**4. Report of the Portfolio Committee on Public Works on Budget Vote 11: Public Works and on the Strategic Plans 2016-2017 and Annual Performance Plans 2016-2017 of the Department, the Property Management Trading Entity and entities, dated 19 April 2016**

The Portfolio Committee on Public Works, having considered the Strategic Plans, Annual Performance Plans and Budget of the Department of Public Works, the Property Management Trading Entity, and the entities reporting to the Minister of Public Works, wishes to report as follows:

1. **Introduction**

The Portfolio Committee on Public Works has oversight responsibility over the Department of Public Works and the entities that report to the Minister of Public Works, namely the Independent Development Trust (IDT), the Construction Industry Development Board (cidb), Agrément South Africa (ASA), and the Council for the Built Environment (CBE).

The Portfolio Committee conducted public hearings with the Department, the IDT, cidb, CBE and ASA to oversee the Strategic Plans, Annual Performance Plans and Budgets for the 2016/17 financial year.

**1.1 The broad policy environment**

The Minister of Public Works is the policy leader of the Department of Public Works and the built environment and construction entities. The Director-General of the Department of Public Works and his senior management team execute their responsibilities under the policy leadership of the Minister. Similarly, the Boards and the administration component of each entity execute their respective responsibilities under the Minister’s policy leadership.

This relationship is further guided by the Public Finance Management Act (PFMA) that refers to the Minister as the Executive Authority, while the Director-General (DG) is the Executing Authority of the portfolio of Public Works; this portfolio includes the Department, the Property Management Trading Entity, and the entities reporting to the Minister. The distinction is noteworthy as it sketches an oversight responsibility of the DG and his senior management team as executing authority over the programmes of the Department that must implement programmes in line with the policy which is the Minister’s responsibility. The Minister has an executive oversight responsibility over the Boards whose chairpersons report to the Minister. The administrative component of each entity, under the leadership of the Chief Executive Officer is responsible for the implementation of programmes that should also be aligned to the policies of the Minister and government.

The Portfolio Committee exercises oversight over whether, and how the policy priorities that are stated in the National Development Plan (NDP), the Medium Term Strategic Framework (MTSF), the 2016 State of the Nation Address (SONA), and Cabinet Lekgotla, are implemented. In addition, it keeps a check on how the Minister oversees the programmatic implementation of policies that the DG and the department, as well as the entities are responsible for.

These policy priorities are translated into programmatic imperatives that the Department and entities must execute through each financial year, over the medium term expenditure period. Each programme of the Department is headed by a Deputy Director-General (DDG) who is responsible for the execution of a programmatic component of the policy that the Minister is responsible for. Hence, the PFMA’s description of the DG as the Executing Authority; in this position, it is the DG and his senior management team that directs the execution of programmes through the appropriate use of the allocated budgeted funds to concretise the policies for which the Minister as the Executive Authority is responsible.

These programmatic imperatives are described in the Department’s five year Strategic Plan, and in its Annual Performance Plan (APP). An important aspect of the APP are key performance areas and indicators that enable the tracking of whether, when, and how the programmes give effect to the public works policy during the financial year. The budgetary allocations to each of these programmes makes it possible for the DG and his team of DDGs to assign personnel with the requisite capacities and tools to execute the imperatives as described in the strategic plan and APP.

Significantly, the 2016-2017 Annual Performance Plan, includes the separation of the functions of the Property Management Trading Entity (PMTE) from that of the Department. This means that the regulatory and policy, quality norms and standard setting, and monitoring functions remain with the Department while the service delivery functions fall under the PMTE.

This separation of function is an outcome of the Turnaround Strategy (TAS) along which the Minister, as Executive Authority of the Department, has moved the Department. This is a deliberate Transformative Agenda that is unfolding over the medium term. The TAS moved the DPW into a phase of stabilisation and has resulted in the repositioning of the organisation to better discharge its responsibilities. This Turnaround Strategy was necessary to address the historically poor performance and the lack of adequate management and financial controls that the Department of Public Works has suffered from. It is well-known that for eight (8) consecutive years the Department had adverse audit findings with high levels of fraud and corruption have been reported on in the reports of the Public Protector and the Special Investigations Unit (SIU).

In its 2015-2020 Revised Strategic Plan, the Minister reported that the TAS has delivered results and that it is in a phase where it is now ensuring “effective implementation through a focused plan with measurable deliverables against budgets and timeframes.”

The Turnaround Strategy importantly, includes the re-alignment of the Department to secure a better focus on its mandate as custodian and portfolio manager of Government's immovable assets. This means that because the Property Management Trading Entity has become operational in the 2015/16 financial year, the Department would now be able to exercise much better oversight over policy formulation, coordination, regulation and oversight related to the provision of accommodation and expert built environment services to client Departments. The PMTE is now focused on the planning, acquiring, managing and disposing of immovable assets.

1. **Presentations and analysis of the Strategic Plans, Annual Performance Plans and Budget allocations**

**2.1 The Department of Public Works**

**2.1.1 Background on the Department of Public Works**

The Constitutional mandate of the DPW is provided for in Schedule 4, Part A, of the Constitution of the Republic of South Africa: Functional Areas of Concurrent National and Provincial Legislative Competence.

The legislative mandates of the Department are underpinned by the following Acts:

* Government Immovable Asset Management Act, 2007 (Act 19 of 2007);
* The Construction Industry Development Board Act, 2000 (Act 38 of 2000);
* Council for the Built Environment Act, 2000 (Act No. 43 of 2000);
* Professional Council Acts that regulate the six Built Environment Professions (BEPs);
* Public Finance Management Act, 1999 (Act 1 of 1999).

Policy mandates of the DPW are derived from:

* DPW White Paper: Public Works, Towards the 21st Century, 1997
* DPW White Paper: Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry, 1999
* Construction Sector Transformation Charter, 2006
* Property Sector Transformation Charter, 2007
* DPW Broad-based Black Economic Empowerment Strategy, 2006
* Property Management Strategy on BBBEE, Job Creation and Poverty Alleviation, 2007
* Green Building Framework, 2011

Policy priorities for 2016/17:

* Delivering jobs through a fast growing economy.
* Stimulating growth through an infrastructure development programme.
* Reducing expenditure as per the State of the Nation Address.
* Gazetting the Public Works Bill for public comment.
* Signing twelve (12) Cooperation and Protocol Agreements (for joint service delivery) with provinces and municipalities.
* Convening twelve (12) Intergovernmental Relations Forums to oversee the Public Works Sector.
* Approving and renewing eight (8) Prestige Policies.

**2.1.2 Budget Allocation:**

Table 1: Budget Allocations Public Works

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | | | | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| **R million** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2015/16-2016/17** | | **2015/16-2016/17** | |
| 1: Administration | 477.3 | 516.6 | 544.3 | 582.7 | 39.3 | 7.3 | 8.23 % | 1.53 % |
| 2. Intergovernmental Coordination | 45.7 | 31.4 | 33.9 | 35.7 | - 14.3 | - 16.2 | -31.29 % | -35.55 % |
| 3. Expanded Public Works Programme | 1 953.4 | 2 319.5 | 2 475.9 | 2 627.9 | 366.1 | 222.5 | 18.74 % | 11.39 % |
| 4. Property and Construction Industry Policy and Research | 3 743.0 | 3 565.1 | 4 064.2 | 4 307.2 | - 177.9 | - 398.6 | -4.75 % | -10.65 % |
| 5. Prestige Policy | 92.8 | 96.1 | 102.9 | 108.3 | 3.3 | - 2.6 | 3.56 % | -2.86 % |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** | **6 312.2** | **6 528.7** | **7 221.2** | **7 661.8** | **216.5** | **- 187.7** | **3.43 %** | **-2.97 %** |

Source: National Treasury (2016)

The Department of Public Works received a budget allocation of R6.5 billion for 2016/17 with which to accomplish its priorities. It represents an increase of 3.4% in nominal terms, and a decline of 2.9% in real terms (calculating the impact of inflation) from the 2015/16 adjusted appropriation of R6.3 billion. The Department’s budget represents approximately 0.1% of the national appropriation by vote, excluding direct charges.

In terms of economic classification, the departmental budget includes transfers totalling 85.4% of the budget, with a total monetary value of R5.57 billion, from the R5.40 billion allocation in 2015/16. This constitutes an increase of R171.9 million (or 3.1% in nominal terms) and a real decrease of 3.2%.

Of these, R1.43 billion is in the form of Conditional Grants to Provinces and Municipalities, while a total of R3.51 billion is allocated to departmental agencies and accounts. During 2016/17, current payments amount to 14.1% of the budget (R917.9 million) and capital payments amount to 0.6% of the budget (R38.5 million).

Compensation of employees decreased by R4.2 million from R475 million in the 2015/16 adjusted period to R470.8 million in 2016/17.

As part of the realignment of the Department, revenue is generated through the Property Management Trading Entity, by letting properties and official quarters, and the sale of land and buildings. It is projected that the Department will collect revenue to the total value of R1.5 million for 2016/17. This is a decline of R404 000 from the R1.9 million in 2015/16. The Department does not sub-categorise the sale of goods and services produced as it did in the past, for example, no figures are presented for monies generated from:

* Sale by market establishment (covered and open rental parking);
* Administration fees for servitude rights and for Commission Insurance; and
* Other sales of tender documents and rental of capital assets.

The Department of Public Works consists of five (5) main programmes, and the sub-programmes of each. Some of the programmes have been reorganised, with functions and sub-programmes being shifted and at least three programmes being renamed. Following below is an expenditure analysis for the Department by programme.

**Programme 1: Administration** provides strategic leadership, management and support services to the Department.

For 2016/17, the Administration programme receives an allocation of R516.6 million which proportionally represents 7.9% of the overall departmental budget. The allocation for Programme 1 increases at a nominal rate of 8.2%, and 1.5% in real terms from the previous allocation.

In terms of economic classification, the Administration programme budget includes current payments to the value of R484.7 million (of which R251.4 million is to be spent on compensation of employees). The budget for the compensation of employees under Programme 1 declines with 4.5% in nominal terms and 10.4% in real terms in 2016/17.

Further, the Department allocates R233.3 million to goods and services. This constitutes an increase of R39.6 million (or 20.4% in nominal terms and a real increase of 13%). Further expenditure trends for goods and services (in real terms) for 2016/17 include:

Table 2: Programme 1: Administration - Goods and Services

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Economic Classification: Goods and Services** | **Budget** | | **Nominal Increase / Decrease in 2016/17**  **(Rand)** | **Real Increase / Decrease in 2016/17**  **(Rand)** | **Nominal Percent change in 2016/17** | **Real Percent change in 2016/17** |
| **R million** | **2015/16** | **2016/17** |
|  |  |  |  |  |  |  |
| Audit Costs: External | 22.3 | 23.5 | 1.2 | - 0.3 | 5.38 % | -1.14 % |
| Computer Services | 28.6 | 39.1 | 10.5 | 8.1 | 36.71 % | 28.25 % |
| Legal Services | 9.2 | 25.5 | 16.3 | 14.7 | 177.17 % | 160.01 % |
| Operating Leases | 8.3 | 20.5 | 12.2 | 10.9 | 146.99 % | 131.70 % |
| Property Payments | 11.1 | 35.6 | 24.5 | 22.3 | 220.72 % | 200.86 % |
| Travel and Subsistence | 19.5 | 27.4 | 7.9 | 6.2 | 40.51 % | 31.81 % |
|  |  |  |  |  |  |  |
| TOTAL | 193.7 | 233.3 | 39.6 | 25.2 | 20.4 % | 12.99 % |

Source: National Treasury (2016)

The table above highlights that all the economic classifications under Goods and Services increased for 2016/17. Significant increases are recorded under the following:

* Property Payments – increased by R24.5 million (or 200.9% in real terms).
* Legal Services increased by R16.3 million (or 160.0% in real terms).
* Operating Leases increased by 12.2 million (or 131.7% in real terms).
* Computer Services increased by R10.5 million (or 28.3% in real terms).
* Travel and Subsistence increased by R7.9 million (or 31.8% in real terms).
* Audit Costs: External increased by R1.2 million (but declined by 1.14% in real terms).

It should be noted that contrary to the 2016 State of the Nation Address (SONA) that indicated that government departments had to institute cost cutting measures for such items, the amount allocated for Travel and Subsistence increases.

A total of R22.3 million is allocated towards capital expenditure. This constitutes an increase of 99.1% in nominal terms and 86.8% in real terms. The above-allocation is for machinery and equipment. Software and Other Intangible Assets decreased by 100% as it did not receive an allocation for 2016/17 or 2015/16. However, it should be noted that the item is listed as computer services (See Table 2 above).

**Programme 2: Intergovernmental Coordination** seeks to promote sound intergovernmental relations and strategic partnerships; coordinate with provinces on: Immovable Asset Registers; construction and property management; the implementation of the Government Immovable Asset Management Act (Act 19 of 2007); and the reporting on performance information within the Public Works Sector.

Programme 2 was one of the main programmes of the Department prior to some of its sub-programmes and functions were shifted to Programme 4. It proportionally represents 0.48% of the overall departmental budget allocation for 2016/17. Its 2016/17 allocation of R31.4 million constitutes a decrease of R14.3 million. This represents a nominal decrease of 31.3% (and 35.6% in real terms) from the R45.7 million allocated in the 2015/16 financial year.

Expenditure for Programme 2 for the 2016/17 financial year currently consist out of the following two sub-programmes:

Monitoring, Evaluation and Reporting receives an allocation of R16.8 million. This is a decrease of the R14.6 million from the R31.4 million received in 2015/16, which constitutes a nominal decrease of 46.5% (and 49.8% in real terms) from the previous year.

Intergovernmental Relations and Coordination receives an allocation of R14.6 million. This is an increase of the R300 000 from the R14.3 million received in 2015/16, which constitutes a nominal increase of 2.1% (or a real decrease of 4.2%) from the previous year.

In terms of economic classification, R28.1 million is allocated to current payments. This constitutes a decrease of R15.8 million or 36.0% in nominal terms (40.0% in real terms) from the previous year. Of this amount:

* Compensation of employees consists of R22.1 million (a decrease of R9.4 million).
* Goods and Services R6.1 million (a decrease of R6.3 million) of which the following received:
* R400 000 (a decrease of 200 000) towards Consultants: Business Advisory.
* R1.1 million (a decrease of R800 000) towards Departmental agency and support/ outsourced services.
* R1.2 million (a decrease of 1.8 million) for Travel and subsistence.

A number of areas report decreases, such as Departmental agency and support/outsourced services, which funds the Turnaround Strategy, and Travel and subsistence. The allocation for Communications remained unchanged at R500 000 for 2016/17.

**Programme 3: Expanded Public Works Programme** seeks to ensure the coordination of the implementation of the Expanded Public Works Programme to create work opportunities; and the provision of training for unskilled, marginalised and unemployed people in South Africa.

For 2016/17, Programme 3 is appropriated R2.32 billion which proportionally represents 35.5% of the overall departmental budget. Expenditure under Programme 3 increases at a nominal rate of 18.7% (which translates into a real increase of 11.4%). The allocations for the Expanded Public Works Programme (EPWP) are mainly for the Integrated Grant for Provinces and Municipalities; and the Performance Based Incentive Allocations. The allocations are now reported under the following five EPWP sub-programmes:

1. EPWP: Monitoring and Evaluation receives R55.4 million. In real terms this sub-programmes declines with 3.2% from the previous year.
2. EPWP: Infrastructure receives R1.1 billion. In real terms this sub-programme increases by 8.5% from the previous year.
3. EPWP: Operations receives R996.0 million. This sub-programme also records the strongest growth under Programme 3, i.e. 25.1% nominal growth and 17.4% in real terms.
4. EPWP: Partnership Support receives R117.7 million. In real terms it increased by 1.8%.
5. EPWP: Public Employment Coordinating Committee received R7.3 million. In real terms it declines with 2.17%.

In terms of economic classification, Programme 3’s budget includes current payments to the value of R290.9 million, of which R154.7 million is allocated to compensation of employees. Compensation of employees increases with10.6 million from the R144.1 million of the previous year. This is to enhance the implementation of Phase III of the EPWP and to provide technical support to departments, municipalities, and the non-state sector to ensure that labour intensive methods and skills training are being utilised in their programmes.

Expenditure on goods and services reaches R136.2 million, (which translates into a real decrease of 3.2% from the previous year. Of this total, expenditure on the following items apply:

* Consultants and professional services: Business and Advisory Services receives R12.1 million (a decrease of R48.2 million).
* Agency and Support/ Outsourced Services receives R83.8 million (an increase of R52.6 million).
* Travel and subsistence receives R17.0 million (a decrease of R1.8 million).

The bulk of the expenditure under Programme 3 constitute transfers and subsidies amounting to R2.03 billion, (from the R1.68 billion in 2015/16) representing a nominal increase of 21.0% (and 13.5% in real terms). Of this amount, R1.43 billion (or 70.4%) is assigned to provinces and municipalities and is allocated as follows:

* R600.3 million is allocated to Non-profit institutions.
* R664.0 million towards the Integrated Grant for Municipalities.
* R402.0 million towards the Integrated Grant for Provinces.
* R359.7 million towards the Social Sector Incentive Grant to Provinces.

A number of objectives are outlined, including increasing the Department of Public Works’ participation in the implementation of the Expanded Public Works Programme by March 2017:

Monitor and evaluate the implementation the EPWP to ensure that Public Bodies create 4 205 730 work opportunities in the medium term.

Ensure that employees from the designated groups (55% women and youth; and 2% people with disabilities) participate in the EPWP. Improve the number of work opportunities created by providing 250 public bodies (participating in the EPWP) with technical support.

**Programme 4: Property and Construction Industry Policy and Research** promotes the growth and transformation of the construction and property industries, as well as a standardised approach and best practice in construction and immovable asset management in the public sector.

Programme 4’s budget nominally decreases from an allocation of R3.7 billion in 2015/16 to R3.6 billion in 2016/17, which proportionally represents 54.6% of the overall departmental budget. This allocation constitutes a decrease of 4.8% in nominal terms and 10.7% in real terms.

Programme 4 consists of 8 sub-programmes, including the Property Management Trading Entity (PMTE), which receives the bulk of the allocation, with R3.4 billion for 2016/17 from the R3.5 billion of the previous year. This constitutes a decrease of R119.3 million (or 3.4% in nominal terms) and 9.4% in real terms.

The PMTE was established in April 2006, as part of a longer term reform programme to provide improved property management services to Client Departments. With the establishment of the PMTE, all accommodation-related costs were devolved to Client Departments. In this regard, it has been issuing invoices and collecting user charges from Clients on a quarterly basis, based on amounts devolved to them. In March 2015, the Department operationalised the PMTE, which resulted in it being shifted (along with its functions), to Programme 4.

A large portion of the budget for 2016/17 is allocated to transfers and subsidies, which amount to R3.53 billion and accounts for 98.9% of the programme budget. This constitutes a decrease of 4.9% in nominal terms (10.8% in real terms) from the total allocation of R3.71 billion in 2015/16.

The sub-programmes below received the following allocations for 2016/17:

* Departmental Agencies and Accounts (non-business entities) receives R3.5 billion which is a decrease from the R3.6 billion received in 2015/16, of which:
* Construction Industry Development Board (cidb) is allocated R52.1 million a nominal decline of 20.6% (25.5% in real terms) from the previous year.
* Council for the Built Environment (CBE) receives an allocation of R43.4 million which is an increase of 3.3 % in nominal terms, but declines by 3.1% in real terms.
* Construction, Education and Training Authority (CETA) receives an allocation of R500 000, which remains unchanged from the amount received in 2015/16. While nominally unchanged, it constitutes decrease of 6.2% in real terms.
* Property Management Trading Entity (PMTE) (as noted above) receives an allocation of R3.5 billion, a decrease of 3.4% in nominal terms (9.4% in real terms).

The Construction Policy Development sub-programme receives an allocation of R26.2 million in 2016/17, which is an increase of 2.3% in nominal terms, but a decline of 4.0% in real terms. The Property Policy Development Programme, receives an allocation of R12.7 million, which is an increase of 11.4% in nominal terms, and 4.5% in real terms.

Foreign Governments and International Organisations receives R24.8 million, an increase of 6.4% in nominal terms, (but a real decline of 0.2% from the R23.3 million allocated in 2015/16). This is mainly to address the fluctuations in the exchange rate when transferring the funding. The current weakening of the Rand against the major foreign currencies may result in the Department requiring an increase in its allocation from National Treasury.

Current Payments totals R38.4 million, which is an increase of 5.8% in nominal, but a decrease of 0.8% in real terms. Of this amount:

* Compensation of Employees, receives an allocation of R16.3 million, which is an increase 14.8% in nominal terms (7.7% in real terms) from the R14.2 million adjusted allocation in 2015/16.
* Goods and services totals R22.1 million (a real decline of 6.2%) for 2016/17, which remains unchanged from for the 2015/16 allocation. Expenditure is intended for the following:
* Consultants and Professional Services: Business and Advisory Services receives R4.6 million (an increase of 39.4% in nominal and 30.8% in real terms) from the allocation of R3.3 million in 2015/16.
* Consultants and Professional Services: Infrastructure and Planning receives an allocation of R3.6 million; an increase of R3.4 million from the allocation of R200 000 in 2015/16. This is due to the implementation of the Department’s Turnaround Strategy.
* Agency and Support/Outsourced Services receives R12.4 million (a decline of R200 000 or 1.6% in nominal terms and 7.7% in real terms) from the allocation of R12.6 million in 2015/16.
* Travel and Subsistence receives R400 000 (a decline of R1.8 million or 81.8% in nominal terms and 82.9% in real terms) from the allocation of R2.2 million in 2015/16.

The above section highlights an increase of R4.5 million, (to a total of R20.6 million in 2016/17 from the R16.1 million allocated in 2015/16), particularly as it relates to the use of consultants under goods and services.

**Programme 5: Prestige Policy** seeks to provide norms and standards for the Prestige Accommodation Portfolio and meeting the protocol responsibilities for State functions.

The budget for Programme 5 increases to R96.1 million in 2016/17 and proportionally represents 1.5%, of the overall departmental budget. The increase from the R92.8 million the previous year represents a nominal increase of 3.6% and a real decrease of 2.9%.

A large portion of the budget is allocated to current payments, which amount to R75.7 million. A total of R26.3 million is allocated towards compensation of employees.

The other share of R49.5 million budget is allocated to goods and services as follows:

* Minor Assets receives R11.1 million.
* Contractors receives R30 million.
* Consumable supplies receives R1.7 million.
* Travel and subsistence receives R3.2 million.

The other R9.8 million is allocated to Transfers and Subsidies (S&T). The transfer budget includes an allocation of R9.6 million to Departmental Agencies and Accounts (Parliamentary Villages Management Board), and R10.6 million to Payment for Capital Assets (Machinery and Equipment).

**2.2. Property Management Trading Entity**

As a result of the operationalisation of the Property Management Trading Entity a new Programme Budget Structure was developed which took effect in the 2015/16 financial year. The Programme Budget Structure is aligned to the immovable asset management function that the PMTE undertakes across the asset life cycle.

The PMTE tabled its first set of Strategic Plans and Annual Performance Plans based on this Programme Budget Structure in 2015/16. During the 2015/16 financial year, the PMTE revised the Strategic Overview of the Strategic Plan to ensure its alignment with the future organisational structure and business model of the entity.

**The Policy priorities for the PMTE over the Medium-Term are:**

* To address the organisational and capacity issues (structure, processes and systems).
* To develop a detailed implementation plan for the transition to a Government Component.
* To implement plans in line with the new SONA commitments (Energy saving as part of a wider greening initiative, Operation Phakisa initiatives, Rural development and land reform, job creation, unlocking the potential of Small, Medium and Micro Enterprises (SMMEs) and Cooperatives).
* To minimise under-spending on capital budgets by improving the effectiveness of Construction Management.
* To review and re-engineer the property business (across the immovable asset life cycle) with a view to realising long-term efficiencies as well as short- and medium-term deliverables.

**The Strategic Goals of the PMTE:**

* To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements
* To consolidate user demands that enables planning and budgeting
* To increase the value of the State’s immovable asset portfolio
* To develop accommodation solutions for User Departments in collaboration with the relevant spheres of Government
* To meet user departments accommodation requirements as per the approved Infrastructure Programme Implementation Plan (IPIP)
* To provide quality accommodation and contribute to the financial sustainability of the PMTE
* To provide reliable immovable asset information that informs investment decisions and portfolio management
* To ensure optimal performance of the State’s immovable asset portfolio.

**2.2.1 PMTE Budget Allocation**

|  |  |  |  |
| --- | --- | --- | --- |
| **Programmes**  **Rands (‘000)** | **2016/17** | **2017/18** | **2018/19** |
| Administration | 904,936 | 876,970 | 844,000 |
| Real Estate Investment Services | 116,521 | 129,274 | 136,780 |
| Construction Management Services | 538,565 | 579,610 | 540,704 |
| Real Estate Management Services | 5,992,578 | 6,494,269 | 7,031,380 |
| Real Estate Information and Registry Services | 326,836 | 326,389 | 273,860 |
| Facilities Management Services | 2,842,612 | 3,034,890 | 3,039,200 |
|  |  |  |  |
| Total | 10 722 049 | 11 441 402 | 11 865 924 |

**Programme 1: Administration provides strategic management, governance and administrative support to the PMTE:**

R905 million has been allocated for the programme. The spending focus over the medium-term expenditure framework will be on Management Leadership, Operations Support Management, Finance and Accounting Management and Supply Chain Management (SCM). This is in line with the turnaround strategy focus on providing a compliant internal control and financial services, and to ensure a compliant Supply Chain Management services. The bulk of this expenditure is on compensation of employees, goods and services for day-to-day operation of the PMTE, and Phase II of the Turnaround Strategy to enhance the PMTE’s operational efficiencies.

Goods and services for the day to day operations of the PMTE has increased by 18% from 2015/16 to 2016/17 due to the transfer of the SCM and Business Improvement Unit (BIU) budgets from DPW to the PMTE. Compensation for employees increased by 10% from 2015/16 to 2016/17 due to the transfer of the Business Improvement Unit (BIU) budget from DPW to PMTE.

Total expenditure is expected to reduce towards the outer year of the MTEF as the Turnaround Strategy nears its completion.

**Programme 2: Real Estate Investment Management seeks to optimise utilisation and maximise the value of the State Property Portfolio:**

An amount of R116 million has been allocated with a focus over the medium-term on User Demand Management, Planning and Precinct Development and Investment Management. The bulk of the expenditure within Programme 2 will be on compensation of employees.

The allocated amount increases to R136 million towards the outer year of the MTEF to ensure funding for an increased amount being required for User Demand Management, Planning and Precinct Development as the precinct development sub-programme is rolled out. This is also appropriate given the strategic goal to increase the value of the State’s immovable asset portfolio, and the accompanying effort to manage the performance of the immovable asset portfolio to make informed investment decisions.

**Programme 3: Real Estate Investment Management seeks to provide effective and efficient delivery of accommodation needs for the Department of Public Works and Client Departments through construction:**

An amount of R 538 million has been allocated for the 2016/17 financial year with the amount increasing to R 540 million in the outer year. The bulk of the expenditure for Programme 3 will be for refurbishments, upgrades and new infrastructure projects. The programme has a set target of 339 design solutions completed for identified user departments and 90% implementation of Infrastructure Delivery Management System (IDMS) for key user departments. Funding for turnaround projects amounts to R66, 6 million in the 2016/17 financial year with R 68 million allocated in the final year of the DPW Turnaround Strategy.

The PMTE reported that as a result of the Cabinet budget cuts, refurbishments will be cut by R250 million in 2016/17, and DPW infrastructure - in the form of the Border Control Operational Coordinating Committee (BCOCC) - by R76 million. The BCOCC budget cut will be relevant for the 2017/18 and 2018/19 financial years as well.

**Programme 4: Real Estate Management seeks to timelessly provide and manage suitable accommodation in support of Client needs to meet their service delivery objectives:**

The amount of R 6 billion has been allocated to provide and manage functional and user friendly accommodation for all client departments. The bulk of the expenditure in this programme is spent towards operating leases (R 4 billion), property rates (R1 billion), and municipal services (R 261 million).

**Programme 5: Real Estate Information and Registry Services seeks to develop and manage complete, accurate and compliant Immovable Asset Register to meet service delivery objectives for the State, Department and PMTE business requirements:**

The Immovable Asset Register (IAR) Programme is an important deliverable towards the full operationalisation of the PMTE. The bulk of the funds in this programme is allocated to the Immovable Asset Register Project with R 28 million allocated in 2016/17, and R 35 million allocated in 2017/18 towards the finalisation of the Turnaround Strategy.

The rest of the expenditure is allocated towards compensation of employees and Phase II of the Turnaround Strategy to enhance the PMTE’s operational efficiencies. Total expenditure is expected to reduce over the MTEF as Phase II of the Turnaround Strategy nears completion.

**Programme 6: Facilities Management seeks to ensure that immovable assets used by Government Departments and the public, are optimally utilised and maintained in a safe, secure healthy and ergonomic environment while contributing to job creation, skills development and poverty alleviation:**

The spending focus over the medium-term is on the implementation of Scheduled Maintenance Programmes, to manage and minimize unscheduled maintenance incidents and to reduce the consumption of resources. The bulk of the expenditure in this programme is for the compensation of employees, repair and maintenance and cleaning and gardening.

1. **Entities reporting to the Minister of Public Works:**
   1. **Construction Industry Development Board (cidb)**

The Construction Industry Development Board is a Schedule 3A public entity established by the cidb Act (Act 38 of 2000). The cidb is expected to provide “leadership to stakeholders and to stimulate sustainable growth, reform and improvement of the construction sector, for effective delivery and the industry’s enhanced role in the country’s economy.” In terms of the Public Finance Management Act (Act 1 of 1999) (PFMA), the Board of the cidb is the Accounting Authority, responsible to the Minister of Public Works as the Executive Authority. The Board submits its Annual Performance Plan and budget for approval to the Minister.

The mandate of the cidb is to:

“Provide strategic leadership to the construction industry stakeholders to:

* Stimulate sustainable growth, reform and improvement of the construction sector.
* Promote sustainable growth of the construction industry and the participation of the emerging sector in the industry.
* Determine, establish and promote improved performance and best practice of the public and private sector clients, contractors and other participants in the construction delivery process.
* Promote uniform application of policy throughout all spheres of Government and promote uniform and ethical standards, construction procurement reform, and improved procurement delivery management – including the Construction Code of Conduct.
* Develop systematic methods for monitoring and regulating the performance of the industry and its stakeholders, including the Registration of Projects and Contractors.”

**The revenue collected for the 2016/17 financial year is as follows:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Rands (’000)** | **Adjusted Appropriation** | **Medium-term Expenditure Estimates** | | |
| **2015/16** | **2016/17** | **2017/18** | **2018/19** |
| **Revenue** |  |  |  |  |
| Government grants | 65 626 | 52 059 | 74 984 | 75 203 |
| Finance Income | 8 568 | 6 178 | 3 940 | 4 334 |
| Registration fees | 70 904 | 67 760 | 70 553 | 78 886 |
| **Total revenue** | **145 098** | **125 997** | **149 477** | **158 423** |
|  |  |  |  |  |
| **Current expenditure** |  |  |  |  |
| Compensation of employees | 81 354 | 86 343 | 91 600 | 97 097 |
| Goods and services | 33 899 | 24 552 | 42 778 | 45 610 |
| Professional Fees | 26 845 | 10 102 | 10 099 | 10 716 |
| **Total current expenditure** | **142 098** | **120 997** | **144 477** | **153 423** |
|  |  |  |  |  |
| **Capital expenditure** |  |  |  |  |
| Capital assets acquisition | **3 000** | **5 000** | **5 000** | **5 000** |

Note that the total revenue amounting to R 126 billion (R125 997 in the table above rounded up) is the amount transferred from Programme 4: Property and Construction Industry Policy and Research stated in the main budget vote. This programme is designed to promote the growth and transformation of the construction and property industries. It also has the responsibility to standardise best practice in construction and immovable asset management in the public works sector.

**Budget allocation to programmes:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme**  **(R’000)** | **Adjusted Appropriation** | **Medium-term Expenditure Estimates** | | |
| **2015/16** | **2016/17** | **2017/18** | **2018/19** |
| **Construction Registers Services (CRS)** | 29 607 | 22 236 | 26 335 | 27 915 |
| **Construction Industry Performance (CIP)** | 11 170 | 9 708 | 11 497 | 12 188 |
| **Procurement & Delivery Management (PCD)** | 11 225 | 11 041 | 13 078 | 14 019 |
| **Provincial Offices & Contractor Development (PCD)** | 29 870 | 29 380 | 35 029 | 37 131 |
| **CEO's Office** | 13 329 | 12 619 | 14 904 | 15 798 |
| **Corporate Services** | 49 897 | 41 013 | 48 634 | 51 372 |
| **Total** | **145 098** | **125 997** | **149 477** | **158 423** |

* 1. **Agrément South Africa (ASA)**

Agrément South Africa is one of four entities reporting to the Minister of Public Works and is mandated to provide “fitness-for-purpose assurance of technologies that optimise resource utilisation and realise cost savings in the industry.”

The entity was established by the Minister of Public Works in 1969 and is mandated to “support and promote the process of integrated socio-economic development in South Africa as it relates to the building and construction industries by facilitating the introduction, application and utilisation of satisfactory innovation and technology development.”

The Entity’s mandate means that Agrément South Africa’s Board is expected to:

“Support and promote the country’s process of integrated socio-economic development.

Facilitate the introduction, application and utilisation of satisfactory innovation technology development.

Enhance Agrément South Africa’s position as the internationally acknowledged, objective South African Centre for the assessment and certification of non-standardised construction products.”

* 1. **Council for the Built Environment (CBE)**

The CBE is a schedule 3A entity established by the Council for the Built Environment Act (Act 43 of 2000). “The CBE and Professional Councils in the built environment value chain are to regulate those Built Environment Professions who conceptualise, design, build, maintain and transfer social and economic infrastructure.”

The six Professional Councils are as follows:

1. South African Council for Architectural Professions (SACAP).
2. Engineering Council of South Africa (ECSA).
3. South African Council for the Project and Construction Management Professions (SACPCMP).
4. South African Council for the Landscape Architectural Profession (SACLAP).
5. South African Council for the Quantity Surveying Profession (SACQSP).
6. South African Council for the Property Valuers Profession (SACPVP).

The CBE is a Statutory Council established in terms of the CBE Act as an overarching body for the six Built Environment Professions and mandated to:

* Promote and protect the interest of the public in the built environment.
* Promote and maintain a sustainable built environment and natural environment.
* Promote on-going human resources development in the Built Environment.
* Facilitate participation by the Built Environment Professions in integrated development.
* Promote appropriate standards of health, safety and environmental protection in the built environment.
* Promote sound governance of the Built Environment Professions.
* Promote liaison in the field of training in the Republic and elsewhere and to promote the standards of such training in the Republic.
* Serve as a forum where the Built Environment Professions can discuss relevant issues.
* Ensure uniform application of norms and guidelines set by the Professional Councils throughout the Built Environment.

In the 2016/17 financial year, the CBE received a budget allocation of R 45, 4 million. It focuses this budget allocation on the following four identified strategic goals:

1. A built environment (BE) that is responsive to the developmental and economic priorities of Government.
2. A transformed BE with appropriate, adequate skills and competencies, responsive to the country’s infrastructure delivery, operation and maintenance needs.
3. An optimally functioning BE, with a responsive and relevant policy and legislative framework, based on informed and researched positions.
4. Built Environment Professional Councils (BEPCs) that operate within the regulated policy of the national government and outlined by the Minister of Public Works in the DPW’s Revised Strategic Plan for 2016/17, and the BE legislative framework.

To concretise the policy goals and achieve the above strategic goals, the CBE has designed the following programmes:

Programme 1 contributes to Outcomes 4, 6 and 12 in Government’s National Development Plan (NDP) by facilitating the incorporation of health and safety in construction, environmental sustainability, and job creation through labour intensive construction, as well as the Infrastructure Delivery Management System (IDMS) in Built Environment (BE) curricula in academic institutions.

Programme 2 contributes to Outcome 5 in the NDP (skilled and capable workforce to support an inclusive growth path) through the following initiatives: the Strategic Integrative Projects (SIPS) project, Mathematics and Science support programme, and the placement and support of BE candidates and interns in work places for structured training. In addition to these initiatives, CBE is developing a Transformation Strategy to ensure inclusivity in building skills within the BE.

Programme 3 contributes to Outcomes 4, 6 and 12 in the NDP by entering into partnerships with Government and state owned entities to facilitate researched BE capacity building programmes for the public sector. CBE’s other partnerships will contribute towards the strengthening of labour intensive techniques initiatives.

Programme 4 contributes indirectly to Outcome 12 in the NDP (efficient, effective and development oriented public service). The CBE’s contribution is through its service as an appeal body for aggrieved members of the public. The CBE also contributes towards this outcome by facilitating the capacity building of the six built environment professional councils through corporate governance, PFMA compliance and strategic planning.

As part of its function as an appeals body that has to regulate the construction industry and built environment professions, the CBE is further involved in a special project with the Construction Industry Development Board (cidb) and the Competition Commission to follow up on instances where members of BEPCs were involved in collusion.

In its interaction with the CBE, the Committee heard of governance matters that threatened to impact negatively on the operations of the institution. The entity has made changes to its organogram that seems to attempt to strengthen its skills development and research functions. This is welcome but there is a concern that once organisations make changes to its organogram, staff with institutional knowledge may be lost in the process.

* 1. **Independent Development Trust (IDT)**

The IDT was established by Government in 1990 through a Government endowment of R2 billion, as an independent temporary grant-making agency.

Between 1990 and 1996, the organisation, in its capacity as a grant-making agency, allocated and disbursed resources (through community-based organisations and structures) to poor and disadvantaged communities. It offered programme management and development advisory services to Government departments and other development partners.

In March 1997 the IDT was constituted as a development agency and public entity to support all spheres of government. Cabinet then endorsed a recommendation of a Cabinet Advisory Committee that, inter alia, “The IDT must be transformed into a government development agency that will implement projects which are commissioned by government departments. It must cease to be a civil society organisation, an independent agency or funding agency.”

The IDT was integrated into the public service delivery system in 1999 with the promulgation of the Public Finance Management Act (PFMA) (Act 1 of 1999, as amended) and listed as a Schedule 2 Major Public Entity. The 1997 mandate of the IDT remains in place.

The Shareholder Compact between the Government (i.e. Executive Authority) and the IDT is in keeping with the provisions of the PFMA, and the Regulations promulgated in terms thereof.

In its APP for 2016/17 the IDT states its alignment to the policies of government and commitment towards the ‘Rebuilding of the Department of Public Works’: the Five Year Policy Statement and Vision for 2014-2019.

**The IDT is busy with a turnaround strategy to:**

* strategically position the IDT as a premier social infrastructure programme delivery entity;
* regain the confidence of the Shareholder, client departments and stakeholders;
* ensure financial sustainability, prudent financial management and accountability for the IDT as well as for client funds;
* attract and retain appropriately qualified, committed and motivated personnel; and
* deal effectively with the Auditor-General findings by developing and deploying effective and efficient business systems.

**The IDT’s financial situation:**

Management fees are the only source of revenue to sustain IDT financially, have been budgeted at an average of 6, 5 % to 7. 0% of the expected programme expenditure throughout the MTEF.

Despite a growing portfolio of programmes to be delivered on behalf of Government, the IDT’s financial forecast for the next MTEF period covering 2016/17 to 2018/19 is showing a negative deficit. The overhead expenditure is budgeted at R395 million for the 2016/2017 financial year and expected to grow at an average rate of 13% for the next two years.

This deficit is expected to be funded out of the funds invested with institutions and out of the long outstanding management fees to be recovered from the client departments. The fact that the entity struggles to collect these outstanding fees is in part why it is unable to show that is a growing concern.

**4. Findings**

4.1.

The Committee noted the effects of the Turnaround Strategy on the Department’s compliance with National Treasury Legislation and Regulation. It looks forward to the annual report and the report of the Auditor-General on the audited financial statements of the Department to find further evidence of the improved results of the allocated spending on the Turnaround Strategy.

4.2.

The Committee noted with concern that the IDT was not showing a profit. In addition, to this, it noted the disclaimer of opinion expressed on its financial statements for the previous financial year by the Office of the Auditor-General. The Committee notes that the entity has a valuable role to play in an environment where there is a substantial backlog in social infrastructure delivery at provincial and local government level. It anticipates that once the IDT can control its portfolio of projects, it can return to operating as a going concern.

4.3.

The Committee noted the governance challenges and changes that are taking place in the CBE. It is concerned that valuable staff may be lost in the process and urges the entity to give sufficient attention to this matter.

4.4.

The allegations on the way in which EPWP beneficiaries were selected in different municipalities was a matter of concern. The Department had to investigate the specific cases that were raised by Members of the Committee. In turn, where Members of the Committee had information, they had to report these to the Department so that such incidents can be dealt with.

4.5.

With regards to the Immovable Asset Register, the Committee noted that several thousands of Assets were investigated mainly for illegal occupation under the Operation Bring Back programme. One thousand two hundred (1200) properties could not be located using the Geographic Information System (GIS) system. The Department was in the process of engaging the Register of Deeds, and the Office of the Surveyor General in the Department of Rural Development and Land Reform (DRDLR) to locate these properties.

4.6.

With regards to the operationalisation of the PMTE, the Committee noted the need for the appointment of suitably qualified and experienced property management, maintenance and investment specialists to ensure the sustainable operationalisation of an excellent Property Management and Trading Entity of the South African Government that can make the most appropriate property investment decisions for a developmental economy.

With regards to instances where the value of a property could be verified, the Committee heard that municipal valuation rolls were used to gauge the cost of a property as a measure of arriving at a proper value.

4.7.

In the 2016/17 financial year the Department was planning on submitting before Parliament a cidb Bill and in 2018/19, would submit the CBE Amendment Bill as well as the Public Works Bill.

**5. Recommendations**

The Committee recommends to the Minister of Public Works as follows:

5.1.

The Minister should provide a status report on the Parliamentary Village Board and its plans to ensure improved management of the immovable and movable assets, and security at the Parliamentary Villages.

5.2.

The Committee urges the Minister as policy leader, to ensure that the delay in the Review of the White Papers is addressed so that the mandate of the Department can be properly spelled out, and the draft Public Works Bill can be concluded, and submitted to Parliament.

5.3.

The Committee further urges the Minister to ensure that the cidb Act, and the CBE Act is appropriately amended to boost the much-needed transformation of the construction and built environment and the built environment professional councils (BEPCs).

5.4.

The Minister should provide a report that details the links that the EPWP beneficiaries have to the programmes of the Department of Small Business Development and the Department of Higher Education and Training.

5.5.

The Minister should provide a report outlining the efforts to engage the DRDLR to locate the 1200 properties that could not be located and to update the Immovable Asset Register so that he Department can comply with the Government Immovable Asset Register Act (Act 19 of 2007).

5.6.

The Minister should provide a report on the continued operationalisation of the PMTE towards operational efficiency, with specific attention to the on-going efforts to appoint the best possible property management, maintenance, and investment specialists.

5.7.

The Minister should provide a report on the governance challenges in the CBE and the manner in which the organisational development efforts that are taking place so that the entity is stabilised enough to play its role in transforming the built environment professional councils.

Report to be considered.