

SUPERVISORY COMMITTEE REPORT FOR THE YEAR 2023

1.0 Preamble

The Chairman of Tembo Ventures Housing Cooperative, Board Members, TVC members, invited guests and fellow supervisory committee members; on behalf of the Supervisory Committee, I have the honour of presenting the Supervisory Committee's annual report to members in this 9th Annual general meeting.

2.0 Duties of Supervisory committee

The role of the supervisory committee is to monitor the operations of the Co-operative and make recommendations to the board to ensure that the transactions of the society are carried out with accuracy and honesty in accordance with the Co-operative Societies Act, policies, and by-laws. We also ensure internal control systems in place are followed in such a way as to enhance transparency and accountability for the good of the society.

Our main objective is to offer good admin practices and procedures which in turn will safeguard the members rights and interests. Duly followed and society compliance with all the rules, regulations and internal controls as set out in the society Bylaws. Therefore this mandate is geared to help TVC limit risks that may lead to financial losses.

3.0 General Observation

2023 was characterised by the devaluation of the Kenyan shilling, an aggressive tax and regulatory environment that *inter alia* increased levies on fuel, electricity, which then resulted in an elevated cost of living. The year in review has been challenging specifically with regards to the Fairway Suites project and membership growth which will be reviewed in further detail in this report.

A decision was taken to appoint a General Manager for TVC after the last AGM to drive faster execution.

Below are the highlights that the Supervisory Committee wishes to share with members in our annual report for the year 2023.



4.0 2023 Financial Outlook

4.1 Performance

The past financial year was riddled with extremely high inflation and the Kenya Shilling depreciated against the major foreign currencies which adversely impacted the cost of living, affecting the share of wallet. Despite this, the society has weathered the storm.

A brief commentary on financial indices:

1. **Gearing ratio** doubled from 15% in 2022 to 33% in 2023 due to slow sellout of Fairway suites that necessitated borrowing to finance the project continuation. A number of targeted intervention measures have been identified arising from the society's new strategy.
2. The **Percentage of total expenses over net revenue** is at 86% compared to 59% in the previous year. This represents lower value against money generated. It's our recommendation that we have a tightened budget and offer a well thought out expenditure geared to achieve an ambitious 30% expense to net revenue.
3. **Tax Penalty** - The Revenue Authority under pressure to achieve higher tax revenue, flagged a tax payment omitted in past years, specifically 2017. Following concerted negotiations between the society and the revenue authority, this resulted in a materially reduced demand amount from Kes. 3.6M to Kes.1.16M. The society is on an agreed upon payment plan that should be cleared before 2024 ends.

5.0 Fairway Suites Project

Fairway Suites remains the biggest project TVC has managed and it's crucial that it is managed with the highest level of professionalism and integrity. We appeal to the Board to dial up governance on all affairs of Fairway to ensure there is prudent expenditure and accountability. We further encourage the Board to do a post project audit for key learnings once the project is finalised.

A total of 57 units were put up for sale in 2021 and to date only 16 units (up from 9 in 2022) have been paid for in full. 11 units are overdue (KES 12,928,300). The Fairway project completion is behind schedule due to unforeseen challenges with the contractors and

transitional issues between phase 1 and 2 but we wish to assure members that the Board and management are putting in every effort to complete the project promptly.

26 units still remain for uptake. We urge members to promote the remaining units within their networks. We also encourage the members with long overdue balances to honour their commitments in 2024. We continue to encourage the Board to explore other options that will encourage uptake, such as partnering with the right brands/influencers to market the units.

Units	Quantity	Deposit Paid			Paid in Full			Balance of Units		
		2021	2022	2023	2021	2022	2023	2021	2022	2023
Shops	5	5	5	5	2	4	5	0	0	0
2 BR	32	15	18	22	0	4	10	15	14	10
1 BR	20	2	2	4	0	1	1	18	18	16
Total	57	22	25	31	2	9	16	33	32	26

	2022	2023
Total paid/collected Cash	55,631,783.90	88,393,894.90
Total paid/collected via deposits	5,986,505.00	7,957,805.00
Total cash and deposit	61,618,288.90	96,351,699.90
Total Cost as at 31st Dec 2023	110,798,564.25	195,684,337.28

6.0 Membership

Membership growth has continued to be a challenge. There is still a huge gap in the current membership numbers versus the targeted numbers as per the strategic plan (2019-2023). We had 14 new members in 2023 and KES 5,795,147 withdrawn from member deposits. Membership closed at 666 as at 31st December 2023; against 652 in Dec 2022 and a target of 2,500 by end of 2023.

As a member owned entity there is a serious need to shift back the focus on recruitment and retention of members. TVC has a rich pool of potential members within immediate reach to more than double the membership numbers in this year alone. The committee urges the Board, and staff members to double down on efforts to grow our membership and diligently follow up on non members patronising our products.

7.0 Governance Recommendations

Key governance gaps have been identified within our Society and a back-to-basics approach is required to redress identified gaps.

7.1 Society Policies

Key society policies (Procurement and Asset Disposal Policy, HR Policy and Investment Policy) have already been developed but remain to be operationalised. We urge the Board to promptly adopt and operationalise the 3 policies by the end of Q2. 6 policies called out in 2022 remain to be developed. We urge the board to review the most crucial policies still pending and prioritise them this year. Top policy gaps include;

1. Governance and Leadership
2. Board Charter and Election
3. Financial Management
4. Education and Training

7.2 Succession Planning and Business Continuity Plan

We have identified gaps in succession planning for key roles in TVC. We encourage the Board to review all critical roles, do a skills audit and create a robust succession plan within the Board and management team, that will minimise disruptions and guarantee a seamless transition of these key roles. We also urge the Board and management team to leverage technology in storing, organising, sharing and accessing society information.

8.0 Strategic Plan 2024 - 2027

The Board engaged the services of Silikon Consulting group to support TVC in developing a 3 year Strategic Plan. The supervisory committee is confident that this robust strategic plan will steer TVC to growth and success, and inject vibrancy into our Society. The Board, Management team and Supervisory committee jointly worked with the consultant on the strategy and below are the key themes coming out of this process:

1. Membership Growth.
2. Governance and Operational Efficiency
3. Diversification of investments and society operations beyond ‘Soil, Brick and Mortar’. This will unlock additional income streams via competitive Money Market funds, Treasury bills and bonds.
4. Rebranding and strengthening of our brand equity.

9.0 Summary

The Board has continued to put immense time and effort into TVC's flagship Housing project (Fairway Suites) to ensure completion of the project and we commend them for this. The glaring reality is that a change in strategy is overdue for the slow moving units. This is crucial now more than ever to reduce the pressure from borrowed capital. We urge the Board to aggressively employ marketing strategies that will sell out the remaining units.

We hope that the completion of this project amidst numerous headwinds that assail housing cooperatives in Kenya will solidify trust and confidence for our members, customers and the public.

One of the long standing idle assets that continues to weigh on our books is the Kisaju plot, holding about Kes. 36M. A decision to offload this property at the earliest opportunity will unlock much needed cash flow. We encourage the board to move swiftly in this matter and pursue a process to recoup as much of the cash as is possible, which can then be reinvested in other higher yielding ventures.

Conclusion

The Supervisory Committee affirms the resilient state of Tembo Ventures Housing Co-operative. We remain confident that the Board and the management team with the support of members can execute the recommendations highlighted in 2024.

Finally, we would like to thank the Board, members of Staff and Co-operative Officials for their hard work in ensuring the success of the Co-operative.

Supervisory Committee Members 2023:

1. Martin Mutie - Chairman
2. Evalyne Wanjiku - Secretary
3. Angela Gaithuma - Member (elected in the 2023 AGM)

Thank you and God Bless you All.