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Department:
Public Works
REPUBLIC OF SOUTH AFRICA

REPORT ON THE CONDITION OF DPCI ACCOMMODATION

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Date: 08 March 2017

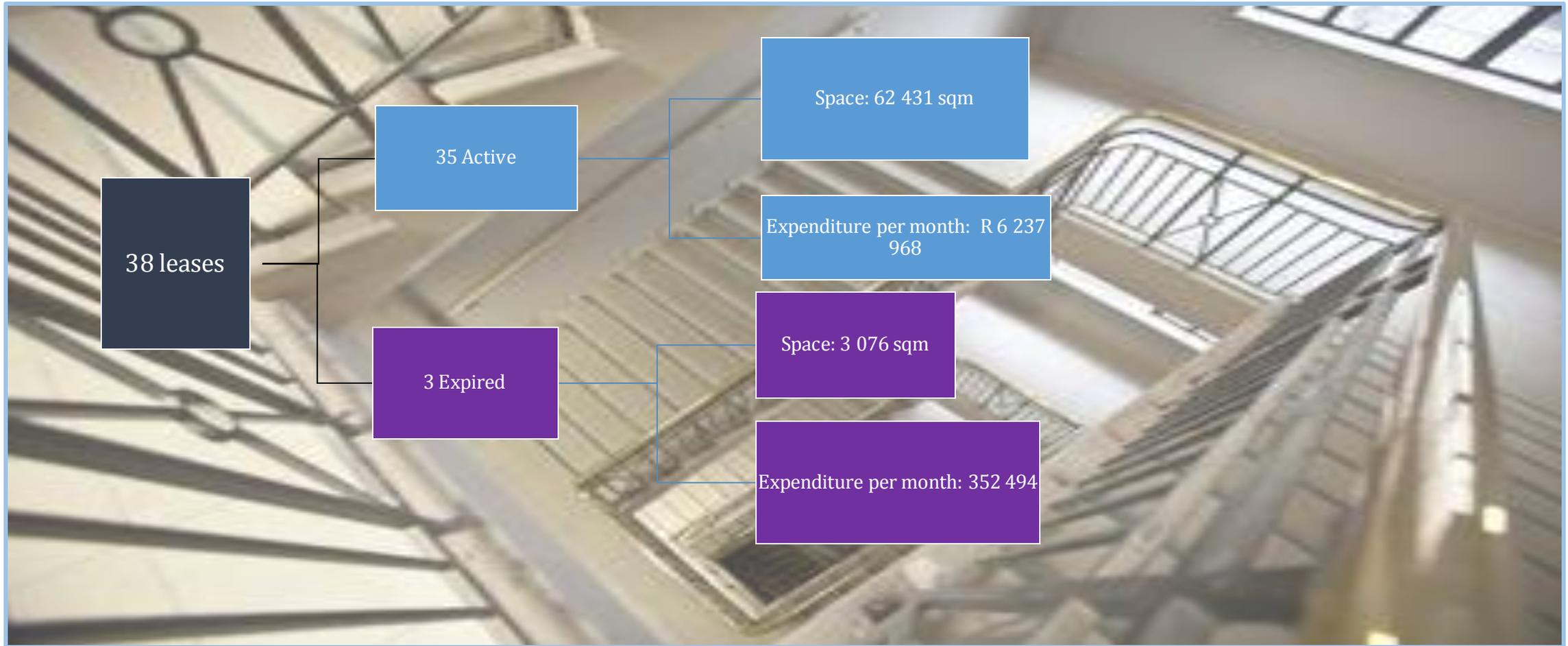
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BACKGROUND ON LEASED HOLD

- ❑ The DPCI is currently accommodated in 45 buildings all over the country
- ❑ Currently DPCI offices are procured within SAPS needs
- ❑ 38 buildings out of the 45 are leased premises with a total approximate extent of **65 500 m²**
- ❑ **21** of the agreements for leased accommodation will expire during **2017**
- ❑ The client has already submitted **7** needs assessments and are in the process of finalizing **14** outstanding needs assessments for application of Space & Cost norms by DPW
- ❑ In most of the buildings, DPCI is co-occupying with other SAPS components

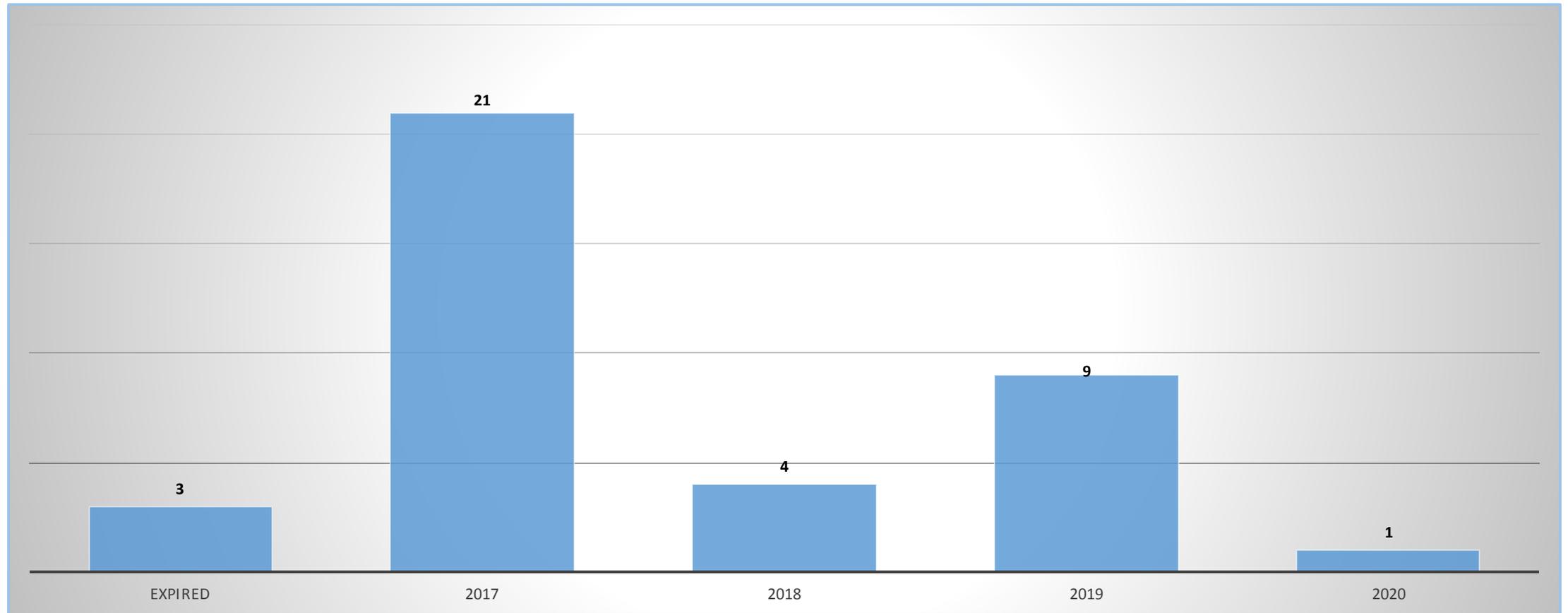
PMTE LEASEHOLD PORTFOLIO



Total annual rent (excl. VAT) is R79.08 million
Active expired leases account for 5% of portfolio

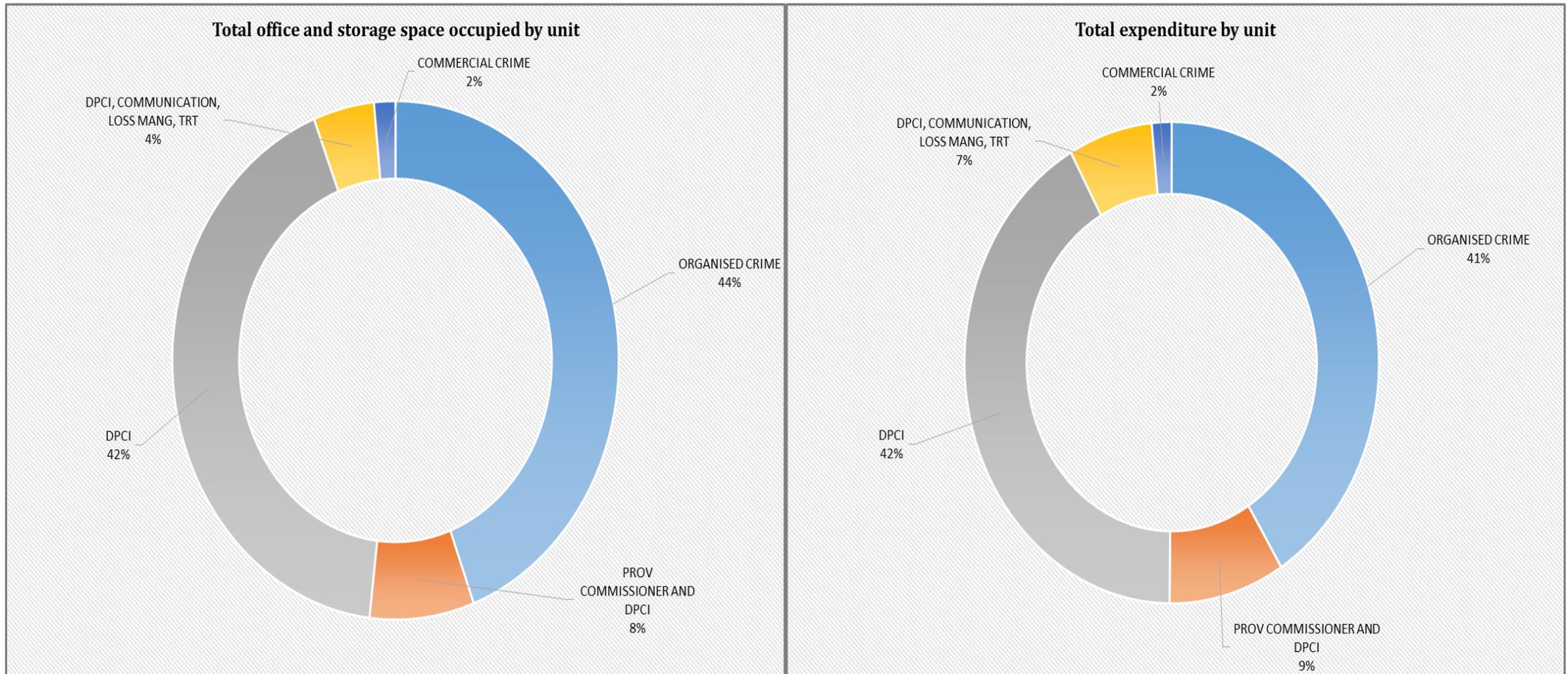
PMTE LEASEHOLD PORTFOLIO

Expiry



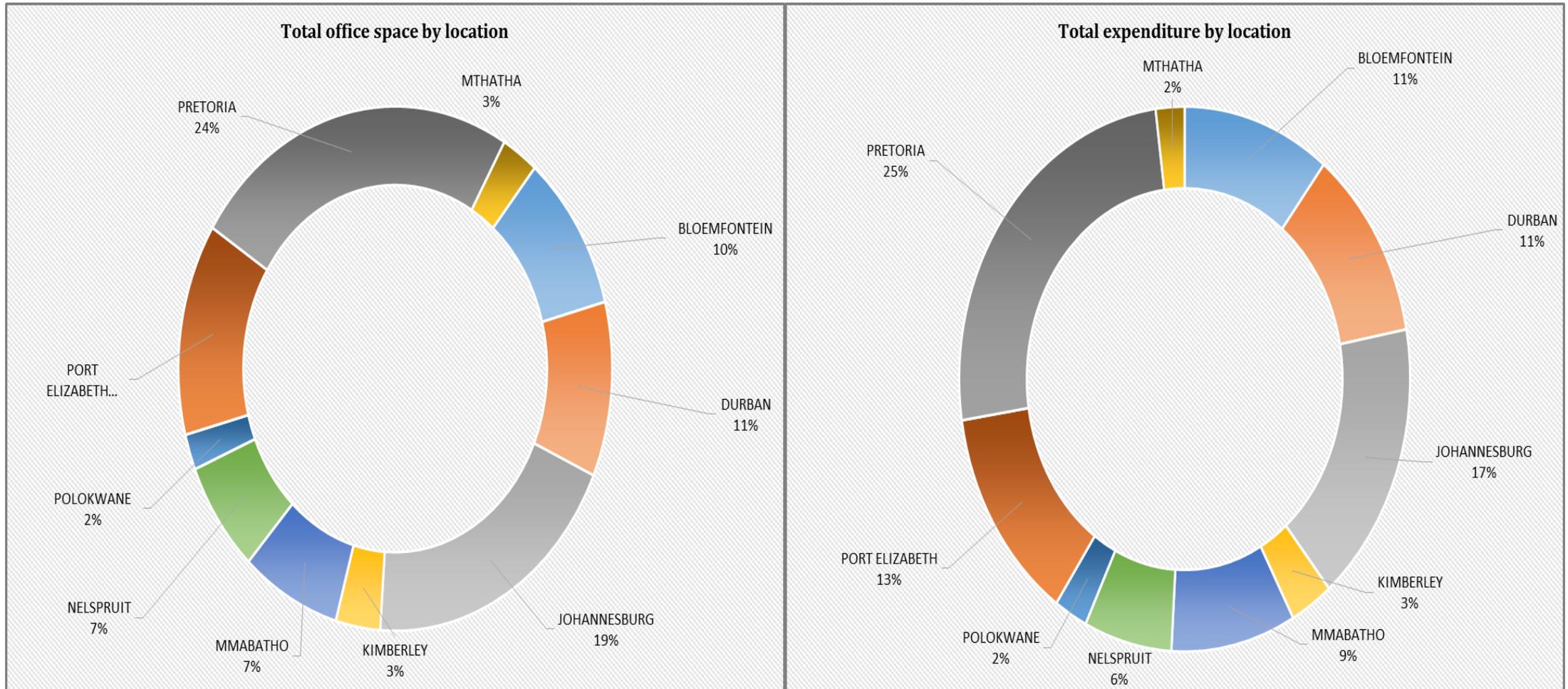
PMTE LEASEHOLD PORTFOLIO

Distribution by Divisional Unit



PMTE LEASEHOLD PORTFOLIO

Distribution by Region



CONDITION OF THE LEASED PREMISES

- ❑ Out of the entire leased portfolio, only \pm 10 buildings are in a good state of habitability with the remaining 28 ranging from poor to extremely poor;
- ❑ The most common denominator in all buildings is a general lack of maintenance by landlords;
- ❑ The other serious concern is the overutilization/over crowding of buildings;
- ❑ Also prominent, is the fragmented manner in which space is allocated to DPCI, e.g. DPCI components in one town occupying three different buildings with an adverse effect on productive time and records management;
- ❑ The most affected offices are in Polokwane; Umtata; Thohoyandou; Bloemfontein; Upington; Alexander Bay; Bellville; Klerksdorp; Springbok; Pietermaritzburg and Newcastle;
- ❑ In the towns listed above, all of the affected DPCI/SAPS occupied buildings do not comply with OHS regulations and run the consistent risk of being condemned by Department of Labour;

WAY FORWARD ON DPCI

- ❑ A joint committee will be established between SAPS/ DPCI and DPW to expedite the preparation of documents for procurement of alternative accommodation on behalf of DPCI. This committee must report monthly on progress until project completion;
- ❑ For non compliant facilities where lease agreements are still active, landlords will be put on terms for non-compliance;
- ❑ In the process of the above, this committee must also ensure that various feasibility options are explored and recommendations thereof are prioritized in the DPCI's future accommodation acquisition plan;
- ❑ For expired leases, procurement processes have commenced to acquire / extend leases
- ❑ To avert a future occurrence of current DPCI accommodation challenges, DPW must involve Professional Services in ensuring that a standard specification guideline is developed for DPCI buildings;
- ❑ DPW; DPCI/SAPS must prioritize the development of a state owned accommodation solution for DPCI

**New approach to
accommodation
management**



CURRENT CHALLENGES

- The current leasing process is inefficient and ineffective;
- Leases are procured on a reactive basis vs strategically
- Can take up to 18 months to conclude procurement of accommodation
- Procured space is not optimally utilized (archaic norms and standards
- Insufficient contract management
- Current rates are expensive and out of line with the market
- Current rates not related to age and condition of buildings

- Inadequately equipped facilities procured
- Lack of commitment to transformation by industry
- Market sell-off to new entrants at inflated prices
- Sale of buildings that undo transformation initiatives of government
- Fronting
- Poor maintenance of leased properties
- High tenant installation costs
- Landlords not complying, e.g. not registered on Central Supplier Database

NEW APPROACH TO ACCOMMODATION MANAGEMENT

Leasing Framework (Panel)

- a. PMTE in collaboration with the Office of the Chief Procurement Officer, National Treasury have embarked on SCM reforms from which this leasing framework was developed;
- b. The **objectives** of the framework are:
 - i. Reduction of government rental expense
 - ii. Effective and Efficient delivery of accommodation to User Departments
 - iii. Shorten turnaround time on delivery of accommodation
 - iv. Compliance to the Constitution and National Treasury prescripts on procurement
- c. Period of the panel not exceed three (3) years and be reviewed once a year to allow for new entrants;
- d. Framework, once approved by National Treasury, is expected to come into effect from 1 April 2017;

DEVELOPMENT OF THE FRAMEWORK

The Leasing framework will be approached in two main phases. The first phase will involve registration on the Panel and the 2nd phase will involve procurement of accommodation from the Panel. These phases are as follows:

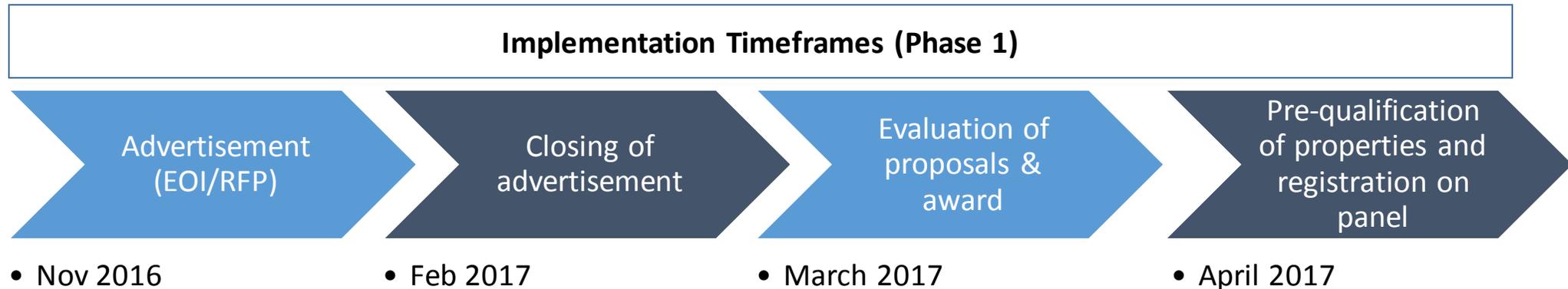
Phase 1

- a) An expression of Interest/request for proposal will be advertised inviting Landlords to apply for registration on the PMTE Lease accommodation register;
- b) All proposals received will be processed and successful applicants will be registered on PMTE IT Portal/Accommodation register;
- c) Successful Landlords will be required to upload information of available accommodation to the Portal on a regular basis;
- d) The panel will not be restricted to Private Landlords and will also include State Owned Entities, Tribal Land & Trusts;

DEVELOPMENT OF THE FRAMEWORK

Phase 2

- Procurement from the panel shall be on a competitive basis
- Client needs will be matched against available listed accommodation
- Landlords with accommodation that meet requirements will be invited to participate in a competitive bidding process
- Functionality, Price and Preference shall be used as evaluation criteria



PROCUREMENT OF LEASES

- a) National Treasury Instruction Note 3 of 2016/17 usurped powers from Accounting Officers to deviate from competitive biddings process;
- b) Nature of leasing environment more often than not requires deviations from competitive bidding process in order address needs of clients;
- c) Minister of Finance enjoins that the leases should be re-negotiated as part of cost savings measures adopted by government;
- d) The Department approached the National Treasury for deviation to renew expired leases where clients are still in occupation, and re-negotiate current leases to realize savings;
- e) The negotiating teams (Executive and Technical), which include officials from National Treasury, have been established to re-negotiate expired/active leases;
- f) The approval, once granted, will allow a more effective and shorten procurement process and savings for government;

Thank You