



HPP-NPC Registration Number: 1999/015007/08

Chairperson Report – 2020

Dear HPP-NPC Member

I have pleasure in submitting my report for the period commencing 13 August 2019 and ending 31 August 2020. The report is also available on the HPP-website (www.hpp.org.za).

Looking Back

The past year was characterised by change. The following happened:

- During December 2018, the Overstrand Municipality (OM) announced that the old CID (City Improvement District)-bylaw was to be repealed and that HPP would have to ‘wind down’.
- It was also announced that the collection of the additional rate on property values for the purpose of funding HPP-operations would terminate on 30 June 2019.
- Mindful of the impact if HPP was to disappear from the scene and that only registered HPP-members could decide HPP’s future, a few property owners formed an action group to prevent the ‘winding down’ process, avert the transfer of HPP-assets to the OM, and to explore an alternative funding solution to ensure continued safety in public open space.
- On the 12 August 2019 at a Special General Meeting the incumbent Board, in their entirety opted to resign. A new Board was duly appointed at the same meeting.
- Meanwhile, an application by another party was lodged for the establishment of a Special Rating Area (SRA) in terms of the OM’s SRA-policy and bylaw over the HPP-footprint.

Challenge

The new Board’s single most important immediate challenges were to:

- Review supply contracts (in the light of an uncertain financial future)
- Secure funding to keep HPP-operations going whilst it was receiving no revenue.

At this stage, it became clear that there was going to be a security gap between the time HPP had depleted its reserves, and the establishment of the Hermanus SRA (HSRA).

Appeals were made to property owners to make voluntary financial contributions. The support was amazing, but the funds were insufficient to maintain the same level of operations. Running a scaled-down safety solution was the only alternative.

Establishment of the HSRA

Meanwhile the HSRA-establishment process gained traction. The HPP-Board put their weight behind this process and played a significant role in the voting process, the outcome of which was achieved in a record time. During February 2020, the HSRA-SC passed a resolution whereby HPP-NPC was appointed as the HSRA's management body. Following a full Council meeting held 25 March, the Hermanus SRA was approved. Initially, it looked as though the HSRA-establishment process would have been completed by 30 June 2020.

However, by the end of March 2020 it became evident that there was going to be a delay in the establishment process. Simultaneously, the COVID-pandemic 'reared its head' and the country went into lockdown. At this stage, the key elements outstanding were an amendment of HPP's Memorandum of Incorporation (MOI) and the finalisation of a finance agreement (FA) between the OM and HPP-NPC.

The MOI was eventually finalised on 2 July 2020 and the finance agreement on 30 September 2020. With this done, HPP was formally recognised by the OM as the HSRA's management body, and HPP was able to enter into contracts with service providers.

Appointment of Service Providers

Although the procurement processes commenced during March 2020, HPP was only able to finalise these processes during the second half of September 2020. For detail, members may wish to read the Status Updates on the HPP-website.

Achievements

The new HPP-Board accomplished the following:

- We prevented the transfer of HPP-assets to the OM
- We gained widespread support from property owners for keeping HPP 'alive' (it did not wind down)
- We were able to encourage property owners to make voluntary contributions
- We managed to stretch funds to ensure operations, albeit scaled down towards the end
- We played a significant role in the establishment of the HSRA
- We engineered the realignment of HPP-NPC, which resulted in its appointment as the HSRA's management body.

Communication

From the outset the new Board realised that HPP had to communicate more frequently with property owners to keep them in the loop. With this in mind, the Board started to issue Status Reports and gave the HPP-website a complete makeover.

With the onset of COVID, our Director Operations started Daily Reports that were (and still are) issued via WhatsApp. Since we did not have access to the Municipal database for the Special Rating Area, we were only able to reach a limited number of property owners via WhatsApp. Subsequently, the OM shared the database with HPP-NPC during October 2020.

Collaboration

The effectiveness of any crime prevention initiative depends on the use of technology and collaboration between law enforcement agencies, neighbourhood watch groups, Municipal law enforcement and entities such as HPP. Add to this the community we serve, because they are additional 'eyes and ears'.

HPP has taken it upon itself to build relationships that should result in a more integrated approach to crime prevention. We visualise collaboration with the SRAs in Onrus | Vermont and Kleinmond when they become operational.

Technology

In line with industry trends, HPP shall invest heavily in technology during the next five years. During the year under review HPP embarked on a comprehensive overhaul of its CCTV-network, and the modernisation of infrastructure.

Simultaneously, there were several software updates. We are now implementing a cloud-based AI (artificial intelligence)-system, which has licence plate, vehicle recognition and other capabilities. New software will result in our existing camera-network to be much more functional and fit-for-purpose.

Next year's chairperson's report shall elaborate on the exciting stuff that is planned for implementation during the 2020 | 21 financial year.

Finance

The audited HPP-financial results for the year ending 31st August 2020 are available on the HPP-website (www.hpp.org.za).

The balance sheet for the period under review shows a Retained Income of only R938 760. HPP started the financial year with an opening balance of R4 783 388, due to the termination of additional rates collection by the OM on 30 June 2019, the HPP received no income from the OM during this period. This shortfall in income was partly supplemented by ratepayers' donations that amounted to R 497 668 over this period. However, the financial status will be reinstated to a sound level as the recently introduced HSRA-rates accrue over the next financial year.

Fixed assets were reduced to R630 193-00 as our CCTV and other installations are now becoming quite old. We are currently reviewing the system and will soon introduce expansions and renewal. The aim is to spend in the order of R1,2 m on CCTV improvements and maintenance during the next 2 years.

Operating expenses had to be decreased by 61,4% over the prior period due to the limited available cash surplus at the beginning of the financial year. This reduction in expenses was achieved through regular scope level decreases of FADT-services and the waiving of their overhead charge for the latter months. We also terminated the cleansing contract early in the financial year and negotiated reductions with other service providers, such as the CCTV maintenance contractor.

The new FADT-contract resulted from a competitive bidding process, followed by additional negotiations to reach an agreement that presents good value to HPP and the ratepayers. Similarly, we negotiated and signed a solid agreement with Iphupha Clearing and Cleaning Services for the provision of top-up cleansing services.

The Income Statement revenue for the 20/21 period is set at R 8,3 m less 5% retention to cover potential non-payment by ratepayers. It must be noted that the actual retention over the first quarter had been set at 10%. This is to make allowance for potential COVID-based impacts on ratepayers' payment capacity. Budgeted revenue increases for the next four years will be in the order of 5,5% per annum.

We wish to point out that, in terms of the Financial Agreement, HPP must accrue a surplus equal to 2 months' revenue during the first year of operations. HPP should be able to meet this requirement because of delayed implementation and the lag between receiving the first payment from the OM and commencing paying the appointed service providers. HPP expect to retain the required surplus, provided that the average retention allowance will not exceed 5%.

Thanks

In closing, I would like to use the opportunity to thank several people or entities:

- The HSRA-steering committee under the leadership of Michael Farr for all their hard work that went into the HSRA-establishment process
- The many 'community warriors' who helped with the HSRA-voting process
- The Overstrand Municipality for their guidance and support
- Property owners for their amazing voluntary financial contributions during the transition period.

Specifically, I would like to thank the members of the Board for their incredible effort and commitment during the past year. When we became involved during late 2018 | early 2019, none of us realised just how much time we would have to invest in HPP-affairs during the transition period. Looking back, we can celebrate several successes.

Going forward, a larger and more diverse Board will implement the business plan.

Thank you for your support. Please do not hesitate to contact us should you wish to share ideas on how we can improve on what we do. It is our goal to position HPP-NPC as the gold standard for SRA-management companies in the Western Cape.

Errol van Staden
Chairperson

5 November 2020