

ANNEXURE A



Ekurhuleni Housing Company

EKURHULENI HOUSING COMPANY

Annual Report 2016/17

Volume 1

21 JULY 2017

Table of Contents

CHAPTER 1: CHAIRPERSONS FOREWORD AND EXECUTIVE SUMMARY	5
1.1 COMPONENT A: CHAIRMAN’S FOREWORD	5
COMPONENT B: EXECUTIVE SUMMARY BY THE CEO	8
1.2 OVERVIEW	8
1.2.1 ENTITY’S FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW	9
1.2.2 POPULATION	10
1.3 SERVICE DELIVERY	12
1.4 FINANCIAL HEALTH OVERVIEW	13
1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW	14
1.6 AUDITOR GENERAL 2015/2016	14
1.7 STATUTORY ANNUAL REPORT PROCESS	15
CHAPTER 2 – GOVERNANCE	16
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE	16
2.1 POLITICAL GOVERNANCE	16
2.2 ADMINISTRATIVE GOVERNANCE	16
2.3 COMPONENT B: INTERGOVERNMENTAL RELATIONS	22
2.4 COMPONENT C: STAKEHOLDER MANAGEMNET AND PARTICIPATION	22
2.5 IDP PARTICIPATION AND ALIGNMENT	24
COMPONENT D: CORPORATE GOVERNANCE	26
2.6 RISK MANAGEMENT	26
2.7 ANTI-CORRUPTION AND FRAUD	27
2.8 SUPPLY CHAIN MANAGEMENT	27
2.9 BY-LAWS	28
2.10 WEBSITES	28
2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES	29

CHAPTER 3 – PERFORMANCE REPORT.....	31
3.1 CORPORATE SERVICES DELIVERY PERFORMANCE	31
3.2 Property Development Delivery Performance	32
3.3 Community Development Delivery Performance.....	37
3.4 Property Management Delivery Performance.....	39
COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD.....	41
CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE	43
OVERVIEW OF CORPORATE SERVICES	44
4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES.....	44
4.2 POLICIES.....	47
4.3 INJURIES, SICKNESS AND SUSPENSIONS	48
4.4 PERFORMANCE REWARDS.....	48
COMPONENT C: CAPACITATING THE ENTITY WORKFORCE.....	49
4.5 SKILLS DEVELOPMENT AND TRAINING	49
4.6 COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE	50
CHAPTER 5 – FINANCIAL PERFORMANCE	52
5.1 COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE	52
5.2 GRANTS.....	55
5.3 ASSET MANAGEMENT.....	56
5.4 Ratio Based on Key Performance Indicator	57
COMPONENT B: SPENDING AGAINST CAPITAL BUDGET	58
5.5 CAPITAL EXPENDITURE	58
5.6 SOURCES OF FINANCE.....	58
5.7 CAPITAL SPENDING ON LARGEST PROJECTS	59
COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS	59
5.8 – 5.9 CASH FLOW MANAGEMENT AND INVESTMENTS	59
5.10 BORROWING AND INVESTMENTS.....	59

5.11 PUBLIC PRIVATE PARTNERSHIPS.....	59
COMPONENT D: OTHER FINANCIAL MATTERS	60
5.12 SUPPLY CHAIN MANAGEMENT	60
5.13 GRAP COMPLIANCE	60
CHAPTER 6 – AUDITOR-GENERAL AUDIT FINDINGS	53
COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS Year -1	61
6.1 AUDITOR GENERAL REPORTS Year -1 (Previous year)	61
COMPONENT B: AUDITOR-GENERAL OPINION YEAR 0 (CURRENT YEAR).....	61
6.2 AUDITOR GENERAL REPORT YEAR	61
GLOSSARY	62
APPENDICES.....	64
APPENDIX A – BOARD; COMMITTEE ALLOCATION AND BOARD ATTENDANCE	64
APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES	65
APPENDIX C –ENTITY STRUCTURE	66
APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY	66
APPENDIX I –ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE.....	69
APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS	71
APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE	71
APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG	73
APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES.....	76
APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME	77
APPENDIX M (ii): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME.....	78
APPENDIX N – CAPITAL PROGRAMME BY PROJECT YEAR 0	79
VOLUME II: ANNUAL FINANCIAL STATEMENTS	80

CHAPTER 1: CHAIRPERSONS FOREWORD AND EXECUTIVE SUMMARY

1.1 COMPONENT A: CHAIRMAN'S FOREWORD

VISION

The vision of the Ekurhuleni Housing Company ("EHC") is to be the creative social and rental housing agency of choice for the City of Ekurhuleni.

KEY POLICY DEVELOPMENTS

The EHC is fundamentally linked to the National Social Housing Policy and Breaking New Ground Strategy which states that residents should live in a safe and secure environment and have adequate access to housing. Furthermore, the EHC contributes to "Outcome 8: Sustainable Human Settlements and Improved Quality of Household Life" which relates to the provision of 80,000 well-located affordable rental accommodation by 2020. From a provincial standpoint, the EHC is aligned to the Gauteng Sustainable Human Settlements Strategy (SHSS) by supporting Housing Typology Strategic Lever to improve housing location, type and choice in Gauteng.

On a municipal level, EHC has aligned its strategy with the Ekurhuleni Human Settlements Development Plan that includes the Integrated Residential Development Programme which plans to develop a 5-year target of 100,000 units, inclusive of social and rental housing through two sub-programmes; the Social Housing Programme and the Urban Renewal Programme.

Through the Social Housing Programme, two projects have been commenced and completed: Delville and Chris Hani Village, both of which have provided affordable and decent rental accommodation for indigent city dwellers.

The Urban Renewal Strategy of the City has impacted our environment by upgrading of the inner-city public spaces. Two projects, one in Germiston and one in Tembisa, have been implemented in which EHC has been rigorously involved. These programmes have influenced the safety as well as the look and feel of public spaces that will encourage further private investment in the city.

The EHC further aligns itself to the following Integrated Development Plan (IDP) strategies as set out by the Ekurhuleni Metropolitan Municipality ("EMM"):

Ekurhuleni Growth and Development Strategy (GDS)

The Ekurhuleni GDS focuses on the following outcomes:

- The prioritisation of housing infilling and densification;
- To enhance sustainability, the provision of housing needs to be integrated with engineering and social services;

- The need to create a functioning property market through developing mixed income human settlements; and
- The need to provide a range of alternative housing typologies and tenure options.

Ekurhuleni Metropolitan Spatial Development Framework (MSDF)

The Ekurhuleni MSDF focuses on the following outcomes:

- Promoting economic activity within the core development triangle;
- Linking disadvantage communities to the core area; and
- Mixed-use, high density development along corridors and at nodes.

Ekurhuleni Densification Strategy

The densification strategy seeks to increase densities in the metro in support of a compact city approach. It is envisaged to increase densities along movement lines i.e. railway stations; Integrated Rapid Public Transport Network (IRPTN) so as to increase accessibility of public transportation to a broader population and increase contribution towards a cost effective and citywide public transport network.

KEY SERVICE DELIVERY IMPROVEMENTS

EHC has completed a complex organisational rationalisation that has produced a single entity for the city that can focus on the delivery of our social and rental housing mandate. These include:

- Block E refurbishment has been completed that contributes to urban renewal.
- Two modern social housing complexes have been completed that brought on stream 112 and 144 under management.

Our biggest challenge in terms of meeting our key service delivery targets has been the maintenance of high revenue collection in a depressed market. In addition, the mobilising of additional funding to meet targets as set out by the EMM has hindered our progress.

Steps are in place to overcome these challenges including:

- To provide value added services to our Shareholder in respect to rental property management.
- Use technology to enhance revenue collections.

PUBLIC PARTICIPATION

Rental and social housing is considered a niche market, and therefore public participation is limited to the surveys we conduct and the quarterly meetings held with tenants by management, which address house rules, maintenance and security issues. More information on this can be found in Chapter 3.

Accountability in terms of public participation has improved, through the Service Level Agreement with the City, the structure of the Board and Management. Clear plans to implement our strategy is in place and risks are managed through our framework which provide for oversight and accountability.

FUTURE ACTIONS

The plans for the next 5 years include the pursuit of the following two strategies:

1. Design and develop new rental stock through Greenfield and Brownfields development.
2. Complete the transfer of rental stock from the city to be managed by EHC.

This combined strategy must ensure that EHC has the ability to manage in excess of 8,000 units over the next five years.

AGREEMENTS/PARTNERSHIPS

The partnership created with Municipality of Breda in Netherlands must be pursued to develop additional capacity and implement lessons from their Social Housing Policy.

Conclusion

The year under review saw tremendous improvement with respect to:

- a) Collection of revenue
- b) Taking on new stock
- c) Refurbishment of a heritage building
- d) Completing the consolidation process

I am proud to say that in this tenure of the Board will go down in history as one that achieved many of the building blocks that will ensure that the EDC becomes a sustainable and effective Social Housing Institution. These include the attainment of conditional accreditation, maintenance of high occupancy levels in the EDC's housing complexes, and a collection rate that has consistently improved and the resilience of the organisation to externalities has dramatically improved by filling key appointments in the management structure.

I would like to extend my sincerest gratitude to the Board of Directors for their guidance and wisdom above-mentioned achievements during its tenure as well as for the support they have personally provided to me to execute the duties of a as the Chairperson. Secondly I than the CEO and the staff of EDC for their dedication and diligent work that has advanced the mandate of the company. Finally, I expressed express gratitude to the MMC: Human Settlements for his encouragement and unwavering support of the Board despite all the hardships encountered in the course of the period reported.

(Signed by :) _____

Mr L. Vutula

Chairperson of the Board
Ekurhuleni Housing Company

COMPONENT B: EXECUTIVE SUMMARY BY THE CEO

1.2 OVERVIEW

The Ekurhuleni Housing Company has had a particularly successful 2016/17 year. Following the challenges faced during the 2015/16 year with the merge of four entities into a single operating entity, we are now settling down and have already produced excellent results as one consolidated force.

Amidst an economic downturn, with challenging financial circumstances, the EHC has implemented two high-profile social housing projects during the year under review. The development of the Chris Hani Village and the Delville Ext. 9 Project.

The Chris Hani Village (previously known as the Germiston Fire Station Project until it was renamed by the EMM to the Chris Hani Village) has been completed and there are currently 144 units available for tenant occupation.

The Delville Ext. 9 Project has also been successfully completed and there are 112 units available for tenant occupation.

The refurbishment of Block E, with a budget of R10 million, was identified as a heritage site, having been built in 1909. The building was rezoned for residential purposes and the EHC is pleased to have completed this refurbishment and conversion of this building into 18 units available for tenant occupation. This has made a huge contribution to the City of Ekurhuleni and its people; and in preserving the heritage of the City.

The EHC has consistently provided sound investment in aging properties (some of which are over 20 years old) and have shown great results. People are respecting the value of these investments, and this is reflected in the improved rental collection rates.

In cases where tenants are struggling to pay, the EHC has taken the necessary steps to evict defaulting tenants and replace them with tenants who are willing and able to pay. In a market that is financially constrained, the EHC is diligent in its role to evict defaulters, but we are sensitive to the financially challenged market and attempts are made in partnership with our stakeholders, to find suitable accommodation for those who can't afford to pay.

The EHC has a close working relationship with the Department of Human Settlements and reports directly to the department. The Department engages in discussions at a strategic level regarding the alignment of the EHC's business plan with the fulfilment of its mandate and advises on specific deliverables that the EHC must attain, in line with the objectives of the Department.

Every two months, the EHC Operations department meets with the Department of Human Settlements on core projects. This includes the transfer of rental housing units to the EHC from the EMM, for management by the EHC. To date, the transfer of community rental units (previously hostels) to the EHC

in Tembisa have been concluded and there are a further 220 units proposed for transfer to the EHC in future.

The entity has performed exceptionally well against its service delivery targets during the year under review. The entity has delivered the target number of units on time and on budget. The rehabilitation of Block E is also completed and as a result, 18 units are on-stream. The collection rate has moved from 94% in 2015/16 to 93% in 2016/17.

The supply chain management processes have been contributing to the delayed output of projects and as such, the entity is relooking these processes, starting with the establishment of a committee to manage large volumes of tenders. Investments are being made into upskilling employees in this department.

Training of other functional areas such as finance are also underway. The MFMA training modules are being attended by senior management so they have the capacity and knowledge to effectively comply with the MFMA regulations.

The EHC has been through a period of uncertainty and change over previous years, but I am pleased to report that we are over the worst, and our ability to deliver units and meet the demands of the City of Ekurhuleni is at its peak. Stock is increasing, and more innovative, ground-breaking projects are in the pipeline. One such project is the Germiston Intermodal Project that will see the development of 400 units on a train station podium, with a taxi rank in close proximity.

1.2.1 ENTITY'S FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Entity's Functions

The EHC derives its mandate from the EMM. This mandate is informed by the national housing imperatives that are dictated through the Rental Housing Act, the Social Housing Act, and the MFMA. Its vision and mission is underpinned by a set of values and goals that are geared towards building an organisation that provides superior quality social and rental housing and property management services to its clients within Ekurhuleni. EHC provides and manages affordable rental housing for the lower income market as an integral part of efforts to eradicate the housing backlog in the Ekurhuleni Metropolis.

The core business of EHC therefore includes: development of new social and rental housing; the refurbishment, upgrading and management of selected Council owned rental housing stock; the refurbishment of inner-city high density rental buildings and the provision of turnaround strategies where necessary. The rationale for the establishment of EHC was to promote the creation of quality living environments for low income residents by a dedicated institution for integrated social housing development, including medium density, rental housing and communal housing in support of Inner City Regeneration, and Urban Renewal in Ekurhuleni.

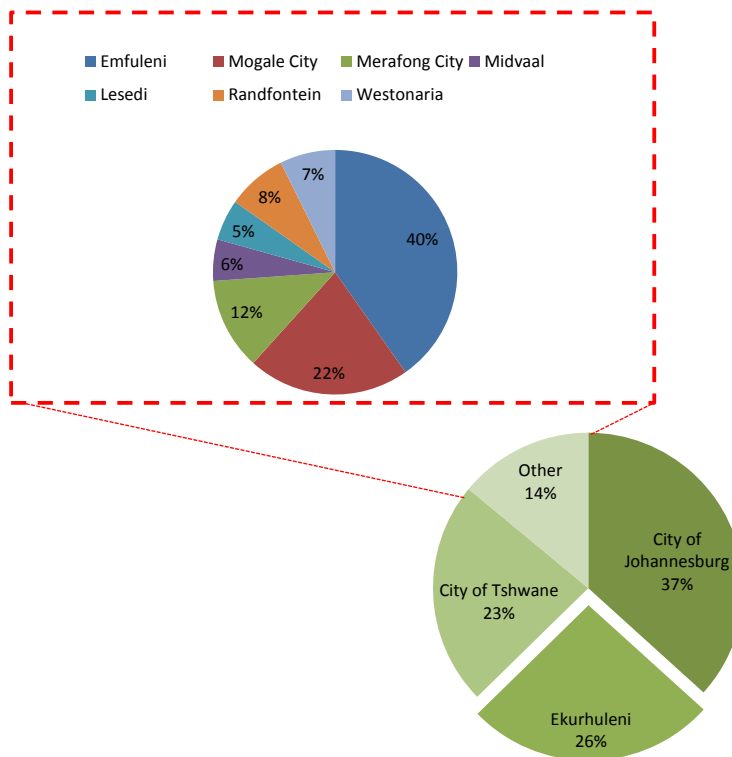
1.2.2 POPULATION

The EHC has made notable contributions to the population of Ekurhuleni. New stock has been made available in areas of high demand, the standard of social housing has been raised considerably and deliberately, in order to reduce long-term maintenance costs. The EHC has also proven the benefit of the conversion of old, derelict buildings into a form of acceptable accommodation that addresses the needs of the community.

The main target market comprises of home seekers whose household incomes meet the criteria for the Restructuring Capital Grant (RCG) and institutional housing subsidy that are available to beneficiaries whose total household income is between R1,500 and R7,500 per month.

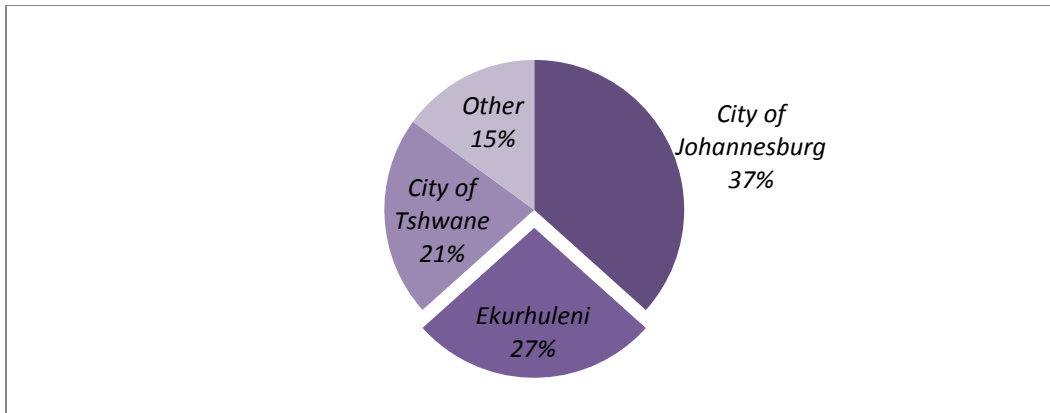
The profile of the target market is further defined by workers in local commercial industries such as teachers, police officers, nursing staff and people who work in the public sector. The racial profile is mixed but our business model is based on an income profile and not on race.

Using the 2011 South African census data, Ekurhuleni has the second largest number of households in the Gauteng Province at 26% (see figure below – design will redraw):



The social housing market is estimated to be some 324,000 units in Ekurhuleni. The EHC is expected to develop a significant portion of the social housing units and contribute by supplying market rental units. A study is being conducted by EMM that will confirm our future contribution in this regard.

Number of Households Earning a Monthly Income Between R1 600 and R6 400 (100% = 1.2m):



Using the SHRA requirement for Social housing units' average monthly rental of R 2,000, this market is worth approximately R8 billion annually. This is a very substantial potential market and holds great potential for growth for suppliers in this market.

Environmental Overview

The PESTL environmental analysis framework was used to analyse macro factors influencing the EHC mandate. The results are tabulated in the table below:

ANALYSIS FACTOR	ENVIRONMENTAL FACTORS	
	POSITIVE	NEGATIVE
Political	Political will power from local government to support social housing (mayoral /speeches).	Elections impede process execution such as eviction sand rental increases.
Economic	Constrained bank lending and prices increase the pool of potential social housing tenants Provincial Institutional Subsidy quantum has been increased (R50k to R110k per unit). MINMEC considerations on RCG potential increase from R125k to R155k.	Continued receipt of grants income could be seen as a proxy of social housing non-viability e.g. precedents was seen with the Brakpan bus company. Weakened economy result in loss of jobs.
Social	Increase demand for student accommodation presents more opportunities to diversify.	Increased tenant association resistance impedes evictions (petitions). Perception of social housing degrading neighbourhoods (“nimby syndrome”). Tenant tend not to value the property that they

		occupy.
Technological	Innovative building technologies reduce capital and maintenance cost. Green building agenda (in the long term). Ekurhuleni Broadband infrastructure can enhance revenue.	Green building agenda (in the short term).
Legal	SANS 10400 regulation - energy efficiency requirement decreases costs (in the long term).	Current income threshold by the regulator leads to affordability issues and non-adherence to regulations. SANS 10400 regulation - energy efficiency requirement increases costs (in the short term).

1.3 SERVICE DELIVERY

Through the completion of the Chris Hani Village and the Delville Ext. 9 projects, the EHC directly contributes to service delivery through its target of improving housing stock.

The City of Ekurhuleni's strategy to encourage urban renewal is well within the EHC's focus and through the refurbishment of Block E, we managed to preserve the City's heritage while also reversing the effects of urban decay. The EHC is committed to investing in aging stock and this includes painting, plumbing, tiling and general maintenance of these properties.

Production of New Units

During the year under review, the EHC has ensured that 250 units will come on stream as a result of work completed in the financial year. There has also been an impressive amount of work done to satisfy tenant requirements, particularly with regards to maintenance and the replacing of geysers. The EHC has also replaced floor finishes in 2- and 3-bedroom units that were in appalling condition. Budget was approved to complete 166 units where tiled flooring was installed to replace carpeting that had deteriorated over time. It is efforts such as these, where the EHC has made huge improvements to the lives of its tenants and has raised service delivery standards considerably.

Challenges

The biggest challenge that the EHC has experienced in service delivery, has been the delay of projects' completion times. The Supply Chain process can be lengthy and this has a delaying impact on the completion of projects. It remains a significant challenge but management is working on modifying policies and streamlining the SCM processes in the spirit of efficiency.

There were also some capacity constraints experienced during the year under review. A number of policy modifications were made and this requires the training of staff on how these new systems work and how to apply the policies and processes to improve efficiency. The training of staff in this regard, remains a key priority of EHC management.

1.4 FINANCIAL HEALTH OVERVIEW

The financial sustainability of the entity, in comparison to previous financial years reflects a good future outlook. The collections rate of the entity has improved and the ability to spend money on existing properties has also improved.

The sources of other funding mechanisms such as from the SHRA and grants has also been enhanced. Operational grants received from the EMM has increased during the ~~year~~ financial year, from R3,5 million in 2015/16 to R18,1 million in 2016/17. Furthermore, an additional R28 million RCG grant has been approved from the Social Housing Regulator and R10 million was funded from the EMM towards the Refurbishment of Block E project.

The 2016/17 financial year faced economic challenges with little increase in rental revenue and therefore minimal income was realised through acquisition of new assets. The past year yielded a net operating loss of R 4 416 709. The gross operating income achieved for the year is R 133 545 517 and operating expenses of R64 600 437 were incurred for the year under review. The overall income increased due to the increased grants received during the year, however the gain in income was set off by the increased provision for taxes of R73 361 789, resulting in a net loss for the year.

The projects' pipeline is healthy and projects are being converted, thereby contributing to the ability of the EHC to become a self-sufficient entity. During the year under review, the contribution of key projects includes:

- Clayville Project: 45 - 350 units.
- Driehoek - 400 units.
- Rental transfer stock – 3383 units.

More information on the projects we have completed during the financial year can be found in Chapter3.

Challenges

Financial constraints have been a challenge within the finance portfolio of the entity. Growth projections are looking positive but the challenge remains to obtain additional funding to finance projects.

The entity is currently pursuing three sources for funding:

- Funding from the EMM for strategic projects that contribute to the City's key priorities.
- Funding from the Social Housing Regulator to fund social housing projects.
- Funding from commercial banks through loans. This will require a guarantee agreement from the City which the Board has approved, but is still pending approval from the EMM.

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

The implementation of the Performance Management System has been successfully completed. The system was implemented for senior management and the policy implementation of this appraisal system worked well and bonuses are being awarded based on that.

The job grading exercise that was implemented during the 2016/17 financial year, however, has been particularly challenging for the Human Resources department. Currently in its first phase of implementation, the exercise has presented the following three challenges:

- Lack of understanding of the process by employees;
- Confidentiality of the grading of staff salaries was compromised; and
- The implementation in terms of accurate calculations was a challenge.

The HR department is working on this and is expected to be completed by December 2017.

In the IT department, the migration from the MDA financial system to the Solar System has almost been completed and has been a success so far. Training of staff and the migration of existing data from MDA to Solar is in progress, and once complete, will mark the success completion of the migration.

1.6 AUDITOR GENERAL 2015/2016

The external audit will be completed by 31 November and any changes to the financial statements, will be accordingly effected. The Auditor General will issue the reports on the various sets of financial statements during November for EHC. The audit outcomes will be confirmed in due course as follows:

Germiston Phase II Housing Company t/a EHC to be confirmed

1.7 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan.	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 2016 /2017 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of entities (where relevant)	August
7	Entity submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
8	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
9	The Auditor-General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
10	Entity receive and start to address the Auditor General's comments	November
11	Audited Annual Report is made public	
12	Oversight Committee assesses Annual Report	
13	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

CHAPTER 2 – GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

GOVERNANCE OVERVIEW

The EHC Board regards corporate governance the essential foundation upon which effective operations, legislative compliance and impeccable conduct, openness and transparency are built. The EHC complies with governance in line with the EMM's policies, as well as internal governance policies within the entity. During the previous financial year, the Board of Directors were appointed in July 2015 of which there were nine members. Thereafter, one director resigned and during the year under review the EHC has a total of eight directors on the Board.

There are three portfolio committees who are responsible for various functions of the entity. The three portfolio committees are Audit, Finance and Risk Committee, Remuneration (HR) Committee and Operations Committee. The Audit, Finance and Risk Committee is also responsible for the entity's audits. Internally the Finance and Risk Committee reviews all finance and audit-related reports, after which they are sent to the EMM's Audit Committee for further review.

The entity reports to the MMC of the EMM. Two executives within the entity, namely the CEO and the CFO implement strategy and oversight for the entity and report to the relevant committees within the EMM.

2.1 POLITICAL GOVERNANCE

Oversight committee – made up of parties who govern the city – scrutinise quarterly reports produced by EHC on performance, service delivery targets and developmental matters that the committee attended to with regards to the consolidation of the EHC during the financial year. Relationships between the board and the MMC – delegated by the MMC. MMC sits on the board, HOD for human settlements provides guidance and strategic input into the entity.

2.2 ADMINISTRATIVE GOVERNANCE

The EHC ensures that its processes and practices are regularly reviewed to ensure compliance with legal provisions, the use of funds in an economic, efficient and effective manner and adherence to good corporate governance practices. To this end, the year under review saw a continued effort in the review of our policies to ensure that they remain relevant and in line with best practice. The Board and Management pride themselves on having focused their efforts on ensuring that the organisation functions within processes and a credible governance framework which enable us to deliver on our mandate. These efforts indicate EHC's determination to maintain an ongoing evolutionary process its endeavour to continually advance corporate governance within the organisation. The Board is

committed to ensuring that the solid foundation that has been laid in this regard aids the company in accelerating the delivery against its objectives.

BOARD CHARTER

The Board is constituted and functions in terms of the Board Charter, which includes and outlines matters of ethics, procedure and the conduct of Board members. A review of the Board and sub-committee charters was concluded in 29 October 2015.

GOVERNANCE POLICIES

A declaration of interest policy was instituted by the Board in April 2014 which is aligned to the EMM policy, is reviewed annually and continues to be implemented. Registers of the disclosure and declaration of interests of directors and employees are kept and updated in line with the requirements of the Companies Act. During the period under review, several policies were reviewed and approved by the Board.

BOARD OF DIRECTORS

The Board of Directors comprises 8 members. The overall role of the Board of Directors is to provide strategic guidance of the entity and oversight on governance policies. The composition of the Board as at 1 July 2016, and the roles its members have on the sub-committees are laid out in the table below:

Board member	Capacity	Race	Gender	Board Committee Membership
L. Vutula	Non-Executive	A	M	Board Chairperson
F. Segole	Non-Executive	A	F	Deputy Board Chairperson Member – Finance & Risk Committee, Member – Remuneration Committee
K. Maithufi	Non-Executive	A	M	Chairperson – Finance & Risk Committee
A Makhado	Non-Executive	A	F	Chairperson – Operations Committee
M. Ngobeni	Non-Executive	A	F	Member – Finance & Risk Committee
L. Netshitenzhe	Non-Executive	A	F	Member – Operations Committee Member – Remunerations Committee
Z. Nkamana	Non-Executive	A	M	Chairperson – Remuneration Committee
T. Limako	Non-Executive	A	M	Member – Operations Committee

The term of the current board of directors will end in May 2018. The EMM will be responsible for the appointment of the new Board of Directors in the next financial year.

SUB-COMMITTEES

There are three Board sub-committees including:

- Audit, Finance and Risk Committee;
- Remuneration (HR) Committee; and
- Operations Committee.

Audit, Finance and Risk Committee (FinRisk)

The Finance and Risk Committee is supported by the CFO, and has the right of access to all the information it requires and to consult both internal and external auditors directly. The Risk and Finance Committee receives its mandate and delegated authority directly from the Board of Directors. In terms of this authority, the Audit and Finance Committee must ensure that the Entity remains financially viable, can meet its present and future needs and obligations, and must properly assess risk.

The Remuneration (HR) Committee (RemCo)

The Human Resources Committee deals with staff remuneration, conditions of service, and recruitment of staff. It operates within a framework which balances the mandates of the Board, and the confidentiality of staff conditions of service. The Human Resources Committee operates within general policy laid down by the Board, either as a result of independent Board discussions and decisions, or as a result of referrals by the committee to the Board.

Operations Committee (OpsCom)

The Operations Committee receives its mandate and delegated authority directly from the Board. In terms of this mandate, the Committee has the authority to review housing management, maintenance, tenant relations and marketing and public relations policies and make recommendations to the Board.

The Operations Committee also has the authority to approve and recommend a Development Strategy to the Board, ensuring that it responds to housing needs in the EHC's area of operations. The Technical Committee is also tasked with approving and recommending to the Board an annual development programme, taking into account both subsidised and un-subsidised projects.

BOARD RESOLUTIONS

Minutes of the meetings of the Board of Directors, including resolutions, are circulated to members of the Board for consideration and approval. With the required minimum of four meetings having been achieved during the reporting period, the Board has met to deliberate on company business, including but not limited to, approval of quarterly reports, policies and to review Board and sub-committee charters.

BOARD MINUTES AND PROCESSES

Minutes and appropriate minute books are kept for all meetings of the Board of Directors and its Committees.

REMUNERATION OF DIRECTORS

The table below indicates the remuneration of Board members at 30 June 2016, with emoluments calculated according to sub-committee meetings attended during the year under review.

Name	Designation	No. of Meetings Attended	Amount
L. Vutula	Chairperson	6	R 199 000
F.Segole	Non-Executive Director	13	R 206 000
K. Maithufi	Non-Executive Director	10	R 198 000
L. Netshitenzhe	Non-Executive Director	9	R 190 000
Z. Nkamana	Non-Executive Director	9	R 190 000
A. Makhado	Non-Executive Director	8	R 182 000
M. Ngobeni	Non-Executive Director	8	R 182 000
T. Limako	Non-Executive Director	8	R182 000
TOTAL			R 1 529 000

COMPANY SECRETARY

It is the responsibility of the Company Secretary to provide support for the company's directors, as well as for other officers of the company on issues relating to governance as well as compliance. It is also to make them aware of relevant laws and legislation relevant to and affecting the company, as well as any deviations from any legislation. This function also extends to providing directors individually and collectively, as well as the company as an entity, with guidance as to their responsibilities, duties and powers. The Company secretary is also responsible for risk management and is also a member of EMM risk management structure to provide alignment in approach and application.

The EHC Board regards corporate governance the essential foundation upon which effective operations, legislative compliance and impeccable conduct, openness and transparency are built.

CORPORATE ETHICS AND ORGANISATIONAL INTEGRITY

The company has implemented its Financial Management Policy, Supply Chain Management Policy and Human Resource Management Policy, which provide a framework for the ethical conduct of the company and its employees. To augment this determination, the company has developed a Code of Conduct (The Code) which has been fully endorsed by the Board and applies to all directors and employees. The company is committed to regularly reviewing and updating The Code as necessary to ensure it reflects the highest standards of behaviour and professionalism. It is a requirement for any Director and Executive Management at any meeting of the Board of Directors and its sub-committees to declare and sign a declaration of conflict of interest should any matter being discussed compromise their objectivity. Should such conflicts exist, the director concerned is excused from the proceedings.

INTERNAL AUDIT

Internal audits were carried out by EMM in each quarter of the year under review. Findings on internal controls were dealt with immediately. No issues were reported which in the opinion of the AG, are likely to have a material impact on the presentation of the financial statements.

The final internal audit for the year under review has been instituted and will be completed during the course of the 2017/18 financial year.

FULL ACCREDITATION

The EHC has maintained the accreditation status of Conditional Accreditation. However, the Conditional Accreditation Status will enable the entity to access grant funding for new developments and acquisitions. The EHC is now eligible to apply for Social Housing Investment Programme (SHIP) as advertised by SHRA and will have access to both a Restructuring Capital Grant (RCG) and an Institutional Subsidy. In the new financial year, the EHC has initiated a process to address with the regulator the conditions that require attention in order to improve our accreditation status.

EHC EXECUTIVE MANAGEMENT



MRS ANDANI MAKHADO
OPSCOM CHAIRPERSON



MR ZINGISANI NKAMANA
REMCO CHAIRPERSON



MR KEGO MAITHUFI
PERSON



MR THEMBAL LIMAKO



MRS MBAVHALELO NGOBENI



IZHE



ADV KGABO SEBOLA
COMPANY SECRETARY

2.3 COMPONENT B: INTERGOVERNMENTAL RELATIONS

Gauteng Department of Human Settlements

EHC has created a relationship with The Gauteng Department of Human Settlement. Through this relationship both the Chris Hani and Delville projects received institutional grants. Further, this relationship has now put on the table projects like Clayville ext. 45 and Driehoek Ext 4 for financing.

The relationship with the SHRA continues to gain momentum. Two grants have been approved in the financial year under review .Additional projects have been submitted to the SHRA for consideration while there are many problems that results from the Regulatory and compliance. The relationship remains positive and supported to assisting EHC to become a significant Social Housing Institution.

2.4 COMPONENT C: STAKEHOLDER MANAGEMNET AND PARTICIPATION

DR ARUMUGAM (MORGAN) PILLAY

CHIEF EXECUTIVE OFFICER

MR DUMISANI DLAMINI

CHIEF FINANCIAL OFFICER

The EHC, through its community development department, offers a number of programmes to tenants that address their most

urgent needs, such as employment and education.

The EHC is proud of these initiatives and is committed to conceptualising and implementing programmes that add value to lives of tenants within the complexes that the EHC manages.

Tenant Meetings, Training and Communication

During the year under review, the EHC conducted 4 of tenant training workshops. The purpose of these workshops is to explain the following:

- What it means to rent;
- The content of the Lease Agreement as well as the reasons for having an agreement;
- How much the tenant needs to pay monthly and what the consequences are for not paying;
- What the tenant can expect from the EHC;
- What EHC expects of the tenant; and
- The importance of good tenant-landlord and tenant-tenant relationships.

The workshops offer tremendous value to both the tenant and the EHC. With a better understanding of the rental process and what it entails, the tenant takes cognisance of his/her rights and responsibilities as a tenant and they are more likely to comply with rules and regulations if there is a reasonable explanation for the existence of such. Similarly, the EHC builds credibility and trust with the tenants, which fosters good relationships and the timely collection of rent.

Tenant Programmes

Thusanang Women's Studio

Purpose

It is to invest in women to build a stronger, safer and to create a better living the families. To have women as role models to the community. At the moment tenants are experiencing high unemployment rate, debts and substance abuse due to lack of self-sustainability.

This is the framework of promoting tenant engagement especially women in the working class. It is not only about building stronger communities but also to strengthening community capacity. It is also about the creation and support of strategies and activities that promote financial sustainability for tenants and their families. It promotes and recognizes women's leadership and ensures sufficient representation of women in the community.

Working Methods/Concept

The Women's Studio is seen as a space in an area where women can come together and meet and work on their personal development in their own way. It is for all women from all different cultures and backgrounds. A method of own leadership is most important starting point. Women organise their own activities and they exchange experiences by form of training each other. Experts are invited on occasions when there is a need for special information on a subject e.g. Financial Consultant.

Training for formal skills is the most important goal for Thusanang Women's Studio and will provided for by different stakeholders. The work will be done by the women themselves with little supervision.

Important Values

- Working together
- Independence and self-help
- Diversity
- Improvement
- Respect
- Secularity/non-religious

Activities

1. Clothing Repair
2. Sewing and manufacturing cotton products commissioned by the City or other businesses
3. Sale of clothing new and second hand
4. Home accessories e.g. cushions

5. Creative studio e.g. beats, art
6. Beauty Salon
7. Running the restaurant

2.5 IDP PARTICIPATION AND ALIGNMENT

The EMM, as the governing body for the Ekurhuleni region, uses the IDP to ensure that the operations of the municipality are geared towards meeting the objectives and targets as set out in the IDP. The EHC under the guidance of the EMM, in line with the IDP, develops an annual plan called the Service Delivery Budget Implementation Plan (SDBIP). This SDBIP is a tactical plan that defines the tactics, initiatives and allocation of resources required to meet mutually agreed targets and the overall business objectives and strategies that have been defined during the strategic planning and target-setting process. The SDBIP is primarily an implementation and management tool for the EHC.

As a municipal entity, it is important to locate EHC’s mandate and its strategic goals in the context within which the parent municipality operates. In terms of the MSA, the EMM must meet the constitutional obligation of ensuring that its residents have proper access to sustainable human settlements. To this end the municipality must put together a Sustainable Human Settlements Plan to assist it in the provision of a sound strategic context to the issue of housing demand and supply.

The EMM approved a Human Settlements Development Plan (HSDP) which covers a five-year period from 2015 to 2020. The HSDP is aligned to national, provincial and local strategies and to a large extent and is informed by the following:

- Outcome 8 Delivery Agreement.
- Provincial Sustainable Human Settlements Strategy (SHSS).
- EMM’s GDS, SDF and IDPs.

In compiling the HSDP, the EMM conducted a housing needs assessment in the various functional areas throughout the metropolitan area; and also identified well-located land for housing development purposes. The table below looks at the various layers of strategies and guiding principles (from national/provincial to local levels) that have been taken into consideration in formulating the Social Housing Programme for the EMM and the Strategic Plan for the EHC. The identification of new social housing projects must also be informed by these strategies and guiding principles.

Linkage to National and Provincial Strategies:

National/ Provincial Strategies
BNG: Residents should live in safe and secure environment and have adequate access.

<p>Outcome 8:</p> <p>Sustainable human settlements and improved quality of household life.</p> <p>Sub-output 4 of Outcome 8:</p> <p>Provision of 80,000 well-located affordable rental accommodation by 2020</p>
<p>Gauteng Sustainable Human Settlements Strategy (SHSS)</p> <p>Housing Typology Strategic Lever: Improving housing location, type and choice in Gauteng.</p>
<p>EMM (Local Strategies)</p>
<p>Ekurhuleni GDS</p> <p>Prioritisation of housing infilling and densification.</p> <p>To enhance sustainability the provision of housing needs to be integrated with engineering and social services.</p> <p>The need to create a functioning property market through developing mixed income human settlements.</p> <p>The need to provide a range of alternative housing typologies and tenure options.</p>
<p>Ekurhuleni SDF</p> <p>Promoting economic activity within the core development triangle.</p> <p>Linking disadvantage communities to the core area.</p> <p>Mixed-use, high density development along corridors and at nodes.</p>
<p>Ekurhuleni Densification Strategy</p> <p>The densification strategy seeks to increase densities in the metro in support of a compact city approach. It is envisaged to increase densities along movement lines i.e. railway stations; IRPTN so as to increase accessibility of public transportation to a broader population and increase contribution towards a cost effective and citywide public transport network.</p>
<p>Ekurhuleni Human Settlements Development Plan</p> <p>Relevant Programmes</p> <ul style="list-style-type: none"> • Integrated Residential Development Programme – 5 year target of 100000 units, inclusive of social and rental housing. • Social Housing Programme. • Urban Renewal Programme.
<p>EHC Mandate & Strategy</p>

The EHC must develop institutional capacity to scale-up the delivery and management of social/ rental housing through the following:

- Development of new rental stock on well-located land. New projects must be in the restructuring zones in order to attract national and provincial grants.
- Development of infill projects within the inner cities throughout the metropolis in order to improve densities, maximise use of existing infrastructure, and contribute to urban renewal.
- Manage public rental stock on the behalf of the EMM thereby increasing efficiencies, improving revenue collection, and ensuring that the affordable rental housing market is functional and sustainable.

According to the HSDP the need for social housing in Ekurhuleni is very vast and in terms of the detailed land identification process that the EMM conducted, it is estimated that 37,570 (Restructuring Zone Social and Rental Housing Study – June 2015) Social housing units will be required in the next 5-10 years in the various parts of the Metro. This figure excludes CRU and rental housing opportunities identified within the Integrated Residential Development Programme (IRDP). A study conducted by DEMACON (2015) estimated the demand to be 60,000 units required over the next 10 years. In terms of the HSDP, the EMM has already identified 4 potential mega housing projects with an estimated 4,000 social and rental housing units available in various parts of the Metro. The EHC is working in collaboration with HSD, and has already completed the construction of two projects which are in the Germiston city centre, namely:

- Chris Hani Village (previously known as the Germiston Fire Station Social Housing Project) (Erf 808, Germiston South); and
- Delville Social Housing Project (Erf 948, Delville Ext 9).

Technical studies are also being conducted on:

- Inner city property – Supporting urban renewal programme;
- Driehoek – Supporting rental accommodation; and
- The Mega Projects - HSD priority projects that have a rental component.

The EHC has successfully completed feasibility studies and pre-planning on a number of projects (see Appendix A for details). The EHC is also pursuing partnerships with private developers to acquire additional stock, and this may include various forms of partnerships including Turnkey Development and/or Build Operate Transfer contracts.

COMPONENT D: CORPORATE GOVERNANCE

2.6 RISK MANAGEMENT

Six key strategic risks have been identified and are rated in the table below. These risks are aligned to the company’s strategic objectives, and are regularly assessed and reported on to the Board in line with the EHC’s risk management framework.

Risk No:	Risk:	Impact:	Likelihood:	Inherent:
1	Tenant non-payment	5	2	10
2	Lack of project funding	5	3	15
3	Low operating grant	5	2	10
4	Non-compliance (to regulation on tenants’ income threshold including SHRA)	4	2	8
5	Ineffective eviction process and sub-letting	4	2	8
6	Low maintenance allocation	5	4	20

The terms used in the table can be defined as follows:

- Impact – the negative effect of a risk occurrence on the business of the company, a score of 1 indicating a negligible impact, and 5 a catastrophic impact
- Likelihood - The likelihood or probability of the risk manifesting itself as an occurrence, a score of 1 indicating a remote likelihood of occurrence, and 5 indicating a very real chance
- Inherent risk – the combined rating of impact and likelihood indicates how critical the identified risk is for the business of the company, with those in the higher scoring bands being the ones that should be prioritised by management for attention, and by the board for continuous monitoring

The EHC is also a member of the EMM risk management team and participates in all forums to ensure alignment and application of the risk.

2.7 ANTI-CORRUPTION AND FRAUD

As part of the entity’s risk management strategy, the Risk Committee conducts quarterly reviews of Supply Chain processes to identify any areas of irregularity so that they can be dealt with.

This function of the entity is shared with the EMM and the hotline provided by the EMM also aids in the identification and resolution of any matters of corruption or irregularity. Furthermore, the EHC follows the precepts, practices and processes of the EMM in maintaining vigilance, and acting against corruption.

**2.8 SUPPLY CHAIN MANAGEMENT
2016/17 OVERVIEW OF THE SCM DEPARTMENT**

The 2016/17 the SCM department beef up its staff by recruitment of SCM officer to assist the SCM manager with implementation, monitoring of SCM policy and its related regulations in quest for compliance, timely and effective service delivery

Corporate governance

The year under review also as part of corporate governance, saw EHC review and update about 25 policies cutting across all the business units of EHC.

In ensuring increased awareness in terms of compliance to MFMA, SCM policy, the SCM department organised SCM training for all employees to skill up employees on the issues of procurement processes and the importance thereof to our strategic direction.

Tenders awarded

In response to the requirements of SCM regulations relating to Supplier Database issue, SCM advertise public to invite qualifying suppliers for various services to register in EHC approved database to foster compliance as well efficient and effective operations.

The SCM department experience a number of adverse happening such as breaking into SCM offices for a consecutive three times and reported as such to the SAPS for investment.

Nevertheless a number of tenders were awarded namely

1. Access Control Biometric system to ensure safety of EHC property as well as the tenants
2. Cleaning services tender for three complexes namely, Pharoe Park, Airport 1&2 and Delvile Ext 3&9.
3. Security services and cleaning services for the newly constructed rental stock (Chris Hani and Delville Ext.9)
4. Automation of our security gates
5. Tiling of three bedrooms as part of makeover to attract prospective tenants and reduce vacancy rate. A project that ensure increased revenue collection in the face of financial sustainability
6. Completion of consolidation of EHC companies and liquidation thereof
7. TPN Group to beef up the credit checks and applicants documents and transfer skills internally.
8. Pest Control to treat all complexes of pests and rodents for the safety of tenants.

Comments on AG Report

SCM in response to the AG report on Supply Chain Matters, facilitated SCM training for all employees to ensure compliance with the relevant policy and regulations.

2.9 BY-LAWS

During the period under review, there were no applicable changes to by-laws that impacted the entity.

2.10 WEBSITES

The EHC has a basic, informational website that is managed internally through a service provider. The entity is in the process of further developing the website to offer functionality to tenants, whereby the processing of tenant applications is automated and feedback is processed through the same system.

There are also plans in place to use the website as an advertising platform for stock that becomes available.

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

TENANT SATISFACTION ON SERVICES

In the period under review, there were no tenant satisfaction surveys conducted.

EMM is the shareholder or executive authority of the Entity. Its primary responsibility is oversight of the entity and to ensure accountability to the state and the communities. EHC performs municipal services on behalf of the EMM and form part of the metro's institutional arrangements. The EMM remains legislatively obliged to ensure that municipal services are delivered in accordance with its objectives and legislative mandate. EHC is thus subject to Ekurhuleni's overall strategic and policy direction, while allowing for company boards and management to exercise relative autonomy in the execution of their fiduciary duties and operational responsibilities. Both the EMM and the Board play a critical role in the governance of the entity. The Board of the entity remains accountable to the EMM and are expected to provide quarterly reports to the parent municipality.

The relationship between the EMM and EHC is governed by the regulatory framework and the corporate governance framework for municipal entities. The relationship between the municipality and the municipal entity is formalised through a Service Delivery Agreement (SDA). Developing and implementing detailed service delivery plans are within the framework of the municipality's Integrated Development Plan. The SDA is revised and updated for the entity.

EMM has formally allocated municipal representatives to facilitate communications between the council and the Board of Directors. The municipal representative or representatives attend meetings of the Board of Directors as non-participating observers or observers on behalf of the municipality. The municipal representative or representatives exercise the parent municipality's rights and responsibilities at shareholder meetings.

The independent regulatory office is responsible for regulating, managing and monitoring the entities for maximum shareholder returns, financial performance, and legislative and policy compliance. The office is charged with the following specific responsibilities with regards to the Municipal Entity:

- Monitoring enterprise governance, investment performance and business sustainability;
- Monitoring corporate policies and practices of the Municipal Entities;
- Playing a regulatory role;
- Monitoring compliance with legislation and the municipality's reporting requirements;
- Monitoring service delivery and strategic alignment; and
- Monitoring relationships and communication between the municipalities.

CHAPTER 3 – PERFORMANCE REPORT

3.1 CORPORATE SERVICES DELIVERY PERFORMANCE

The table below outlines the activities with quarterly targets that were undertaken during the financial year:

EHC Metro-Wide Indicators Responsible Department	Planning Statements	Indicators	5 Year Target	Baseline (2015/16)	Annual Target 2016\2017	Actual	Progress on Performance	Reason for Deviation (if applicable)
EHC	Increased access to social housing units	Number of new units constructed, transferred and acquired to accommodate social housing Target market.	3329 units	0	256 units	0	The KPI was removed during the adjustment budget and is sitting with Human settlement.	
EHC	Ensure financial sustainability	Revenue collected as a % of amount billed for the year excluding arrears	93%	93%	93%	94%	The Annual performance target was 1% higher than the target	The positive variance is due to stringent credit control management.

3.2 Property Development Delivery Performance

OVERVIEW

The Property Development Department within the EHC is responsible for the identification of new social housing opportunities that support the Strategic Plan and will expand the EHC's number of units under its management. The department is also responsible for the management of construction of new units as well as refurbishment projects, where the property has been acquired for refurbishment or it has been commissioned to be converted into social housing.

PROJECTS

The department has implemented a number of key projects during the year under review. In partnership with the EMM and the Department of Human Settlements, the EHC has implemented the following social housing projects:

Chris Hani Village:

The Chris Hani Village social housing project (previously named the Germiston Fire Station: ERF 808 project until it was officially renamed to the "Chris Hani Village" by the EMM) is situated in Germiston South, between Linton Jones and President Streets in Germiston. The village is aimed at providing residential rentals to lower to middle income earners.

Phase 1 was implemented during the 2016/17 financial year and as at the end of March 2017, a total of 144 units have been completed. The Property department is currently in the process of placing tenants in these units.

The second phase is currently under construction and is scheduled for completion in December 2017.

Delville Ext. 9:

The Delville Ext. 9 social housing project is situated on Sekel Street in Delville and comprises three- to four-stories with bachelor flats and one- and two-bedroom units.

The project was completed at the end of June 2017 and consists of 112 units. The department is in the process of placing tenants in these units.

Refurbishment of Block E:

Block E is situated on the corner of Jack and Queens Street in Germiston and was identified as a point of civic and historic interest through the urban renewal process in the Germiston Inner City. The property is a heritage building constructed in 1909 and was utilised as a primary school. The building was later converted for use by the South African Police Service as a training facility, but was later rezoned for educational use. The building was transferred to the EHC to be managed and maintained as part of rental stock. This refurbishment project has been labelled as a mayoral priority project in the City.

During the year under review, the refurbishment and conversion of Block E into residential units has been

Successfully concluded, as at the end of June 2017. With 18 units available, the department is currently in the process of placing tenants in the units.

FEASIBILITY STUDIES

During June 2017, the department, in partnership with the Department of Human Settlements, completed six feasibility studies in 90 days in June 2017. The purpose of these feasibility studies was to identify which projects can be taken into the next phase of pre-planning and planning for development. As a result of the study, it was envisioned that two out of five projects can go into the next phase of project planning, depending on budget availability.

Additionally, the EHC conducted an “Expression of Interest” exercise during the year whereby private sector developers were invited to partner with the EHC for joint-property development projects. Those who owned private land were invited to come forward with proposals for projects that would benefit from a joint-partnership. As a result of this exercise, Driehoek and Clayville Ext 45 were approved and are in the process of planning with the EHC and the private developers. These projects are:

- Driehoek Project in Germiston:
The project is currently in a state of readiness for implementation but engagements are currently underway for the consortium to seek financial closure on the project so that development agreements can be signed and the project can officially commence.

CHALLENGES

During the 2016/17 year, there were a number of challenges experienced by the department. Firstly, due to unforeseen circumstances, completion of certain projects was delayed.

Secondly, during the implementation of the Chris Hani Village and Delville projects, compliance with the Social Housing Regulatory Authority (SHRA) was under question. As per the SHAR regulations, the minimum unit size should be 30m² but some units within these two projects were constructed smaller, in an attempt to dissuade tenants from sub-letting in rental stock. Initially the SHRA rejected the application but was later approved by the RCG, and the projects went ahead. The lesson learnt from this was that feasibility studies conducted upfront, will help to brief service providers to ensure compliance with regulations and legal requirements.

Thirdly, the EHC and the EMM identified nine properties to be acquired (seven in the Germiston Inner City and two in Benoni) for social housing. It was later discovered that the rates and taxes on those nine properties were higher than what was initially anticipated and the property owner was not amenable to paying the higher amount. The EHC consulted the EMM for assistance. The potential for the development of these properties is great but this issue has caused a significant delay in the acquisition of these properties. The matter is currently pending intervention from senior officials at the EMM to intervene and assist with a resolution.

Lastly, the department has experienced delays with regards to rental stock transfer from the EMM to the EHC. During the first phase of the transfer process, four properties were identified for transfer but the process was halted when it was discovered that there were queries with regards to rates and taxes on the properties, and in some cases, there were questions of ownership of the properties where some were not owned by the EMM. A deed search also could not accurately confirm who owned the property.

Projects at Feasibility Stage (Medium to Long Term Projects)		
Project Name	Project Stage	Comments
1. Portion 62 Airport Park Ext.2	Feasibility	Feasibility report completed June 2017
2. Lakeside Social Housing Development (Benoni)	Feasibility	Feasibility report completed June 2017
3. Germiston South Erf 96, 95, 99, 1/100, R/100 and 90	Feasibility	Feasibility report completed June 2017
4. Kempton Park Erven R2676 and 1/ 2676	Feasibility	Feasibility report completed June 2017
5. Delville Ext 3	Feasibility	Feasibility report completed June 2017
6. Pirrowville	Feasibility	Feasibility report completed June 2017

The matter is ongoing.

DELVILLE PROJECT (112 UNITS)

Short Term Projects (next 2 years)		
7. Clayville Ext 45	Detailed Design Stage	Engagement process underway to get project to financial closure and subsequent conclusion of Development Agreement.
8. Driehoek	Detailed Design Stage	Subject to mutual agreement at engagement stage
Medium Term Projects (5 to 7 years)		
9. Germiston South - Dinwiddie	Concept Stage	Subject to mutual agreement at engagement stage
10 Germiston Station Intermodal	Detailed Design	Subject to completion of the taxi rank and development of a slab on top of the taxi rank for social housing development. Procurement for implementation 2018/19



CHRIS HANI VILLAGE (144 UNITS)

BLOCK E UNITS (REFERBISHMENTS)



CHRIS HANI & DELVILLE INTERIOR



3.3 Community Development Delivery Performance

OVERVIEW

The Community Development department's purpose is to implement and manage the EHC's community development strategies, policies and plans to support the development of sustainable communities and enhanced quality of life for all EHC tenants and surrounding communities. This mandate is accomplished through:

- Community development initiatives that create a relationship between the EHC and its tenants;
- Planning and managing specific community development engagement; and
- Empowerment programmes including the education of tenants as to their responsibility with regard to the effective running of their complexes.

It is for these reasons that the EHC seeks to develop programmes to enhance relationships and quality of living for our tenants. During the year under review, the department performed well against this KPI.

PROGRAMMES

During the 2016/17 financial year, the Community Development department implemented the following programmes:

Training of new and existing tenants:

During the year under review, the EHC conducted Moloko ro confirm – sent an email to Moloko of tenant training workshops for new and existing tenants. The purpose of these workshops is to explain the following:

- What it means to rent;
- The content of the Lease Agreement as well as the reasons for having an agreement;
- How much the tenant needs to pay monthly and what the consequences are for not paying;
- What the tenant can expect from the EHC;
- What EHC expects of the tenant; and
- The importance of good tenant-landlord and tenant-tenant relationships.

The workshops offer tremendous value to both the tenant and the EHC. With a better understanding of the rental process and what it entails, the tenant takes cognisance of his/her rights and responsibilities as a tenant and they are more likely to comply with rules and regulations if there is a reasonable explanation for the existence of such. Similarly, the EHC builds credibility and trust with the tenants, which fosters good relationships and the timely collection of rent.

List of programmes

- Thusanang Women’s Studio
- Tenants Training

Thusanang Women’s Studio:

In line with EHC’s commitment to improving the lives of tenants’, the creation of the Thusanang Women’s Studio was approved, and the initial implementation of this project is underway. This project involves the establishment of a business for unemployed women living in the complexes that EHC manages. The business offers sewing, cooking, knitting and clothing repair for the tenants in the complex.

This project was conceptualised following an opportunity for staff of EHC to visit the Netherlands in order to learn from the projects the Netherlands currently implement to help curb unemployment within communities. Management of EHC were exposed to their business plans, ideas and experience and were able to bring the concept back to South Africa to implement locally.

Initially, three complexes were consulted and over 60 women registered to be involved in the project.

To date, the Thusanang Women’s Studio has been registered as a (Pty) Limited company and it currently employs 10 women. The EHC management have allocated a shop for the women to cook food in, with utilities being provided for by EHC. The business is also in the process of obtaining a Health Certificate from the Directorate, and is setting up various skills development and training interventions for the women. The Studio is expected to be fully up and running during the second quarter of the 2017/18 financial year.

There is potential for this business to expand its service offering in the complexes, by offering crèche and child care facilities. The EHC is very proud to be involved with this project and looks forward to its continued success in future.

CHALLENGES

Despite the success of these programmes, the department experienced some challenges during the year under review. Firstly, budget constraints greatly hamper the progress and implementation of projects. There is a need for sponsors to come on board to supply materials and equipment as needed in order for the projects to be a success. The department is currently engaging with local businesses to assist with this. Furthermore, the department has approach the EMM for additional assistance.

Secondly, there is lack of internal support for these programmes due to the costs involved with implementing these programmes and the lack of contribution of these projects to the entity’s profitability. Management is currently working on developing strategic projects that support the bottom line, while also giving back to the community.

3.4 Property Management Delivery Performance

OVERVIEW

The property management department covers facilities management and tenant services, which include:

- Administration of waiting lists;
- Allocation of tenants;
- Lease administration;
- Tenant training;
- Repairs and maintenance;
- Cleaning and gardening;
- Safety and security; and
- General upkeep of communal areas.

Vacancy and Occupations Report

The report represents consolidated vacancy and occupation rates for the financial year 2016/17, it includes all complexes based on 941 units under management.

Table A:

VACANCY AND OCCUPATION PERFORMANCE

Performance Indicators on Quarterly basis for 2016/17	Q1	Q2	Q3	Q4	Actual	Target	Total
Occupation rate	96.73%	96.11%	96.27%	96.86%	96.49%	95%	100%
Vacancy rate	3.27%	3.89%	3.73%	3.14%	3.51%	5%	

The total and overall performance for EHC Occupation 96.49% and Vacancy 3.51% we have far exceeded our target of 95% over by 1% which is good achievement compare to the previous performance of 95%.

The occupancy rate for Pharoee Park based on the above tables as illustrated is 88.2% and vacancy 11.8 this includes the total gross lettable area but if you excluded Block E block which was under construction, Retail shops and EHC offices account for 413 units' total net, it does reflect 97% overall performance for Pharoee Park which leaves vacancy to only 3%.

The occupancy rate of 95. % for both Delville and Airport Park was achieved over the past 12 months of the financial year end of 2017 vacancy closing at 5% this is in line EHC target.

The total and overall performance for EHC Occupation 97% and Vacancy 3% we have exceeded our target of 95% over by 2% which is remarkable achievements as compare to the performance of the previous year.

COLLECTION RATE

The Collection Rate for 16/17 financial year is 94%. The quarterly collection target is 93%, meaning that the target for the 4th quarter was under achieved by 1%. The collection rate is not achieved.

The debtors book has increased by 7% from September 2016 (R11 448 777) to December 2016 (R 12 251 980). This is mainly due to tenants who have vacated the units either by termination of lease or eviction, while they were in arrears. Although they are being handed over to external collectors, the payments received from this process are minimal. This has been costly to entity and the costs of handing over the debt are not being fully recovered.

Eviction processes also take longer, while the defaulting tenants continue to be billed until the court order to evict has been issued. This has a negative effect on the collection rate and the debtor's book balances. Access control is being implemented and will be used as a tool for collection and to minimise subletting.

PLANNED MAINTENANCE

Our planned maintenance amounted to R18 million for the year. Due to the condition of aging stock (some of which are almost 20 years old and badly maintained), it has been a necessity to replace geysers,

Strategic Objective	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Q1	Q2	Q3	Q4
---------------------	----------------------------	---------------------------------	----	----	----	----

replace damaged carpets and replace tiling, to name a few. The need has arisen to seek further investment from the EMM in order to fund the maintenance of aging stock. This is currently being negotiated with the EMM (please confirm this statement).

CLEANING AND GARDENING

A new cleaning and gardening service provider has been appointed on a 24-month contract.

SECURITY AND SAFETY

The safety and security of our tenants is of the highest priority. During the 2016/17 year, the department implemented a security access control system within the complexes it manages. This system aims to heighten the security of complexes and the tenants who reside in them by providing identification of the person attempting to gain access into the complex. This also assists with the elimination of illegal tenants in cases of non-permitted sub-letting of units, through the control of access to the complex.

Furthermore, a new security company (Bophani Security Services) has been appointed for the duration of 24 months.

CHALLENGES

The department has experienced some challenges in fulfilling its duties during the year under review. These include a number of tenants who are not complying with the new security access control system and who are attempting to bypass the system. We are monitoring the system on regular basis.

In addition, the number of full time contractors/service providers has decreased from 22 to 6 during 2016/17, due to budget constraints. This has put significant strain on the department to fulfil its responsibilities.

The EHC has also introduced fixed, 12-month rental lease agreements which have posed a challenge. In order for the EHC to remain compliant with the Regulatory. The EHC must now be a fixed 12-month contract that is renewable annually. Previously, the lease agreements ran month-to-month. The migration to the fixed-leases agreements is estimated to take 3 years.

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

1. Portfolio Expansion & Growth	Effective planning, development and or acquisition of green fields, brownfields and council stock	1. Acquisition of Inner city Buildings in EMM	Present the portfolio for acquisition to the board for approval	Report progress on selected portfolio	Conduct due diligence on the selected portfolio	Present the offer to purchase for approval
		2. Acquire public rental units from the EMM	Present the first phase of the transfer stock 79 units to EDC	Present the plan of action and activities for the transfer of stock	Implement the plan	Receive units from EMM
		3. Develop one Greenfields project <ul style="list-style-type: none"> a. Fire station Ph2 (209) b. Driehoek (398) 	Call for express of interest on the EDC land as identified	Evaluate and adjudication processes	Submit to board for approval and recommendations	Implement boards recommendation s and approval.
2. Develop a Self - Sustainable Business Model	Mobilize funding from shareholder and government sources to finance portfolio development and restructuring of the Company	Develop guarantee proposal for council approval		Develop guarantee proposal		Submit to council for approval.
			Develop proposal to EMM on cost recovery	Implement cost recovery agreement	Develop revenue stream from council rental stock transferred to EDC	
		Complete consolidation of 4 companies				Complete financial and legal consolidation
3. Maintain and improve revenue collections	Effective financial management and reporting	Maintain low vacancy rates (Average at 85%)	5%	5%	5%	5%
		Increase collection rate of billed rental	93%	93%	93%	93%
		Reduce the debtors book (currently at R6m)	5%	5%	5%	5%
		Eviction of rent defaulters with high arrears	5%	5%	5%	5%
Strategic Objective	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Q1	Q2	Q3	Q4
		Effective implementation of maintenance plan	Present the maintenance plan for approval	20% Implementation	Implement of 30% of planned Maintenance	Implement of 50% of planned Maintenance
		Log and resolve tenant problems (MDA)	Commence use of system to log and resolve.	monitor and evaluate through case reports analyses on monthly basis	monitor and evaluate through case reports analyses on monthly basis	monitor and evaluate through case reports analyses on monthly basis
		Review business process	5 days on routine maintenance 24 hours on emergency	5 days on routine maintenance 24 hours on emergency	5 days on routine maintenance 24 hours on emergency	5 days on routine maintenance 24 hours on emergency
	Effective community	Maintain tenant communication forums	Implement 1 Committee Meeting per quarter	Implement 1 Committee Meeting per quarter	Implement 1 Committee Meeting per quarter	Implement 1 Committee Meeting per quarter

	development	Development community development programmes		2 proposals submitted to Board for approval		1 Proposal implemented
4. Build Institutional Capacity	Effective management of human capital	Implement revised organizational structure (property management changes)	Conduct staff consultations	Advertise	Appoint key staff	Fully staffed structure that is effective operational
		Implementation of Performance Management system linked to a fair rewards system	On-going performance Appraisals/ Reports	Ascertain union members participation on reward scheme	Sign contracts with new entrants	Implementation of the system
		Number of training and development of funded for staff.	2	2	2	2
	Achievement of Corporate Governance Standards & Risk Management	Compliance with corporate governance protocols	Minimum of 4 Board Minutes per Annum	Update Risk Registers once per Annum	Update SHRA reports per quarter	Update Directors information annually
	Design of policies to support organization growth and development	Review policies and redesign operational and support processes	Update 2 Polices	Update 2 Polices	Update 2 Polices	Update 2 Polices.

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

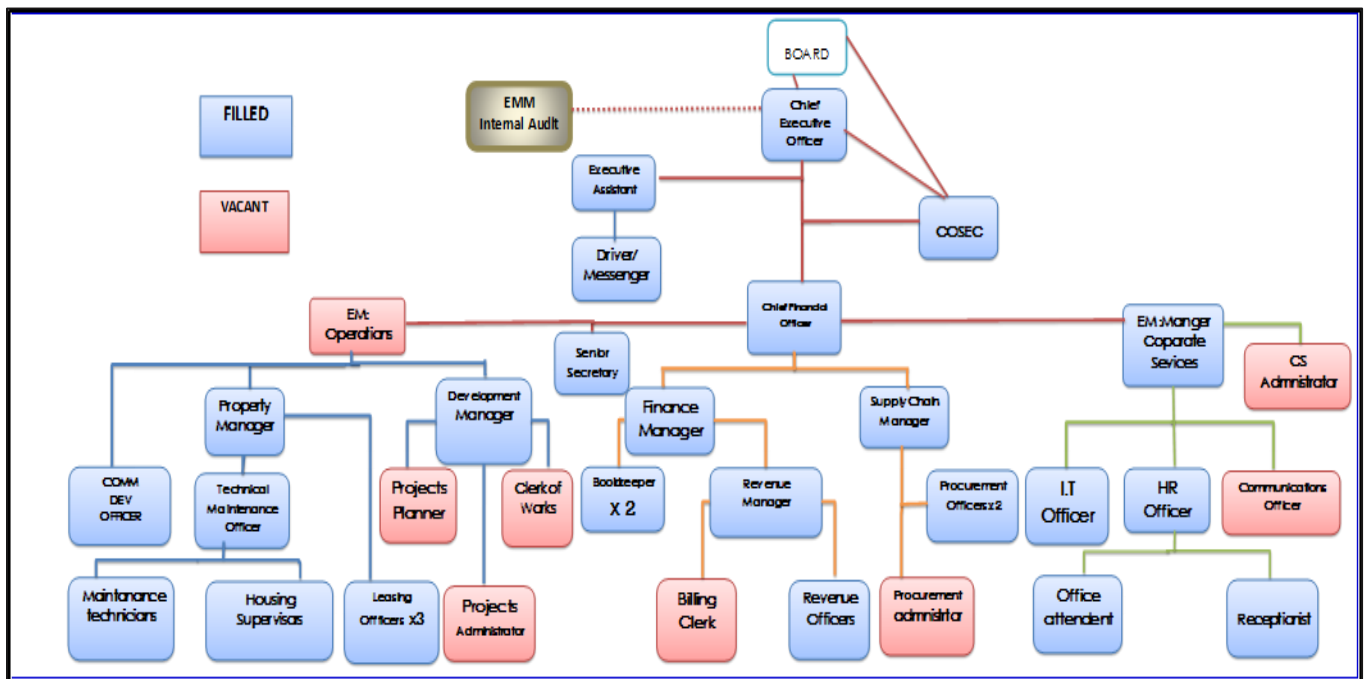
OVERVIEW OF CORPORATE SERVICES

The function of Corporate Services is to house the two main operational functions of the entity, namely Human Resources and ICT.

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

The Human Resources department has performed well during the year under review, with some challenges faced with regards to capacitating key departments within the entity. The operations division was considerably under-skilled and as a result, underwent a structure review and two Building Maintenance Technicians were recruited.

The entity currently has a total of 32 employees working within the organisation. The organisation's organogram is as follows:



During the year under review, the entity had 3 vacancies that were filled, as per the table below:

Number of Vacancies Available:	Department:	Vacancy:	Method Used to Fill Vacancy:
1	Operations	Executive Manager: Corporate Support	External recruitment agency was appointed to fill this vacancy.
2	Property Management	Maintenance Technician	Filled in-house through direct applications to the EHC HR department.

The turnover rate of the entity is not noticeably high and we are proud to have a high staff retention rate. Should this change in future, we have a succession plan ready for implementation should the need arise. This policy involves the mapping of career pathways for employees in order to further their own careers within the entity, with the potential for promotion. There is a good company culture within the entity and this ensures the turnover rate remains low.

The employment equity of the entity remains balanced. The details of our employment equity status can be found in the table below:

Key: A = African, C = Coloured, I = Indian, W = White, F = Female, M = Male, Y = Yes, N = No.

#	Name	Department	Race				Gender		Disability
			A	C	I	W	F	M	Y/N?
Executive Management									
1	CEO	CEO's Office			■			■	N
2	CFO	Finance	■					■	N
3.	Executive Manager Corporate Support	Corporate Support	■					■	N
	Sub-Total		2	0	1	0	0	3	0
Senior Management									
4	Company Secretary	CEO'S Office	■					■	N
5	Supply Chain Manager	Supply Chain	■					■	N
6	Property Manager	Operations	■					■	N

7	Development Manager	Operations	■				■		N
8	Finance Manager	Finance	■					■	N
9	Credit Control Manager	Finance	■					■	N
	Sub-Total		6	0	0	0	1	5	0
Middle Management									
10	HR Officer	Corporate Support	■				■		N
11	Letting Officer	Property Management	■				■		N
12	Executive Assistant	CEO's Office	■				■		N
13	Community Development Officer	Community Development	■				■		N
14	Letting Officer	Property Management	■				■		N
15	Letting Officer	Property Management	■				■		N
	Sub-Total		5	0	0	0	5	0	0
Skilled									
16	Revenue Officer	Finance	■				■		N
17	Housing Supervisor	Property Management		■			■		N
18	Revenue Officer	Finance	■					■	N
19	Bookkeeper	Finance	■					■	N
20	Receptionist	Corporate Support		■			■		N
21	ICT Officer	Corporate Support	■					■	N
22	Technical	Property		■				■	N

	Maintenance Officer	Management							
23	Housing Supervisor	Property Management	■				■		N
24	Housing Supervisor	Property Management	■				■		N
25	Supply Chain Officer	Finance	■				■		N
26	Supply Chain Officer	Finance	■				■		
27	Bookkeeper	Finance	■					■	N
28	Secretary	Finance	■				■		N
	Sub-Total		10	3	0	0	8	5	0
Semi-skilled									
29	Office Attendant	Corporate Support	■				■		N
30	Driver/Messenger	CEO's Office	■					■	N
31	Building Caretaker	Property Management	■					■	N
32	Building Caretaker	Property Management	■					■	N
	Sub-Total		4	0	0	0	1	3	0
	Total		25	4	1	0	15	15	0

4.2 POLICIES

The following policies were updated during the year under review

EDC Policy Review 2016		
Name of Policy	Department	Date of Last Review
Acting Allowance	HR	2016
Attendance Register	HR	2016
Grading	HR	2016
Induction	HR	2016
Leave Administration	HR	2016
Office Etiquette	HR	2016
Promotion and Succession	HR	2016
Recruitment and Selection	HR	2016
Cell phone Wireless Data Device	HR/ICT	2016
Information and Communication Technology	HR/ICT	2016
Remuneration	HR	2016
Bad Debts Write Off	Finance	2016
Cash Management	Finance	2016
Petty Cash	Finance	2016
Bursary Policy	Hr	2016
Leadership Development	Hr	2016
Memorial service and attending funeral	Hr	2016
Working hours policy	Hr	2016
Revenue Management policy	Finance	2016
Telephone policy	Hr	2016
Travel allowance	Hr	2016

4.3 INJURIES, SICKNESS AND SUSPENSIONS

During the year under review.

Hector Shange was boarded due his illness and his salary is paid by the insurance company.

There was one suspension during the period, which is under investigation and subject to the CCMA outcome.

As mentioned in the updated policies section above, the leave policy was reviewed and this included reviewed guidelines for sick leave. Generally, there is a low level of absenteeism due to sickness.

4.4 PERFORMANCE REWARDS

A Performance Management System was implemented during the year under review. This has been implemented in phases, with Senior Management being tested on the system first, before rolling it out entity-wide. The initial implementation was a success and bonuses are being paid based on the actual performance of Senior Management.

Final performance Scores	Bonus Payment	EDC Recommended
90% to 100%	14% of Annual Salary	Maximum of 9%
80% to 89%	12% of Annual Salary	
70% to 79%	8% of Annual Salary	
60% to 69%	5% of annual salary	
Below 50%	0% Bonus	

Staff	Rating	Performance Comments
Chief Financial Officer		
Manager Finance		
Manager Property Management		
Manager Property Development		
Manager Supply Chain		
Company Secretary		

COMPONENT C: CAPACITATING THE ENTITY WORKFORCE

4.5 SKILLS DEVELOPMENT AND TRAINING

Training has been streamlined to fall more in-line with the departments' skills needs within the entity. The following bursaries and skills programmes were approved during the 2016/17 financial year:

Bursaries

Year to date, actual expenditure relating to Bursaries (including study material) amounted to 339 394 in 2015/16 and to R211, 821 in the 2016/17 financial year.

#	Name	Department	Institution	Qualification	Duration	Year of Study
1	Supply Chain Manager	Finance	WITS	MBA	2yrs	2nd

2	Executive Assistant	CEO's Office	Damelin	Public Relations	2yrs	2nd
3	HR Officer	Human Resources	UNISA	B Comm. Industrial Psychology	3 years	1 st
4	Bookkeeper	Finance	UNISA	B Comm. Financial Accounting	3 years	3rd
5	Finance Manager	Finance	UNISA	B Compt. Management Accounting	3 years	2nd

Skills Programmes (Short Courses and Training)

Year to date, actual expenditure relating to Training amounted to R 0 in 2015/16 and to R 172,728.00 in the 2016/17 financial year.

2016/17

#	Name	Department	Institution	Programme
1	ICT Officer	ICT	Ethics and Governance Authority of South Africa	Certified Information Auditor (CISA)
2	SCM and Finance Staff	SCM and Finance Staff	Smart Link Consultancy	Acquisition Management and Tender Processing
3	Bookkeeper	Finance	W Professional Learning Pty (Ltd)	Independent review (Financial Statements)
4	Technical Maintenance Officer	Property Management	Alusani Skills and Training Network	People Management
5	Technical Maintenance Officer	Property Management	Alusani Skills and Training Network	Maintenance Planning
6	Property Manger	Property Management	WITS	Property Management programme
7	Secretary	Finance	SAGE SA.	Payroll
8	HR Officer	Human Resources	Payroll Education Pty (Ltd)	Payroll Management
9	Community Development Officer	Community Development	Wits Business School	New Managers Programme

4.6 COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD – Actual
Total Salary Cost	R 3781	R 4459	R 4637	R 3795	R 16672
Actual	R 17653	R 17653	R 17653	17653	R 17653
% of Salary	21%	25%	26%	21%	94%

Percentage of Salary to total Opex

GRADING

The Job Grading was implemented in two phases, one in February 2017 and the balance in July 2107. While there was an overall improvement in the salary scales and all staff enjoyed this benefit the process of implementation and consultations with staff could have been handled better. In future year this will receive attention and more attention will be paid on the correct calculation of amounts and verification before implementation.

ICT

ICT forms the second component of the Corporate Services Department.

During the year under review, the ICT (IT) department implemented the Solar System (Solar) provided by EMM to assist with compliance with mSCOA. The entity was previously making use of another financial system (called MDA), which has hampered the entity's progress in terms of compliance with National Treasury regulations.

Solar is a complete IT solution product that is Windows based, and addresses the needs of the entity, including financial management, HR functions (including payroll management), engineering requirements and document storing and management. The implementation of Solar within the entity has been smooth and is currently at 90% of completion. The final 10% of the implementation includes training staff on the use of Solar, as well as migrating existing data from the previous system to Solar. The system is currently live and is proving to be successful, with finance reporting being automatically sent to the EMM, thereby improving efficiency within the finance department. The completion of this implementation is expected to be finalised during the 2017/18 financial year.

The IT department currently supports five remote offices that are utilised by the Housing Supervisors within the complexes. The Housing Supervisors use their own telephone and internet lines which is producing an unnecessary expense to the entity. The IT department plans to join these remote offices to the entity's network where they will be able to make use of the VOIP system on the network, thereby relieving the cost of telephone calls. This is due to be implemented in 2017/18 financial year, with an expected completion of 30 June 2018.

The IT department is also responsible for data backups using software called Cibecs, which presents a challenge in terms of the integrity of data backups when users are away from or do not have access to the internal network. The IT department plans to migrate to a hybrid backup solution that ensures backups occur outside of the network, provided there is an internet connection. This is due to be implemented in 2017/18 financial year, with an expected completion of 30 June 2018.

The server room is also currently at risk since there are no systems in place to detect flooding or fire. The IT department is working on an SMS-based system to notify responsible parties if the system detects changes in temperature or water in the server. This will ensure the safety and security of the server room itself, the server it houses and the data stored on the servers. This is due to be implemented in 2017/18 financial year, with an expected completion of 30 June 2018.

CHAPTER 5 – FINANCIAL PERFORMANCE

5.1 COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

ACCOUNT DESCRIPTION	2017 (R) EHC Consolidated	2016 (R) Group Total
Income		
Rental of facilities	28,222,722	27,250,232
Retail rental	54,799	-
Transfers recognised	99,358,484	40,815,312
Recoveries	4,034,127	4283928
Interest earned - external	1,057,342	1,577,766
Interest earned - out standing debtors	465,680	331,608
Internal charges	-	20,839,000
Other revenue	352,363	1,757,669
Gross income	133,545,517	96,855,515
Expenses		
Employee related cost	(19,311,334)	(12,917,032)
Remuneration of Directors	(1,529,000)	(1,200,000)
Debt impairment	(2,872,457)	(4,617,131)
Impairment of loan	(4,907,393)	-
Depreciation & asset	(2,160,278)	(1,196,727)
Finance Charges	(5,200,957)	(85,888)
Lease rentals	(403,140)	-
Municipal charges	(6,120,682)	(6,427,514)
Repairs & Maintenance	(6,741,089)	(5,925,020)
Internal charges	-	(23,756,460)
Loss on disposal of assets	(30,213)	-
Other expenditure	(15,323,894)	(15,247,247)
Gross Expenses	(64,600,437)	(71,399,970)
Surplus before taxation	68,945,080	25,455,545
Taxation	(73,361,789)	12,759,015
Net (Loss) / Profit after tax	(4,416,709)	38,214,560

ABRIDGED BALANCE SHEET AS AT 30 JUNE 2017

Figures in Rand	2017 (R) EHC Consolidated	2016 (R) Group Total
ASSETS		
Current Assets	24,101,646	38,127,646
Non-current Assets	134,359,883	76,246,759
Total Assets	158,461,529	114,374,405
LIABILITIES		
Current Liabilities	31,358,682	13,241,656
Non-current Liabilities	31,269,194	-
Unspent conditional grant	12,683,355	7,248,863
Total Liabilities	75,311,231	20,490,519
EQUITY		
Contributions from shareholders	100	300
Accumulated surplus	83,150,198	93,883,586
Total Net Assets	83,150,298	93,883,886

GERMISTON PHASE II HOUSING COMPANY (SOC) LTD

As of 30 June 30 2017, the consolidated entity of Phase II, when compared to the group consolidated figures of 2016, had an accumulated surplus of R83,2 million (2016: R93,9 million) and the entity's total assets exceeded its liabilities by R83,2 million (2016: R93,9 million).

The revenues for the year amounted to R134 million (2016: R96,8 million) against expenditure of R64,6 million (2016: R71,4 million) thus creating a loss of R4,4 million (2016: R38,2 million). The increase in revenue mainly arises from R99,4 million grants received mainly from Ekurhuleni Metropolitan Municipality which included the non-cash grant of R78,2 million for the Chris Hani buildings. Other increases comparative to previous years are mainly due to the consolidation of the entities, as well as the rental income received from Chris Hani which commenced in May 2017. Revenue gains were set off by the R4,9 million impairment of the LHI loan as well as the taxes payable to SARS due to changes in legislation whereby all grants, whether capital or not, are now taxed (excluding only a few exceptions); as well as the SARS refund of 2016 taxes which brought about the reversal of the deferred tax asset,

with all these circumstances giving rise to the current deferred tax liability of R31million. Municipal services expenses amounted to R6,1 million (2016: R6,4 million).

Included in the group total as previously reported in the Annual Report for 2016, is Germiston Phase II Housing Company, Pharoe Park Housing Company, Ekurhuleni Development Company and Lethabong Housing Institute. The consolidation of Germiston Phase II Housing Company, Pharoe Park Company and Ekurhuleni Development Company has been completed, and subsequently Pharoe Park, Ekurhuleni Development Company and Lethabong Housing Institute have been liquidated as per the EMM Council Resolution.

5.2 GRANTS

RECONCILIATION OF GRANTS RECEIVED

	NHF	EMM	SHRA	TOTAL
Operational Grants	2,977,157	9,349,365	-	12,326,522
Capital Grants – Human Settlements	-	8,798,070	-	8,798,070
Capital Grants in kind (buildings)	-	78,233,893	-	78,233,893
Recognised in Income Statement	2,977,157	96,381,328	-	99,358,485
Capital Restructuring Grant (Capitalised in Balance Sheet)	-	-	8,462,470	8,462,470
Total Grants Recognized during year	2,977,157	96,381,328	8,462,470	107,820,955

Unconditional grants:

EMM Operational grants are necessary due to the subsidized rentals of the social housing units and utilized in repairs and maintenance and other operational items. During the year the company also utilised some of the NHF grant in social housing operations.

The capital grants from Human Settlements were mainly utilised in the Block E refurbishment project.

The grant in kind was the Chris Hani building granted to EHC for social housing purposes.

Conditional grant:

The Capital Restructuring Grant is received from SHRA as a conditional grant to be used in the Chris Hani project.

5.3 ASSET MANAGEMENT

Introduction to asset management:

The entity acquired 1 significant asset during the year which has been put into use during April 2017.

Treatment of the largest assets acquired during 2017:	
Name	Chris Hani building
Description	Phase I comprising of 144 units of a 2 Phase project, to supply a total of 344 units for the project.
Asset type	Investment property comprising residential bachelor, 1- and 2 bedroomed flats.
Key staff involved	Property development manager, Property manager
Asset value	R78 million
Capital implications	The building was received as a grant from EMM. The building will be depreciated over 50 years.
Future purpose of asset	Social Rental Housing units
Key issues	Repairs and maintenance, security.
Policies in place to manage asset	Planned maintenance targets have been set to ensure that routine maintenance takes place. This will ensure that the asset's useful life will be preserved and met. Security guards have been placed to ensure physical safety measures. All health and occupational certificates are in place.

Repairs and Maintenance Expenditure – 2017				
R'000				
	Original budget	Adjustment budget	Actual	Budget Variance
Repairs and maintenance expenditure	4,208,000	9,208,000	6,741,089	(27%)

The budget was underspent due to the majority budget only becoming available in April 2017 which left only 3 months to year end to utilise the budget. However, for the tiling project 6 contractors were appointed by deviation from the normal SCM processes to ensure timely utilization of the budget before the end of the financial year. The project for replacement of geysers could not be implemented due time constraints.

5.4 Ratio Based on Key Performance Indicator

The EHC is evaluated against two Key Performance Indicators: revenue collection and increased access to social housing.

During the period under review, the EHC achieved a 93% collection rate which has decreased from 94% in the 2015/16 financial year.

The rental collection rate on billed accounts for the year was at an average of 93% and the occupancy rate was 97%. The Board took a resolution to write off all debt older than two (2) years in line with approved Debtors Management policy. Again the write off recommended was after examination of these debts and ascertained as irrecoverable in order to maintain a clean debtors book.

Other ratios are discussed in the table below:

Ratio	Ratio result	Management Comment
Liquidity ratio	0,77	Sufficient
Cost Coverage	1,79	Current cash balances (excluding grants) are sufficient to cover 1,79 month's operating expenses.
Total Outstanding service debtors	N/A	EHC does not have any service debtors.
Debt Coverage	4.26	The number of times debt can be accommodated within operating revenue is sufficient.
Creditors system efficiency	17%	The company's policy is to pay creditors within 30 days and strict application of the MFMA holds to this regard. The low ratio of creditors to expenses to expenses is proof that management is keeping creditors balances to the minimum.
Capital charges to operating expenditure	N/A	
Employee Costs	61%	The low employee costs ratio to operational revenues shows employee costs management's efforts to keep employee costs balanced between performance

		and cost effectiveness.
Repairs and maintenance	24%	Management's commitment to maintaining of municipal assets is evident from the level of repairs and maintenance expenditure compared to total operational expenses.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.5 CAPITAL EXPENDITURE

Figures in Rand	PHII (cash related)	PHII (non-cash related)	TOTAL	ORIGINAL BUDGET	% SPENT
Computer equipment	517,400	-	517,400	30,000	1,625%
Furniture and fittings	238,020	-	238,020	100,000	138%
Office equipment	55,938	-	55,938	-	100%
Other PPE	1,099,245	-	1,099,245	-	100%
Intangible assets	259,612	-	259,612	-	100%
Investment property	6,207,181	78,233,893	84,441,074	-	100%
TOTAL	8,377,396	78,233,893	86,611,289	130,000	6,344%

Capital expenditure exceeded the original budget mainly due to the fact that most funding was received during the adjustment budget.

Major capital expenditure items mainly relate to Block E amounting to R6,207,181 which was spent on Block E for the refurbishment project and capitalised in the Balance Sheet. Included in other PPE is the capitalization of mainly new access control systems.

The Chris Hani building included in Fixed Asset additions was received from EMM as a non-cash flow grant.

5.6 SOURCES OF FINANCE

EHC generates revenues from rentals of residential units to tenants, while other sources are funding from the EMM and SHRA.

There was no debt funding at the end of the financial year.

5.7 CAPITAL SPENDING ON LARGEST PROJECTS

The capital budget spent on the largest project was Block E amounting to R6,207,181.

The construction of Germiston Fire Station and Delville were both fully funded by the EMM.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.8 – 5.9 CASH FLOW MANAGEMENT AND INVESTMENTS

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017		
Figures in Rand	2017 (R) EHC Consolidated	2016 (R) Group Total
Cash flows from operating activities		
Receipts	56,198,092	90,007,192
Payments	(46,192,345)	(79,669,298)
Net cash flows from operating activities	10,005,747	10,337,894
Cash flows from investing activities	(9,334,737)	(12,091,957)
Cash flows from financing activities	770,496	(7,974,834)
Net increase/(decrease) in cash and cash equivalents	1,441,506	(9,728,897)
Cash and cash equivalents at the beginning of the year	19,027,246	29,074,135
Cash and cash equivalents at the end of the year	20,468,752	19,345,238

The company achieved a positive cash flow of R1,4 million for the year due to mainly due to the grants received.

5.10 BORROWING AND INVESTMENTS

EHC had no external borrowings for the year.

The company keeps all surplus cash in call deposit accounts.

5.11 PUBLIC PRIVATE PARTNERSHIPS

N/A

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

EHC policies and procedures were reviewed in the year under review and the process is ongoing as there are policies that did not exist and need to be created.

5.13 GRAP COMPLIANCE

EHC has complied with accounting standards, laws and regulations with one exception relating to income threshold bands that were approved by the Minister of Human Settlement from R3,500 to R5,500 for primary market; and R5,501 to R15,000 for the secondary market respectively. This approval has deemed the EHC compliant with GRAP regulations.

CHAPTER 6 – AUDITOR-GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS Year -1

6.1 AUDITOR GENERAL REPORTS Year -1 (Previous year)

6.1 Report on Financial Performance	
Non- Compliance Issues	Remedial Action
Budget not allocated to performance objectives No evidence of approval by the board of directors of the adjustments made to the measurable performance objectives included in the SDBIP	The KPI has been moved to Human Settlement where budget is sitting The adjustments budget was ratified by Board on the 26 June 2017

COMPONENT B: AUDITOR-GENERAL OPINION YEAR 0 (CURRENT YEAR)

6.2 AUDITOR GENERAL REPORT YEAR

SUMMARY OF ISSUES RAISED BY THE AUDITOR GENERAL (AG) IN 2016/2017

Management has responded to all issues raised by the Auditor General and these findings are classified in line with Operation Clean Audit requirements as follows:

Municipal Entity	Total items	Good – going as planned	Okay – manageable issues	Bad – unmanageable issues	FINALISED
Germiston Phase II Housing Company	22	0	12	0	10

AUDITOR GENERAL 2016/2017

The external audit was completed by 30 November and any changes to the financial statements, were accordingly effected. The Auditor General has issued his reports on the various sets of financial statements during November. The audit outcomes were as follows:

Germiston Phase II Housing Company – (P2) t/a EHC:

Unqualified Opinion

COMPARISON OF THE AG REPORT OF 2016/2017 WITH THE REPORT OF 2015/2016

In evaluating the audit report for the year, it is important to reflect on the audit report of the previous financial year to determine whether there is an improvement or regression in the financial and performance management practices in the EDC Group.

The table below compares the Management Letter from 2017 to that of 2016 as this formed the basis of the Operation Clean Audit programme.

The table shows the total number of items per section in 2017 and 2016 as well as the improvement as a positive figure in the last column or a regression (weakened position) as a negative.

SUMMARY	2016		2017			Improved / (Weakened)	
	Total items	Affect AR	Total items	Affect AR	Old items	Total items	Affect AR
Germiston Phase II Housing Company	16	0	22	1	2	(6)	(1)

As part of the preparations for the 2016/2017 financial year end, a new OPCA plan is now being compiled based on the 2017 findings (which includes the findings of 2016 which has not yet been resolved) with an aim of resolving as many of these matters as possible before the finalization of the next audit.

INTERNAL AUDIT

Internal audits were carried out in each quarter. Findings on internal controls were dealt with immediately. Internal audit reports were submitted relevant committees for review on a quarterly basis. No issues were reported which are likely to have a material impact on the presentation of the financial statements and to the AG's opinion.

GLOSSARY

EHC	Ekurhuleni Housing Company
EMM	Ekurhuleni Metropolitan Municipality
FinRisk	Finance and Risk Committee
GDS	Growth Development Strategy
HSDP	Human Settlement Development Plan
ICT	Information Communications and Technology
IDP	Integrated Development Plan
IRPTN	Integrated Rapid Public Transport Network
IT	Information Technology
MFMA	Municipal Finance Management Act
MINMEC	Ministers and Members of Executive Councils Meeting
MMC	Member of the Mayoral Committee
MSA	Municipal Systems Act
MSCOA	Municipal Standard Chart of Accounts
MSDF	Metropolitan Spatial Development Framework
OpsCom	Operations Committee
PESTL	Political, Economic, Social, Technological and Legal
RCG	Restructuring Capital Grant
RemCo	Remuneration Committee
SCM	Supply Chain Management
SDA	Service Delivery Agreement
SDBIP	Service Delivery Budget Implementation Plan
SDF	Service Delivery Framework
SHIP	Social Housing Investment Programme
SHRA	Social Housing Regulatory Authority
SHSS	Sustainable Human Settlements Strategy
SLA	Service Level Agreement

APPENDICES

APPENDIX A – BOARD; COMMITTEE ALLOCATION AND BOARD ATTENDANCE

Name	Quarter 1				Quarter 2				Quarter 3				Quarter 4			
	Boar d	Finan ce	Rem co	Projec ts	Boar d	Finan ce	Re m co	Projec ts	Boar d	Financ e	Remco	Projec ts	Boar d	Financ e	Rem co	Projects
L. Vutula	A	N	N	N	P	N	N	N	p	N	N	N	P	N	N	N
F. Segole	P	P	P	N	P	P	P	N	P	P	P	N	P	P	P	N
K Maithufi	P	P	N	N	P	P	N	N	P	P	N	N	P	P	N	N
Z Nkamana	P	N	P	N	P	N	P	N	P	N	P	N	P	N	P	N
T Limako	P	N	N	P	P	N	N	P	P	N	N	P	P	N	N	P
M Ngobeni	P	P	N	N	P	P	N	N	A	P	N	N	P	P	N	N
A Makhado	P	N	N	P	P	N	N	P	P	N	N	P	P	N	N	P
L Netshitenzhe	P	N	N	P	P	N	P	P	P	N	A	A	P	N	P	P

P – Present

A – Absent

N – Not a member

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

SUB-COMMITTEES

There are three Board sub-committees:

- Audit, Finance and Risk Committee;
- Remuneration (HR) Committee; and
- Operations Committee.

Audit, Finance and Risk Committee (FinRisk)

The Finance and Risk Committee is supported by the CFO, and has the right of access to all the information it requires and to consult both internal and external auditors directly. The Risk and Finance Committee receives its mandate and delegated authority directly from the Board of Directors. In terms of this authority, the Audit and Finance Committee must ensure that the Entity remains financially viable, can meet its present and future needs and obligations, and must properly assess risk.

The Remuneration (HR) Committee (RemCo)

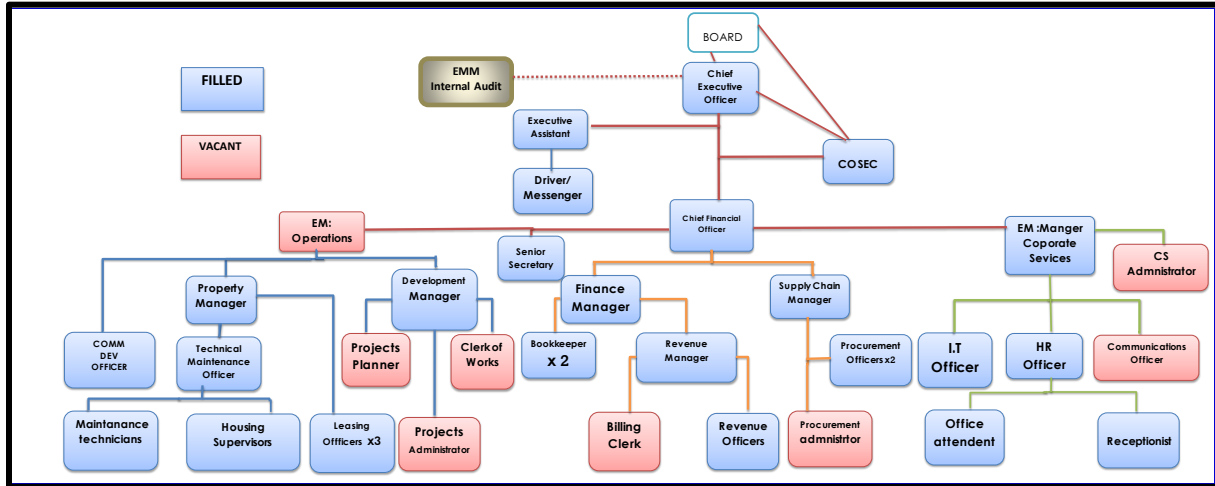
The Human Resources Committee deals with staff remuneration, conditions of service, and recruitment of staff. It operates within a framework which balances the mandates of the Board, and the confidentiality of staff conditions of service. The Human Resources Committee operates within general policy laid down by the Board, either as a result of independent Board discussions and decisions, or as a result of referrals by the committee to the Board.

Operations Committee (OpsCom)

The Operations Committee receives its mandate and delegated authority directly from the Board. In terms of this mandate, the Committee has the authority to review housing management, maintenance, tenant relations and marketing and public relations policies and make recommendations to the Board.

The Operations Committee also has the authority to approve and recommend a Development Strategy to the Board, ensuring that it responds to housing needs in the EHC's area of operations. The Technical Committee is also tasked with approving and recommending to the Board an annual development programme, taking into account both subsidised and un-subsidised projects.

APPENDIX C –ENTITY STRUCTURE



APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

The Ekurhuleni Housing Company (EHC) derives its mandate from the Ekurhuleni Metropolitan Municipality (EMM). This mandate is informed by the national housing imperatives that are dictated through the Rental Housing Act, the Social Housing Act, and the MFMA. Its Vision and Mission, is underpinned by a set of values and goals that are geared towards building an organisation that provides superior quality social and rental housing and property management services to its clients within Ekurhuleni. EHC provides and manages affordable rental housing for the lower income market as an integral part of efforts to eradicate the housing backlog in the Ekurhuleni Metropolis. The main target market comprises of home seekers whose household incomes meet the criteria for institutional housing subsidy that is available to beneficiaries whose total household income is between R3500 and R7500 per month.

The core business of EHC therefore includes: the development of social and rental housing; the refurbishment, upgrading and management of selected Council owned rental housing stock; the refurbishment of inner-city high density rental buildings and the provision of turnaround strategies where necessary. The rationale for the establishment of EHC was to promote the creation of quality living environments for low income residents in the form of institutional housing by a dedicated institution for integrated social housing development, including medium density, rental housing and communal housing in support of the Inner City Regeneration, and Urban Renewal through the acquisition of land and buildings for housing development in Ekurhuleni.

EMM as the major shareholder signed a Service Delivery Agreement (SDA) with EDC. EHC will be utilized by EMM as a mechanism to perform a municipal service of providing social housing, thus assisting the EMM in the performance of its functions and powers, as is described and contemplated in terms of the Systems Act, more in particular section 86(E) thereof. The plan is to have EHC performing the role of property development and management of housing units whilst strengthening the organisation to take up its full mandate.

The Medium Term Strategic Framework (MTSF) for Human Settlements has set targets for social housing for the 2014-2019 period. Under sub-outcome 1: Adequate housing and improved quality living environments, the target is to produce 27,000 social housing units, 10,000 Community Residential Units

(CRU) and 35,000 affordable housing units. EHC has set realistic targets in this plan in line with the MTSF.

The SDA assigned EHC the management function which includes a complete and total management of the affairs of the other municipal entities (Germiston Phase 2, Lethabong Housing Institution, and Pharo Park), *inter alia* and management of the housing stock owned by those companies. These include amongst others responsibility for the administrative processes, accounting and financial management, tenant liaison, policy and guideline formulation, capital raising, agency role and any other functions that EMM may require in applying the principles of social and rental housing in Ekurhuleni.

EDC is currently managing 988 rental units in the Germiston area. In doing so EHC provides a service that includes rent collecting, maintenance and security for the units. EDC has an intention to develop more rental units to meet the growing demand in Ekurhuleni. EHC gives strong emphasis to ensure that low and moderate income households can have housing access to parts of the municipality where they were previously excluded to promote social integration through inclusionary housing.

APPENDIX I –ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

AWARDS IN RESPECT OF ADVERTISED COMPETITIVE BIDS					
(GOODS, INFRASTRUCTURE PROJECTS OR SERVICES IN EXCESS OF R200 000 INCLUDING ALL APPLICABLE TAXES)					
FOR THE 2016/2017 FINANCIAL YEAR					
Service Provider	Contract value (including all applicable taxes)	date of advertisement in the website, newspapers or other media	date of award	Duration	expiry date
Phuthuma Services	1 181 600	Closed tender	01-Oct-15	7 months	Terminated
Bopahani Security	4,500,000	Open tender	01 May 2016	24 months	30-Apr-18
Golden Cauri	162,000	quotation basis	September 2015	Once off	Once off.
Bela Bela Fire Security	116 062	quotation basis	September	Once off	Once off
Ramphapha Trading	1 800 000	Closed tender	30-May-16	Once off	Expired
Golden Cauri	900,000	May 2016	June 2016	Once off	Expired
Zikani Technologies	846 390	April 2016	July 2016	12 months	In progress
Nare Malebowe General Enterprise cc	7 465 844	April 2016	July 2016	4 months	In progress
Brian Bellignaut Attorneys	673 000	April 2016	March 2016	12months	In progress
Lesedi Consulting	450 000	April 2016	April 2016	Once off	
Lease to be signed on the 1 September 2016	In Progress	In Progress	In Progress	In Progress	
Cedarwood Consulting	200 000	01 July 2013	15 November 2013	12 months(AAWR)	expired
22 companies appointed	as an when required	11-Feb-15	14-May-15	36 months	on going
6 companies appointed	as an when required	04-Dec-14	29-Jan-15	36 months	on going
Tibiyo Enviro care	R78 000.00	27-Aug-14	08-Oct-14	12 months	on going

Bidvest Execuflorea	R4680.00	27-Jan-14	14-Apr-14	12months	expired
Steiner	R41 760.00	08-Aug-13	01-Sep-13	24 months	on going
ADT		n/a	n/a	n/a	on going
MWEB	R350.00 pm	n/a	n/a	n/a	
Pro Solutions	R3400.00 pm	n/a	n/a	n/a	on going
Nashua	R1400.00	R9601.79	01-Oct-13	24 Months	on going
SHARP	R3003.6	15 November 2013	2014/04/11	36 months	on going
3 companies appointed	14% of total collection	15-Nov-14	15-Jan-15	36 months(recently put on hold)	on going
5 companies appointed	as an when required	04-Dec-14	01-Mar-15	36 months	on going

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosure of Financial Interest		
Period 1 July 2015 to 30 June 2016		
Position	Name	Description of Financial Services
Non Executive Director	Mr L Vutula	Nil
Non Executive Director	Mrs F Segole	Nil
Non Executive Director	Mrs L Netshitenzhe	Nil
Non Executive Director	Mr K Maithufi	Did not return the form
Non Executive Director	Mr T Limako	Did not return the form
Non Executive Director	Mr Z Nkamana	Did not return the form
Non Executive Director	Mrs M Ngobeni	Nil
Non Executive Director	Mrs A Makhado	Did not return the form
Chief Executive Officer	Dr A Pillay	Nil
Chief Financial Officer	Mr D Dlamini	Nil
Executive Manager: Corporate Services	Mr M Matsuma	Nil

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

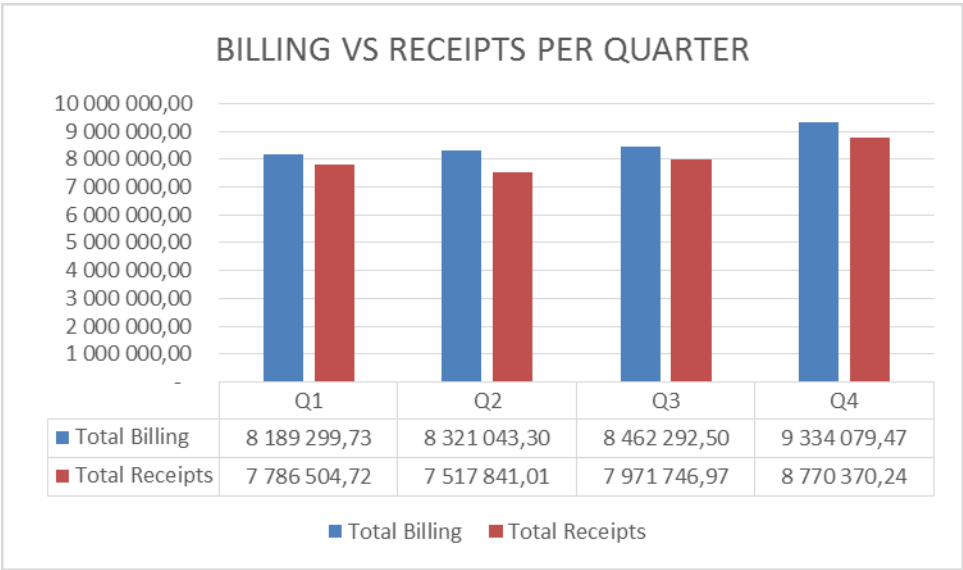
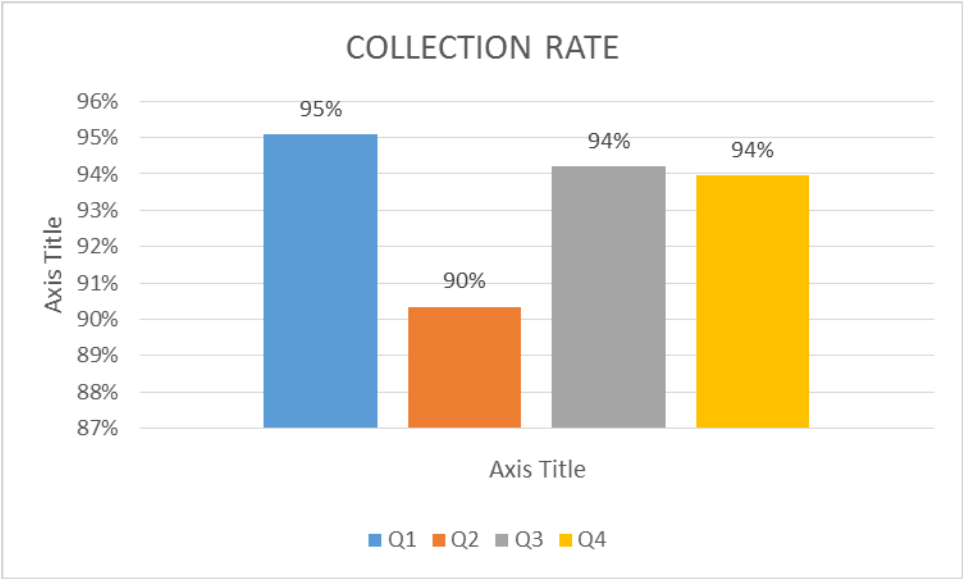
Quarterly

Analysis - %

Period	Total Billing	Total Receipts	Collection Rate (%)
Q1	8 189 299,73	7 786 504,72	95%
Q2	8 321 043,30	7 517 841,01	90%
Q3	8 462 292,50	7 971 746,97	94%
Q4	9 334 079,47	8 770 370,24	94%
Totals	34 306 715,00	32 046 462,94	93%

Collection Rate

Period	Percentage (%)
Q1	95%
Q2	90%
Q3	94%
Q4	94%



APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG



Ground Floor, Building B, Sunnyside Park, 32 Princess of Wales Terrace Parktown, Johannesburg, 2193
Postnet Suite 240, Private Bag X30 Houghton, 2041
+2711 274 6200
+2711 642 2808
<http://www.shra.org.za>

29th March 2016

Attention: Morgan Pillay
CEO
Ekurhuleni Development Company

Dear Mr Pillay

RE: SOCIAL HOUSING INVESTMENT PROGRAMME 6A: RESTRUCTURING CAPITAL GRANT 2015/2016. OUTCOME NOTIFICATION

SHRA would like to hereby inform you that the **Delville Project** submitted by Ekurhuleni Development Company has been **awarded Grant Qualifying Status** in terms of the Social Housing Investment Program 6A (SHIP 6A) for 2015/2016, subject to Terms and Conditions. Please note that the Restructuring Capital Grant has been awarded for **100 units** at a rate of R125 615 per unit.

The detailed Terms and Conditions for Grant Award will be discussed in our one-on-one feedback meeting and will be an annexure to the RCG Contract. Kindly note that the Award of RCG to your Project is time sensitive and if all Grant Award Terms and Conditions are not met within the proposed term of the Conditions Precedent outlined in the RCG contract, then this Outcome Notification shall become null and void.

SHRA will host a **feedback session** to discuss the Conditions of Grant Award and in addition SHRA will convene a **workshop for Grant Recipients** to discuss the Social Housing Investment Programme and roles and responsibilities of each party. The date and time of these meetings will be communicated in due course. For any queries, kindly contact Samantha Govender-Hlahatsi (Capital Grant Manager) or Caroline Motloung (Investment Administrator): 011 274 6200

Yours sincerely


RORY GALLOCHER
CHIEF EXECUTIVE OFFICER

Z Ngcakani (Chairperson), R Gallocher (CEO), V Fakudze (Acting CSM), K Mahlangu (Company Secretary)
I Kotsokane, K Kwinana, M Higgins, Adv. M Mdludlu, M Moroka, M Lamola, N Mbiza, P Ximiya, R Molokoane, S Ganda, Z Ntlangula

"Reviving Cities through Social Housing"



Ground Floor, Building B, Sunnyside Of
Park, 32 Princess of Wales Terrace,
Parktown, Johannesburg, 2193
Postnet Suite 240, Private Bag X30500
Houghton, 2041
+2711 274 6200
+2711 642 2808
<http://www.shra.org.za>

29th March 2016

Attention: Morgan Pillay
CEO
Ekurhuleni Development Company

Dear Mr Pillay

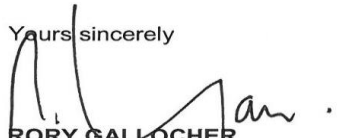
**RE: SOCIAL HOUSING INVESTMENT PROGRAMME 6A: RESTRUCTURING CAPITAL
GRANT 2015/2016, OUTCOME NOTIFICATION**

SHRA would like to hereby inform you that the **Fire Station Project** submitted by Ekurhuleni Development Company has been **awarded Grant Qualifying Status** in terms of the Social Housing Investment Program 6A (SHIP 6A) for 2015/2016, subject to Terms and Conditions. Please note that the Restructuring Capital Grant has been awarded for **150 units** at a rate of R125 615 per unit.

The detailed Terms and Conditions for Grant Award will be discussed in our one-on-one feedback meeting and will be an annexure to the RCG Contract. Kindly note that the Award of RCG to your Project is time sensitive and if all Grant Award Terms and Conditions are not met within the proposed term of the Conditions Precedent outlined in the RCG contract, then this Outcome Notification shall become null and void.

SHRA will host a **feedback session** to discuss the Conditions of Grant Award and in addition SHRA will convene a **workshop for Grant Recipients** to discuss the Social Housing Investment Programme and roles and responsibilities of each party. The date and time of these meetings will be communicated in due course. For any queries, kindly contact Samantha Govender-Hlahatsi (Capital Grant Manager) or Caroline Motloung (Investment Administrator): 011 274 6200

Yours sincerely


RORY GALLOCHER
CHIEF EXECUTIVE OFFICER

Z Ngcakani (Chairperson), R Gallocher (CEO), V Fakudze (Acting CSM), K Mahlangu (Company Secretary)
I Kotsoane, K Kwinana, M Higgins, Adv. M Mdludlu, M Moroka, M Lamola, N Mbiza, P Ximiya, R Molokoane, S Ganda, Z Ntlangula

"Reviving Cities through Social Housing"

APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

N/a

APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

The upgrading of this heritage building has been identified as a strategic initiative within the Germiston Precinct from an urban renewal and social housing perspective. The main idea is to preserve the 1909 building but be transformed to suit the needs of social housing. This transformation will deal with the urban decay, crime and the economic potential of the building. In the implementation of the Urban Renewal Program for Germiston it was recommended that given its location in the Civic node its historic value and its visibility relative to the proximity to the Mayor's office and other City administrative building this building be upgraded. Further, its location is at the face of Germiston and if allowed to deteriorate will create a very negative image of the city. Therefore the imperative to upgrade and maintain this building is extremely high.

Bigen Africa Services Pty Ltd was appointed to render professional services (town planning and Programme and Project Management) services for the project. A contractor was appointed on 29 July to commence with work on site. The successful bidder for the project is Nare Molebogwe General Enterprises at a price of R 7 465 844.50 incl. VAT. The site was handed over to the contractor on the 10 August 2016.

APPENDIX M (ii): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME

N/A

APPENDIX N – CAPITAL PROGRAMME BY PROJECT YEAR 0

N/A

VOLUME II: ANNUAL FINANCIAL STATEMENTS

SEE ATTACHED