a world class African city

City of Joburg Property Company (SOC) Ltd

ANNUAL REPORT 2010/11

Registration No: 2000/017147/07

(In terms of Section 121 of the Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act, 2000)

CITY OF JOBURG PROPERTY COMPANY (SOC) LIMITED
INCORPORATED UNDER SECTION 21 OF THE COMPANIES ACT

COMPANY INFORMATION:

Registration number:	**2000/017147/07**
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Bankers:	**Absa Bank of SA Limited**
Auditors:	**Auditor-General**

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1. PROFILE

1.1. SCOPE OF REPORT

This annual report covers the governance, financial responsibility, social responsibility, broader economic and overall sustainability performance of the City of Joburg Property Company (SOC) Ltd for the financial year 2010/11. It provides an account of the company's progress to date and offers a forward-looking perspective in terms of future plans and value generating strategies.

It also covers the following:

- Comparative information
- Performance information
- Sustainability report
- Operational report
- Financial report

1.2. COMPANY PROFILE / OVERVIEW OF THE ENTITY

The City of Joburg Property Company (SOC) Ltd (JPC) was established in 2000 as an independent company mandated by its single shareholder, City of Johannesburg Metropolitan Municipality (CoJ) to carry out:

- Property Development;
- Property Management Services;
- Asset Management Services; and
- All ancillary services to the above.

The JPC forms part of the Economic Development Sector and provides performance progress on a quarterly basis to the shareholder.

The JPC is mandated to support the Council's economic and social objectives as outlined in the Growth and Development Strategy, as well as Mayoral strategic priorities aimed at making Johannesburg a "World-class African City". The company ensures that economic growth and job creation occur to address socio-economic disparities and legacies of discrimination and inequality, as well as:

- Realising value (social and economic) for the CoJ through the management and development of Council-owned properties;
- Maximising the social and economic development of the Council-owned properties and mobilising private and public capital to increase their value and long-term returns;
- Supporting economic development and aligning the CoJ property portfolio with CoJ priorities;
- Increasing the effectiveness of economically viable municipal and social use of properties;
- Managing risk and return with respect to the property portfolio and property transactions for the CoJ;
- Establishing and maintaining a property Asset Register relating to the Council-owned properties; and
- Ensuring that the Company has developed the systems, infrastructure, and personal skills to achieve its objectives.

The main objective of the Company is therefore *"to develop and manage Council-owned properties for the purpose of maximising both social and commercial opportunities for the Council in the short and longer term."*

To ensure that JPC is in a position to fulfil the abovementioned objective, the company has developed innovative policies and procedures to refine the approach taken towards the management of the CoJ's property portfolio. Standard policies and procedures have been developed and implemented, including policies regarding:

- Supply Chain Management Policy for Land, which includes outdoor advertising;
- Supply Chain Management Policy for Goods and Services;
- Human Resource management policies;
- Fixed Asset Policy for moveable assets;
- Disaster Recovery and Continuity Plan; and
- Information Technology Policy and Procedures.

1.2.1 The JPC, a company that supports the City's transformation drive

For the past decade, Government has been addressing the issue of land access and ownership with the purpose of redressing inequalities in land tenure, stimulating economic growth and paving the way for the creation of wealth amongst those groups of individuals and communities who previously did not have access to such opportunities. The CoJ is a developmental local government that seeks to actively use the institution and the instrument of

local government, the municipality, to improve the quality of life of all our people. The JPC has therefore developed programmes within its core departments and is utilising the property portfolio to support this initiative in order to redress the previous disparities of land ownership.

The land regularisation programme is part of this transformation drive. The process of land regularisation is an important initiative, which, if tackled effectively, will act as a catalyst for development in the identified areas, thus benefiting communities, small enterprises and developers alike.

The Land Regularisation Programme was first launched by the JPC in the greater Soweto area and is currently focused in three (3) areas, namely Greater Orange Farm, Ivory Park and the surroundings as well as Alexandra.

1.2.2 Description of daily operations

The JPC provides an all-encompassing range of property services required for the management and development of the property portfolios of the CoJ and its MOEs. These services are commissioned on a sole agency basis to administer the acquisition and conveyancing of all land required for rendering municipal services and, furthermore, to administer, manage, develop and alienate Council-owned properties.

In reaching this milestone, the JPC has to contend with the complexity of complying with a multitude of property requirements and legislations, such as the following:

- The introduction of the National Credit Act and the global economic meltdown significantly impacting on the growth and demand for residential, commercial and industrial properties;
- Introduction of the Municipal Asset Transfer Regulations, 2008 which regulates the transfer and permanent disposal of non-exempted capital assets by municipalities and municipal entities in order to facilitate the enforcement and administration of section 14 (2) and section 90 (2) of the Municipal Finance Management Act 56 of 2003, which is to attain a council resolution before the disposal of any Council-owned properties;
- Formalities in respect of Leases Act, 1969;
- Alienation of Land Act, 1980;
- Subdivision of Agricultural Land Act, 1970;
- Advertising on Roads and Ribbon Development Act, 1940;
- Preferential Procurement Framework Act;
- Local Government: Municipal Structures Act, 1998;

- Local Government: Municipal Systems Act, 2000;
- Local Government: Municipal Demarcation Act, 1998;
- Consumer Protection Act, 2008; and
- National Environmental Management Act, 1998.

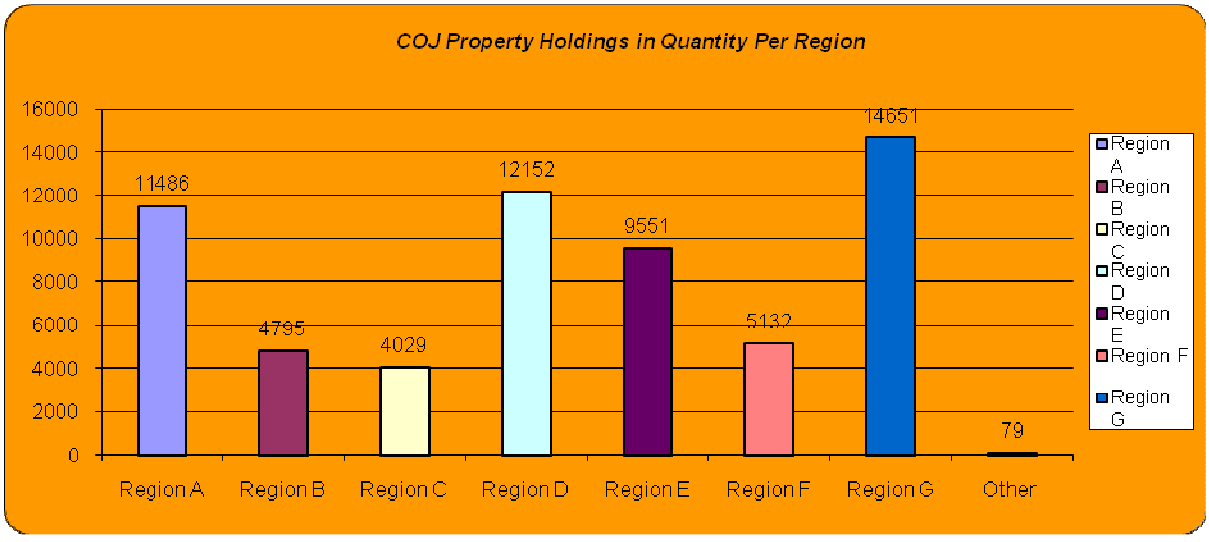
The property portfolio

Land and improvements

The JPC manages R8.8 billion of the City's immovable property portfolio. The CoJ property portfolio is diverse with 64 000 properties under management, covering 39 000 hectares. The property portfolio is utilised mainly for service delivery and social related services, e.g. water, electricity, sport, stadiums, clinics, fire stations, etc. This demonstrates that the JPC manages the portfolio in a manner that ensures a balance in terms of its socio-economic mandate. Surplus parcels of land that are not required for Municipal basic services are alienated to achieve financial returns and create economic opportunities that will attract investments on Council owned properties resulting in economic spin-offs such as job creation.

Property holdings per region

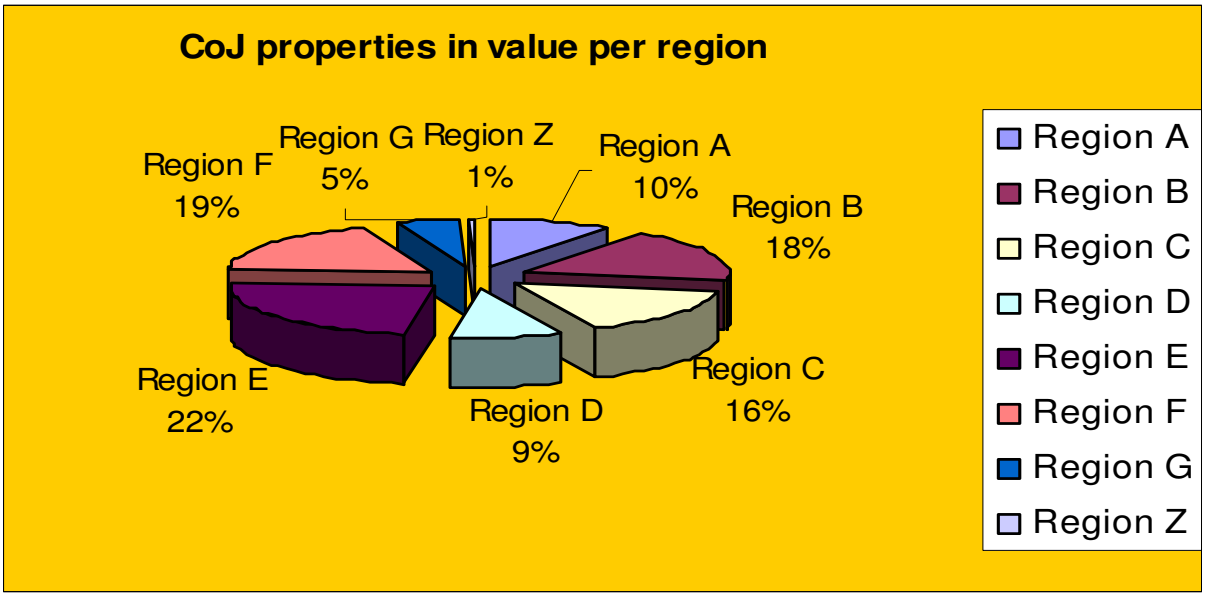
Region G still reflects the highest number of land parcels with an increase to 14 651 properties due to the devolution of properties from Gauteng Provincial Government; Regions A to F remain constant as reflected in the graph below.



Property valuation per region

Only Regions D and E have increased significantly in value, by 3% and 2% respectively, compared to the previous financial year, while the other regions have remained constant. The growth in Regions D and E is mainly due to the devolution process that was undertaken by

Gauteng Provincial Government, which involved residential property and community facilities.



Property ownership in marginalised areas

The City has embarked on a comprehensive Land Regularisation Programme (abbreviated as "Land Reg"), which aims to make residents first-time owners of property. The affected areas include Greater Soweto, Alexandra, Orange Farm and other formerly black areas under Johannesburg Metro. In the last quarter of the financial year (April - June), the City transferred properties to beneficiaries in these marginalised areas, which equates to providing shelter to more than 1 500 individuals.

The JPC business departments

The JPC currently consists of three (3) core business divisions, namely Asset Management, Property Management and Property Development. There are four (4) support divisions, namely, Finance, Human Resources, Corporate Services and Office of the Chief Operations Officer.

Core business

- Property Asset Management

  Key to the effective realisation of value for the CoJ's property portfolio and ensuring that the JPC becomes more proactive in its role as the asset manager of the CoJ's property is the establishment of a property asset management function. Property asset management involves:

  - Strategic management of the portfolio, to ensure maximisation of portfolio returns in line with the JPC's social and commercial mandate;
  - Strategic and financial analysis of the portfolio;

- Portfolio reporting and performance monitoring;
- Provision of related general Asset Management research;
- Development of individual asset plans for all portfolio properties according to the strategic plans, as part of GIAMA requirements;
- Administration of the Asset Register; and
- Management of property valuation processes performed by the JPC, as well as external valuators.

- Property Portfolio Management

  The function involves obtaining and maintaining value from the property portfolio through the effective management of Council-owned land. This entails:
  - Property administration;
  - Leasing, acquisitions and sales transactions;
  - Management of servitudes, encroachments, etc.; and
  - Maintenance management.

- Property Development

  The function is to facilitate development on Council-owned properties in a manner that will ensure that the economic, social and transformational objectives are promoted. This involves the key functions as follows:
  - Conceptualisation, design and then implementation (either individually or in partnership) of a development on CoJ land;
  - Provision of project management services to support property development;
  - Management of all property development related activities to ensure adequate completion and social/financial return for the City; and
  - Leveraging of private and public capital to increase the value of property under management.

Support services

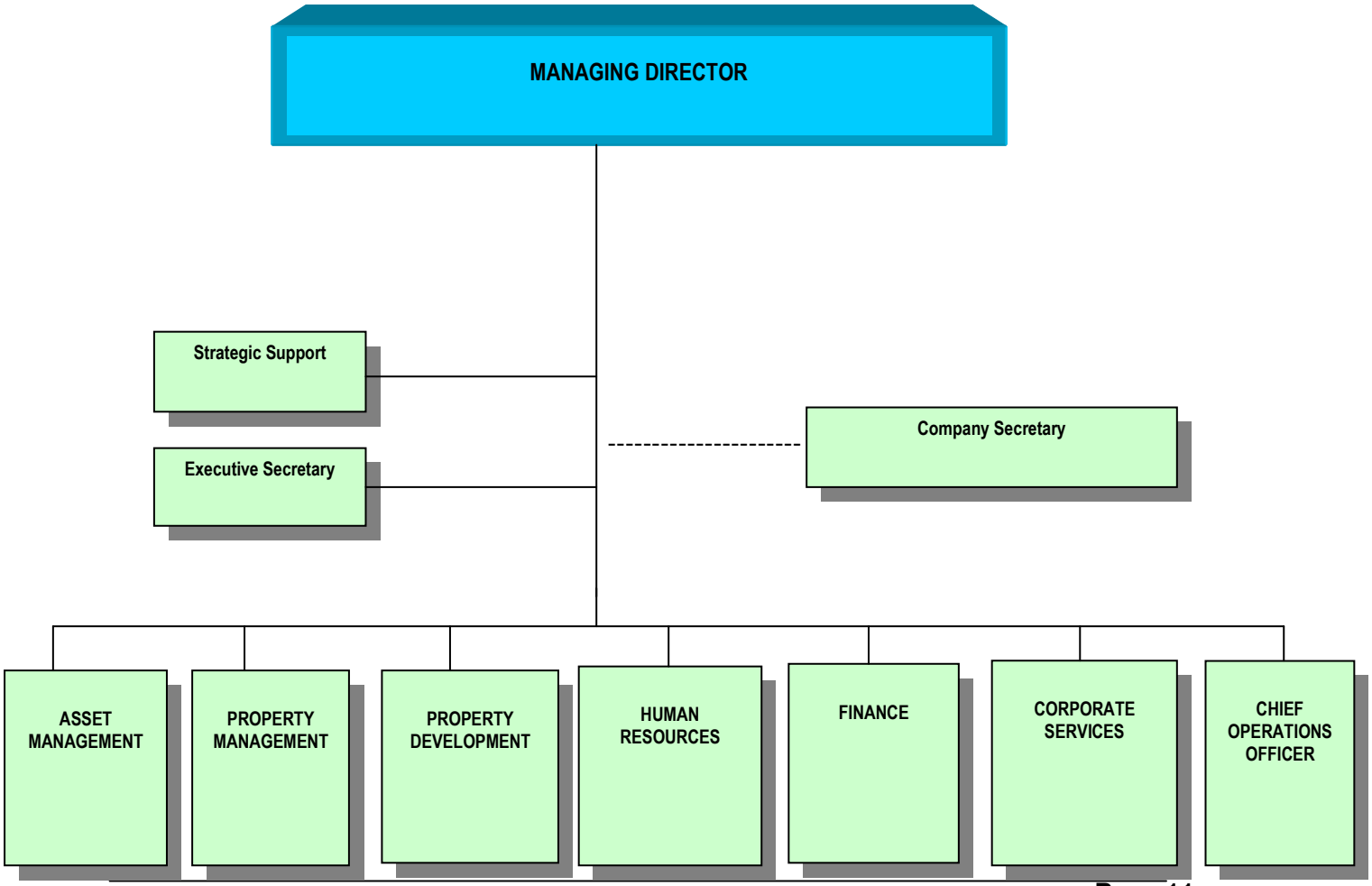
These functions provide general strategic support to the organisation by way of human capital, financial services, professional services, stakeholder analysis and interaction. In this manner, the support services add value by interpreting and influencing both the internal and external environments. These include Finance, Human Resources, Corporate Services and the office of the COO.

1.2.3 JPC staff compliment

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	1	0	0	0	0	1
Senior management	6	0	1	3	1	1	1	0	0	0	13
Professionally qualified and experienced specialists and mid-management	7	0	1	2	5	0	1	0	0	0	16
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	11	0	1	4	13	2	1	3	0	0	35
Semi-skilled and discretionary decision making	10	0	0	0	28	5	1	5	0	0	49
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	34	0	3	9	47	9	4	8	0	0	114
Temporary employees	3	1	0	0	8	2	0	0	0	0	14
GRAND TOTAL	**37**	**1**	**3**	**9**	**55**	**11**	**4**	**8**	**0**	**0**	**128**

Excludes seven (7) temporary employees placed via labour brokers

The JPC Approved High level Organisational design



1.3. VISION, VALUES AND STRATEGIC DIRECTION

1.3.1 Vision

"To provide Property Management, Property Development and Property Asset Management services in order to maximise the social, economic and financial benefit to the CoJ and support the CoJ's delivery objectives on a cost competitive basis."

1.3.2 Mission

To meet the expectations of customers and stakeholders by:

- Managing the property assets of the CoJ, maximising the social, economic and financial value of the CoJ's total property portfolio and enhancing the efficiency of its use;
- Providing Asset Management, Property Management and Property Development services to the CoJ, as well as interacting with the general public in respect of this portfolio; and
- Supporting the achievement of the CoJ's strategic priorities, including economic and social development and the service delivery objectives of the CoJ.

1.3.3 Values

Company values have become an ethical foundation and are fundamental to the City of Joburg Property Company's (JPC) success. Such values define the company and set it apart from the competition; and they underpin the vision for the future, the business strategies and the decisions, actions and behaviour they engender. The following values were identified by employees and adopted for the JPC**:**

Professionalism
Responsibility
Accountability
Customer service
Trustworthiness.

1.3.4 Mayoral priorities and GDS principles

The JPC's strategic objectives are aligned to mayoral priorities and GDS principles. The six mayoral priorities are indicated in the table below:

Mayoral Priority	JPC's Response with Regard to Outcome
Economic growth and job creation	The JPC, through the property portfolio, ensures that economic growth and job creation through alienation of land via either sale or lease for commercial and social purposes addresses socio-economic disparities and legacies of discrimination and inequality.
Well governed and managed city	Compliance with legislation, regulatory and governance policies
Housing and services	Ring fencing of land parcels and acquiring land intended to address housing needs
Safe, clean and green city	Ensuring that specialised assets, like wetlands and public open spaces, are preserved protected and maintained. Public open spaces are not alienated for commercial purposes.
Health and community development	Supporting land and property requirements from City departments and MOEs to ensure successful completion of asset management plans.
HIV and AIDS	Compliance with the HIV and AIDS policy and programme

In addition to aligning with the Mayoral priorities, the JPC has to take the Growth and Development Strategy (GDS) into account when developing its strategic agenda to ensure sustained performance and delivery against the GDS principles. The JPC's delivery agenda with respect to the GDS principles is as follows:

Principle	JPC and Portfolio Agenda
Proactive absorption of the poor	▪ The JPC proactively promoted and monitored jobs created and people trained in construction and property skills through development on Council-owned land via developments such as Jabulani and Orlando Ekhaya. ▪ The JPC supported the Housing Master Plan through the finalisation of the acquisition of properties on behalf of the CoJ Housing through the acquisition of property in Princess and Zandspruit. ▪ The JPC placed strong emphasis on social responsibility to ensure that communities are provided with Council-owned land by the alienation of land parcels of less than 2 ha to first-time buyers, individual residents and SMMEs.
Balanced and shared growth	▪ The JPC, through its property management and development activities, attracted private sector investment by facilitating commercial development which incorporated social and housing requirements of the CoJ thereby ensuring the balance between its social and economic mandate. ▪ The JPC focused on creating and sustaining the capacity to effectively and efficiently manage the CoJ's property assets on a financially viable basis. ▪ The JPC specifically maximised financial, economic and social returns for the CoJ in respect of its property portfolio.

Principle	JPC and Portfolio Agenda
Facilitated social mobility and equality	▪ The JPC utilised the CoJ's property portfolio as a vehicle for transformation though the promotion of BBBEE in its daily operations and in its commercial development. ▪ Through its development activities and in supporting the CoJ as a developmental local government, the JPC enhanced the quality of life of the citizens of Johannesburg and promoted sustainable human development through the Land Regularisation Programme and through releasing land less than 2 ha in extent.
Settlement restructuring	▪ All of the JPC's property development initiatives addressed the need for sustainable human settlements through the inclusion of housing units and social facilities, thereby balancing the socio-economic mandate. As such, all developments were based on sound principles for effective integration of communities and promoted access to appropriate facilities and employment opportunities (mixed use developments).
Sustainability and environmental justice	▪ The JPC aimed to ensure the quality of life of all communities by incorporating green infrastructure into developments on Council-owned properties and by the maintenance and protection of wetlands and public open spaces.
Innovative governance solutions	▪ In releasing land parcels, the JPC ensures that it complies with all the relevant regulations

1.3.5 Strategic direction

The JPC's primary goal in supporting the Company's vision and mission is based on recognising and emphasising its role as an economic and social development agency that utilises the CoJ's property portfolio to achieve positive developmental outcomes aligned to the CoJ's objectives. These strategic objectives are derived from the Growth and Development Strategy, the five (5) year strategies of the Economic, Community, Housing, Environmental,

Finance and Governance sectors, as well as various IDP programmes.

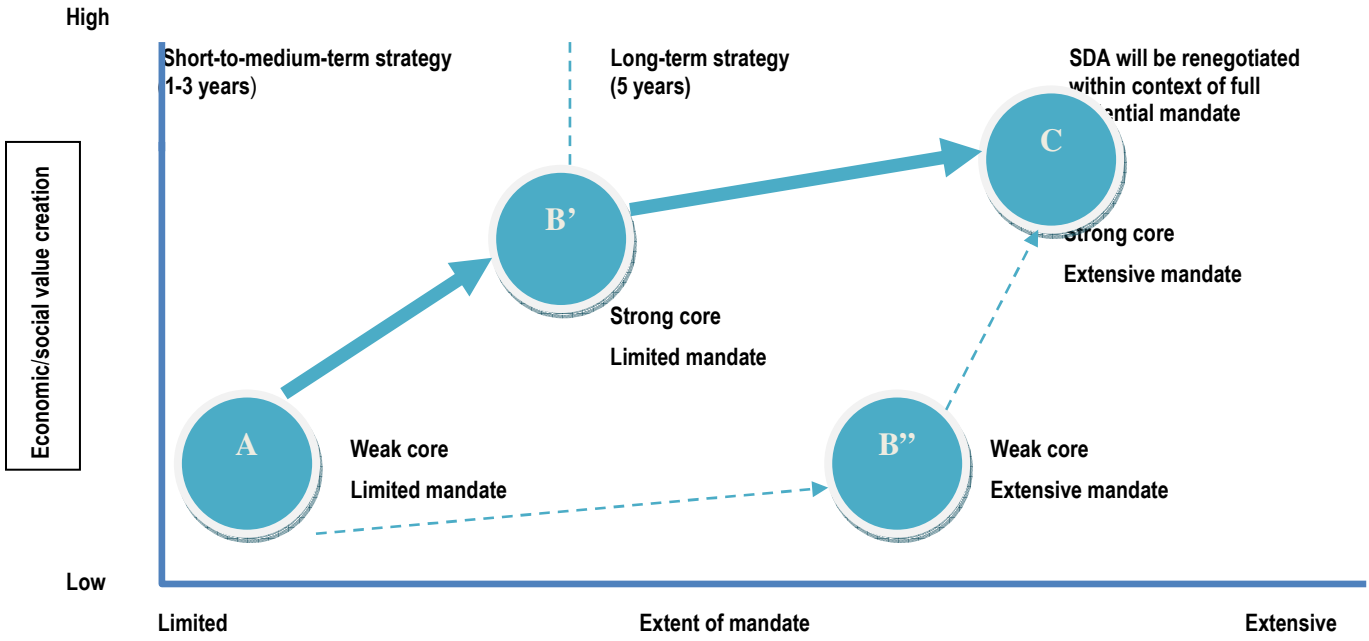
In synchronising the various strategic objectives, the JPC identified the following seven (7) strategic objectives:

- Support economic development utilising the CoJ's property portfolio;
- Support community development utilising the CoJ's property portfolio;
- Support the Housing Master Plan and delivery utilising the CoJ's property portfolio;
- Support environmental programmes and initiatives in the management of the CoJ's property portfolio;
- Establish land strategy, land acquisition and land stewardship in line with the CoJ's priorities;
- Ensure financial sustainability; and
- Ensure good governance and a professionally managed company.

Over and above the strategic objectives, the JPC also focused on the following strategic issues to ensure financial sustainability and to improve on its operational efficiencies:

- Revenue maximisation initiative
  - A short-term outdoor advertising strategy was developed by the JPC to boost the efforts of maximising revenue on behalf of the City (this yielded R114 million for the CoJ).
- Development of a JPC Turnaround Strategy –
  - Short to medium term strategy focusing on strengthening the company's core by improving the operational efficiency of the company in order to return the JPC to normal, in terms of acceptable levels of profitability, solvency, liquidity and cash flow for both the JPC and the City.
  - Long Term strategy focusing on facilities management, property structures, etc.

The JPC is thus aiming at following a two-stage turnaround strategy of strengthening the core and then extending the mandate, as follows:



- Development of company values;
- Implementation of new Human Resource policies; and
- Improvement of client and stakeholder management

1.3.6 Five-Year Strategic objectives, programmes and key operational outputs.

The CoJ has a Growth and Development Strategy (GDS), which is translated into the integrated development plan (IDP). The JPC's delivery agenda in terms of quantifiable outputs is tied into the GDS and IDP. The JPC forms part of the economic development sector whose five-year sector plan is as follows:

5-Year Strategic Objective	IDP Programme	2010/11 Delivery Agenda Achievements (in operational quantifiable outputs)
Improve the profile of Johannesburg, both on the continent and internationally, as a core centre of finance, business and trade	International and Domestic Positioning Programme Leverage of R1.1 billion private sector investment during the 2010/11 financial year.	In responding to the IDP programme, the JPC has leveraged private sector investment through facilitating the award of the projects, the total of which is R 1.3 billion against the target of R1.1 billion. The R1.3 billion is the domestic investment.

Increased number of beneficiaries reached by City-facilitated skills development programme	Skills Development Programme Create 3 200 jobs in the construction and property industry	**2098** EPWP jobs were created through construction on CoJ-owned land through the developmental programme The creation of jobs included training.
Increase the economic base of underdeveloped areas of the City	Area-based Economic Development Programme	Value of investment secured in marginalised areas – R280 million (annual target) A total of R **899 million** has been secured in marginalised areas to date, which exceeds the annual target. This amount was leveraged from the private sector through awarding a number of projects in the South of Johannesburg. Transfer of properties to beneficiaries as part of the Land Regularisation Programme (**631** actual transfers and/or allocations of properties for the year).
Increase in the City's spend to specific targeted firms owned by specific categories of HDI (BEE, women, youth, etc)	BEE Support Programme	Direct BEE participation: 100% - R1.3 billion investment was awarded directly to BEE participants. Indirect BEE participation: 62% - total private sector investment was R745 million and R469 million was awarded to BEE
Increase the spend on NGOs and CBOs targeting programmes at vulnerable and poor households. 100% of NGOs and CBOs have institutional and financial capacity to carry out their work in support of the poor and vulnerable by 2015.	NGO/CBO Support Programme	During this financial year forty-nine (49) social leases were concluded.
Improved accessibility to sports and recreation facilities and programmes, both in terms of distribution across the city and in terms of average operating hours.	Sports and Development Programme	Finalisation of construction of SOWETO Theatre: - The construction of the wall for the Theatre was completed in April 2011. Construction is on track for a December 2011 completion. In addition the 49 social leases gave access to sports.
Through both the City's own means, and in partnership with other actors and stakeholders, deliver 100 000 well-located and good quality housing units over the next five years, which includes the delivery of 15 000 rental housing units, 30 000 housing units through the Community Builder Programme and 50 000 mixed income housing units.	Acquisition of Land for Housing Acquisition of land for 80 000 units for Housing Department	7 privately owned properties were acquired by the JPC and there were 14 devolvements (properties transferred from Province to Council). The acquisition of properties to support housing developments was as follows: ○ Farm Zandspruit por. 76 = 300 units ○ Holding 228 Princess = 1 700 units

		○ Farm Doornkop = 500 units ○ Farm Zandspruit por. 23 = 8 000 units ○ Farm Zandspruit por. 72 = 2 000 units ○ Holding 43 Sonnedal = 800 units ○ Farm Zandspruit por. 47 = 1 200 units ○ Devolvements = 20 000 units Land acquired was for a total of **34 500** units
Establishment of a network of open spaces that contribute to social and environmental opportunities	Metropolitan Open Space System Implementation Programme	Continued with projects which have high green footprint including Huddle Park and Rietvlei Farm The JPC has not alienated and has assisted in the preservation of public open spaces.
Development of an integrated asset management plan and system	Asset Management and Maintenance Programme	Fixed asset register – 100% completeness and accuracy was a target. The completeness of the CoJ fixed asset register stands at 93%. This is due to fluctuations in asset movements as a result of acquisitions and disposals and the timing difference between the registration at the Deeds Office and the updating of the Asset Register. A desktop exercise was also undertaken to audit the land.
Improved understanding of future revenue risks and opportunities	Future Revenue Optimisation Programme.	Investigate alternative sources of revenue which can be generated from the property asset. **Outdoor advertising** – The JPC has managed to conclude two contracts that earned the City R114 million by the end of June 2011. The upfront rentals paid by these two companies will cover an estimated five years of projected income. The duration of the new lease is 9 years 11 months. This new revenue model will yield rental of approximately R440 million by the end of the two new contracts.
100% of CoJ Compliance with all relevant legislation	Legal Support and Compliance Programme Complete and accurate compliance register	By following the relevant land rules and regulations, the JPC ensured effective compliance. Some of the regulations are as follows:- • Supply Chain Management Policy for Land; • Formalities in respect of

		Leases Act, 1969; • Alienation of Land Act, 1980; • Subdivision of Agricultural Land Act, 1970; • Advertising on Roads and Ribbon Development Act, 1940; • Preferential Procurement Framework Act; • Local Government: Municipal Structures Act, 1998; • Local Government: Municipal Systems Act, 2000; • Local Government: Municipal Demarcation Act, 1998; • Consumer Protection Act, 2008; and • National Environmental Management Act, 1998. In addition, a compliance electronic system was procured towards the end of the financial year. Training will be undertaken in the new financial year.
Achieve clean audit	Internal Audit Development Programme Constant monitoring of findings from management letter – as part of Operation Clean Audit Report (OPCAR)	An OPCAR register was developed and monitoring of implementation of action plans was undertaken. The company also identified other critical areas not raised by the AG. The JPC's internal audit function is conducted by PWC
Timeous, relevant information dissemination to stakeholders company.	City Marketing and Communication Programme 85% stakeholder satisfaction survey Initiatives to brand the JPC Educational material on asset transfer policies and procedures	Roadshow on 16 September 2010 – communicated products and services offered by the company. **Educational Material** – The JPC has translated leasing/selling processes from English into isiZulu, Sesotho and Tshivenda. This is in line with the company's strategic objective of informing clients and stakeholders about products and services.
A record of active mutually beneficial interactions with selected sister cities	Sister City and International Relations Programme, Protocol Development Programme. Participation in international property seminars and expos	The JPC attended the FEPE Outdoor Advertising Conference in Spain in May 2011. The company engaged with major industry players in Europe and gained a better understanding of the industry and insights on programmes and initiatives that could be implemented in the COJ.

2. LEADERSHIP OVERVIEW

2.1 FOREWORD BY MEMBER OF THE MAYORAL COMMITTEE

The year 2010-2011 has continued to be a difficult year for the property industry with a slower than expected recovery from the global recession and developing threats of a “double dip” recession. These factors have created a fragile local property market, characterised by limited availability of development and end user finance, decreasing take up of new development by tenants and reducing returns on development.

Over the past year the JPC has constantly had to review its approaches and strategies to the management and development of the property portfolio. Despite these challenges, the JPC has remained firmly proactive in its support of the fulfilment of the City's vision – A world class African City – through its property activities and related services.

In particular, the JPC was able to deliver the following significant contributions to the achievement of the Mayoral Priorities:

- Economic Development and Job Creation: During the financial year the JPC secured over R1.3 billion of domestic investment by way of signed development agreements. In the long term, this investment will translate into job creation and SMME development. A total of R322 million of this investment was realised in physical construction on Council land. In the process, over 1 000 temporary construction jobs were created on development sites of previously awarded developmental contracts.
- Well Governed and Managed City: The JPC ensures the alienation of property is conducted in compliance with laws and regulations that govern land at market-related prices; it also ensures that the company is financially sound and has policies and processes in place to achieve operational excellence. The JPC responded quickly and efficiently to the illegal transfer of properties and secured the retransfer of those properties back to the City. In addition, the JPC has embarked on a turnaround strategy to enhance its operational ability to deliver on City objectives.
- Housing: The JPC has supported housing delivery through the acquisition of land for 34 500 housing units during the past financial year.
- Community Development: In support of the delivery of community facilities, 32 properties were made available to Non-Government Organisations (NGOs), Community Based Organisations (CBOs) and other Non-profit Organisations (NPOs).

The JPC has shown resilience to the challenging economic conditions in which it operates and has demonstrated the ability to navigate adversity such as financial constraints and the global economic

downturn which impacted on property prices. In upcoming years the JPC will build on this resilience and continue to produce significant contributions to the City's strategic objectives by effectively implementing its turnaround strategy and other programmes as per the City's objectives.

Clr SJ Lemao
MMC: Economic Development

Selo Lemao (MMC: Economic Development)

2.2 CHAIRPERSON'S REVIEW

The JPC's 2010/11 financial year results show continued efforts to meet the expectations of our shareholder as reflected in the service delivery objectives in our company scorecard. The strategic priorities of the shareholder, as always, drive our strategic plans and significant attention is given by the company to ensuring that these priorities are implemented in the form of measurable deliverables.

We are focusing our attention on improving initiatives with regard to acquiring land for housing, job creation though the Expanded Public Works Programmes, support of new property entrants, and concerted effort in our Land Regularisation programme to ensure our delivery on the Mayoral Priorities.

Unfortunately, inadequate funding has curtailed our efforts to effectively address the challenges we face in managing the property portfolio. The lack of funding has resulted in the organisation's inability to prepare land parcels for effective commercial development and to purchase land parcels for strategic holdings. It has also hampered the organisation's ability to manage the property portfolio effectively when benchmarked against industry standards.

The Board, together with management, recognises the need for the company to change course to be

in line with industry standards and to ensure investor confidence and therefore has approved the turnaround strategy for the company which looks at both short- and long-term goals. We are, however, confident that should the City be able to fund such strategic projects, the JPC will be able to excel in its service delivery drive. Our future rollout plans will also go a long way to addressing the backlogs to enable us to meet the stakeholder's objectives.

It is a great pleasure that the company attained an unqualified report for the 2010/11 financial year. A significant amount of effort was shown by the JPC team in ensuring that positive results were achieved. All the Auditor General's queries and any other critical issues are compiled into an OPCAR register and are monitored on a regular basis. The company will continuously improve on its control environment, holding management accountable where there are lapses in controls caused by negligence, which could result in unfavourable audit findings.

Subsequent events of the 2010/11 financial year relate to the retirement of an Independent Audit Committee Member Mr Rudolf Buys, on 17 March 2011 and the appointment of a new Independent Audit Committee member, Mr Vusi Mokwena, on 1 April 2011. The board and management remain committed to continuous improvement in attaining strong financial and operational results, and contributing to the vision of a world-class property company.

We gratefully acknowledge the continuing support of the shareholder unit and the member of the Mayoral Committee: Economic Development in helping the company to achieve its deliverables. Significant attention is paid to ensuring that the shareholder's priorities are implemented in the form of measurable deliverables.

The JPC is fortunate to have had a stable board throughout the financial year. I thank my fellow Board members, the Management, our Shareholder (through the SHU, DED) and the staff of the JPC for their cooperation, dedication, hard work, professionalism and commitment. Finally, I thank the chairpersons of the sub-committees for their unending assistance in making this an effective board.

The board and management are committed to ensuring good corporate governance and transparent compliance with legislation while delivering an improving, sustainable and reliable service.

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Mr J Buys
Chairperson: Board

2.3 BOARD OF DIRECTORS

The JPC is run by a Board of Directors that reports quarterly to the Member of the Mayoral Committee (MMC) of the Economic Development Sector. All members of the Board, except the Managing Director, are non-executive directors. The Board appoints the Managing Director to manage the day-to-day operations of the Joburg Property Company. The Managing Director is assisted by the executive team.

Board of Directors

The following individuals are members of the Board: John Buys (Chairman), Dr Dorothy Sekhukhune, Du Toit Maritz, Abel Sibanda, Simphiwe Dzengwa, Harry Mashele, Leighton Itholeng, Jocelyn Armstrong and Helen Botes.

Helen Botes (Managing Director)

- **Skills, expertise and experience:** Treasury and Banking, Money Market Trading, Trading of Financial Instruments, Foreign Exchange, Raising of the 1st City bonds and retail bonds, Economic Development. Property Development and Management

John Buys (Chairperson)

- **Skills, expertise and experience:** Property Specialist.

Dr Dorothy Sekhukhune (Non-executive Director)

- **Board Committee:** Remuneration and HR (Chairperson)
- **Skills, expertise and experience:** Mental Health Consultant and HR specialist

Adv Du Toit Maritz (Non-executive Director)

- **Board Committee:** Remuneration and HR
- **Skills, expertise and experience:** Labour Law, Municipal Law, Planning and Environmental Law Specialist

Simphiwe Dzengwa (Non-executive Director)

- **Board Committee:** Transactions (Chairperson)
- **Skills, expertise and experience:** Project Management Specialist

Harry Mashele (Non-executive Director)

- **Board Committee:** Audit and Risk
- **Skills, expertise and experience:** Business Executive, Finance and Accounting Specialist
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Leighton Itholeng (Non-executive Director)

- **Board Committee:** Remuneration and HR; Transactions
- **Skills, expertise and experience:** Senior Contracts Advisor and Procurement Specialist

Jocelyn Armstrong (Non-executive Director)

- **Board Committee:** Audit and Risk (Chairperson)
- **Skills, expertise and experience:** Financial and Accounting Specialist

Details of Board Members

Executive Director					
Name	**Date of Appointment**	**Expiry of Term**	**Qualifications**		**Other Directorships**
Helen Botes	1 August 2008	2 August 2013	Bachelor of Banking; Diploma in Treasury Management and Trade Finance		None
Non-executive Directors					
Name	**Date of Appointment**	**Term**	**Expiry of Term**	**Qualifications**	**Other Directorships**
John Buys	21 April 2006	2	24 January 2011	B Comm; BA Honours in Financial Management, Personnel Management and Marketing Management; MBA	None
Dorothy Sekhukhune	30 January 2007	2	27 January 2012	Doctorate Curationis (Psych. N) ; MSc (Psych. N) ; BA Curationis; Advance Certificate in Health Management	None
Du Toit Maritz	30 January 2007	2	27 January 2012	B Juris LLB; LLM: Labour Law; Practising Advocate	None
Leighton Itholeng	23 January 2010	1	24 January 2013	B Juris LLB; Admitted Attorney	None
Harry Mashele	23 January 2009	1	24 January 2012	MBA; BSc (Honours); Secondary Teachers Certificate	None
Jocelyn Armstrong	23 January 2009	1	24 January 2012	MBA; H Diploma: Tax Law; Chartered Accountant; Diploma in Accounting; Bachelor of Commerce	Daylite Capital; Daylite Savers; Daylite Capital Holdings; Kuhloba Investments; Rentokil Initial South Africa; Kubumba Investments; Studio V Rhodes Avenue; Sikhona Investments; Pacific Breeze Trading 34; Interstate Multitrade
Simphiwe Dzengwa	23 January 2009	1	24 January 2012	MBA; Masters; Public Admin; BA (Honours); Political Science and Sociology	MEQ Business Consultants; Thuba Lam (Pty) Ltd
Vusi Mokwena	17 March 2011	1		B Com; Bachelor of Accounting Science; Chartered Accountant	Nurcha; Johannesburg Development Agency; ETDP SETA

2.4 MANAGING DIRECTOR'S REVIEW

The 2010/11 financial year has been an exacting period for the company. Not only was it faced with the demanding task of managing the fraudulent land transactions and improving visible assistance in the delivery of services ahead of the local government elections, but also to assist the City in its endeavour to improve its financial position. Clearly JPC was expecting challenges, this year being the year of the elections, but the scale of the issues we have faced was beyond anything I remotely anticipated.

I am nevertheless pleased that both management and staff are committed to delivering on the company's objectives. Key highlights and achievements for the JPC have been:

- Winning the litigation case on illegal land transactions and the transfer of properties back to the CoJ;
- The completion of the first phase of the land audit project on 30 November 2010. This audit uncovered 729 irregular transactions relating to housing stock and 58 transactions relating to JPC property disposals.
- Outdoor Advertising, the short-term capital raising initiative developed by the JPC to boost revenue on behalf of the City yielded R114 million rand by the end of the financial year.
- The JPC has actively engaged with external parties to secure funding for its capital requirements with significant success during the year. The following projects are funded externally:
    - Orlando Ekhaya: Orlando Ekhaya Bridge was funded by NDPG through National Treasury.
    - Jabulani Theatre: Currently under construction and funded partly by the R32 million MIG. Significant progress has been made on site.
    - Ghandi Square: The reconstruction has commenced in partnership with JDA and the latter has provided funding.
    - SOWETO Business Empowerment Zone wall: Construction of this wall and upgrading of services were completed on behalf of the Department of Economic Development. This project utilised R10 million of EPWP funding.
- With reference to Land Regularisation, 631 transfers were made during the period under review.
- The gender-mainstreaming Forum was launched. its primary purpose is to ensure that the JPC policies, programmes and structures have considered the decisive inclusion of all, in particular women, and that all systematic gender-based discrimination is redressed.
- The company has successfully negotiated an old servitude with Liberty Life to the value of R18 million.

Overall financial overview

Cash flow and Revenue

The year ended with a positive bank balance of R1 million against a negative cash flow of R28 million for the same period in the 2009/10 financial year. The company was a going concern as at the end of June 2011 with a liquidity ratio of 2.93:1 as compared to the norm of 2:1.

Revenue generated for the year is R53 068 853 below the approved budget of R138 298 545. The main reasons for this unfavourable income variance of 62% were the slump in the property market and lack of funding to complete capital projects. The company anticipated receiving commission on land sales of R60 million but only R8 million was received. Economic conditions impacted on property prices and resulted in offers received for land sales being significantly lower than the offers initially submitted, resulting in lower income received.

The company has also incurred a deficit of R7 296 147 before tax due to under recovery of revenue. In order to compensate for this loss of revenue, the JPC undertook an initiative to raise funds through outdoor advertising whereby negotiations were held with media owners to conclude lease agreements upon which an upfront payment would be made. A total of R114 million was raised from this initiative.

Operating Expenditure

There was a cost saving of 35.7% in operating expenditure for the period under review. The contribution to this cost saving is the strict management of OPEX in line with income generated.

Capital Expenditure

88% Capex was incurred during the year. The company procured computer hardware.

Appreciation

As the Managing Director of JPC, I do acknowledge that had it not been for the effort put in by the JPC management and their staff, the company would not have achieved its objectives. I wish to express my sincere gratitude to the MMC: Economic Development for his insight, the Board of Directors for their leadership, and the City of Johannesburg departments and MOEs for their unfailing support.

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HM Botes

Managing Director

2.5 CHIEF FINANCIAL OFFICER'S REVIEW

The JPC projected an initial revenue of R138 298 545, which was expected to be attainable from commission and third party development fees. Revenue generated for the year is R53 068 853 which equates to 62% below the approved budget of R138 298 545. The anticipated revenue target has not been achieved due to the following reasons: commission expected from land sales was budgeted on the basis that the CoJ Portfolio would sell land parcels to the value of R600 million in the current financial year, which would have yielded an income of R60 million to the JPC; but based on the market reality, negotiations held and offers received, only land parcels approximating R8 million were transferred which yielded commission of R800 000 to the JPC instead of the anticipated R60 million. In order to compensate for this loss of revenue, the JPC undertook an initiative with outdoor advertising. Negotiations were held with media owners to conclude lease agreements upon which an upfront payment would be received in the current financial year as well as an annual commission. However, following negotiations with the media owners, only R114 million was received as upfront payment on which the JPC received commission amounting to only R32 million of which R4.7 million has been realised as income in the current financial year.
Commission on CoJ rental collections has exceeded the approved budget as a result of the finalisation of servitude agreements which yielded an additional R4 million over and above the target. Third party development facilitation fees did not reach the approved budget during the year under review as a result of the decline in the property market and also lack of capital funding from the City.

The overall actual total operating expenditure for the year is R64 358 485, as compared to the approved budget of R100 087 499 which represents a cost saving of 35.7% for the period under review. Below are detailed explanations with regard to each expenditure line item with significant savings:

- Salary expenditure is below the allocated budget by 42.41% due to the fact that personnel have not yet been appointed as per the approved organisational structure.
- The professional fee is below the budget, indicating a positive variance of 3.78% due to the fact that the company has limited reliance on the use of external consultants in order to curb overall expenditure. The procurement of professional services has been directed to areas of specialisation lacking in the JPC workforce.
- There is a positive variance of 11.67% on travelling expenditure for the reporting period, due to cost savings on travel arrangements. This variance has been achieved after taking into account the international trips undertaken by JPC employees to showcase property investment opportunities in the City.

- Directors' emoluments have an overall positive variance of 3.34% against the budget for the year under review, even though there were many special meetings held during the year to approve the company's 2009/10 financial statements and turnaround strategy.

For the period under review, the JPC has spent R1 750 484 Capex against the allocated budget of R2 000 000 mainly due to the development of computer software, which equates to 88% expenditure.

The JPC has a liquidity ratio of 2.93:1 as compared to the norm of 2:1, with a positive cash flow of R1 006 962 for the period under review as compared to a negative cash flow of R28 549 783 for the same period in the 2009/10 financial year. The company incurred a deficit of R7 296 147 before tax for the year under review, and this was caused mainly by the under recovery of revenue.

Challenges

A limited budget for the upkeep and maintenance of properties has a direct impact on the income earned by the JPC with the resulting deterioration of the properties under management.

The main reason for the limited expenditure budget under portfolio which is expected to maintain City-owned properties in such a manner that it would yield enough income to support the expenditure incurred each year and feed the City with cash demands as and when required, not to mention the income from portfolio, has a direct impact on the commission earned by the JPC. This poses a problem as the portfolio has 64 000 properties of which only 1 500 have structures on them. Eighty per cent of the portfolio of 64 000 properties under JPC management is social, which means that the cash generated is insufficient to sustain or maintain the structure. With a limited budget and no subsidy under portfolio, the properties are deteriorating year on year and thus affecting the income potential.

Further to the limited budget under portfolio, that has a direct impact on the income earned by the JPC, the process of obtaining the final approval on leasing, land sales or developments is a lengthy one, which further impacts the income generation under portfolio and thus affects the JPC.

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I Bhamjee

Executive Manager: Finance

2.6 EXECUTIVE MANAGEMENT

During the period under review, the following individuals constituted a management team under the leadership of the Managing Director.

Helen Botes (Managing Director)

- **Qualifications:** Bachelor of Banking; Diploma in Treasury Management and Trade Finance
- **Skills, expertise and experience:** Treasury and Banking, Money Market Trading, Trading of Financial Instruments, Foreign Exchange, Raising of the 1st City bonds and retail bonds for CoJ, Economic Development, Property Development and Management

Sthembiso Mntungwa (Executive Manager: Property Development)

- **Qualifications:** B Comm; Post Graduate Diploma in Business Management; Property Development Programme (PDP)
  Skills: New Business Opportunities; Innovative Finance Structuring skills; knowledge of property portfolio of various municipalities; Stakeholder Liaison

Fanis Sardianos (Acting Executive Manager: Property Management)

- **Qualifications:** Diploma in Administration and Commerce; Local Government Diploma
- **Skills:** Finance; Accounting; Property Management
- **Membership:** Institute of Municipal Finance Officers; Board of Municipal Accountants

Neo Matlala (Executive Manager: Asset Management)

- **Qualifications:** Post Graduate Diploma in Property Development and Management; Property Intermediate Programme (PIP)
- **Skills:** Property and Facilities Management; Strategic Property Operations; Property Finance

Imraan Bhamjee (Executive Manager: Finance)

- **Qualifications:** B Compt – Honours; Accreditation as Registered Government Auditor (RGA); Advance Certificate in Auditing; Leadership Management – Harvard Business School; Certificate in Theory of Accountancy; various certificates for personal development courses
- **Skills:** Financial Management; Auditing; Risk Assessment; Process and Control Mapping; Management Consulting; Product Management; Relationship Management

Mlungisi Shongwe (Executive Manager: Corporate Services)

- **Qualifications:** Honours Degree in Culture and Media Studies; Bachelor of Arts Degree in Media and Communications
- **Skills:** Communication; Marketing; Stakeholder Relations

Verusha Morgan (Manager: Legal Services)

- **Qualifications:** LLB; Certificate in Management; various Certificates obtained, practical legal training with the Law Society; Conveyancing and Legal Courses and Admitted Attorney of the High Court of South Africa
- **Skills:** Legal Advice; Drafting of Legal Documents; court experience: Civil and Criminal Matters; Negotiation Skills; Customer Care; Policy and Claims Enquiries.

Daniel Mosito (Company Secretary)

- **Qualifications:** B Juris; LLB; Higher Diploma in Company Law; various Leadership and Development Courses; Admitted Attorney of the High Court of South Africa
- **Skills:** Company Secretariat functions and activities; Legal Advisory and Research; Corporate Governance and Contracting.

Ellenise Pedro (Human Resource Manager)

- **Qualifications:** BCOM Business Management; MCOM Labour Relations and Human Resources; BCOM Honours; Leadership Development; Coaching and Mentoring; Project Management; Job Profiling and Career Management
- **Skills:** HR strategy; organisational design; Workplace Skills Plan; Employment Equity Plan; Performance Management System; Training and Development; Labour Relations

Lindiwe Ngwenya (Risk Manager)

- **Qualifications:** Honours Bachelor of Accounting Science; B.Com Degree
- **Skills:** Enterprise Risk Management; Risk Management Policy and Strategy; Business Continuity Management
- **Professional bodies:** Member of the Institute of Internal Auditors; Member of the Ethics Institute of South Africa

3. PERFORMANCE REVIEW

3.1 HIGHLIGHTS AND ACHIEVEMENTS

In line with the CoJ, the JPC has adopted an organisational performance measurement approach that encompasses a balanced score card as well as a set of Key Performance Areas (KPAs) and Key Performance Indicators (KPIs). The said KPAs form the basis of the JPC's Key Service Delivery Imperatives as set out in its Service Delivery Agreement with the CoJ.

All performance areas and indicators are reviewed regularly. Targets are adjusted annually, while quarterly reports are submitted by the JPC in respect of its performance to both its Board and the CoJ. The balanced scorecard and KPIs are aligned to the JPC's overall strategic objectives. The company has met and exceeded most key performance indicators for the 2010/11 financial year.
The broad performance highlights for 2010/11 include but are not limited to the following:

- **Approval of the company's Turnaround Strategy**
- **Private sector investment** – A total of R1.3 billion was leveraged in the financial year against a target of R1.1 billion.
- **Acquisition of land for housing** – Land was acquired to construct 34 500 housing units against a target of 20 000 units for the 2010/11 financial year.
- **Investment in marginalised areas**– R899 million investment was secured in marginalised areas against a target of R280 million.
- **CoJ property portfolio** – The property portfolio increased to R8.8 billion in the year under review.

- **Land Regularisation** – Six hundred and thirty-one (631) properties were allocated and/or transferred to individuals and small enterprises under the Land Regularisation Programme.
- **Illegal Land Transfer (litigation cases)** – The JPC won the civil litigation and all the parks and public open spaces were re-transferred to the CoJ.
- **Fraud Hotline** – The JPC fraud hotline was launched in April 2011.
- **Capital Raising Initiatives** – A short-term outdoor advertising strategy developed by the JPC to maximise revenue on behalf of the City yielded R114 million by the end of the financial year.
- **Capex spent on BEE** – 98.64% was spent against the budgeted percentage of 70.
- **African Access National Business awards** – The JPC was nominated (from amongst 150 entrants) in the following categories: fast growth and customer focus company, and the MD as business woman of the year. The company attained immense brand reach and mileage from the nominations because all the nominees or finalists received media coverage on SAfm and SABC3's programme, Top Billing.
- The JPC adopted People Opposing Women Abuse (POWA) to train and empower women in the property industry.

Inter-governmental initiatives and collaboration with other sectors

Since collaboration with other Municipal Owned Entities (MOEs), city departments, provincial departments, national departments and the private sector is key to delivering quality services, JPC's delivery on its objectives has always depended on cooperation with other departments and MOEs. The JPC has also identified private sector partners for the implementation of capital projects which contribute to the economic growth of the City, as per the Economic Development Sector plans.

The following are some of the CoJ departments and MOEs with whom there are close interdependencies:

- Housing
- Planning and Urban Management
- City Parks
- Johannesburg Roads Agency
- Johannesburg Development Agency
- Community Development

Company five-year review

Key Financial Figures		2011	2010	2009	2008	2007
Total assets	R	97,851,357	104,999,511	49,265 398	47,326,031	60,925,355
Total equity	R	46 231 975	52,782,397	28,471,977	16,225,840	15,905,055
Total equity and liabilities	R	97,851,357	104,999,511	49,265,398	47,326,031	60,925,355
Bank balance	R	2,000	15,341	3,777	602,965	559,384
Capital expenditure	R	1,750,484	3,583,633	4,080,000	3,412,000	
Revenue	R	53,068,853	87,836,504	65,916,145	35,228,282	35,365,984
Grant and Subsidies	R	0	537,000	10,516,000	11,130,000	10,500,000
Employee costs	R	42,343,083	37,652,896	31,778,492	26,642,502	19,435,363
Finance income	R	6,265,780	1,797,185	1 465 278	1,288,100	104,085
Finance costs	R	(2,457,070)	(999,460)	984,995	647,828	210,718
Surplus before tax	R	(7,296,147)	33,385,508	16,556,462	(1,807,317)	7,666,915
Income tax expense– current	R	(7,115,560)	(9,846,801)	(4,161,547)	(2,098,120)	2,043,862
Income tax expense – deferred	R	8,954,932	(745,058)	(148,719)	(57,861)	(295,207)
Deficit/Surplus for the year	R	(5,456,775)	22,793,649	12,246,196	290,803	5,623,053
Net cash from operating activities	R	31,920,337	(56,088,908)	23,246,529	(8,388,493)	17,951,318
Net cash used in investing activities	R	(1,552,040)	(2,800,317)	5,361,621	(38,534,476)	(3,157,213)
Net cash from/used in financing activities	R	(30,381,825)	58,901,289	(23,567 804)	46,966,550	(3,157,213)
Financial ratios						
Liquidity	Ratio	2.93x	2.03x	3.16x	1x	4x
Solvency	%	(8.00) %	45%	58%	2%	15%
Total operating expenditure/revenue	%	121%	63%	76%	107%	78%
Interest coverage	Ratio	((1.97x)	34.4x	14x	4x	37x
Other						
Employees	Nr	128	126	117	96	86
Employment equity	%	87%	92%	84%	80%	69%
Gender equity (F:M)	%	61%:39%	55%:45%	55%:45%	65%:35%	62%:38%
People with disabilities	%	0%	0%	0%	0%	0%
Training cost	R	380,188	288,402	515,329	290,381	615,249

3.1.1 FINANCIAL PERFORMANCE

Revenue

The commission received for the year under review was 62% below budget. The reason for the unfavourable variance is that the commission expected from land sales was budgeted on the basis that the CoJ Portfolio would sell land parcels to the value of R600 million in the current financial year, which would have yielded an income of R60 million to the JPC but based on the property market reality, negotiations held and offers received, only land parcels approximating R8 million could be transferred and this yielded a commission of only R800 000 to the JPC instead of the targeted R60 million.

Results of Operations

The overall actual total operating expenditure for the year is R64,358,485, as compared to the approved budget of R100 087 499 which represents a cost saving of 35.7% for the period under review. Below are detailed explanations with regard to each expenditure line item with significant savings:

- Salary expenditure is below the allocated budget by 42.41% due to the fact that personnel have not yet been appointed as per the approved organisational structure.
- Expenditure on professional fees is below the budget resulting in a positive variance of 3.78%. The company has adopted a strategy of “training your own” instead of relying on external consultants. The procurement of professional services is directed to areas of specialisation only.
- The JPC has kept travel costs to a minimum as a cost-saving initiative. This has resulted in a positive budget variance of 11.67%.

Cash Flow

The JPC has a liquidity ratio of 2.93:1 as compared to the norm of 2:1, with a positive cash flow of R1 006,962 for the period under review as compared to a negative cash flow of R28 549 783 in the 2009/10 financial year. The JPC has an average debtors’ collection ratio of 27 days, excluding Cedar Park, as compared to the industrial norm of 60 days.

Balance Sheet

The JPC’s total assets exceed its total liabilities, therefore the JPC is solvent with adequate asset cover. Amounts included in the trade and other receivables are prepayments, rental deposits and third party development fees. Amounts due from the shareholder include capital expenditure claims not yet received, commissions accrued and the Housing Loan account. The

company has made provision for post retirement medical benefits covering two (2) employees.

Capital Projects

The JPC's capital expenditure during the year under review, is presented below:

	Project Name	Original Capital	Total CAPEX Jul 10-Jun 11	Variance
	Operating assets – JPC	2,000, 000.00	1,750,484	249,516

Financial and Budgetary Environment

The JPC has received insufficient funding over the years due to the City's limited budget. In order to deliver in terms of the 2010/11 business plan, the total CAPEX budget requirement was as follows:

	Requested	Received
JPC	**R2.5m**	**R2m**
CoJ Portfolio (to effectively manage Council-owned properties)	**R65m**	**R13m**
TOTAL	**R67.5m**	**R15m**

Impending or actual financial problems

Our lack of funding and insufficient budget resulted in the reduction in income and in the entity's inability to undertake and complete critical projects that will generate income in the future, therefore future financial sustainability is compromised.

Irregular or fruitless and wasteful expenditure

None

Disposal of capital assets

The JPC does not have capital assets and therefore none were disposed of.

3.2 PERFORMANCE AGAINST THE IDP AND THE SCORECARD

The JPC provides an all-encompassing range of property services required for the management and development of the property portfolio of the CoJ and the other MOEs.

These services were commissioned on a sole agency basis to administer the acquisition and conveyancing of all land required or utilised for or as a result of the rendering of municipal services and to administer, manage, develop and dispose of the property portfolio elements owned by the CoJ and the other MOEs. The services rendered by the JPC to the CoJ and the other MOEs therefore cover all administrative, statutory and other actions pertaining to the following:

- Land acquisitions/expropriations;
- Land identification, designation and conveyancing;
- Land sales and long-term lease arrangements;
- Short- and medium-term leases, including outdoor advertising and servitude encroachments;
- Financial and accounting services related to the property portfolios;
- Strategic and business planning related to the property portfolios; and
- Property management and/or development services and/or other property portfolio-related services.

3.2.1 The JPC's Performance monitoring plan for the 2010/11 financial year

During the 2010/11 financial year, the JPC aimed to achieve its objectives by concentrating on various Key Performance Areas (KPAs). The following highlights explanatory notes to the JPC's Performance Monitoring Plan as per the JPC's Key Performance Areas (KPAs):

1 Positioning of Johannesburg as a centre of investment and to attract at least 30% international finance and a variety of scarce skills in the property and construction transactions on CoJ land.

1.1. Total value of private sector investment leveraged from July 2010-June 2011

Annual Target	YTD
R1.1 billion	**R1.3 billion**

In a bid to leverage R1.1 billion private sector investment during the 2010/11 financial year, a total of R 1.3 billion was leveraged.

2 Use of the property portfolio to create jobs and skills using the Property Boom Share Strategy

2.1. Number of EPWP jobs created through construction on CoJ-owned land through implementation of Property Boomshare Strategy and from CoJ CAPEX

Annual Target	YTD
3200 jobs	**2098 jobs**

The target was not met because most capital projects were not undertaken due to lack of funding from CoJ.

3 Increase the direct and indirect BBBEE spend: This will be achieved through increasing the the JPC's property portfolio BBBEE spend for both Opex and Capex, together with indirect leveraging of BEE participation in private sector property and construction sector investment on COJ land.

3.1 Indirect leveraging of minimum 60% BBBEE participation in private sector property construction

Annual Target	YTD
60%	**62%**

The total private sector property investment is R745 million for the 2010/2011 financial year.
R469 million (62%) thereof was awarded to BEE participants.

3.2. Direct BBBEE participation in COJ property transactions

Annual Target	YTD
75%	**100%**

4 Increase the economic base of underdeveloped areas of the City

4.1 Value of investment secured in marginalised area in development areas

Annual Target	YTD
R280 million	**R899 million**

A total of R 899 million has been secured in marginalised areas to date.

4.2. Land regularisation: Transfer and/or allocation of properties to beneficiaries

Annual Target	YTD
6000	**631**

The target was not met due to lack of funding and the delay in obtaining clearance certificates resulted in the delay in transferring properties.

5 Upscale of entrant property owners in CoJ land/property disposals

5.1. Number of Land/property disposals to BEE owned and controlled entities

Annual Target	YTD
150 disposals to BEE (less than 2ha)	**51**

During the year under review, 75 land parcels (less than 2 ha) were handled and 51 of those were BEE. The target was not met because most of the BEE tenderers could not comply with tender requirements, such as tax clearance certificates, RICA compliance, etc.

6 Utilisation of the property portfolio to support social development

6.1. Number of social leases entered into with communities

Annual Target	YTD
200 social leases	**49**

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During the period under review, forty-nine (49) social leases[1] were concluded. The target was not met because social leases require approval by Community Development. However, there were some delays in having all sites approved.

7 Utilisation of the COJ property portfolio to support the COJ Housing Master Plan

7.1 Finalisation of acquisition of properties to support housing development on behalf of CoJ Housing and Provincial Dept of Housing.

Annual Target	YTD
80 000 units (This target was over 5 years)	**34 500 units**

The target is broken down as follows:

2007 = 15 000
2008 = 15 000
2009 = 15 000
2010 = 15 000
2011 = 20 000

7 Privately owned properties were acquired by the JPC and 14 devolvements (properties transferred from Province to Council) in order to achieve 34 500 units

[1] Social leases refers to leases below market-related rental entered into with communities and entities such as quasi government institutions, NGO's and social organisations.

7.2. Leverage of affordable units incorporated in all residential developments on COJ land.

Annual Target	YTD
400 units	**406 units**

As at the end of the financial year a total of 406 units have been incorporated in residential developments on COJ land.

8 Ensure completeness of property asset register

8.1 Enhancement in the valuation of the CoJ property portfolio through devolution, acquisition and disposal

Annual Target	YTD
R9bn by June 2011	**R8.8 billion**

The closing balance of the Asset Register for the year ending 30 June 2011 is currently at R8.81 billion rand.

The non achievement of the target is due to withdrawals of R830 640.00 and no acquisitions were done in the final quarter

8.2 % Accuracy of property portfolio asset register

Annual Target	YTD
100%	**93%**

As at the end of the financial year, the completeness of the CoJ register stands at 93%. This is merely due to fluctuations in asset movements as a result of acquisitions and disposals and the timing of records being registered in the Deeds Office and the JPC updating the Asset Register

9 Finance and Supply Chain Management

9.1 % of Capital budget spend

Annual Target	YTD
100%	**88%**

In the current year the JPC has spent R 1,750,484 against the allocated budget of R2 000 000 due mainly to the development of computer software.

9.2. % of Capital budget spend on BBBEE

Annual Target	YTD
70%	**98.64%**

Of the total Capex payments (R1, 750 + R397 = R2 147M), Total BBBEE is R2.118 million – 98.64%. Note: The R397 relates to the previous year's accruals paid in the current year.

9.3. % of Opex spend on BBBEE

Annual Target	YTD
70%	**68.90%**

The total of the Opex payments (current year + accruals) amounts to R25 942 584 and R17 874 486 was paid to BEE.

9.4. % variance against approved Opex budget

Annual Target	YTD
0%	**-6.63%**

The overall actual total operating expenditure for the year is R66 815 555, as compared to the approved budget of R100 087 499 which represents a cost saving of 33.2% for the period under review.

9.5. Clean audit report

Annual Target	YTD
Clean audit	**Unqualified audit with emphasis of matter**

The Company received an unqualified audit report from the Auditor General with the emphasis of matters in the following categories: restatement of corresponding figures; material impairments; accuracy of performance information and compliance with laws and regulations.
Going forward the JPC has developed an OPCAR register that monitors all matters raised by auditors and any other critical issues.

9.6. % SA GAAP compliant register of JPC assets

Annual Target	YTD
100%	**100%**

All accounting standards with respect to property, plant and equipment were met.

10 Ensure stakeholder awareness on key property issues

10.1 Conduct a stakeholder satisfaction survey

Annual Target	YTD
85% satisfaction	**91.8%**

The stakeholder survey is an ongoing survey to determine how the community perceives the JPC. 91.8% of the community rated the JPC's services as efficient and recommendable.

11 Human resource development including HIV/AIDS

11.1 % salary to Opex for staff development

Annual Target	YTD
1%	**1.6%**

The JPC endeavours to train and develop its employees on a continual basis. During the 2010/11 financial year R686 159 was spent on staff training.

11.2 Implementation of succession planning framework for senior management level

Annual Target	YTD
100% implemented	**85% implemented**

The Succession Planning Policy was approved by the Board on July 2010. The following elements of the succession planning framework have been introduced:

- Coaching and mentoring programmes - operational (100%)
- The appointment of staff in acting positions - operational (100%)
- A dialogue between HR and Management was also initiated to categorise the staff into the different categories for positioning on the succession plan – done (60%)
- The Employment Equity committee will be fully operational in the New Year. (80%)
- Implement major dependent policies – Recruitment, Employment Equity, Training & Development and Performance Management. (85%)

Therefore 85% of the elements were implemented.

Implementing the succession planning policy is a conscious, focused and coordinated effort based on a plan with a clearly identified talent pool. The implementation plan relating to succession planning will be reviewed at the end of the first quarter of the new financial year.

11.3 Implementation of HIV/AIDS programmes: number of programmes

Annual Target	YTD
4 Programmes	**3 Programmes**

The following three programmes were implemented to promote HIV/AIDS awareness:

- World Aids Day
- Red Ribbon sale
- Gender-based Violence Campaign

3.2.2: JPC SCORECARD FINANCIAL YEAR 2010/11

KPA No	Key Performance Areas (KPAs)	Key Performance Indicators (KPIs)	Baseline	Target	Quarter 1 Target	Quarter 2 Target	Quarter 3 Target	Quarter 4 Target	YTD ACHIEVED
1	Positioning of JHB as a centre of investment and to attract at least 30% international finance and a variety of scarce skills in the property and construction transactions on CoJ land.	Total value of private sector investment leveraged from July 10-June 11	R700 million	R1.1 billion	R275 million	R275 million	R275 million	R275 million	R1.3 billion

KPA No	Key Performance Areas (KPAs)	Key Performance Indicators (KPIs)	Baseline	Target	Quarter 1 Target	Quarter 2 Target	Quarter 3 Target	Quarter 4 Target	YTD ACHIEVED
2	Use of the Property Portfolio to create jobs and skills using the Property Boomshare Strategy	Number of EPWP jobs created through construction on CoJ owned land through implementation of Property Boomshare Strategy from July 10 to July 11 and from CoJ CAPEX.	3 000	3 200	800	800	800	800	2098 jobs
3	Increase direct and indirect BBBEE spend. This will be achieved through increasing the JPC's and COJ's Property Portfolio BBBEE spend, for both Opex and	Indirect leveraging of participation of a minimum of 60% BBBEE /Empowered entities in private sector property construction[2]	55% per transaction	60%	60%	60%	60%	60%	62%
		Direct BBBEE /Empowered entities	70%	75%	75%	75%	75%	75%	100%

[2] Ensuring that with all transactions entered into, a minimum of 60% is spent on empowered entities (including youth & local enterprise) by the appointed service provider.

KPA No	Key Performance Areas (KPAs)	Key Performance Indicators (KPIs)	Baseline	Target	Quarter 1 Target	Quarter 2 Target	Quarter 3 Target	Quarter 4 Target	YTD ACHIEVED
	Capex, together with indirect leveraging of BEE participation in private sector property and construction sector investment on COJ land.	participation in CoJ property transactions[3]							
4	Increase the economic base of underdeveloped areas of the City	Value of investment secured in marginalised area in development areas	R250m	R280m	R70m	R70m	R70m	R70m	R899 million
		Land regularisation: Transfer and/or allocation of properties to beneficiaries	3 000	6 000	1 500	1 500	1 500	1 500	631
5	Upscale of	Number of Land /	New	150	30	30	30	60	51

[3] Ensure that 75% of all property transactions entered into is awarded to empowered entities.

KPA No	Key Performance Areas (KPAs)	Key Performance Indicators (KPIs)	Baseline	Target	Quarter 1 Target	Quarter 2 Target	Quarter 3 Target	Quarter 4 Target	YTD ACHIEVED
	entrant property owners in CoJ land/ property disposals	property disposals to BEE owned and controlled entities	indicator	disposals to BEE					
6	Utilisation of the property portfolio to support social development	Number of social leases entered into with communities	New indicator	200 social leases	50	50	50	50	49
7	Utilisation of the property portfolio to support the Housing Master Plan	Finalisation of acquisition of properties to support housing developments on behalf of the Housing Dept and Provincial Housing Dept	62 200 units	80 000 units over 5 years = 2007 = 15 000 2008 = 15 000 2009 = 15 000 2010 = 15 000 2011 = 20 000	20 000	20 000	20 000	20 000	34 500 units
		Leverage affordable units, incorporated in all residential developments on CoJ land	300	400	100	100	100	100	406 units

KPA No	Key Performance Areas (KPAs)	Key Performance Indicators (KPIs)	Baseline	Target	Quarter 1 Target	Quarter 2 Target	Quarter 3 Target	Quarter 4 Target	YTD ACHIEVED
8	Ensure completeness of property asset register	Enhancement in the valuation of the CoJ property portfolio through devolution, acquisition and disposal	R8.8bn	R9bn by June 2011	-	-	-	R9bn	R8.8 billion
		% Accuracy of property portfolio asset register	100%	100%	100%	100%	100%	100%	93%
9	Finance and Supply Chain Management	% Capital budget spent	100%	100%	25%	25%	25%	25%	88%
		% capital budget spent on BBBEE	55%	70%	70%	70%	70%	70%	98.64%
		% Opex spent on BBBEE	55%	70%	70%	70%	70%	70%	69.8%
		% variance against approved Opex budget	0%	0%	0%	0%	0%	0%	-6.63%
		Clean audit report	Clean audit	Clean audit	-	-	-	Clean audit	Unqualified audit report
		% SA GAAP compliant register of JPC assets	100%	100%	100%	100%	100%	100%	100%

KPA No	Key Performance Areas (KPAs)	Key Performance Indicators (KPIs)	Baseline	Target	Quarter 1 Target	Quarter 2 Target	Quarter 3 Target	Quarter 4 Target	YTD ACHIEVED
10	Ensure stakeholder awareness on key property issues: initiatives and communication focused on key stakeholders	Conduct a Stakeholder satisfaction survey[4]	80%	85% satisfaction	0	0	0	85%	91.8%
11	Human resource development including HIV/AIDS	% salary to Opex for staff development	1%	1%	1%	1%	1%	1%	1.6%
		Implementation of succession planning framework for senior management level	New indicator	100%	40%	60%	80%	100%	85%
		Implementation / Awareness of HIV/AIDS programs: no of programs	New indicator	4	1	1	1	1	3

[4] The Stakeholder satisfaction survey will include the following categories:
(a) **Satisfaction with attitude of staff at client service counter**
(b) **Access to JPC**
(c) **Satisfaction with handling of queries**
(d) **Satisfaction with effectiveness of the JPC's communication with public**

3.3 ASSESSMENT OF ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES

3.3.1. Assessment of Municipal Taxes and Service Charges owed to the JPC

This section is not applicable to the JPC as the company is not responsible for the collection of municipal tax and/or service charges.

3.3.2 Amounts owed by the JPC for service charges

This section is not applicable to the JPC as the company is not responsible for the collection of municipal tax and/or service charges.

3.3.3 Assessment of Directors' and Senior Managers' Municipal Accounts

None of the directors or senior managers is in arrears with municipal accounts:

Name of Director/Senior Managers	Designation	Name of Municipality	Municipal Account Name/ Number	Account Status as at June 2011	Comments
Mr JJ Buys	Chairperson	CoJ	201 506 358	Current	None
Ms J Armstrong	Non-executive Director	CoJ	207 500 487	Current	None
Mr H Mashele	Non-executive Director	CoJ	331 847 2527 500 196 5456	Current Current	None
Mr S Dzengwa	Non-executive Director	CoJ	402 914 981	Current	None
Mr L Itholeng	Non-executive Director	CoJ	300 839 679	Current	None
Dr D Sekhukhune	Non-executive Director	CoJ	502 453 702	Current	None
Adv D Maritz	Non-executive Director	CoJ	300 945 324	Current	None
Tshidi Molala	Independent Audit Committee Member	N/A	N/A	N/A	N/A
Vusi Mokoena	Independent Audit Committee Member	CoJ	504 973 087	Current	None
Mrs H Botes	Executive Director (MD)	CoJ	206 875 165	Current	None
Mr N Matlala	EM: Asset Management	Ekurhuleni	2101891306	Current	None
Mr S Mntungwa	EM: Property Development	CoJ	207 170 312	Current	None
Mr F Sardianos	EM: Property portfolio	CoJ	300 845 880	Current	None
Mr I Bhamjee	EM: Finance	City of Tshwane	331 177 0476	Current	None
Mr M Shongwe	EM: Corporate Services	EThekwini	8339041935	Current	None

3.4 STATEMENT ON AMOUNTS OWED BY GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

This Section is not applicable to the JPC as there are no amounts owed to the company by government departments and public entities.

3.5 RECOMMENDATIONS AND PLANS FOR NEXT FINANCIAL YEAR

The JPC's current Business Plan sets out the projects, programmes and initiatives for the 2011/12 financial year. Set out below are the key programmes and projects that will be undertaken by the JPC in the next financial year.

3.5.1. Future Key Initiatives and Plans

3.5.1.1. Implement the company's turnaround strategy

3.5.1.2. Land Regularisation programme - transfer 200 allocated properties and identify 800 verified Council properties for allocation

3.5.1.3. Conduct land audit – dependent on funds from CoJ

3.5.1.4. Identify and prepare five (5) properties (greater than 2 ha) for release and development to emerging property developers

3.5.1.5. Develop and Roll-out a Property Incubator Programme

3.5.1.6. Host an African Property Summit

3.5.1.7. Continue to support the Housing Master plan

3.5.1.8. Develop and implement the Human Resource strategy

3.5.1.9. Focus on property value creation by performing the highest and best use and investment analysis on developable land owned by the City (Industrial development zone) – conduct annual research and Impact evaluations to provide key economic data to the City

3.5.1.10. Develop best practice standards, i.e. standards and property skills

3.5.1.11. Continue to support BEE and SMMEs

4. CORPORATE GOVERNANCE

4.1 INTRODUCTION

The City of Joburg Property Company confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King III Report on Corporate Governance for South Africa 2010. The JPC is committed to upholding good corporate governance in all of its business dealings in respect of its shareholder and other stakeholders.

The JPC is governed primarily by the Municipal Systems Act (as amended) and the Municipal Finance Management Act No 56 of 2003 (MFMA) and its various Regulations. The primary objective is to ensure sound and sustainable management of the Council and its various entities.

The JPC has further adopted the Supply Chain Policy for Land in compliance with Section 111 of the MFMA which provides a framework for the alienation and granting of rights to use, control or manage of municipal capital assets.

The JPC as a state owned company is bound by the Companies Act, 2008 as amended.

4.2 CORPORATE GOVERNANCE STATEMENT

The City of Joburg Property Company confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King III Report on Corporate Governance for South Africa 2010. The Board of Directors discuss the responsibilities of management in this respect at Board meetings and monitor the company's compliance with the code on an annual basis.

All of the directors bring to the Board a wide range of expertise as well as significant financial, commercial and technical experience and, in the case of the non-executive directors, independent perspectives and judgment. The Board is responsible for setting the direction of the JPC through the establishment of strategic objectives and key policies. It monitors the implementation of strategies and policies through a structured approach to reporting on the basis of agreed performance criteria and defined written delegations to management for the detailed planning and implementation of such objectives and policies.

The Board retains full and effective control over the JPC, meeting quarterly with additional ad hoc meetings being arranged when necessary, to review strategy and planning, and operational and

financial performance. The Board further authorises major capital expenditure, stakeholder communication and other material matters reserved for its consideration and decision. The Board also approves the annual budgets for the various operational units.

The Board is responsible for monitoring the activities of executive management within the JPC and ensuring that decisions on material matters are considered by the Board. The Board approves all the terms of reference for the various sub-committees of the Board, including special committees tasked to deal with specific issues.

While the Executive Director is involved with the day-to-day management of the JPC, the non-executive Directors are not, nor are they employees of the JPC. The directors have a responsibility to become acquainted with all of their duties, as well as with the issues pertaining to the operations and business of the JPC. The Board operates in a field which is technically complex and the directors are continually exposed to information which enables them to fulfil their duties.

4.3 CODE OF ETHICS

The CoJ has requested compliance by all the MOEs in adopting a Code of Ethics specific to each entity, which would direct the manner in which employees and directors execute their duties.

The Code of Conduct for Municipal Staff Members as in Schedule 2 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), and the Code of Conduct for Councillors are also respectively applicable to all employees and directors of the JPC as an MOE of the CoJ. The JPC implemented a Code of Ethics during the 2010/11 financial year, to ensure that the company conducted its business relationship with its clients and customers in an ethical manner and was designated according to national and international accepted standards of ethical behaviour.
The issue of confidentiality and disciplinary measures and processes were addressed in the JPC's employment contractual terms and conditions. All disciplinary processes were in accordance with the company's approved Human Resources Policies. Substantial and procedural fairness were exercised in all cases where offences occurred.

4.4 CONFLICT OF INTEREST

The JPC is committed to upholding good corporate governance in all of its business dealings in respect of its shareholder and other stakeholders. The JPC has an approved Board Charter regulating how the JPC's business is conducted by its Board of Directors. The said Board Charter is based on the principles of good corporate governance and in line with the framework proposed by the

shareholder.

According to the Board Charter, Board members are required to declare any interest that they might have in the business of the JPC. The Board members are required to sign a “Declaration of Interest” form on an annual basis. They also sign a register in every sitting of the Board or any of its committees.

4.5 BREACH OF GOVERNANCE PROCEDURE

The City of Joburg Property Company confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King III Report on Corporate Governance for South Africa 2010. For the year under review, the JPC adhered to the Code of Governance Principles as set out in the King III report on Corporate Governance. The Board of Directors discusses the responsibilities of management in this respect, at Board meetings, and monitors the company's compliance with the Code on an annual basis.

The Board of Directors and Management recognise and are committed to the principles of openness, integrity and accountability advocated by the Code. Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Part of the mandate of the Audit and Risk Committee is the monitoring of the entity’s compliance with relevant legislation and the Code. The entity endeavours to be fully compliant at all times.

Regulatory issues

The JPC is governed primarily by the Municipal Systems Act (as amended) and Municipal Finance Management Act No 56 of 2003 (MFMA) and its various regulations. The primary objective of the Act is to ensure sound and sustainable management of the Council and its various entities.

The JPC has further adopted the Supply Chain Policy for Land in compliance with Section 111 of the MFMA which provides a framework for the alienation and granting of rights to use, control or manage of municipal capital assets.

As a Proprietary Limited Company, the JPC was bound by the Companies Act, 1973. This Act has been replaced by the new Companies Act 2008, which came into operation in 2011 and the JPC shall ensure compliance with this act.

The company was well managed during the period under review and there was no breach of governance procedures, all legislation was adhered to.

4.6 GOVERNANCE STRUCTURES

The Sections below refer to the Governance Structures in place.

4.6.1 Board of Directors – composition and information

As at 30 June 2011, the City of Joburg Property Company (SOC) Ltd's (JPC) Board of Directors currently comprises of one (1) Executive Director, Ms. H Botes and seven (7) Non-executive Directors, Mr. J Buys, Adv D Maritz, Dr. D Sekhukhune, Ms. J Armstrong, Mr. S Dzengwa, Mr. L Itholeng and Mr. H Mashele.

The Board was chaired by the Non-executive Director, Mr. J Buys. The Board retained full control over the company. Due notice in terms of Section 186 of the Companies Act, 1973, applicable to 30 April 2011, (Act 61 of 1973) was given of all Board meetings. The Board remained accountable to the CoJ, the sole member and its stakeholders, the citizens of Johannesburg. A Service Delivery Agreement (SDA) concluded in accordance with the provisions of the MSA governs the entity's relationship with the CoJ. The Board provides quarterly, bi-annually and annual reports on its performance and service delivery to the CoJ as prescribed in the SDA, the MFMA and the MSA.

The Directors are appointed by the CoJ and are drawn from diverse backgrounds and bring a wide range of experience and professional skills to the Board. Non-executive Directors therefore contributed an independent view to matters under consideration by the Board and added to the depth of experience of the Board. The roles of the Chairperson and Managing Director are separate, with responsibilities divided between them. The Chairperson has no executive functions.

All of the Directors bring to the Board a wide range of expertise as well as significant financial, commercial and technical experience, independent perspectives and judgment. The Board is responsible for setting the direction of the JPC through the establishment of strategic objectives and key policies. It monitors the implementation of strategies and policies through a structured approach to reporting on the basis of agreed performance criteria and defined written delegations to management for the detailed planning and implementation of such objectives and policies.

The Board retains full and effective control over the JPC, meeting quarterly with additional ad hoc meetings being arranged when necessary, to review strategy and planning, operational

and financial performance. The Board further authorises major capital expenditure, stakeholder communication and other material matters reserved for its consideration and decision. The Board also approves the annual budgets for the various operational units.

The Board is responsible for monitoring the activities of executive management within the JPC and ensuring that decisions on material matters are considered by the Board. The Board approves all the terms of reference for the various sub-committees of the Board, including special committees tasked to deal with specific issues. The JPC's management operates within the delegation of authority as approved by the Board from time to time.

The Directors are responsible for the preparation of information in the statutory reports of the company and are responsible for both the accuracy and consistency of the financial statements. The going concern basis has been adopted in preparing the financial statements. The Directors have no reason to believe that the JPC will not be a going concern in the foreseeable future based on the forecast and available cash resources.

Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with Company Rules and Procedures, statutory regulations and best corporate practices. Directors are also entitled to seek independent professional advice concerning the affairs of the JPC at the JPC's expense, should they believe that such course of action undertaken would be in the best interests of JPC.

The Board of Directors has adopted the Board Charter which encapsulates the CoJ Governance Protocol and includes matters of ethics, procedure and the conduct of Board members. Registers are kept and updated on the disclosure and declaration of interests of Directors. The Board and Senior Management ensure that there is full material compliance with all relevant Legislation. The Company Secretary has certified in terms of Section 268(d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.

4.6.2 Board Committees

The following committees have been formed, each of which is chaired by a non-executive director.

- Audit and Risk Committee

- Remuneration and Human Resources Committee
- Transactions Committee

4.6.2.1 Audit and Risk Committee

The Audit and Risk Committee consists of the following non-executive directors and independent Audit Committee members:

- Ms Jocelyn Armstrong (Chairperson)
- Mr Harry Mashele
- Ms Tshidi Molala (Independent Audit Committee member)
- Mr R Buys (Independent Audit Committee member) – resigned 31 March 2011
- Mr Vusi Mokoena (Independent Audit Committee member) – appointed 1 April 2011

The role of the Audit and Risk Committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. The Committee exercises its functions through close liaison and communication with management and the internal and external auditors.

The Committee has been delegated the task of overseeing the quality, integrity and reliability of the company's risk management function. In terms of its mandate, it reviews and assesses the integrity and the quality of risk control systems and ensures that risk policies and strategies are effectively managed. The committee met ten (10) times during the year under review.

The Audit and Risk Committee operates in accordance with written terms of reference authorised by the Board, and provides assistance to the Board with regard to:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- Matters relating to financial accounting, accounting policies, reporting and disclosures;
- Internal and external audit policy;
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Review/approval of external audit plans, findings, problems, reports and fees;
- Risk Management;
- Compliance with the Code of Corporate Practices and Conduct; and

- Compliance with the Code of Ethics.

The Audit and Risk Committee addressed its responsibilities properly in terms of the terms of reference during the year under review. Management has reviewed the financial statements with the Audit and Risk Committee.

The Audit and Risk Committee considers the annual financial statements of the JPC to be a fair presentation of its financial position on 30 June 2011 and of the results of its operations and cash flow for the period ended then in accordance with GRAP and the Companies Act.

4.6.2.2 Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee consists of the following non-executive directors:

- Dr Dorothy Sekhukhune (Chairperson)
- Adv Du Toit Maritz
- Mr Leighton Itholeng

The Remuneration and Human Resources Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for senior management. Its specific terms of reference also include recommendations to the Board on matters relating to inter alia, Human Resources policies, Executive Remuneration and other Human Resources and Remuneration affairs of the Company.

The Committee met four (4) times during the year under review.

4.6.2.3 Transactions Committee

The Transactions Committee consists of the following non-executive directors:

- Mr Simphiwe Dzengwa (Chairperson)
- Adv Du Toit Maritz
- Mr Leighton Itholeng

All property transactions are considered by the Transactions Committee which makes recommendations to the Board or the shareholder. The Committee has delegated powers from the Board to deal effectively with certain operational issues relating to the property portfolio of the shareholder and operates within the terms and references as approved by the Board.

The Transactions Committee met six (6) times during the year under review.

4.6.3 Schedule of attendance of meetings

Attendance at meetings held during the year was as follows:

Director	Board (incl special Board)	Audit and Risk Committee	Remuneration and Human Resources Committee (REMCO)	Transactions Committee
No. of meetings held	**11**	**10**	**4**	**6**
DT S Maritz	9	N/A	4	1
JJ Buys	9	N/A	N/A	N/A
D Sekhukhune	9	N/A	4	N/A
S Dzengwa	9	N/A	N/A	6
J Armstrong	10	9	N/A	N/A
H Mashele	7	7	N/A	N/A
No. of meetings held (New Directors)				
L Itholeng	9	N/A	4	6
Independent Audit Committee Members				
T Molala	N/A	10	N/A	N/A
R Buys[5]	N/A	4	N/A	N/A
V Mokwena[6]	N/A	1	N/A	N/A

4.6.4 Remuneration

The table below reflects the remuneration of the Board of Directors during the period under review and the year to date. Non-executive directors received fees for their contribution to the Board and the Board fub-committees on which they served. The remuneration of the non-executive directors was in line with the provisions set by the CoJ.

REF NO		1st QUARTER		2nd QUARTER		3rd QUARTER		4th QUARTER		YTD
	NAME	MEETING FEE	NO	MEETING FEE	NO	EMOLUMENTS / MEETING FEE	NO	EMOLUMENTS & RETAINER	NO	
1	J Buys	19 840	3	44 640	8	9 920.00	9	114,075.00	17	188,475.00
2	A Sibanda	8 930	2	37 700	10	8 930.00	12	23,810.00	14	79,370.00

[5] Retired 17 March 2011
[6] Joined 17 March 2011

3	JM Armstrong	24 800	3	59 520	12	24 800.00	15	49,600.00	18	158,720.00
4	D Sekhukhune	4 960	1	31 744	7	10 912.00	9	45,632.00	13	93,248.00
5	DTS Maritz	4 960	1	32 740	8	8 930.00	10	37,700.00	14	84,330.00
6	S Dzwenga	10 912	2	36 704	9	10 912.00	11	41,664.00	15	100,192.00
7	H Mashele	24 800	4	39 680	10	4 960.00	11	39,680.00	14	109,120.00
8	L Itholeng	8 930	2	35 720	10	12 900.00	13	51,590.00	19	109,140.00
TOTAL		**108 132**		**318 448**		**92 264**		**403,751.00**		**922,595.00**

Independent Audit Committee members:

1	R Buys (Independent Audit Committee Member)	4 960	2	4 960	2	9 920.00	4			19 840.00
2	T Molala (Independent Audit Committee member)	14 880	3	9 920	5	14 880.00	8	4,960.00	10	49,600.00
3	V Mokena (Independent Audit Committee member)							9,920.00	2	9,920.00
TOTAL	**TOTAL**	**19 840**		**14 880**		**24 800**		**14,880.00**		**79,360.00**

Senior Management remuneration - For the period: 01 July 2010-30 June 2011

JOB TITLE	REMUNERATION (CASH)	TRAVEL ALLOWANCE	OTHER (Company Contribution towards E-Joburg Pension Fund at 15% of pensionable salary)	TOTAL COST TO COMPANY (inclusive of company contribution – E Joburg)
Managing Director	R77 085-00 pm	R20 833-33 pm	0	R1 175 020 pa
Executive Manager: Property Management	R68 975-20 pm	0	R10 346.28 pm	R951 857 pa
Executive Manager: Finance	R55 280-00 pm	R8 000.00 p.m.	0	R783 587 pa
Executive Manager: Property Development	R72 226.89 pm	0	R10 834.03 pm	R996 731 pa
Executive Manager: Asset Management	R 60 000.00 New appointment confirmed and commenced on 01/04/2011	0	R 9000.00	R 828 000 pa
Executive Manager: Corporate Service	R 60 000.00 New appointment confirmed and commenced on 01/05/2011	0	R 9 000.00	R 828 000 pa

5. INTEGRATED SUSTAINABILITY REPORT

5.1 SUSTAINABILITY VISION, STRATEGY AND PRINCIPLES

A company's performance is determined not only by its environmental and social activities, but also by its economic achievements. The JPC sustainability vision is in meeting business objectives, continuing to enhance stakeholder value, managing risks and focusing on opportunities posed by economic, social, human and environmental capitals within the company's scope of influence.

The JPC's approach takes into cognisance the core values of the company, and these are consistently applied to all its activities and decision-making. The company endeavours to drive service delivery excellence as well as to instil a sense of responsibility through its operations as well as amongst its staff in the sphere of both economic and social environments. JPC therefore focuses and reduces the risk of anything that will undermine this achievement.

Although JPC bases its policy development on the strong policy foundation of the City and its mandate on the SDA and City strategies, the degree to which these policies and mandate are effectively implemented is a challenge. There are a number of reasons for this:

- The mandate focuses on the maximisation of both social and economic opportunities and has not been reviewed since the inception of the JPC;
- Over the years, the JPC has been forced to balance business priorities with meeting the organisation's financial/economic goals as well as its socio-economic objectives;
- A review of the JPC operations over the past few years reveals that the organisation has demonstrated a bias towards its financial/economic priorities;
- Over the years, the JPC has been expected to contribute financially to the coffers of the City of Johannesburg and this requirement has increased substantially over the past year;
- Reduction in financial assistance from the shareholder and the urgency of the entity to generate its own revenue;
- The requirement of all entities in the city to contribute to increasing investment, job creation and ultimately contributing to the City achieving its 9% economic growth by 2014;
- The implementation of the mandate and most policies is dependent on financial resource availablity; and
- Lack of relevant capacity and skill further hampers the growth and success of the organisation.

The impact of these challenges is a brittle foundation for effective service delivery relating to responsibilities, deliverables, authorities and reporting. Effectively there is a

breakdown of relations with the JPC's stakeholders, hence poor delivery on the JPC's objectives. The company's service delivery efforts are being compromised and require immediate attention and corrective action.

The JPC has therefore developed a turnaround strategy during the financial year under review. The company's turnaround strategy was approved by the Board. This strategy aims to improve the operational efficiencies and financial sustainability in the short- to medium-term. In the long-term, the strategy focuses on extending the company's mandate, while maintaining a strong core. This long-term strategic approach aims to achieve long-term and recurring financial returns by maximising the performance of the portfolio, while still maintaining a stringent focus on efficiencies in the core.

During the financial year, the JPC has strived to position and manage the property holdings of the CoJ as a strategic and a valuable source which provides economic and financial returns as well as social benefits in line with the CoJ's priorities.

5.2 MATERIAL ISSUES

The table below identifies the main material issues:

Chapter	Material Issues	Key Indicators	Status	Looking Forward
Serving our customers	Customer feedback: ensuring we engage with and respond to our customers	Percentage achievement of service levels Number of complaints	A stakeholder survey was undertaken to determine how the community benefits from the services rendered by the JPC– 85% satisfaction was achieved.	Ongoing surveys and market analysis will suggest relevant new directions and offerings that our stakeholders would prefer. Conduct research and surveys constantly to effect service delivery and product knowledge improvement.
Ensuring ethical behaviour	Promoting ethical behaviour among our employees: Code of Conduct Policy and protecting our properties and employees from fraudulent activity	Measurement of internal fraud by the Audit and Risk Committee	A fraud hotline was implemented.	To ensure that our employees maintain their integrity by implementing and monitoring a fraud policy and a fraud hotline
Supporting our communities	Corporate social investment; social projects	Number of jobs created; amount of training; social projects	2 098 jobs were created; 49 social leases were concluded and land was acquired for the construction of 34 500 housing units.	To continue to create jobs to the EPWP programme; support social projects and housing initiatives

5.3 SUSTAINABLE COMMITMENTS

The JPC in its initiatives for the 2010/11 financial year responded to each of the Mayoral priorities. The JPC's projects were aimed at achieving the following outcomes for the City and its citizens:

- Realising value (social, financial and economic) for the CoJ;
- Supporting economic development and aligning the CoJ property portfolio with CoJ priorities;
- Increasing effectiveness and efficiencies in respect of municipal and social use properties; and
- Managing risk and return with respect to the property portfolio and property transactions for the CoJ.

5.4 RISK MANAGEMENT GOVERNANCE AND PROCESSES

5.4.1. RISK MANAGEMENT AND INTERNAL CONTROLS

The JPC is constantly developing and enhancing its risk and control procedures to improve mechanisms for identifying and monitoring risks. The company's risk registers assist in measuring the intrinsic risk of the business. Risk Governance is a key focus of King III as it is required that the board should exercise leadership to prevent risk management from becoming a series of activities that are detached from the realities of the company's business. Risk is positioned as a cornerstone of corporate governance and risk governance is substantially different to the requirement to implement risk management. The company has thus appointed a risk manager who will focus on monitoring the implementation of the risk mitigating measures.

The newly formed risk unit will also focus on improving the overall Enterprise Risk Management (ERM) maturity rating from "weak" to "strong". When the City assessed all factors of ERM, the ERM maturity rating for the JPC was found to be inadequate. The following factors will be improved in the next financial year:

- Positioning of the risk management function within the corporate office – administrative and functional;
- Risk consideration at audit and risk committees – process and exposure;
- Adequacy of the risk management plans;
- Methodology to assess tolerance and appetite;
- Risk and performance reporting;
- Level of assurance achieved – combined assurance;
- Risk ownership – process and risk specific; and

- Consideration of compliance exposure – management and governance.

In order to meet its responsibility with respect to providing reliable financial information, the JPC maintains financial and operational systems of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal and ensure that transactions are properly authorised and recorded.

The system includes a documented organisation structure and visions of responsibility, established policies and procedures, including a Code of Ethics to foster a strong ethical climate, which is communicated to the parent municipality.

The Board, operating through the Audit and Risk Committee, provides supervisions of the financial reporting process and internal control systems. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls.

JPC's top ten risks

The JPC, assisted by JRAS, completed a strategic risk register and prioritised the top ten risks as at June 2011. The company is, however, going to review its risk register, taking into account audit issues raised by the Auditor General and the introduction of new risks, if any.

1. **Human Capital – inability to attract and retain relevant skills**
   The JPC believes that this risk is currently managed effectively. Approved HR policies are in place and there is continuous monitoring of compliance with the policies.
2. **Inadequate financial resources**
   The JPC will motivate to the City for a reasonable workable budget that outlines the economic impact development projects, sources alternative sources of funding including government grants, e.g. MIG and NDPG, implements a value creation strategy and projects, introduces and implements a reviewed scale of fees and tariffs for JPC services, seeks approval to ring fence income from developments to fund Capex items and to seek international investors.
3. **Vandalism and inability to maintain facilities**
   The company will ensure compliance with lease agreements in terms of maintenance. Some facilities management functions will be outsourced and partnership agreements with FMMU, DPUM and JMPD will be investigated to proactively prevent vandalism. Less expensive alternatives will be investigated to enhance the appearance of buildings. Other state resources will also be investigated to maintain buildings, e.g. correctional services. The

awarding of lease management agreements will be streamlined and fast-tracked so that the maintenance burden is passed onto the lessee. Capacity in the facilities management unit will be increased, e.g. site inspectors to ensure compliance with lease agreements.

4. **Poor economic climate**

   The company will prioritise projects with low risk, renegotiate where possible terms and conditions of contracts, proactively work out payment terms with clients to ensure cash flow to the JPC rather than to write off debt, and seek international and institutional investors.

5. **Insufficient facilities to support community development objectives**

   Currently the risk is managed effectively on an ongoing basis as there are engagements with private investors, ward councillors to identify community need, and land parcels for social and community development.

6. **Incomplete asset register**

   There are contract with Intersite on a month-to-month basis, a project definition and scope of work has been finalised. The current asset register is maintained and also budget has been requested for integration.

7. **Non compliance with legislation, policies and procedures**

   Currently the risk is managed effectively, compliance checklists have been implemented, deviations from supply chain management policies are reported to the Board and to the City, and monitoring of compliance and contracts is conducted on an ongoing basis. The company has procured compliance software which will be rolled out and implemented in order to report accurately on the company's compliance matrix. A fraud policy has been implemented and a fraud hotline is in existence. A compliance monitoring system was procured and will be implemented in the 2011/12 financial year. Policies are reviewed on a regular basis.

8. **Inadequate brand marketing of the company and lack of stakeholder management**

   Marketing initiatives are in progress, e.g. website set-up, intranet, roadshows, as well as stakeholder satisfaction surveys that are conducted on an ongoing basis.

9. **Loss of revenue**

   A task team has been set up to fast track the lease renewal process. Some modules of PIMS have been implemented. The implementation of the PIMS system will track transactions from start to finish, ensuring that transactions are seen to completion and the JPC will implement an aggressive debt collection programme.

10. **Inadequate marketing of the company**

    Continuous education and marketing drive

5.4.2. Internal Audit Function

PricewaterhouseCoopers (PWC) developed an annual audit plan and audits are conducted on a quarterly basis. The internal auditors present reports to the Audit and Risk Committee.

5.4.3. Response to the Auditor General's Report

The external audit is done once a year by the Auditor General. The JPC received a clean audit report for the 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11 financial years. Matters reported on by the Auditor General were successfully resolved and cleared. The following issues were raised by the Auditor General for the year ended June 2011, together with a commentary on the corrective action taken.

Matters raised by the Auditor General

Restatement of corresponding figures

As disclosed in note 30 to the financial statements, the corresponding figures for 30 June 2010 have been re-stated as a result of errors discovered during the current financial year relating to the previous year.

Material losses/impairments

As disclosed in note 9 to the financial statements, the company has impaired furniture and fittings by an amount of R713 244.

Report on predetermined objectives

- Accuracy: The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.
- For the selected objectives the accuracy of 25% of the reported targets could not be established as sufficient appropriate audit evidence could not be provided.

Compliance with laws and regulations

- Contrary to the requirements of section 122(1) of the MFMA, the financial statements submitted for audit on 31 August 2011 did not present an accurate state of affairs of the entity as at the end of the financial year. These financial statements were subject to material amendments as a result of the audit

5.4.4. Governance and Regulation

5.4.4.1 Company Secretarial function

The primary function of the Company Secretary is to act as the link between the Board and Management and to facilitate good relationships with the shareholders. The Company Secretary is responsible for ensuring compliance with good corporate governance practices and for providing guidance to the directors on their duties and responsibilities and corporate governance principles, and for providing advice on applicable legislation.

5.4.4.2 Corporate Ethics and Organisational Integrity

- The JPC implemented a Code of Ethics during the 2010/11 financial year to ensure that the company conducted its business relationship with its clients and customers in an ethical manner and was designated according to national and internationally accepted standards of ethical behaviour.
- The issue of confidentiality, as well as disciplinary measures and processes, was addressed in the JPC's employment contractual terms and conditions.
- All disciplinary processes were in accordance with the company's approved Human Resources Policies. Substantial and procedural fairness were exercised in all cases where offences occurred.

5.4.4.3 Business Continuity Planning

- A business continuity management (BCM) strategy is in existence. A holistic management process to address these risks adequately, and a framework to build operational resilience using a phased approach were implemented. Disaster recovery plans were also developed.
- A crisis management plan was defined, and investment in network infrastructure and redundancy has continued, with operating companies adopting network architecture design principles coupled with major investments to improve network redundancy. This has significantly enhanced the JPC's capability to respond effectively in order to safeguard the interests of key stakeholders.

5.4.4.4 Fraud Management and Fraud Hotline

In the period under review, the JPC developed its own fraud hotline.

5.4.4.5 Legal Support and Compliance Programme

The aim of the JPC is to be 100% compliant with all relevant legislation and regulations; to develop land/property acquisition, land/property management and utilisation and a land/property disposal policy in line with the Government Wide Immovable Asset Management Act.

5. 5 STAKEHOLDER ENGAGEMENTS

- The JPC has a Customer Relationship Management System that includes an Information Desk, Client Service Centre and a Stakeholder Management Unit.
- The JPC has combined various units so that excellent customer service is delivered to all stakeholders. Customer service is the service provided in support of the JPC's core products. This includes answering queries, taking orders, dealing with tender registration documents, handling complaints, producing marketing and information collateral and supporting other department needs.
- A stakeholder survey was undertaken in the period under review, to determine how the community had heard about the JPC, the role of the JPC within the City, and to rate community experiences at the JPC. Eighty-five per cent satisfaction was achieved.
- The JPC will continue to conduct research and surveys to effect service delivery and product knowledge improvement.
- The JPC also entered into discussions with community and ward councillors with regard to proposed development on Council-owned properties and to keep them informed of JPC processes.
- Information about tenders and notices was distributed via notices and advertisements in the media. Road shows were also undertaken during the period under review.

Openness and Transparency:

The JPC adhered to openness and transparency by ensuring that all stakeholders were always informed of developments and the performance of the company. Presentations were made and reports submitted to various City of Johannesburg Committee structures. All awards were made on a competitive basis in terms of the Supply Chain Management Policy for Land (SCMPL).

5.6 ECONOMIC IMPACT

The following were achieved in the period under review:

- To increase the economic base of underdeveloped areas of the City, the JPC supported the Area Based Economic Development Programme.
- There was an increase in private sector investment.

5.7 SOCIO-ECONOMIC DEVELOPMENT

The following aspects/programmes were supported in the period under review:

- **NGO/CBO Support Programme**
  Several social properties have been identified for renewal and the conclusion of new leases. These properties vary from scout halls to crèches, municipal offices, schools in Soweto and other NGO occupied properties.

- **Sports and Development Programme – Soweto Theatre**
  The construction of the wall of the Soweto State Theatre has been completed.

- **Skills Development Programme**
  To increase the number of beneficiaries reached by the City, the JPC facilitated a skills development programme and 2 098 jobs were created in construction on Council-owned property.

5.8 TRANSFORMATION AND EMPOWERING EMPLOYEES

The JPC's contribution to transformation and in terms of the property charter led to the establishment of a unit to focus on transformation and social-economic projects. It aims to harness the City of Joburg's property portfolio transactions by increasing economic growth and implementing Black Economic Empowerment (BBBEE). This will create jobs and economic opportunities for disadvantaged communities and business sectors. Transformation in the JPC will focus on ensuring that all transactions include social transformation, economic development and investment in communities and their members, particularly among the disadvantaged youth, women and disabled persons.

- **Supply Chain Management and Black Economic Empowerment**
  The JPC has adopted a Supply Chain Management Policy in compliance with the provisions of the MFMA and the National Treasury Municipal Supply Chain Management Regulations,

2005. A Supply Chain Management Unit was established which monitors the implementation of the entity's Supply Chain Management Policies in line with the regulations which seek to modernise financial governance and improve accountability and transparency in the entity's processes. JPC's Supply Chain Management Policies provide for the exclusion of awards to persons in the service of the State subject to the exemptions and regulations issued by National Treasury from time to time. The Board has ensured that the Supply Chain Management Policy embraced the objectives of Black Economic Empowerment and the Managing Director, as the Accounting Officer of the company, was tasked as the custodian for effective implementation. The capital projects implemented during this period served as valuable foundations for ensuring community participation in our BEE programmes. This pace will be enhanced and the Company will continue to be sensitive to the financial constraints facing emerging businesses.

The following were achieved during the period under review:
BEE Support Programme

- 68.9% OPEX spend awarded to BEE
- 98.64% CAPEX spend awarded to BEE

- **Human Resources Management**

Employment Contracts

All JPC employees are currently employed on a 5-year performance based contract, with the exception of five ex-CoJ employees who are employed on a permanent basis. The existing JPC fixed-term contract is in line with the current JPC conditions of service as well as those of the City of Johannesburg. The regularisation of our fixed-term contracts is in line with the provisions of the Labour Relations Act, the newly drafted labour bills and the City Manager's directive on renewal of fixed-term contracts. The issuing of new fixed-term contracts will at the same time contribute to increasing morale, as it provides some security and stability within the broader workforce which is needed for the execution of our turnaround strategy – therefore this is a strategic imperative for the JPC.

Employment Equity

The company currently conducts its business with a staff complement of 128 employees. This includes 14 short-term contractors. Additional temporary workers are intermittently employed through labour brokers to address staff shortages in certain departments.

The JPC, as an employer, fully subscribes to the purposes and intent of the Employment Equity Act no. 55, 1998. Reports are submitted annually to the Department of Labour. The

JPC Employment Equity and Training and Development Committee was officially elected and appointed towards the latter part of the 2010/2011 financial year. To date, awareness sessions have been conducted, consultation at all levels has taken place and adequate capacitation of the forum has been given priority. The Committee has developed its own Constitution and is aggressively promoting the finalisation of the EE Plan by the JPC management. A workshop will take place to conduct an environmental assessment of the JPC policies and practices. The workshop will also endeavour to finalise the numerical goals for the next three years. A first draft of the EE plan will be presented to EXCO and REMCO towards the end of July 2011. The 2011/2012 financial year will accordingly see the implementation and the effective monitoring and evaluation of the plan.

- **Skills Development and Training**

  The issue of competency and sustainability has become a key focus area where learning and growth serve as essential components towards good service delivery and personal development – Human Capital Development.

  In line with subscribing to the Skills Development Act No. 97 of 1998, the JPC will submit a Workplace Skills Plan (WSP) and the Annual Training Report (ATR) to the Services Seta due by 31st July 2010.

- **Workplace Skills Plan (WSP)**

  In order to roll out an achievable training plan, the following areas were addressed in compiling a realistic training plan for the JPC:

  - Assessment of the JPC workforce, in particular permanent employees;
  - Assessment of the JPC workforce, in particular to report on the growth of employee skills during a year (permanent employees);
  - Assessment of the JPC workforce as at 30June 2011to predict aheadcount for planned training requirements;
  - Employees signed Individual Learning Plans (ILPs) were reviewed to assess planned training needs; and
  - HR conducted further research and identified the baseline of critical skills required in the occupational categories referred to as:
    i. Senior officials
    ii. Professionals
    iii. Technical and associated professionals and
    iv. Clerical and administrative duties.

- In finalising the baseline of critical skills in the above-mentioned occupational categories, HR consulted with the following heads of department:
  i. Finance
  ii. Property development and
  iii. Legal services.
- The following scarce and critical positions were identified over and above specialised property skills across the board in all occupational categories within the JPC's organisational structure:
  i. Risk Manager
  ii. Chief Operations Officer (COO)
  iii. Asset Management and
  iv. Chief Financial Officer (CFO).

- **Annual Training Report (ATR)**

  In finalising the ATR section of the seta template the following information was submitted:
  - The JPC detailed training spend for the pervious assessment period, 1 April 2010 to 31 March 2011.
  - Details relating to the population groups and gender per spend was reflected per occupational level, including proof of all skills level payments to SARS.

  The above submission will be assessed by the Services Seta to determine whether or not the JPC will be eligible to receive a grant/levy refund. It will further confirm whether or not the JPC is complying with the Skills Development Levy Act No. 9 of 1999.

- **Special Projects**

  Establishment of HR sub-committees

  In order to deliver on the HR mandate and to give effect to the intention of the approved JPC policies, the following sub-committees were established:
  - Employment Equity and Training and Development Committee
  - Occupational Health and Safety Committee
  - Local Labour Forum (LLF)

  The committees in place are fully functional repositioning co-operative governance at the forefront of the organisation.

- **Performance Management**

  The JPC's updated Performance Management System provides for:

- The promotion and constant demonstration of the culture of accountability and good performance through transparent relations and trust between employees and management;
- A good corporate image that will enhance a good self-image for all JPC's employees;
- Guidelines for career development and career succession within the JPC; and
- A link between career development, employment equity and skills development.

The Performance Management System will assist employees to understand exactly what is required of them in order to contribute towards the JPC meeting its strategic objectives. Additional objectives were included to reinforce the culture of governance and risk management among managers. The objectives of implementing the Performance Management System into the JPC are as follows:

- To assist the JPC to meet its organisational performance standards;
- To achieve sustainable improvements in service delivery;
- To encourage and reward good performance;
- To manage and improve poor performance; and
- To enable employees to develop their abilities, increase job satisfaction and achieve their full potential for the mutual benefit of both the Employee and the JPC.

Performance Management is being adopted as a positive management strategy rather than a punitive process and in this way employees feel comfortable to be part of the process.

Managers are able to measure the alignment of each employee's KPIs to those of the Business Division's Strategic Plan. These measurements will assist in both improving individual performance and processes that will improve overall delivery.

The process not only encourages ongoing performance assessment every quarter but allows for pitfalls to be reviewed and corrected by the next financial year. Training of under performing officials is being introduced as part of the JPC's coaching and mentorship process to improve the performance levels.

- **HIV/AIDS in the workplace**

  The management of HIV/Aids is an important challenge facing every organisation in South Africa. Although there are no known cases of HIV/AIDS at the JPC, HIV/AIDS could have an impact on the following risk areas: operations, target market risk, supplier risk, legal risk and health risk. While all these risks are under further investigation, the JPC has adopted the following core principles as a basis for its HIV/ AIDS Policy:

- Continuously assess the risks posed by HIV/AIDS to the business;
- Limit the number of new infections among employees;
- Ensure employees living with HIV/ AIDS are aware of their rights and that their rights are respected and protected; and
- Provide care and support to employees living with HIV/AIDS.

- **Employee benefits**

  The Company is a participating employer in one or more of the various retirement benefit schemes through which the CoJ and its associated MOEs provide post-employment benefits to all their permanent employees through 8 (eight) Defined Contribution Funds and 8 Defined Benefit Funds. The following funds provide pension benefits for JPC's employees:

  Defined Contribution Funds:
  - e-Joburg Retirement Fund
  - Municipal Employees Gratuity Fund

  Defined Benefit Funds:
  - Johannesburg Municipal Pension Fund
  - Municipal Employees Pension Fund
  - Diepmeadow Pension Fund - Contributions to the Diepmeadow Pension Fund ceased for the Group with effect from 31 July 2003. Benefits have been made and paid up and will accumulate for members on a defined contribution basis.

  The following medical aid schemes are recognised at the JPC in view of ex-Council employees;
  - Munimed
  - LA Health
  - Discovery
  - Bonitas

  The JPC provides post retirement medical benefits to some employees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment. Valuations of these obligations are carried out by independent qualified actuaries.

5.9 ENVIRONMENTAL RESPONSIBILITY

The JPC addresses Environmental Programmes and Initiatives in the management of the CoJ's property portfolio and Environmental Impact Assessment (EIA) is compulsory for all projects.

5.10 THE INFORMATION TECHNOLOGY (IT) GOVERNANCE

For the first time the King Committee on Corporate Governance has addressed the issue of corporate governance for information technology. In doing so the third report on Governance in South Africa has addressed the pervasive nature of information technology, its importance as part of the business strategy and the significant additional risks it introduces.

JPC assesses its Information Technology Governance arrangements against King III using PwC's proprietary assessment tool by conducting a one-workshop with the aim of completing the self assessment and documenting responses.

6. FINANCIAL REPORT

ACRONYMS AND ABBREVIATIONS

TERM	DETAIL
ATR	Annual Training Report
CBO	Community Based Organisation
CoJ	City of Johannesburg
CAPEX	Capital Expenditure
FMMU	Facilities Management and Maintenance Unit
DPUM	Department of Planning and Urban Management
JMPD	Johannesburg Metro Police Department
GDS	Growth and Development Strategy
GIS	Geographic Information System
GIAMA	The Government Immovable Asset Management Act
IDP	Integrated Development Plan
JRA	Joburg Roads Agency
JPC	City of Joburg Property Company (SOC) Ltd
Joshco	Joburg Social Housing Company
MFMA	Municipal Finance Management Act
MOE	Municipal Owned Entity
NGO	Non Government Organisation
LIS	Land Information System
OPCAR	Operation Clean Audit Report
OPEX	Operational Expenditure
PIMS	Property Information Management System
POWA	People Opposing Women Abuse
RFP	Request for Proposal
SAPOA	South African Property Owners Association
SMME	Small Medium Micro Enterprise
WSP	Workplace Skills Plan