

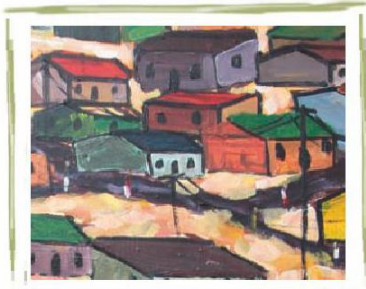
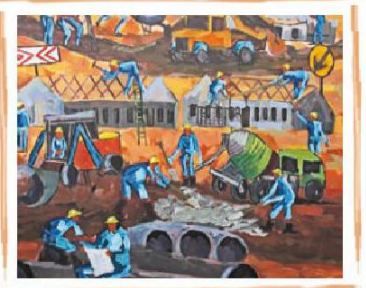


DEPARTMENT OF HUMAN SETTLEMENTS PORTFOLIO COMMITTEE

2012/13 - 2016/17
STRATEGIC PLAN REVIEW

17 April 2012

NURCHA's MANDATE



“NURCHA ensures the availability of bridging finance to small, medium and established contractors, building low and moderate income housing and related community facilities and infrastructure.”

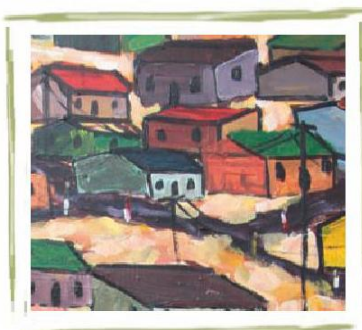
NURCHA's VISION



“To be regarded as a partner of choice for those seeking innovative bridging finance solutions”



NURCHA's MISSION



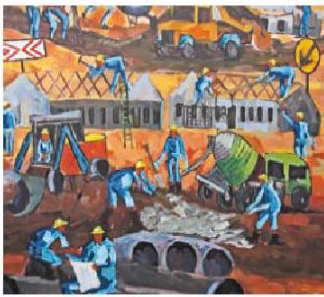
“NURCHA initiates programmes and takes considered risks to ensure a sustainable flow of finance for the construction of low-income and affordable housing, community facilities and infrastructure. We work in partnership with all role-players in these markets to maximize the development of sustainable human settlements”

Overall Trust of Five Year Strategic Plan

- To restore sustainability of NURCHA,
 - Intensify drive to recover delinquent loans,
 - Sustainable model of financing contractors
 - Diversification of income streams
- Ensure relevance to Mandate and outcome 8 development targets,
 - GAP housing category of market,
 - Job Creation,
 - Enhance delivery capacity,

STRATEGIC OBJECTIVES

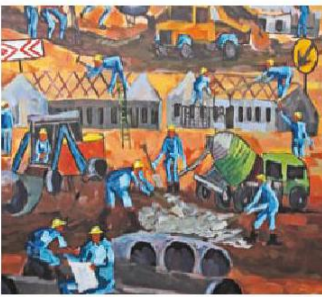
- 1. Business development on existing lending programmes through full utilisation of available resources through**
 - New lending model for subsidy and infrastructure programmes – CFDP and certificate based lending
 - Accelerate affordable housing programme
- 2. Contribute to the delivery of Outcome 8 through interventions in the following areas:**
 - Establish and implement Contractors Financing and Development Programme
 - Pursue fee based programme and project support with implementing authorities
 - Low cost housing, serviced sites and services opportunities; and develop new financial instruments to encourage private sector investment in Human Settlements
- 3. Improve client/customer, market and stakeholder relations**
 - Establish and entrench direct business delivery model



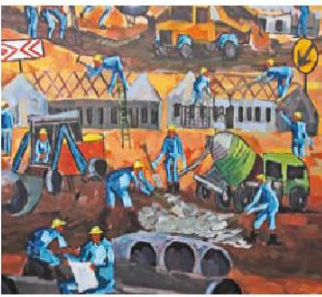
POLICY CONTEXT



- **Economic stimulation package for job protection and employment creation.**
- **Focus on overcoming GAP housing delivery challenge**
- **Supply of services that integrate communities**
- **Service delivery capacity to meet current development targets**



BUSINESS ENVIRONMENT



- ❑ International financial constraints
- ❑ Unfavourable local trading conditions
- ❑ Poor employer payment track record – revised programme styled intervention
- ❑ Government capitalisation positive
- ❑ Cost of funds high
- ❑ Volume of traditional business showing slow growth
- ❑ New fee-based business
- ❑ DFI process constraining planning
- ❑ Alignment to Outcome 8

Business development on existing lending programmes

- Accelerate affordable housing delivery
 - R300 million capitalisation over three years – R100m already received,
 - Increased financing capacity through new financing structures e.g. CADIZ (**R75m**), and PIC (**R100m**),
 - Drive to finance ‘GAP’ housing projects
 - Location
 - Bulk infrastructure – public sector funding flow key
 - Price of land
 - Deliver 18 000 affordable units in the next five years

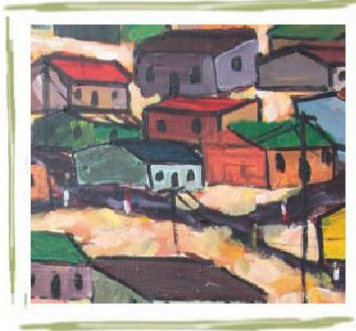
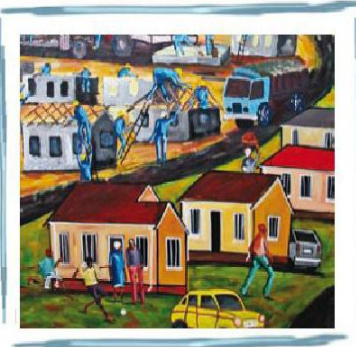
Business development on existing lending programmes

- New lending model for subsidy and infrastructure
 - Take in-house the whole lending value chain and wind down the intermediary model,
 - Lend to small and medium contractors through the Contractor Finance and Development Programme (CFDP),
 - 28 000 jobs in the next three years
 - Structured **training and mentoring** in technical and management skills (NHBRC),
 - Minimum of **120 contractors** to participate and **30% participation** by youth and women owned contractors,
 - Access to finance,
 - Good handle on contractor and employer risks – programme management and legal agreements,
 - Intensive drive to recover delinquent loans

Programme Management Support to Implementing Authorities

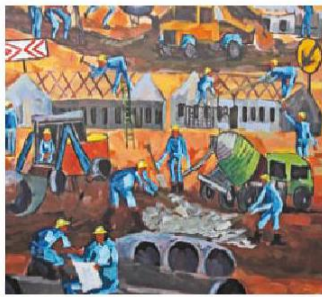
- Extension of NURCHA's programme and fund management capacity to support service delivery drive,
 - Leadership, people and systems,
 - Institutional development
- Normalise the lending environment by entrenching good programme management practices and streamlining system design,
- Collaboration with the NDHS and other entities active in this space – NUSP, NHBRC and HDA,
- Innovation on developmental models to finance and deliver housing to the low income earners,

THREE-YEAR OUTPUTS : 2012-2014



PERFORMANCE AGAINST TARGETS FOR THREE YEAR PERIOD			
CORE BUSINESS	2012/13	2013/14	2014/15
1. SUBSIDY HOUSING: HOUSES & SITES SERVICED			
1.1. Contracts Signed	24	26	29
1.2. Houses & Sites in Signed Contracts	9 240	10 164	11 180
1.3. Value of Loans (Rands)	112,8 m	124,0 m	136,0 m
1.4. Value of Projects (Rands)	624,0 m	687,0 m	756,0 m
1.5. Houses Built & Sites Serviced	4 620	5 082	5 590
2. AFFORDABLE HOUSING: HOUSES & SITES SERVICED			
2.1. Contracts Signed	22	24	26
2.2. Houses & Sites in Signed Contracts	3 080	3 388	3 726
2.3. Value of Loans (Rands)	330,0 m	363,0 m	400,0 m
2.4. Value of Projects (Rands)	660,0 m	726,0 m	800,0 m
2.5. Houses Built & Sites Serviced	1 950	2 145	2 360
3. INFRASTRUCTURE AND COMMUNITY FACILITIES			
3.1. Contracts Signed	18	20	22
3.2. Value of Loans (Rands)	72,0 m	79,0 m	87,0 m
3.3. Value of Projects (Rands)	360,0 m	400,0 m	440,0 m
3.4. Projects Completed	8	10	12

OUTPUT DELIVERY PERFORMANCE TARGETS (2012/13 QUARTERLY TARGETS)



CORE BUSINESS		REVISED BUDGET 2011/12	BUDGET PLANNED YEAR 2012/13	QUARTER 1 APRIL - JUNE	QUARTER 2 JULY - SEPT	QUARTER 3 OCT - DEC	QUARTER 4 JAN - MARCH
1. SUBSIDY HOUSING: HOUSES & SITES SERVICED							
1.1.	Contracts Signed	30	24	2	6	8	8
1.2.	Houses & Sites in Signed Contracts	11 550	9 240	770	2 310	3 080	3 080
1.3.	Value of Loans (Rands millions)	77,8 m	112,8 m	9,4 m	28,2 m	37,6 m	37,6 m
1.4.	Value of Projects (Rands millions)	470,7 m	624,0 m	52,0 m	156,0 m	208,0 m	208,0 m
1.5.	Houses Built & Sites Serviced	5 566	4 620	1 100	1 205	1 300	1 015
2. AFFORDABLE HOUSING: HOUSES & SITES SERVICED							
2.1.	Contracts Signed	19	22	4	6	6	6
2.2.	Houses & Sites in Signed Contracts	2 850	3 080	560	840	840	840
2.3.	Value of Loans (Rands millions)	285,0 m	330,0 m	60,0 m	90,0 m	90,0 m	90,0 m
2.4.	Value of Projects (Rands millions)	404,7 m	660,0 m	120,0 m	180,0 m	180,0 m	180,0 m
2.5.	Houses Built & Sites Serviced	1 800	1 950	500	200	900	200
3. INFRASTRUCTURE AND COMMUNITY FACILITIES							
3.1.	Contracts Signed	23	18	2	5	5	6
3.2.	Value of Loans (Rands millions)	75,2 m	72,0 m	8,0 m	20,0 m	20,0 m	24,0 m
3.3.	Value of Projects (Rands millions)	354,2 m	360,0 m	40,0 m	100,0 m	100,0 m	120,0 m
3.4.	Projects Completed	6	8	2	2	2	2

OUTCOME 8 CONTRIBUTIONS AND DEVELOPMENT IMPACT



Indicators	2012/2013	2013/2014	2014/2015
Jobs created			
▪ CFDP	4000	12 000	12 000
▪ Lending Programmes	4 123	4 535	4 988
No. of houses (completed)			
▪ Subsidy Housing	4 620	5 082	5 590
▪ Affordable Housing	1 950	2 145	2 360
Empowerment			
▪ Black owned	69%	70%	70%
▪ Non BEE	31%	30%	30%

FINANCIAL PROJECTIONS

(QUARTERLY PROJECTIONS FOR 2012/13)



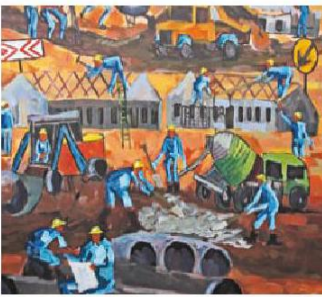
LATEST ESTIMATE 2011/12 AND BUDGET 2012/13	LATEST ESTIMATE 2012	BUDGET 2013	1Q2013 (APR - JUN)	2Q2013 (JUL - SEPT)	3Q2013 (OCT - DEC)	4Q2013 (JAN - MAR)
INCOME FROM OPERATIONS	55,904	102,459	8,538	25,615	34,153	34,153
- Financing Programmes	40,322	49,659	4,138	12,415	16,553	16,553
- Programme Management fee (gross)	15,582	52,800	4,400	13,200	17,600	17,600
ADMINISTRATION EXPENSES	(60,032)	(86,451)	(7,204)	(21,613)	(28,817)	(28,817)
NET OPERATING SURPLUS OR (DEFICIT)	(4,128)	16,008	1,334	4,002	5,336	5,336
MOVEMENT IN PROVISIONS AND LOSSES	(33,704)	(2,202)	(184)	(551)	(734)	(734)
SURPLUS OR (DEFICIT) FOR THE YEAR	(37,832)	13,806	1,151	3,452	4,602	4,602



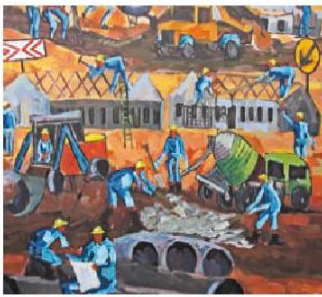
MATERIALITY FRAMEWORK



- ❑ Approved framework but limited to schedule 3A constraints
- ❑ The materiality level is set at R4 million
- ❑ Effective compliance in place



RISK MANAGEMENT

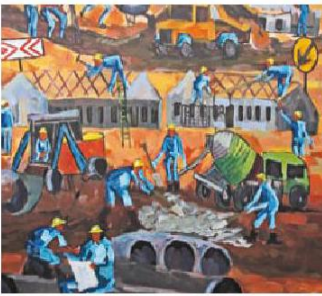


Risk Dimension	Cross cutting issues			
	People, Skills and Systems	Government Performance	Legal Environment	Monitoring and Compliance
1. Understanding the operational environment and adapt credit granting	√	√	√	√
1. Collections ineffective	√	√	√	√
1. New Business Model required to deal with high risks	√	√	√	√
1. Affordable Housing requires capacity and skills	√	√	√	√
1. Sources of appropriate funding scarce	√	√	√	√
1. Status of Housing Institutions could change through consolidation	√	√	√	√
1. Reliance on TUSK is an operational risk	√	√	√	√

CORPORATE GOVERNANCE



- ❑ Full Board (meetings scheduled in compliance)
- ❑ Fully functional Committees: Audit, Risk, Fincom, Human Capital, Remcom
- ❑ Fraud prevention: Whistleblowers system in place
- ❑ Statutory compliance: No discrepancies raised by internal auditors



THANK YOU