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GROUP PERFORMANCE AND AUDIT COMMITTEE  
SHAREHOLDER MAYORAL COMMITTEE  
COUNCIL  
BOARD OF DIRECTORS

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**MID-YEAR CORPORATE SCORECARD REVIEW FOR THE JOHANNESBURG SOCIAL HOUSING COMPANY FOR THE  
2021/22 FINANCIAL YEAR.**

**1. STRATEGIC THRUST**

An inclusive City

**2. OBJECTIVE**

The objective of this report is to request Council approval of the budget adjustment and the proposed mid-year deviation(s) of the 2021/22 organisational scorecard of the Johannesburg Social Housing Company SOC Ltd (JOSHCO) (attached as annexure A)

**3. BACKGROUND**

Section 72 of the MFMA, 56 of 2003 requires that the Accounting Officer must submit a mid-year budget and performance assessment report of the City and its Municipal Entities to Council. In terms of *Circular 13 of the MFMA* the Services Delivery and Budget Implementation Plan (SDBIP) and its targets cannot however be revised without notifying Council, and if the are changes in service delivery targets and performance indicators, these must be approved by Council, following approval of an adjustment budget (section 54(1) (c) of the MFMA).

The Council approval is necessary to ensure that the Mayor or City Manager does not revise service delivery targets downwards in the event where there is poor performance.

**4. Proposed Deviation from the Original Performance Scorecard Targets for 2021/22 Financial Year**

Below are the Key Performance Indicators that have been adjusted for implementation from the third quarter to June 2022. The affected KPIs are highlighted in red under annexure A:

- % Of capex spent on SMME
- Number of social housing units developed
- Number of social housing units completed
- Filling of vacancies from middle management to Executive Management

**TABLE 1: Proposed Deviation**

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MAYORAL PRIORITY: INTEGRATED HUMAN SETTLEMENT																		
Change	KPI No	KPA	KPI	2019/2020 Baseline	2021/22 Target	Q1		Q2		Q3		Q4		Estimated budget Capex	Opex	Evidence and means of verification	Proposed deviation	Motivation for deviation
						Target	Actual	Target	Actual	Jan-Mar	Apr-Jun	Apr-Jun						
Existing	7	Economic Development	% Of capex spent on SMME	11%	30%	30%	3%	30%	17%	30%	30%	30%				Departmental expenditure report and Invoices	It is proposed that the calculation of the target be based on Construction expenditure (where SMME's are involved) and exclude expenditure on Land Acquisition and Professional fees.	The current assessment of the target relates to Capital Expenditure while the SMME's do not participate in all activities within the Capital programme i.e., Professional services and Land Acquisition. It is proposed that the calculation of the target be based on Construction expenditure (where SMME's are involved) and exclude expenditure on Land Acquisition and Professional fees.

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Amended KPI as per the proposed deviation	7	Economic Development	% Of construction capex spent on SMME	11%	30%	30%	3%	30%	17%	30%	30%	30%	Departmental expenditure supported by Invoices	Decrease of number of planned units due to challenges encountered in number of mega projects resulting in stoppages	A reduction on the number of social housing units developed is proposed due to termination on project, lack of land-availability and delayed land-transfer amongst others. The following projects are affected: 1.Nancefield Station: The major delays on the project were caused by underground services that were not detected during the planning stage. Uprooting and diverting these services affected progress on the ground. Furthermore, the community closed site demanding a cleansing
Existing	9	Social Housing Development	No of Social Housing units developed	330	1038	-	-	-	-	1038	R648 055 000	R327 000	Progress reported and signed by Profession als		

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																							<p>ceremony as a result of a fatal incident that took place near the construction site in 2018.</p> <p><b>2.Ranburg/Selkirk</b>        Project: Buildings designs submitted to Development department were based on land use agreement between JOSHCO and JPC. JPC offered the same land to a private developer which resulted in delays to approve building plans. JOSHCO had to redesign the entire development excluding the land parcel that was made available by JPC for JOSHCO to use. Until completion of the building control approvals - construction has been halted</p>
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<p>3. Golden Highway: Contractor is under liquidation. JOSHCO has received notice of cession of payment due to the developer from the bank. JOSHCO has issued letter of termination. The project will be repackaged and issued to a new contractor.</p>																	
<p>4. Jeepstown Social Housing: Development has been delayed due to ongoing disputes between landowner, developer and JOSHCO. A legal process has been instituted to consider termination or repackaging the project for development.</p>																	
<p>5. Edenburgh Social Housing: Project is delayed due to approvals by building control</p>																	

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Amended KPI as per the proposed deviation		Social Housing Development	No of Social Housing units developed	330	483	-	-	-	-	-	-	-	-	483	R528 086	R327 000	Dated and signed progress report from professionals appointed in the project.	Completion Certificate	Target increase	The increase was as a result of Roodepoort Social Housing project which will reach completion in the FY
Existing	10	Social Housing Developed	Number of Social Housing units Completed	New	257	-	-	-	-	-	-	-	-	257			Completion Certificate	Target increase	The increase was as a result of Roodepoort Social Housing project which will reach completion in the FY	
Amended KPI as per the proposed deviation		Social Housing Developed	Number of Social Housing units Completed	New	349	-	-	-	-	-	-	-	-	349			Completion Certificate			





Table 2: Technical Indicator Descriptors for the proposed KPIs

Indicator Title	% Of Construction expenditure on SME's
Short Definition	The indicator refers to the capital budget funds spent on SMEs against the appropriate construction budget for the financial year aggregated into a percentage. JOSHCO provides financial support to SMEs through sub-contracting of SMEs and non-financial support through training or workshops for SMEs. Economic development through SME support
Purpose	Invoices from service providers certified as valid
Source/Collection of Data	Percentage (30%) of total expenditure on construction for the quarter (excluding land acquisition and professional fees)
Method of Calculation	Non-cumulative
Reporting Cycle	Quarterly
Portfolio of Evidence	Departmental expenditure report supported by invoices
New Indicator	Existing
Baseline	11%
Desired Performance	30%
Indicator Responsibility	EM: Housing Development

Indicator Title	No of Social Housing units developed
Short Definition	The indicator refers to the number of social and affordable housing units developed through JOSHCO projects within a financial year. This are units that will be developed to completion without connection to services
Purpose	Increase social housing units within the transport nodes, inner city and economic hubs
Source / Collection of Data	Signed and dated independent project professionals
Method of Calculation	Simple count of housing units.
Data Limitations	Evidence not provided due to projects not being met on time
Calculation Type	Non-cumulative (reported in Q4)
Reporting Cycle	Annually
Portfolio of Evidence	Dated and signed progress report from professionals appointed in the project. Report must be dated within the period under review.
New Indicator	No
Baseline	330
Desired Performance	483

Indicator Responsibility	EM: Housing Development
Indicator Title	No of Social Housing units completed
Short Definition	The indicator refers to the number social housing units developed to reach completion and ready to tenant. The units will be developed through JQSHCO projects and once completed will accommodate tenants that based on their statuses qualify for social housing or affordable rental units. Enhanced quality of life that provides meaningful redress through pro-poor development
Purpose	
Source / Collection of Data	Independent project professionals
Method of Calculation	Simple count of completed housing units.
Data Limitations	Evidence not provided due to projects not being met on time
Calculation Type	Non-cumulative (reported in Q4)
Reporting Cycle	Annually
Portfolio of Evidence	Completion Certificates dated within the FY
New Indicator	No
Baseline	New
Desired Performance	349
Indicator Responsibility	EM: Housing Development

Indicator Title	% Employee occupancy rate
Short Definition	Maintaining the occupancy rate of 95% and above, for all approved and funded middle, and senior management positions.
Purpose	This is for filling of positions that are in the approved organogram and have been funded in the financial year. To ensure all departments are capacitated to support overall delivery of the organizational objectives
Source / Collection of Data	Board approved organogram and SAP system
Method of Calculation	Filled positions/total funded positions X 100. This calculation on middle, and senior management positions
Data Limitations	Unavailability of records
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly
Portfolio of Evidence	The approved organogram that reflects funded position, SAP report that shows positions filled
New Indicator	Existing
Baseline	None
Desired Performance	95%
Indicator Responsibility	EM: Corporate Services

4.1 OPERATIONAL BUDGET ADJUSTMENT

Table 3: Adjustment to the Operational Budget

Class of transaction	Reallocation	Adjustments	Motivation
REVENUE			
Interest on outstanding debt	-	6,012	Interest on Non-paying debtors
Income from Agency Fee (Management Fees)	-	36,993	Increase in projects executed on behalf of City of Johannesburg entities and departments
Interest on Sweeping	-	-6,718	The Company does not have Cash Reserves
Operational Subsidy	-	39,974	Sharp increase in utility cost and finalization of job grading report.
TOTAL REVENUE		74,261	
EXPENDITURE			
Employee Costs	-	17,787	Financing of overtime of security guards, Finalization of job grading report as well as vacant critical positions.
Contracted Services	-	-7,540	Reduction in responsive on maintenance due to planned maintenance.
Other Expense	-	64,013	Adjustment on Utility costs i.e., Water.
TOTAL EXPENDITURE		74,261	

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4.2 CAPITAL PROJECTS ADJUSTMENT

Table 4: Adjustments to Inner City projects

No	Project Name	Approved No of Units	Budget	Adjusted No of Units	Adjustment	Adjusted Budget	Comments on project status
1	Inner City affordable rental	0	R32,000,000.00	0	R0.00	R32,000,000.00	No movement proposed.
2	Casamia Renewal Building Alterations	0	R2,500,000.00	0	-R1,000,000.00	R1,500,000.00	The plan is to resuscitate the project of refurbishment of an existing inner-city building where a main Contractor was terminated in 2018/19 financial year. Challenges: Access to the site/building since it is occupied by illegal and armed occupants. Mitigation: JOSHCO has obtained an Eviction Order to be executed to current illegal occupants. Professional team has been appointed, currently working on costing and designs in order to re-appoint a new Contractor to take over the project.
3	38 Rissik Street (NBS) Inner City Bu	0	R1,500,000.00	0	R0.00	R1,500,000.00	This is an existing property of JOSHCO to be converted into a student accommodation facility. No challenges reported so far. Specification to procure and appoint a team of Professionals has been concluded and appointment to be finalised during Q3 of this financial year.
4	Booyensens Street Inner City Conversion	0	R2,000,000.00	0	-R500,000.00	R1,500,000.00	Professional Team working on Design Development. No challenges report on the project so far.

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5	Abel Road Inner City Building Conversion	257	R24,500,000.00	257	R0.00	R24,500,000.00	Phase 1 of the project currently being prepared to receive Occupational Certificate. Contractors to perform remedial works on rainwater related damages caused by rains during December to February months. Project to reach completion in this FY as planned.  The plans to commence with phase 2 are underway. Project Specifications for the appointment of a contractor have been developed to activate SCM process in Q3.
	Totals	257	R62,500,000.00	257	-R1,500,000.00	R61,000,000.00	

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**Table 5: Adjustment to the Green Fields Projects**



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No	Project Name	Approved No of Units	Budget	Adjusted No of Units	Adjustment	Adjusted Budget	Comments on project status
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1	Luthereng Social Housing Development	150	R76,001,000.00	152	R20,000,000.00	R96,001,000.00	<p>The project is scheduled for Practical Completion in October 2022. The project was suspended due to lack of budget in Q4 of 2020/21 financial year and the developer was forced to move out of site.</p> <p><b>Challenges:</b> Only day to day site matters raised and resolved on site.</p> <p><b>Mitigation:</b> all matters were resolved, and the project resumed after the budget was made available in Q1 of 2021/22 financial year. The project is currently proceeding well, schedule for Practical completion in October 2022 on entire 407 units and additional budget has been allocated to the project. The project will in this FY yield a total of 152 units at 70% completion (without services connection) out of the 407.</p> <p>The project commenced in May 2021 and has been progress with some challenges.</p>
2	Nancefield Social Housing Development	93	R50,000,000.00	0	R10,000,000.00	R60,000,000.00	<p><b>Challenge:</b> Once on site, the main contractor experienced delays due to existing underground services that were un-covered during excavations. Unfortunately, the city entities responsible for those services did not bring it to JOSHCO's attention when granted an opportunity to comment during approval of plans and designs.</p> <p><b>Mitigation:</b> JOSHCO was granted permission by the respective city entities to remove the services since they are decommissioned.</p>
3	Princess Plots Social Housing	95	R52,900,000.00	333	R68,055,000.00	R120,955,000.00	<p>The project is schedule for Practical Completion in June 2022. The project is currently progressing well. JOSHCO intended to report units on the project that are at progress completion.</p> <p><b>Challenge:</b> none, except for day-to-day matters that are dealt with on site from time to time.</p>

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No	Project Name	Approved No of Units	Budget	Adjusted No of Units	Adjustment	Adjusted Budget	Comments on project status
4	Randburg Selkirk Social Housing project	100	R58,000,000.00	0	-R43,000,000.00	R15,000,000.00	<p>Mitigation: additional budget has been proposed to the City, in order to ensure sufficient financial resources to the project. The project will reach Practical Completion in June 2022 for all 333 units.</p> <p>Main Contractor appointed on the project.</p> <p>Challenge: The project could not commence on site due to a delayed land-transfer process from JPC to JOSHCO. This has affected the delivery of 100 units.</p> <p>Mitigation: JOSHCO has since instructed its Professional team to re-design the project to fit within JOSHCO allocated land in order to proceed.</p> <p>The project is currently at phase two (333 units). Current progress on site is nearly 65%.</p>
5	Golden highway Social Housing	150	R80,000,000.00	0	-R30,000,000.00	R50,000,000.00	<p>Challenge: The project was suspended by the Developer due to a dispute with local SMME's. Another challenge related to a land-transfer dispute between the Developer and the main Contractor on site. This has hampered completion of phase 2 of the project and affected 150 units planned delivery.</p> <p>Mitigation: The Developer was issued with a Notice of Cancellation or to remedy the default. JOSHCO is currently reviewing the turn-around plan submitted by the Developer.</p>



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6	Roodepoort Social Housing	0	R4,655,000.00	92	-R2,555,000.00	R2,100,000.00	<p>Top-structure construction of the units has been completed. The project will reach completion before end of the 2021/22 FY</p> <p><b>Challenge:</b> The Sewer up-grade work that needed to be done before occupancy certificates can be issued. Unfortunately, the need for upgrade was not foreseen during the planning phase.</p> <p><b>Mitigation:</b> The Contractor for Sewer portion is implementing mechanical-pump to drain access water from trench and implementing temporary-shoring system to support trench-walls while working. A total of 92 units will reach Final Completion once Sewer is connected.</p> <p>The City is working on land-preparation to hand over to JOSHCO for implementation.</p> <p><b>Challenge:</b> Project not ready for implementation.</p> <p><b>Mitigation:</b> JOSHCO is engaging with City Development Planning department to ascertain the state of readiness for this land to be developed.</p> <p>Project progressing well. Developer is ready to commence with the first 180 units in February 2022 on three stands. A total of 60 units is anticipated to be at 70% completion level by end of June 2022.</p> <p><b>Challenges:</b> Although the project has received the Gauteng Human Settlement Support, its location falls outside the approved Restructuring Zone. The City needs to submit an application to gazette the area before SHRA finalises the application submitted.</p> <p><b>Mitigation:</b> A proposal for an additional budget allocation has been made to the City so that the development proceeds without hindrance</p>
7	Mariboro Social Housing Development	0	R1,000,000.00	0	-R1,000,000.00	R0.00	
8	Tum-Key 1: Region A: Riversides View	140	R75,530,000.00	60	R70,000,000.00	R145,530,000.00	



**5. MOTIVATION**

The mid-year budget adjustment has afforded the entity an opportunity to move capital budget from underperforming projects to projects that are performing well. The delay in projects-progress has affected the number of units that were planned in the FY as follows:

- Social housing units developed were reduced from the planned 1038 to 483. This are units that will be completed without connection to services.
- Social housing units completed were increased from 257 to 349 due to an additional project that is anticipated to reach completion within the FY.

**Table 6: Summary of motivation based on key adjustments**

ITEM	ORIGINAL	ADJUSTMENT	PROPOSED DEVIATION
CAPEX	R648 086 000	- R20 000 000	R628 086 000
OPEX	R257 576 000	R74 261 000	R331 837 000
NUMBER OF SOCIAL HOUSING UNITS DEVELOP	1038	- 555	483
NUMBER OF SOCIAL HOUSING UNITS COMPLETED	257	92	349

**6. LEGISLATION IMPLICATIONS**

The City's Adjustment Budget process is in accordance with the MFMA and the Budget Regulations of the MFMA and reflects the amended budget allocations to JOSHCO. The approved adjustments require amendments to the 2021/22 Business Plan

**7. FINANCIAL IMPLICATIONS**

The OPEX budget has been increased by R74,261 000 and the Capital budget was reduced by R20 000 000.

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**8. COMMUNICATION IMPLICATIONS**


The Council is required in terms of section 44 of the Municipal Systems Act No 32 of 2000 (as amended) to publicise, both internally and to the public, the key performance indicators, and performance management system. JOSHCO's Scorecard and KPIs will be communicated to all the stakeholders in a manner prescribed by the law.

**10. IT IS RECOMMENDED THAT**


The deviation report that includes the budget adjustment and the amended JOSHCO Scorecard for the 2021/22 financial year aligned to the City's key priorities, attached as annexure "A" be approved.

**APPROVALS**

Mr. Victor Rambau  
**CHIEF EXECUTIVE OFFICER**  
JOSHCO  
DATE:

  
18/02/2022

Ms. G Boikanyo  
**JOSHCO: Board Chairperson**  
Date:

  
21/02-2022

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COUNCILLOR: Mlungisi Mabaso

MMC HOUSING

DATE:



22/06/2022

**Annexure A**

Adjusted Balance Scorecard to June 2022

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Key Performance Areas	Key Performance Indicators	KPI No	Baseline 2019/20	2021/22 Target	Quarterly Performance Targets				2021/22 Budget Per Project R 000				Means of Verification		
					Total budget				Quarterly Budget Target Capex and Opex						
					Q1	Q2	Q3	Q4	Capex (000)	Opex (000)	Q1	Q2		Q3	Q4
Objective: Become a financial sustainable entity															
Financial sustainability	Current Ratio	1	Current Ratio: 0.75:1	Current ratio 1:1	1:1	1:1	1:1	1:1	100	100	100	100	400	400	Monthly management accounts
	Solvency Ratio	2	Solvency Ratio 0.83:1	Solvency Ratio 1:1	1:1	1:1	1:1	1:1	100	100	100	100	400	400	Monthly management accounts
	Cost coverage Ratio	3	New	50 days cost coverage	50 days	50 days	50 days	50 days	100	100	100	100	400	400	Monthly management accounts
	Remuneration to Opex expenditure up to % 40%	4	New	Remuneration to Opex expenditure up to 40%	Remuneration to Opex expenditure up to 40%	Remuneration to Opex expenditure up to 40%	Remuneration to Opex expenditure up to 40%	Remuneration to Opex expenditure up to 40%	1 200	300	300	300	300	300	Monthly management account
	% Collection in respect of current debtors.	5	61%	90% collection in respect of current debtor	90% collection in respect of current debtor	90%	90%	90%	39 127	N/A	9 781	9 781	9 781	9 784	Revenue Report approved by Board
Objective: Contribute to local economic development through SME Support and Job creation															
Job creation	Number of jobs created for the unemployed through EPWP programme	6	135 number of jobs created for the unemployed through the programme	500 number of jobs created for the unemployed through the programme	100	275	390	500	1 300	280	455	289	286	EPWP database	









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	13	New	10	Buildings	4	6	8	10	2	600	432	432	1	286	440	Professional signed buildings conditional assessment reports
<b>Objective: Strengthen governance and compliance</b>																
Adherence to Corporate Governance Principles	14	Unqualified audit opinion	Unqualified audit opinion.	Unqualified audit opinion.						3 537					3 937	Auditor General final report
	15	% Compliance to laws and regulation	89% Compliance to laws and regulation	95% compliance to laws and regulation	95%	95%	95%	95%		4 586						Board approved Compliance reports
	16	% Implementation of targeted corrective action against identified risks	50% implementation of targeted corrective action against identified risks	95% implementation of corrective action against identified risks	95%	95%	95%	95%		1 153						Board approved risk management report
Corporate governance	17	% Implementation of targeted corrective action against audit findings	New	95% Implementation of corrective action against internal audit findings	95%	95%	95%									Internal audit report
	18	% Implementation of targeted corrective action against external audit findings	New	100% implementation of corrective action against internal audit findings	100%	100%	100%									Internal audit report
<b>Objective: Become a Customer Centric company.</b>																
	19	% Filing of vacancies from middle management to	New KPI	100% Filing of vacancies from middle	100%	100%	100%									Recruitment report



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