMENT OF FINANCIAL POSITION

- § Investments – ROI of 6%.
- § Trade Debtors and Creditors – 45 days.
- § No Vat liability.
- § Technical liabilities held constant (year end actuarial assessment).

ERP ASSUMPTIONS

§ IT – CAPITAL BUDGET FOR ERP SYSTEM

2012/13 R 42 m

2013/14 R 53 m

§ INCREASE IN OPERATIONAL COSTS

Depreciation over useful life from go-live date

(available for use)



CAPITAL EXPENDITURE

CAPEX	R' MILLIONS
Computer equipment	3,5
Software	43,7
Office furniture	3,6
Motor vehicles	0,9
Equipment	12,8
TOTAL:	64,5



Budgeted Statement of Financial Position

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
	R	R	R	R	R
ASSETS					
Non-current assets	3 685 215 860	3 910 775 892	4 139 307 765	4 383 697 655	4 642 467 937
Property, plant and equipment	71 688 202	71 578 082	69 240 960	70 713 177	75 871 909
Intangible Asset	91 177 021	133 372 578	113 924 777	94 476 978	75 029 178
Investments	3 522 350 638	3 705 825 233	3 956 142 027	4 218 507 501	4 491 566 850
Current assets	48 938 209	49 094 776	49 894 818	50 755 589	51 679 123
Inventories	137 691	147 329	157 642	168 677	180 484
Accounts receivables	23 746 838	23 890 009	24 675 718	25 521 151	26 428 274
Cash and cash equivalents	25 053 680	25 057 438	25 061 459	25 065 761	25 070 364

Budgeted Cash Flow Statement for the year ending 31 March 2012-13 to 2016-17

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
	R	R	R	R	R
Cash generated from operations	30 151 419	29 124 490	19 974 781	19 894 783	19 735 910
Interest Paid	-	-	-	-	-
Interest Received	-	-	-	-	-
Cash flow from operating activities	30 151 419	29 124 490	19 974 782	19 894 783	19 735 910
Investing activities					
Additions to property, plant and equipment	(20 720 000)	(8 000 000)	(8 000 000)	(9 000 000)	(12 000 000)
Additions to intangible asset	(43 689 625)	(53 549 375)	-	-	-
Proceeds on disposal of property, plant and equipment	-	-	-	-	-
Funds utilised from the emerging contractors reserve	(13 500 000)	(10 000 000)	10 000 000	10 000 000	10 000 000
Withdrawals/(Additions) to investments	48 179 345	42 428 643	(21 970 762)	(20 890 481)	(17 731 307)

Considerations in developing the Materiality Framework

The entity must consider the qualitative nature and quantitative aspects of the following transactions that may be material and have significance on the financial and operational activities of the entity.

1. Normal transactions within the business operations.
2. Specific mentioned transactions Public interest (Section 54 and 52).
2. Non-routine transactions of the entity.

Annual Materiality

Materiality basis	Significance to AFS appreciation	Minimum%	Average %	Maximum %	Rand amounts	Material Amounts			NHBC % Annual Rand	NHBC % Quarter Rand
					Budget 2010/2011	Minimum%	Average %	Maximum %		
Gross Revenue	Medium	0.25%	0.63%	1.0%	465 026 544	1 162 566	2 906 416	4 650 265	2 906 416	726 603.97
Gross Expenditure	Medium	0.25%	0.63%	1.0%	471 254 801	1 178 137	2 945 343	4 712 548	2 945 343	736 335.63
Net Surplus	Medium	2.50%	3.75%	5.0%	244 214 217	6 105 355	9 158 033	12 210 711	9 158 033	2 289 508.28
Interest	Medium	0.25%	0.63%	1.0%	239 643 207	599 108	1 497 770	2 396 432	1 497 770	374 442.51
Investments	Low	0.25%	0.63%	1.0%	3 599 926 096	8 999 815	22 499 538	35 999 261	8 999 815	2 249 953.81
Fixed Assets	Low	2.00%	3.50%	5.0%	120 028 426	2 400 569	4 200 995	6 001 421	6 001 421	1 500 355.32
Current assets	Medium	0.50%	1.25%	2.00%	43 176 488	215 882	539 706	863 530	539 706	134 926.53

Average 2 951 633 6 249 686 9 547 738 4 578 358 1 144 589

Materiality per line Line item materiality @ 10 % 295 163 624 969 954 774 457 836 114 459

Materiality

Statement of financial performance R 33 947 R 70 043 R 106 140 R 6 414 260 1 603 565

Statement of financial position R 11 878 R 25 460 R 39 042 R 2 559 032 639 758

3/15/12

in order to comply with the General responsibilities of accounting authorities (Section 51 and Section 52 of the Public Finance Management Act, Act No. 1 of 1999, as amended), the review of actual expenditure compared to budget is governed under the NHBRC's Balanced Scorecard.

§ The approved budget, at a Divisional and Sectional level includes Revenue, Operation expenses and General and Administration expenses. Due to the small values budgeted in certain object accounts, variances which are within 10% of budget or R 20 000 whichever is the higher, need not be commented on in the quarterly variance reports.

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THANK YOU

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