

Parliamentary Portfolio Committee on Public Works and Infrastructure

CIDB Annual Report 2021/22

13 October 2022

LAYOUT

- Legislative Mandate
- Strategic Goals
- Context
 - Programme Perspective
- Programme Performance and Highlights
 - Summary
 - Other highlights
- Contribution to the Economic Recovery and Reconstruction Plan
- Audit Outcomes
- Financial Report

Legislative Mandate, Vision, Mission & Values

MANDATE

Summary of the cidb's Legislative Mandate

1. Provide **strategic leadership** to construction industry stakeholders
2. Promote **sustainable growth** of the construction industry and **the participation of the emerging sector** in the industry
3. Promote improved performance and **best practice of public and private sector clients**, contractors and other participants in the construction delivery process
4. Promote **uniform application of policy** throughout all spheres of government and **promote uniform and ethical standards, construction procurement reform, and improved procurement and delivery management** – including a code of conduct
5. **Monitoring and regulating** the performance of the industry and its stakeholders, including the registration of projects and contractors

VISION

A **transformed construction** industry that is **inclusive, ethical** and contributes to a prosperous South Africa and the World

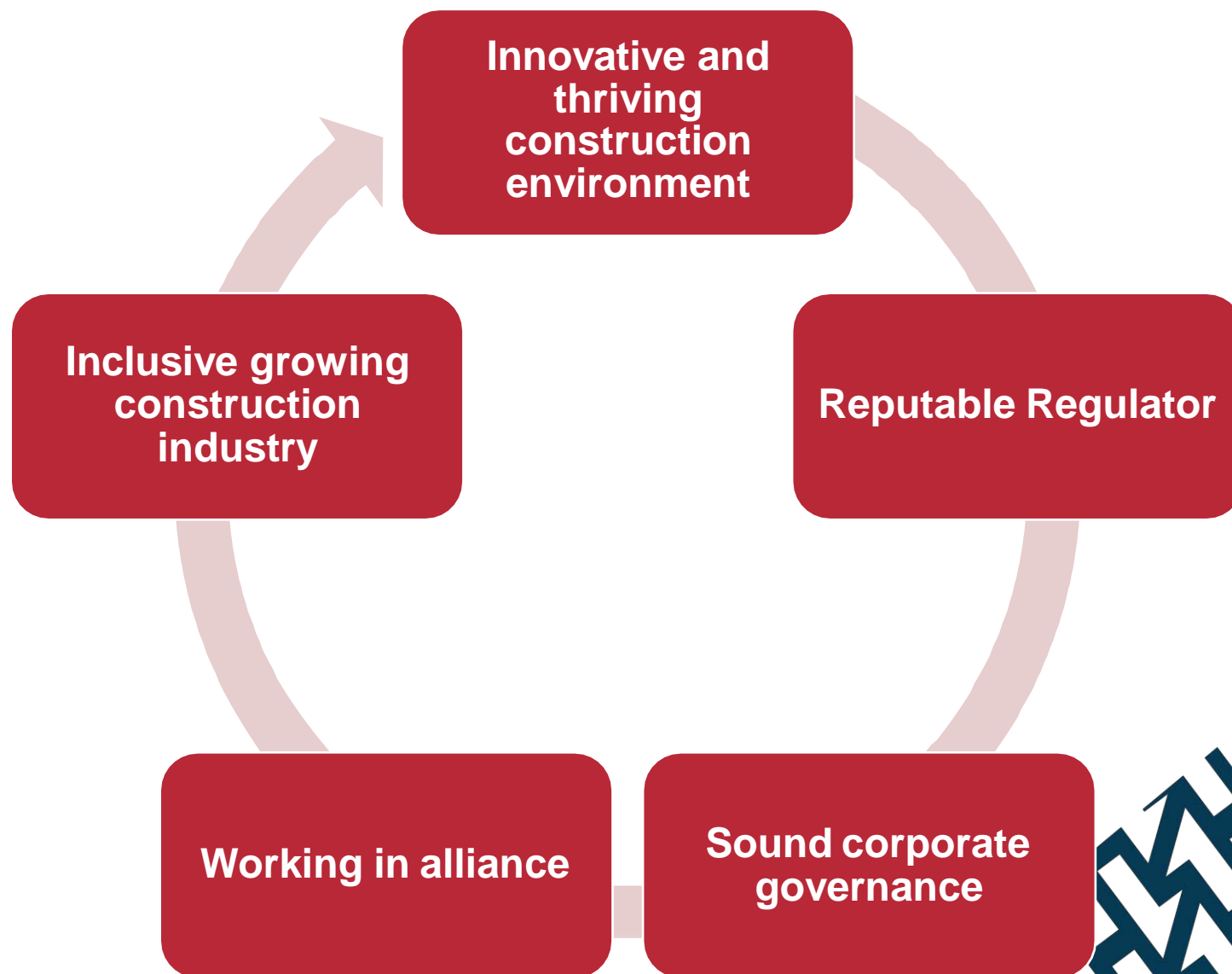
MISSION

We exist in order to **develop** the construction industry through **regulatory** support, **strategic interventions** and **partnerships**

VALUES

Responsive ,efficient ,effective, innovative, ethical, accessible agile

Strategic Goals of the cidb (2020/25)



PROGRAMME PERSPECTIVES

Programme Perspective

- **Programme 1 – Administration**
- **Programme 2 – Research and Development**
- **Programme 3 – Construction Industry Regulations**
- **Programme 4 – Construction Industry Performance**
- **Programme 5 – Procurement and Development**
- **Programme 6 – Provincial Offices**

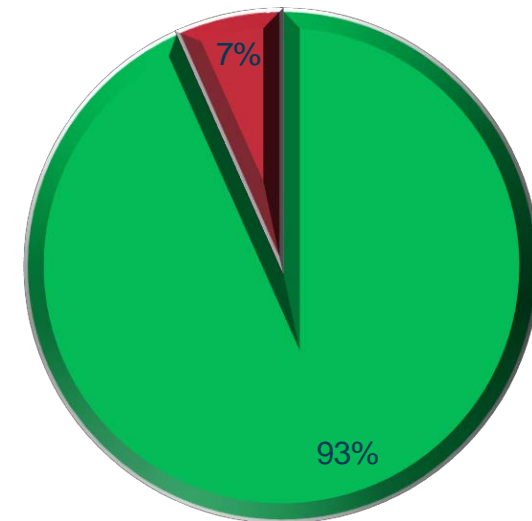
Programme Performance: Summary

31 March 2022

PERFORMANCE OVERVIEW

Programme	No. of Targets	Achieved	Not Achieved
Administration	5	5	0
Research and Development	1	1	0
Construction Industry Regulations	3	3	0
Construction Industry Performance	2	2	0
Procurement and Development	1	1	0
Provincial Offices	3	2	1
Total	15	14	1

Overall Performance



■ Achieved
 ■ Non achieved

Divisional Performance

No	Programme	Output indicator	Annual Target	Annual Performance
1	Programme 1	Number of fraud awareness workshops for staff	1	1
2		% System uptime	93%	99%
3		% expenditure on BBBEE compliant suppliers	90%	96%
4		% invoices paid within 30 days	100%	100%
5	Programme 2	Number of stakeholder forums conducted	1	1
6		Number of research studies conducted	2	2
7	Programme 3	Number of revised registration criteria assessments performed	1	1
8		Number of non-registered projects identified against the RoP	1 500	1 507
9		% of grade 1 to 9 contractors registered within 21 working days for compliant applications	90%	99%
10	Programme 4	Number of industry monitoring and evaluations conducted	4	4
11		Number of reports on public sector expenditure	1	1
12	Programme 5	Number of learners offered experiential learners' opportunities	150	153
13	Programme 6	Number of client departments capacitated on contractor development	22	0
14		Number of grade 1 to 6 contractors provided with contractor development support	270	367
15		Number of client departments capacitated on IDMS	70	108

Programme Performance: Non-Achievements

Performance Indicator

Reason for Non-Achievement

Number of client departments capacitated on contractor development

23 client departments were capacitated but due to a misalignment between source of data available and the source of data on the technical indicator description (TID), it was reported as 0 and not achieved as management are not able to produce the evidence as stated on the TID.

Remedial Action

- The source of data has been revised on the 2022/23 APP.

- **Other Performance**
- **Information and Highlights**
-

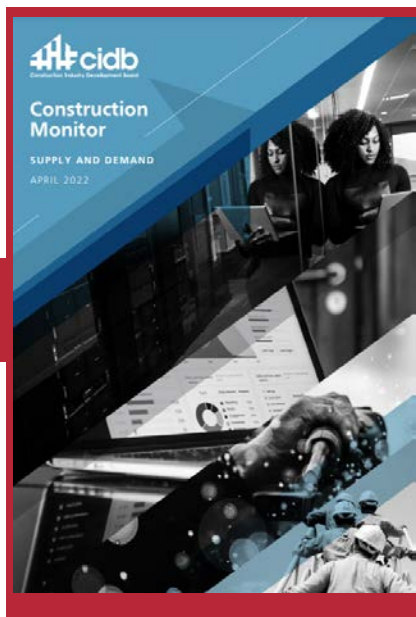
Highlights – 2021/22

- 153 learners offered **experiential learning opportunities**
- 367 contractors provided with **contractor development support**
- Contribution to the **Economic Reconstruction and Recovery Plan**: Increase government spending against budget, through client training and capacitation; driving enterprise and skills development through infrastructure projects
 - 108 client departments capacitated on **Infrastructure Delivery Management System (IDMS)** and implementation of the **cidb B.U.I.L.D Programme**.
- The cidb Produced 2 female PHD's, 2 Master's completed and 5 honours through the cidb centre of excellence partnership with the University of Johannesburg.
- The cidb Produced, through the **cidb Centre of Excellence** the first documented **construction-related fourth industrial revolution research** in South Africa. The second study examined the causes and effects on stakeholders of construction tender cancellation.
- **Implementation of the B.U.I.L.D Programme**. Stakeholder capacitation conducted countrywide.
- **National Stakeholder Forum** convened for industry to advise Minister and cidb on matters affecting the construction industry
- Hosted the Empowerment and Recognition of Women in Construction (**ERWIC**) **awards**.
- The cidb maintained its lead role in construction-related skills competition, **WorldSkills** South Africa.

cidb Quarterly Industry Monitor

- The cidb Construction Monitor: four quarterly cidb Construction Monitor publications covering:

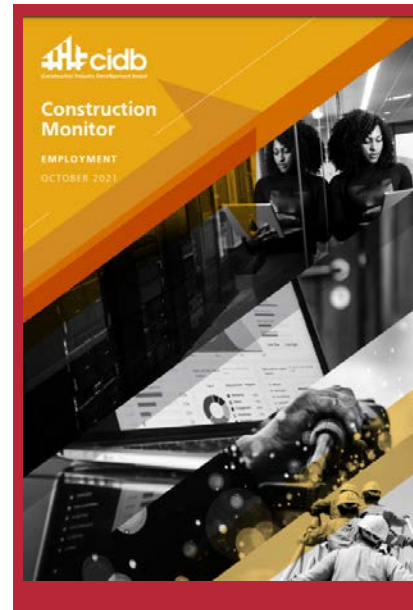
Quarter 1



Quarter 2



Quarter 3



Quarter 4



Supply and Demand - Infrastructure Spending: Public Sector (Budget)

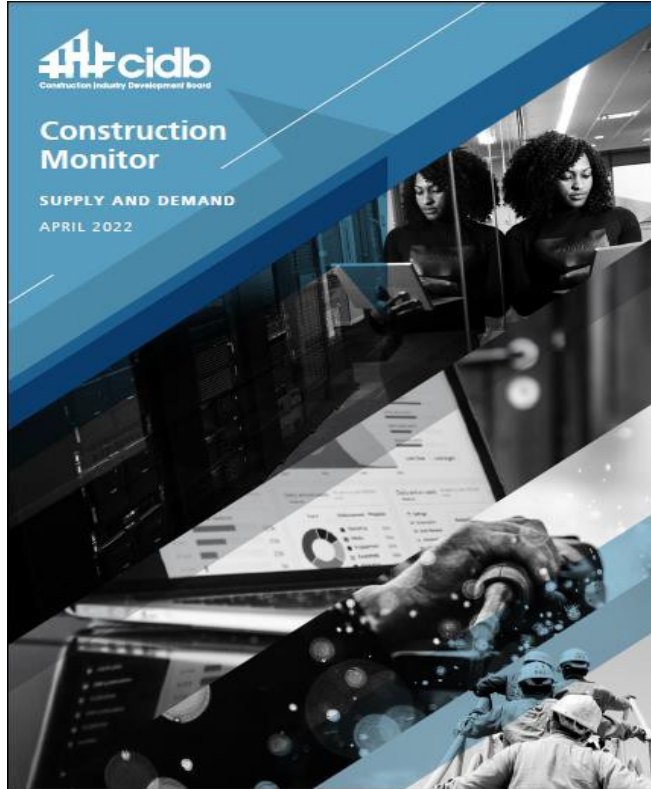
Entities	R million		Contribution (%)		Expenditure (%)
	2020/21 Adjusted Budget	2020/21 Expenditure	2020/21 Budget	2020/21 Expenditure	% spent in 2020/21
State-Owned Companies	78 693	50 816	31%	28%	65%
Municipalities	69 204	55 622	28%	30%	80%
Provincial Departments	63 108	51 787	25%	28%	82%
Public Entities	18 250	8 837	7%	5%	48%
National Departments	15 615	11 446	6%	6%	73%
Public Private Partnerships	5 494	4 872	2%	3%	89%
Total	250 364	183 380	100%	100%	73%

Supply and Demand - Infrastructure

Spending: Public Sector

- State-Owned Companies and Public Entities collectively account for 44% of the total public infrastructure budget. Municipalities and Provincial Departments also account for a significant portion of the public sector infrastructure budget, 24% respectively. The remaining entities; National Departments and Public-Private Partnerships account for around 8% of the public sector infrastructure budget.
- During the 2018/19 to 2020/21 financial years, there has been massive underspending by State-Owned Companies. Over the 2018/19 to 2020/21 financial years, State-Owned Companies spend less than 70% of their budget and Municipalities spent less than 90% of their budget. The underspending by State-Owned Companies has been increasing, at the end of the 2020/21 financial year, they spent only 48% of their budget and 65% of their adjusted budget. The deterioration in the spending on public sector infrastructure is largely due to a decline in spending by State-Owned Companies.

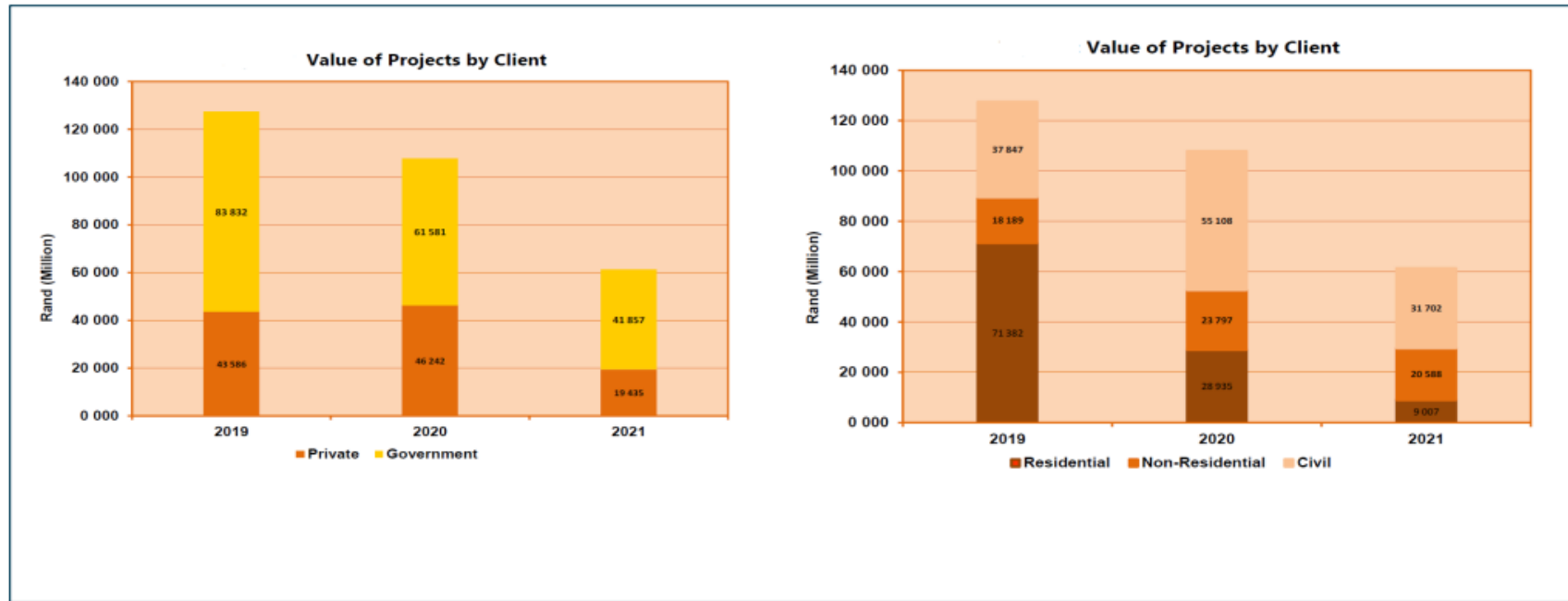
Construction Monitor: Supply and Demand



The cidb Construction Monitor; Supply and Demand, April 2022 provides an overview of the structure of the construction industry, public sector infrastructure spending and business conditions in South Africa and covers Quarter 2 of 2021 to Quarter 1 of 2022.

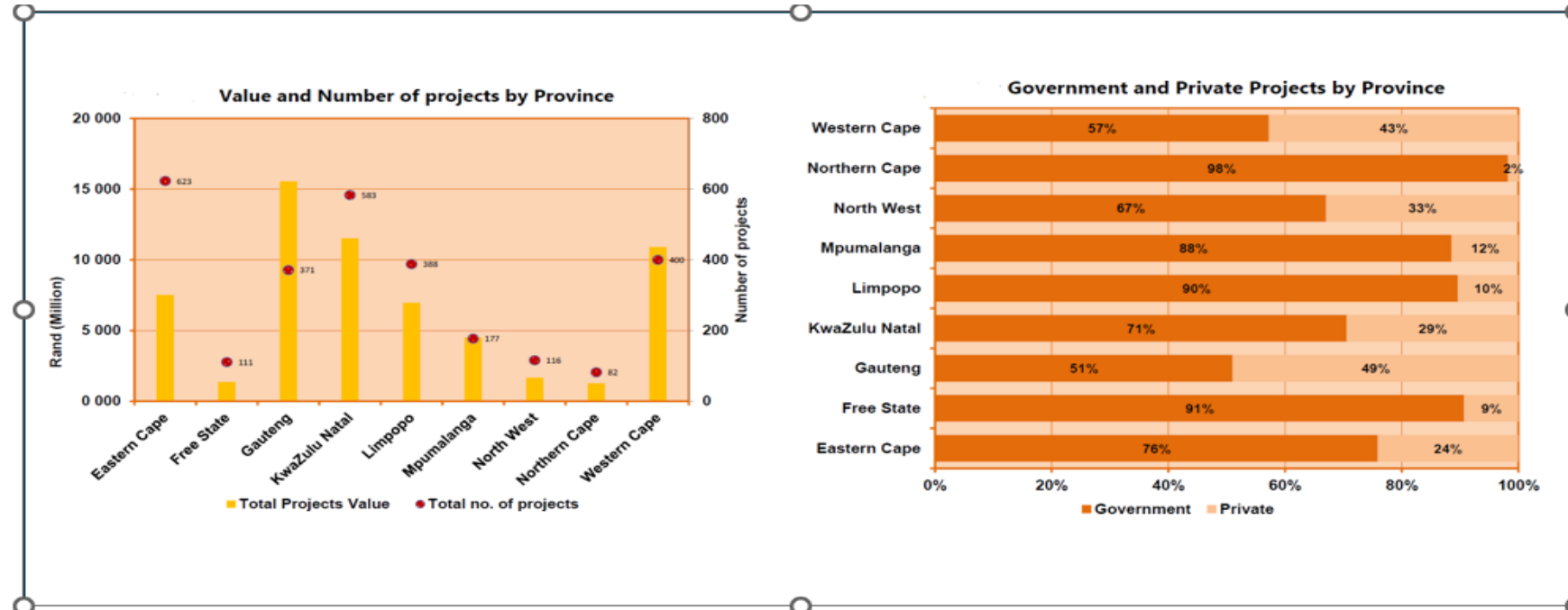
The Construction Monitor focuses on public sector supply and demand at national and provincial levels and deals primarily with the General Building (GB) and Civil Engineering (CE) cidb Classes of Works.

Construction Monitor: Supply and Demand



- At the end of 2021, the value of construction projects awarded declined by 43% to R61 billion. The number of awards also declined by 15% to 2851 (2020: 3370). Construction projects were concentrated in the following provinces: Gauteng (25%), KwaZulu Natal (19%), Western Cape (18%) and Eastern Cape (12%).
- Proportion of projects between public sector and private sector stands at 68% and 32% in 2021. Both the public and private sectors recorded a decline in the value of projects awarded. Private sector project awards contracted by 58% while public sector projects contracted by 32%. In value terms, private sector projects were around R19,4 billion in 2021, in comparison to 2020, the value of the projects declined by around R27 billion. Public sector projects were around R42 billion in 2021, in comparison to 2020, the value of the project declined by around R20 billion.

Construction Monitor: Supply and Demand



- In 2021, the public sector dominated the projects awarded in all 9 provinces, it accounted for more than 70% of projects awarded in 6 provinces. In value terms, the highest amount of projects awarded by the public sector was in KwaZulu Natal (R8 billion) and Gauteng (R7,9 billion). The private sector had the largest proportion of projects awarded in only two provinces, Gauteng (49%) and Western Cape (43%). In value terms, the amount of projects awarded in Gauteng and Western Cape was around R7,6 billion and R4,6 billion.

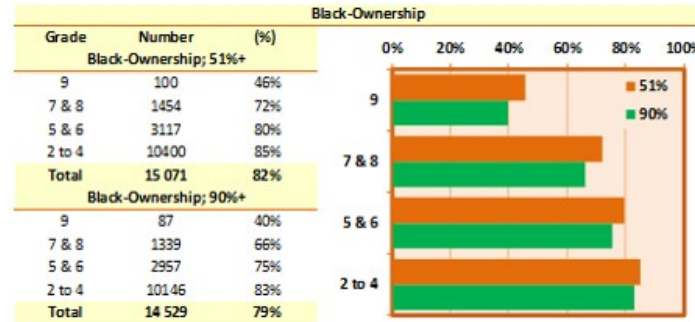
Transformation Black ownership of Grades 7 to 9 contractor enterprises, 51%+

Quarterly Monitor

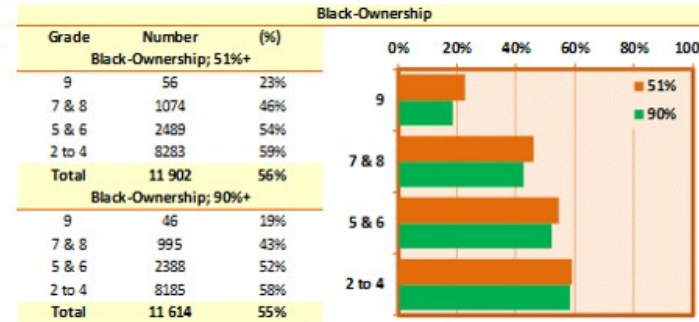
- cidb Quarterly Monitors indicate a reduction in the levels of contractor ownership across black, women and youth ownership categories (statistics covered later)
- Due to poor economic conditions, slow pace of project rollout, impact of Covid-19
- Also impact on the cidb in terms of number of contractor registrations

Transformation – Black-Owned Contractor Enterprises in Grades 7 to 9, 51%+

Black-Ownership 202101



Black-Ownership 202201



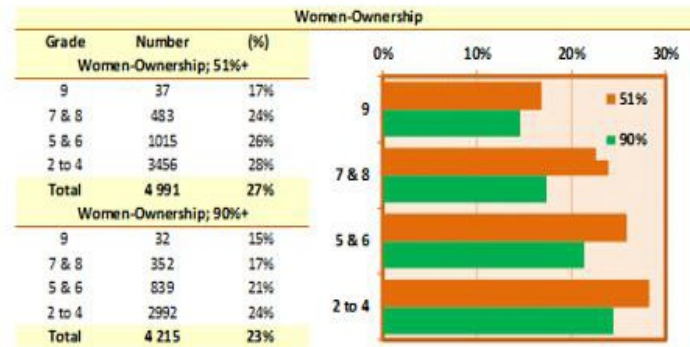
Targets

Five year target	21/22 Target	21/22 Actual Performance
75%	72%	35%

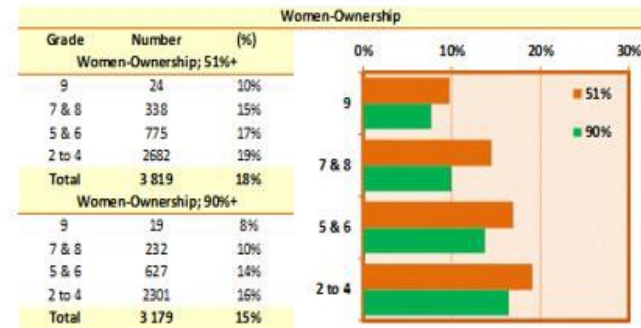
- The construction industry - including professional service providers, contractors and materials suppliers remains largely under-transformed. This lack of transformation in contractor ownership and access to work opportunities is particularly pronounced in grades 7 to 9.
- The assessment above shows that there has been a significant decrease in Black ownership across Grades 7 to 9 when comparing the period 202101 and 202201. Transformation decreases with increasing cidb grade (size of the company). Specifically, for black ownership of 51+% and 90+% above.

Transformation – Women-Owned Contractor Enterprises in Grades 2 to 9; 51%+

Woman-Ownership 202101



Woman-Ownership 202201



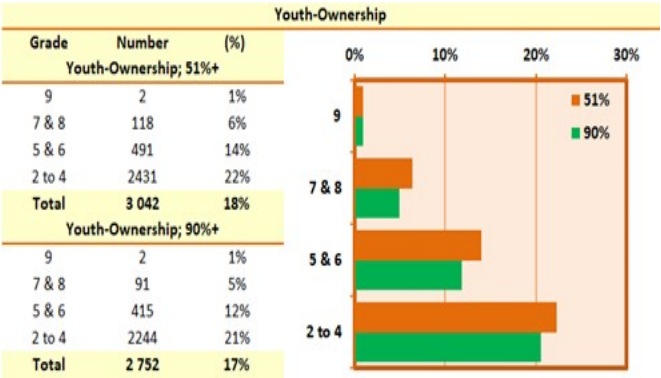
Targets

Five year target	21/22 target	21/22 Actual Performance
40%	36%	18%

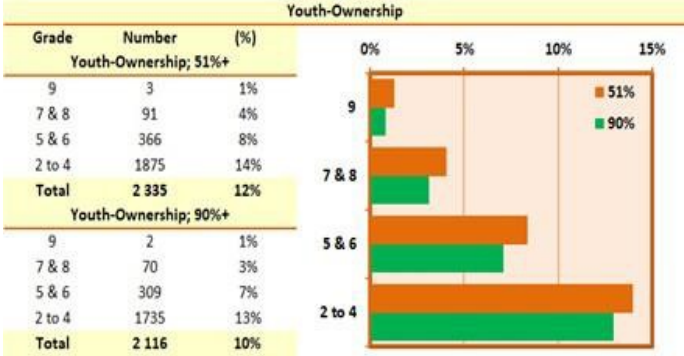
- For women ownership of 51% and above, it amounts to around 27% in the second quarter of 202101 of all contracting enterprises, showing a significant decrease to 18% in the first quarter of 2022. While a significant decrease was seen for women-ownership above 90%, amounting to a total of 15% in 2022Q1. The overall performance indicates that the women ownership has increased.

Transformation – Youth-Owned Contractor Enterprises Ownership across all Grades; 51%+

2021Q1



2022Q1



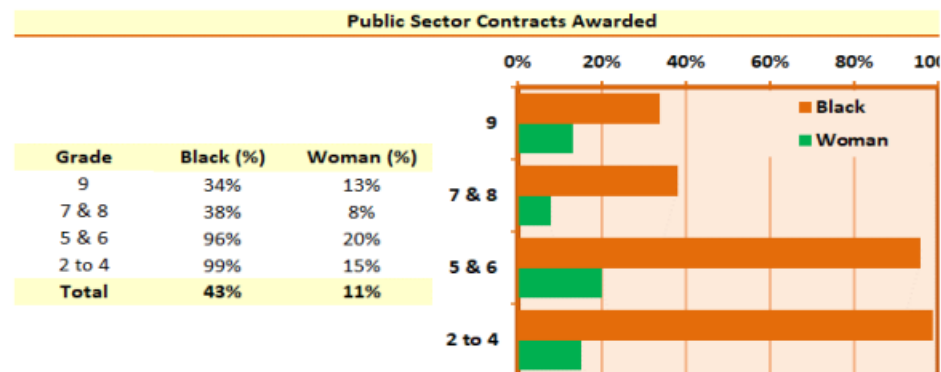
Targets

Five year target	21/22 target	21/22 Actual Performance
35%	34%	12%

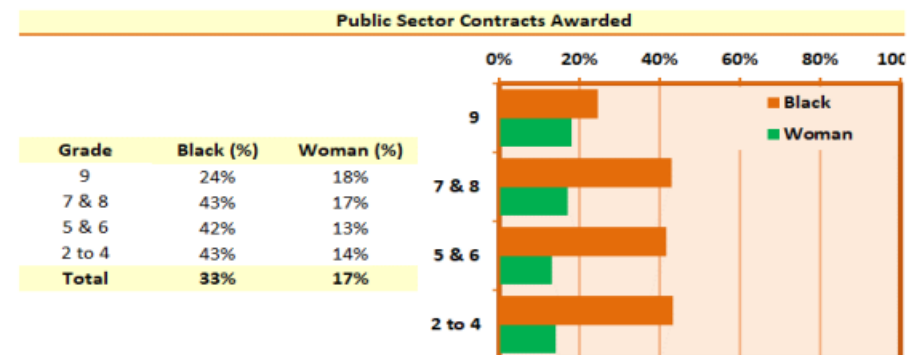
- Youth ownership of 51% and above, youth-ownership amounts to around 18% in 2021Q1. For 2022Q1 the 90% youth owned entities have dropped to around 10% of the active cidb registered entities.

Transformation – Participation

Public Sector Awards 2021Q1



Public Sector Awards 2022Q1



Overall, it is seen that black-owned contractors (51% and more), who make up 56% of registered contractors, are accessing in total around 33% of public sector awards for the 2022Q1 period, which is a significant decrease from 43% in the 2021Q1 period. Of concern is that the percentages of work accessed in Grade 2 to 4 have decreased from 99% to 43% in relation to 2021Q1. Similar conclusions can be drawn for women-owned contractors, who accessed around 17% of total public contract awards in the 2022Q1 period, which is up from 11% in 2021Q1.

CIDB Act (38 of 2000) is under review: Accelerate development and transformation through the Amendment Act, Provide for a client recognition scheme to promote improved technical capacity in order to drive accelerated infrastructure delivery; Increase private sector contribution to development and transformation,...

Research Studies

- Two research studies were conducted during the year and findings of the researches are documented below:

1. Transformation: Reasons for deregistration of cidb contractors in Grade 7 and 9.	2. Tender Cancellations: Nature, causes, and impacts on the South African Construction Industry
<ul style="list-style-type: none"> Client department's failure to roll-out large scale infrastructure has contributed to a dire construction industry with a negative impact to CIDB registered companies Deteriorating economy that has led to liquidation in some cases Legislation not providing enough help in transforming the construction industry particularly in Grade 9 contractors affected by the 90/10 Preferential Procurement Act principle Client departments does not pay on time and this have dire consequences to already struggling companies 	<ul style="list-style-type: none"> No responsive tenders No acceptable tenders received Tender validity expired Non-compliant with SCM regulations Ambiguities in tender specifications Material irregularities in tender process Changes in circumstances Insufficient budget to cover scope of work

Other highlights

- cidb participated in the WorldSkills Africa Competitions 2022 hosted by WorldSkills Namibia took place from the 29 March to 02 April 2022 and a participant supported by cidb in the competition Mr Lungelwa Mthethwa won gold.
- The Empowerment and Recognition of Women in Construction (ERWIC) Awards was held in August 2021.



B.U.I.L.D Implementation Progress

- Compliance with the registration of projects with the cidb, which is a precursor to the B.U.I.L.D Programme is slow, averaging 38%. There are promising signs as large SOE's i.e. SANRAL and Eskom have made commitments to the B.U.I.L.D Programme. Over R 12 million contributed to the B.U.I.L.D fund.
- Client capacitation is being conducted nationally. 108 client departments have been capacitated on the implementation of the cidb B.U.I.L.D Programme in the 2021/22 year, and technical support to specific clients, including SOE's.
- Further guidelines for client implementation of B.U.I.L.D Programme are being developed
- Key account managers have been assigned to work with selected clients.

Compliance with the cidb Register of Projects

Tender Awards Compliance Indicator (%) per 4 rolling Quarters

Metropolitan Municipalities	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
Buffalo City Metropolitan Municipality	83%	86%	100%	100%	67%	25%
City of Cape Town Metropolitan Municipality	50%	67%	72%	67%	58%	46%
City of Tshwane Metropolitan Municipality	50%	100%	100%	50%	20%	0%
Ekurhuleni Metropolitan Municipality	42%	33%	0%	0%	0%	0%
eThekweni Metropolitan Municipality	0%	0%	0%	0%	0%	0%
Mangaung Metropolitan Municipality	92%	94%	100%	100%	100%	100%
Nelson Mandela Metropolitan Municipality	0%	0%	0%	0%	0%	0%

Tender Awards Compliance Indicator (%) per 4 rolling Quarters

Municipal Entities	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
City Power Johannesburg	-	-	0%	0%	0%	0%
City of Joburg Property Company SOC Ltd	25%	25%	-	-	0%	0%
Joburg Market	-	0%	0%	0%	0%	0%
Johannesburg City Parks	100%	100%	-	-	-	-
Johannesburg Development Agency	67%	69%	70%	50%	40%	0%
Johannesburg Roads Agency	-	100%	100%	100%	80%	33%
Johannesburg Social Housing Company	0%	0%	-	-	-	-
Johannesburg Water	100%	43%	33%	33%	27%	25%
Mandela Bay Development Agency	67%	100%	100%	75%	60%	50%
Pikitup (Pty) Ltd	-	-	-	33%	33%	33%

Tender Awards Compliance Indicator (%) per 4 rolling Quarters

National Departments	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
Department of Rural Development and Land Reform	33%	46%	67%	33%	44%	33%
Department of Water and Sanitation	95%	100%	100%	67%	67%	31%
National Department of Public Works	57%	55%	46%	46%	44%	37%
South African Police Services	88%	89%	86%	100%	89%	82%

Compliance with the cidb Register of Projects

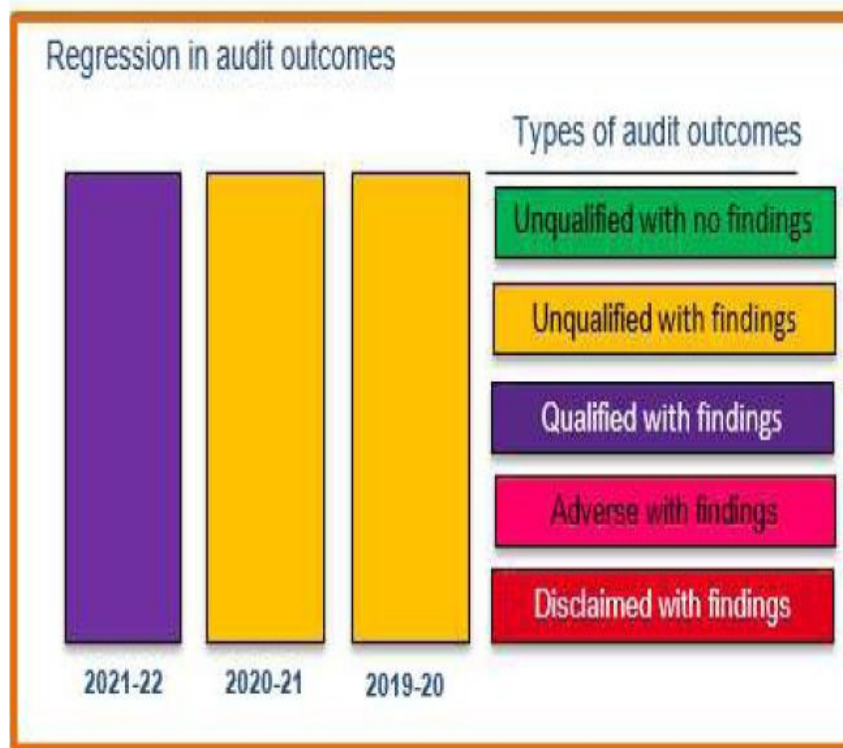
Tender Awards Compliance Indicator (%) per 4 rolling Quarters						
Provincial Departments	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
Department of Agriculture and Rural Development; Gauteng	0%	0%	0%	-	-	-
Department of Agriculture and Land Administration; Northern Cape	72%	20%	31%	35%	35%	46%
Department of Agriculture; Limpopo	100%	100%	100%	-	-	-
Department of Agriculture, Rural Development Land and Environmental Affairs; Mpumalanga	90%	82%	92%	92%	92%	77%
Department of Education; Free State	0%	0%	0%	0%	0%	0%
Department of Education; Limpopo	18%	18%	-	-	-	0%
Department of Education; North West	21%	22%	29%	-	-	0%
Department of Health; Eastern Cape	0%	0%	0%	0%	0%	0%
Department of Health; Free State	-	100%	100%	45%	45%	40%
Department of Health; Gauteng	0%	0%	0%	0%	0%	0%
Department of Health; KwaZulu-Natal	84%	86%	78%	65%	64%	60%
Department of Health; North West	0%	0%	0%	0%	0%	0%
Department of Health; Western Cape	48%	47%	0%	100%	100%	50%
Department of Human Settlements; Free State	0%	0%	0%	0%	-	-
Department of Human Settlements; Western Cape	100%	-	-	-	-	0%
Department of Infrastructure Development; Gauteng	10%	30%	47%	67%	54%	36%
Department of Police, Roads and Transport; Free State	0%	0%	-	-	-	-
Department of Public Works and Infrastructure; Free State	29%	17%	33%	60%	56%	36%
Department of Public Works; North West	15%	6%	25%	-	100%	67%
Department of Public Works; KwaZulu-Natal	63%	56%	58%	43%	39%	32%
Department of Public Works, Roads and Transport; Mpumalanga	43%	17%	3%	4%	3%	3%
Department of Roads and Public Works; Eastern Cape	20%	7%	0%	0%	0%	0%
Department of Rural Development and Agrarian Reform; Eastern Cape	100%	100%	100%	75%	62%	44%
Department of Sports, Arts and Culture; KwaZulu-Natal	0%	0%	-	-	-	-
Department of Transport and Public Works; Western Cape	65%	81%	73%	63%	70%	52%
Department of Transport; KwaZulu-Natal	3%	10%	25%	33%	52%	39%
Department of Public Works; Limpopo	92%	92%	100%	-	-	-

cidb Governance and Performance

AUDIT OUTCOMES

- The audit outcome improved in other areas except for the regression in the financial statements that led to a change in the overall audit opinion from an unqualified audit opinion with findings to a qualified audit opinion in the current year.
- The reason for the qualification was due to the entity having a new revenue stream in the current year for BUILD fees, where all the construction contracts awarded during the current year that qualify for a best practice fee were not charged as they were not declared on the Register of Projects (ROP) by client departments.
- Improvements were noted in supply chain management processes and performance information as there were no audit findings raised in the current year.

2021/22 AUDIT OUTCOME



1 To improve/maintain the **audit outcomes** ...



2 ... the key role players need to **assure** that ...

Interventions required in order to achieve clean audit

Interventions	Progress
<ul style="list-style-type: none"> Internal audit to assist with the review of BUILD revenue before final audit 	<ul style="list-style-type: none"> To be done by February 2023
<ul style="list-style-type: none"> Report to the Audit Committee progress on addressing audit findings for oversight including root causes 	<ul style="list-style-type: none"> To be submitted by December 2022
<ul style="list-style-type: none"> Produce interim financial statement for audit purpose to identify non-compliance prior to external audit 	<ul style="list-style-type: none"> To be submitted by December 2022

- **Financial Report**

- **31 March 2022**

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Construction Industry Development Board
Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Position as at 31 March 2022

	Note	2022	2021
Assets			
Non-Current Assets			
Property, plant and equipment	3	106 007 902	96 555 529
Intangible assets	4	29 438 002	31 266 094
		135 445 904	127 821 623
Current Assets			
Receivables from exchange transactions	5	9 270 594	5 663 452
Receivables from non-exchange transactions	6	31 107 602	-
Cash and cash equivalents	7	174 462 698	169 577 691
		214 840 894	175 241 143
Total Assets		350 286 798	303 062 766
Liabilities			
Current Liabilities			
Income received in advance	9	94 279 023	86 378 222
Finance lease obligation	8	277 232	-
Payables from exchange transactions	11	17 744 471	14 118 432
Employee benefits	10	6 873 903	5 469 803
		119 174 629	105 966 457
Non-Current Liabilities			
Finance lease obligation	8	351 707	-
Total Liabilities		119 526 336	105 966 457
Net Assets		230 760 462	197 096 309
Accumulated surplus		230 760 462	197 096 309
Total Net Assets		230 760 462	197 096 309

Statement of Financial position analysis

- Cidb continued with a financial healthy position with R174m (2021:R169m) positive cash resources.
- A significant increase in current assets was as a result of a new income stream for B.U.I.L.D

Construction Industry Development Board
Annual Financial Statements for the year ended 31 March 2022

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2022	2021
Revenue			
Revenue from exchange transactions			
Assessment fees		50 537 921	48 267 500
Other income	13	371 606	58 604
Finance income	14	6 986 443	7 937 135
Total revenue from exchange transactions		57 895 970	56 263 239
Revenue from non-exchange transactions			
<i>Transfer revenue</i>			
Government grants	15	78 166 000	72 442 640
B.U.I.L.D Fees	16	43 419 216	-
Donation received	17	250 000	250 000
Annual fees		46 789 628	53 898 491
Service in Kind		1 018 739	1 292 011
Total revenue from non-exchange transactions		169 643 583	127 883 142
Total revenue	12	227 539 553	184 146 381
Expenditure			
Employee Benefit Cost	18	(111 784 209)	(97 355 665)
Members' emoluments	19	(3 145 516)	(3 008 461)
Depreciation and amortisation	20	(3 732 953)	(3 767 488)
Finance costs	21	(7 336)	-
Debt Impairment reversal/(loss)	22	180 780	(354 725)
Bad debts written off		(141 014)	(36 297)
Operating expenses	23	(75 742 158)	(60 998 600)
Total expenditure		(194 372 406)	(165 521 236)
Operating surplus	25	33 167 147	18 625 145
Gain/(Loss) on disposal of property, plant and equipment		497 005	(507 074)
Surplus for the year		33 664 152	18 118 071

Statement of Financial position analysis

- Increase in surplus for the year compared to the previous financial year mainly due to income in B.U.I.L.D revenue
- Employee costs increased due to some of the key positions that were filled during the year.

THANK YOU