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2022 BUDGET VOTE 13: PROPERTY MANAGEMENT TRADING ENTITY (PMTE)

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1. INTRODUCTION

This paper provides an overview of the budget allocation of the Property Management Trading Entity (PMTE). The analysis is based on the information contained in the 2022 Estimates of National Expenditure (ENE), and the Department of Public Works and Infrastructure 2022/23 Annual Performance Plan and 2020-2025 Strategic Plan.

The PMTE¹ fell under Programme 2 from 2006/07 until 2014/15. This entity was established in April 2006, as part of a long-term reform programme to provide improved property management services to Client Departments. National Treasury allocated a capitalisation amount of R450 million for starting the process of addressing the maintenance backlog on the State's property portfolio.² The focus of the PMTE is to execute all property management related functions for National Government, such as the maintenance of properties and property rate payments on behalf of the Department of Public Work and Infrastructure. With

¹ Previously known as the Augmentation of the Property Management Trading Entity.

² National Treasury (2007).



the entity's establishment, all accommodation-related costs were devolved to Client Departments, which meant that the Department issued invoices and collected user charges from Clients on a quarterly basis, based on amounts devolved to them.

1.1 PMTE Vision and Mission³

The vision of the PMTE is to provide: "Convenient access to dignified public services."

The mission is to provide: "Effective management of the State's immovable assets to contribute towards economic and social development and transformation of the built environment."

2. POLICY PRIORITIES FOR 2022/23

The 2022 State of the Nation Address (SONA) focus includes job creation, infrastructure development, and maintenance. The Government further plans to finalise a comprehensive social compact to grow the economy, create jobs and combat hunger. The long-term decline in investment resulted in unemployment due to low growth.⁴

Apart from the above, the focus for Public Works and Infrastructure remains on the following overarching priorities:⁵

- The Government will be taking measures to enable businesses to grow and create jobs, alongside expanded public employment and social protection.
- The Infrastructure Fund, with a R100 billion allocation from the fiscus over 10 years, is working with State entities to prepare a pipeline of projects with an investment value of R96 billion in student accommodation, social housing, telecommunications, water and sanitation and transport.
- Over the next three years, the Rural Roads Programme will use labour intensive methods to construct or upgrade 685 kilometres of rural roads.
- Recruit the first cohort of 50 000 young people through a revitalised National Youth Service to create opportunities for young people to contribute to their communities, develop skills and improve employability.
- The Department of Public Works and Infrastructure will finalise the transfer of 14 000 hectares of State land to the Housing Development Agency.⁶
- The Government to establish specialised multi-disciplinary units to address economic sabotage, extortion at construction sites and vandalism of infrastructure.
- Fight against corruption, to create jobs, and achieve a more just and equal society.
- Government to build a capable, ethical and developmental State, that includes tighter measures for recruitment of public servants, continuous professional development

³ PMTE (2019), p. 1.

⁴ Ramaphosa, C. (2022), pp. 3-4.

⁵ Ramaphosa, C. (2022), pp.5 -23.

⁶ Ramaphosa, C. (2022), pp.15 -23.



through the National School of Government and partnerships between State bodies, professional associations and universities.

3. PMTE BUDGET ANALYSIS

The PMTE receives an allocation of R18.38 billion for the 2022/23 financial year, which is an increase of R2.66 billion. This constitutes a nominal increase of 16.9 per cent (or 11.9 per cent in real terms) from the revised appropriation of R15.72 billion for 2021/22. Table 1 below shows the budget allocation per programme.

Table 1: Budget Allocations PMTE

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
	R million	2021/22	2022/23	2023/24				
1. Administration	777,2	976,8	934,6	778,0	199,6	157,5	25,68 per cent	20,27 per cent
2. Real Estate Investment Services	220,3	229,2	230,5	236,6	8,9	- 1,0	4,04 per cent	-0,44 per cent
3. Construction Management Services	460,9	485,7	488,2	500,7	24,8	3,9	5,38 per cent	0,84 per cent
4. Real Estate Management Services	10 559,3	12 935,6	12 294,1	9 036,7	2 376,3	1 819,3	22,50 per cent	17,23 per cent
5. Real Estate Registry Services	58,6	64,3	64,8	66,8	5,7	2,9	9,73 per cent	5,00 per cent
6. Facilities Management Services	3 646,5	3 692,8	3 796,6	3 424,3	46,3	- 112,7	1,27 per cent	-3,09 per cent
TOTAL	15 722,8	18 384,4	17 808,8	14 043,1	2 661,6	1 869,9	16,93 per cent	11,89 per cent

Source: National Treasury (2022a) and own calculations

In terms of economic classification, the PMTE budget includes revenue with a total monetary value of R23.51 billion, an increase of R2.71 billion from the R20.80 billion adjusted allocation in 2021/22.

The revenue of R23.51 billion falls under two categories, i.e. Non-tax revenue and Transfers received:⁷

- R19.06 billion in *Non-tax revenue* of which R18.95 billion comprises of the Sale of Goods and Services other than capital assets of which:
 - R13.08 billion – Sale by market establishment.
 - R5.88 billion – Other Sales
 - R103.5 million – Other non-tax revenue.
- R4.45 billion in *Transfers received*.

The PMTE generates revenue mainly through charging rental fees to User Departments for accommodation.

Current Payments equals R16.61 billion for 2022/23, which is an increase of R2.53 billion or 13.0 per cent in real terms from the R14.08 billion for the adjusted period of 2021/22. It comprises of *Compensation of Employees*, which increases by R122.3 million (from R2.04

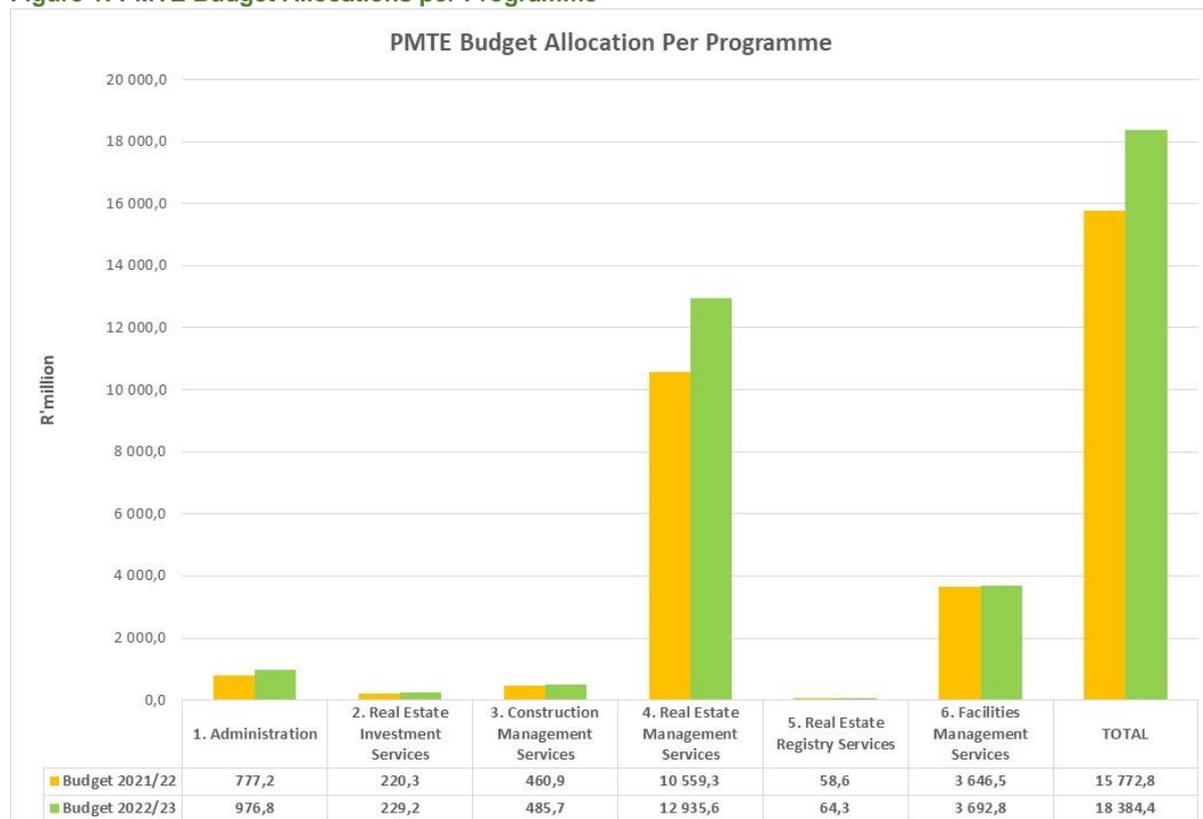
⁷ National Treasury (2022a), p. 225.



billion in the 2021/22 adjusted period) to R2.16 billion in 2022/23. As well as, *Goods and Services*, which increases by R2.41 billion or 14.8 per cent in real terms (from R12.04 billion in the 2021/22 adjusted period) to R14.45 billion in 2022/23.

Transfers and Subsidies for 2022/23 equals R1.77 billion, which is an increase of R131.5 million, from the R1.64 billion adjusted amount of 2021/22.

Figure 1: PMTE Budget Allocations per Programme



Source: National Treasury (2022a) and own calculations

Figure 1 above summarises the budget allocations to the six programmes and sub-programmes of the PMTE for 2022/23. The programme allocations and planned targets are outlined below under Programmes 1 to 6.

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

The total allocation for Programme 1 equals R976.8 million for the 2022/23 financial year, which is an increase of R199.6 million. This constitutes a nominal increase of 25.7 per cent (or 20.3 per cent in real terms) from the revised appropriation of R777.2 million in 2021/22.⁸

⁸ National Treasury (2022a), p. 225.



Programme 1 reports the following target for 2022/23:⁹

- Spend 100 per cent of the allocated budget.

3.2 Programme 2: Real Estate Investment Services seeks to achieve an efficient and competitive Real Estate Portfolio for the State through effective planning, analysis and informed investments.

The total allocation for Programme 2 equals R229.2 million for the 2022/23 financial year, which is an increase of R8.9 million. This constitutes a nominal increase of 4.0 per cent (and a decrease of 0.44 per cent in real terms) from the revised appropriation of R220.3 million for the 2021/22.¹⁰

The following targets are reported for the 2022/23 financial year:¹¹

- Approve one Custodian Asset Management Plan (CAMP) submitted to National Treasury.
- Align 1 Government Precinct Development Plan to the National Spatial Development Framework (NSDF), Integrated Urban Development Framework (IUDF) and Smart City Principles.

3.3 Programme 3: Construction Project Management seeks to provide effective and efficient delivery of accommodation needs for the Department of Public Works and Infrastructure and User Departments through construction.¹²

The total allocation for Programme 3 equals R485.9 million for the 2022/23 financial year, which is an increase of R24.8 million. This constitutes a nominal increase of 5.4 per cent (or 0.84 per cent in real terms) from the revised appropriation of R460.9 million in 2021/22.

The following targets are reported for the 2022/23 financial year:¹³

- Complete 85 design solutions for identified User Departments.
- Complete 75 projects within the agreed construction period.
- Complete 125 infrastructure projects within the approved budget.
- Hand over 90 infrastructure sites for construction.
- Complete 125 infrastructure projects.

⁹ Department of Public Works and Infrastructure (2022), p. 83.

¹⁰ National Treasury (2022a), p. 225.

¹¹ Department of Public Works and Infrastructure (2022), p. 87.

¹² Department of Public Works and Infrastructure (2022), p. 89.

¹³ Department of Public Works and Infrastructure (2022), p. 92.



3.4 Programme 4: Real Estate Management Services seeks to provide and manage Real Estate Portfolio in support of Government social, economic, functional and political objectives.

The total allocation for Programme 4 equals R12.94 billion for the 2022/23 financial year, which is an increase of R2.38 billion. This constitutes a nominal increase of 22.5 per cent (or 17.2 per cent in real terms) from the revised appropriation of R10.56 billion in 2021/22.

The following targets are reported for the 2022/23 financial year:¹⁴

- Reduce private leases within the Security Cluster by 3.
- Realise R100 million saving on identified private leases.
- Increase revenue generation by 8 per cent through the letting of State-owned properties.
- Let out 100 un-utilised vacant State-owned properties.
- Let out 10 un-utilised vacant State-owned properties for GBV¹⁵ purposes.
- Award 35 per cent of new leases to Black-owned companies (e.g. empowering designated groups of women, youth and people with disabilities).
- Let out 50 per cent of leases to companies with BBBEE¹⁶ of 4 and above.
- Sign 100 per cent of new private leases contracts with maintenance plan.
- Release 161 913 hectares from the Department of Public Works and Infrastructure portfolio for development of infrastructure programmes and socio-economic objectives.¹⁷

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

The total allocation for Programme 5 equals R64.3 million for the 2022/23 financial year, which is an increase of R5.7 million. This constitutes a nominal increase of 9.7 per cent (or 5.0 per cent in real terms) from the adjusted appropriation of R58.6 million in 2021/22.

The following targets are reported for the 2022/23 financial year:¹⁸

- Assess nine National and Provincial Immovable Asset Registers for compliance.
- Physically verify to validate the existence and assess the condition of 23 860 immovable assets.

¹⁴ Department of Public Works and Infrastructure (2022), pp. 95-97.

¹⁵ Gender-Based Violence.

¹⁶ Broad-Based Black Economic Empowerment.

¹⁷ Department of Public Works and Infrastructure (2022), p. 97. Note that this Key Performance Indicator (KPI) has been moved from Programme 5 the Real Estate Registry and Information Services (REIS), to Programme 4 the Real Estate Management Services (REMS).

¹⁸ Department of Public Works and Infrastructure (2022), p. 100.



3.6 Programme 6: Facilities Management Services 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 R3.69 billion for the 2022/23 financial year, which is an increase of R46.3 million. This is an increase of 1.3 per cent in nominal terms (but a decrease of 3.1 per cent in real terms) from the revised appropriation of R3.65 billion in 2021/22.

The following targets are reported for the 2022/23 financial year:¹⁹

- 220 Condition assessments conducted on identified/prioritised properties.
- Assess critical components to determine the condition of 440 components (lifts, boilers, HVAC²⁰ and Gensets and Water systems).
- 180 preventative maintenance contracts in place to reduce reactive maintenance.

4. OBSERVATIONS

The PMTE receives a substantial budget with which to implement the priorities outlined above, particularly as it relates to the building of a capable State and ensuring excellence in the planning and execution by the Government.

The PMTE under the six main programmes is responsible for ensuring completion of new infrastructure; the maintenance of existing immovable assets; the creation of EPWP work opportunities through construction projects; increasing revenue through the rentals of State-owned properties as well as ensuring that the State's Immovable Asset Register is updated and reliable, amongst other priorities. The PMTE also makes available properties for the victims of Gender-Based Violence.

The Entity also needs to continue filling the specialist skills vacancies required, which include: Economists; Property Managers; Chartered Accountants; Property Lawyers and Property Valuers. As noted previously, the lack of these specialist skills, have often meant that the Department operated at a disadvantage, particularly when signing lease agreements with landlords in the private sector.

5. KEY ISSUES FOR CONSIDERATION BY PARLIAMENT

The following issues are specific to the Department and the PMTE:

- Monitor the conclusion of the implementation of the Department's Turnaround Strategy and its results.

¹⁹ Department of Public Works and Infrastructure (2022), p. 104.

²⁰ Heating, Ventilation, and Air Conditioning.



- The Department to report on how the Infrastructure Development Coordination function is being integrated and carried out.
- The Department to report on the progress made in the updating and completion of a reliable and accessible Immovable Asset Register.
- The Department to report on the progress made in the assessment of the compliance of the nine Provincial Immovable Asset Registers.
- Report on continued progress on the Department's leasing portfolio.
- The Department to report on progress made in terms of the continued operationalisation of the PMTE.
- The Department to report on the progress made to ensure that the PMTE remains a going concern.
- The Department to report on the role of Infrastructure South Africa (ISA) in the implementation of the infrastructure component of the Department.
- The Department to report on the filling of vacant positions, particularly those in specialist areas, such as, Accountants, Property Lawyers, Economists and Property Managers, Property Valuers and Chartered Accountants.
- The Department should ensure the continued monitoring of the Supply Chain Management (SCM) and procurement processes.
- The Department to report on its internal controls of its budget and that of the PMTE, for example, its leasing portfolio. This includes the timely payments to the Department by Client Departments for accommodation leased on its behalf.
- The Department to report on the progress of the PMTE infrastructure and maintenance projects.
- The Department to report on the progress made to address any irregular, as well as, fruitless and wasteful expenditure.
- The Department to report on the vesting and physical verification programmes.
- The Department to report on the progress made and cost effectiveness in the preventative maintenance programme and if it realised any savings in this regard?
- What processes has the Department and the PMTE instituted to address the continued impact of the COVID-19 pandemic, since the national lockdown in March 2020, and the different variants to date? What are the future plans to address the possible on-going impact of the COVID-19 pandemic?
- What impact has the construction mafia had on the Department and PMTE completing its planned infrastructure projects?

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