Report of the Portfolio Committee on Public Works and Infrastructure on Budget Vote 13: Public Works and Infrastructure, dated 29 March 2023.

The Portfolio Committee on Public Works and Infrastructure, having met on 15, 22, and 29 March 2023; and having deliberated on the Annual Performance Plans (APPs) of the Department of Public Works and Infrastructure (DPWI, the department), the Property Management Trading Entity (PMTE), and the public works and infrastructure entities; reports as follows:

1. Introduction

The Public Finance Management Act (1999) defines the Minister of Public Works and Infrastructure as the executive authority of the department. The Act further defines the Director-General (DG) as the accounting officer of the department; he or she must comply with the provisions of the Constitution and the PFMA and ensure sound financial management of the allocated budget and the business of the department. The Minister provides policy (political) leadership to the DG and the senior management team over how the department and the public works and infrastructure entities[1], should use the allocated budgetary and human resources to translate policy ideals into implementable programmes.

1.1. The mandate of the DPWI

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 as the custodian and portfolio manager of government's immovable assets.

1.2. A shift towards policy and regulating leadership for the DPWI

During the 2015/16 financial year the policy leader initiated a shift in the focus of the department. This resulted in a division between the policy making, regulating, and monitoring arms on the one hand, and the practical implementation of the department's mandate on the other; the DPWI performs the policy making, regulating, and monitoring functions, while the core operating and administration functions of the department shifted to the PMTE.

This shift means that the DPWI performs the functions of:

- policy formulation.
- setting uniform standards for the coordination, collection, and validation of employment creation at national, provincial and municipal government and other public bodies.
- setting uniform standards for the management, leasing, contracting, and maintenance 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 professional built environment services to user/client departments.
- importantly, the department 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 perform public works and infrastructure implementation roles.

The PMTE performs the administrative functions through which the policies of the DPWI is implemented. In order to ensure that it acts as property management, maintenance, and accommodator of government, it has a national footprint across the country. The PMTE does its work from eleven regional offices situated in Cape Town, Pretoria, Johannesburg, Upington, Kimberley, Bloemfontein, Durban, Umtata, Mbabatho, East London, and Port Elizabeth. This national footprint is important but there is a need to more effectively

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[1] These are the Council for the Built Environment (CBE), the Construction Industry Development Board (CIDB), Agrément South Africa (ASA), and the Independent Development Trust (IDT).

manage administrative, budgetary and contractual matters between head office in Pretoria and each regional office.

The annual performance plans (APPs) of the DPWI and PMTE show the department's stated policy objectives, programmes and sub-programmes, resource allocations (human and financial). It also describes how the budget will be applied to implement the broad policies of government. These APPs sets out performance targets, performance indicators, and timeframes within which the predetermined objectives should be achieved. It does not, however, refer to the effect of the inevitable tension between decentralised regional offices and centralised control from the head office.

In this report, before dealing with the APP and budgetary resource analysis, the committee first assesses whether the policy and programmatic objectives are aligned with the broad policy of government, the transformative trajectory of the NDP, Economic Recovery and Reconstruction Plan (ERRP), Medium Term Strategic Framework (MTSF) 2019/20 to 2024/25, and the policy imperatives set out by the President in the State of the Nation Address (SONA).

2. Alignment of the DPWI Strategic Outcomes with the policy priorities of the NDP, the ERRP and the SONA over the Medium Term Strategic Framework (MTSF)

In the APP the DPWI emphasised matters on the policy list related to the priorities dealt with by government in the NDP, Economic Recovery and Reconstruction Plan (ERRP), Medium Term Strategic Framework (MTSF) 2019/20 to 2024/25. They relate strongly to the following policy imperatives set out by the President in the State of the Nation Address (SONA).

Infrastructure development as catalyst to massify employment creation:

Government identified infrastructure development as the catalytic drive that would stimulate economic activity, create employment, and drive the country towards social improvement.

Infrastructure South Africa (ISA)

The inclusion of Infrastructure South Africa (ISA) in the organogram of the DPWI is a strategic policy initiative to implement investment through blended funding mechanisms. A memorandum of agreement between the ISA, the Development Bank of South Africa (DBSA) and National Treasury spelled out the different functions of each to roll out a pipeline of blended financed infrastructure projects throughout the MTSF. The infrastructure pipeline is to be funded by the R100 billion Infrastructure Fund that will be leveraged to get the private sector to invest and participate in increase infrastructure investment. Several projects have been approved by Cabinet as part of the National Infrastructure Plan (NIP) 2050, to be implemented in a Single Infrastructure Project Pipeline gazetted as Strategic Integrated Projects (SIPs). Of these, five SIP programmes are implemented by the Department which include:

SIP 21m: Small Harbours Development: National;
SIP 25: Rural Bridges "Welisizwe" Programme;
SIP 28: PV and Water Savings on Government Buildings Programme;
SIP 29: Comprehensive Urban Management Programme; and
SIP 36: Salvokop Precinct.

Improved Leveraging of Public Procurement

The department committed to improve and strengthen public procurement. It emphasised the development of Small, Micro, and Medium Enterprises (SMMEs) and local supplier industries so that localised economies are developed and included in the larger economy, and more employment opportunities are created.

In deliberations with this portfolio committee, the department conceded that it faces significant backlogs due to property and infrastructure not being properly maintained. It committed to improve the condition of and preserve the existing property portfolio. It wants to address maintenance inefficiencies by undertaking less unscheduled maintenance. Unfortunately, this matter has been raised several times in the past as a programmatic weakness. The department refers to the involvement of the private sector to improve this identified challenge. It further states the involvement of ISA in a newly designed Refurbishment Operate and Transfer (ROT) programme in a public-private partnership arrangement. This stated intention is new; the committee needs detailed information on the three facilities referred to as part of the pilot; including budgeted and resourced items linked to stated performance targets and scheduled indicators regarding this initiative in the

APP.

Stated Intentions - Improve Ten Areas of Business

The department identified the following as initiatives to improve how it performs its business:

1. **A Change Management Programme** that seeks to bring about a Capable and Ethical DPWI located in the Constitutional Values and Principles of Public Administration and Batho Pele;
2. **A Service Delivery Improvement Programme (SDIP)** that is underpinned by Service Standards and Charters with service beneficiaries that is characterised by customer responsiveness and orientation throughout the value chain (Batho Pele);
3. **A Business Process Management Programme** including the implementation of the Infrastructure Delivery Management System (IDMS) and the Sustainable Infrastructure Development System (SIDS) methodology to address among others, the lack of coordination in the property management and infrastructure delivery business;
4. **Implement the Enterprise resource planning (ERP)** Fast Track Programme (aligned to the aforementioned business process management programme) to advance automation and the replacement of manual systems and processes;
5. **Review the Macro Business and Delivery Model of the DPWI**, and associated revision of the Structural Model of the Department (and consequently the Regional Office and Head Office Models), and associated governance and accountability arrangements;
6. **Establish the Ethics and Compliance, Infrastructure and Consequence Management Unit** in the Department to guide and enforce expected standards of behaviour;
7. **Radically improve Contract Management and Monitoring Capability** to mitigate contract delivery risk throughout the Department;
8. **Implement an Organisation Wide Skills Assessment** to determine the current skills mix and the interventions, including an expedited capacitation drive, required to optimise service delivery;
9. **Organisation-wide maturity within Strategic Planning** (the ability to plan for results), Performance Monitoring (monitor and deliver results) and Risk Management (anticipate and avoid/mitigate uncertainties before they occur) in partnership with the National School of Government; and
10. **Sustaining a Clean Audit for DPWI and PMTE** - The successful implementation of the above interventions is intended to move the department towards a clean audit in both the Main Vote and the Property Management Trading Entity (PMTE).

3. Analytic comments on the DPWI, PMTE APPs and its links with enablers for priority policy interventions

During this administrative term the committee provided input on a list of key enablers (in line with the NDP and the MTSF) within the ERRP that enables it to check on how the DPWI, PMTE and public works entities are faring in its APPs and outputs to put these in place. We repeat it in this report for 2022/23. As some of the stubborn inadequacies identified in previous years continues to hamper performance, we repeat it in this year's report.

3.1. DPWI's APP alignment with the ERRP, NDP and Vision 2030

The programmes of the DPWI, PMTE and public works entities, as infrastructure developers, property managers, accommodators, and maintainers of government assets, play a key role in the economic recovery and reconstruction of the country. The DPWI, PMTE and public works and infrastructure entities must in its APPs and budgetary allocation for this financial year show that its programmes are going to implement these as enablers that ensure recovery and reconstruction.

The recovery and reconstruction described in the ERRP, aligned with the NDP and Vision 2030 and the SONA is the plan along which those objectives will be implemented in the 2021/22 financial year.

The APPs of the department, PMTE and entities must be firmly aligned with the South African ERRP. It is reasonable to expect the following interventions to feature in its programmes:

- Aggressive infrastructure investment.

- Employment orientated strategic localization, reindustrialization and export promotion.
- Gender equality and economic inclusion of women and youth.
- Green economy interventions – across the portfolio, but especially through the work of the Agrément South Africa; and
- Mass public employment interventions – through the coordination of EPWP projects through Programme 3 of the DPWI.

We now turn to the manner in which programmes, human resources and budgetary allocations have been applied to ensure that these policy interventions can be achieved during the 2023/24 financial year.

4. The budget allocation for 2023/2024

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	2022/23	2023/24	2024/25	2025/26	2022/23-2023/24		2022/23-2023/24	
1. Administration	555,0	554,8	568,8	595,1	- 0,2	- 26,1	-0,04 per cent	-4,71 per cent
2. Intergovernmental Coordination	62,2	59,8	63,2	65,5	- 2,4	- 5,2	-3,86 per cent	-8,35 per cent
3. Expanded Public Works Programme	3 035,9	3 078,0	3 226,6	3 369,0	42,1	- 101,7	1,39 per cent	-3,35 per cent
4. Property and Construction Industry Policy and Research	4 427,7	5 028,2	5 242,2	5 469,5	600,5	365,6	13,56 per cent	8,26 per cent
5. Prestige Policy	71,8	61,4	66,8	70,0	- 10,4	- 13,3	-14,48 per cent	-18,48 per cent
TOTAL	**8 152,6**	**8 782,2**	**9 167,6**	**9 569,1**	**629,6**	**219,4**	**7,72 per cent**	**2,69 per cent**

Source: National Treasury (2023) and own calculations

DPWI receives a voted allocation of R8.78 billion for 2023/24 with which to accomplish the priorities listed above. This represents an increase of 7.7 per cent in nominal terms, and 2.7 per cent in real terms (calculating the impact of inflation) from the 2022/23 adjusted appropriation of R8.15 billion. The Department's budget represents approximately 0.1 per cent of the national appropriation by Vote, excluding direct charges.

In terms of economic classification, the departmental budget includes Transfers and Subsidies totalling 85.3 per cent of the budget, with a total monetary value of R7.49 billion (compared to R7.04 billion in the adjustment period). This constitutes a 6.4 per cent nominal increase, and 1.5 per cent in real terms since the growth in the allocation is below the projected average inflation rate of 4.9 per cent for 2023/24.

R1.64 billion of the Transfers and Subsidies is in the form of conditional grants to Provinces and Municipalities, while a total of R4.65 billion is allocated to Departmental Agencies and Accounts.

For 2023/24, Current Payments amount to 14.6 per cent (i.e. R1.28 billion) and Capital payments to 0.1 per cent of the budget (i.e. R8.7 million).

Compensation of Employees decreases by R9.6 million (from R597.2 million in the 2022/23 adjusted period) to R587.6 million in 2023/24.

Goods and Services increases by R198.3 million (from R496.7 million in the 2022/23 adjusted period) to R695.0 million, of which the following line items are sub-categorized below:

Programme	Budget		Nominal Increase/ Decrease in 2023/24	Real Increase/ Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
R million	2022/23	2023/24				
1. Administrative Fees	93,1	92,0	- 1,1	- 5,4	-1,18 per cent	-5,80 per cent
2. Consultants: Business and Advisory Services	48,2	226,2	178,0	167,4	369,29 per cent	347,37 per cent
3. Agency and Support/ Outsourced Services	62,2	70,1	7,9	4,6	12,70 per cent	7,44 per cent
4. Operating Leases	75,8	72,5	- 3,3	- 6,7	-4,35 per cent	-8,82 per cent

5. Property Payments	21,4	48,4	27,0	24,7	126,17 per cent	115,60 per cent
6. Travel and Subsistence	43,5	44,1	0,6	- 1,5	1,38 per cent	-3,36 per cent
7. Interest on Rent and Land	0,0	0,0	0,0	0,0	-	-
TOTAL	**496,7**	**695,0**	**198,3**	**165,8**	**39,9**	**33,39**

Source: National Treasury (2023) and own calculations

Revenue generated

The PMTE lets properties and official quarters, and sells land and buildings that generates revenue for the DPWI. It projects that it will collect revenue to the total value of R1.46 million for 2023/24. This is a decrease of R6.17 million from the R7.63 million reported in adjusted period of 2022/23. The DPWI sub-categorizes the sale of Goods and Services it produces according to Sales generated through market establishments and Other sales.

- R309 000 is expected to be generated through the Sale of Goods and Services produced by the DPWI, of which:
    - R130 000 is generated through Market establishment (covered and open rental parking).
    - R4 000 is generated through Administration fees (Servitude rights).
    - R175 000 is generated through Other Sales: Tender documents.

The DPWI also generates revenue as follows:

- R750 000 in Interest, dividends and rent on land.
- R400 000 in Transactions in financial assets and liabilities.
- The Department consists of five main programmes, which include sub-programmes. Following below is an expenditure analysis by programme.

4.1. Budgetary allocations per programme

Programme 1: Administration

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

This programme plays an important role in giving effect to first priority of the National Development Plan (NDP) and Vision 30; that is, to *build a capable, ethical and developmental state.* This priority is also expressed in the Medium Term Strategic Framework (MTSF) for the five-year term 2019-2024, as a crucial mode that is required to achieve Vision 2030.

The department is in the initial stages of including various functions that come with its new infrastructure mandate. Accordingly, some funds that were allocated as above to the various sub-programmes of Programme 1, will be used to achieve the aim to organise it into a "streamlined and outcomes-based"[2] department that is "focused on implementation"[3]. The Strategic Plan of the DPWI states that it wants to be *agile, ethical, compliant and capable*, "where everyone wants to work, with improved efficiencies achieved through seamless automated processes and a robust support infrastructure to enable effective service delivery."[4]

The department lists the following in its Strategic Plan as performance targets for this financial year:

- Reach an Ethics and Fraud Perception survey rating of 41-60 per cent.
- A good governance compliance management practices rate of 100 per cent.

[2] DPWI Strategic Plan 2020-2025, p. 9

[3] Ibid.

[4] Ibid.

- A performance information level of 81-100 per cent.
- Spend 100 per cent of the allocated budget.
- Percentage of vacancy rate at 11 per cent.
- Provide designated groups of 40 per cent women and 2 per cent people with disabilities with empowerment and opportunities.
- Ensure 30 per cent of business process automation.
- Information, Communication and Technology (ICT) architect to enable business solutions for digitisation and modernization of 30 per cent of the system.

For 2023/24, the *Administration* programme receives an allocation of R554.8 million, which proportionally represents 6.3 per cent of the overall departmental budget. Its allocation decreases by R200 000 and constitutes (a nominal rate decrease of 0.04 per cent and a decrease by 4.7 per cent in real terms) from the R555.0 million adjusted allocation of 2022/23.

In terms of economic classification, the *Administration* programme budget includes Current Payments to the value of R547.7 million, (of which R301.1 million is to be spent on Compensation of Employees). The budget for the Compensation of Employees under Programme 1 increases by R2.9 million or 0.97 per cent in nominal terms and a decline of
3.7 per cent in real terms in 2023/24.

Further, the Department allocates R246.7 million to Goods and Services. This constitutes an increase of R2.6 million (or 1.1 per cent in nominal terms), and a decline of 3.7 per cent in real terms from the R244.1 million adjusted allocation in 2022/23. Further expenditure trends for Goods and Services (in real terms) for 2023/24 as below:

Programme	Budget		Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
R million	2022/23	2023/24				
1. Computer Services	37,7	44,9	7,2	5,1	19,10 per cent	13,53 per cent
2. Consultants: Business and Advisory Services	19,5	17,4	- 2,1	- 2,9	-10,77 per cent	-14,94 per cent
3. Legal Services	21,0	22,3	1,3	0,3	6,19 per cent	1,23 per cent
4. Operating Leases	72,2	71,3	- 0,9	- 4,2	-1,25 per cent	-5,86 per cent
5. Property Payments	21,1	29,7	8,6	7,2	40,76 per cent	34,18 per cent
6. Travel and Subsistence	15,6	18,0	2,4	1,6	15,38 per cent	9,99 per cent
TOTAL	**244,1**	**246,7**	**2,6**	**- 8,9**	**1,1 per cent**	**-3,66 per cent**

Source: National Treasury (2023) and own calculations

A total of R6.1 million is allocated towards Capital expenditure. This constitutes a decrease of R3.9 million (or 39.0 per cent in nominal terms and 41.9 per cent in real terms), from the R10.0 million of the previous year. The above-allocation is for Machinery and Equipment.

As noted above, a large portion of the Administration budget is allocated towards Compensation of Employees and Goods and Services. The Department indicates that the key role is to align people to processes and systems to drive organisational performance.

Programme 2: Intergovernmental Coordination

DPWI 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.

Performance targets for this year are:

- Coordinate the updating of the Immovable Asset Registers, the construction and management of State infrastructure, the implementation of the Government Immovable Asset Management Act (No.

19 of 2007), and performance information reporting within the Public Works Sector by holding regular meetings and engagements with Provinces over the medium term.

- Ensure coordination in the Public Works Sector through the development, implementation and monitoring of the approved Sector Plan by holding regular meetings over the medium term.
- Coordinate and manage the supply of Built Environment Skills to support State infrastructure delivery by increasing the number of Built Environment graduates in the Department's Skills Pipeline Strategy to 3 500 over the medium term.
- Complete the review of two Sector Performance Reports.
- Ensure the participation of 1 100 beneficiaries in the Department Skills Pipeline Intervention Programmes; aimed at restoring the skills pipeline in the built environment.
- Programme 2 was one of the main programmes of the Department prior to some of its sub-programmes and functions being shifted to Programme 4 (see below).

Programme	Budget		Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
R million	2022/23	2023/24				
1. Monitoring, Evaluation, and Reporting	5,9	5,7	- 0,2	- 0,5	-3,39 per cent	-7,90 per cent
2. Intergovernmental Relations and Coordination	25,7	25,6	- 0,1	- 1,3	-0,39 per cent	-5,04 per cent
3. Professional Services	30,7	28,5	- 2,2	- 3,5	-7,17 per cent	-11,50 per cent
TOTAL	**62,2**	**59,8**	**- 2,4**	**- 5,2**	**-3,9 per cent**	**-8,35 per cent**

Source: National Treasury (2023) and own calculations

Its 2023/24 allocation of R59.8 million, constitute a decrease of R2.4 million. This represents a nominal decrease of 3.9 per cent (and 8.4 per cent in real terms) from the R62.2 million allocated in the 2022/23 financial year.

Expenditure for Programme 2 for the 2023/24 financial year currently consists of the following three sub-programmes:

- *Monitoring, Evaluation and Reporting* receives an allocation of R5.7 million.[16] This is a decline of R200 000 from the R5.9 million received in 2022/23, which constitutes a nominal decrease of 3.4 per cent (and 7.9 per cent in real terms) from the previous year.
- *Intergovernmental Relations and Coordination* receives an allocation of R25.6 million. This is a decrease of the R100 000 from the R25.7 million received in 2022/23, which constitutes a nominal decrease of 0.39 per cent (and 5.0 per cent in real terms) from the previous year.
- *Professional Services*[17] is allocated R28.5 million. This is a decrease of R2.2 million from the R30.7 million received in 2022/23, which constitutes a nominal decrease of 7.2 per cent (and 11.5 per cent in real terms) from the previous year.

In terms of economic classification, R52.9 million is allocated to Current payments. This constitutes a decrease of R2.5 million or 4.5 per cent in nominal terms (9.0 per cent in real terms) from the R55.4 million of the previous year.[18] This amount is divided as follows:

- Compensation of employees consists of R40.2 million (a decrease of R3.1 million).
- Goods and Services is allocated R12.8 million (an increase of R700 000 from the adjusted allocation of R12.1 million in 2022/23).

In terms of assisting to achieve the stated policy task of Building a Capable State in the SONA, and MTBPS the DPWI states that its Professional Services Branch (PSB) in Programme 2 contributes by developing competent, skilled and motivated Built Environment professionals through supported learning interventions and focused experiential learning processes.

It does this by allocating R6.4 million towards Bursaries Non-Employees: Infrastructure-related Studies, an increase of R300 000, from the adjusted allocation of R8.1 million in 2022/23.

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.

For 2023/24, Programme 3 is appropriated R3.08 billion which proportionally represents 35.1 per cent of the overall departmental budget. Expenditure under Programme 3 increases at a nominal rate of 1.4 per cent (which translates into a real decrease of 3.4 per cent).

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*.

We present the EPWP sub-programmes as follows:

Programme	Budget		Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
R million	2022/23	2023/24				
1. EPWP: Monitoring and Evaluation	56,5	59,3	2,8	0,0	4,96 per cent	0,05 per cent
2. EPWP: Infrastructure	1 306,1	1 316,0	9,9	- 51,6	0,76 per cent	-3,95 per cent
3. EPWP: Operations	1 581,8	1 607,9	26,1	- 49,0	1,65 per cent	-3,10 per cent
4. EPWP Partnership Support	83,3	85,3	2,0	- 2,0	2,40 per cent	-2,38 per cent
5. EPWP: Public Employment Coordinating Commission	8,3	9,5	1,2	0,8	14,46 per cent	9,11 per cent
TOTAL	**3 035,9**	**3 078,0**	**42,1**	**- 101,7**	**1,4 per cent**	**-3,35 per cent**

Source: National Treasury (2023) and own calculations

- EPWP: Monitoring and Evaluation receive R59.3 million. In real terms this sub-programme allocation increases by 0.05 per cent from the previous year.
- EPWP: Infrastructure receives R1.32 billion. In real terms, this sub-programme
- allocation decreases by 3.95 per cent from the previous year.
- EPWP: Operations receives R1.61 billion. In real terms, this sub-programme allocation decreases by 3.1 per cent from the previous year.

In terms of economic classification, Programme 3's budget includes Current Payments to the value of R381.7 million, of which R193.6 million is allocated to Compensation of Employees. Compensation of Employees increases with R5.2 million from the R188.4 million of the previous year.

Expenditure on *Goods and Services* amounts to R188.1 million, an increase of R10.7 million (which translates into a real increase of 1.08 per cent from R177.4 million of the previous year).

The bulk of the expenditure under Programme 3 constitute Transfers and Subsidies amounting to R2.70 billion, (from the R2.67 billion in 2022/23) representing a nominal increase of R26.1 million or 1.0 per cent and (a decline of 3.7 per cent in real terms). Of this amount, R1.64 billion is assigned to Provinces and Municipalities and is allocated as follows:

- R1.05 billion is allocated to Non-profit institutions.
- R781.4 million towards the *Integrated Grant for Municipalities*.
- R434.8 million towards the *Integrated Grant for Provinces*.
- R426.5 million towards the *Social Sector Incentive Grant for Provinces*.

Programme 4: Property and Construction Industry Policy and Research

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.

- Public Works Bill Gazetted.

The following performance targets are stated for this programme:

- Amendment of the Construction Industry Development Board (cidb) Act (No. 38 of 2000) submitted to the Minister.
- Infrastructure Development Act Regulations gazetted.
- Amendments to align the Infrastructure Development Act of 2014 to the functions of the Infrastructure South Africa rather than to that of the coordination tasks of the Presidential Infrastructure Coordinating Commission (PICC).

The allocation for this programme nominally increases from an allocation of R4.43 billion in 2022/23 to R5.03 billion in 2023/24, which proportionally represents 57.3 per cent of the overall departmental budget. This allocation constitutes an increase of 13.6 per cent in nominal terms and 8.3 per cent in real terms.

Programme	Budget		Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
R million	2022/23	2023/24				
1. Construction Policy Development Programme	44,8	63,3	18,5	15,5	41,29 per cent	34,69 per cent
2. Property Policy Development Programme	12,3	11,7	- 0,6	- 1,1	-4,88 per cent	-9,32 per cent
3. Construction Industry Development Board	80,0	80,3	0,3	- 3,5	0,37 per cent	-4,31 per cent
4. Council for the Built Environment	54,5	54,7	0,2	- 2,4	0,37 per cent	-4,32 per cent
5. Independent Development Trust	70,3	0,0	- 70,3	- 70,3	-100,00 per cent	-100,00 per cent
6. Construction Education and Training Authority	0,6	0,6	0,0	0,0	0,00 per cent	-4,67 per cent
7.Property Management Trading Entity	3 996,0	4 470,8	474,8	266,0	11,88 per cent	6,66 per cent
8. Assistance to Organisations for the Preservation of National Memorials	28,4	29,5	1,1	- 0,3	3,87 per cent	-0,98 per cent
9. Infrastructure Development Coordination	140,8	317,2	176,4	161,6	125,28 per cent	114,76 per cent
TOTAL	**4 427,7**	**5 028,2**	**600,5**	**365,6**	**13,6 per cent**	**8,26 per cent**

Source: National Treasury (2023) and own calculations

Programme 4 consists of nine sub-programmes, including the *Property Management Trading Entity* (PMTE), which receives the bulk of the allocation, with R4.47 billion for 2023/24 from the R4.0 billion of the previous year.

The sub-programmes received the following allocations for 2023/24:

- *Construction Policy Development Programme* is allocated R63.3 million, a real increase of 34.7 per cent in real terms from the previous year.
- *Property Policy Development Programme* is allocated R11.7 million, (a nominal decrease of R600 000 from the R12.3 million) and a real decrease of 9.3 per cent.
- *Construction Industry Development Board* (cidb) is allocated R80.3 million (a nominal increase of R300 000 from R80.0 million), a decrease of 4.3 per cent in real terms from the previous year.
- *Council for the Built Environment* (CBE) receive an allocation of R54.7 million (an increase of R200 000 from the R54.5 million), and a 4.3 per cent decrease in real terms.
- *Construction, Education and Training Authority* (CETA) receive an allocation of R600 000, (an increase of R0 from the R600 000 in 2022/23), which constitutes a decrease of 4.7 per cent in real terms.
- The PMTE (as noted above) receives an allocation of R4.47 billion, an increase of 6.7 per cent in real terms.

In 2020/21 a new sub-programme namely *Infrastructure Development Coordination* has been created.

This sub-programme provides support to the Presidential Infrastructure Coordinating Commission, in line with the Infrastructure Development Act (No. 23 of 2014). To perform this task, R317.2 million was transferred to this sub-programme; this is an increase of R176.4 million, from the R140.8 million for 2022/23, which is an increase of 114.8 per cent in real terms.
Other transfers were made from Programme 4 as follows:
rate when transferring the funds. The unpredictable weakening of the Rand against the major foreign currencies may result in the Department requiring an increase in its allocation from National Treasury.

- *Agrément South Africa* is allocated R34.1 million, (an increase of R100 000) from the R34.0 million allocation of 2022/23.

For 2023/24 no allocation made to the:

- *Independent Development Trust (IDT),* which receives no allocation for 2023/24, from the R70.3 million adjusted allocation of 2022/23.
  As this entity is a Schedule 2 entity, it should be self-sustaining and not receive an allocation from the Department, as is the case for Schedule 3 entities. The DPWI is at pains to explain that previous transfers should be viewed as an emergency and out-of-the-norm-effort to assist the continued operational functioning of the entity. The IDT developed into a responsive development agency with a well-established presence across the country. The IDT's total revenue is reportedly expected to increase from R267.5 million in 2022/23, to R499.7 million in 2025/26, mainly driven by an increase in Management Fees charged to Client Departments.

Other Transfers is made to the *Industrial Development Corporation (IDC)*, which coordinates sectoral planning for, and the implementation of development and investment in public infrastructure.[35] The IDC receives an allocation of R110.7 million for 2023/24. This is an increase of R20.3 million (and an increase of 16.7 per cent in real terms) from the R90.4 million adjusted allocation in 2022/23.[36]
In terms of economic classification, Current Payments totals R246.8 million, which is an increase of R174.0 million (or 223.2 per cent in real terms) from the R72.8 million adjusted allocation in 2022/23.[37]
Compensation of employees receives an allocation of R22.2 million, which is a decrease of R13.3 million (or a decline of 40.4 per cent in real terms) from the R35.5 million adjusted allocation in 2022/23.
Goods and Services totals R224.6 million for 2023/24. This constitutes an increase of R187.3 million (or 474.0per cent in real terms) from the R37.3 million adjusted allocation of the previous year.

Programme 5: Prestige Policy[5]

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

The following performance targets are stated for 2022/23:

- Support 19 planned State events with movable structures.
- Provide movable assets to Prestige Clients within 60 working days.
- Support five planned State events with movable structures.
- 100 per cent of movable assets provided within 120 working days approval by Prestige Clients.
- 80 per cent provision of movable assets from a Condition Assessment Register of Movable Assets.

Budgetary Allocation for 2023/24:

[5] This programme was known as Auxiliary and Associated Services in previous years. It used 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. Currently, it focuses on meeting protocol responsibilities for State functions with an additional function to provide norms and standards for the Prestige Accommodation Portfolio.

Programme	Budget		Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
R million	2022/23	2023/24				
1. Prestige Accommodation and State Function	66,0	54,7	- 11,3	- 13,9	-17,12 per cent	-20,99 per cent
2. Parliamentary Villages Management Board	5,8	6,7	0,9	0,6	15,52 per cent	10,12 per cent
TOTAL	**71,8**	**61,4**	**- 10,4**	**- 13,3**	**-14,5 per cent**	**-18,48 per cent**

Source: National Treasury (2023) and own calculations

The budget for Programme 5 equals R61.4 million in 2023/24 and proportionally represents 0.7 per cent of the overall departmental budget. The allocation declines by R10.4 million from the R71.8 million in the previous year and represents a nominal decrease of 14.5 per cent and 18.5 per cent in real terms.

A large portion of the budget is allocated to Current Payments, which amount to R53.4 million. A total of R30.6 million is allocated towards Compensation of Employees. The Transfers and Subsidies budget of R7.0 million includes an allocation of R6.7 million to Departmental Agencies and Accounts (i.e. Parliamentary Villages Management Board); R200 000 to Households and R1.1 million to Payment for Capital Assets (i.e. Machinery and Equipment).

4.2. The Property Management Trading Entity (PMTE)

We referred to the DPWI being the policy, regulation, and legislation leader of the sector. We said that since the 2015/16 financial year when the PMTE was operationalised the property management functions, (including those related to immovable assets, liabilities and staff), was moved to the PMTE to align the expenses and revenue to the underlying assets."

In its planning documents the DPWI therefore 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.

The operationalisation of the PMTE shifted the operational or implementation focus from the DPWI to the PMTE. Its 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, the leasing, and the payments of property rates on behalf of client departments 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. This function of leasing, collecting the accommodation-related, and maintenance costs from clients requires legislation that enforces client departments to pay user-charges, project management, professional property management, and construction costs to the PMTE. This legislation unfortunately remains outstanding. This requires **Programme 4 Property and Construction Industry Policy and Research** to complete the review of the White Papers 1997 and 1999 as the precursor to the draft Public Works Bill and amendments to some of the entities that would give enforcement powers to collect such fees and charges. In addition to collecting user-charges and providing specialist property and construction management services to government departments, 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 2014/15-2019/20 MTSF period, this committee found that it did not work efficiently. The entity faces challenges to attract and retain relevantly qualified and experienced property specialists in its Real Estate and Investment Services branch that should play a key role in

unlocking the value of government immovable property.
The Government Immovable Asset Act (GIAMA) amongst others, stipulates that for each government building, User, and Custodian Immovable Asset Maintenance Plans (UIAMPs and CIAMPS) had to be developed as tools with which to keep track of the conditions of properties, and the different duties that the custodian and the user had to play. This is crucial if the PMTE is to concretize its stated vision of providing "Convenient access to dignified public services." The South African public must feel secure and safe while they access services. In addition, the public administration that work inside government properties also need to be secure and well catered for in terms of work conditions.
The PMTE Registry Services branch that should manage the Immovable Asset Register (IAR) and coordinate UIAMPs and CIAMPs also struggled to attract and retain qualified and experienced property specialists. The department consistently reported that these positions were being filled, yet the vacancy rate remains high from one financial year to the next. *Because these specialist skills make it a very competitive terrain so that properly qualified and experienced personnel easily move from the PMTE to private property companies, the PMTE and the DPWI will have to undertake a property specialist retention strategy.* The challenge is to fill and retain such personnel in positions in the PMTE. Failure to do this means that the DPWI and PMTE continue to operate at a disadvantage.
The 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. Five years since the PMTE has been operationalised, the programme continues to struggle 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 implement strategies with which to unlock the value of government's immovable asset portfolio. The current five-year strategic plan and this year's performance plan also do not show evidence of a focused strategy to progress in that direction. The assessment, verification, and progressive completion of the state property portfolio remains in progress. The committee is not unreasonable in this regard; it understands that by its very nature, the IAR will not be absolutely completed as older buildings may be removed when sold, while newly constructed and procured properties may be added on an annual basis. It is, however, fair to expect the IAR to be in a much better state with the Real Estate Registry branch having a measured control over all immovable assets and the condition, value, and debt associated with each. The information contained in the IAR is the foundation that the REIS branch requires to unlock the value of government property. A reasonably completed IAR means that the value of government property is regularly updated in compliance with the Generally Recognised Accounting Practice (GRAP) requirement, which enables the REIS to perform its function.

4.3. The PMTE Budget:

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real %change
R million	2022/23	2023/24	2024/25	2025/26	2022/23-2023/24		2022/23-2023/24	
1. Administration	840,5	856,6	897,9	912,3	16,1	- 23,9	1,92 per cent	-2,85 per cent
2. Real Estate Investment Services	229,5	207,3	199,6	203,0	- 22,2	- 31,9	-9,67 per cent	-13,89 per cent
3. Construction Management Services	486,5	473,2	484,4	492,4	- 13,3	- 35,4	-2,73 per cent	-7,28 per cent
4. Real Estate Management Services	12 749,5	13 897,6	15 001,9	9 384,8	1 148,1	498,9	9,01 per cent	3,91 per cent
5. Real Estate Registry Services	103,6	85,2	67,6	68,8	- 18,4	- 22,4	-17,76 per cent	-21,60 per cent
6. Facilities Management Services	4 406,2	4 186,9	4 337,9	3 827,2	- 219,3	- 414,9	-4,98 per cent	-9,42 per cent
TOTAL	**18 815,8**	**19 706,8**	**20 989,3**	**14 888,5**	**891,0**	**- 29,5**	**4,74 per cent**	**-0,16 per cent**

In terms of economic classification, the PMTE budget includes revenue with a total monetary value of R23.85 billion, an increase of R1.46 billion from the R22.39 billion adjusted allocation in 2022/23.
The revenue of R23.85 billion falls under two categories, i.e. Non-tax Revenue and Transfers Received:

1. 1. R19.38 billion in *Non-Tax Revenue*, which is comprised of the:
   R19.29 billion – Sale of Goods and Services other than Capital Assets.
1. 2. R6.15 billion – Other Sales.
   R84.3 million – Other Non-Tax Revenue.
1. 3. R4.47 billion in *Transfers Received*.

The PMTE generates revenue mainly through charging rental fees to User Departments for accommodation.
Current Expenses equals R17.79 billion for 2023/24, which is an increase of R722.3 million or 4.2 per cent in nominal terms, (which is a decline of 0.6 per cent in real terms), from the R17.07 billion for the adjusted period of 2022/23.
It comprises of *Compensation of Employees*, which increases by R9.8 million (from R2.16 billion in the 2022/23 adjusted period) to R2.17 billion in 2023/24. As well as, *Goods and Services*, increases by R712.5 million or 4.8 per cent in nominal terms, (which is a decline of 0.1 per cent in real terms), from R14.91 billion in the 2022/23 adjusted period to R15.63 billion in 2023/24.
Transfers and Subsidies for 2023/24 equals R1.92 billion, which is an increase of R168.5 million or an increase of 4.5 per cent in real term, from the R1.75 billion adjusted amount of 2022/23.
Programme 1: Administration provides strategic management, governance and administrative support to the PMTE.
The total allocation for Programme 1 equals R856.6 million for the 2023/24 financial year, which is an increase of R16.1 million. This constitutes a nominal increase of 1.9 per cent (and a decrease of 2.9 per cent in real terms) from the revised appropriation of R840.5 million in 2022/23.
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 following target is reported for the 2023/24 financial year:
Develop and plan 1 Government Precinct, aligned with the National Spatial Development Framework and Smart City principles annually. To do this, the total allocation for Programme 2 equals R207.3 million for the 2023/24 financial year, which is a decrease of R22.2 million. This constitutes a nominal decrease of 9.7 per cent (or 13.9 per cent in real terms) from the revised appropriation of R229.5 million for the 2022/23.
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.
The total allocation for Programme 3 equals R473.2 million for the 2023/24 financial year, which is a decrease of R13.3 million. This constitutes a nominal decrease of 2.7 per cent (or 7.3 per cent in real terms) from the revised appropriation of R486.5 million in 2022/23.
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 following targets are reported for the 2023/24 financial year:

- Reduce private leases within the Security Cluster by 3.
- Award 35 per cent of leases to companies in Categories, A, Band D of the approved Property Empowerment Policy, annually.

The total allocation to perform these tasks equals R13.90 billion for the 2023/24 financial year, which is an increase of R1.15 billion. This constitutes a nominal increase of 9.0 per cent (3.9 per cent in real terms) from the revised appropriation of R12.75 billion in 2022/23.
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.
This performance target is reported for the 2023/24 financial year:

- Physically verify to validate the existence and assess the condition of 22 273 immovable assets.

To do this, the total allocation for Programme 5 equals R85.2 million for the 2023/24 financial year, which is a decrease of R18.4 million. This is a nominal decrease of 17.8 per cent (or 21.6 per cent in real terms) from the adjusted appropriation of R103.6 million in 2022/23.

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.

Programme 6 has the following target in the APP for the 2023/24 financial year:

- Assess critical components to determine the condition of 484 components (lifts, boilers, HVAC and Gensets and Water systems).

The total allocation for this task equals R4.19 billion for the 2023/24 financial year, which is a decrease of R219.3 million. This is a decrease of 4.9 per cent in nominal terms (or 9.4 per cent in real terms) from the revised appropriation of R4.41 billion in 2022/23.

Matters raised during deliberations:

Using the Budget to Effect Change

Members raised the issue of the department's performance being much less effective if compared with its allocations and expenditure. This referred to specifically weak delivery regarding the completeness of information in the Immovable Asset Register (IAR); the use of allocated funds to purchase ARCHIBUS yet its implementation remained incomplete; the manners in which leases were managed; construction project management with projects such as Telkom Towers remaining incomplete and the client remaining without accommodation; the overdraft increasing while management and other fees remained unpaid by client departments; and weakness in the department's construction policy and research capacity that has been outsourced for bills such as the Expropriation and Public Works Bills (dealt with below). Recommendations in this regard is dealt with in a further section of this report.

Incomplete Legislation - DPWI, PMTE and Entities

The Public Works Bill

The committee stated that the Public Works Bill had been a serious failure that affected the ability of the department to act as regulator, collect debt, and establish its mandate robustly in the public and private sector property, construction, and professional built environment. The department does not have much control over its revenue sources and is unable to enforce its mandate. This results in government properties being weakly maintained while client departments did not trust it as accommodator, lease negotiator, construction project manager, and immovable asset manager of government. Members decried the condition of properties that they visited and referred to the effect of these on service delivery, ensuring the basic human rights of South Africans, and the safety of communities. The committee urged that the DPW and PMTE had to improve as it had a negative effect on the capacity of the state to deliver on its mandated functions.

Reconfigured IDT Bill - as the Government Technical Advisory Centre (GTAC) moved towards restructuring the IDT, there would be a need for an act to establish it as a renewed entity.

Need for a Land Disposal Act - the Acting DG referred to a need for land disposal so that the PMTE could streamline the process of disposing of immovable assets when needed.

The CBE and CIDB Amendment Acts also needed to be amended to ensure that each entity was better empowered to do its oversight over the professional built environment and construction industry.

PMTE - Growing Overdraft, Debt and Weak Property maintenance

The department indicated that the PMTE was hamstrung to maintain properties in a planned rather than ad hoc manner as client departments did not pay accommodation user charges on time.

The only amount that was appropriated directly from Treasury for the PMTE is the R4,5 billion that is transferred from Programme 4 of the DPWI main vote. Due to the devolution of budgetary items to client departments, they control much of the revenue sources that the PMTE needs to perform its mandate.

Lack of PMTE Debt Collection Strategy

The PMTE's revenue sources amounts to just over R13 billion. This is broken down into client infrastructure (R1,7 billion), accommodation user charges (R6,1 billion rental paid for leasing about 2000 private properties), and leasehold accommodation charges (R5,5 billion for rental in 59 000 government properties making up 18 million m^2 floor space). The leasing unit indicated that there were cases where client departments paid R4 per m^2 which was far below what the PMTE should receive.
Officials indicated that the amount recovered from leasing was just enough to pay rates and taxes to municipalities with little left for maintenance. If the amount for leasing private properties were compared to client payment for rental of government properties, it was clear that clients did not pay. Neither the APP nor the officials referred to *a debt collection strategy that would enable the PMTE to recover fees that client departments owe. The PMTE remained unable to recover funds owed so that properties can be maintained according to fixed schedules.*

Lease Management
The Minister wanted leasing of private properties for accommodation to be reduced as part of the effort to make government more self-sufficient and cut unnecessary spending - officials in the PMTE leasing unit was giving attention to this matter. *The APP lacked any mention of a strategy being devised to address the matter - a detailed report was required.*
It must be noted that the amount that the PMTE paid on behalf of clients to municipalities for utilities (R5,5 billion for this financial year) was being devolved to client departments - from the 2025/26 financial year clients would pay this directly from their own budgets.

Performance Indicators out of Sync with PMTE Contractual Obligations
Officials further indicated that it signed multi-year contracts for budget items such as gardening and cleaning, and repairs; these are to ensure that gardens and courts (under client departments such as Justice and Constitutional Development), home affairs offices, and police stations (SA Police Services) are regularly serviced.
Contractual obligations stretching over at least three years were not linked to performance indicators in the Annual Performance Plans of the PMTE. Members indicated that this meant that this limited how this committee could hold the Minister of Public Works and Infrastructure accountable for performance of budgeted items.
Members referred to this as an example where strategic performance targets and outcomes being out of sync with one another. This did not assist oversight to ensure accountability. The APP further had no targets for certain strategic performance areas but stated that these were being prepared - this meant that the department and PMTE had to in this meeting at least inform the committee about progress in each case. For the committee this meant that the APP was incomplete. Members also wanted to know why the performance targets for the year was stated at low percentages - these included performance targets related to placing the socially disadvantaged such as women, people living with disabilities, and LGBTQ+.
Members raised the challenge that the APP did not completely show a plan that could guide the department towards improvement. There was a feeling that the department was in a crisis but did not show the urgency to address its situation.
Regarding quarterly targets stated under strategic outcome 3 - sustainable infrastructure investment - the presentation showed as output indicator 109 infrastructure projects completed. It also showed number of infrastructure project completed within approved budget (106) and number of projects completed within agreed to construction period (99). An added question was why the quarterly targets did not add up to the stated annual target in the output indicator column. *The committee needed a report on the geographical positions and further detail of the status of each project, main and sub-contractors, building material providers, planning, coordination with local government, environmental impact and social impact assessments, social facilitation and project management.*

Regarding the Immovable Asset Register (IAR) and **the Government Immovable Asset Management Act (GIAMA)**

The department stated that there were still complaints from client departments and members of the public about the state of properties at service departments. As has previously been said by this committee, the incomplete IAR and the weak implementation of GIAMA seriously hamper government's service delivery and this needed urgent attention. The PMTE Real Estate Registry unit should ensure that it reported to the committee on its strategy to deal with this challenge.

Regarding the budget for infrastructure, and challenges with construction project management (CPM), the committee wanted to know which projects were on the books of the department, how far they were from completion, whether there was a tracking mechanism of progress made, amounts spent, on large infrastructure projects.

Members raised the issue of discrepancies between the budget allocations that the department and PMTE presented to the committee, and amounts released by Treasury in the Estimated National Expenditure (ENE).

This was explained as not incorrectly stated amounts but merely a technicality related to the PMTE using Generally Recognised Accounting Practice (GRAP).

In this regard, it must be recalled that over several financial years, the Office of the Auditor-General referred to discrepancies related to incorrectly stated amounts (either understated or out of sync with material evidence) as well as discrepancies between the stated performance indicators and the evidence available that resulted in findings of material irregularities.

An Incomplete ERP - ARCHIBUS and IAR

Members referred to the strategic intervention to use information technology needed to enhance its procurement, record management, the IAR, and strengthen general performance. In this regard, they raised the implementation of ARCHIBUS-SAGE as its Enterprise Resource Planning (ERP) and needed to know how far the implementation was, what cost was incurred to purchase the software, train staff, and complete the roll-out of all modules. They also wanted to know what the status of the service providers were, how many were appointed, dates of appointed and severance of contract, and the break-down of cost paid to each service provider. This query was raised as no money was allocated for such software procurement in the 2023/24 budget information in the APP.

The committee required a fully detailed report on initial cost, service providers, staff training per module, and a presentation and demonstration showing the usefulness of the IAR after it was moved from an excel-based to fully implemented ARCHIBUS-based system.

Infrastructure South Africa (ISA)

The presentation referred to R600 million allocated for project preparation. Infrastructure project preparation was the responsibility of the ISA and this amount could safely be assumed to be allocated to ISA; however, the presentation showed that R110 million was allocated to ISA from the Industrial Development Corporation of South Africa (IDC SA). This raised questions about the initial memorandum of understanding (MoU) between Treasury, the Development Bank of South Africa (DBSA), and ISA. It brought the role of the IDC SA into question as the initial presentations on the work of ISA showed that the preparation of business plans and management of funding for infrastructure projects was the function of the DBSA. Members questioned why ISA seemed to be drawing funding from other organisations such as the IDC SA while it was not stated in the MoU.

The committee had to be able to track cost to company (meaning DPWI/PMTE) for ISA projects and know precisely what the responsibilities were of each party, what the work-flow was of infrastructure projects, and how the funding could be tracked. This committee required a financial report on the work of ISA, its allocated funds, other revenue streams and MoUs, or contractual obligations, and performance information to keep a check on its performance.

Members raised a serious concern about the 28% increase for business services for which the department reported an underspending in every single financial year of this administrative term. This increase needed a proper explanation so that it makes sense.

A Facilities Management System

In previous interactions with this committee, the department indicated that a total facilities maintenance system was going to be put in place. The question was where the funding for this system was going to be drawn from; whether it would come from the budget of each client department or from the operating expenditure of the DPWI and PMTE. It seemed to Members as if the DPWI and PMTE was cutting the cost of operating expenditure on maintenance and putting it into the budget as a capital infrastructure project. The condition of government buildings require much more urgency than what is evident from these engagements with the DPWI and PMTE.

The Full Operationalization of the PMTE
Members further raised the question of the full operationalization of the PMTE as an entity that could actually competitively trade on the property market and was not reliable on government funding. Members requested a proper report on existing vacancies per sub-programme of each branch so that the committee can arrive at a comprehensive understanding of the state of the DPWI and PMTE - the report to include the following:

Improving debt collection; construction project management; develop accurate and credible IAR; implement asset investment management strategy; implement facilities management and maintenance strategy; improve lease management; improve construction project delivery; address adverse audit outcomes; improve corporate governance; address capacity constraints - technical capacity, property professionals and project managers (ratio +/- 1:20) - strategies to move towards 1:10 (industry norm 1:5).

Women in Public Works, Infrastructure, the Construction and Professional Built Environment
The committee firmly stated that in a context where women form the majority of the population of this country, a 45% performance indicator for the appointment of women, was inappropriate and had to be raised.

Disturbances Preventing Completion of Construction Projects-Construction Mafia/Social Unrest
The department referred to a need to strengthen and improve social facilitation and project management in all construction project roll-out plans. ISA was on board to also embed these and the CBE to get these functions standardised into project management.
Regarding the so-called construction mafia, members were pleased to hear that the department was calling it by its name. *Members urged the department to report to the committee on a tracking and monitoring mechanism of all construction projects that were disrupted, the geographical locations of each, main and sub-contractors, building material providers; the effect of these disturbances in terms of budgeted cost, time to completion, and the extra cost incurred due to these disruptions.*

6. The Performance targets, budgetary allocations and programmes of the Public Works and Infrastructure Entities:

6.1. The Construction Industry Development Board (cidb)
The entity is mandated to:

- **Provide strategic leadership** to construction industry stakeholders developing effective partnerships for growth, reform and improvement of the construction sector.
- **Promote the sustainable growth** of the construction industry and the **participation ofthe emerging sector** in the industry.
- Determine, establish and promote **improved performance and best practice** of publicand private sector clients, contractors and other participants in the construction delivery process.
- Promote the uniform application of policy throughout all spheres of government andpromote uniform and ethical standards, construction procurement reform, and **improved procurement**

and delivery management – including a code of conduct.

- Develop **systematic methods** for **monitoring** and **regulating** the performance of the industry and its stakeholders, including the **registration of projects and contractors.**

6.1.1. Governance

The current Board was appointed on 01 December 2021 for a three-year term. The planning documents show evidence of the Board and its six sub-committees being fully functional. The planning documents state that performance reviews will be conducted in the 2023/24 year to ensure that stable governance remains in place.

The evidence further shows that there was improvement across supply chain management and performance information. Unfortunately, there has been a regression in the financial statements due to the new revenue stream for B.U.I.L.D fees, where all the construction contracts awarded during 2023/2024 that qualify for a best practice fee were not declared on the register of projects by infrastructure client departments.

The following interventions were put in place to improve the audit outcomes:

- harnessing the role of Internal audit to assist with the review of B.U.I.L.D revenue;
- to produced interim financial statements for audit to identify non-compliance before the external audit;
- to track root causes of findings with quarterly reports to the Audit, Risk and Governance Committee to exercise oversight;
- A commitment to, in 2023-24 the fundamental shift of focus for the cidb will be in the area of B.U.I.L.D Program implementation, which will accelerate industry development, transformation and performance improvement.

6.1.2. Budgetary Information

Statement of financial performance					
	Approved budget	**Revised budget**	**Medium-term estimate**		
R thousand	**2022/23**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Revenue					
Total revenue	**195 600**	**225 132**	**218 038**	**226 897**	**236 406**
Register income	139 039	139 037	131 293	136 545	142 007
Investments revenue	6 083	6 083	6 425	6 425	6 713
Donations	-	-	-	-	-
B.U.I.L.D Revenue	-	-	-	-	-
Service in kind	-	-	-	-	-
Other income					
Transfers received	80 012	80 012	80 320	83 927	87 687
Expenses					
Current expenditure	**195 600**	**225 132**	**218 038**	**226 897**	**236 407**
Compensation of employees	120 000	125 000	136 935	142 412	148 108
Goods and services	75 600	100 132	81 103	84 485	88 298
Depreciation	-	-	-	-	-
Interest, dividends and rent on land	-	-	-	-	-
Surplus/(Deficit)	**-**	**-**	**-**	**-**	**-**

Expenditure per programme	

	Approved budget	Approved budget	Medium-term estimate		
R thousand	**2022/23**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Administration	106 829	136 361	126 189	130 428	135 615
Research and development	5 585	5 585	5 778	6 067	6 339
Construction industry regulation	28 721	28 721	29 717	31 589	33 004
Construction industry performance	9 797	9 797	10 137	10 542	11 014
Procurement and development	9 953	9 953	10 298	10 916	11 405
Provincial offices	34 715	34 715	35 919	37 356	39 029
Total expense	**195 600**	**225 132**	**218 038**	**226 897**	**236 407**

Issues to note:
Compliance with the registration of projects with the cidb, which is a precursor to the B.U.I.L.D Programme is slow, averaging 28%.
There are promising signs as large State Own Enterprises like SANRAL and Eskom have made commitments to the B.U.I.L.D Programme. This is showing promise with over R 19 million that has since been contributed to the B.U.I.L.D fund.
Client capacitation is being conducted nationally on applying the B.U.I.L.D standards including enterprise development and skills development.

6.1.3. Legislative and Regulatory Amendments
The entity stated that the cidb Act amendment needed to include extending the Register of Contractors to the private sector.
Firming up the provisions for the establishment of the Register of Professional Providers.
Assessing options for the establishment of a Construction Ombud.
Implementation of the B.U.I.L.D Programme to ensure that for example, 250 women contractors to be supported on implementing Construction Management System (CMS).
Support to DPWI in developing the Construction Industry Recovery Plan (CIRP).
Ensuring ease of registration for contractors by further automation of cidb's core services such as online contractor registration.

6.1.4. Interventions to Improve Infrastructure Spending
Collaboration with National Treasury on infrastructure delivery and the identification of construction-related budgets and their application.
Client capacitation on cidb prescripts, IDMS and the Framework for Infrastructure Delivery and Procurement Management (FIDPM) to drive transformation in infrastructure procurement, including awareness of procurement reforms (72 capacitation sessions targeted across the country in 2023/24).
Implementation of the cidb competence framework for procurement and the underpinning tools to assess supply chain management officials.

6.2. 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). It is an entity of the National Department of Public Works and Infrastructure.
The CBE is responsible for regulating the following six built environment professional councils:

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 oversees and regulates the six professional councils responsible for regulating built environment professionals such as architects, engineers, quantity surveyors, landscape architects, property valuers, and project and construction managers.

In its planning documents for this financial year, the CBE shows an alignment with the broad policy objectives of the NDP, ERRP, and the SONA. The entity aligned its strategic priorities to assist the department in its work to achieve the stated seven apex priorities stated in the Medium Term Strategic Framework (MTSF). These priorities are as follows:

Priority 1: A Capable, Ethical and Developmental State
Priority 2: Economic Transformation and Job Creation
Priority 3: Education, Skills and Health
Priority 4: Consolidating the Social Wage through Reliable and Quality Basic Services
Priority 5: Spatial Integration, Human Settlements and Local Government
Priority 6: Social Cohesion and Safe Communities
Priority 7: A better Africa and World
Cross Cutting Focus: Women, Youth & Persons with Disabilities

In the APP for this financial year the CBE aims to achieve the following broad strategic outcomes:
1. Optimum functioning Council
2. Transformed Built Environment
3. Skilled Built Environment Professionals
4. Informed decision-making which impacts the current and future operational requirements of the Industry
5. Public interest in the Built Environment promoted and protected

6.2.1. CBE Budget for 2023/24:

Like the other Public Works and Infrastructure entities, the CBE receives part of its revenue as a transfer from the DPWI's Programme 4, while the rest consists of sales of goods and services, and non-tax revenue.

Programme	Audited Outcome 2021/22	Approved budget 2022/23	Average Growth Rate	Total Average %	Multi-year Budget	
					2023/24	2024/25
Programme 1: Administration	50 280	49 608	0.5%	88.8%	50 835	53 063
Programme 2: Empowerment and Economic Development	805	2 101	-41.8%	5.7%	1 888	1 973
Programme 3: Professional Skills and Capacity Development	2 064	3 823	122.7%	3.3%	2 936	3 590
Programme 4: Research and knowledge management	21	641	-12.3%	0.7%	1 076	602
Programme 5: Public Protection, Policy and Legislation	616	2 222	291.6%	1.6%	1 996	2 085

Total	53 786	58 395	-1.4%	100.0%	58 731	61 313

6.2.2. Matters that emerged from deliberations:
Research and Development:
In previous engagements with the CBE the committee referred to underspending of allocated funds and a lack of research and development, policy and knowledge management. The committee wanted know which research, policy and knowledge management programmes were in the pipeline, and who would be responsible for these.
Registration of Built Environment Professionals:
The committee stressed the need for the CBE to use its research, policymaking and regulatory function and the allocated budget for these to ensure that built environment professionals in the PMTE and DPWI, municipalities, and all departments are registered with the CBE. The APP was not showing evidence of such research, policies, or regulation that were being prepared for financial years on the outer edges of the MTSF.
Adherence to PAJA in investigations and review processes
Members raised the importance of independence in investigations that the entity perform in dealing with built environment professionals (referred to under programme 5). It was important that when investigations were done into the professional affairs or allegations against professional or the council that it is done in line with the Promotion of Administration Justice Act (No 3 of 2000). This ensures that such activities are done fairly, independently, and protecting the rights of individuals and institutions. There were cases where in recent years, the independence of investigations was not up to scratch and the rights of all were not protected as fairness, and independence were in question. This raises the danger that the CBE's stated targets to actually live up to these principles are not guaranteed. The CBE needed to ensure that this was strengthened as many built environment professionals and institutions reported that they did not feel protected.

The empowerment and economic development programme
The estimated expenditure of this important programme remains as it has been stated for previous years (under that of the 2021/2022 allocated budget). This seems to suggest that the ambitious targets stated in this APP would not be reached even in future years of the MTSF.

A lack of compliance reports
No compliance reports were completed by the CBE which raises questions on how these would be completed in the coming financial years.
The CBE needs to supply the committee with the names of new council members of the CBE and its organogram.
The Importance of Transformation - Inclusion of new Built Environment and Professions Councils
The committee applauded the fact that the CBE was opening access to other councils that were not previously included. It further referred to the profile of members of previous councils that were dominated by white male members. The CBE made progress both in terms of ensuring black and women leadership and council membership. Transformation of the professional built environment must be effected to ensure that the diverse make-up of the country is represented.

6.3. The Independent Development Trust (IDT):

In this administrative term there has been several threats to the existence of the IDT. In the 2019/20 financial year the executive authority withdrew the formal submission of this entity's Strategic Plan (2020-2025) and the APP for that year.

In the Budget Vote report of 2020/21, this portfolio committee resisted these attempts and consistently requested the updated plans to transform and restructure, rather than dissolve the entity. This was based on a firm belief that the IDT has an important social infrastructure mandate that must be delivered. The Portfolio Committee also continued to apply pressure that the personnel that were employed and released unfairly in that period had to be reinstated or in its organizational structure or reimbursed for financial losses.

The Portfolio Committee again lists the following as background and a summary of the challenges that the entity faced involving the key task of project managing social infrastructure delivery across the provinces and regions of the country.

6.3.1. Background:

The IDT evolved from a grant-making organisation into a responsive development agency with a well-established footprint across South Africa.

The IDT augments government's capacity to achieve the objectives of the National Development Plan (NDP) and Vision 2030. A review and transformation process has been started during the 2014 to 2019 five-year administration to strengthen this role. This included a confirmation of the IDT's mandate to deliver social infrastructure cost effectively.

The IDT is the public works and infrastructure entity that should use its resources in the initiation, planning and implementation of innovative and sustainable development projects, to positively address the challenges in which geo-spatial patterns of poverty, inequality, unemployment and underdevelopment occurs in the regions and provinces of the country.

This function of the entity was underpinned by the 1997 government resolution to reconstitute the IDT as a development agency and public entity to support all spheres of government. It followed Cabinet endorsement of a recommendation of a Cabinet Advisory Committee that, inter alia, "*The IDT must be transformed into a government development agency that will implement projects which are commissioned by government departments. It must cease to be a civil society organisation, an independent agency or funding agency*."[6] Building on its effectiveness as a civil society body and redistributive mechanism, the IDT was integrated into the public service delivery system in 1999 with the promulgation of the Public Finance Management Act (PFMA) (Act 1 of 1999), as amended, and listed as a Schedule 2 Major Public Entity. The 1997 mandate of the IDT remains in place.

In this administrative term (2018/19 to this final financial year) the entity and the Minister recognised the operational and financial challenges that it faced due to its inability to collect management fees owed to it. This resulted in a trust deficit between the entity, client departments. It led to a serious decline in its business portfolio which caused its deficit to grow substantially. The entity had been undergoing a long drawn out transformation process that included a revision of its operating model and organisational redesign. It remained firmly focused on achieving business growth and achieving long-term sustainability. The Board and management approved a turnaround plan aimed at repositioning the entity to be financially viable and self-sustaining.

[6] "Structural Relationships between Government and Civil Society Organisations", March 1997, Report prepared for the Deputy President, Thabo Mbeki, South Africa. p. 3

All development reviews conducted by government, i.e. 5, 10 and 20 years[7], as well as the NDP 2030 placed emphasis on the need to build the capacity of government as a prerequisite for the attainment of its development imperatives. Thus, rather than duplicate programmes, or possibly positioning the IDT as a super agency that could usurp the functions of the DPW, the PMTE, or other government departments, the review of the IDT's mandate was important to enhance the objective of building a capable developmental state. The functions of the IDT are crucial for social infrastructure development across the urban and rural divide including redressing town and city geo-spatial planning that continued the inherited apartheid model. This role of the DPWI, PMTE and an entity such as the IDT is a key pillar on which future economic growth must take place. It is therefore strategically aligned to the policy objectives stated in the NDP, ERRP, and the tasks listed in the 2022/23 SONA.

6.3.2. Summary of Challenges:

1. In spite of a long drawn-out transformation process, the IDT was not converted from a schedule 2 to a schedule 3A public entity;
2. The policy leader and the DPWI as lead department did not report on progress with the implementation of any aspect of the 2018 Turnaround Plan including how to align the IDT and the DPWI's mandates.
3. In spite of the knowledge that the IDT was unable to collect management fees from client departments for project management services to construct social infrastructure projects, nothing was done to enforce debt payment by client departments.
4. The long drawn-out transformation process of the IDT caused competent administration and financial management personnel to leave and this weakened its abilities to collect debt, and negatively affected financial management, and caused compliance with legislation and regulations to suffer.
5. These resulted in negative audit findings made by the Auditor-General in its latest Management Report and previous Annual Financial Performance Reports.
6. The IDT suffered from a trust deficit with government departments looking for project management, and maintenance services from other entities such as Coega Development Corporation and the Development Bank of South Africa (DBSA).

6.3.3. Addressing Challenges:

1. Stabilizing the Board

The IDT Board has been successfully reconstituted. The Board is functional and the administrative functions as been restored.

2. Establishing trust in the Public Works and Infrastructure Sector

The erosion of trust runs deep. While the appointment of new Board members and leadership created a more stable operational environment, restoring trust across the whole sector is taking longer. The Portfolio Committee on Public Works and Infrastructure has consistently indicated that where IDT constructed and managed projects in the past, it established proper community trust and strived to include communities in the initial phases of construction projects. This model created a sense of ownership that must be re-established. The Portfolio Committee remains convinced of the entity as a social infrastructure provider and continues to urge the department, PMTE and ISA to include it as the first option for all infrastructure projects.

3. Reconfiguring the IDT for the Future

The DPWI stated that the IDT had to be transformed into a more technically proficient, social infrastructure delivery agency. This process would be undertaken by a task team that include the National Treasury, DPW, the IDT, Public Service and Administration and other key role players.

[7] Government's 10, 15, and 20 Year Review was done by the Presidency, in collaboration with all Ministers and departments, and printed and disseminated by the Government Communication and Information Services (GCIS).

The plan was to pattern the newly configured IDT along the same model as that of the Government Technical Advisory Centre (GTAC)[8]. This model results in a highly professional advanced technical advisory agency that provides *programme*, *project management* and *transaction support* to National Treasury and the Minister of Finance. Similar to the GTAC, the new social infrastructure agency would be established as a government component in terms of the Public Service Act.
The DPW asserted that the committee had to keep in mind that the process required a new mandate from the Minister as policy leader.
The committee stressed that the Minister as policy leader and the DPWI as the implementer of this policy had to do oversight that is more stringent over the IDT. It stressed, however, that the policy leader and the DPWI was committed to drive the process of restructuring it.

6.3.4. Strategic positioning:
The organization identified the following three pillars to re-position the organization towards credibility and financial sustainability over the period of the MTEF:

1. Build Organisational Capability Fit for Purpose:
- Transform the Entity into an agile organisation that responds to customer needs ahead of any competitor.
- Design and structure the organisation to deliver on its brand promise ***(assured efficient infrastructure delivery).***
- Gear to a Transformational Leadership mind-set.
- Adopt a people supply chain process that delivers talent ahead of demand.

2. Re-focus and Streamline Client Service Offering:
- Develop a portfolio of market segmented services and delivery channels which delivers on customers' value proposition.
- Reconstitute contract management & income stream system and processes.
- Deliver quality social infrastructure on time, within budget and scope.
- Develop a model to drive customer centricity throughout the organisation

3. Secure Financial Sustainability:
- Grow revenue streams – current and new streams (PPP opportunities - feasibility studies; procurement service cost; asset register assessment; maintenance; etc.)
- Adapt SCM processes to align with clients' services and compliance requirements
- Implement the reviewed the contracting model to ensure financial sustainability
- Monitor and adjust cost (of delivery) to sustain long term viability
  - *Debtors collection*
  - *Cost containment / zero budget base / legal cost containment*
  - *Activity based costing*
- Develop alternative funding models to reverse the adverse balance sheet status.

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[8] The Government Technical Advisory Centre (GTAC) is an agency of the National Treasury. It was established to support public finance management through professional advisory services, programme and project management and transaction support. GTAC promotes public sector capacity building through partnerships with academic and research institutions, civil society and business organisations. GTAC reports to the minister of finance and is established as a government component in terms of the public service act. See www.gtac.gov.za for further information.

Budgetary Information[9]

Details	BUDGET 2023/24 R'000	ENE 2024/25 R'000	ENE 2025/26 R'000	ENE 2026/27 R'000
Programmes	**6 751 999**	**7 382 829**	**9 252 662**	**9 716 413**
Expenditure: Confirmed Programme Contracts	3 808 025	4 438 855	5 308 688	5 672 439
EPWP NSS (from DPWI Allocation)	943 974	943 974	943 974	943 974
Required Additional DPWI Allocation	2 000 000	2 000 000	3 000 000	3 100 000
Staffing requirements	**298**	**298**	**298**	**298**
Staff Numbers	**298**	**298**	**298**	**298**
Average Gross Management Fee Rate	**5%**	**5%**	**5%**	**5%**
Revenue	**390 125**	**423 024**	**518 922**	**543 566**
Management Fee Revenue: Confirmed Programmes	190 401	221 943	265 434	283 622
Management Fee Revenue: EPWP NSS	80 238	80 238	80 238	80 238
Management Fee Revenue: New / Prospective Business	100 000	100 000	150 000	155 000
Cost Recovery - Travel Disbursement Recovery (Projects)	5 986	6 643	7 350	8 107
Cost Recovery - Legal Cost Recovery (Projects)	8 500	10 200	11 900	13 600
Other Income	5 000	4 000	4 000	3 000
Grant Funding	0	- -		
Operational Expenditure	**455 194**	**468 416**	**487 600**	**510 147**

[9] As in IDT APP 2023/24

Details	BUDGET 2023/24 R'000	ENE 2024/25 R'000	ENE 2025/26 R'000	ENE 2026/27 R'000
Operational Expenditure	**455 194**	**468 416**	**487 600**	**510 147**
Employment costs	225 503	236 778	248 617	261 048
Recruitment of Project Managers				
Staff Training	4 510	4 736	4 972	5 221
Internship programme	11 352	11 920	12 516	13 141
Restructuring costs	5 000			
Non-Employment:				
Travel - Projects	7 483	7 816	8 167	8 533
Travel - Administration	3 207	3 350	3 500	3 657
Litigation fees	24 000	22 000	20 000	18 000
Consultants fees	6 668	5 000	3 000	3 000
Depreciation - Non Cash item	6 478	6 766	7 070	7 387
External Audit Fees	12 000	13 200	14 520	15 972
IT Cost (Maintenance and support costs)	18 926	19 769	20 656	21 584
Communication	11 575	12 090	12 633	13 200
Facilities	21 403	22 355	23 359	24 408
Leases: Office rental including rent parking	21 278	23 406	25 746	28 321
Other Operating expenses	47 260	49 364	51 580	53 896
Centralised Cost	**28 550**	**29 868**	**31 264**	**32 777**
Telephone	10 000	10 445	10 914	11 404
Rent photocopiers	1 000	1 000	1 000	1 045
Insurance	1 650	1 815	1 997	2 196
Software Licences and Subscriptions	12 400	12 952	13 533	14 141
Network Data	3 500	3 656	3 820	3 991
Net Operating Surplus / (deficit) for the year before Capex Items	**-65 069**	**-45 392**	**31 322**	**33 420**

Details	BUDGET 2023/24 R'000	ENE 2024/25 R'000	ENE 2025/26 R'000	ENE 2026/27 R'000
Net Operating Surplus / (deficit) for the year before Capex Items	**-65 069**	**-45 392**	**31 322**	**33 420**
Capex Items	**16 730**	**9 500**	**9 000**	**4 000**
HR Information System	980			
Incident Management System - IT	2 000			
Team Mate Audit Software	750			
Project Management System	5 000	5 000	5 000	
Furniture HeadOffice	1 000			
Finance ERP System Enhancements	2 000	500		
IT and other equipment	5 000	4 000	4 000	4 000
Net Operating Surplus / (deficit) for the year after Capex Items	**-81 799**	**-54 892**	**22 322**	**29 420**
Required Additional Critical mass projects to break even	**1 635 971**	**1 097 846**	**0**	**0**

6.3.5. Information on the IDT Budget[10]:

[10] IDT APP 2023/24 as presented to the Portfolio Committee.

Grant funding is required to fund the deficit for the financial year as the entity is in deficit to the amount of R65 million for this financial year. If Capital expenditure is included, the deficit is R81 million.
Programme expenditure as listed in the table above is based on estimated confirmed contracted work to be carried out on behalf client departments. EPWP NSS annual allocation is still to be concluded at the beginning of each financial year. There is a further R2 billion-rand allocation required from DPWI in terms of fully funded projects that are ready for implementation on 01 April 2023. If this work is not allocated, this will result in the organisation requiring grant funding to fund operational costs. The required critical mass programmes refer to required additional programme portfolios for the organisation to implement in order to achieve a break-even financial result for the year.
The IDT stated urgency about collecting fees due to it throughout the financial year. It bases its management fee revenue on an average of 5% of programme work carried out. The rate for EPWP NSS is 8.5% that is chargeable for implementation of the programme. Travel disbursement cost recovery is based on the travel related to projects. The recovery rate is expected to increase year on year (from 80% to 95%) as more programme contracts include a clause for travel cost recovery. Legal cost recovery is based on the legal cost that IDT has incurred on behalf of projects where IDT is not at fault for litigation action from contractors and professional service providers. The recovery rate is expected to increase from year on year from a conservative 50% recovery to 80% as new programme contracts include a clause for legal cost recovery.
Capital expenditure includes the following:

- The project management system required to improve effectiveness and efficiency related to the core business.
- IT costs pertaining to the IT infrastructure required to support the organisation.
- HR Information System to automate certain transactional and reporting activities within the corporate services environment.
- Incident Management System - IT Helpdesk system which will improve efficiencies in dealing with user queries and complaints.
- Teammate Audit Software to assist with Internal Audit activities documentation when auditing regions and units.
- Finance ERP enhancements to improve efficiencies within the current accounting software to support new requirements in core business as well as reporting standards for audit.

Notes regarding Litigation and Capital Expenditure
The APP refers to a high litigation list that reportedly emanates mostly from the programme work carried out on behalf of client departments. While the litigation list is reducing (year on year), the requirement for legal representation at court proceedings, mediations and meetings with the plaintiff parties, results in high cost incurred that negatively affects the entity's already stressed budget.
The total budgeted legal fees amount to R24 million. The budgeted cost for external litigation amounts to R17 million and internal legal costs account for R7 million.

Matters raised in deliberations:
The IDT stated that it would operate at a deficit to the tune of R81 million for the 2023/24 financial year. Collecting contract fees is crucial if the entity is to remain operational as grant funding is not available. The APP did not refer to alternative funding models that might have been explored to deal with its funding challenges.
In response to this query, the entity referred to plans to diversify its portfolio. It stated that it was looking at funders that were prepared to fund projects in the social infrastructure sector, but did not provide detail of the funders, projects and related plans.
The committee raised concerns about the entity increasing its staff component at a time when it also wanted to contain expenditure. Members needed to know how many of the new staff would be built environment professionals, management, or financial management professionals such as debt collecting agents.
The entity referred to the history of the threat of its dissolution which affected the functioning of the Board,

trust being eroded between management and staff with most employees leaving over the last three years. The task of rebuilding the organization meant that new governance structures had to be put in place. With that task completed, it was entering a phase of procuring the required human resources to return to full operation and restore trust in its client base for the future. Regarding the specific query of reconciling the increase of its human resources while containing expenditure, the IDT stated that to be fully operational meant that it had to recruit professional personnel - this meant built environment professionals as well as financial, administration and management professionals. In the near future where it budgeted for new staff, it was to fill critical built environment professional posts.

Members raised the fact that budgeting for a deficit to the tune of R2 billion to break even for this financial year was not a promising strategy. The response was that the entity was resuscitating itself. The IDT had been budgeting for a deficit for the past seven years. While it was not ideal, it is done in the context of the DPWI as government shareholder getting approval from National Treasury as part of the Estimated National Expenditure (ENE) process. This means that while in its APP the IDT did not state that there was a guarantee for the amount of R 2 billion from the shareholder (the grant funding item was therefore indicated as zero) historically over the past seven years, the DPWI used to get approval from the NT for such grant funding.

Regarding ensuring that it was operating as going concern, from the perspective of the AGSA it might be an issue; usually DPWI put forward a guarantee as shareholder as per the shareholder compact to prevent an audit opinion.

The committee raised a serious concern about the litigation fees stated as totaling R24 million. It wanted to know whether this amount included labour court reviews to challenge Commission for Conciliation, Mediation and Arbitration (CCMA) awards in favour of staff whose contracts were allegedly unfairly terminated. The entity stated that the stated amount included amounts totaling such awards as it must prove to the labour court that it had fees in its account for such reviews. Once it succeeds in court it claims the amount back from the DPWI - if it failed the amount would be paid out to the employees.

Regarding R21 million indicated for regional and head office leases, the IDT CFO referred to the board having stopped lease procurement due to irregularities. The cost of constructing its own accommodation was very high. The challenge was that the current building did not comply with occupation, safety, health and environment (OSHE) requirements. Due to its high maintenance budget and this OSHE non-compliance, the Board decided to sell the building. Management acted on this resolution of the Board and was therefore in the market to lease new accommodation.

This committee again stated that the IDT had to be included in the infrastructure projects of the DPWI. Instead of using Coega, DBSA and other entities outside of its sector it should make a firm commitment to the IDT as the preferred social infrastructure and project management entity in its stable. There would be no need to go through the trouble of each financial year begging for grant funding from the shareholder to break even. The committee stated that the Minister as executive authority should note this, and act as it was guiding them.

The organization hoped that an improved project management system would improve effectiveness and efficiency so that it could collect management fees from clients for projects so that it could break even and move towards consistent profitability.

6.4. Agrément South Africa

This entity is mandated to certify non-standardised or unconventional built environment construction products, materials and systems through technical assessments that verify whether such products, materials and systems are fit for purpose.

The increased focus on the DPWI as sector leader of infrastructure development, the long-term policy objective in the NDP[11] to increasingly provide human settlements where people can live in dignity, with social service infrastructure close to their homes, make the work of the ASA quite important.

[11] The NDP stresses the need to fundamentally reshape the apartheid geo-spatial form. It acknowledges that it may take many decades but directs that all government departments and entities should strive for meaningful progress in creating urban settlements that are functionally integrated, balanced and vibrant, including the revival of rural areas.

The entity's legal mandate is described in the ASA Act No. 11 of 2015 as follows:

- Provide assurance to specifiers and users of the fitness-for-purpose of non-standardised construction related products or systems.
- Support and promote the process of integrated socio-economic development in the republicas 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 policy makers to minimize the risk associated with the use of a non-standardised construction related product or system; and
- Be an impartial and internationally acknowledged South African centre for the assessment and confirmation of fitness-for-purpose of non-standardised construction related products or systems.

6.4.1. Tasks that ASA must achieve:
In its planning documentation tabled to Parliament, the ASA notes that the NDP guides it to play an integral role as part of government, which would include:

- Systematically responding to entrenched spatial patterns across all geographical spaces at national, provincial and local government levels to address the scourge of social inequality, poverty, and employment that increases the country's economic inefficiency.
- Taking account of the unique needs and potential of different rural and urban areas in the context of emerging development corridors in the Southern African sub-region before making decisions on developments.
- Reviewing State housing and human settlement policies to better realise constitutional housing rights, ensuring that the delivery of housing is used to restructure towns and cities and strengthen the livelihood prospects of households.
- Supporting active citizenry and developing incentives through a range of interventions, which includes the establishment of social compacts; and
- Planning for human settlements be guided by a set of normative principles that will create liveable, equitable, sustainable, resilient and efficient spaces, including supporting economic opportunities and social cohesion. The ASA therefore stated a strategic intention to continue with its core certification function of non-standardised fit-for purpose building material and systems. It will simultaneously work out alternative ways to use the allocated budgetary transfer from the DPWI and use its resources more efficiently to support government's policies to create opportunities for socioeconomic impact and built environment transformation.

6.4.2. Budgetary Information
Revenue

Statement of financial performance	**Budget**	**Medium Term Estimates**		
R thousand	**Previous Year 2022/23**	**Current 2023/24**	**2024/25**	**2025/26**
Revenue				
Non-tax revenue	**2,820**	**3,764**	**4,249**	**4,499**
Sale of goods and services other than capital assets	1,801	2,401	2,886	3,136
Administrative fees	1,231	1,831	2,031	2,281
Sales by market establishment	570	570	855	855

Other non- tax revenue	1,019	1,363	1,363	1,363
Transfers received	**33,951**	**34,082**	**35,613**	37,117
Total revenue	**36,771**	**37,846**	**39,862**	**41,616**

Expenses

Current expenses	**36,771**	**37,846**	**39,862**	**41,616**
Compensation of employees	25,025	26,596	27,757	28,969
Goods and services	10,833	10,879	11,374	11,882
Depreciation	913	372	732	765
Solidarity Fund	–	–	–	–
COVID-19 Expenses	–	–	–	–
Total expenses	**36,771**	**37,846**	**39,862**	**41,616**

ASA is funded from two main sources; an annual government grant and own revenue generated from testing and licensing alternative fit for purposes building systems and products.

Agrément South Africa continues to provide innovative product certifications for SMMEs and contributes immensely towards economic growth and job creation in South Africa.
Eco-labelling and Green Building rating tools assists to establish an environmentally friendly infrastructure and construction sector leading to a green economy.
The entity contributes towards fast-tracking economic development by allowing the safe introduction of appropriate and suitable products.
ASA facilitates partnerships with other public entities and helps reduce backlogs in different areas through innovative building technology systems (IBTs), to assist is addressing key challenges that government at all three levels wants to address such as housing backlogs. It also assists through its testing and certification of IBTs, with other sectors such as water infrastructure, cabling for networking, and road and bridge construction in the transport sector.
Provides independent and authoritative technical assurance of fit-for-purpose building material and systems.

6.5. Matters that emerged from the committee deliberations on the planning documents of the ASA:

6.5.1. The committee congratulated the ASA on its marketing efforts to get its certified products popularised in departments such as Human Settlement and in municipalities so that social infrastructure development projects can benefit from the work that the entity does. It urged the DPWI and PMTE to use and further popularise the certified products and systems to maintain and construct its own infrastructure projects.

6.5.2. The entity reported on its eco labelling that aims to create clean environments and asserted this as crucial to mitigate against future climate change disasters such as the periodic floods in the provinces of KwaZulu-Natal and the Eastern Cape.

6.5.3. The entity reported on efforts to reach out to emerging innovators in designated groups that should be assisted to enter the terrain.

6.5.4. The entity also reached out to engineering institutions and councils to make available experienced engineers for mentoring purposes but importantly, to ensure that such specialist bodies continue the marketing of innovative, fit-for-purpose innovative building systems and products.

6.5.5. Further, that the entity worked in partnership with the NHBRC and universities through internships to perform the function of inspection of its products. This is aimed at ensuring employment and empowerment to designated groups.

7. Recommendations:

Having considered the planning documents and budgetary allocations for the 2023/24 financial year, the Portfolio Committee recommends that the Minister of Public Works and Infrastructure instructs the department and PMTE to provide:

7.1. a report to this committee on its debt collection strategy that would enable the PMTE to recover fees that client departments owe. The PMTE remained unable to recover funds owed so that properties can be maintained according to fixed schedules.

7.2. a report on improving the manner in which the department and PMTE uses the budget to reach stated performance targets so that delivery to client departments are improved, specifically regarding:

7.2.1. the completeness of information in the Immovable Asset Register (IAR);

7.2.2. the use of allocated funds to purchase and roll out all modules of ARCHIBUS yet its implementation remained incomplete and caused weaknesses in managing the IAR so that knowledge of immovable assets can lead to the PMTE trading successfully and rely less on the fiscus to perform its tasks - this sub-section of the report to include cost incurred to different service providers (to be named) since the procurement of ARCHIBUS;

7.2.3. improved lease management so that PMTE can collect debt and lower its overdraft;

7.2.4. construction project management with projects such as Telkom Towers remaining incomplete and the client remaining without accommodation; and

7.2.5. strengthen the department's construction policy and research capacity that has been outsourced for bills such as the Expropriation and Public Works Bills - this sub-section of the report to include cost incurred to draft the expropriation bill, present different versions to the portfolio committee and select committee (NCOP) of parliament.

7.3. A report on the geographical positions and further detail of the status of each project, main and sub-contractors, building material providers, planning, coordination with local government, environmental impact and social impact assessments, social facilitation and project management.

7.4. a report on the geographical positions of the stated 109 infrastructure projects in its 2023/24 APP and further detail of the status of each project, main and sub-contractors, building material providers, planning, coordination with local government, environmental impact and social impact assessments, social facilitation and project management.

7.5. a fully detailed report on initial cost, service providers, staff training per module, and a presentation and demonstration showing the usefulness of the IAR after it was moved from excel-based to a fully implemented ARCHIBUS-based system.

7.6. A report on a system to track cost to company (meaning DPWI/PMTE) for ISA projects as per the MoU with Treasury, DBSA and EDC SA that assists knowledge of precisely what the responsibilities were of each party, what the work-flow was of infrastructure projects, and how the funding could be tracked. This report to include the financials of the work of ISA, its allocated funds, other revenue streams and MoUs, or contractual obligations, and performance information to keep a check on its performance.

7.7. A report on a total facilities management system, its compliance with the GIAMA, replacing the ad hoc maintenance of immovable assets with a scheduled maintenance strategy stated in each user and custodian immovable asset management plan, its funding, whether it would come from the budget of each client department, or from the operating expenditure of the DPWI and PMTE.

7.8. a report on the trajectory on the PMTE to being a fully-fledged property management and trading entity. This report to include existing vacancies per sub-programme of each branch so that the committee can arrive at a comprehensive understanding of the state of the PMTE. It should further include the following strategies:

Improving debt collection; construction project management; develop accurate and credible IAR; implement asset investment management strategy; implement facilities management and maintenance strategy; improve lease management; improve construction project delivery; address adverse audit outcomes; improve corporate governance; address capacity constraints - technical capacity, property professionals and project managers (ratio +/- 1:20) - strategies to move towards 1:10 (industry norm 1:5).

7.9. a report on a strategy to ensure that as women form the majority of the population of this country, a 45% performance indicator for the appointment of women is raised in the performance indicators of relevant programmes and sub-programmes of the department, the PMTE and each of the DPWI entities.

7.10. a report on a tracking and monitoring mechanism of all construction projects that were disrupted, the geographical locations of each, main and sub-contractors, building material providers; the effect of these disturbances in terms of budgeted cost, time to completion, and the extra cost incurred due to these disruptions.

7.11. a report from the IDT on alternative funding models and plans to diversify its portfolio to deal with its funding challenges. The report to include detail of funders and projects that they wanted to fund in the social infrastructure sector as referred to in its meeting with the committee.

7.12. a report from the IDT on the high litigation list totaling R24 million related to (i) project work carried out on behalf of client departments and (ii) former staff whose contracts lapsed during the period of possible dissolution. The report to provide detail on external and internal legal cost (including payments due to service providers per case) and the status of each case on its current litigation list.

7.13. a report on progress with the Minister's policy leadership to include the IDT as the DPWI's preferred social infrastructure project management agency. This, as the entity require opportunities to restore trust with client departments and instead of using Coega, DBSA and other entities outside of its sector the department and PMTE should make a firm commitment to the IDT as the preferred social infrastructure and project management entity in its stable.

7.14. a report from ASA on its strategy to facilitate partnerships with other infrastructure and construction entities to reduce backlogs in different areas through testing and certification of innovative building technology systems (IBTs), specifically in addressing key challenges that government at all three levels wants to address such as housing backlogs, water infrastructure, cabling for networking, and road and bridge construction.

7.15. a report by ASA its stated a strategic intention to have the ASA certification as a pre-emptive certification for all future construction projects. This as a step, with Eco-labelling, to ensure the use of quality non-standardised fit-for purpose building material and systems in the construction of more environmentally and climate-friendly buildings in South Africa to mitigate against future climate change disasters such as the periodic floods that ravaged the KZN and Eastern Cape Coasts.

7.16. a report from the CBE on properly using the allocated funds for research and development, policy and knowledge management. The report to provide detail on specific research, policy and knowledge management programmes that were in the pipeline, who would be responsible for these, and the manners in which the research output would impact on the sector for specifically previously disadvantaged groups.

7.17. a report from the CBE on investigations that were done into the professional affairs or allegations against built environment professionals or the council to ensure that these are in compliance with the Promotion of Administration Justice Act (No 3 of 2000) that stipulates fair, independent investigations that protect the rights and integrity of all legal persons.

7.18. a report from the cidb on key matters requiring attention in the future cidb amendment bill and whether discussions were undertaken to include stakeholder-interests. These are key matters such as:

- extending the Register of Contractors to the private sector;
- firming up the provisions for the establishment of the Register of Professional Providers.
- assessing options for the establishment of a Construction Ombud.
- the implementation of the B.U.I.L.D Programme to ensure previously disadvantaged groups such as women contractors are supported in implementing the Construction Management System (CMS).
- support to the DPWI in developing the Construction Industry Recovery Plan (CIRP).
- ensuring ease of registration for contractors by further automation of cidb's core services such as online contractor registration.

7.19. a report from the cidb on collaboration with National Treasury to improve the use of budgets for infrastructure delivery throughout the construction and infrastructure sector. The report to provide detail on:

- client capacitation on cidb prescripts, IDMS and the Framework for Infrastructure Delivery and Procurement Management (FIDPM) to drive transformation in infrastructure procurement, including awareness of procurement reforms (72 capacitation sessions targeted across the country in 2023/24).
- Implementation of the cidb competence framework for procurement and the underpinning tools to assess supply chain management officials so that compliance with relevant SCMs, the PFMA, NT regulations and FIDPM is strengthened.

Report to be considered.