**7. Report of the Portfolio Committee on Public Works and Infrastructure on Budget Vote 11: Public Works, the Property Management Trading Entity, and entities reporting to the Minister of Public Works, dated 5 July 2019**

The Portfolio Committee on Public Works and Infrastructure, having considered the Annual Performance Plan (APP) and budget of the Department of Public Works (and Infrastructure)[[1]](#footnote-1), the Property Management Trading Entity (hereafter, PMTE), and the entities reporting to the Minister of Public Works, reports as follows:

**1. Introduction**

The Portfolio Committee on Public Works and Infrastructure has the responsibility to do oversight over the Minister of the Department of Public Works and Infrastructure (hereafter, DPWI) as policy leader of the DPWI and PMTE. In addition, it exercises oversight over the entities that report to the Minister, namely the Independent Development Trust (IDT), the Construction Industry Development Board (CIDB), Agrément South Africa (ASA), and the Council for the Built Environment (CBE).

In order to do its oversight, the committee met with the Minister, Deputy Minister and the senior management teams of the DPWI, PMTE, and boards of the mentioned entities in public meetings held on 2 and 3 July 2019.

* 1. **The mandate**

The Constitution of the Republic of South Africa, 1996, and the Government Immovable Asset Management Act (No. 19 of 2007) (hereafter, GIAMA) describes the mandate of the DPWI and describes it as the custodian and portfolio manager of government’s immovable assets.

As part of its turnaround strategy, in the 2015/16 financial year, the Minister of Public Works initiated a shift in the focus of the role of the DPWI. The practical implementation of the mandate has been shifted to the PMTE. This shift allows the DPWI to focus on:

* policy formulation,
* the setting of standards for the management of immovable assets,
* maintaining intergovernmental relationships with user/client departments,
* managing the coordination, standardisation, and regulation relating to the provision of accommodation, and public employment programmes, and expert built environment services to user/client departments,
* importantly, DPWI and PMTE has an oversight role over the standards and regulation that the Minister of Public Works and Infrastructure makes as leader of the functions that Schedule 4 of the Constitution confers to national, provincial departments of public works and infrastructure, and municipalities that also play these implementation roles.

With the mentioned split of functions, the PMTE implements the main mandate of the DPWI to manage immovable properties and the accommodation needs of client departments by implementing the GIAMA. The GIAMA puts in place “a uniform immovable asset management framework to promote accountability and transparency within government.”[[2]](#footnote-2) The Act defines all national and provincial departments as “user(s)” or clients of the DPW and PMTE’s that “uses or intends to use an immovable asset in support of its service delivery objectives and includes a custodian in relation to an immovable asset that it occupies or intends to occupy,”[[3]](#footnote-3). The GIAMA stresses that immovable assets must be “kept operational to function in a manner that supports efficient service delivery”[[4]](#footnote-4); that the accounting officer of each department must prepare a user immovable asset management plan (UIAMP) and custodian immovable asset management plan (CIAMP) that adheres to the principles or further principles that the Act stipulates.

The PMTE also manages the Immovable Asset Register (IAR) that records all immovable assets in line with the principles, best practice, and uniform immovable asset framework for the government as set out in the GIAMA, sections 7, and 13(1)(d)(i) to (vi). These set out the whole life cycle of each immovable asset from acquisition, the maintenance, to its disposal. Note that without the UIAMP and CIAMP of every immovable property being in place at municipal, provincial and national levels, the IAR cannot be claimed to be complete. UIAMPs and CIAMPs can be viewed as the building blocks of the IAR.

The IAR needs to be monitored and updated regularly to ensure that it provides a true record of government’s immovable assets. This necessitates uniform, standardised methods of monitoring provincial, municipal and national immovable asset registers to reconcile properties across the three levels of government. In addition, it means keeping a check on the status and condition of properties and immovable assets that other departments including those that the Department of International Relations and Cooperation (DIRCO) uses at South African missions in foreign countries.

The trading and investment function of the PMTE requires more attention. As a precursor that forms the basis of a brief unpacking of the trading and investment challenge that the PMTE faces, we briefly refer to how Members of the Committee, during deliberations, robustly engaged the PMTE and the DPWI on the need to manage the IAR more effectively. They made it crystal clear that this is much needed so that the PMTE has the required knowledge of ownership, occupation, maintenance status, and security of government immovable properties.

They did this in the light of the policy needs expressed before and during the last elections, that informs government’s work for the next five years.

These needs exist throughout the country for:

* vacant land for agricultural, and economic development;
* integrated human settlement in all villages, towns, and cities;
* social development that lags behind in previously neglected rural areas, and townships, that are spread across the country;
* security needs that are urgent in underdeveloped parts of villages, towns and cities and cause people to live in fear – often because government’s immovable properties in underdeveloped parts of our country are not secured and maintained.

A correctly updated IAR is the foundation of the trading and investment function. The PMTE should be able to calculate and employ the “best value for money”[[5]](#footnote-5) as defined in the GIAMA as “the optimisation of the return on investment in respect of an immovable asset in relation to functional, financial, economic and social return”. One of the tasks of the PMTE is to unlock the financial value of the immovable assets held by government to the maximum benefit for the country.

This has yet to be fully realised since the PMTE’s operationalisation in 2015/16. This is an important precursor to utilising the value locked within the IAR so that the PMTE can be less dependent on the allocated budget to the DPWI, and can generate funding through its optimal functioning. The PMTE faces challenges in this regard which will be further dealt with in the relevant sections of this report.

**1.2. A Weakened Mandate**

Before moving to further policies that stipulate what the allocated budget will be used on, it must be noted that the DPWI has been somewhat weakened in terms of its mandate.

This is partly due to, firstly, the absence of legislation that gives the DPW as ‘landlord of the state’ the necessary powers. These are powers that it requires to act decisively, with enforceable powers, to ensure compliance to the GIAMA. A strengthened mandate becomes more urgent in the light of service3 delivery departments setting up their own maintenance and construction programmes that further weakens the DPWI mandate. In addition, during deliberations, the IDT reported that other government agencies were increasingly playing construction project management and maintenance functions that is the mandate of government’s public works family.

Secondly, the weakened mandate is due to the DPWI not completing the review of the public works white papers 1997 and 1999[[6]](#footnote-6) within the MTSF period of 2014-2019. This strengthened the phenomenon of other departments setting up their own construction and maintenance programmes and by so doing, eroding and weakening the actual mandate of the DPWI. This policy task was the duty of the bureaucratic team who worked in programme 4, Property and Construction Industry Policy and Research. In each annual performance plan (APP) that stretched across the term, the management reported that it faced capacity problems, that it had to stretch its completion targets, until eventually, late in the 2017/18 financial year it stated that it would be achieved only in the 2019/20 financial year – outside of the five-year term. This Portfolio Committee recorded its unhappiness in its Budgetary Review and Recommendation Reports that stretched across the 2014-19 administrative term but nothing concrete emerged from the DPWI to address the matter decisively.

**1.3. Addressing the policy and mandate weakness**

The white paper entitled “Public Works, Towards the 21st Century”, was planned to lead to a draft bill that would have spelled out the mandate of the department so that it was able to set standards and regulate its role of landlord of the state with the powers that it required to collect management and maintenance fees. Without it, the PMTE, the DPWI, and the Independent Development Trust (IDT) continue to spend funds without being able to recover it sufficiently enough from client or user departments – in the case of the IDT, its failure to recover management fees for completed social infrastructure projects is an on-going crisis that threatens its operability as an entity.

The second white paper would have resulted in two pieces of legislation, which would have been amendments to legislation that guide the focus, organisations and work of the Construction Industry Development Board (CIDB), and the Council for the Built Environment (CBE). These would have been draft bills that would have set out functions and powers of each entity to address their respective roles in transforming respectively the construction industry, and the professional built environment sector as per government’s policy as driven by the Minister of Public Works. These pieces of legislation remain sorely required instruments that would further assist in strengthening the mandate along which the allocated budget would be spent.

**2. Policy Priorities for the Department of Public Works, PMTE and Entities**

One of the main policy tasks of government is fighting the scourge of poverty, and narrowing the growing inequality gap[[7]](#footnote-7). The World Bank reported that, “South Africa is one of the most unequal countries in the world. Inequality has increased since the end of apartheid in 1994. The country also has a high concentration of low income earners (the poor) and a few very high-income earners (the rich or elite), but only a small number of middle-income earners, resulting in a high level of income polarization.” The President assigned the task to the DPWI to create employment opportunities for the currently unemployed but economically viable section of the population. In line with this policy directive, the DPWI coordinates job creation initiatives through government’s Expanded Public Works Programme (EPWP). The EPWP is a multi-level programme. It is worthwhile to note that the DPWI do not initiate and manage EPWP programmes. Different national and provincial departments as well as in municipal councils manage EPWP programmes. The DPW coordinates the collection of data from each department across the multi-level programme. It regulates the collection and verification of data on employment opportunities created through all EPWP projects across the country. Compliance to set standards and reaching agreed-to targets of total employment opportunities created, unlocks incentive grants to provinces and municipalities for further developmental initiatives. The DPWI also puts in place and monitors the implementation of national regulation that guides, and sets standards for the selection of beneficiaries across all provinces, municipalities and national departments. Similarly, it sets standards and regulation, and monitors the gathering and verification processes of employment numbers of the EPWP across the three levels of government.

Apart from this, in the 2019 State of the Nation Address (SoNA), the President identified the following policy focus for government departments, over which the Department of Public Works and Infrastructure plays a coordinating, implementing role with its entities:

* Expanding investment over the next five years to create new jobs, especially by enhancing demand for local goods.
* Increasing the proportion of local goods and services procured by government and the private sector.
* Creating jobs for those currently unemployed, and prepare workers for the jobs of the future.
* Adopting a new infrastructure model to address the fragmented infrastructure provision by the different spheres of government.
* Strengthening government’s technical capacity (through the creation of a pool of engineers, project managers, spatial planners and quantity surveyors) to ensure projects are implemented at a rapid pace.
* Supporting the work of the Constitutional Review Committee tasked with the review of Section 25 of the Constitution to set out provisions for expropriation of land without compensation.
* Addressing the corrosive effects of corruption and restoring the integrity of institutions.
* Focusing on policies and programmes in key parts of the economy that are labour intensive.
* Releasing strategically located land to address human settlements needs in urban and peri-urban areas.
* Harnessing the potential of the country’s oceans to grow the economy.

The National Planning Commission highlighted that the main weakness of the post-apartheid government was the implementation of policies. Before it released the National Development Plan (NDP), it released the Diagnostic Report in June 2011. This highlighted the achievements and challenges that have been experienced from 1994 to 2011. It identified slow implementation progress in nine areas, of which the following apply specifically to Public Works[[8]](#footnote-8):

* The numbers of people who were employed remain low.
* The country’s development is curtailed by poorly located, inadequate and under-maintained infrastructure.
* Apartheid-era geospatial divisions severely impedes inclusive development in every village, town, city, and metropolis.
* Too many people receive uneven and poor quality public services.
* Levels of corruption remain high.

The NDP emphasised the “provisions of income support to the unemployed through various active labour market initiatives such as public works programmes, training and skills development, and other labour market related incentives.”[[9]](#footnote-9) The focus referred to earlier through the DPWI’s function of coordinating work opportunities created through EPWP projects, attempts to deal with this challenge.

In the 2019/20 Annual Performance Plan (APP) the Department continues to be responsive to the following Sustainable Development Goals (SDGs)[[10]](#footnote-10):

Goal 1: End poverty in all its forms everywhere.

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Goal 13: Take urgent action to combat climate change and its impacts.

The Medium Term Strategic Framework highlighted the following objectives that the DPW must reach during the medium term:

1. contribute towards the realisation of outcome 4 - decent employment through inclusive growth;

2. outcome 6 - an efficient, competitive and responsive economic infrastructure network; and

3. outcome 12 - an efficient, effective and development-orientated public service.

Deliberations made it clear that the DPWI, PMTE and the entities had to reconfigure itself to align itself with the seven policy tasks that the President outlined. These tasks are:

* **Economic transformation** and **job creation;**
* Education, skills and health;
* Consolidating the social wage through reliable and quality basic services is another important priority;
* **Spatial integration**, **human settlements** **and sanitation**, and **local government;**
* **Social cohesion and safe communities**;
* **Building a capable, ethical and developmental State;**
* A better Africa and world.

The deliberations remained firmly focused on this committee’s oversight task to ensure that over the next five years, the budgetary allocation is properly applied so that the programmes in the Annual Performance Plans, have the desired impact on improving the lives of the people.

The following section focuses on budgetary allocations to the programmes of the DPWI and PMTE to implement the stated policy ideals.

**3. Budget analysis:**

This section of the report deals with the analysis of the Department of Public Works (DPW), and the Property Management Trading Entity (PMTE).

**The budgetary allocation for the DPW:**

**Budget allocation for 2019/20 for the Department of Public Works (DPW)[[11]](#footnote-11)**



The Department received a voted allocation of R7.8 billion for 2019/20 with which to accomplish the priorities identified in the NDP, and policy tasks listed by the President in the SoNA.

Note that the R7.47 billion allocated in 2018/19 was adjusted to R7.48 billion. The allocation for the 2019/20 financial year of R7.8 billion represents an increase of 4.4% in nominal terms, and a decline 0.81% in real terms (calculating the impact of inflation) from the 2018/19 adjusted appropriation of R7.48 billion.

In terms of economic classification, the departmental budget includes transfers totalling 86.8% of the budget, with a total monetary value of R6.77 billion (compared to R6.47 billion the previous year). This constitutes a 4.7% nominal increase, but a decline 0.5% in real terms since the departmental allocation did not stay above of the effects of inflation.

R1.6 billion is in the form of conditional grants to Provinces and Municipalities, while a total of R4.39 billion is allocated to departmental Agencies and Accounts. For 2019/20, current payments amount to 12.9% (i.e. R1.01 billion) and capital payments to 0.3% of the budget (i.e. R23.2 million).

Compensation of employees increased by R47.5 million (from R510.3 million in the 2018/19 adjusted period) to R557.8 million for 2019/20.

**Budgetary allocations per programme**

### Programme 1: Administration

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

The Administration programme receives an allocation of R508.0 million, which proportionally represents 6.5% of the overall departmental budget. Its allocation increases by R24.6 million and constitutes (a nominal rate increase of 5.1%, but declines by 0.11% in real terms) from the previous allocation.

In terms of economic classification, the *Administration* programme budget includes current payments to the value of R499.6 million. R295.1 million is budgeted for compensation of employees that increases by R18.2 million or 6.6% in nominal terms and 1.3% in real terms in 2019/20.

Further, the Department allocates R204.5 million to goods and services. This is an increase of R13.1 million (or 6.8% in nominal terms and 1.6% in real terms) from the R191.4 million in 2018/19.

### Programme 2: Intergovernmental Coordination

**DPW is a coordinating department that must manage sound relations and strategic partnership with all client/user departments if it is to reach policy goals set out in the SoNA and the NDP. Programme 2 seeks to promote sound intergovernmental relations and strategic partnerships. It coordinates with provinces and municipalities on: Immovable Asset Registers; construction and property management; the implementation of the Government Immovable Asset Management Act (No. 19 of 2007); and the reporting on performance information within the Public Works Sector.**

The allocation of R60.9 million to Programme 2 proportionally represents 0.8% of the overall departmental budget allocation for 2019/20. This constitutes an increase of R4.8 million from the R56.1 million allocated 2018/19 financial year. This is a nominal increase of 8.6% (and 3.2% in real terms) from the previous year.

Expenditure for Programme 2 for the 2019/20 financial year will fund these sub-programmes:

* *Monitoring, Evaluation and Reporting* receives an allocation of R8.2 million.[[12]](#footnote-12) This is an increase of R1.0 million from the R7.2 million received in 2018/19, which constitutes a nominal increase of 13.9% (and 8.3% in real terms) from the previous year.
* *Intergovernmental Relations and Coordination* receives an allocation of R25.2 million. This is an increase of the R800 000 from the R24.4 million received in 2018/19, which constitutes a nominal increase of 3.3% (but a decline of 1.8% in real terms) from the previous year.
* *Professional Services*[[13]](#footnote-13)is allocated R27.5 million. This is an increase of R2.9 million from the R24.6 million received in 2018/19, which constitutes a nominal increase of 11.8% (and 6.3% in real terms) from the previous year.

In terms of economic classification, R54.8 million is allocated to current payments. This constitutes an increase of R4.3 million or 8.5% in nominal terms (3.2% in real terms) from the previous year.[[14]](#footnote-14) Of this amount:

* Compensation of employees consists of R40.6 million (an increase of R4.5 million).

Goods and Services is allocated R14.3 million (a decrease of R100 000 from R14.4 million in 2018/19).

### Programme 3: Expanded Public Works Programme (EPWP):

**The EPWP gives effect to the policy goals to create work opportunities for marginal people. It works on the coordination of the implementation of the Expanded Public Works Programme (EPWP) in public bodies, non-profit organisations, the non-state sector, across national, provincial and local government levels to create work opportunities; it also works on the provision of training for unskilled, marginalised and unemployed people in South Africa.**

The medium term goals for EPWP are to:[[15]](#footnote-15)

* Monitor, validate, set uniform processes and standards, and report on 4.4 million work opportunities to be created by Public Bodies implementing the EPWP.
* Ensure Public Bodies report on the designated groups (with targets of 55 percent for women and youth respectively, and 2 percent for people with disabilities) in the programme, by producing six Data Quality Assessment Reports.
* Contract 350 non-profit organisations to implement non-State sector EPWP projects over the medium term.

A number of objectives are outlined, including increasing the Department’s participation in the implementation of Public Employment Programmes within the EPWP by March 2020:[[16]](#footnote-16)

* Public Bodies report 1 455 000 work opportunities on the EPWP Reporting System.
* Provide technical support to 290 public bodies participating in the EPWP.

R2.68 billion[[17]](#footnote-17) allocated for this year proportionally represents 34.3% of the overall departmental budget. Expenditure under Programme 3 increases at a nominal rate of 5.2% (which translates into a real increase of 0.04%). 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 reported under these sub-programmes:

* EPWP: Monitoring and Evaluation receives R59.4 million. In real terms this sub-programme allocation increases by 0.11% from the previous year.
* EPWP: Infrastructure receives R1.27 billion. In real terms, this sub-programme allocation decreases by 0.14% from the previous year.
* EPWP: Operations receives R1.27 billion. In real terms, this sub-programme allocation decreases by 0.23% from the previous year.
* EPWP: Partnership Support receives R78.1 million. This sub-programme increased by 13.9% in nominal terms and 8.2% in real terms in the allocation from the previous financial year.
* EPWP: Public Employment Coordinating Committee receives R6.1 million. In real terms, this sub-programme allocation decreases by 1.7% from the previous year.

In terms of economic classification, Programme 3’s budget includes current payments to the value of R330.1 million, of which R174.9 million is allocated to compensation of employees. Compensation of employees increases with R14.7 million from the R160.2 million of the previous year. The increase in the compensation budget is to consolidate the finalisation of Phase III, and enhance the implementation of Phase IV of the EPWP as of April 2019, 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* amounts to R155.2 million, (which translates into a real decrease of 0.6 % from the previous year).

The bulk of the allocated funds for Programme 3 are transfers and subsidies amounting to R2.35 billion, R1.6 billion of this is assigned for transfers to provinces and municipalities as follows:[[18]](#footnote-18)

* R750.4 million is allocated to *Non-profit institutions*.
* R730.0 million towards the *Integrated Grant for Municipalities*.
* R437.4 million towards the *Integrated Grant for Provinces*.
* R430.8 million towards the *Social Sector Incentive Grant to Provinces*.

### Programme 4: Property and Construction Industry Policy and Research[[19]](#footnote-19)

**Programme 4 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.**

The programme transfers a large portion of the R4.44 billion across eight sub-programmes[[20]](#footnote-20). Of its total allocation, the *Property Management Trading Entity* (PMTE) receives R4.22 billion. This budget allocation is dealt with in further detail in section 3.2 of this report.

The rest of its funding are transferred to entities that report to the Minister. It has a policy task to research and develop[[21]](#footnote-21) policies and legislative prescripts for the construction and property sectors. As stated in the introduction, this programme was unsuccessful in reviewing the white papers dated 1997 and 1999 that would have strengthened the mandate of the DPWI and the transformation of respectively the professional built environment, and the construction industry.

Once the review work is completed in the current financial year, the programme has to complete three legislative prescripts for the Public Works Bill, the Construction Industry Development Board Act (No. 38 of 2000) and the Council for the Built Environment Act (No. 43 of 2000) and the Council for the Built Environment Act (2000).

Other transfers from programme 4 is to its sub-programme Departmental Agencies and Accounts (non-business entities) that totals R4.38 billion. The funds are transferred to the following entities:

* + Agrément South Africa is allocated R31.1 million, (an increase of R1.1 million) from the R30.0 million allocation of 2018/19.
  + *Construction Industry Development Board* (cidb) is allocated R76.2 million, (a nominal increase of R2.9 million from R73.3 million), but decline of 1.2% in real terms from the previous year.
  + *Council for the Built Environment* (CBE) receives an allocation of R52.8 million, (an increase of R2.7 million from R50.1 million) and 0.2% in real terms.
  + *Construction, Education and Training Authority* (CETA) receives an allocation of R600 000, (an increase of R100 000 from the R500 000), which constitutes an increase of 14.1% in real terms.
  + The PMTE (as noted above) receives an allocation of R4.22 billion, a decrease of 0.1% in real terms.

The Department also made a transfer to the:[[22]](#footnote-22)

* Independent Development Trust (IDT), which receives an allocation of R5.0 million, (a decline of R23.4 million (or 83.3% in real terms) from the R28.4 million allocation of 2018/19. The IDT is a Schedule 2 entity, should be self-sustaining and not receive an allocation from the Department, as is the case for Schedule 3 entities. This allocation from the Department should be viewed as assisting in the continued operational functioning of the entity, in the context of the IDT having developed into a responsive development agency with a well-established presence across the country. The IDT’s total budget for 2019/20 is R386.6 million.[[23]](#footnote-23)
* Foreign Governments and International Organisations,[[24]](#footnote-24) to the value of R26.6 million, an increase of R3.9 million (11.4% in real terms) from the R22.7 million allocated in 2018/19. This is mainly to address the fluctuations in the exchange rate when transferring the funds. 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 R35.4 million, which is an increase of R3.9 million (6.8% in real terms) from the R31.5 million adjusted allocation in 2018/19. Compensation of Employees receives an allocation of R19.0 million, which is an increase of R2.3 million (8.2% in real terms) from the R16.7 million adjusted allocation in 2018/19. Goods and Services totals R16.5 million for 2019/20. This constitutes an increase of R1.7 million (6.0% in real terms) from the R14.8 million allocation of the previous year.

### Programme 5:[[25]](#footnote-25) Prestige Policy

**Programme 5 seeks to provide norms and standards for the Prestige Accommodation Portfolio and meeting the protocol responsibilities**

The 2019/20 targets include the improvement of service delivery services to Prestige Clients over the medium terms:[[26]](#footnote-26)

* Develop and monitor six Prestige Policies.
* Support 24 planned State events with movable structures.
* Provide movable assets to Prestige clients within 60 working days.
* Approve two Prestige Policies.[[27]](#footnote-27)

The budget for Programme 5 equals R115.4 million in 2019/20 and proportionally represents 1.5%, of the overall departmental budget. The allocation declines by R34.6 from the R150.0 million in the previous year and represents a nominal of decrease of 23.1% and 26.9% in real terms.

A large portion of the budget is allocated to current payments, which amount to R91.4million. A total of R28.4 million is allocated towards compensation of employees. The transfer budget includes an allocation of R10.6 million to Departmental Agencies and Accounts (Parliamentary Villages Management Board); R200 000 to Households and R13.2 million to Payment for Capital Assets (Machinery and Equipment).

**The Property Management Trading Entity (PMTE)**

The DPW describes the purpose and functions of the PMTE as a government component that has been created “… to manage properties under the custodianship of the Department. In the prior years, the PMTE incurred all the expenses and collected the revenue for the properties (which was recognised by the Department) and not by the PMTE prior to the transfer of functions. The PMTE was operationalised in the 2015/16 financial year, and the Department transferred certain property management functions, (including the related assets, liabilities and staff), to the PMTE to align the expenses and revenue to the underlying assets.”[[28]](#footnote-28)

As mentioned in the introduction, the operationalisation of the PMTE in 2015 shifted the operational focus of the department to the PMTE. Its main focus is to execute all property management related functions for national government. The PMTE thus implements all public works related functions such as the maintenance of properties, and the payments of property rates on behalf of the DPWI. All accommodation-related costs were devolved to client departments when the PMTE was operationalised. This means that the department issues invoices and collect user charges from clients on a quarterly basis.

In addition to collecting user charges, the PMTE is correctly placed to unlock the value of the large property portfolio of government that is contained in the immovable asset register (IAR). The full operationalisation of the PMTE should lead to full cost recovery through the application of business principles in the management of government’s property portfolio. Together with the collection of user charges the PMTE should generate funds with which government could undertake maintenance as well as other crucial tasks in the public works sector. This remains a challenge that the DPW and PMTE is working to put into action in the medium to long term.

In its meetings with the PMTE during the 2014-2019 MTSF period, the committee found that it did not work efficiently as it lacked the relevantly qualified and experienced property specialists. The DPWI indicated to the committee that some of the vacancies required by the PMTE included property economists, property managers, specialist chartered accountants, property lawyers, and property valuators. The DPW reported that these positions were being filled.[[29]](#footnote-29) Unfortunately, these specialist skills make it a very competitive terrain meaning that properly qualified and experienced personnel easily move from the PMTE to private property companies. The challenge is to fill and keep such personnel in positions in the PMTE. Failure to do this, means that the DPW and PMTE continue to operate at a disadvantage, particularly when signing lease agreements with landlords from the private sector.

Programme 2, Real Estate Investment Services (REIS), of the PMTE focuses on achieving an efficient and competitive Real Estate Portfolio for the State. It states that it does this through effective planning, analysis and informed investments. Understandably, it is only four years since the PMTE has been operationalised. The programme thus struggles to have an authoritative grasp of the value that is contained in the IAR and struggles to invest the property portfolio in manners that benefit the state and its beneficiaries. It has thus far not been able to unlock the value that sits within government’s immovable asset portfolio. Measurement of the state property portfolio remains incomplete and in progress. The property values needs to be updated to comply with the Generally Recognised Accounting Practice (GRAP) requirements.[[30]](#footnote-30)

**The PMTE Budget:**



The PMTE receives an allocation of R16.74 billion for the 2019/20 financial year, which is an increase of R1.58 billion. This constitutes a nominal increase of 10.5% (or 5.0% in real terms) from the revised appropriation of R15.16 billion in 2018/19.

In terms of economic classification, the PMTE budget includes revenue with a total monetary value of R18.1 billion, an increase of R1.7 billion from the R16.5 billion adjusted allocation in 2018/19.[[31]](#footnote-31)

Compensation of employees increased by R457.9 million (from R1.59 billion in the 2018/19 adjusted period) to R2.05 billion in 2019/20.

**Programme 1, Administration:**

This programme provides strategic management, governance and administrative support to the PMTE.

No targets have been reported on.

**Programme 2, Real Estate Investment Services (REIS):**

This programme works to achieve an efficient and competitive Real Estate Portfolio for the State through effective planning, analysis and informed investments.

R212.4 million were allocated which is an increase of R81.6 million. This constitutes a nominal increase of 62.4% (or 54.4% in real terms) from the revised appropriation of R130.8 million in 2018/19.[[32]](#footnote-32)

The following targets are have been set for the 2019/20 financial year:[[33]](#footnote-33)

* Establish four sites for Inner City Precinct development.
* Complete 90% valuations within scheduled timeframes.
* 800 facilities assessed in terms of identified performance areas.

**Programme 3, Construction Project Management (CPM):**

This programme focuses on providing effective and efficient delivery of accommodation needs for the Department of Public Works and User Departments through construction and other infrastructure improvement programmes.

The total allocation for Programme 3 equals R457.4 million for the 2019/20 financial year, which is an increase of R204.6 million. This constitutes a nominal increase of 80.9% (or 72.0% in real terms) from the revised appropriation of R252.8 million in 2018/19.

The following targets are reported for the 2019/20 financial year:[[34]](#footnote-34)

* Complete 92 infrastructure projects within agreed construction period.
* Complete 92 infrastructure projects within agreed budget.
* Create 8 200 EPWP work opportunities through construction projects.
* Reduce infrastructure backlogs by 30%.

**Programme 4, Real Estate Management Services (REMS):**

This programme seeks to provide and manage government’s real estate portfolio in support of stated social, economic, and political objectives that we stated in the first section of this report.

Real Estate Information and Registry Services (REIRS) seeks to develop and manage a complete, accurate and compliant Immovable Asset Register (IAR) to meet service delivery objectives for the State, Department and PMTE business requirements.

The total allocation for Programme 5 equals R104.6 million for the 2019/20 financial year, which is an increase of R9.6 million. This constitutes a nominal increase of 10.1% (or 4.7% in real terms) from the adjusted appropriation of R95.0 million in 2018/19.

The following target is reported for the 2019/20 financial year:[[35]](#footnote-35)

* Assess nine Provincial Immovable Asset Registers for compliance.

The following targets are reported for the 2019/20 financial year:[[36]](#footnote-36)

* Reduce private leases within the Security Cluster by 13.
* Increase revenue generation by 15% through the letting of State-owned properties (excluding harbour-related properties).

**Programme 5, Facilities Management:**

This programme 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 total allocation for Programme 6 equals R3.71 billion for the 2019/20 financial year, which is an increase of R496.4 million. This is an increase of 15.5% in nominal terms (or a decrease of 9.8% in real terms) from the revised appropriation of R3.21 billion in 2018/19.

The following target is reported for the 2019/20 financial year:[[37]](#footnote-37)

* 550 facilities prioritised with facilities management in place.

**Programme 6, Facilities Management**

The programme 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 total allocation for Programme 6 equals R3.71 billion for the 2019/20 financial year, which is an increase of R496.4 million. This is an increase of 15.5% in nominal terms (or a decrease of 9.8% in real terms) from the revised appropriation of R3.21 billion in 2018/19.

The following target is reported for the 2019/20 financial year:[[38]](#footnote-38)

* 550 facilities prioritised with facilities management in place.

**Matters that emerged from deliberations with the DPWI and PMTE:**

**Input from Minister and Deputy Minister**

* The report covers the budgetary allocations of the final financial year of the fifth parliament. It must be kept in mind that the budgetary allocation was made prior to the elections and is linked to the SoNA that was delivered on 7 February 2019.
* The SoNA of 20 June 2019, heralds the first year of the new five-year long Medium Term Strategic Framework (MTSF) of the sixth parliamentary session. The announcements that the President made are in line with the elections manifesto applicable to the sixth parliamentary session.
* Strategically, and operationally, the DPWI is transitioning in this final year that closes off the MTSF, from the fifth parliament into the new sixth parliament. The DPWI is re-shaping itself into the programmatic machinery that must deliver on the policy for public works and infrastructure as set out in the SoNA. The DPWI and other government departments are in the process of re-aligning its programmes with the seven priorities that the President announced in the latest SoNA.
* All DPWI functions are linked to the policy ideals stated in the National Development Plan and the State of the Nation Address. Its dominant function is to provide accommodation to client departments that serve the people. Government’s land and properties must be used for the public good. Part of the new commitments link seamlessly to the priorities of the previous MTSF and would not be brand new. A serious concern is that public spaces where citizens receive public services, must be maintained in a way that make them feel secure and welcome. DPWI as the department that coordinates the delivery of social and service delivery infrastructure must make these public spaces easy for citizens to attend and receive services from service delivery departments.
* Members listed the following as key tasks that needed further reporting on to this committee:
  + The need to strengthen the trading and investment aspect of the PMTE was recognised. The committee needs a full update and report on the announcement by the DPWI and PMTE to set up a Public Works Academy with the South African Property Association (SAPOA) to capacitate the PMTE. The report should include practical aspects related to the Public Works Academy so that the committee could do oversight over it.
  + A report on the Young Professional Programme to address the need for capacitated professionally registered built environment personnel in key branches of the PMTE. This could be part of the full report and presentation of implementing a skills pipeline programme for Built Environment Professionals across the public works sector. Future deliberations would benefit if the Council for the Built Environment, and the Construction Industry Development Board form part of the deliberations with the committee.
  + As part of implementing the policy priority in the SoNA, that of improving the capacity of the state, the Minister and the Governance and Compliance Branch of the DPWI to provide a progress report on fighting fraud and corruption in the department and PMTE. This would include the proactively oriented anticorruption framework, the number of cases in the different regions of DPWI.
  + Related to the policy ideal to improve capacity of the state, the continued high vacancy rate and the need for recruitment in the face of scarce skills in the public works, infrastructure and built environment sector require attention. The committee urged the Minister and the management teams to work out implementable strategies to concretely address the challenge of filling critical built environment professionals in a manner that retain staff on contract. A report on the concrete step with full detail on provincial and regional appointments in terms of gender, racial and disabled categories should be made to the committee.
  + Members heard that the DPWI was the lead department that coordinates and standardises EPWP recruitment, processes of data validation, verification and reporting. It also heard that incentive grants that fund public works projects go to provinces and municipalities. The challenge was that in spite of being the lead department, the DPWI has no power to ensure that regulations and standards that were set is adhered to. The committee requires further engagement that focuses squarely on the challenges to ensure that standards and uniform steps are adhered to, and how the conditions of the incentive grants can be used to ensure adherence to standards.
  + There is a need for social impact case studies to be shared from across the country, both rural and urban, of whether and how EPWP is assisting marginalised economically viable workers in the country. In addition, the challenges faced by municipalities getting their Integrated Development Plans for infrastructure development off the ground, the role of EPWP projects, best practice cases of the selection of beneficiaries, the important matter of qualifications and skills development, and graduating to longer term employment and improved qualifications is crucial.
  + The challenge with the security and maintenance of government’s immovable properties across provinces and regions requires oversight attention. Public infrastructure is in an undesired state and when people visit the buildings where they must receive services they do not always feel secure and welcome. One of the things not properly accounted for, is that once buildings are established, plans to ensure that it remains in a high state of quality are not operational. This is the case for hospitals, clinics, schools, courts, police stations, social development and home affairs. Collaborative oversight needs to be undertaken with sister committees, where the PMTE can provide the challenges it faces so that government can be assisted to get itself calibrated to be capacitated to service the people.
  + The PMTE must present to the committee on the important matter of the cost of leasing properties from private owners. The fact that rentals are not paid and the consequence of legal costs must be presented.
  + As part of the need for the DPWI mandate to be strengthened, a presentation is required on the recovery of leases (R4,7 billion) and the fact that several client departments are not paying leases on time to the DPWI. The committee urged the Minister to put interventions in place to ensure improved recovery of leases, that should include the need to pay rates and service fees to municipalities on time.
  + The PMTE needs to report to the committee on a quarterly basis on how it was going to improve its bank overdraft account and improve towards being a running concern. It should include progress to improve control over the IAR, which includes rolling out the ARCHIBUS system so that it can get a clean audit opinion in the next financial year.
  + The DPWI and PMTE to quarterly report on how each regional office was ensuring payment of registered invoices within 30 days of receipt from service providers.
  + A report on the transfer and reconfiguration of the infrastructure function in the form of respectively, the Presidential Infrastructure Coordinating Commission (PICC) that provides secretariat services from the Department of Economic Development (DED) and the Integrated Development Management System from the National Treasury that assists municipalities. This presentation should include the PMTE providing information on land available per province to give effect to the policy to ensure land transformation in terms of integrating social infrastructure planning (that includes municipal IDPs) to bring about equality between previously geographically separated communities as well as effecting broader land reform policy.
  + The PMTE’s Small Harbours division to provide a full updated report on proclaimed and unproclaimed small harbours in the country. It should include the aspect of coordinating functions at the small harbours with the Department of Agriculture and Fisheries (DAF). The report to include information on the development, maintenance, lease management, and transformation possibilities that these harbours hold for communities living in rural towns (through programmes such as Operation Phakisa). The report should include development plans for the Eastern Cape province in specifically Port St Johns that was excluded in the presentation to the committee during the meetings on its APP and how it was getting itself calibrated for infrastructure development over the next five years.

**4. Entities reporting to the Minister:**

**4.1. Agrément South Africa (ASA):**

**Setting up the ASA as a legal entity**

Agrément South Africa (established through a Ministerial Determination in 1969), is one of five entities reporting to the Minister of Public Works. It was constituted as a juristic person through the Agrément South Africa Act (No. 11 of 2015).[[39]](#footnote-39)

The Agrément SA has operated independently from 1 April 2018 following the legislative process to establish the entity.[[40]](#footnote-40)

**Mandate**

Agrément South Africa is a statutory Board established in terms of the Agrément South Africa Act (No. 11 of 2015) with the following objectives to:[[41]](#footnote-41)

* “Provide assurance to specifiers and users of fitness-for-purpose of non-standardised construction related products or systems.
* Support and promote the process of integrated socio-economic development in the Republic as it relates to the construction industry; support and promote the introduction and use of certified non-standardised construction related products or systems in the local or international market.
* Support policymakers to minimise the risk associated with the use of non-standardised construction related product or system.
* Be an impartial and internationally acknowledged South African centre for the assessment and confirmation of that for purpose of non-standardised construction related products or systems.
* Agrément South Africa will discharge its responsibilities through certification of innovative non-standardised products and systems impartially and without undue influence and keep records of the same.”

**Vision[[42]](#footnote-42)**

To be a world-class centre for technical assessment.

**Mission**

Enhance Agrément South Africa’s position as the internationally acknowledged, objective South African centre for the Assessment and certification of non-standardised construction related products and systems for which there are no SABS[[43]](#footnote-43) standards. In addition, Agrément SA has been appointed as the competent body to undertake Eco-Labelling for government’s buildings and products. According to this, ASA will manage the South African Eco-Labelling system[[44]](#footnote-44). The Eco-Labelling system will address aspects such as indoor air quality, comfort, environmental, material and energy resource conservation. These aspects of construction will be incorporated in the NDWI Standard Specifications for Construction Works.

**Stakeholders**

Agrément South Africa is a founding member (and internationally affiliated through its membership) of the World Federation of Technical Assessment Organisations (WFTAO), which was established in 1996.[[45]](#footnote-45) It is a worldwide network for co-ordinating and facilitating the technical assessment of innovation in the construction field.

WFTAO's primary objective is to facilitate the transfer of national products to the global marketplace through the acceptance of technical assessments delivered by its members. Assessments delivered by a WFTAO member will:[[46]](#footnote-46)

* “Provide a means of demonstrating the fitness for purpose of the product with building regulations.
* Be more readily accepted by building control personnel.
* Show that the holders manufacturing and Quality Assurance (QA) systems meet high standards.
* Save valuable selling time, by using acceptance of new products in a conservative market.
* Provide a good opportunity for media coverage for the holders to use the distinctive WFTAO logo on advertisements.”

In addition to its ties with the WFTAO, it maintains close working relationships with the following government departments, entities and agencies:[[47]](#footnote-47)

* Department of Trade and Industry.
* Construction Industry Development Board (CIDB).
* Council for the Built Environment (CBE).
* Independent Development Trust (IDT).
* The construction and professional built environment sector.
* International Council for Building, Research Studies and Documentation (CID).
* National, provincial, and local government departments (for example the Department of Human Settlements and Sanitation).
* South African Bureau of Standards (SABS).
* South African National Roads Agency Limited (SANRAL).
* National Regulator for Compulsory Standards.
* National Home Builders' Registration Council (NHBRC).
* Technology and Innovation Agency.
* South African Revenue Services (SARS).
* National Treasury.

**Strategic outcome-oriented goals ASA must implement with its budget:**

The ASA Board has concluded a Shareholders Compact with the Ministry of Public Works for the period 1st April 2018 to 31st March 2019. In terms of this agreement ASA is mandated by the Shareholder to “facilitate the introduction, application and utilization of satisfactory innovation and technology development within the Construction industry by providing assurance of fitness-for-purpose for such technologies in order to optimize resource utilisation and realize cost savings in the industry” (p. 5 of the Shareholder Compact).

In its Revised Strategic Plan, the NDPW has identified five strategic outcome-orientated goals for the 2015-2020 period as follows:

1. Transform the Construction and Property Sectors through the development of policy and legislature prescripts;
2. Provide oversight of the Public Works sector;
3. To provide an oversight role in the implementation of Public Employment Programmes (PEPs) through Expanded Public Works Programme (EPWP) standardised frameworks;
4. Oversee the efficient delivery of identified services to Prestige Clients; and
5. Support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements.

**Budget allocations to ASA:**

ASA is funded mainly from the annual government grant transferred through the DPWI’s programme 4. It generates additional income through services rendered to the market.

In the 2017/2018 financial year ASA reflected a total revenue of R32,498,000 comprising R29,045,000 in the annual transfer from NDPW (89% of total income). Additional income comprised of R3,453,000. Own revenues comprised R1,649,000 for project certification services, R632,000 from annual fees and R1,172,000 from investment income.

A key challenge evident in the allocated funding is a reduced budget allocation which will require ASA to be more cost efficient and seek to increase its project range.

In 2019/2020 ASA plans to implement the following budget programmes which align to the functions of the organisation:

Programme 1: Administration.

Sub programmes as per the strategic outcome-oriented goals are:

* + - * Sub- programme 1: Administrative Services;
      * Sub-programme 2: Technical Services; and
      * Sub- programme 3: Strategic Partnerships & Transformation.

**The following table shows transfers from DPW (Programme 4) and income generated to show the projected amounts ASA would use to accomplish its policy tasks as directed by the DPWI.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Statement of financial**  **performance** | **Budget**  **estimate** | **Approved**  **budget** | **Medium-term estimate** | | | |
| **R thousand** | **2018/2019** | **2019/2020** | **2020/2021** | **2021/2022** | |  |
| **Revenue** |  |  |  |  | |  |
| **Tax revenue** | – | – | – | – | | – |
| **Non-tax revenue** | **4,853** | **3,292** | **3,972** | **4,170** | | **4,379** |
| Sale of goods and services  other than capital assets | 4,482 | 2,442 | 2,634 | 2,765 | | 2,904 |
| *of which:* |  |  |  |  | |  |
| *Administrative fees* | 645 | 655 | 1,160 | 1,218 | | 1,279 |
| *Sales by market*  *establishment* | 3,837 | 1,787 | 1,474 | 1,547 | | 1,625 |
| *Other sales* | – | – | – | – | | – |
| *Other non-tax revenue* | 371 | 850 | 1,338 | 1,405 | | 1,475 |
| **Transfers received** | **30,757** | **29,988** | **31,062** | **32,804** | | **34,643** |
| **Total revenue** | **35,610** | **33,280** | **35,034** | **36,974** | | **39,022** |
| **Expenses** |  |  |  |  | |  |
| **Current expenses** | **35,610** | **33,280** | **35,034** | **36,974** | | **39,022** |
| Compensation of employees | 19,541 | 19,541 | 20,810 | 21,955 | | 23,493 |
| Goods and services | 15,429 | 13,099 | 13,974 | 14,594 | | 15,083 |
| Depreciation | 640 | 640 | 250 | 425 | | 446 |
| Interest, dividends and rent  on land | – | – | – | – | | – |
| **Transfers and subsidies** | **–** | **–** | **–** | **–** | | **–** |
| **Total expenses** | **35,610** | **33,280** | **35,034** | **36,974** | | **39,022** |
| **Surplus/(Deficit)** | **–** | **–** | **–** | **–** | **-** | |

**Matters that emerged from deliberations with the ASA:**

1. The committee urged the Minister to assist the ASA with the popularisation of products that may usefully ensure that human settlement and sanitation needs are satisfied. As part of the executive that coordinates the implementation of infrastructure, the Minister and other infrastructure departments to instruct the DPWI and PMTE to work with ASA and other departments to look into how innovative building material and systems can be implemented to provide solutions to the human settlement and sanitation, and road building sectors. Infrastructure executives must assist to build the public’s confidence that innovative building material and systems that are tested by ASA are in fact durable and of high quality.
2. The process of professionalization the career of building inspectors as an initiative of the South African Council of Project Managers (SACPM) and the South African Council of Architects (SACAP) is an important initiative that is supported that is part of the type of partnership that is required to ensure that the sector provides a satisfying service to South Africans.

**4.2. The Construction Industry Development Board (CIDB):**

The CIDB reported that it underwent a collaborative and consultative process to change its mission, strategic goals and indicators. It presented it as follows:

The CIDB presented a reviewed mission that said:

“We exist in order to regulate and develop the construction industry through strategic interventions and partnerships”.

The CIDB’s APP covered the concluding year of the 2014/15 to 2019/20 MTSF. This five-year plan is anchored on the entity’s strategic pillars, which are aligned to government policy expressed in the National Development Plan (NDP) and the Medium Term Strategic Framework (MTSF):

1. **Transformation:** To transform the construction industry by increasing infrastructure spend to support and reflect the demographics of South Africa.
2. **Development:** Provide mechanisms and support to enterprises to be competitive and sustainable and to deliver value for money within the construction industry.
3. **Regulation:** To regulate the construction industry in the public interest to ensure a fair, inclusive, ethical, transformed, enabling and reputable construction environment.
4. **Partnerships:** Pursuing progressive partnerships and alliances with industry stakeholders to achieve CIDB’s strategic intent.
5. **High-performance organisation:** An effective, efficient, adequately structured well-governed and sustainable institution.

Like the other entities and the DPWI and PMTE, the APP showed evidence that the entity was aware of the difficult economic conditions that faced the construction industry. These included constraints to business growth, a decrease in employment and increased labour shedding, project site instability, delays in payments to service providers, and the liquidation or business rescue of several large construction companies. These difficult economic conditions affect the work of the CIDB. It constrained the CIDB in its attempts to achieve strategic goals related to transforming and developing the construction sector.

The plan shows that in its medium budget review, the entity was aware of government’s aims to prioritise infrastructure spending as a critical driver of economic activity. As outlined in this plan, it is imperative therefore that the CIDB continues to provide concrete actions to nurture the industry to continue to deliver quality construction professionals that complete projects that provide value for money.

**Specific concrete actions that have been identified to complete its strategic task included:**

1. implementation of the review of the cidb grading criteria to better reflect economic conditions and retain capacity and capability;
2. monitoring public sector expenditure, and production of an annual report on the impact of public expenditure on the industry;
3. the cidb *Standard for Prompt Payment* and the cidb *Standard for Adjudication* to address the scourge of delayed payments in the industry;
4. a credit fund to ease access to credit for small and medium contractors;
5. business advisory services for small and medium contractors;
6. advisory services to medium and large contractors to support contractors’ access to opportunities in neighbouring countries; and
7. construction skills development.

**The CIDB budget:**

**Allocation to programmes:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programmes** | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2021/22** |
| Administration | 75 967 | 77 693 | 82 044 | 86 556 | 91 317 |
| Construction Industry Regulation and Advocacy | 64 710 | 67 628 | 71 415 | 75 343 | 79 487 |
| Construction Industry Performance and Transformation | 14 497 | 15 188 | 16 039 | 16 921 | 17 850 |
| Development and Capacitation | 13 303 | 13 914 | 14 693 | 15 502 | 16 354 |
| **Total budget** | **168 477** | **174 423** | **184 191** | **194 321** | **205 008** |
| Revenue | 168 477 | 174 423 | 184 191 | 194 321 | 205 008 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Revenue Collection** | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2021/22** |
| Government Grant | 74 984 | 73 323 | 76 191 | 80 463 | 84 973 |
| Registration fees | 85 553 | 92 766 | 99 200 | 104 573 | 110 240 |
| Finance income | 7 940 | 8 334 | 8 801 | 9 285 | 9 795 |
| **Total budget** | **168 477** | **174 423** | **184 191** | **194 321** | **205 008** |

**4.3. The Council for the Built Environment (CBE):**

The CBE is a schedule 3A entity established by the Council for the Built Environment Act (No. 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.”[[48]](#footnote-48)

The six Built Environment Professional Councils (BEPCs[[49]](#footnote-49)) are the:

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:[[50]](#footnote-50)

1. “Promote and protect the interest of the public in the built environment.
2. Promote and maintain a sustainable built environment and natural environment.
3. Promote on-going human resources development in the Built Environment.
4. Facilitate participation by the Built Environment Professions in integrated development in the context of national goals.
5. Promote appropriate standards of health, safety and environmental protection within the built environment.
6. Promote sound governance of the Built Environment Professions.
7. Promote liaison in the field of training in the Republic and elsewhere and to promote the standards of such training in the Republic.
8. Serve as a forum where the Built Environment Professions can discuss relevant issues.
9. Ensure uniform application of norms and guidelines set by the Professional Councils throughout the Built Environment.”

**Key Priorities of the CBE**

The CBE highlighted the following ten priorities for the Medium Term Strategic Framework (MTSF):[[51]](#footnote-51)

1. “Ensuring that Built Environment (BE) academic programmes curricula addresses issues of Labour-Intensive Construction, implementation of the Infrastructure Delivery Management System (IDMS), Sustainable Development and Health and Safety.
2. Promotion of high demand skills for Strategic Infrastructure Projects (SIPs).
3. Stepping up mechanisms, programmes, projects and interventions to drive transformation and ensure adequate representation of woman and black people within the BE through the CBE Transformation Model.
4. Maths and Science Support Programme to reach learners in Grade 8 to 12 by 2018.
5. Establishing a structured candidacy programme for candidates and interns to address bottlenecks in the skills pipeline.
6. Supporting workplace training of BE graduates/candidates and interns to bolster competencies and to promote professional registration.
7. Strengthening the technical capacity of Local, Provincial and National Government.
8. Aligning the policy planning and reporting processes of Built Environment Professional Councils the (BEPCs) to the Government’s planning cycles and the Government’s priorities.
9. Strengthening monitoring and regulatory work on delegated public functions of the BEPCs.
10. Enhancing internal systems, controls and capabilities to allow the organisation to deliver on its mandate and strategic goals.”

# **Planned Programme Performance for 2019/20**

The CBE’s programmes for 2018/19 have remained unchanged from that of the previous financial year.[[52]](#footnote-52) However, the acronym for Programme 4 BEPCs, the Built Environment Professional Councils, has been changed from (BEPCs), to Councils for the Built Environment Professions (CBEP).[[53]](#footnote-53)

**Budgetary allocation per programme:**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Audited Outcome** | **Audited Outcome** | **Audited Outcome** | **Current Year** | **Medium-term estimate** | | |
| ***R in thousands*** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2021/22** |
| Programme 1: Administration | 38,222 | 38,549 | 41,884 | 45,540 | 47,710 | 50,468 | 53,375 |
| Programme 2: Skills for  Infrastructure Delivery | 9,655 | 8,224 | 7,243 | 6,399 | 6,564 | 6,829 | 7,111 |
| Programme 3: Built Environment Research, Information and  Advisory | 919 | 881 | 728 | 615 | 631 | 656 | 683 |
| Programme 4: Regulation and oversight of six Councils for the  Built Environment Professions | 566 | 598 | 930 | 1,006 | 1,032 | 1,074 | 1,118 |
| Programme 5: Government  Policies and Priorities | – | – | 341 | 167 | 171 | 178 | 186 |
| **Total expenditure** | **49,362** | **48,252** | **51,126** | **53,727** | **56,108** | **59,205** | **62,473** |

**Matters that emerged from deliberations with the CIDB and the CBE:**

* The committee requires a report that shows a spreadsheet of the candidates that participate in the contractor development programme with the Sector Education and Training Authorities (SETAs) to ensure that graduates are streamed into careers as professional contractors. The spreadsheet should show information per professional build environment category, race, gender, youth, province and region.
* With regards to the governance of the CIDB and CBE, the risk functions were reported as being fully functional. It is important that quarterly performance reports are made available to the committee. These reports should include filling of vacancies, of women, people with disabilities, and the youth. It should also provide progress made to ensure that invoices received from service providers are paid within 30 days of receipt of invoice.
* The CIDB is mandated to establish a register of contractors and ensure improvement of contractors. The matter of what has become known as ‘construction mafia’ is related to the policy to ensure that 30% of contractors on projects should be locally sourced. A cabinet memorandum has been developed by CIDB on the matter and the former Minister placed it before cabinet for its consideration. Accordingly, the DPWI and CIDB may host a construction industry summit to address these matters.
* As per the settlement reached after the collusion investigation of the Competition Commission, the CIDB plays a role to monitor monies with the appointed Trust Administrator. the CIDB’s Board took a decision to sanction companies that were not part of the settlement agreement. Where they want to go the legal route, the Board is prepared to test the CIDB Act.
* CIDB developed a draft contractor performance system. Performance reports must be crafted carefully to not penalise contractors, but to develop them through the report. More work is continuing to ensure progression on the contractors register.
* The CIDB Incubator Programme in partnership with the Small Enterprise Development Agency (SEDA) where 100 contractors in four provinces (KZN, Gauteng, Eastern Cape, Northern Cape) is in a pilot stage. After this stage it will be run in all nine provinces and will be fully advertised.
* CIDB have vacancies that must be filled. The Board anticipate that after the Organisational Development exercise has been completed, the positions will be filled in the following two months.

**4.4. The Independent Development Trust (IDT):**

The IDT was established in 1990, as a temporary grant-making agency by the former apartheid government. It was set up with a R2bn government endowment grant that was invested, and the returns was to be used for development purposes in poor communities.

In 1997 the first democratic government changed the IDT’s mandate from being independent to that of a “government agency that will implement projects which are commissioned by government departments”. The idea was that the invested endowment grant, in combination with project cost which client departments would pay to the IDT, would mean that the entity did not need to be funded by the fiscus. Unfortunately, the enhanced mandate, and due to the massive social infrastructure backlogs in poor communities, meant that the IDT’s project load was vastly increased. The cost of projects that should have funded the IDT did not have the desired result as higher number of projects that went unpaid over a long period, actually eroded the capital base of the IDT.

In 2006 in an effort to ensure longer-term sustainability, the IDT initiated a “cost recovery” principle to its projects, Unfortunately, this approach did not bring the financial stability that was required.

Government remains convinced that the IDT has a key role to play as a project manager of social infrastructure construction. The IDT developed a specific niche in the form of community consultation and participation in decision- making as part of the planning, construction and maintenance of social infrastructure. The community ownership that was part of its social infrastructure project management is a vital cog in future social development initiatives of government in the Presidential Infrastructure Coordinating Commission (PICC)[[54]](#footnote-54).

In the PICC, the DPW is a key role-player in Strategic Integrated Project (SIP) 13[[55]](#footnote-55) that addresses the backlog in educational infrastructure. The IDT is playing a critical role as an implementing agency in the eradication of unsuitable school structures and in the beautification of schools.

In order to consolidate these synergies between the IDT and DPW, government is working on a new business plan, which will see the IDT become a Schedule 3A Public Entity reporting to the Minister of Public Works. This will enable the IDT to give effect to the 1997 Cabinet mandate to be “a government development agency that will implement projects which are commissioned by government departments”.

An Overview of the 2019/20 Annual Performance Plan

The IDT is set up as a strategic partner in the management, integration and implementation of certain government’s development programmes. It plays a key role as implementer of social infrastructure projects. It also assists the Department of Public Works in efforts to address the priorities of job creation and sector skills development. The IDT further contributes to the work of other entities in the built environment and construction industry through the promotion of alternative construction initiatives in the building of school infrastructure. It also invests in professional registration of built environment employees, and supports human resources and talent development.

The role of the IDT in addressing the priorities of job creation and skills development sees the entity play a key part in EPWP projects with other departments and municipalities.[[56]](#footnote-56)

In spite of the severe income challenge that the entity faced over the last few financial years, the entity remains an important player in the DPWI sector. To ensure its continued existence, “the Department of Public Works is fast tracking the transformation of the IDT among other; to be an ***established government agency to develop social infrastructure commissioned by government in a manner that helps eradicate poverty, creates employment, and fosters sustainable and cohesive communities***”[[57]](#footnote-57).

In its Annual Performance Plan, the IDT states that it mainly generates income from management fees derived from managing the implementation of social infrastructure projects on behalf of government. Over the period of the MTSF (2014-2019) it has struggled to collect management fees from departments and municipalities. Unless radical changes are made, based on material evidence over the last five years, it is foreseen that during the current MTEF (2019-2022) this struggle will continue. This view is further strengthened with the IDT’s APP showing that the entity is undergoing an organisational development process[[58]](#footnote-58) which in itself may result in the status quo continuing for at least the next two financial years.

In all the APPs, and financial statements in annual reports since 2014 evidence showed that the IDT was unable to generate revenue. In 2018/19 it ascribed this challenge in its presentation to the Committee as “Owing to operational, governance and financial challenges experienced over the last three years”. The IDT has been unstable in terms of both financial income as well as management and government has had to take steps to reposition and renew it.

This process of renewal and repositioning was approved by the Board and included an Operating Model and Turnaround Plan. The Executive Authority and the Department of Public Works has assisted to secure transition funding, as a structured response to the entity’s mentioned operational and financial challenges.

**The policy environme****nt – IDT’s role as implementer**

The IDT is government’s project management entity for the construction of service delivery and social infrastructure.

The IDT, DPWI and the PMTE acknowledges that there are lengthy delays and cost overruns in the delivery of social infrastructure projects. More efforts must be made to improve infrastructure delivery management. Part of the solution is the standardisation of the management of public infrastructure projects.

**Extension of the IDT’s Services: An improved Service Model to Generate Revenue**

As part of its attempt to reconfigure itself and become a running concern, the IDT’s APP contains information on an improved Operating Model that is based on a review of its service model. This means an extension of the IDT’s services.

**A Built Environment Professional Consulting Service (BEPCS)**

One of the new services is the establishment of the Built Environment Professional Consulting Services (BEPCS) function. This approach moves away from the outsourcing model to insourcing built environment professional consulting services that are located within the IDT structures. The APP states that this would generate a new revenue stream. The function will be established as part of the delivery value chain within the IDT service delivery model. It is anticipated that the function will improve project level monitoring and cost management as well as revenue generation to strengthen the financial viability of the organisation. Milestones have been set in order to resource the BEPCS unit and solicit buy-in from the client departments and associated stakeholders.

In addition to the BEPCS, the IDT wants to provide property repairs and maintenance, post construction facility operation, emerging contractor development, and energy saving programmes services as part of service linked to the infrastructure development value chain.

The areas where further services are to be pursued include:

* Early childhood development infrastructure.
* Basic services infrastructure.
* Student Accommodation and Facilities Management
* Community housing infrastructure.
* Property repairs and maintenance.
* Emerging contractor development.

The establishment of the BEPCS function will require investment in additional office space facilities, equipment and systems, as well as the recruitment of the required built environment professionals. The additional revenue to be generated through these services, along with growth and stability in business portfolio through a multi-year implementation agency agreement with the national DPW among others, is expected to improve the current ailing financial sustainability position.

Further, the IDT has engaged the national DPW with regard to a multi-year project allocation agreement to assist in securing a predictable business portfolio that will improve the IDT financial viability.

**Organisational Development towards a sustainable entity**

More than 55 individuals left the IDT as a result of the implementation of the OD process during the 2017/18 financial year. The IDT’s staff compliment as at the end March 2018 stood at 303 positions filled.

The OD process was informed by following principles:

* Eradication of functional duplications in the regions and national office.
* Clear demarcation and definition of roles between national office and regional offices.
* Implementation of a leaner head office structure with more capacity located at a delivery level, i.e. regional office.
* National office will focus on developing norms and standards as well as governance and control.
* Insourcing of built environment professional services.
* Effective empowerment of regional offices to meet client needs and stakeholder expectations.
* Devolving identified functions to the regional level to strengthen compliance and controls.
* Demarcation of activities between back office and front office to improve efficiencies and responsiveness.
* Maintaining a healthy ratio between the administration and technical personnel.
* Emphasis on client centred approach, operational excellence and relevance, and results based culture.

Over the last five years, the IDT has not been able to invest in programme and project management systems due to financial constraints. This has resulted in the entity falling behind its competitors on efficiencies and its processes.

The existing system capabilities are inadequate to meet the current infrastructure programme and project management, monitoring and reporting demands. With the IDT managing over R5 billion a year of public social infrastructure projects and taking into account the growing demands for improved planning, monitoring and reporting in social infrastructure delivery, it is thus necessary that the IDT invests in robust programme and project management systems.

This process is anticipated to take an extended period to implement and requires significant resources which are currently not available. In the short-term, the IDT will upgrade its current systems while processes are underway to secure resources to invest in a comprehensive Programme/Project Management Information System (PPMIS).

In addition to the upgrade of the PPMIS, the organisation will further undertake the following improvements in its operating environment:

* Address deficiencies in programme implementation controls and practice.
* Undertake process re-engineering and mapping to institutionalise process and cost efficiency, facilitate integration, team work and alignment with the organisational structure.
* Streamline supply chain management, i.e. introduce panels for identified service categories, and review the Supply Chain Management (SCM) policy to align with the Standard for Infrastructure Procurement and Delivery Management.
* Reviewing programme delivery management processes to align with the Infrastructure Delivery Management System (IDMS).
* Review the contracting model in order to attain equitable distribution of project executions risks. This involves reviewing and streamlining contracts management instruments such as tender templates and built environment service provider contracting standard tools Joint Building Contracts Committee (JBCC) for contractors and Professional Client/Consultant Services Agreements Committee (PROCSA) for professionals to address contracting shortcomings such as risk distribution, variation order management and approval delegations, and incorporate the requirements of the PPPFA regulations (2017).

## **Performance environment**

The IDT’s primary problem has been the erosion of its delivery capabilities over the last five years. Client dissatisfaction grew year after year as complaints and concerns remained unresolved notwithstanding commitments of intervention by the IDT. Furthermore, the tight fiscal environment and public sector budget cuts led to a decline in the IDT’s business portfolio. An assessment of root causes for the decline in performance levels has identified the following main contributors:

* Leadership and management lapses evidenced by gaps in performance management and poor resourcing of the organisation.
* Outdated business systems and inefficient processes impacting on the efficacy of service delivery.
* Inappropriate and outdated organisational structure i.e. top heavy and not aligned to the needs of the IDT business.
* Weaknesses in oversight particularly relating to corporate performance and regulatory compliance.
* Indecision relating to the strategic direction and positioning of the IDT.

The Board and Executive Authority initiated the development of an Operating Model and Turnaround Plan. The Turnaround Plan addresses the root causes of the IDT’s performance challenges, most of which are in the control of the organisation. The organisation will also direct some of its efforts towards influencing external factors and mitigating environmental risks that have an impact on the IDT’s business. These include the relationship between the IDT and the State, the regulatory framework, particularly as it relates to social infrastructure delivery, the fiscal environment and general state of economy, as well as the socio-political conditions.

**Audit Outcome**

The IDT has obtained a disclaimed audit opinion for the three consecutive years. The contributing factors to the previous disclaimer opinions in prior financial years have all been addressed; i.e. reconciliation of programme balances, liabilities and receivables as a result of take-on balances created due to a system migration during the 2012/13 financial year; provision for impairment on receivables; accruals of management fees on retention balances; and overlapping of payment certificates between financial years for contractors. Despite the progress made, the IDT has obtained a disclaimed audit opinion for the 2017/18 audit. The specific reasons leading to the opinion are as follows:

* **Programme expenditure - cut off**: Expenditure relating to other financial years incorrectly accounted for in 2017/18;
* **NSS Programme expenditure** - occurrence: there was no substantiating documents to confirm occurrence of programme expenditure on NSS programmes; and
* **Programme expenditure - interest on late payments**: Interest paid on late payments to contractors was not separately accounted for.

Measures to Address Audit Disclaimer were developed and implementation is monitored on monthly basis. These include enforce the practice of monthly project certificates for PSPs as with contractors; implementing manual control measures to identify PSP payments accounted for in the incorrect financial year, a review of the value chain of the NSS programme standard operating procedures to improve the control environment to prevent and detect potential fraud. These measures also include a process to review the IDT Accounting disclosure requirements holistically, rather than addressing disclaimer issues in isolation.

**Service delivery environment**

Government faces persistent pressure from its citizens to deliver and sustain socio-economic transformation, growth and development. The following constitutes significant socio-economic factors impacting on the work of the IDT and the service delivery environment in general:

* + - 1. High demands for jobs and economic opportunities in general and in the previously disadvantaged communities, especially in townships predominantly occupied by blacks, in rural areas, and in informal urban, peri-urban and mining settlements.
      2. Pressures and high demands for new social infrastructure, especially in areas cited above.
      3. Need to integrate connectivity of social infrastructure such as schools, libraries and community centres.
      4. Eradication of the remaining backlogs in terms of human settlements and ancillary social infrastructure.
      5. Demand for post-settlements support and facilities such as farming infrastructure e.g. fencing and pack houses, etc.
      6. Community demands for localisation of development benefits e.g. emphasis on local procurement of supplies for projects, use of local suppliers, and the creation and extension of job opportunities to local community members first.
      7. Demand for programmes that target the participation of women, youth and people with disabilities, e.g. contractor development programmes, as vehicles for promoting meaningful, inclusive and sustainable intra-generational prosperity.

In addition to these factors, delays in fund transfers between the IDT and client departments have and continue to impact on the IDT’s performance and delivery of programmes. This has led to the IDT failing to pay suppliers and creditors within the 30-day stipulated period. These payment delays have resulted in litigation against the IDT, creating a poor image and reputational damage to the entity. The resultant lower levels of programme expenditure has a negative impact on the IDT revenue as income is connected to the programme expenditure levels.

The need for the IDT to have a better appreciation of client needs remains high. Quick turnaround times for project and programme implementation, timeous payments to service providers, timeous and credible financial project reconciliations to enable clients to account for allocated funds, support in the audit process, visible site monitoring and facilitation of empowerment are among the top priorities of many clients.

**Analysis of performance – social infrastructure programmes**

The IDT provides development programme management services predominantly to government. The bulk of the IDT portfolio is constituted by social infrastructure projects such as schools, clinics, hospitals and courts. About 85% of the IDT’s programmes are social infrastructure programmes with the remaining 15% spread in social development and public employment programmes. The IDT’s work is largely informed by the levels of backlogs in social infrastructure. Hence, the Eastern Cape, KwaZulu-Natal and Limpopo are the main contributors to the organisation’s programme expenditure.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **REGION** | **2018/19 Q1 Turnover Achieved** | **2018/19 Q3 Expenditure Target** | **2018/19 Q3 Expenditure** | **% Contribution to Total Exp.** | **Variance** | **% Achieved** |
| **Eastern Cape** | 843 723 424 | 580 894 396 | 595 032 139 | 21% | 14 137 743 | 102.4% |
| **Free Sate** | 344 108 018 | 133 260 282 | 149 767 318 | 5% | 16 507 036 | 112.4% |
| **Gauteng** | 195 439 781 | 113 529 875 | 134 119 821 | 5% | 20 589 946 | 118.1% |
| **KwaZulu Natal** | 1 088 219 076 | 959 399 449 | 677 412 854 | 24% | -281 986 595 | 70.6% |
| **Limpopo** | 945 964 211 | 1 452 235 991 | 608 345 593 | 21% | -843 890 398 | 41.9% |
| **Mpumalanga** | 252 842 556 | 70 130 800 | 137 642 279 | 5% | 67 511 479 | 196.3% |
| **Northern Cape** | 507 408 398 | 273 707 903 | 298 721 135 | 10% | 25 013 232 | 109.1% |
| **North West** | 276 115 441 | 70 985 658 | 138 105 263 | 5% | 67 119 605 | 194.6% |
| **Western Cape** | 125 681 905 | 95 855 645 | 71 812 837 | 3% | -24 042 808 | 74.9% |
| **National** | - |  | 56 753 087 | 2% | 56 753 087 | - |
|  | **4 579 502 811** | **3 750 000 000** | **2 867 712 326** | **100%** | **-882 287 674** | **76.5%** |

Table 8 below provides an analysis of the IDT programme expenditure per programme category.

**Expenditure performance per programme category: 3rd Quarter 2018/19**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme Category** | **Infrastructure Facilities** | **Social Development** | **Total** | **Percentage Contribution** |
| **Education Facilities** | R1 475 245 824 | - | R1 475 245 824 | 51.4% |
| **Environmental Interventions.** | - | R38 903 391 | R38 903 391 | 1.4% |
| **EPWP NSS** | - | R611 010 425 | R611 010 425 | 21.3% |
| **Health Care Facilities** | R138 741 726 | - | R138 741 726 | 4.8% |
| **Justice Systems Facilities** | R363 669 338 | - | R363 669 338 | 12.7% |
| **Welfare Supp. Facilities** | R234 218 983 | R5 922 639 | R240 141 622 | 8.4% |
| **TOTAL** | **R2 211 875 871** | **R655 836 455** | **R2 867 712 326** | **100%** |

The IDT has a total of 2498 active projects at various stages as indicated in table 9. Of the 2 498 45% (1 137) are at implementation stage and 29% (716) at closeout stage. A total of 8% of projects are at planning, procurement of service provides, design and assessment stage with only 4% at contractor procurement stage. The low percentage of achievement between planning and procurement of contractors has direct negative impact on expenditure in the current and ensuing financial year. Efforts to strengthen business portfolio generation remain critical.

## **Budgetary Overview**

The IDT’s financial outlook for the 2019/20 financial year is negative as it is reflecting an estimated operational deficit of R141.255 million before capital expenditure. This is based on the projected programmes portfolio to be delivered on behalf of government.

Management fees are the major source of revenue to sustain the IDT financially and have been budgeted at an average of 5,0 % of the expected programme expenditure for 2019/20. The other revenue sources include the grant funding of R5.0m, and other income-comprising tender deposits and interest income.

The overhead expenditure for the 2019/20 financial year is forecasted at R386.617 million. The largest component of the overhead cost relates to the employment costs compromising an average level of 56% of the overhead expenditure. These costs are driven by the nature of the IDT’s business which is the provision of professional services and management skills in the implementation of social infrastructure programmes on behalf of the Government. These employment costs have been adjusted downward due to restructuring and rationalisation activities. The other operating overheads remain under tight control and focus, and are increased at rates below those factored under the revenue growth.

The IDT has obtained disclaimed audit outcomes over the past three years. These were largely driven by inadequacies in the project accounting and financial reporting environment. Measures are being implemented to address the identified gaps. Further improvements within the financial management environment include review of internal controls and compliance measures within the supply chain management, contracts management and projects management environment.

**The Budget for 2019/20 and over the current MTEF**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **ENE** |  | **ENE** |  | **ENE** |
|  | **2019/20** |  | **2021/20** |  | **2021/22** |
|  | **R'000** |  | **R'000** |  | **R'000** |
| **Programmes** | **4 707 237** |  | **3 300 000** |  | **1 500 000** |
| Expenditure: Confirmed Programmes | 3 903 282 |  | 3 300 000 |  | 1 500 000 |
| Expenditure: New / Prospective Business | 803 955 |  |  |  |  |
| **Staffing requirements** | **275** |  | **275** |  | **275** |
| Staff Numbers | **275** |  | **275** |  | **275** |
| **Average Gross Management Fee Rate** | **5%** |  | **5%** |  | **5%** |
| **Revenue** | **245 362** |  | **170 000** |  | **80 000** |
| Revenue: Confirmed Programmes | 195 164 |  | 165 000 |  | 75 000 |
| Revenue: Prospective Business | 40 198 |  | 0 |  | 0 |
| Grants | 5 000 |  |  |  |  |
| Other income | 5 000 |  | 5 000 |  | 5 000 |
| **Operational Expenditure** | **386 617** |  | **382 340** |  | **396 543** |
| **Employment costs** | 217 110 |  | 227 965 |  | 239 363 |
| Staff Training | 2 000 |  | 2 000 |  | 2 000 |
| Restructuring costs | 18 333 |  |  |  |  |
| **Non-Employment:** |  |  |  |  |  |
| Travel expenses | 17 000 |  | 17 952 |  | 18 957 |
| Litigation fees | 15 000 |  | 12 000 |  | 10 000 |
| Consultants fees | 5 000 |  | 5 000 |  | 5 000 |
| Depreciation | 7 000 |  | 8 000 |  | 10 000 |
| External Audit Fees | 8 500 |  | 8 976 |  | 9 479 |
| IT Cost | 10 413 |  | 10 996 |  | 11 612 |
| Communication | 3 500 |  | 3 696 |  | 3 903 |
| Facilities | 13 000 |  | 13 728 |  | 14 497 |
| Office rental including rent parking | 17 277 |  | 18 245 |  | 19 267 |
| Partnerships and Initiatives | 1 000 |  | 1 056 |  | 1 115 |
| Other overhead expenses | 29 348 |  | 29 351 |  | 26 665 |
| **Centralised Cost** |  |  |  |  |  |
| Telephone | 7 200 |  | 7 603 |  | 8 029 |
| Rent photocopiers | 2 648 |  | 2 796 |  | 2 952 |
| Insurance | 2 500 |  | 2 640 |  | 2 788 |
| Software Licences | 5 589 |  | 5 902 |  | 6 232 |
| Network Data | 4 200 |  | 4 435 |  | 4 684 |
| **Operating Surplus/(Deficit)** | **-141 255** |  | **-212 340** |  | **-316 543** |
| **Capex** | **26 000** |  | **23 500** |  | **19 000** |
| Head Office - Maintenance and Green Building | 10 000 |  | 10 000 |  | 5 000 |
| Finance ERP System | 5 000 |  | 5 000 |  | 5 000 |
| Project Management System | 10 000 |  | 5 000 |  | 5 000 |
| IT and other equipment | 1 000 |  | 3 500 |  | 4 000 |
|  |  |  |  |  |  |
| **Net Surplus** | **-167 255** |  | **-235 840** |  | **-335 543** |

**5. Recommendations:**

The Committee recommends to the Minister of Public Works and Infrastructure that the following be reported on:

5.1. The Minister as policy leader, speeds up the review of the White Papers so that:

5.1.1. the mandate of the Department is properly spelled out, so that blockages in performing optimally, is removed, and the draft Public Works Bill is concluded, and submitted to Parliament; a report on progress in this regard must be put before this committee by March 2020.

5.1.2. in addition to the coordination of public works and the built environment professions, the infrastructure coordination function is spelled out;

5.1.3. the legal mandates of the built environment profession entities, namely the CIDB and CBE, are amended to streamline and focus on the matter of relevantly transforming the built environment and construction sector;

5.1.4. the necessary steps are taken to escalate the transformation of the IDT into a properly resourced, socially relevant entity that is enabled to project manage social infrastructure projects, as well as collect the necessary management fees from client departments with which to run its business in a financially sustainable manner.

5.2. The CIDB to report to the committee on its draft contractor performance system and the Contractor Incubator Programme that is being piloted with the Small Enterprise Development Agency (SEDA).

5.3. The CBE to provide a detailed report that shows a spreadsheet of the candidates that participate in the CBE candidacy programme with the Sector Education Agency Training Authorities (SETAs) to ensure that graduates are streamed into professionally registered built environment professionals. The spreadsheet should show information per professional built environment category, race, gender, youth, province and region.

5.4. The PMTE’s Small Harbours division to provide a fully updated report on proclaimed and unproclaimed small harbours in the country. The report should include development plans for the Eastern Cape province, specifically Port St Johns that was excluded in the presentation to the committee during the meetings on its APP and how it was getting itself calibrated for infrastructure development over the next five years.

5.5. The PMTE, as part of the quarterly performance reports to the committee, to provide progress on its road to a clean audit that shows cost incurred for the roll-out of ARCHIBUS[[59]](#footnote-59), and progress to retain built environment professionals that can trade, invest and unlock the value of government’ immovable asset portfolio.

5.6. The DPWI and PMTE to report on land that is available to transform the unequal and skewed social infrastructure status of each village, town, and city in the country. The report to include progress made to play a coordinating infrastructure role in municipalities through the IDMS.

5.7. A full update on progress on the Public Works Academy that is planned to be set up with the South African Property Association (SAPOA) to capacitate the PMTE as part of a capacitating attempt to unlock the value of the immovable asset portfolio.

5.8. A report on leases that shows cost incurred to the private sector, client departments that do not pay on time, legal costs to recover outstanding debt from client departments, and government’s debt to municipalities for rates and services. The report to include a list of the buildings and where they are situated on the IAR.

5.9. The IDT to report on a quarterly basis on efforts to collect outstanding debt, return to the status of a running concern, and the consequence plan to get an improved audit opinion from the Auditor-General.

5.10. The DPWI and the PMTE to report on the number of properties in foreign countries.

Report to be considered.

1. We place this in brackets here, as the budgetary allocations and functions for this deliverable has not yet been transferred. The report speaks to the matter in more detail. [↑](#footnote-ref-1)
2. GIAMA, 2007, Section 3, **Objects of the Act**. [↑](#footnote-ref-2)
3. GIAMA, 2007, Section 1, **Definitions**. [↑](#footnote-ref-3)
4. GIAMA, 2007, Section 5, **Principles of Immovable Asset Management**. [↑](#footnote-ref-4)
5. GIAMA, 2007, Section 1, **Definitions**. [↑](#footnote-ref-5)
6. 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. [↑](#footnote-ref-6)
7. Overcoming Poverty and Inequality - An Assessment of Drivers, Constraints and Opportunities, 2018, International Bank for Reconstruction and Development/The World Bank. [↑](#footnote-ref-7)
8. National Planning Commission (2012), p. 15. [↑](#footnote-ref-8)
9. National Planning Commission (2012), p. 360. [↑](#footnote-ref-9)
10. UNDP (2015). [↑](#footnote-ref-10)
11. Figures are as provided by the National Treasury in the Estimates of National Expenditure (ENE) for 2019/20. Note that the budget allocation predates the change in the name of the DPW to DPWI. [↑](#footnote-ref-11)
12. National Treasury (2019), p. 221. [↑](#footnote-ref-12)
13. National Treasury (2018), p. 213. It should be noted that the Professional Services sub-programme is a new addition under Programme 2. The sub-programme receives an allocation of R89.4 million over the medium term, of which R37.1 million is for Compensation of Employees; R28 million for Goods and Services and R15.9 million towards Transfers to Households for Non-Employees Bursaries. [↑](#footnote-ref-13)
14. National Treasury (2019), p. 220. [↑](#footnote-ref-14)
15. National Treasury (2019), p. 222. [↑](#footnote-ref-15)
16. National Treasury (2019), p. 214. [↑](#footnote-ref-16)
17. National Treasury (2019), p. 223. [↑](#footnote-ref-17)
18. National Treasury (2019), p. 223. [↑](#footnote-ref-18)
19. This programme was known as Property and Construction Industry Policy Regulation that promoted the growth and transformation of the construction and property industries, and uniformity and best practice in construction, and immovable asset management in the public sector. [↑](#footnote-ref-19)
20. Previously, up until 2009/10 the two programmes: Construction Industry Development Programme and the Property Industry Development Programme) fell under Programme 3, but have since been renamed as of the 2014/15 financial. [↑](#footnote-ref-20)
21. National Treasury (2019), p. 224. [↑](#footnote-ref-21)
22. National Treasury (2019), p. 224. [↑](#footnote-ref-22)
23. National Treasury (2019), p. 230 [↑](#footnote-ref-23)
24. National Treasury (2015), p. 193. This payment is made to the Commonwealth War Graves Commission of which South Africa is a member. It is comprised of 6 member countries: Australia; Canada; India; New Zealand; South Africa and the United Kingdom. [↑](#footnote-ref-24)
25. This programme was known as Auxiliary and Associated Services and sought to fund various services, including: compensation for losses on the Government-assisted housing scheme; assistance to organisations for the preservation of national memorials; and meeting protocol responsibilities for State functions. [↑](#footnote-ref-25)
26. National Treasury (2019), p. 225. [↑](#footnote-ref-26)
27. National Treasury (2019), p. 214. [↑](#footnote-ref-27)
28. Department of Public Works (2016), p. 325. [↑](#footnote-ref-28)
29. Department of Public Works (2013). [↑](#footnote-ref-29)
30. The PMTE has three years from the date of transfer to measure all assets and liabilities transferred in terms of GRAP 105 and Directive 2. [↑](#footnote-ref-30)
31. National Treasury (2019), p. 229. [↑](#footnote-ref-31)
32. National Treasury (2019), p. 228. [↑](#footnote-ref-32)
33. National Treasury (2019), p. 227. [↑](#footnote-ref-33)
34. National Treasury (2019), p. 227. [↑](#footnote-ref-34)
35. National Treasury (2019), p. 227. [↑](#footnote-ref-35)
36. National Treasury (2019), p. 227. [↑](#footnote-ref-36)
37. National Treasury (2019), p. 227. [↑](#footnote-ref-37)
38. National Treasury (2019), p. 227. [↑](#footnote-ref-38)
39. Agrément SA (2017), p. ii. [↑](#footnote-ref-39)
40. Agrément SA (2017), p. 8. [↑](#footnote-ref-40)
41. Agrément SA (2017), pp. 18-19. [↑](#footnote-ref-41)
42. Agrément SA, (2017), p. 11. [↑](#footnote-ref-42)
43. Agrément SA, (2019), p. 11. The South African Bureau of Standards (SABS) is a statutory body established in terms of the Standards Act (No. 29 of 2008). It is the national institute for the promotion and maintenance of standardisation and quality in connection with commodities and the rendering of services. [↑](#footnote-ref-43)
44. Agrément SA (2019), p.10. [↑](#footnote-ref-44)
45. Ibid. [↑](#footnote-ref-45)
46. Agrément SA, (2019), p. 11. The World Federation of Technical Assessment Organisations is comprised of “officially recognized bodies active in the field of technical assessments for construction products and systems.” [↑](#footnote-ref-46)
47. Agrément SA (2015), p. 9. [↑](#footnote-ref-47)
48. CBE (2015), p. 10. Through the Act, the CBE is tasked with regulating and governing the following six Built Environment Professions: Architects, Engineers, Landscape Architects, Quantity Surveyors, Project and Construction Managers and Property Valuers, through the six Professional Councils that were also enacted through legislation. [↑](#footnote-ref-48)
49. Note that the BEPC has now been changed to Councils for the Built Environment Professions (CBEP) in the 2018/19 APP [↑](#footnote-ref-49)
50. CBE (2015), p. 19. [↑](#footnote-ref-50)
51. CBE (2015), p. 12. [↑](#footnote-ref-51)
52. CBE (2018), p. 46. [↑](#footnote-ref-52)
53. CBE (2018), p. 3 & 66. [↑](#footnote-ref-53)
54. http://www.gov.za/sites/www.gov.za/files/PICC\_Final.pdf [↑](#footnote-ref-54)
55. http://www.publicworks.gov.za/PDFs/Speeches/Minister/Launch\_for\_SIP\_13.pdf [↑](#footnote-ref-55)
56. IDT (2017), p. 16. [↑](#footnote-ref-56)
57. IDT (2019) p. 11. [↑](#footnote-ref-57)
58. IDT (2019), p. 7. [↑](#footnote-ref-58)
59. ARCHIBUS is a property management software system. [↑](#footnote-ref-59)