



14 November 2020

**THE DEFENCE WORKS FORMATION:
UPDATED BACKGROUND NOTES (NOVEMBER 2020)**

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1. INTRODUCTION

The facilities/infrastructure of the Department of Defence (DOD) are spread countrywide and are mostly maintained by the Department of Public Works (DPW), which is responsible for the maintenance of government properties. However, it 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 well-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 handover 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.

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 latest committee recommendations are also included. The paper is in preparation of the Portfolio Committee on Defence and Military Veterans (PCDMV) meeting of 18 November 2020.

2. OVERVIEW OF THE DWF

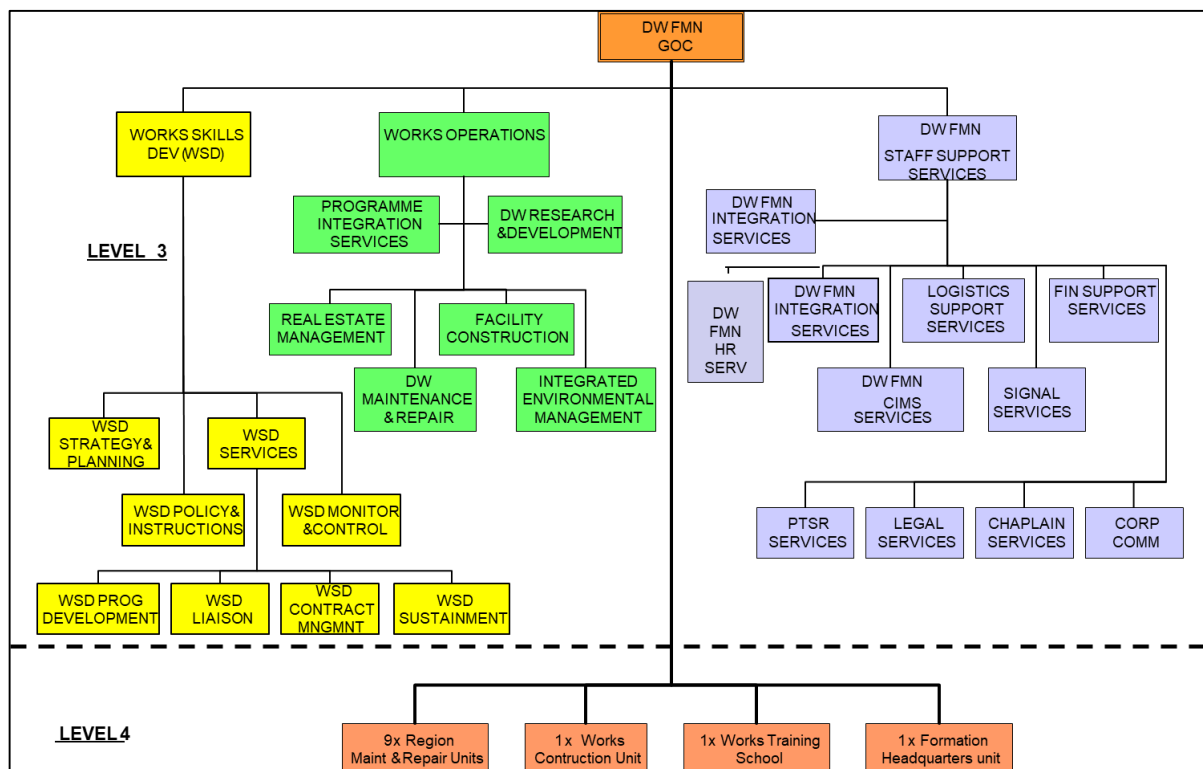
2.1 Background of the DWF

The DWF was established on 01 April 2011. Currently, the DWF consists of nine 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.”¹ The current structure of the DWF has expanded significantly since 2011 and is reflected in Figure 1.

Figure 1: Structure of the DWF



Source: DOD Presentation to the PCDMV (2017)

2.2 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 the 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.

¹ DOD (2017) *Presentation on the DWF to the PCDMV*.



- 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 provide a schedule of Planned Maintenance Programme to be undertaken over the MTEF in order to allow DWF to monitor progress.
 - DPW failed to 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 at 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.

2.3 Historic challenges to the dwf

Despite making major strides and having completed a number of projects successfully, a number of challenges continue to hamper 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, which delays completion of projects.
- Inadequate structures to support the 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. This leads to 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 Occupational Health and Safety regulations.



3. UPDATES ON THE DEVOLUTION TO THE DWF

3.1 February 2019: Feedback to the Standing Committee on Appropriations

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.²

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.
- 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

² See DOD presentation to the PCDMV on 5 May 2020,



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 was therefore projected in terms of Human Resources capacity requirements and in terms of logistics requirements:

3.2 June 2020: Feedback to the PCDMV

In relation to the presentation of February 2019, the DOD reported to the PCDMV that the Minister of Defence and Military Veterans agreed to take over the functions from the DPW, as instructed by the SCO. However, the DOD indicated that to be able to take over it needs a financial injection for projects and capacitation of the DWF. The DOD noted that the final handover is set to take place at the end of 2023/24, but that the availability of funding to enable capacitation will increase and/or decrease the timeframe required for capacitation. Notwithstanding this timeline, the Departmental Programme and Budget Evaluation Committee (DPBEC) instructed that the timeline be shortened to 2020/21.

In terms of financial progress, it is already evident that funding shortfalls will slow the transfer of functions from the DPW to the DWF, as per the table below. The projected shortfall over the medium-term is likely to be in excess of R500 million per annum. The latest budget reductions for the DOD announced in the 2020/21 Adjusted Estimates of National Expenditure will further impact negatively on the ability of the DOD to stay within the envisaged timelines.

Corporate - Facilities Expenditure			
Budget	2020/2021	2021/2022	2022/2023
Available Budget	3 324 532 420	3 482 678 047	3 640 823 674
Required	3 937 729 026	4 134 552 164	4 195 006 797
Shortfall	613 196 606	651 874 117	554 183 123
DW Fmn Total Operating Expenses			
Budget	2020/2021	2021/2022	2022/2023
Available Budget	1 098 018 981	1 102 040 895	1 101 186 446
Required	1 679 018 981	1 589 911 282	1 668 045 808
Capacity Creation	581 000 000	487 870 387	566 859 362
Total Required	1 194 196 606	1 139 744 504	1 121 042 485

In terms of progress, the DOD noted that the Department of Public Services and Administration has completed the DOD Structure. The DOD also entered into a Memorandum of Agreement with the Development Bank of Southern Africa to fast track projects implementation and skills transfer to the DWF.



4. LATEST COMMITTEE RECOMMENDATIONS

During the PCDMV meeting of 10 June 2020, the crux of discussions related to concerns around the funding of the proposed devolved functions from the DPW to the DWF. Based on these concerns, the Committee made the following two resolutions at the meeting:

- The Committee resolved to meet in three months to assess the progress made with the transfer, especially whether the funding issue has been resolved. At this stage the DOD should clearly indicate whether there is a need to amend the relevant legislation.
- Feedback regarding the progress made with the Repair and Maintenance Programme project at 1 Military Hospital, should be given at the next quarterly meeting.

5. POTENTIAL FOLLOW-UP FOCUS

Members may follow up on the following matters:

- What is the projected funding available for the devolution of functions from the DPW to the DWF? Members may specifically focus on the impact of current and further expected budget cuts for the DOD on the full establishment of the DWF.
- The DOD previously indicated that the expected date for the handover from the DPW to the DWF is at the end of 2023/24, while the Departmental Programme and Budget Evaluation Committee (DPBEC) instructed that the timeline be shortened to 2020/21. What is the current expected deadline for this shift?
- The DOD noted that one of the challenges it faces is the rapid increase of its Lease Hold Portfolio (Tshwane Metro Area make up 90% of Leasehold Expenses). What is the current status of the Lease Hold Portfolio and what are the actual financial implications?
- Linked to the PCDMV and JSCD's ongoing oversight work on the DOD force rejuvenation and force structure, Members may ask for clarity on how the capacitation of the DWF can assist driving this process. For example, 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?
- Sewage systems need urgent attention at DOD facilities. Does the DPW currently have the capacity to assist in this regard and what plans are in place to ensure sewage facilities are maintained?
- In February 2019, the DOD noted that the Thaba Tshwane Bulk Services and Dolomite areas must be addressed immediately to prevent further deterioration. What progress has been made in this regard given the urgency of the statement in 2019?