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THE DEFENCE WORKS FORMATION: BACKGROUND NOTES

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1. INTRODUCTION

The facilities of the Department of Defence (DOD) are spread countrywide and are mostly maintained by the Department of Public Works (DPW). The Department of Public Works (DPW) is responsible for the maintenance of government properties, but has a significant backlog and struggles to address all maintenance needs. To mitigate against this, the DOD launched the Defence Works Formation (DWF) in 2011 as part of Programme 8 (General Support). The DWF seeks to achieve an end state where the DOD will have a fully functional and resourced in-house capability that will ultimately assume full responsibility for the repair and maintenance of Defence facilities. Deteriorating conditions of facilities remain a cause for concern and the arrangements between the DOD and the DPW should be concluded to ensure that the Defence Works Capability can execute an increasing number of the repair and maintenance priorities.¹

This paper provides a brief background to the DWF as well as an update of the latest information presented to Parliament on which Members may wish to follow up. The paper is in preparation of the Portfolio Committee on Defence and Military Veterans (PCDMV) meeting of 10 June 2020.

2. OVERVIEW OF THE DWF

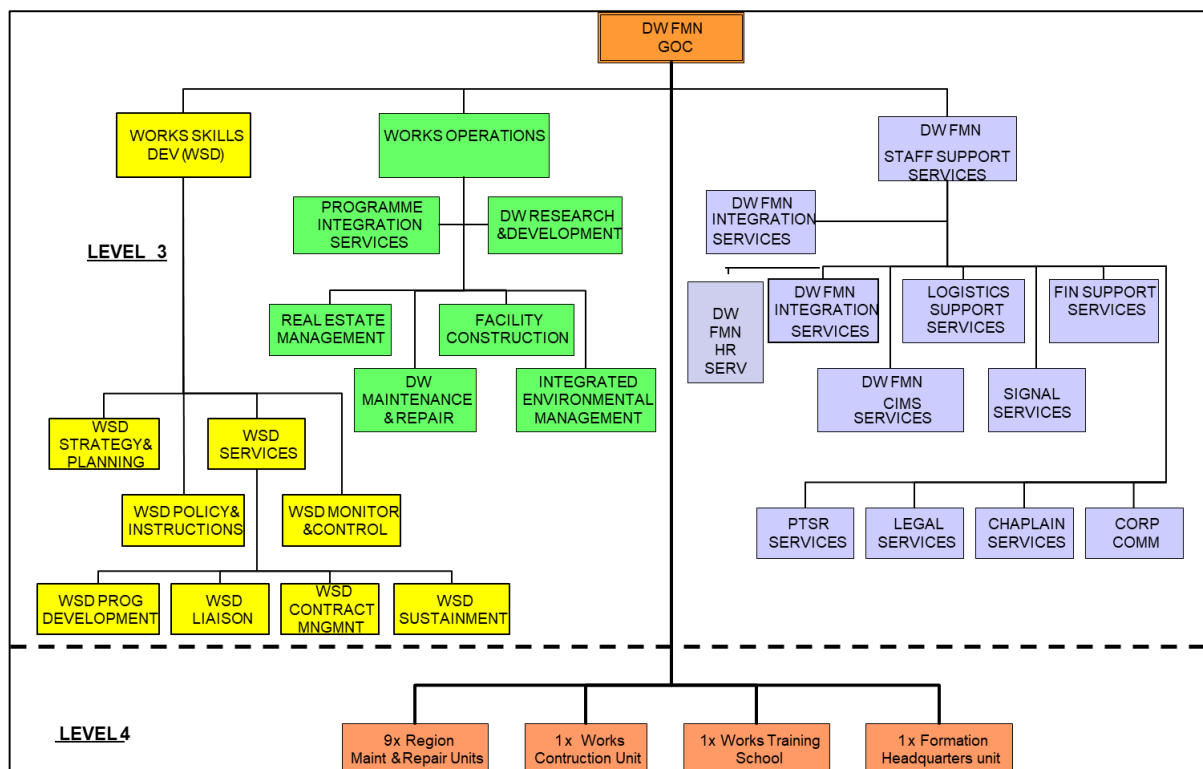
The DWF was established on 01 April 2011. Currently, the DWF consists of a total of nine (9) Regional Works Units (RWU), the Works Training School, the Construction Unit, and the Headquarters Unit. The aim of the DWF is to “provide an appropriate, ready and sustained Facility Management Capability to the DOD by means of integrated systems for real estate management, maintenance, construction, military integrated environmental management service and a system for facility education, training and development.”² The current structure of the DWF has expanded significantly since 2011 and is reflected in Figure 1.

¹ See the Budget and Recommendation and Review Report of the Portfolio Committee on Defence and Military Veterans dated 21 October 2013.

² DOD (2017) *Presentation on the DWF to the PCDMV*.



Figure 1: Structure of the DWF



Source: DOD Presentation to the PCDMV (2017)

3. HISTORICAL CHALLENGES BETWEEN THE DOD AND THE DPW

The DOD has, on various occasions and specifically during PCDMV oversight visits, raised concerns regarding the services rendered by the DPW. In a presentation to the DPW in 2017, it noted several of these challenges as follows:

- The appointment of consultants and contractors in some instances.
- No immediate remedial action against contractors on poor workmanship.
- Turnaround time on Projects is too long.
- At the time, DPW has not responded to DOD's request to allow DOD to execute projects on Government Immovable Asset Management Act (GIAMA) property.
- It was found that DPW is processing the municipal accounts and leases for DOD payments without conducting proper verification.
- Accommodation Charges is a devolved budget from National Treasury.
- The funds transferred to DPW amounts up to R1bn.
- DPW must use this budget to fund the Day-to-Day Maintenance, Planned Maintenance and Rates and Taxes for the DOD.
- DPW has annually underperformed on the Planned Maintenance Programme notwithstanding the fact that the budget was prepaid quarterly.
- The strategy from the DWF is to ensure the following related to Accommodation Charges:
 - DPW to make provide a schedule of Planned Maintenance Programme to be undertaken over the MTEF in order to allow DWF to monitor progress.



- DPW failed to adhere fix the leaking roof at 1 Mil Hospital using accommodation charges before the rainy season of 2017.
- DPW has failed to maintain boilers, chillers, ventilators in theatres etc. at 1 Mil Hospital resulting in outsourcing of services to private sector.
- DPW must ensure that the budget provided to DPW for Accommodation Charges is fully utilised to address the needs of facilities.

By the end of 2017, following a pilot project to verify accounts from the DPW, the DOD disputed various accounts to a total of R513 million. This relates to R460 million in Municipal accounts and R53 million lease accounts. The DWF therefore proposed that a section be created within its structure to take over this function from the DPW. In the presentation to the PCDMV, it was noted that the DOD concurs with this proposal.

Members may follow up on the following matters:

- Members may ask for a detailed breakdown of which functions have since been devolved from the DPW to the DWF.
- What was the outcome of the R513 million worth of accounts disputed by the DWF in 2017?
- Has a section in the DWF been constituted to deal with municipal and lease accounts for the DOD?
- Has Armscor been consulted or involved in assisting the DOD in terms of leases? *Members may note that Armscor has an extensive property portfolio and has experience in managing this. Capacity to manage a professional real estate portfolio therefore exist within the defence environment.*

4. CHALLENGES TO THE DWF

Despite making major strides and having completed a number of projects successfully, a number of challenges hampers the DWF. These challenges need to be interrogated by Members of the JSCD as it could undermine the ultimate efficiency of the Formation. The DWF has noted the following challenges in the past:

- Slow procurement process for construction materials – This delays completion of projects.
- Inadequate structures to support DWF Mandate, resulting in:
 - No construction professionals such as Architects, Quantity Surveyors, Civil Engineers, Artisan Aids, Occupational Health and Safety (OHS) Practitioners, etc.
 - Lack of Artisan Aids – Which leads to Artisans having to work without support.
 - Lack of HR Practitioners – Which leads to inefficient Human Resources management.
 - Lack of Log Support – Which leads to poor stock account capabilities.
 - Lack of Legal Officer to manage projects.
- Lack of Artisans Career Dispensation - Career Management System and Remuneration System.



- Slow progress with migration from manual to automated systems, e.g. Facility Management. System, etc. – compromised data integrity, poor accounting and discrepancies on records.
- Non-availability of ready DOD facilities_- office space, storage, warehousing and workshop/training areas.
- Non-compliance to OHS regulations.

Members may follow up on the following matters:

- Members may ask for a detailed breakdown of the challenges the DWF still experience and what mitigation plans have been put in place to address these challenges.

Members may note that if adequate mitigation plans are not put in place to address existing challenges, the DWF runs the risk of being inefficient and unable to present the DOD with a value-for-money alternative maintenance corps.

5. UPDATES ON THE DEVOLUTION TO THE DWF

The devolution of DPW functions to the DWF has long been part of the DOD's strategic planning. The DOD priorities (2015-2020) highlighted Defence Works Formation Optimisation as a priority under Capability Sustainment Direction. The new DOD Strategic Plan (2020-2025), released in 2020, similarly notes the facilitation of the function shift from the DPW to the DOD (DWF) in terms of facility management. This is considered a priority focus area for the Secretary for Defence.³

The devolution of functions from the DPW to the DWF requires input from the Ministry of Defence, Ministry of Public Works as well as National Treasury. In February 2019, the three departments provided feedback on the devolution of functions to *Parliament's Standing Committee on Appropriations (SCOA)*. The following were key aspects emerging from that presentation:

- An Inter-Ministerial task team had met and cooperation was established.
- Agreement was reached to continue with the Infrastructure Development Function transfer from the DPW to the DOD.
- Outstanding issues:
 - Due diligence on properties to be transferred and finalisation of User Immovable Asset Register (UIAR) (In some cases municipalities will be involved).
 - Funding for capacity creation within the DOD DFW.
 - Funding for current shortfall in DOD Lease Portfolio, Refurbishment and Capital Works.

The Inter-Ministerial task team also noted the following **emerging challenges**:

- Finalisation and due diligence on the extent of the portfolio to be transferred to the DOD.

³ See DOD presentation to the PCDMV on 5 May 2020,



- Funding for Capacity Creation.
- Current DOD Facility Challenges:
 - Thaba Tshwane Bulk Services and Dolomite areas must be addressed immediately to prevent further deterioration.
 - Rapid increase of Lease Hold Portfolio (Tshwane Metro Area make up 90% of Leasehold Expenses).
 - Sewage systems need urgent attention at DOD Facilities.
 - Refurbishment and replacement of Security Infrastructure (Fences, Guard Towers, etc.) at Military Facilities.

What can potentially undermine the shift of functions from the DPW to the DWF?

The presentation by the DOD and DPW to SCOA in February 2019 alluded to a *major concern* that ties into the broader concern around funding of Human Resources in the DOD. The DOD stated that it requires funding for the creation of a DWF capacity within the DOD, specifically in terms of acquiring the right professionals for such functions. However, such shifts will require funding for Human Resources. The DOD stated that ***“Without the required funding to capacitate the DOD with capability and capacity it would be worse off after transferring the Infrastructure Development Function.”***

The DOD noted that it was in the process of developing organisational structures to accommodate 93 Construction Professionals and 1 272 Infrastructure Development Function Support Staff. From the presentation to SCOA, it seemed like these were in addition to the existing 2 126 members of the Permanent Force that are involved in the DWF. Additional expenditure were therefore projected in terms of Human Resources capacity requirements (see Table 1) and in terms of logistics requirements (see Table 2):

Table 1

DOD HR CAPACITY REQUIREMENT (RM)			
Financial Yr	2019/2020	2020/2021	2021/2022
Professionals	102.00	109.65	117.87
Support Staff	476.57	512.31	550.73
Cost of Capacity	578.57	621.96	668.61

Table 2

DOD LOGISTICS CREATION REQUIREMENT (RM)			
Financial Yr	2019/2020	2020/2021	2021/2022
Logistics	104.00	114.40	20.80
ICT	85.00	8.50	9.14
Cost of Capacity	189.00	122.90	29.94

There was thus a significant shortfall projected over the medium term from 2018/19 onwards, as reflected in Table 3:



Table 3

DOD CAPITAL WORKS PROGRAM (RM)			
Financial Yr	2018/2019	2019/2020	2020/2021
White Book	133.01	139.66	146.64
Required	297.54	560.25	602.27
Shortfall	164.53	420.59	455.62

Members may follow up on the following matters:

The desire of the DOD to shift maintenance functions to the Department stems from a history of poor service delivery by the DPW. This has been observed by the PCDMV during previous oversight visits. However, the DOD has a known shortfall in terms of Human Resources expenditure, which will result in irregular expenditure for 2019/20. According to the presentation to the SCOA, the devolution of maintenance functions from the DPW to the DWF will require additional funds for Human Resources and equipment. The PCDMV should focus on ensuring (1) that funds are made available through proper discussion with National Treasury and (2) that the shift of functions to the DWF makes business sense. This is of particular importance in the current economic climate. The following questions can therefore be considered:

- What additional funds will be required from National Treasury to increase the Human Resources staff capacity for the DWF over the Medium-Term?
- Has National Treasury been consulted on this requirement? If so, when and what were their responses?
- What is the expected savings for the DOD when the full devolution of functions from the DPW has been achieved?
- Is full devolution of function desirable?
- When was the last meeting of the Inter-Ministerial Task Team and what were the outcomes of this meeting?
- What is the latest information regarding the rapid increase of the Lease Hold Portfolio?
- Has any progress been made in addressing the urgent need to refurbish sewage systems at military facilities?
- The DOD has identified the need for force rejuvenation and organisational renewal. Will current DOD staff that fall outside their ideal rank-age profile be retrained and shifted to the DWF to assist the DOD with efforts at force rejuvenation?