Accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management and support services

HDA
HOUSING DEVELOPMENT AGENCY





2011 - 2012 **ANNUAL REPORT**

Mission: A public development agency that promotes sustainable communities in integrated human settlements through the provision of well-located and appropriately planned land and buildings.

Vision: Sustainable human settlements and communities developed on land made available by the HDA.

N2 Gateway: Completed Delft 7-9 houses

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The HDA's first land acquisition in Bela Bela

MESSAGE FROM THE CHAIRPERSON

This is the final review of the three year term of office of the current board. Looking back, there has been much progress, starting in 2009 with two members of staff, two largely dysfunctional megaprojects, no capacity in the land and projects departments, and limited corporate services capacity. We enter our fourth year of operation with a staff complement of 101, good corporate governance, and with sound fiscal and management systems in place. We have 12 implementation protocols and agreements in place with various provinces, municipalities and other state entities. We have a strong management team and highly-skilled staff in place to deliver on these agreements.

The Agency has managed to turn around two of the largest housing projects in the country; namely Zanemvula in Nelson Mandela Bay and N2 Gateway in Cape Town. At Zanemvula the HDA supervised the development of the first multi-purpose community centre built with National Department of Human Settlement's funding, which was opened by the Minister in October. Both projects are now on track and delivering to their targets.

Land remains a priority and the Outcome 8 mandate of delivering 6 250 hectares has meant that the HDA has significantly expanded activities and outputs in 2011/12 towards fulfilling this target. We have continued to develop our internal geographical information system (GIS) which has proved to be an invaluable tool to identify land. In 2011/12 the Agency identified some 35 000 hectares of well-located, state-owned land and has made formal submissions for release from various custodian departments of 13 598 hectares of this identified land. However, the actual delivery of land continues to move at a slow pace and only two portions were officially registered in the HDA's name in the year under review.

The Agency, together with the National Department of Human Settlements and other land holding departments, is examining ways to fast track these processes and to prioritise the release of the identified land. In addition, we are working with provinces and municipalities on a medium-term land assembly programme to help navigate, simplify and accelerate the land transfer processes. Moving a step closer to obtaining land identified for development, the Agency, working with provinces and municipalities undertook some 156 pre-acquisition feasibility studies in five provinces. I should also note that the HDA's land identification mandate is not limited to land owned by the state. It is noteworthy that more than 2 500 hectares of private land suitable for human settlements was identified by the Agency.

For all three financial years that the Agency has been in existence it has received an unqualified audit opinion thanks to the efforts and expertise of the management, the Finance Department and the Board.

Although it has been a challenging year for the HDA, it has also been a successful one. I would like thank all of our partners and stakeholders who worked closely with us to address and solve many these challenges. In particular, I would like to thank our colleagues at the National Department of Human Settlements and our Minister Tokyo Sexwale for his support of the Agency. I would like to pay tribute to our CEO Taffy Adler and his Executive Committee who have worked tirelessly to not only expertly manage the Agency but to keep us focused on our priority mandates and to keep us fully on track with our strategic plan.

And finally in conclusion, I would like to acknowledge my fellow Board members who have served over the past three years for their guidance, time, effort and contribution to the vision and mission of the HDA.

N L Sowazi
Chairperson

OVERVIEW OF THE HDA

WHAT IS THE HDA?

The Housing Development Agency (HDA) is a national public development agency established by an Act of Parliament (Act 23 of 2008). The HDA promotes sustainable communities by making well-located land and buildings available for the development of housing and human settlements. As an organ of state, the HDA is accountable through its Board to the Minister of Human Settlements.

OBJECTIVES OF THE HDA

The HDA was established to address the land acquisition and assembly process so as to accelerate housing delivery and human settlement development. The two main objectives of the Agency are to:

- Identify, acquire, hold, develop and release well-located land and buildings
- Provide project management support and housing development services

In order to achieve these objectives, the Agency must:

- Ensure that residential and community developments are sustainable, viable and appropriately located
- Ensure that job creation is optimised in the process of residential and community development
- Introduce and manage a land inventory and information system
- Ensure that community participation takes place

WHAT ARE THE FUNCTIONS OF THE HDA?

In terms of section 7 (1) of the HDA Act, the HDA must:

- Develop a development plan to be approved by the Minister in consultation with the relevant authorities in the provinces and municipalities
- Develop strategic plans with regard to the identification and acquisition of state, privately and communal owned land which is suitable for residential and community development
- Prepare necessary documentation for consideration and approval by the relevant authorities as may be required in terms of any other applicable law
- Monitor progress of the development of land and landed property acquired for the purposes of creating sustainable human settlements
- Enhance the capacity of organs of state including skills transfer to enable them to meet the demand for housing delivery
- Ensure that there is collaboration and intergovernmental and integrated alignment for housing development services
- Identify, acquire, hold, develop and release state, private and communal land for residential and community development
- Undertake such project management services as may be necessary, including assistance relating to approvals required for housing development
- Contract with any organ of state for the purpose of acquiring available land for residential housing and community development for the creation of sustainable human settlement
- Assist organs of state in dealing with housing developments that have not been completed within the anticipated project period
- Assist organs of state with the upgrading of informal settlements
- Assist organs of state in respect of emergency housing solutions

In terms of the HDA Act, the Minister may authorise the Agency to perform any additional function that is consistent with the Act. Accordingly the Minister can direct the Agency to conclude land assembly and/or project management agreements with organs of state, in consultation with the relevant MECs.

HOW DOES THE HDA WORK?

The Agency provides project delivery services in the form of land acquisition and management, project structuring, project planning, capacity assembly, as well as the management of projects. The type of assistance provided is negotiated and expressed through an Implementation Protocol (IP). Intergovernmental agreements are structured between the HDA and the respective organ of state with a view to ensuring that there is collaboration and intergovernmental and integrated alignment for housing development services.

In general the agreement outlines the framework of cooperation, the areas of activity in both land and building acquisitions, management and project management, and the institutional arrangements, for example, the establishment of a steering committee. Specific project-based agreements are then formulated to guide the overall agreement covering the following key services provided by the HDA:

Land Assembly Management

- Land identification and planning
- Acquisitions management
- Land and property assets holding
- Land geo-spatial services

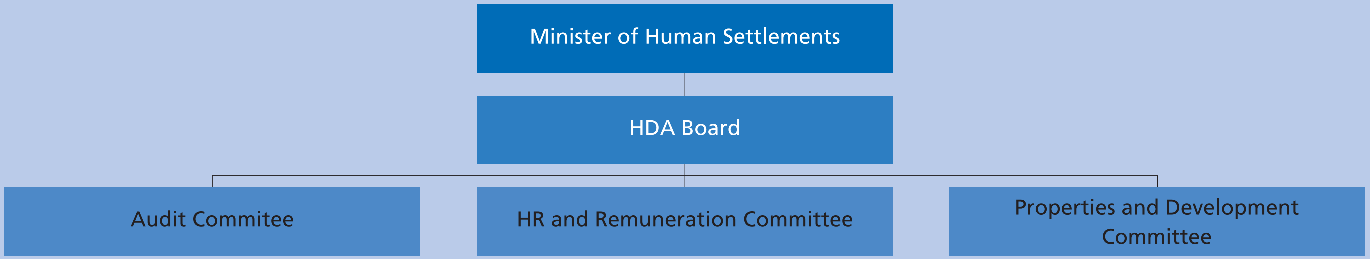
Projects and Technical Support Services

- Technical support and project programming
- Capacity assembly and project packaging
- Project management support services
- Priority Housing Development Areas

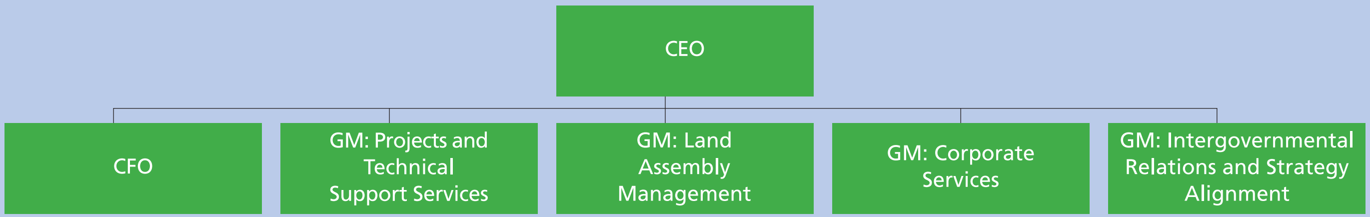
The HDA collaborates with provinces and municipalities, as well as supplementing their capacity in the development of housing and human settlements. The HDA does not, and cannot, replace a province and municipality in the fulfilment of housing development functions.

HOW IS THE HDA STRUCTURED?

The HDA Board is appointed by the Minister of Human Settlements and includes appointees representing the Ministries of Cooperative Governance and Traditional Affairs, Public Works, and Rural Development and Land Reform.



The HDA's Executive Management team is led by the Chief Executive Officer and is structured as follows:



The HDA has offices in Johannesburg, Cape Town, Port Elizabeth, Polokwane and Bloemfontein.

HOW IS THE HDA FUNDED?

In terms of the HDA Act, the Agency can be funded as follows:

- Monies appropriated by Parliament (via the National Department of Human Settlements)
- Donations or contributions
- Interest on investments
- Loans raised
- Proceeds from the sale of land
- Fees for services provided to provinces and municipalities based on cost recovery
- Subsidies and grants from organs of state

"I am particularly proud of our work in the two megaprojects which fall under the Agency's responsibility, Zanemvula in Port Elizabeth and the N2 Gateway in Cape Town. The HDA has made an enormous difference in turning these projects around and developing strong, vibrant communities. Part of the key to the success of the megaprojects has been a high standard of collaboration between all three spheres of government, the joint efforts of which were coordinated by the Agency. "

Zanemvula: Opening of the Soweto-on-Sea multi-purpose community centre in October 2011 by the National Minister and the Nelson Mandela Bay Metro Mayor

CHIEF EXECUTIVE OFFICER'S REPORT

The 2011/12 Financial Year saw further consolidation and expansion at the HDA placing us in an even better position to deliver in line with our mandate. The past year provided us with several opportunities to broaden our scope and form new partnerships. The Agency can quite rightly claim significant progress in several areas.

The Agency's finances are stable, an important feature in any public or private sector organisation. And we have continued to diversify our income sources. Two years ago the Agency was 100% reliant on national government grants for all our operational and capital costs. In this last Financial Year the government grant of R89,1m was supplemented by R25,9m recovered from services provided to achieve a total of R115m.

From the standpoint of governance, the HDA Board has been operating effectively and is compliant with the range of requirements imposed by legislation and regulation. The appointment of a General Manager: Corporate Services has meant that Information Technology, Human Resources, Facilities Management, Governance, and Legal Services were able to function effectively in an increasingly stable and productive operating environment.

Throughout the year we consolidated and expanded key intergovernmental relations with the aim of building a greater understanding of the HDA's role and setting the stage for broader collaboration. We met with human settlement departments in provinces and municipalities across the country and structured follow-up visits with stakeholders who expressed an interest in working with the Agency. We now have a stronger presence in some of the key focus areas of our work with the opening of an office in Limpopo while an office is soon to be opened in the Free State (a programme manager has been appointed in Bloemfontein). These will complement our now well-established presence in the Eastern Cape and Western Cape.

Several important agreements and protocols were concluded in 2011/12 solidifying working relationships with some of our key partners. Medium Term Operational Plans (MTOPs) were finalised in Limpopo and Free State enabling us to move forward and providing a framework for working with the provinces. The MTOPs will help make 'real' the Implementation Protocols (IPs) signed with the provinces. An IP was also concluded with the North West Department of Human Settlements and with eThekwini Metropolitan Municipality while a Memo of Agreement was concluded with Council of Geoscience in Sept 2011.

Recognising that provincial and municipal government departments (and the HDA itself) need to be part of broader networks of support to achieve their mandates, the Agency has been active in establishing relationships and aligning policy goals with a range of other institutions. We have also developed relationships with a range of parastatal and non-government organisations with particular emphasis on collaboration around informal settlement upgrading and emergency housing solutions.

The Agency has expanded its efforts into informal settlement upgrade and is working closely with the Department of Human Settlement's National Upgrade Support Programme (NUSP). Technical support has been provided to various provinces and municipalities and various tools and templates for guiding the informal settlement upgrade process have been developed. An early achievement has been that agreed targets in the informal settlement upgrade programme in Limpopo Province have been met. The Agency has also undertaken important investigative work into stalled projects as part of the Blocked Projects Scoping Exercise. This project has been completed while critical lessons have been learned and are in the process of being integrated into practice. The Neighbourhood Development Case Study research, Emergency Housing Guidelines and Case Study research, and Informal Settlement statistics research are taking shape and will form part of the HDA publications series.

I am particularly proud of our work in the two megaprojects which fall under the Agency's responsibility, Zanemvula in Port Elizabeth and the N2 Gateway in Cape Town. The HDA has made an enormous difference in turning these projects around and developing strong, vibrant communities. Part of the key to the success of the megaprojects has been a high standard of collaboration between all three spheres of government, the joint efforts of which were coordinated by the Agency. On N2 Gateway and Zanemvula the Agency has gone to great lengths to build meaningful community engagement processes in areas where mistrust and conflict linger. To date, approximately 3000 units have been delivered by the HDA on the two projects.

Going forward the Agency's priority and focus is to deliver on its land mandate. In addition, we will continue to build partnerships - at national, provincial and local level, as well as with communities and other stakeholders - and to play a meaningful role in ensuring the successful alignment of our initiatives with the priorities set in Outcome 8, and the Human Settlements Minister's delivery agreement with the President.

BOARD MEMBERS

NL SOWAZI
CHAIRPERSON

TM ADLER
CHIEF EXECUTIVE

APG MOOLA
CHIEF FINANCIAL OFFICER

TE NWEDAMUTSWU

GGL LEISSNER

ME SWARTZ

CF PLATT

NJO LESTER

K GORDHAN

For all three financial years that the Agency has been in existence it has received clean external and internal audits thanks to the efforts and expertise of the management, the Finance Department and the Board.

Zanemvula: Rectification of houses in Soweto-on-Sea (with provision for water tanks)

PROGRAMME PERFORMANCE

VISIONARY GOALS AND STRATEGIC OBJECTIVES 2011/12

The HDA's strategic objectives for the year under review were set down in the 2011/12 Strategic Plan, approved by the Board and the NDHS. They are as follows:

Goal One:	Goal Statement:	Strategic Objectives:
Land and Property Availability and Release	To coordinate the integrated national (public sector) land and landed property inventory to facilitate the release of land for sustainable community development	1. Facilitate the speedy release of public land to the HDA 2. Identify and plan for realisation of land opportunities 3. Advocate / facilitate the effective release of public sector land for human settlements development 4. Introduce and manage a land inventory system and information system 5. Facilitate the speedy identification, planning and release of land
Goal Two:	**Goal Statement:**	**Strategic Objectives:**
Land and Property Holding	To make relevant land and landed property available to facilitate sustainable communities	1. Secure and manage acquired land and properties 2. Manage the release of HDA held land and properties
Goal Three:	**Goal Statement:**	**Strategic Objectives:**
Promoting Sustainable Human Settlements	To promote sustainable human settlements through providing appropriate frameworks, services project implementation, support and capacity building initiatives	1. Prepare and develop priority development area frameworks for implementation of projects 2. Facilitate, coordinate and implement capacity building support services to organs of state for sustainable human settlements and environments 3. Facilitate, coordinate and implement support services in project planning, structuring and implementation to organs of state
Goal Four:	**Goal Statement:**	**Strategic Objectives:**
Organisational Credibility	To operate and function as an organisation with a track record of quality, effective delivery and professional service	1. Develop a responsive organisation that applies effective and compliant systems to the delivery process 2. Build a values-based, sustainable, performance focused organisation
Goal Five:	**Goal Statement:**	**Strategic Objectives:**
Intergovernmental Collaboration and Alignment	To foster intergovernmental alignment and collaboration for accelerating sustainable human settlement development	1. Secure key IGR partnerships by establishing agreements with identified public sector stakeholders 2. Facilitate the conclusion of agreements/contracts with key stakeholders 3. Support the management of agreements/contracts concluded with stakeholders 4. Facilitate sector IGR coordination and support 5. Intergovernmental strategy and fiscal alignment

We will continue to build partnerships - at national, provincial and local level, as well as with communities and other stakeholders - and to play a meaningful role in ensuring the successful alignment of our initiatives with the priorities set in Outcome 8, and the Human Settlements Minister's delivery agreement with the President.

Zanemvula: Houses delivered in Chatty 1347

MACRO INDICATORS

MACRO INDICATORS	DESCRIPTION OF INDICATOR	PROGRAMME MOST CLOSELY LINKED TO ACHIEVEMENT INDICATOR	TARGET ESTIMATES 2011/12	TARGETS ACHIEVED 2011/12
Amount of public land and property identified for release for human settlements development	This indicator tracks the process from identification, through acquisition and planning of land to release of land for human settlements development	LAM	8 000 hectares	35 219.6132 hectares of state and state-owned enterprise land have been identified for human settlement development 11.1351 hectares in KwaZulu-Natal have been approved for release to the Provincial Department of Human Settlements – transfer still to take place 1 068 hectares of Department of Public Works land released for human settlements of which 756.925 have been approved for release to the City of Johannesburg 3 389.281 hectares of Department of Rural Development and Land Reform land at advanced released stages 13 598 hectares of well-located state land has been formally requested from custodian departments
Number of land and property portions acquired	This indicator tracks the management of land and property that is transferred to the HDA to ensure it is effectively managed prior to transfer to the identified end user	LAM	30 portions	2 Free State properties registered in HDA's name 6 Free State properties at registration and transfer stage 2 Johannesburg Inner City properties at transfer and registration stage 42 Servcon properties contracted with HDA – approval required from National Treasury Total = 2 portions
Number of sustainable human settlement projects supported	This indicator tracks the development of human settlements through provision of project support services, PHDA framework development and capacity building support	Projects and Programmes	20	42 provinces, municipalities and national departments provided with capacity and technical support Total = 42
Number of IGR protocols established and implemented	This indicator tracks the establishment and maintenance of IGR partnerships which are critical to the success of the HDA and its recognition in the sector	IGR & SA	15	Signed IPs (7): • eThekwini Metro Municipality • North West • Council for Geoscience • Limpopo • Free State • City of Tshwane • Nelson Mandela Bay Metropolitan Municipality Signed agreements (5): • Western Cape (N2) • Eastern Cape (Zanemvula) • Ekurhuleni Metro Municipiality (Germiston Urban Renewal) • Limpopo MTOP • Free State MTOP Prepared, discussed with the relevant stakeholders and pending signature (9): • KZN • Western Cape • Northern Cape • Mpumalanga • City of Cape Town • Gauteng Department of Local Government and Housing • NHFC Total = 12

While the HDA has overcome a number of challenges over the past year – and still faces others – it has made significant strides in establishing itself as a credible, performance-focused organisation providing a range of support services to accelerate the delivery of sustainable human settlements across the country.

N2 Gateway: Joe Slovo Phase 3 high density units under construction

JOHANNESBURG

N2 Gateway: Delivery of houses in Boystown

HDA STAFF STATISTICS

CATEGORIES	African Female	African Male	Coloured Female	Coloured Male	Indian Female	Indian Male	White Female	White Male	Disabled	TOTAL
Top management (%)	1	1	1	–	1	–	1	1	–	6%
No. of employees	1	1	1	–	1	–	1	1	–	6
Senior management (%)	2	5	–	–	1	–	–	1	–	9%
No. of employees	2	5	–	–	1	–	–	1	–	9
Professionals, specialists & mid-management (%)	4	9	–	2	2	–	1	2	1	21%
No. of employees	4	9	–	2	2	–	1	2	1	21
Skilled qualified workers, supervisors	18	13	–	12	3	–	7	–	–	53%
No. of employees	18	13	–	12	3	–	7	–	–	53
Semi-skilled workers (%)	4	2	2	1	–	–	–	–	–	9%
No. of employees	4	2	2	1	–	–	–	–	–	9
Unskilled workers (%)	2	1	–	–	–	–	–	–	–	3%
No. of employees	2	1	–	–	–	–	–	–	–	3
TOTAL PERCENTAGE	**31**	**31**	**3**	**15**	**7**	**0**	**9**	**4**	**1**	**100%**
TOTAL STAFF NUMBER	**31**	**31**	**3**	**15**	**7**	**0**	**9**	**4**	**1**	**101**
# ESTABLISHMENT										**103**
% FILLED POSITIONS										**96.1%**

Staff movement

Recruited	Resigned	Dismissed
37	7	4

LIMPOPO

STRATEGIC MANAGEMENT, FINANCE AND ADMINISTRATION

Programme performance – overview

The HDA is structured to realise the Agency's goals and strategic objectives with specific programmes focused on core operations and key deliverables. While the HDA has overcome a number of challenges over the past year – and still faces others – it has made significant strides in establishing itself as a credible, performance-focused organisation providing a range of support services to accelerate the delivery of sustainable human settlements across the country. Below is a summary of programme performance over the past financial year.

Strategic management, finance and administration

The principal function of the Strategic Management, Finance and Administration programme has been to develop the HDA as a credible and responsive organisation that applies effective and compliant systems.
The programme deals with:

- Strategic planning, coordination, performance, governance, marketing and communications
- Financial management, supply chain management, risk management, and financial compliance and reporting
- Corporate services, including human resources management and development, information technology, documents and records management and legal services

The HDA subscribes to good corporate governance and recognises the need to conduct the Agency with integrity in accordance with the principles, practices and applicable prescripts of the King Code of Corporate Governance, where possible. The finance environment is regulated by the Public Finance Management Act and Treasury Regulations. Financial policies and procedures were authorised by the Accounting Authority and are reviewed periodically. There is also a system of monthly financial reporting ensuring timely reconciliations and limitation of risks.

There are also approved policies and procedures for Supply Chain Management, which encompass the terms of reference and conduct of members of the Bid Adjudication Committee which adjudicates tenders. The appointment of a Supply Chain Management Manager ensures that the systems and procedures run according to the approved policies.

The HDA has appointed a Risk Manager to manage the risk management system and to keep the strategic and operational risk register up to date.

For the year ended 31 March 2012, the HDA received an unqualified audit report.

Corporate Services provides the organisational framework that enables the HDA to operate smoothly and effectively. The activities of this programme have been strengthened through the appointment of a General Manager in August 2011 and a fully-capacitated Corporate Services unit is being established. The unit comprises a company secretary, records and document management, human resources, IT, facilities and legal. It should be noted that these functions were in place prior to the appointment of the GM but are now more effectively housed together under Corporate Services.

• Human resources

In Human Resources particular attention was given to policies and procedures – this will be enhanced in the new Financial Year with the review of the HR policy and procedure manual. Various staff recruitment and induction programmes were implemented. The company secretary function was established and defined.The HDA has filled 96.1 percent of the funded positions defined in its staff establishment plan. Operating with a staff complement of 101 people, the HDA has established a skilled team of management and support staff, including staff that support the project delivery capacity for the N2 Gateway and Zanemvula projects.

Fifty percent of staff employed are women and nearly 85 percent are Black.

The HDA has a performance management system in place and performance evaluations are conducted with staff twice annually.

• Information technology, records and document management

A common IT operating system is shared across all HDA offices. The IT team continues to enhance the business environment via the implementation of Sharepoint and the automation of various business processes.

The records and document management system is partly operational and supports business continuity within the HDA, creating a 'library' of organisational knowledge and information.

• Legal services

The period under review was the second year the legal services function has been fully operational. A manager handles the day-to-day legal, governance and compliance matters and this reduces the need to outsource such services. Legal services also seeks to proactively minimise the Agency's legal risk in its various contracts, agreements and transactions.

INTERGOVERNMENTAL RELATIONS AND STRATEGY ALIGNMENT

From the beginning of the 2011/12 Financial Year the Intergovernmental and Strategy Alignment (IGR & SA) unit was reestablished as a core programme in its own right and has been reported on separately in each of the quarterly reports.
The programme is structured into the following sub-programme areas:

- IGR strategy development, outreach and consultations
- IGR agreements and contract management
- IGR strategy and programme alignment
- PHDA facilitation

The purpose of the IGR & SA programme is to negotiate and secure key IGR relationships between the different spheres of government to facilitate and accelerate the development of human settlements. It provides support to the other divisions of the HDA by facilitating access to stakeholders and concluding agreements that allow LAM and P&TSS to function effectively. IGR & SA is also responsible for fostering partnerships with identified sector stakeholders including parastatal, academic, private sector and non-government organisations.

Both the breadth and depth of stakeholder engagement increased considerably throughout the year under review. Parliamentary and legislative briefings were held early in the year and key sector workshops and dialogues took place with a variety of stakeholders.

Meetings were held with provincial departments of human settlements and municipalities across the country with follow-up engagements taking place with those stakeholders who expressed an interest in working with the Agency. Joint planning and the MTEF programme definition were also undertaken with various provinces and municipalities.

The IGR unit made presentations at numerous conferences and events helping to ensure a higher profile for the HDA among potential stakeholders and collaborators. Such events included the SALGA national conference. The unit helped established an HDA operational presence in Limpopo through the opening of a regional office in Polokwane.

An area of substantial activity for IGR throughout 2011/12 has been the conclusion of implementation protocols, agreements and opinions. Implementation Protocols (IPs) with KwaZulu-Natal and North West departments of human settlements were finalised while medium term operational programmes for Limpopo and the Free State were also concluded. New IPs with the Northern Cape and Mpumulanga provinces were prepared and are pending finalisation. An IP with the Western Cape is also pending conclusion and a draft IP is being prepared with the City of Cape Town. A Memorandum of Agreement was concluded with the Council for Geoscience that will enable the Agency to access geoscientific data held by the Council.

PORT ELIZ

ABETH

CAPE TOWN

LAND ACQUISITIONS AND MANAGEMENT

The primary purpose of the LAM programme is to coordinate the integrated national land and landed property inventory to facilitate the release of land for sustainable human settlements development. The purpose is not simply to acquire property but also to assemble and manage land. The programme aims to make suitable land and landed property available to facilitate the development of sustainable human settlements and communities.
The LAM programme addresses the following sub-programme areas:

- Land identification and planning
- Land and property acquisition management
- Land and property asset management
- Land geospatial services

• Land identification and planning

The 2011/12 Financial Year saw substantial progress and gains in terms of land identification and planning, one of LAM's core functions. More than 35 000 hectares of state and SOE land has been identified to compile a register of prioritised state land for human settlements. Some 156 pre-acquisition feasibilities and assessments were undertaken in various provinces during the financial year. Due diligence assessments were also conducted on eight landed public properties required for human settlements. Feasibility development plans on available state properties were formulated in support of request for release by the National Department of Public Works.

In the first quarter alone 2 138.2760 hectares of state land were identified to compile a second register of prioritised state land for human settlements (the first having been opened in the previous year). In the second quarter, LAM shifted its approach with regards to land identification by prioritising properties located in areas within close proximity to municipal infrastructure. This was to ensure that more rapid development could take place by taking advantage of existing municipal infrastructure. The move aims to contribute to the densification of towns and cities by controlling urban sprawl through better utilisation of brown field sites. In the third quarter land identification practice moved towards identifying properties that respond to Outcome 8 imperatives, namely properties that respond to and address informal settlements, rental housing and gap housing challenges. The land preparation of the acquired property in Bela Bela is in full swing in an attempt to ensure implementation of the project without further delays.

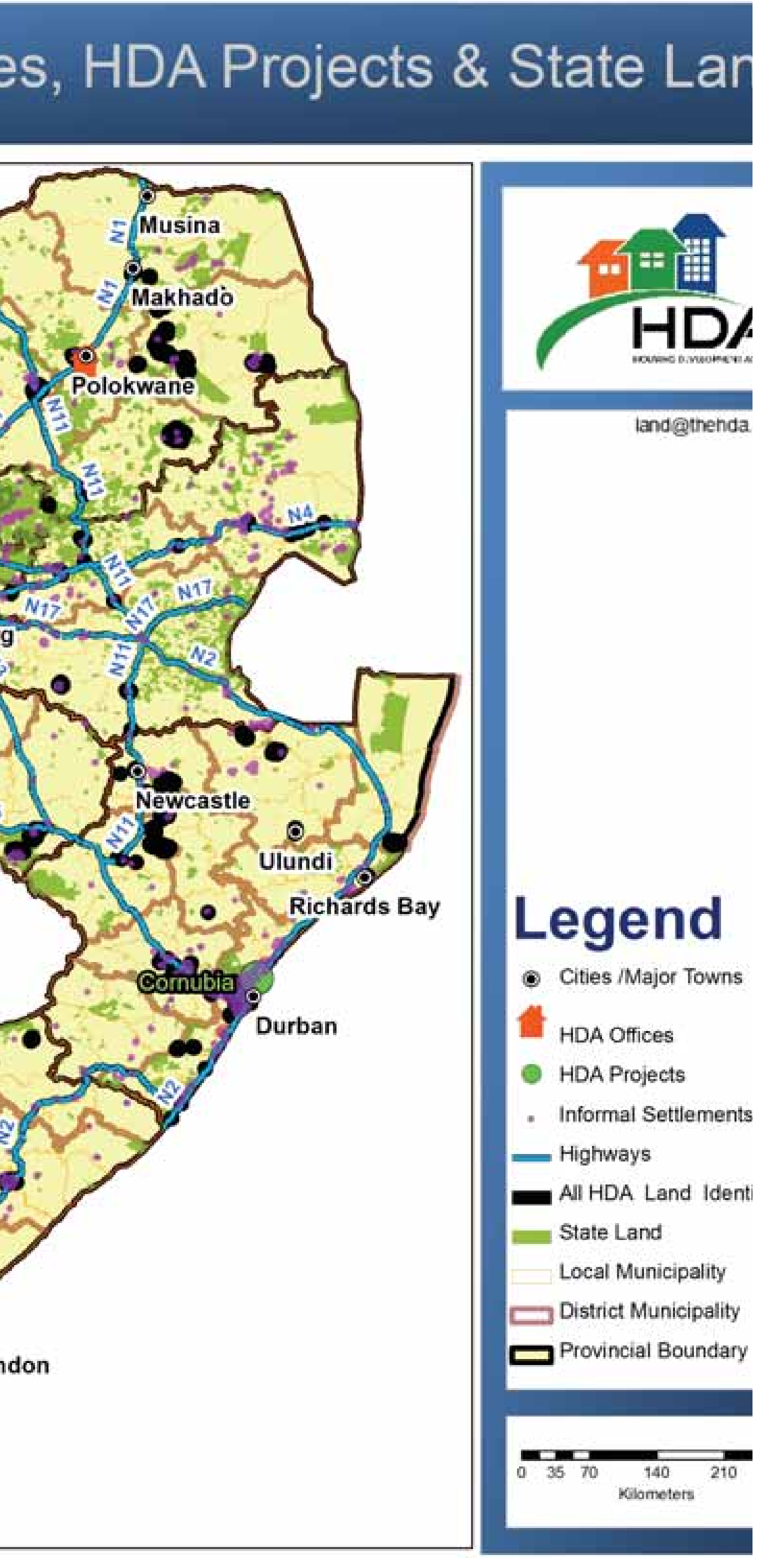
• Land and property acquisition management

Early in the financial year, two Johannesburg inner city buildings were acquired from Servcon/Transnet to support affordable rental housing in accordance with Outcome 8 and the urban renewal initiatives of the City of Johannesburg. Later in the year an additional five state-owned unused buildings located in Johannesburg and Germiston were pursued for affordable rental housing development purposes. The Agency also took transfer of two properties located in Kroonstad and Bethlehem measuring a combined total of 6.9506 hectares. At the end of the financial year the Agency was also at advanced stages of acquiring a further 295.2602 hectares of well-located privately-owned land in Ventersdorp on behalf of the local authority for integrated sustainable human settlements. 478.4396 hectares of Public Work's land in Cape Town (Western Cape Province) and 94.0839 hectares in Johannesburg (Gauteng Province) are at advanced release stages to the HDA. In total 13 598 hectares of state-owned land has been formally requested from custodian departments for human settlements development.
The Agency also facilitated the release and transfer of 18 hectares of state land required for human settlements development in the name of Tzaneen Local Municipality in the Limpopo Province.

• Land and property asset management

Regularisation of tenants occupying the property portfolio in Free State and Johannesburg was completed in the fourth quarter with lease agreements finalised. The rental properties are fully occupied and rent collections are up to date.

By the end of the Financial Year the Agency was managing 11 properties. All inherited leases have been duly ceded to the HDA. An audit of the Bela Bela land occupants has been conducted. Security and cleaning contracts are in place. The buildings have been insured to cover for any eventualities.



CURRENT PROPERTY PORTFOLIO		
Area Description	Size (±Ha)	Status
FREE STATE		
Bethlehem	4.886	Land & buildings
Bethlehem	0.39	Land & buildings
Bloemfontein	40.91	Vacant land
Bloemfontein	5.028	Vacant land
Kroonstad	48.61	Vacant land
Kroonstad	2.065	Land & buildings
Kroonstad	1.228	Land & buildings
Welkom	2.42	Land & buildings
LIMPOPO		
Bela Bela	72	Vacant land
GAUTENG		
Johannesburg Inner City	0.2476	Highrise building
Johannesburg Inner City	0.1488	Highrise building
TOTAL	177.9334	

Land geospatial services

The HDA has developed a comprehensive geo-database to establish the National Human Settlements Land Inventory (NaHSLI). Throughout 2011/2012 the database was continuously being updated, inter alia, with socio-demographic, environmental, economic, cadastre, geotechnical and agricultural datasets. The aim was to establish spatial tools as credible referencing instruments in order for the HDA to identify well-located and habitable land for the development of sustainable human settlements. The unit has further sharpened its ability to conduct geospatial analyses which has become an essential element in strategic and operational decisions.

In the third quarter the first prototype of the environmental component of NaHSLI was completed and tested on identified land. LaPSIS (Land and Property Spatial Information System) enhancements have been effected and a new look and feel with navigation was implemented. In the fourth quarter the user group grew to more than 30 active users and more than 2200 searches. The LGS unit has also ensured the quarterly updates of various datasets in LaPSIS to provide access to more accurate information on properties. Various presentations have been developed over the past year and presented at both national and international forums.

The new version of LaPSIS, the HDA's spatial geographic information system, includes many improvements on the original version. The search functionality has been improved and the navigation completely revamped. The new LaPSIS is full of user-friendly icons and redefined reports. And it is not just the look and feel that is better – new datasets are continually added to provide for a richness of information.

The spatial development framework for Limpopo was recently included with an intention to include all the provinces' spatial development framework databases in the near future. The main datasets used in LaPSIS are the cadastre and deeds data for the entire country, while various other datasets from AgriGIS (the supporting consultancy) are also included.

Two useful additions include a property sold price index report on individual property, as well as a suburb level that shows property trends in an area. There is also a "locate a phone" functionality that links the location of a user's cellphone to an identified property and maps out a route to said property.

The team's intention is to ensure that the HDA assists non-GIS users in provincial human settlements departments and municipalities to effectively use information to ask the right questions in their planning processes.

PROJECTS AND PROGRAMMES

The Projects and Programmes unit is focused primarily on managing projects and programmes that go towards the creation of sustainable human settlements, providing project and capacity support services to provinces, municipalities and other organs of state. Priority Housing Development Areas (PHDAs) are part of the work undertaken by the unit. This area of work has been linked to the Rapidly Growing Towns initiatives of the National Department of Human Settlements. The unit is also responsible for the Section 29 projects of the N2 Gateway and Zanemvula which are identified as National Priority Housing Projects.

It has been an exciting year in terms of the progress in the Informal Settlements work of the unit. Largely due to various collaboration agreements that were signed and the strong partnerships that have been developed with a number of key role players in this area. PPT, SHIFT, CSIR, Urban Landmark, DAG and Planact have provided a wealth of information and experience to this area of work from these organisations specific areas of expertise. Another important aspect of this work is the on-going working relationship that has developed with the National Department of Human Settlements and NUSP in the area of informal settlements upgrading support work. We have also been able to take part in their task teams and planning meetings and this has helped to add depth to the work and facilitate the work going forward. A number of tools have been developed that are now being used in the rapid assessment and categorisation of informal settlements in both Limpopo and the Free State. The tools have been approved by the NUSP team and the HDA is serving as part of the core team for the NUSP programme.

Attendance was high at a workshop on Emergency Housing solutions held earlier in the year. The workshop focussed on how to provide assistance to municipalities and provinces in the area of Emergency Housing and helped in the development of an Emergency Housing Framework and Guidelines which has been completed.

The Neighbourhood Development Case Study research work was completed and also presented to sector role players in a workshop. The case study report entitled "Regenerating a Neighbourhood: the 'Meat and Potatoes' Approach" was well received by those present and a very valuable discussion ensued as to how this could be utilised and/or replicated in other areas badly in need of regeneration.

The framework for Assistance with Slow Moving or 'Blocked' Projects was finalised and a Case Study Report was also completed on a number of incomplete housing projects in various locations throughout several of the provinces.

There was a marked increase in awareness in the sector of how the HDA could support and work with municipalities with regards general capacity support as well as in informal settlement upgrading support and technical project support. This was a great shift forward and has certainly mitigated areas of risk for the unit.

Project technical support was rendered to the Bela Bela project to ensure that the development plan for bulk services was completed and then that both a contractor and Principal Agent were appointed for the Bendor Ext100 roads and storm water phase of the project. Assistance was also provided to projects in the Free state as well as Northern Cape and eThekwini. These are just a sampling of the many and varied capacity and technical support services that were given in assisting both provinces and municipalities to move ahead.

The two Section 29 projects also produced some successes in the past year:

The multi-purpose community centre in Port Elizabeth's Soweto-on-Sea was completed in the first quarter ahead of schedule and slightly below budget. This was the first non-residential project completed by the Provincial Department of Human Settlements and as such gives meaning to the term "sustainable human settlement". Human Settlements Minister Tokyo Sexwale along with the Executive Mayor Zanoxolo Wayile of the Nelson Mandela Bay Metro opened the centre on 3 October. On 4 October Minister Sexwale launched the completion of 800 houses in Chatty. The Chatty 1347 project is now almost complete delivering 1347 units to the Chatty community.

A new approach that was started during this year has been the launch in both Port Elizabeth and Cape Town of monthly community newsletters for the projects. These materials are a communications tool to keep the respective communities informed about project progress and important events and have been gladly received by their respective communities.

In its seventh year since inception, N2 Gateway has made noteworthy progress. The project has now delivered a total of 9,526 units to date. The year has seen the completion of Delft 7-9 with a total of 3911units. Delft 601 is drawing to a close. In previously fraught projects – Delft Symphony Precincts 1 & 2, Joe Slovo Phase 3 and Boystown – delivery of units is underway.

With the constitutional court ruling behind and following the sod turning event held on 1 March 2011, the Joe Slovo Project is delivering high density units in order to accommodate as many beneficiaries as possible to negate the need for relocation. The impact of increasing density meant that the cost of each unit also increased, which has wider policy implications for other projects. The Boystown Project is probably the most volatile project on the N2 as exemplified by incessant disruptions. Against this background, a period of calm has prevailed that has allowed commencement with the construction of housing units for the first phase comprising of 554 houses.

And finally to round off the year two videos were produced to capture the challenges, key learning areas and successes in the two mega projects. The first video examines relocations in the N2 Gateway project, whilst the second, based on the work in Zanemvula, looks at constructing a mega project.

In its seventh year since inception, N2 Gateway has made noteworthy progress. The project has delivered a total of 9,526 units to date. The year has seen the completion of Delft 7-9 with a total of 3911units. Delft 601 is drawing to a close. In previously fraught projects – Delft Symphony Precincts 1 & 2, Joe Slovo Phase 3 and Boystown – delivery of units is underway.

N2 Gateway: Handover of houses in Delft Symphony

GENERAL INFORMATION

LEGAL FORM OF ENTITY
Schedule 3A entity listed in terms of the Public Finance Management Act

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
Accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management and support services

THE FOLLOWING IS INCLUDED IN THE SCOPE OF OPERATION
Identify acquire, hold, develop and release well-located land and buildings, provide project management support and housing development services.

MEMBERS OF THE ACCOUNTING AUTHORITY
NL Sowazi (Chairperson)
K Gordhan
GG Leissner
NJO Lester (resigned 26th January 2012)
TE Nwedamutswu
C Platt
M Swartz
TM Adler (Executive)
APG Moola (Executive)

PHYSICAL ADDRESS
Block A, Riviera Office Park
6-10 Riviera Road
Killarney
Johannesburg

BANKERS
First National Bank Ltd

AUDITOR
Ernst & Young Inc

BUSINESS ADDRESS
P.O. Box 3209
Houghton
2041

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The accounting authority is required by the Public Finance Management Act (Act 1 of 1999), as amended, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting authority acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting authority is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting authority has reviewed the entity's cash flow forecast for the year to 31 March 2013 and in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting authority is primarily responsible for the financial affairs of the entity, it is supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 33.

The annual financial statements set out on pages 30 to 53, which have been prepared on the going concern basis, were approved by the accounting authority on 26 April 2012 and were signed on its behalf by:

N L Sowazi
Chairperson of the Board

REPORT OF THE AUDIT COMMITTEE

The Accounting Authority of the Housing Development Agency (HDA) delegated certain responsibilities to the Audit Committee (Committee) and these are set out in the Terms of Reference of the Committee.

The Committee's responsibilities are in line with the Public Finance Management Act, Act 1 of 1999 and the Treasury Regulations and it has discharged all its responsibilities set out in its Terms of Reference. The Committee has amongst other things reviewed the following during the 2011/2012 financial year:

- the effectiveness of the internal control systems;
- the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant findings and the responses management to specific recommendations;
- the adequacy, reliability and accuracy of financial information provided by management;
- any accounting or auditing concern identified as a result of an internal or external audit;
- compliance with legal and regulatory provisions; and
- where relevant, the independence and objectivity of the external auditors.

The internal controls implemented by the HDA focus on identified key risk areas. Management monitors all internal controls closely and ensures that action is taken to correct deficiencies as they are identified. In the opinion of the Committee, these controls and procedures of the HDA were, during the under review, appropriate in safeguarding the HDA's assets, ensuring the maintenance of proper accounting records and that working capital and resources were efficiently utilised. Nothing has come to the attention of the Committee to indicate that a material breakdown in the functioning of the internal controls, procedures and systems has occurred during the year under review.

Following our review of the annual financial statements of the HDA for the year ended 31 March 2012, we are of the opinion that they comply in all material respects with the relevant provisions of the Public Finance Management Act and Generally Recognised Accounting Practice.

The Committee, at its meeting held on 20 April 2012, recommended these annual financial statements, which were prepared on a going concern basis, to the Accounting Authority for approval.

G Leissner
Chairman

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE FINANCIAL STATEMENTS

OF THE HOUSING DEVELOPMENT AGENCY FOR THE YEAR ENDED 31 MARCH 2012

REPORT ON THE FINANCIAL STATEMENTS

Introduction

We have audited the financial statements of the Housing Development Agency as set out on pages 30 to 52, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information and the accounting authority's report.

The Accounting Authority's responsibility for the financial statements

The Accounting Authority is responsible for the preparation and fair presentation of these financial statements in accordance with Standards of Generally Recognised Accounting Practise and the requirements of the Public Finance Management Act of South Africa, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Housing Development Agency as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise and the requirements of the Public Finance Management Act of South Africa.

Emphasis of matters

We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Restatement of corresponding figures

As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2011 have been restated as a result of an error discovered during 2012 in the financial statements of the Housing Development Agency at, and for the year ended, 31 March 2012.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

PAA requirements

In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on page 14 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

We considered internal control relevant to our audit of the financial statements, performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant findings on the performance report and the findings on compliance with laws and regulations included in this report. We did not identify any material findings.

Ernst & Young Inc.
Director – Sifiso Sithebe
Registered auditor
Charted Accountant (SA)
Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg
29 May 2012

ACCOUNTING AUTHORITY'S REPORT

The members of the accounting authority present their report for the year ended 31 March 2012. This report forms part of the audited annual financial statements.

1. Main business and operations

The Housing Development Agency (HDA) was enacted via an Act of Parliament, the Housing Development Act 3 of 2008. The HDA is listed as a schedule 3A entity in terms of the Public Finance Management Act 1, of 1999.

The Executive Authority of the HDA is the National Minister of Human Settlements. The HDA commenced operations on 1 April 2009.

The objectives of the Agency, as described in the HDA Act are to:

- identify, acquire, hold, develop and release state, communal and privately owned land for residential and community purposes and for the creation of sustainable human settlements;
- provide project management support and housing development services.

1.1. Corporate governance statement

The accounting authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting authority supports the highest standards of corporate governance and the ongoing development of best practice.

The salient features of the entity's adoption of the principles of the King Code on Corporate Governance are outlined below:

Accounting Authority (Board)

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  * non-executive members, all of whom are independent directors as defined in the principles of King Code; and
  * executive members.

Chairperson and Chief Executive

The Chairperson is a non-executive and independent member (as defined by the principles of King Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Human Resources and Remuneration Committee

The Chairperson of the Human Resources and Remuneration committee is Mr N. Sowazi, who is an independent non-executive member. The other member of the committee who is also an independent non-executive member is Ms T. Nwedamutswu.

The committee operates in accordance with its approved charter and has been constituted to oversee the formulation of a remuneration philosophy and human resources strategy to ensure that the HDA enjoys the best human capital relevant to its business needs and maximises the potential of its employees.

Audit Committee

The Chairperson of the Audit committee is Mr G. Leissner, who is an independent non-executive member. The other members of the committee are also independent non-executive members and they are Mr K. Gordhan and Mrs C. Platt.

The Audit committee operates under an approved audit charter.

Properties and Development Committee

The member of the Property and Development committee is Mrs C Platt (non-executive member). The committee has an approved terms of reference.

1.2. Internal audit

The HDA's internal auditors are Outsourced Risk and Compliance Assessment (Pty) Ltd (ORCA), who were appointed on 28 May 2009 to perform the internal audit at the HDA in accordance with the requirements of the PFMA, Treasury Regulations and the Standards of the Institute of Internal Auditors.

1.3. Compliance with legislation

The Board complies with the mandatory legislation applicable to it such as the Public Finance Management Act 1 of 1999 and the HDA Act of 2008.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after reporting date

The accounting authority is not aware of any matter or circumstance arising since the end of the financial year.

4. Members of the Accounting Authority interest in contracts

To our knowledge none of the members had any interest in contracts entered into during the period under review.

5. Financial Results

The HDA 's operating results and financial position are reflected in the attached annual financial statements.

6. Members of the Accounting Authority

The members of the accounting authority of the HDA during the accounting period and up to the date of this report is as follows:

Name	Date of appointment	Date of resignation
NL Sowazi (Chairperson)	01.02.2009	
K Gordhan	15.05.2009	
GG Leissner	15.05.2009	
NJO Lester	01.03.2009	26.01.2012
TE Nwedamutswu	01.03.2009	
C Platt	11.02.2009	
M Swartz	01.03.2009	
TM Adler (Executive)	01.02.2009	
APG Moola (Executive)	01.03.2009	

The Board has met 6 times during the financial year under review. The Board is scheduled to meet at least four times a year.

Non-executive members have access to all members of management of the HDA. Attendance at meetings of the Board and its sub-committees is as follows:

BOARD MEETINGS

NAME	MEETINGS	ATTENDED	APOLOGIES
N Sowazi	6	4	2
K Gordhan	6	4	2
G Leissner	6	6	-
N Lester	5	2	3
C Platt	6	4	2
M Swartz	6	-	6
T Nwedamutswu	6	3	3
T Adler	6	5	1
APG Moola	6	6	-

AUDIT COMMITTEE

NAME	MEETINGS	ATTENDED	APOLOGIES
G Leissner	4	4	-
C Platt	4	4	-
K Gordhan	4	-	4
T Adler	4	3	1
APG Moola	4	4	-

HR & REMUNERATION COMMITTEE

NAME	MEETINGS	ATTENDED	APOLOGIES
N Sowazi	2	2	-
T Nwedamutswu	2	1	1
N Lester	2	1	1
T Adler	2	2	-
APG Moola	2	2	-

PROPERTIES AND DEVELOPMENT COMMITTTEE

NAME	MEETINGS	ATTENDED	APOLOGIES
N Lester	1	1	-
C Platt	1	1	-
T Adler	1	1	-
APG Moola	1	1	-

The Accounting Authority member's remuneration is disclosed on note 20.

Auditors

The Auditor-General has given HDA permission to appoint external auditors. The HDA has appointed Ernst & Young Inc, on 23 February 2010.

STATEMENT OF FINANCIAL POSITION

Figures in R '000	Note(s)	2012	2011
			Restated
Assets			
Non-current Assets			
Property, plant and equipment	3	22 237	3 143
Intangible assets	4	63	154
Land prepayment	5	1 800	-
Land inventory	6	65 400	65 400
Total Non-Current Assets		**89 500**	**68 697**
Current Assets			
Receivables from exchange transactions	7	20 629	12 784
Cash and cash equivalents	8	99 420	69 454
Total Current Assets		120 049	82 238
Total Assets		**209 549**	**150 935**
Net Assets and Liabilities			
Accumulated surplus		55 986	38 154
Non-current Liabilities			
Non-current portion of finance leases	9	65	741
Current Liabilities			
Payables from exchange transactions	11	61 915	22 452
Provisions	12	5 627	3 722
Current portion of finance leases	9	732	466
Bela-Bela funding	13	65 400	65 400
Conditional grants	14	19 824	20 000
Total Current Liabilities		153 498	112 040
Total Net Assets and Liabilities		**209 549**	**150 935**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in R '000	Note(s)	2012	2011 Restated
Operating revenue			
Operational grants	15	111 038	82 573
Project management fee (Section 29 Projects)	16	4 002	7 842
Other operating revenue		113	138
Interest income		1 776	3 394
Total operating revenue		116 929	93 947
Expenditure			
Administrative costs	17	4 625	3 379
Other operating expenses	18	35 639	26 889
Finance costs		220	341
Employee costs	19	34 602	22 527
Feasibility studies		2 138	2 097
Deficit on disposal of property, plant and equipment		89	-
Grant costs (Section 29 projects)	21	23 118	20 787
Total expenditure		100 431	76 020
Other income			
Surplus on disposal of property, plant and equipment		-	308
Sundry income		1 334	270
Total other income		1 334	578
Surplus for the year	**22**	**17 832**	**18 505**

STATEMENT OF CHANGES IN NET ASSETS

Figures in R '000	Note(s)	Accumulated surplus	Total
Balance at 1 April 2010		**19 649**	**19 649**
Surplus as originally stated		20 283	20 283
Prior period error		(1 778)	(1 778)
Restated balance at 1 April 2011		**38 154**	**38 154**
Restated balance at 1 April 2011		**38 154**	**38 154**
Surplus for the year		17 832	17 832
Balance at 31 March 2012		**55 986**	**55 986**

STATEMENT OF CASH FLOW

Figures in R '000	Note(s)	2012	2011
Cash flows from operating activities			
Cash receipts		114 709	92 601
Grants		113 262	92 193
Other receipts		1 447	408
Cash paid to suppliers and employees		(62 676)	(67 680)
Employee costs		(47 786)	(34 806)
Other payments		(14 890)	(32 874)
Cash generated from operations	23	52 033	24 921
Interest received		1 776	3 394
Net cash flows from operating activities		53 809	28 315
Cash flows from investing activities			
Property, plant and equipment acquired		(21 378)	(1 449)
Intangible assets acquired		(6)	(88)
Land prepayment		(1 800)	-
Land inventory acquired		-	(65 400)
Net cash flows from investing activities		(23 184)	(66 937)
Cash flows from financing activities			
Capital projects		(176)	85 613
Decrease in lease liability		(483)	(112)
Cash flows from financing activities		(659)	85 501
Increase in cash and cash equivalents		29 966	46 879
Cash and cash equivalents at beginning of the year		69 454	22 575
Cash and cash equivalents at end of the year	8	99 420	69 454

ACCOUNTING POLICIES

1. General information

The Housing Development Agency is a Schedule 3A entity of the PFMA, Act 1 of 1999. The principal activity is accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management and support services.

The following are the principal accounting policies of the HDA, adopted in preparation of the annual financial statements. The historical cost convention has been used, except where indicated otherwise.

Management has used assessments and estimates in preparing the annual financial statements - these are based on the best information available at the time of preparation. The financial statements have been prepared on a going-concern basis. All amounts have been presented in the currency of South African rand, which is the functional currency of the HDA.

2. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) for the accrual basis of accounting, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierachy approved in Directive 5 issued by the Accounting Standards Board.

3. Standards and Pronouncements comprising the GRAP Financial Reporting Framework

The following standards have been approved but are not yet effective as at 31 March 2012. The impact that these standards will have on the entity is detailled below. A list of these standards is provided below:

GRAP	STANDARDS	IMPACT	EFFECTIVE DATE
GRAP 18	Segment reporting	Disclosure will be affected as the HDA has operations in different geographic regions. Geographic regions will qualify as segments and will need to be separately disclosed.	No effective date.
GRAP 20	Related party disclosures	Disclosure will be affected as the HDA has transactions with related parties.	No effective date.
GRAP 21	Impairment of non-cash-generating assets	The impact of this standard is not material to the HDA.	01 April 2012
GRAP 23	Revenue from non-exchange transactions (Taxes and transfers)	The HDA complies with the standard requirements.	01 April 2012
GRAP 24	Presentation of budget information	Additional disclosures to the financial statements will be required, as the entity receives resources from the Government.	01 April 2012
GRAP 25	Employee benefits	This standard will have a minimal impact on the entity, as the entity complies with IAS18.	No effective date.
GRAP 26	Impairment of cash-generating assets	No material impact, as the entity complies with IAS 36.	01 April 2012
GRAP 103	Heritage assets	The entity does not hold heritage assets, therefore the standard has no impact.	01 April 2012
GRAP 104	Financial instruments	No material impact, as the entity complies with IAS 39.	No effective date.
GRAP 105	Transfer of functions between entities under common control	Disclosure will be affected as the HDA may have transactions with other entities.	No effective date.
GRAP 106	Transfer of functions between entities not under common control	Disclosure will be affected as the HDA may have transactions with other entities.	No effective date.
GRAP 107	Mergers	No impact.	No effective date.

The following are interpretations issued but not yet effective:

	INTERPRETATIONS	EFFECTIVE DATE
	Preface to the interpretations of the Standards of GRAP	31 March 2012
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	No effective date.

2.1. Revenue recognition

The HDA is financed from money appropriated by Parliament and other sources as indicated below.

Revenue from exchange transactions

Revenue from exchange transactions refers to the revenue that accrued to the HDA directly in return for services rendered, the value of which approximates the consideration received or receivable.

Revenue arising from the use by others of entity interest yielding assets is recognised when:

- It is probable that the economic benefits or service potential with the transaction will flow to the entity, and
- The amount of revenue can be measured reliably.

Interest income is recognised as it accrues on a time apportionment basis taking into account its effective yield. Other income comprises tender fees and insurance claims and is recognised when consideration is received.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the HDA received revenue from another party without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants from government are recognised at fair value when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Grants relating to projects approved for funding but not yet transferred are accrued for.

The service rendered is recognised as revenue by reference to the stage of completion of the transaction at the statement of financial position date.

2.2. Taxation

The HDA is not required to make provision for SA Normal Taxation in the annual financial statements, since it is exempted in terms of Section 10(1) cA (i) of the income Tax Act 58 of 1962 as amended.

The HDA is defined as a public authority in terms of the VAT Act 89 of 1991 as amended and is not required to register for VAT (Value Added Tax). The HDA is also exempt from paying Skills Development Levy in terms of Section 4 (d) of the Skills Development Levies Act no 9 of 1999.

2.3. Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits and service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired at no or nominal cost, its costs is its fair value as at the date of acquisition.

Depreciation commences when the asset is ready for its intended use. Depreciation is provided on straight-line basis which, it is estimated, will reduce the carrying value of the assets to their residual values at the end of their useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the cost of the item shall be depreciated separately. Where the carrying value is greater than estimated recoverable amount, it is written down immediately to its recoverable amount. The useful lives of all the assets are assessed on an asset by asset basis. The major categories of assets are depreciated using the following range of useful lives:

Office equipment	4 - 5 years
Furniture & fittings	10 - 12 years
Electronic hardware	4 - 5 years
Property	20 -25 years
Computer equipment	3 - 4 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Paintings

Paintings are carried at fair value and not depreciated. Paintings are revalued every 3 years.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.

2.4. Intangbile assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are purchased computer software that is stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over its estimated life of three years using the straight-line method.

The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless:

- There is a commitment by a third party to purchase the asset at the end of its useful life; or
- There is an active market for the assets; and
  - Residual value can be determined by reference to that market; and
  - It is probable that such a market will exist at the end of the asset's useful life.

Useful lives, amortisation methods and residual values of assets are re-estimated annually to finite periods. The depreciable amount of an intagible asset with finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use. The assets are then amortised over their re-assesed useful lives.

An intagible asset shall be derecognised:

- On disposal; or
- When no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

2.5. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Classification of leases is done at the inception of the lease agreement.

Finance leases – lessee

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease assets are carried at the initial cost recognised less accumulated depreciation and impairment losses. Finance lease assets are depreciated over the shorter of the expected useful life of the asset (where ownership of the asset is not expected to transfer to the entity and the end of the leased term) or the lease term unless the asset is expected to be used by the entity beyond the term of the lease.

The major categories of leased assets are depreciated using the following range of useful life:

Office equipment	2 - 3 years

Operating leases – lessee

Leases for assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. The liability is not discounted.

2.6. Provisions

A provision is recognised in the annual financial statements when the entity has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

2.7. Leave pay provision

Employee entitlements to annual leave are recognised as the leave entlitlement accrues to employees. A provision, based on total employment cost, is raised for the estimated liabilities as a result of services rendered by employees up to date of the statement of financial position.

Long-service payment

In determining the liability for other long-term benefits, management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation and the number of employees expected to leave before they receive the benefits.

2.8. Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the entity, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

2.9. Land inventory

Initial recognition and measurement

Land inventory is a tangible assets that is held for sale or distribution in the ordinary course of operations.

Land inventory shall be recognised as an asset if, and only if:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the inventory can be measured reliably.

Inventories that qualify for recognition as assets shall initially be measured at cost. Inventories are measured at the lower of cost and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be fair value as at the date of acquisition.

Subsequent measurement

Inventories shall be measured at the lower of cost or current replacement cost where they are held for distribution at no charge or for a nominal charge.

2.10. Related parties

The HDA operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed. Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of Executive Committee up to the Accounting Authority are regarded as key management. Close family members of key management are considered to be those family members who may be expected to influence, or be influenced by, key management individuals or other parties related to the entity.

2.11. Financial instruments

Initial recognition and measurement

All financial instruments are initially recognised at fair value including transaction costs, with the exception of financial instruments measured at fair value through profit or loss, which are valued at fair value excluding transaction costs.

- Receivables

Receivables are classified as loans and receivables and are initially measured at fair value. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are subsequently measured at amortised cost using the effective interest rate method. The allowance for debtor impairments is determined as being the difference between the present value of the expected future cash receipts and the carrying value. Bad debts are written off when concrete cases of default are identified. Gains and losses are recognised in surplus and deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

- Payables

The entity's financial liabilities include payables which are initially measured at fair value and subsequently measured at amortised cost.

- Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts, all of which are available for use unless otherwise stated.

- Offsetting

Transactions are only offset when such offsetting reflects the substance of the transaction or event. Where a legally enforceable right of offset exists for recognised financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

- Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. As the indicators are subject to uncertainty and may change in future financial periods, such changes in estimates may have the effect of decreasing impairment losses recognised. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Impairment losses are recognised in surplus or deficit.

- Derecognition

A financial asset (or, where appllicable, a part of a financial asset) is derecognised when:

- The rights to receive cash flow from the asset have expired;
- The entity retains the right to receive cash flow from the asset, but has assumed the obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The entity has transferred its right to receive cash flows from the asset and either
  - Has transferred substantially all the risks and rewards of the assets, or
  - Has neither transferred nor retained substantially all the risks and rewards of the assets, has transferred control of the asset,

A financial liability is derecognised when an obligation under the liability is discharged, cancelled or expires.

On derecognition, the difference between the carrying amount of the financial assets and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets, is included in the surplus or deficit for the period.

2.12. Employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The HDA is a member of the Government Employees Pension Fund. The employer's contribution is 13% of the employee's pensionable salary.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payment as a result of past performance.

2.13. Accruals

Accruals are recognised as liabilities when the entity has taken receipt of the related goods or services without a corresponding invoice having been issued. The amount of accruals is the present value of the expenditure required to settle the obligation. Accruals are not recognised for future operating deficits.

2.14. Grants accrued

Grant accrued represents funds committed and allocated to specific projects for which contracts have been entered into and which await cash payments in terms of payment agreed contracts.

2.15. Projects in progress (conditional grants)

Projects in progress represent grants received for funding programme projects, the conditional grants are treated as liabilities in the statement of financial position in the year it was received or accrued and released to revenue as the expenses are incurred or to the extent that the conditions are met.

2.16. Significant estimates and judgements made by management in applying accounting policies

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgement has been exercised in determining the following:

Fair value estimation

The amortised cost (using the effective interest method), less impairment provision of receivables and payables approximate their fair values. The present value of future cash flows (using the effective interest method) approximates the fair value of revenue and expenditure transactions.

Provisions

Management has used the latest available information to determine estimations for provisions. These are measured at management's best estimate of the expenditure required to settle the obligation at reporting date.

2.17. Budgets

The budget is prepared as a part of the 3 year Medium Term Expenditure Framework plan and 5 year Strategic Plan on an accrual basis. The budget for the year of operation is monitored against actual figures incurred. Provisions and accruals are reviewed monthly. Variances of less than or more than 5% must be explained.

A quarterly review is also conducted whereby, each department explains variances against budget. This is included in the HDA quarterly reports which are sent to the National Department of Human Settlements.

2.18. Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

2.19. Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or not in accordance with a requirement of any applicable legislation, including -

(a) the PFMA; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the CEO or accounting authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in R '000	2012			2011		
3. Property, plant and equipment						
	Cost	Accumulated depreciation	**Carrying value**	Cost	Accumulated depreciation	**Carrying value**
Owned assets						
Furniture and fittings	860	284	**576**	640	166	**474**
Electronic hardware	1 387	546	**841**	925	292	**633**
Office equipment	90	41	**49**	83	21	**62**
Computer equipment	1 627	793	**834**	1 172	476	**696**
Paintings	208	-	**208**	208	-	**208**
Property	20 000	833	**19 167**	-	-	**-**
	24 172	2 497	**21 675**	3 028	955	**2 073**
Capitalised leased assets						
Leased assets	1 449	887	562	1 378	308	**1 070**
	1 449	887	562	1 378	308	**1 070**
Total	25 621	3 384	22 237	4 406	1 263	**3 143**

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	**2012 Carrying value at end of year**
Owned assets					
Furniture and fittings	474	227	(6)	(119)	**576**
Electronic hardware	633	463	-	(255)	**841**
Office equipment	62	7	-	(20)	**49**
Computer equipment	696	682	(83)	(461)	**834**
Paintings	208	-	-	-	**208**
Property	-	20 000	-	(833)	**19 167**
	2 073	21 379	(89)	(1 688)	**21 675**

In relation to property, rights and obligations have been transferred but tiltle deeds have not been transferred.

	Carrying value at beginning of year	Additions	Disposals	Depreciation	**2012 Carrying value at end of year**
Capitalised leased assets					
Leased assets	1 070	72	-	(580)	**562**
	1 070	72	-	(580)	**562**
Total	3 143	21 451	(89)	(2 268)	**22 237**

Figures in R '000	2012			2011		
4. Intangible assets						
	Cost	Accumulated depreciation	**Carrying value**	Cost	Accumulated depreciation	**Carrying value**
Computer software	296	(233)	**63**	289	(135)	154
	296	(233)	**63**	289	(135)	154

The carrying amounts of intangible assets can be reconciled as follows:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	**2012 Carrying value at end of year**
Computer software	154	6	(97)	-	63
	154	6	(97)	-	63

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in R '000	2012	2011
5. Land prepayment		
Servcon land	1 800	-
	1 800	-
A land transfer agreement was signed between the HDA and Servcon which states that various land and landed properties will be registered in the name of the HDA pending approval of National Treasury. A nominal cost of R1.8m (including transfer cost) has been paid to the attorneys to facilitate the transfer.		
6. Land and property inventory		
Land inventory - Bela Bela	65 400	65 400
	65 400	65 400
The HDA acquired portion 170 of the current portion 5 of Farm Roodeport 467 KR- Limpopo Province (Bela Bela) in extent of 72, 5875 hectares for R65.4m (Refer also to Note 13)		
7. Receivables from exchange transactions		
Receivables	19 563	4 158
Sundry receivables	186	47
Zanemvula management fee receivable	140	7 842
Deposits	740	737
	20 629	12 784
The carrying amount of receivables approximates fair value. There are no terms of repayment between Government entities. Sundry receivables comprises employee study bursaries. In terms of the HDA HR policies and procedures, an employee will have to refund the HDA if they do not succeed in their studies.		
8. Cash and cash equivalents		
Petty cash	8	3
Bank balances	99 412	69 451
	99 420	69 454

Figures in R '000	2012	2011
9. Finance lease obligations		
Lease of photocopiers and faxes	65	741
Repayable within one year, transferred to current liabilities	732	466
	797	1 207
Reconciliation between the total of the minimum lease payments and the present value:		
Minimum lease payments	943	1 656
- No later than 1 year	874	782
- Later than 1 year and no later than 5 years	69	874
Future finance charges on finance leases	(146)	(449)
	797	1 207
10. Obligations under operating leases		
The future minimum office lease payments, which escalate at 9% p.a are as follows:		
Johannesburg	9 564	11 552
- Not later than one year	3 105	2 732
- Greater than one year, less than five	6 459	8 820
The future minimum office lease payments, which escalate at 10% p.a are as follows:		
Port Elizabeth	3 008	512
- Not later than one year	909	384
- Greater than one year, less than five	2 099	128
Cape Town	2 384	359
- Not later than one year	937	359
- Greater than one year, less than five	1 447	-
	14 956	12 423
Lease terms and conditions	Expiry date	Lease term
Johannesburg office	31-Jan-15	3 years
Eastern Cape office	31-Mar-15	3 years
Cape Town office	31-Aug-14	3 years
There are no restrictions nor any options to renew the leases.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in R '000	2012	2011
11.Payables from exchange transactions		
Payables	37 898	14 455
Zanemvula project	-	2 981
North West Provincial Government	14 441	-
Free State Provincial Government	5 269	5 000
Limpopo Provincial Government	4 285	-
Board fees donated	22	16
	61 915	22 452

Payables include retentions amounting to R2m, which relate to amounts withheld from contractors in respect of construction projects completed. The amounts are withheld for the duration of the period agreed upon with the contractors.
All payables are paid within 30 days, where possible and where there are no disputes. Payables are not secured.

Other payables from other government entities are "ring-fenced" funds which are raised as a consequence of work outstanding per agreements signed with them.

North West Provincial Government
North West Provincial Government payable relates to an amount received from the North West Province for the facilitation and purchase of land on their behalf.

Free State Provincial Government
Free State Provincial Government payable relates to an amount received from the Free State Province for land maintenance.

Limpopo Provincial Government
Limpopo Provincial Government payable relates to an amount received from the Limpopo Province for services as per the medium term operational programme.

Board fees donated
Some members of accounting authority have donated their fees to a development fund for the benefit of the HDA employees.

Figures in R '000			2012	2011
12.Provisions				
The following provisions are included in accounts payable:				
	Leave	Bonus	Total	Total
Carrying amount at the beginning of the year	1 525	2 197	3 722	2 393
Increase in provision	808	3 471	4 279	3 191
Amounts incurred and charged against the provision	(163)	(2 211)	(2 374)	(1 862)
Carrying amount at end of the year	2 170	3 457	5 627	3 722

The provision for leave is expected to realise during the 2013 financial year. The provision for leave was not discounted as the provision is already reflected at its present value at the reporting date. When the provision for leave is calculated it is based on the employees' salary scales as at the reporting date, but when the provision realises during the 2013 financial year, it may realise at the employees new salary scales as per the HDA Human Resources policy.

The provision for bonus is based on the HDA and employee's performance.This is payable in August of each year, based on the employees scale as at the reporting date.

Figures in R '000	2012	2011
13.Bela-Bela funding		
Funding for land acquisition	65 400	65 400
	65 400	65 400

The HDA acquired land on behalf of the Limpopo Provincial Government(LPG). LPG initiated the request to purchase a particular parcel of land, fixed the purchase price and the terms and supplied the funding. The HDA is obliged to release and render such land available to the Department and/or the Municipality for human settlement development.

Figures in R '000	2012	2011
14.Conditional grants		
Cape Town Joe Slovo Park Rectification	19 824	20 000
	19 824	20 000

An amount of R20m was received from the Western Cape Provincial Government relating to the N2 Gateway, Joe Slovo Park project. Any surplus funds not utilised will be returned to the Municipality.
Capital projects comprises money received from Provinces for specific projects for which contracts have been signed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in R '000	2012	2011
15. Revenue from non-exchange transactions		
Revenue from non-exchange transactions is made up as follows:		
Operational grant - National Department of Human Settlements	89 100	69 300
Operational grant (Section 29 projects)	16 514	13 273
Operational grant - Limpopo	4 204	-
Operational grant - Joe Slovo Park Rectification	1 220	-
	111 038	82 573
16. Project management fee (Section 29 Projects)		
Eastern Cape management fee (Section 29)	4 002	7 842
	4 002	7 842
17. Administrative costs		
Advertising and marketing	1 416	879
Auditors remuneration	606	676
Accounting other services	-	-
Bank charges	35	114
Board costs	178	120
Legal fees	1 591	805
Stationery	565	451
Printing and publications	39	98
Training and staff development	195	236
	4 625	3 379

Figures in R '000	2012	2011
18. Other operating expenses		
Agency support - outsourcing	2 365	2 125
Bad debts	-	7
Assets below R5 000 expenses	-	69
Amortisation	97	85
Catering	266	189
Consultants	5 661	5 129
Contractors - cleaning and security	251	249
Communications	281	279
Computer expenses	1 793	1 509
Depreciation	2 268	1 097
Insurance	411	138
Land and related costs	3 306	27
Office rentals	5 790	3 507
Policy and research	2 389	763
Sundry office expenses	259	85
Project services	893	6 352
Staff recruitment	3 189	1 727
Staff welfare	61	57
Refurbishment - offices	710	321
Repairs and maintenance	125	52
Travel and accommodation	5 185	2 900
Workshop stakeholders	339	222
	35 639	26 889

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in R '000	2012	2011
19.Employee costs		
Basic salaries	31 192	20 426
Performance awards	2 445	1 010
Temporary staff	282	130
Leave payment	54	596
Other payroll expenses - COID	-	28
Employer's contributions (GEPF)	629	337
	34 602	22 527

Retirement benefits are provided by membership of the Government Employees Pension Fund which is a defined benefit fund. HDA's responsibility regarding the funding of the shortfall of the pension fund is limited to the current contributions made on behalf of its employees. The obligation of the fund is guaranteed by the National Revenue Fund and not by the individual Government departments and entities. This responsibility is governed by the Government Employees Pension Law, Proclamation 21 of 1996.

This contributions are included in the surplus for the reporting period.

Figures in R '000	2012	2011
20.Executive and non- executive members remuneration (including Senior Management)		
Executive members	3 979	3 747
TM Adler - Chief Executive Officer	2 258	2 129
Basic salary	1 959	1 912
Bonus	147	147
Pension fund	94	-
Risk benefits	35	45
Allowances	23	25
APG Moola- Chief Financial Officer	1 721	1 618
Basic salary	1 490	1 451
Bonus	112	112
Pension fund	72	-
Risk benefits	26	34
Allowances	21	21

Figures in R '000	2012	2011
20.Executive and non- executive members remuneration (continued) (including Senior Management)		
Senior management team (SMT)	5 384	3 028
JM Leshabane - GM: Land acquisition mgt. and Intergovernmental Relations	1 665	1 543
Basic salary	1 422	1 403
Bonus	102	88
Pension fund	89	-
Risk benefits	25	32
Allowances	27	20
OJ Crofton - GM: Projects and programmes	1 670	1 295
Basic salary	1 422	1 135
Bonus	108	108
Pension fund	89	-
Risk benefits	25	26
Allowances	26	26
SL Rakgoale - Acting GM: Land and acquisition management to 31 Jan.2012	1 047	190
Basic salary	894	171
Bonus	72	12
Pension fund	46	-
Risk benefits	14	3
Allowances	21	4
R Issel - GM: Corporate services (appt. 15 Aug. 2011)	881	-
Basic salary	793	-
Bonus	-	-
Pension fund	62	-
Risk benefits	13	-
Allowances	13	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in R '000	2012	2011
20.Executive and non- executive members remuneration (continued) (including Senior Management)		
N Lester - GM: Land and acquisition management (appt. 1 March 2012)	121	-
Basic salary	108	-
Bonus	-	-
Pension fund	9	-
Risk benefits	2	-
Allowances	2	-
Total executive and SMT remuneration	**9 363**	**6 775**
This represents the amount paid to each executive member. The prior year figure is re-stated as it included leave provisions.		
Non- executive members of accounting authority	161	95
NL Sowazi (Chairperson)	6	35
K Gordhan	-	6
GGL Leissner	78	28
CF Platt	77	26
TOTAL EXECUTIVE REMUNERATION	**9 524**	**6 870**

Figures in R '000	2012	2011
21.Grant cost - Section 29 projects expenditure		
Agency support - outsourcing	370	306
Assets below R5 000 expenses	40	46
Catering	90	100
Consultants	893	991
Contractors - operational	150	141
Communications	483	603
Computer expenses	-	20
Finance costs	204	316
Legal fees	65	29
Office rentals	1 698	1 868
Sundry office expenses	73	90
Repairs and maintenance	33	65
Staff costs	17 312	14 796
Staff recruitment	718	327
Staff welfare	50	38
Stationery	300	301
Training and staff development	308	187
Travel and accommodation	331	563
	23 118	20 787

22.Surplus for the year

The HDA has a surplus of R17,8m and in accordance with its policies, this money will be used for land acquisition.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in R '000	2012	2011
23.Cash generated from operations		
Net surplus	17 832	18 505
Adjustment for:		
Depreciation	2 268	1 097
Amortisation	97	85
Interest received	(1 776)	(3 394)
Deficit on disposal of property, plant and equipment	89	-
Surplus on disposal of property, plant and equipment	-	(308)
Prior period error	(1 778)	-
	16 732	15 985
Movements in working capital	35 301	8 936
Increase in payables	41 241	19 530
Increase in provisions	1 905	1 329
Increase in receivables	(7 845)	(11 923)
Cash generated from operations	52 033	24 921

24.Related party transactions

During the year, the organisation entered into the following transactions:

	Nature of services	Amount received/paid to related party		Amounts owed by/(to) the related party at year end	
		2012	2011	2012	2011
National Department of Human Settlements	Operational grant	89 100	69 300	-	-

By virtue of the HDA being a national public entity, it is presumed that all other government entities within the national sphere are related to it. However, only transactions that occured outside the normal terms available to the broader public are disclosed in accordance with IPSAS 20: Related Party Disclosures.

24.Related party transactions (continued)

	Nature of services	Amount received/paid to related party		Amounts owed by/(to) the related party at year end	
		2012	2011	2012	2011
Josie Adler	Supplied services in relation to neighbourhood upgrades.	188	-	-	-

The HDA CEO is related to the above mentioned supplier. The value of the contract awarded was R249 500.

Figures in R '000	2012	2011
25.Non-financial disclosures		
Irregular expenditure		
Opening balance	-	-
Irregular expenditure - current year	426	1 079
Less amounts condoned	(426)	(1 079)
Irregular expenditure awaiting condonation	-	-

Details of irregular expenditure - current year

Details of Event	Type of expediture	Amount Estimated	Disciplinary Action
Supplier paid prior to motivation being approved	Irregular	51 300	N/A
Independent contractors paid prior to motivation being approved	Irregular	374 279	Verbal Warning
		425 579	

The above expenditure was irregular due to non-compliance with the Supply Chain Management Policy and National Treasury Practice Notes. There were no criminal activities relating to the procurement.

All irregular expenditure was condoned by the CEO who has authority in accordance with the HDA Act 23 of 2008, section 21.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in R '000	2012	2011
25.Non-financial disclosures (continued)		
Fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure - current year	2	-
Less amounts written off	(2)	-
Fruitless and wasteful expenditure balance at end of year	-	-

Details of fruitless and wasteful expenditure - current year
Incident:
Interest charged on late payment to a creditor.
Disciplinary steps taken/ criminal proceedings:
The fruitless and wasteful expenditure was investigated and written off by the executive director.

26.Prior period errors

In 2012 an error of R1,7m was discovered where a section 29 deferred grant revenue relating to the 2012 financial year was credited in full in 2011.
The following adjustments were made:

Figures in R '000	2012	2011
Statement of financial position		
Payables increased	-	1 778
Accumulated surplus decreased	-	1 778
Statement of financial performance		
Operational grant decreased	-	1 778

27.Financial risk management

The HDA, in the course of normal operations, has limited exposure to the financial risks, e.g liquidity risks, credit risks and interest rate risks. However, the HDA attempts to manage the following financial risks:

Liquidity risks
Liquidity risk refers to the risk that sufficient liquidity is not available when required. The goal of the entity is to maintain adequate liquidity at all times.

The HDA is exposed to liquidity risk only with regards to the payment of its payables. The payables are all due within a short time. The HDA manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in a money market account.

The HDA manages liquidity risk according to its investment policy and working capital management, expenditure versus forecasted cash flows. The amount of cash invested in call deposits of 30 days, 60 days and 90 days is guided by the projected future cash requirements.

The maturity analysis of payables at reporting date were as follows:

Figures in R '000	2012	2011
Payables		
Not past due	16 058	9 267
Past due 0-30 days	76	9
Past due 31-120 days	337	-
	16 471	9 276

Market Risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, currency risk, interest rate risk and other price risk. The entity is only exposed to interest rate risk. see Cash and Cash Equivalents below.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in R '000	2012	2011
27.Financial risk management (continued)		
Interest Rate Risk		
Interest rate risk results from the cash flow and financial performance uncertainty arising from interest rate fluctuations. Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits.		
This is a risk that fair value or future cash flows from financial instruments will fluctuate as a result of changes in the market interest rates. Values in the financial instruments may change, thus resulting in both potential gains and losses. The HDA's activities do not expose it to significant market interest rate risks. Therefore, there are no procedures in place to mitigate these risks.		
Cash in the bank account is kept at a minimum in order to maximise interest earned on cash.		
The HDA has invested any surplus cash in a short-term money market account. The interest rates on this account fluctuates in line with movements in current money market rates.		
Credit Risk		
Credit risk consists mainly of cash deposits, cash and cash equivalents, derivative financial instruments and trade debtors. The HDA deposits cash only with major banks with high quality credit standing and limits exposure to any other counter party.		
The HDA receives grant funding from the government through the National Department of Human Settlements, therefore, its exposure to credit risk is minimal. The HDA manages credit risk by continually engaging with high credit-related financial instruments.		
Receivables		
The receivables are exposed to a low risk and amounts overdue are owing by other government institutions and are recoverable.		
The receivables at reporting date were as follows:		
Receivables		
Current	19 130	2 563
1- 30 days	56	-
31- 60 days	2	2 208
Over 61 days	-	6 624
	19 188	11 395

27.Financial risk management (continued)

Cash and Cash equivalents

Cash and deposits are regarded as having insignificant credit risk. The balances of cash and cash equivalents are as follows:

Bank	Type	Interest rate %	Balance at 31 March 2012
FNB	Current – HDA	2,4	1 625 287
FNB	Current – EC	2,4	12 016 455
FNB	Current - Rentals	2,4	1 341 757
FNB	Current – Thubelisha trf	2,4	387 914
FNB	Current - Deposits	2,4	687 426
FNB	Call	4	17 290 632
FNB	Call	4	2 046 530
FNB	35 Days	5,35	5 000 000
FNB	21 Days	5,25	19 477 511
Nedbank	30 Days	5,5	14 366 191
Nedbank	32 Days	5,4	15 065 547
Nedbank	32 Days	5,4	102 526
Nedbank	Current	2,4	4 350
Standard Bank	32 Days	5,4	10 000 000
			99 412 126

Figures in R '000	2012	2011
28. Financial assets by category		
The accounting policies for financial instruments have been applied to the line items below:		
Receivables and sundry receivables	20 443	12 701
Bursaries paid in advance	186	47
Cash & cash equivalents	99 420	69 454
	120 049	82 202
29.Financial liabilities by category		
The accounting policies for financial instruments have been applied to the line items below:		
Payables & other payables	57 659	20 674
Designated income received in advance	4 256	-
Finance leases	797	1 207
	62 712	21 881

DETAILED BUDGET STATEMENT FOR THE Y/E: 31 MARCH 2012

	HDA incl Regions	SECT 29 PROJ	TOTAL	Budget	Variance	% Var	% BUD
REVENUE	(97 749)	(20 515)	(118 264)	(154 259)	(35 995)	23,33%	76,67%
Operational Grant: National	(89 100)	-	(89 100)	(89 100)	-	-	100,00%
Operational Grant: Provincial	(5 425)	-	(5 425)	(36 739)	(31 315)	85,23%	14,77%
Management Fee	-	(4 002)	(4 002)	(10 049)	(6 046)	60,17%	39,83%
Section 29 Projects Grant CT	-	(16 513)	(16 513)	(14 735)	1 778	(12,07%)	100,00%
Tender Documents Fees	(113)	-	(113)	-	113	-	0.0%
Rentals	(1 238)	-	(1 238)	-	1 238	-	0.0%
Other Income JHB - Finance	(96)	-	(96)	(321)	(225)	70,18%	29,82%
Interest Income JHB - Finance	(1 776)	-	(1 776)	(3 315)	(1 538)	46,41%	53,59%
EXPENDITURE	77 313	23 118	100 431	149 843	49 411	29,61%	70,39%
Advertising & Marketing	1 416	-	1 416	1 316	(100)	(7,61%)	107,61%
Agency support/Outsourced Services	2 365	370	2 735	3 438	703	20,45%	79,55%
Assets less than R5000	0	40	40	476	436	91,67%	8,33%
Audit Fees	606	-	606	635	29	4,57%	95,43%
Bank Charges	35	-	35	85	50	58,52%	41,48%
Board Costs	178	-	178	386	208	53,89%	46,11%
Catering & entertainment	266	90	356	609	253	41,47%	77,33%
Communications	281	483	764	835	71	8,51%	91,49%
Computer expenses	1 793	-	1 793	3 005	1 212	40,33%	59,67%
Consultants (incl internal audit)	3 374	128	3 502	3 356	(146)	(4,35%)	104,35%
Consultants- Technical Support	2 287	765	3 053	19 896	16 843	84,66%	15,34%
Contractors - Operational	251	150	401	381	(20)	(5,27%)	105,27%
Depreciation & amortisation	2 367	-	2 367	2 465	98	3,99%	96,01%
Feasibility Studies	2 198	-	2 198	6 633	4 435	66,86%	33,14%
Financial costs	220	204	424	704	280	39,75%	60,25%
Insurance	411	-	411	492	81	16,44%	83,56%
Land & related costs	3 247	-	3 247	19 085	15 839	82,99%	17,01%
Legal Fees	1 591	65	1 656	2 729	1 073	39,31%	60,69%
Deficit on disposal of asset	89	-	89	42	(47)	(110,79%)	210,79%
Office Rentals & Overheads	5 790	1 698	7 487	6 019	(1 468)	(24,40%)	124,40%
Policy & Research	2 389	-	2 389	3 559	1 170	32,87%	67,13%
Printing & Publications	39	2	41	138	98	70,59%	29,41%
Project services	893	-	893	5 953	5 059	84,99%	15,01%
Refurbishment - Offices	710	-	710	880	170	19,35%	80,65%
Repairs & Maintenance	125	33	158	79	(79)	(99,36%)	199,36%
Salaries and wages	34 602	17 312	51 914	54 687	2 774	5,07%	94,93%
Staff Recruitment	3 189	718	3 908	2 810	(1 097)	(39,05%)	139,05%
Staff Welfare	61	50	111	130	19	14,85%	85,15%
Stationery	566	298	865	824	(40)	(4,88%)	104,88%
Sundry Office expenses	257	73	329	420	91	21,62%	78,38%
Training & Staff Development	195	308	503	568	65	11,47%	88,53%
Travel & Accommodation	5 185	331	5 517	6 368	851	13,37%	86,63%
Workshops (stakeholders)	339	-	339	840	501	59,61%	40,39%
NET (SURPLUS) / DEFICIT FOR THE YEAR	**(20 436)**	**2 603**	**(17 832)**	**(4 416)**	**13 416**	**(189,56%)**	

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

UNAUDITED STATEMENT OF FINANCIAL PERFORMANCE

Detailed Statement of Financial Performance

Figures in R '000	2012	2011
Revenue		
Grants received	111 038	82 573
Rent received	1 238	-
Section 29 - project management fee	4 002	7 842
	116 278	90 415
Gross surplus	**116 278**	**90 415**
Other Income		
Investment income	1 776	3 394
Other income	96	408
Profit on sale of fixed assets	-	308
Tender documents fees	113	-
	1 985	4 110
	118 263	**94 525**
Expenditure		
Advertising and marketing	1 416	879
Agency Support- Outsourcing	2 365	2 125
Amortisation - Intangible assets	97	85
Assets under R5 000	-	69
Auditors remuneration	606	676
Bad debts	-	8
Bank charges	35	114
Board costs	178	120
Catering	266	189
Communications	281	279
Computer expenses	1 793	1 509
Consultants	5 661	5 129
Contractors- Operational	251	249
Deficit on disposal of fixed assets	89	-
Depreciation - Tangible assets	2 268	1 097
Feasibility studies	2 138	2 097

Detailed Statement of Financial Performance (continued)

Figures in R '000	2012	2011
Finance costs	220	341
Grant costs - Section 29	23 118	20 787
Land & related costs	3 306	27
Legal expense	1 591	805
Office rentals	5 790	3 507
Policy and research	2 389	763
Printing and publications	39	98
Project services	893	6 352
Refurbishment - offices	710	321
Repairs and Maintenance	125	52
Salaries	34 602	22 527
Staff recruitment	3 189	1 727
Staff welfare	61	57
Stationery	565	451
Sundry office expenses	259	84
Training and staff development	195	236
Travel and accommodation	5 185	2 900
Workshop stakeholders	339	222
	100 431	76 020
Surplus for the year	**17 832**	**18 505**

ABBREVIATIONS

CFO	Chief Financial Officer
CSIR	Council for Scientific and Industrial Research
FY	Financial Year
GIS	Geographical Information Systems
GM	General Manager
GRAP	Generally Recognised Accounting Practice
HDA	Housing Development Agency
HR	Human Resources
IGR	Intergovernmental Relations
IGR&SA	Intergovernmental Relations and Strategy Alignment
IP	Implementation Protocol
ISA	International Standard on Auditing
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
LAM	Land and Acquisitions Management
LaPSIS	Land and Property Spatial Information System
LGS	Land Geospatial Services
MEC	Member of the Executive Council
MTEF	Medium-term Expenditure Framework
MTOP	Medium term Operational Plan
NaHSLI	National Human Settlements Land Inventory
NDHS	National Department of Human Settlements
NUSP	National Upgrading Support Programme
P&P	Projects and Programmes
PAA	Productive Asset Allowance
PFMA	Public Finance Management Act
PHDA	Priority Housing Development Areas
PPT	Project Preparation Trust
S29	Section 29
TRA	Temporary Residential Areas
VAT	Value-added Tax

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REPUBLIC OF SOUTH AFRICA

HDA
HOUSING DEVELOPMENT AGENCY

AN AGENCY OF THE NATIONAL DEPARTMENT OF HUMAN SETTLEMENTS