

Strategic Corporate Plan 2013/14

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26 March 2013

Quality is our priority
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VISION

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

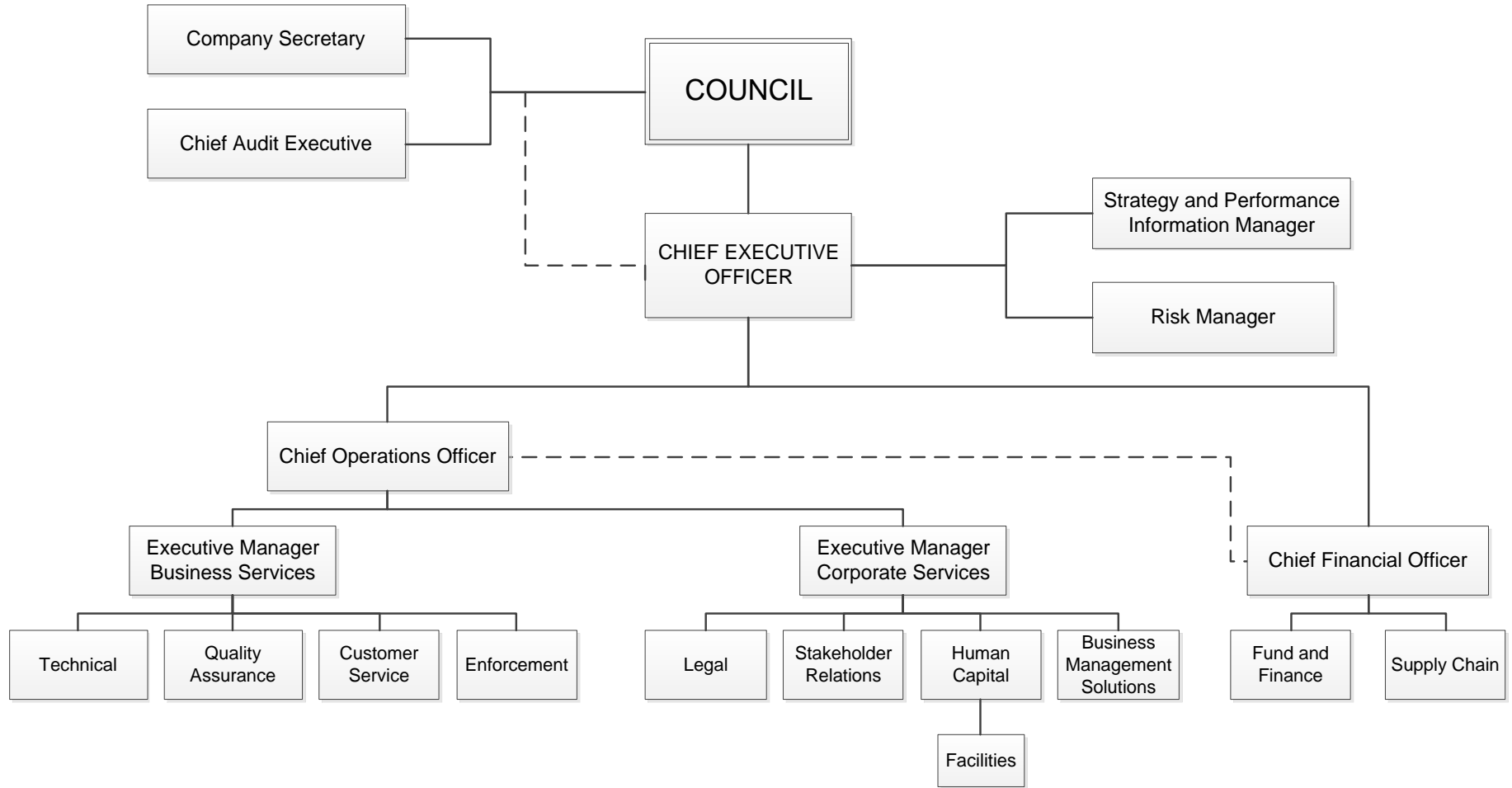
MISSION

“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

Structure of NHBRC



Organizational Structure

The new approved Organizational Structure has five Executive Position:

- CEO: Filled position
- Chief Operations Officer: Vacant
- Executive Manager: Business Services: Vacant
- Executive Manager: Corporate Services: Vacant
- Chief Financial Officer: Filled position

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.

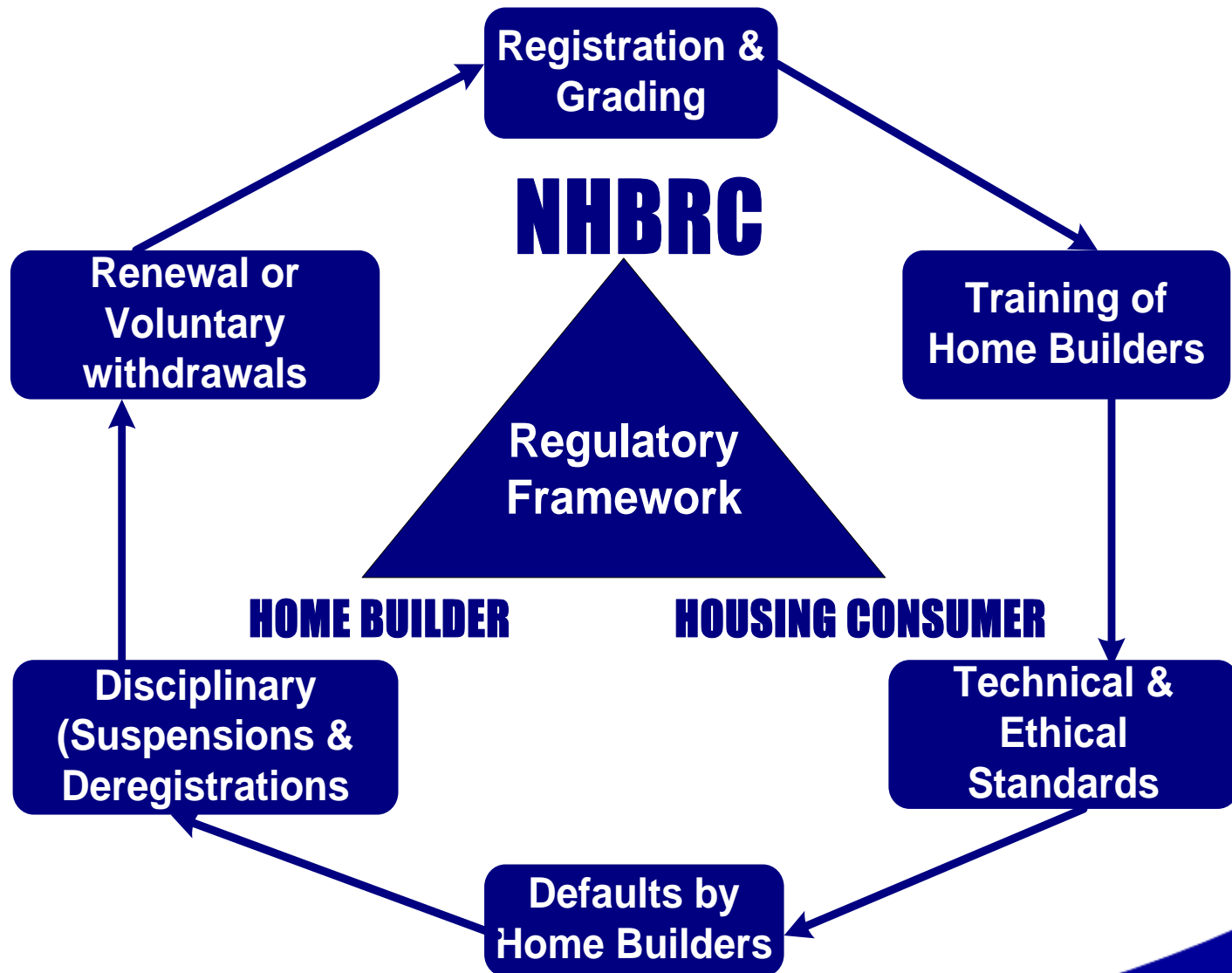
Objects of Council

- To represent the interests of housing consumers by providing warranty protection **against 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 the Act.
- To **establish and promote ethical and technical standards** in the home building industry.

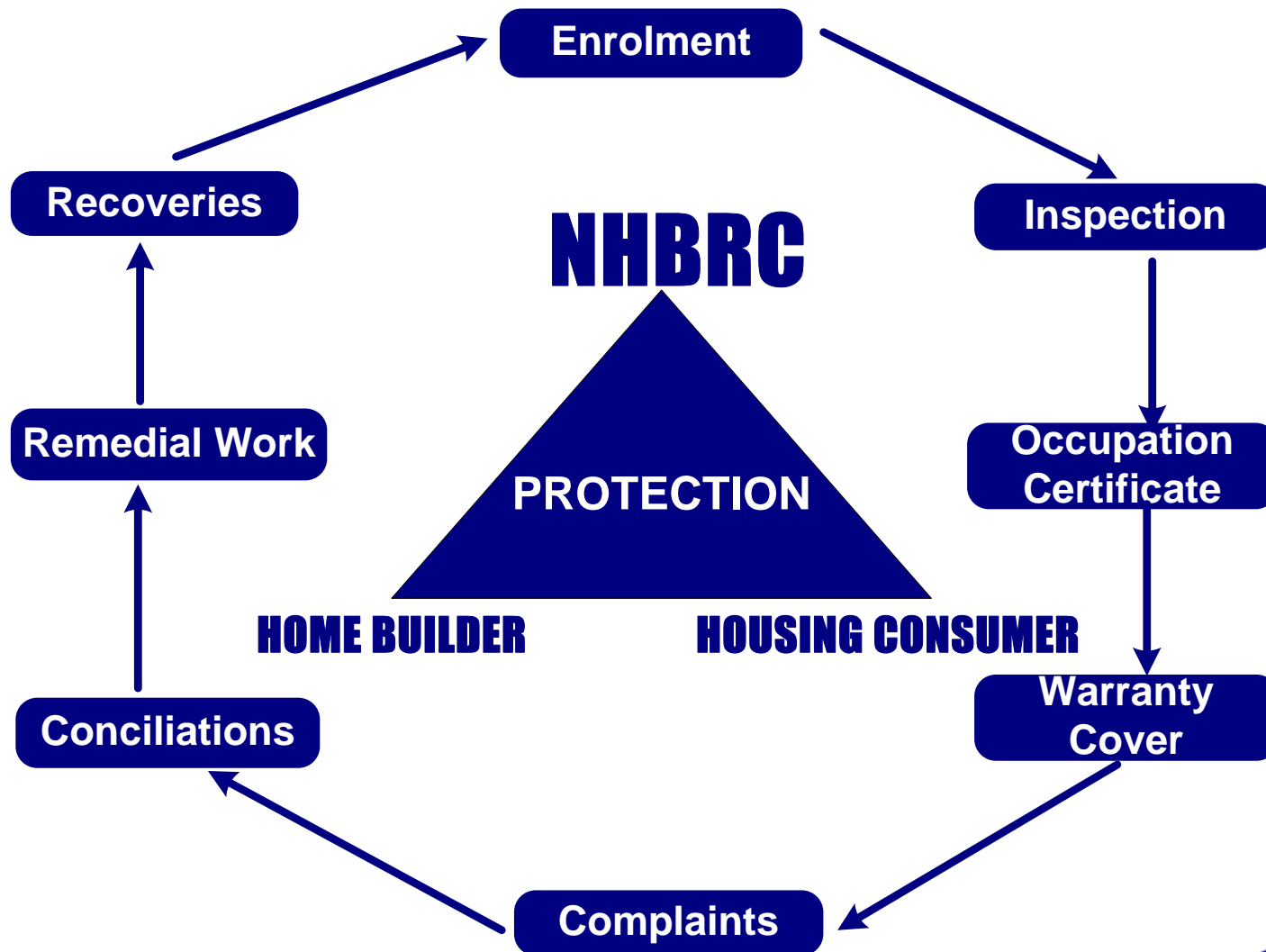
Objects of Council (Cont...)

- To improve structural quality in the interest 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 the Act.
- To assist home builders through training and inspections

Regulation of the Home Building Industry



Housing Consumers Protection Process



KEY PRODUCTS AND SERVICES

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

New Business Initiative

- Review of Quality Assurance
- Effective cost control system
- Enforcement of home builders and compliance
- Improved business process
- Establishment of mobile offices

Ways to incentivise home builders

- Introduction of the Grading System
- Better access to information
- Training of home builders and Youth
- Extension of warranty to cover green buildings

Amendments to the Bill

- The primary objectives for repealing the Housing Consumers Protection Measures Act, 1998 (Act No.95 of 1998) are to:
 - strengthen the regulatory efficacy of the NHBRC;
 - provide more protection to housing consumers; and
 - introduce effective enforcement tools and appropriate penalties/sanctions to encourage compliance with the Act.

Legislative Processes to Date

- The Bill was approved by Council on 26 April 2012 and submitted to the National Department of Human Settlements (“the NDoHS”) in May 2012;
- It has since been tabled at the following forums of the NDoHS as part of internal consultations:
 - Executive Management Team;
 - Technical MinMec;
 - MinTop (for noting);
 - The Department of Human Settlement’s Policy Forum (Task Team) comprising of representatives from both the National and Provincial Departments of Human Settlements;

Legislative Processes to Date

- It was further tabled at the National Economic Development and Labour Council as part of initial consultation.
- Pre-certification legal opinion from the Office of the State Law Advisor has been received and an explanatory memo on how the issues were addressed has been submitted to the Office of the State Law Advisor.
- The Bill has, as a result of the above, been amended accordingly.

Current Status of the Bill and Way forward

ACTIVITY	TIME FRAME
The Regulatory Impact Assessment in compliance with the Guidelines for the Implementation of the Regulatory Impact Analysis, 2012	By April 2013
Submission of the Bill to Cabinet	2 nd quarter of 2013
Submission of the Bill to Parliament	3 rd quarter of 2013
Public Participation (running concurrently with either the 2 nd or 3 rd quarter processes)	To be confirmed
Proclamation of the Bill by the President	To be confirmed

Training of Homebuilders

- Training is aimed at mitigating the risk against the fund
- Training provides accredited courses at Eric Molobi Innovation Hub
- Training is accredited through CETA
- Learners are job viable after undergoing the training
- NHBRC has trained over 22,000 (twenty two thousand) homebuilders and youth from the 2006 financial year

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.

Valuable Final Products

VFP	2013/14	2014/2015	2015/2016	2016/2017
Registration of HB	2,975	3,818	4,086	4,372
Renewal of Registration	10,480	13,087	14,003	14,984
Enrolment(Non-Subsidy)	40,094	38,834	41,552	44,461
Late Enrolment(Non-Subsidy)	1,002	1,942	2,078	2,223
Subsidy Home Enrolment	210,300	84,789	93,268	99,797
Subsidy Project Enrolment	61,419	56,525	62,179	66,531
Homebuilder training	3,500	3,675	3,859	4,051
Youth training	2000	2100	2205	2315
Non-Subsidy Inspection	160,377	246,772	264,046	282,529
Subsidy Inspection	210,300	387,205	414,310	443,311

VFP

VFP	2013/14	2014/2015	2015/2016	2016/2017
Compliance and enforcement	80% of homebuilders prosecuted within 180 days from date of receipt	80%	80%	80%
	180 days taken to finalise prosecutable matters	180 days	180 days	180 days
Interdicts and litigation	100% of interdicts issued to ensure compliance	100%	100%	100%
	180 days taken to finalise suspensions	180 days	180 days	180 days
	7 days taken to produce legal opinion	7 days	7 days	7 days

VFP

VFP	2013/14	2014/2015	2015/2016	2016/2017
% reduction in the building of homes outside the set standards and norms	80% of prosecution of home builders violating building standards and norms within 180 days from suspension to discipline	80%	80%	80%
% compliance with building norms and standards	100% issues of interdicts to violating contractors to enforce compliance with building standards and norms	100%	100%	100%

VFP

VFP	2013/14	2014/2015	2015/2016	2016/2017
Quarterly staff newsletter	100% production of quarterly news letter	100%	100%	100%
Media queries	100% handling of media queries	100%	100%	100%
Perception survey	100% publication of NHBRC annual survey	100%	100%	100%
Home Building Manual	100% review and publication of homebuilding manual	100%	100%	100%

VFP

VFP	2013/14	2014/2015	2015/2016	2016/2017
Business Management Solutions	80% implementation of ERP system	100%	100%	100%
Research	4 Knowledge Management publications produced based on research	4	4	4
Improved governance and organizational accountability	100% adherence to the risk management plan	100%	100%	100%
	100% resolution of risk education events completed	6	6	6

VFP

VFP	2013/14	2014/2015	2015/2016	2016/2017
Zero tolerance for fraud and corruption	6 fraud prevention seminars to be carried out with divisions	6	6	6
	100% prevention and identification of fraud incidents	100%	100%	100%
	100% investigation and resolution of fraud incidences as a result of the NHBRC Hotline	100%	100%	100%

VFP

VFP	2013/14	2014/2015	2015/2016	2016/2017
% reduction in audit queries	100% audits conducted in accordance with the audit plan	100%	100%	100%
	100% resolution of audit recommendations within agreed timeframes	100%	100%	100%
	6 divisional audit educational events carried out	6	6	6

Performance of NHBRC (Non-Financial)

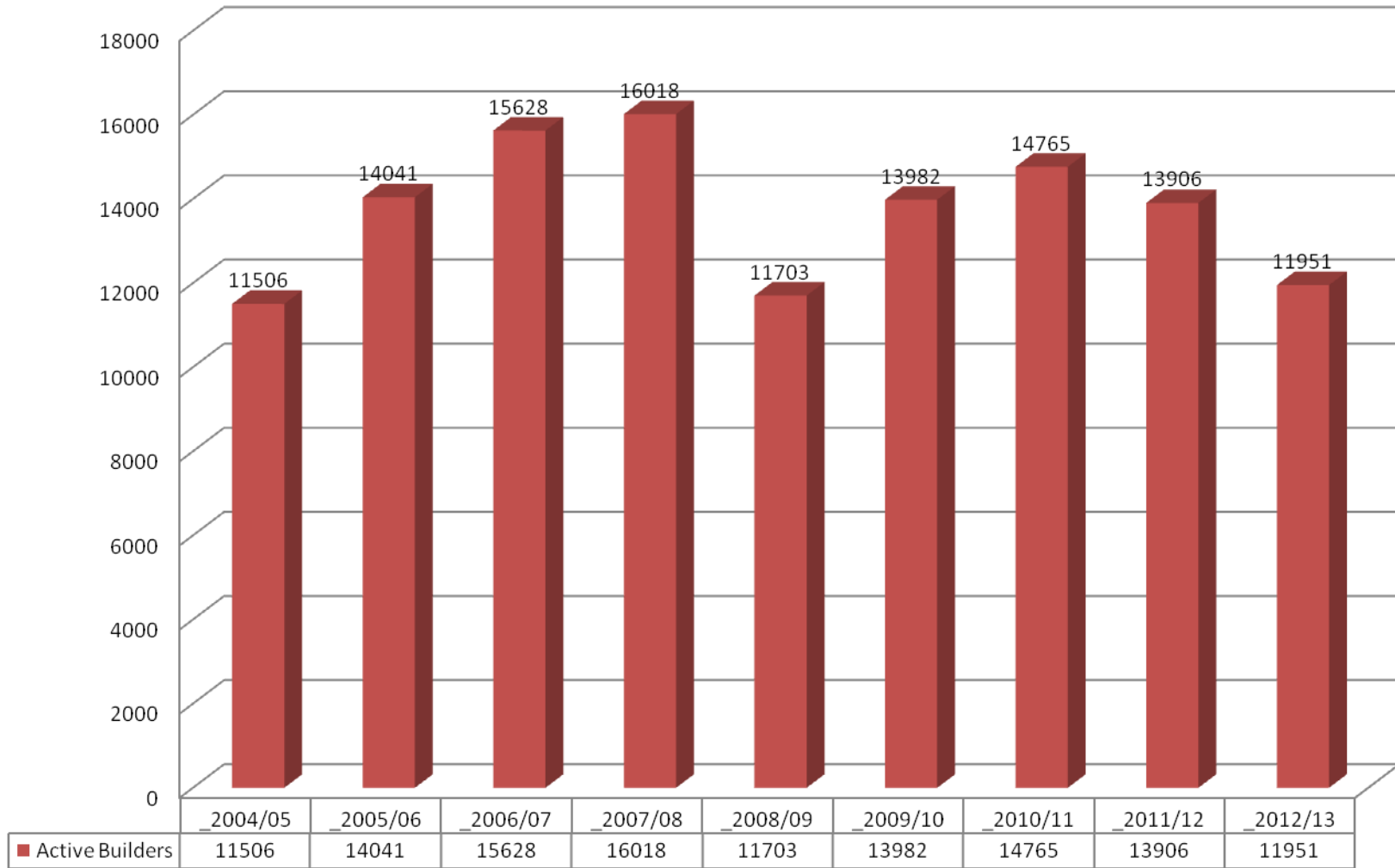
Factors affecting the performance of NHBRC from market industry:

- House prices are projected to deflate in real terms over the next 18 months
- South Africa's GDP forecast is predicted to grow at a slower pace
- Headline Consumer Price Inflation is expected to remain below the 6% level up to the year 2014.
- Factors that impact the affordability of property and accessibility of mortgage finance against the background of trends in property prices are: economic growth, employment, inflation, interest rate, household income and debt and consumer confidence will remain key factors to the housing market

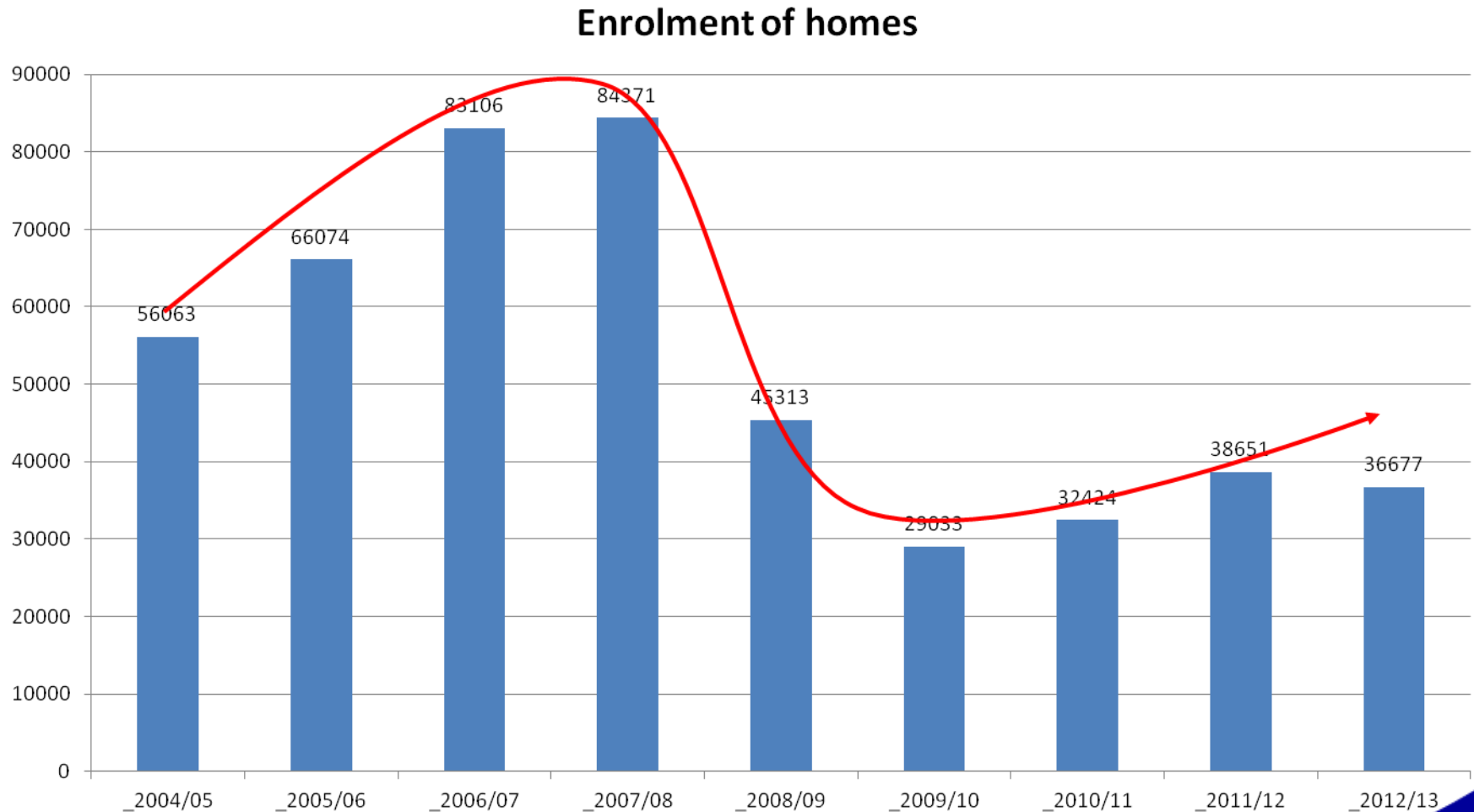
Valuable Final Product

VFP	2011/12 Actual	2012/13 Actual	2013/14 Budget
Registration	2,686	2,402	2,975
Renewal of registration	11,220	9,549	10,480
Enrolments	37,671	35,249	40,094
Late Enrolments	980	1,428	1,002
Non-Subsidy Inspection	223,349	183,291	160,377
Subsidy Inspection	290,826	120,666	210,300
Training of Home Builders	951	1,910	3,500
Project Enrolment Units	35,426	28,384	61,419
Home Enrolment Units	138,883	165,983	210,300

New Registered Builders



Enrolment of Homes (Non-subsidy)



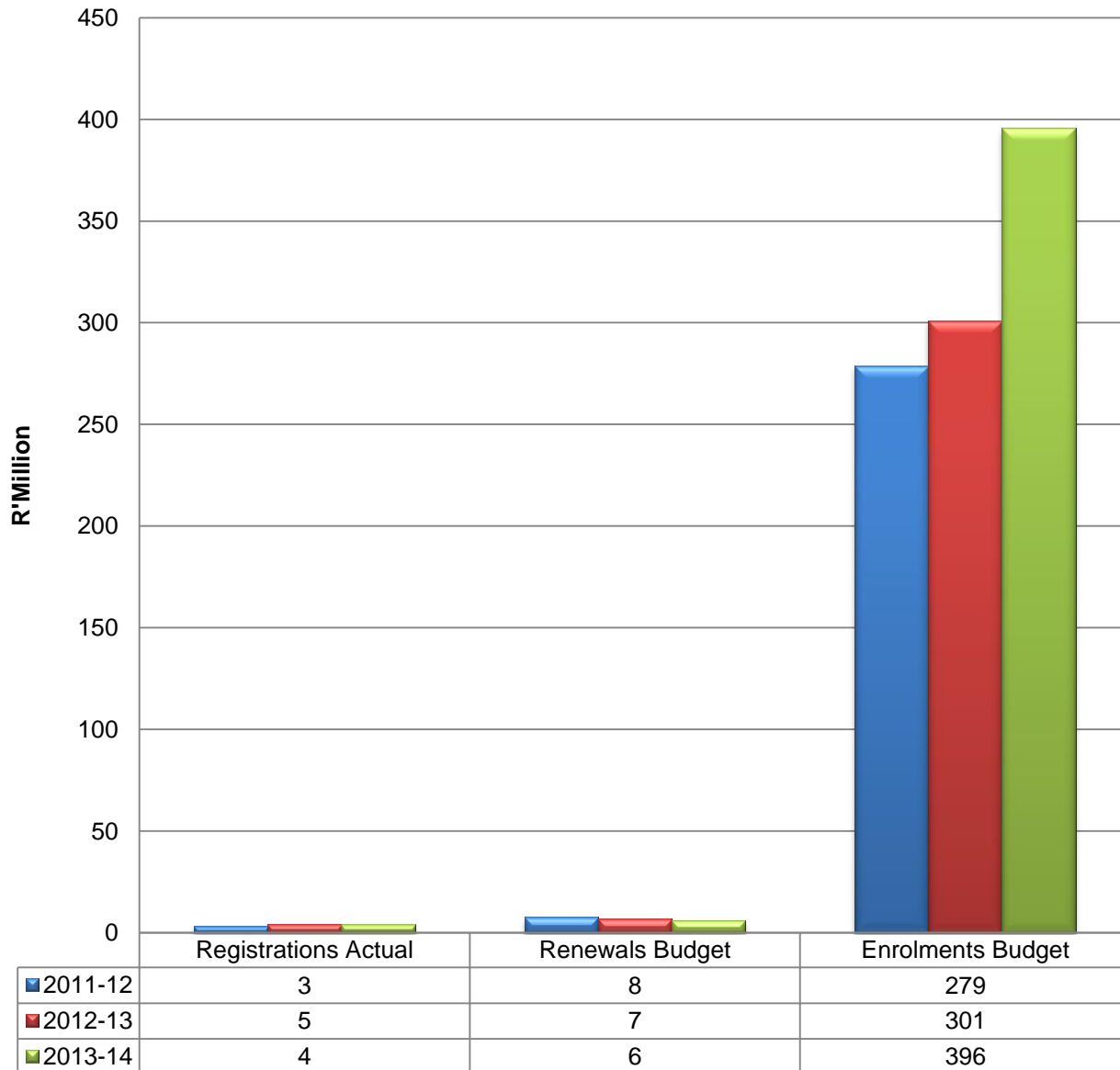
FINANCE

Valuable Final Products

Trend and Value

VFP's	2011/12 ACTUAL	2012/13 BUDGET	2013/14 BUDGET
Registration Units	2 686	3 335	2 975
Registration Rand	R3m	R5m	R4m
Renewals Units	11 220	11 431	10 480
Renewals Rand	R8m	R7m	R6m
Enrolment Units	37 671	33 919	40 094
Enrolments Rand	R279m	R301.2m	R395m
Late Enrolments	980		1002
Late Enrolments Rand	R0.2m	R1.1m	R0.5m

Revenue Non-Subsidy Trend

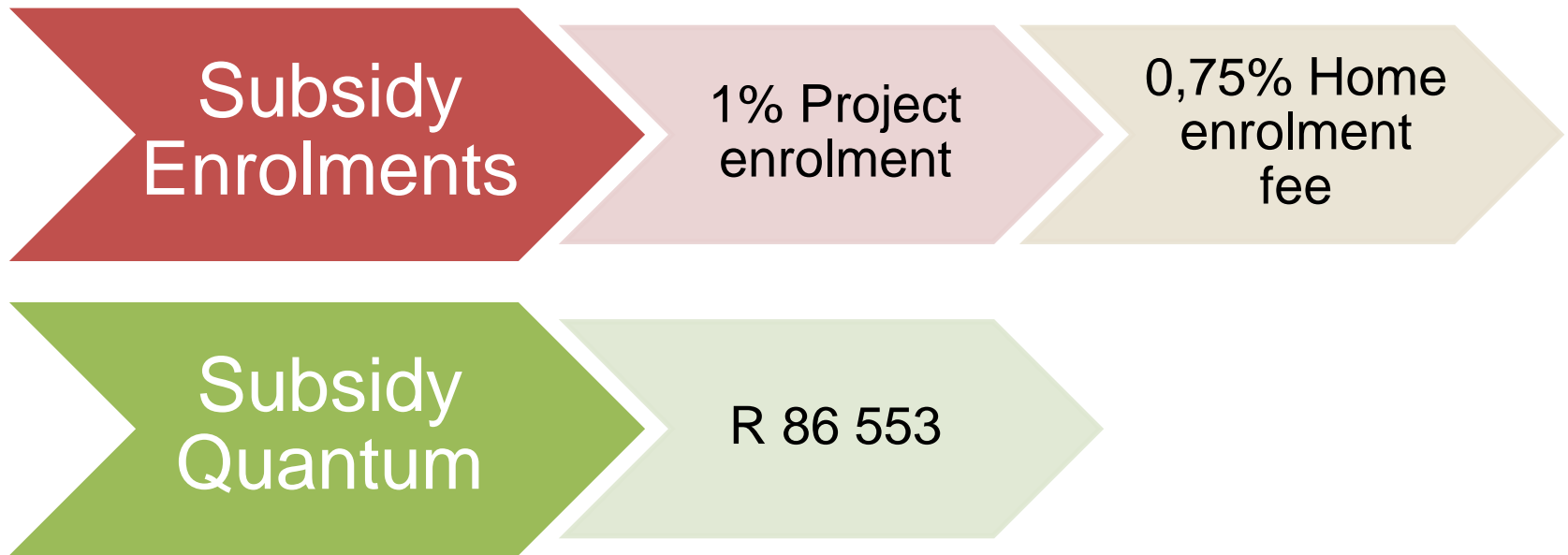


REVENUE

- **Assumptions**
2011/2012
- **Subsidy**



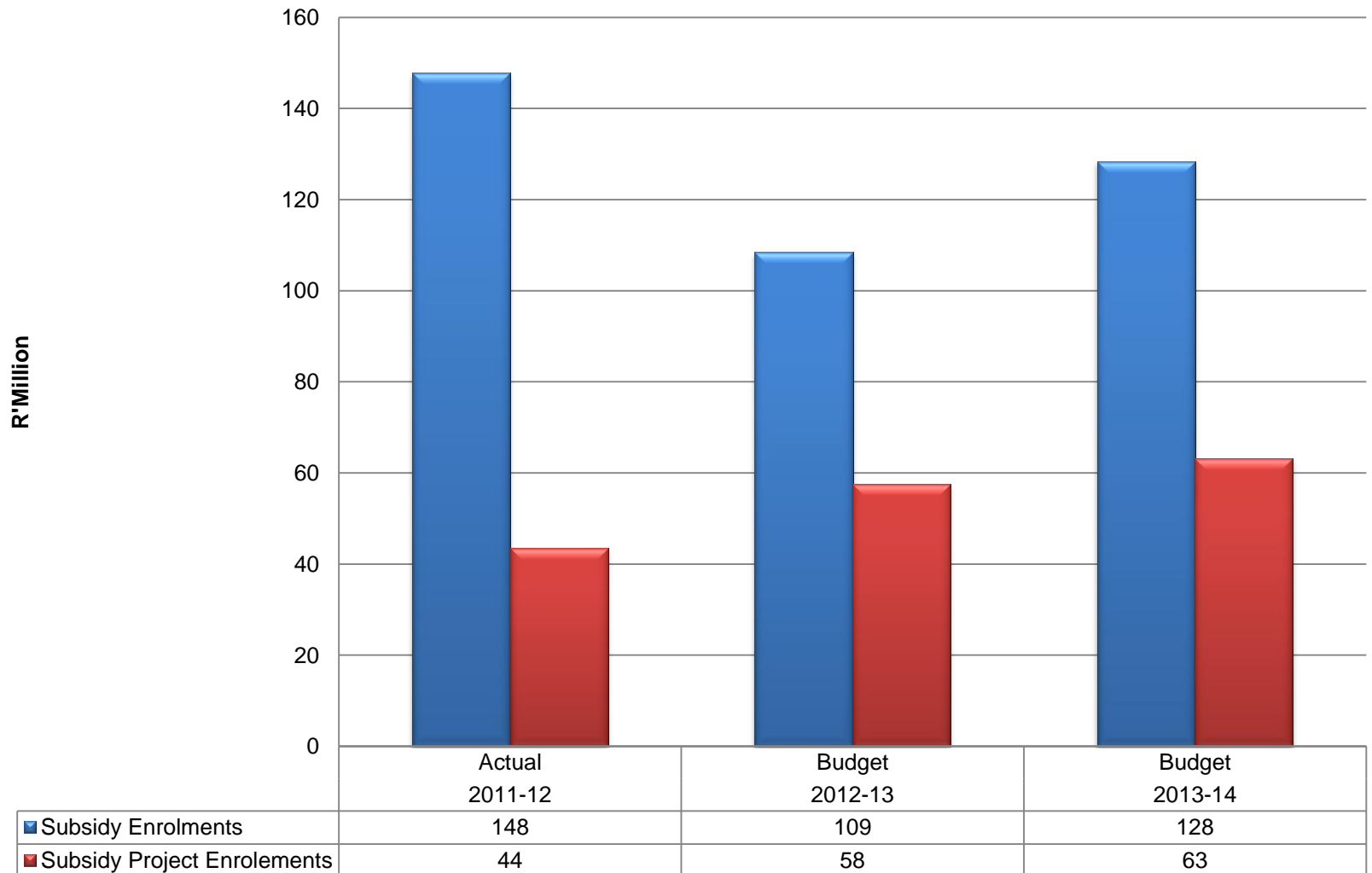
Revenue Assumptions Subsidy Market



Valuable Final Products Trend and Value

VFP's	2011/12 ACTUAL	2012/13 BUDGET	2013/14 BUDGET
Subsidy Projects Units	35 246	66 700	61 419
Subsidy Projects Rand	R44m	R57,5m	R63m
Subsidy Enrolment Units	138 883	181 783	210 300
Subsidy Enrolment Rand	R148m	R108.5m	R128m

Subsidy Revenue



EXPENDITURE



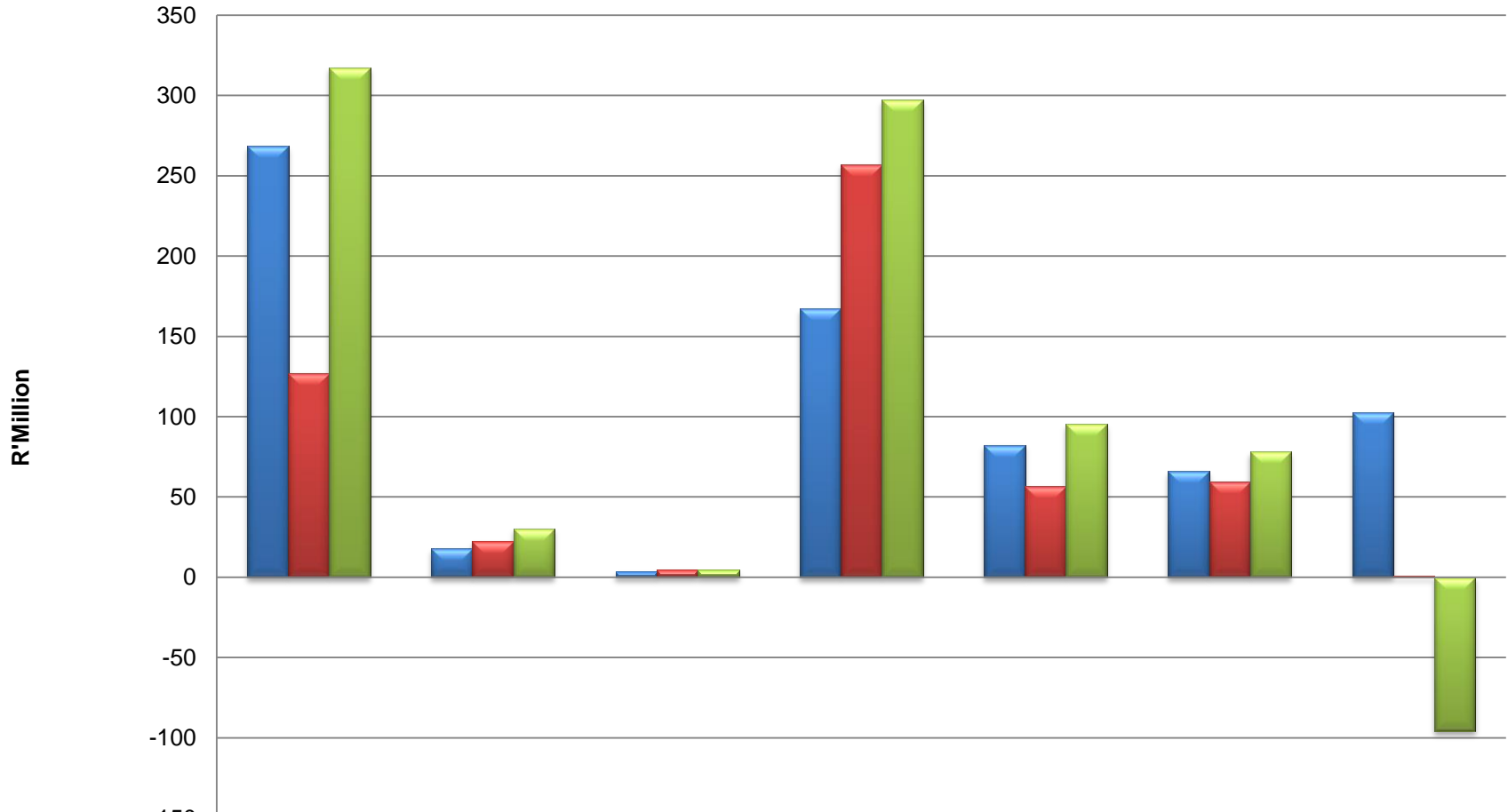
Major Fixed Expenses

DESCRIPTION	2012/13 Budget	2013/14 Budget	% VARIANCE	COMMENTARY
Permanent Staff Cost	257,006,960	297,233,599	+16%	Increased QA's and IT employees
Staff Cost	4,281,293	13,477,179	+215%	Relates to permanent staff costs
Information Technology	9,200,000	16,500,000	+79%	Network upgrade and implementation of SAP
Legal Fees	7,650,000	8,950,000	+17%	Interdicts and Arbitration costs
Marketing Fees	10,650,000	17,900,000	+68%	Marketing Campaigns

Operating Expenditure

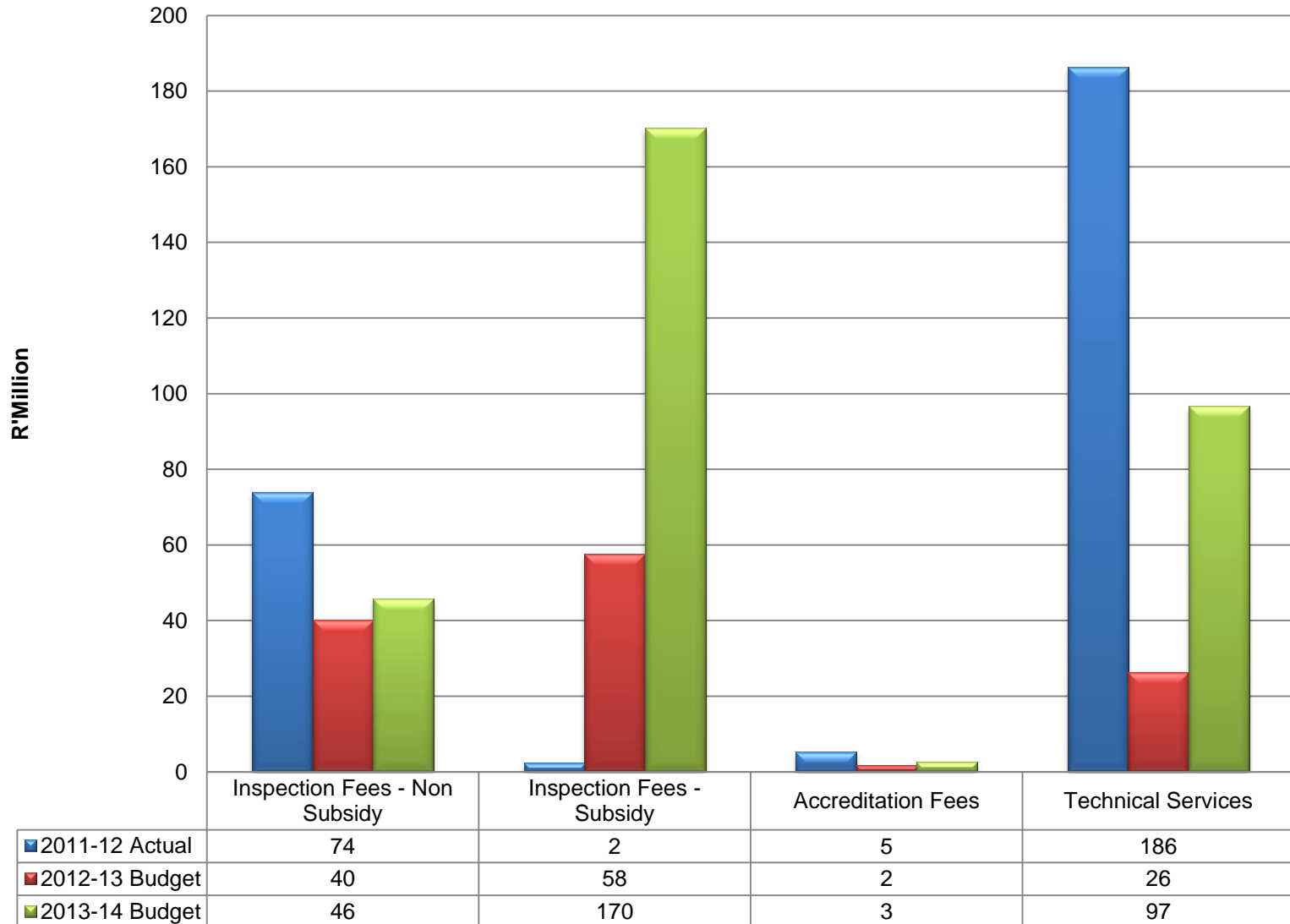
	2011-12	2012-13	2013-14
	Actual	Budget	Budget
	R'M	R'M	R'M
Inspection Fees - Non Subsidy	74	40	46
Inspection Fees - Subsidy	2	58	170
Accreditation Fees	5	2	3
Technical Services	186	26	97

Expenditure Trend



	Operations	Admin	Payroll Council	Employment Cost	General Cost	Fixed	Surplus / Dificit before Interest
■ 2011-12 Actual	269	18	3	167	82	66	103
■ 2012-13 Budget	127	23	5	257	57	60	1
■ 2013-14 Budget	317	30	5	297	95	78	-96

Operating Expenditure Trend



Summarised IS

	2011/12 ACTUAL	2012/13 BUDGET	2013/14 BUDGET
Revenue	708 570 273	529 065 835	727 625 111
Operation Expenses	268 587 757	127 243 892	317 455 770
General & Administration	18 171 161	22 608 650	30 292 945
Payroll Costs	3 439 429	4 840 000	4 661 574
Permanent Staff Costs	167 284 764	257 006 960	297 233 599
General Costs	82 388 340	56 550 273	95 458 934
Other Expenses	65 961 898	59 798 828	78 258 905
TOTAL EXPENSES	605 833 349	528 048 604	823 361 726
Net Surplus/ (Deficit) before interest	102 736 924	1 017 231	- 95 736 614
Interest Received	197 357 574	213 744 662	204 709 232
Surplus/ (Deficit)	300 094 498	214 761 893	108 972 618

Statement of Financial Position

	2011/12 R	2012/2013 R	2013/2014 R
ASSETS			
Non-current assets	3 741 734 106	3 776 449 241	3 908 073 838
Current assets	102 573 096	64 258 333	52 686 964
	<u>3 844 307 200</u>	<u>3 840 707 574</u>	<u>3 960 760 803</u>
EQUITY AND LIABILITIES			
Reserves	<u>2 602 527 540</u>	<u>2 817 289 433</u>	<u>2 921 262 051</u>
Current liabilities	265 130 289	46 768 770	62 849 380
Technical liabilities	976 649 371	976 649 371	976 649 371
	<u>3 844 307 200</u>	<u>3 840 707 574</u>	<u>3 960 760 803</u>

Statement of Cash Flows

	2011-12 R	2012-13 R	2013-14 R
Cash generated from operations	18 535 584	(164 858 060)	(49 651 162)
Cash flow from operating activities	20 069 999	(163 277 020)	(48 022 690)
Cash flow from investing activities	(315 900 953)	145 254 872	48 024 709
Cash flow from financing activities			
Decrease in long term liability	(15 374 821)	-	-
Net decrease in cash and cash equivalents	(311 205 774)	(18 022 148)	2 018
Cash and cash equivalents at beginning of year	354 256 747	43 050 972	25 028 824
Cash and cash equivalents at the end of the year	43 050 973	25 028 824	25 030 842

Capital Expenditure 2011/2012

DESCRIPTION	R'	COMMENTS
Computer Equipment	3,795,000	In relation to an increase in staff numbers
Software	117,506,287	Unused budget to be utilised in 2013/14 for the new ERP system
Office Furniture	17,445,000	Acquisition of office furniture for the new office
Motor Vehicles	9,900 000	2 Mobile offices
Office Equipment	13,300,000	Ovehaul of IT Infrastructure
Building	90,000,000	Acquisition of new office
TOTAL:	<u>251,946,287</u>	

THANK YOU!