

MEDIA STATEMENT: SUMMARY OF

Budget Vote Speech

Vote 7: Public Works

TW Nxesi

Minister of Public Works

8 May 2012

Turning around the Department of Public Works to transform service delivery and expand job creation

As the Department of Public Works we stand at a crossroads:

- The AG, Public Protector and SIU have told us what the problems are.
- We have developed a broad strategy to turn the department around.
- The task now is to implement.

The DPW's core mandate includes:

- To act as custodian and manager of the state's immovable assets
- To create jobs and work opportunities, and
- To regulate and transform the property and built environment sectors, including addressing the skills shortage.

1. Expanded Public Works Programme

EPWP is a flagship programme of this Department and of government – part of our response to the triple challenge of poverty, unemployment and inequality. Our target in the second phase of the EPWP for the period 2009-2014 is to create 4.5 million work opportunities. With more than 2 million work opportunities already created since 2009, we are well on the way to exceeding that target.

2. Capital Projects

In the course of 2012-13 some 250 projects are scheduled for completion, creating 200,000 jobs – directly or indirectly. We are also resuscitating the Departmental Workshops to develop in-house maintenance capacity, as well as providing training opportunities. This will include the training of professionals, technicians and artisans.

3. Asset Investment Management

The Department's Long Term Infrastructure Plan comprises three key elements:

- First, new building – to ensure service delivery to clients and the public;
- Second, maintenance and repairs – to safeguard the assets we have;
- Third, rehabilitation and renovations of state buildings. This is central to our strategic goal of shifting the larger percentage of government accommodation away from leases to occupation of our own buildings. Eleven buildings were rehabilitated last year, with a further 10 earmarked for this year.

4. Policy: Transforming the Built Environment

The Department of Public Works remains responsible for the regulation and transformation of the construction and property sectors. Skewed property ownership patterns need to be addressed, and the construction industry has to create an environment where emerging contractors graduate into sustainable businesses. [*The details are contained in the speech.*]

The greening of the built environment represents a major new direction in the work of the DPW. We are committed to the principles underlying the Green Economy Accord. In concrete terms, over the last year, we have retrofitted 1,000 public buildings with energy saving devices. A further 100 buildings have been fitted with water saving technology.

Over the next year we plan to fundamentally rehabilitate 70 state buildings – including state of the art water and energy saving devices, intelligent lighting and air conditioning, solar technology and roof-top vegetation.

On the legislative front, this year the Department will be presenting the Expropriation Bill to Parliament.

5. DPW: The Turnaround Strategy

The turnaround strategy for the Department is based on the following principles:

- A successful change process has to come from within the Department.
- Secondly, any successful enterprise – and a successful turnaround – starts with strong and determined leadership.
- Third, we speak about a turnaround strategy – in other words we are talking about a process, not an event.

- Fourth, the paradox which faces us as a department is to stabilise the operations of the department short-term, whilst we embark on fundamental review and transformation in the longer term.

Concrete measures include:

- The establishment of an Inter-Ministerial Committee to provide advice and political support to the department. I have invited the following ministers to assist me: Finance, Home Affairs, Rural Development and Land Reform, and Performance, Monitoring, Evaluation and Administration in the Presidency. This broad support will be crucial in turning around the DPW – and we are of course studying carefully the successes at Home Affairs and SARS in particular.

One of the first people I approached to become a member of the IMC was Minister Roy Padayachie. I want to take this opportunity to pay tribute to a dear comrade – whose support and advice to a newly-appointed minister was invaluable. He will be greatly missed.

- Second, we are establishing a Support Team under the Office of the Director General to oversee and manage the change process. There is no point in putting such a team in the ministry – because ministers change with every election.

Amongst the concrete interventions already made are crucial stabilisation projects, including the following:

- *Stabilisation Project: Cleansing of the Immovable Assets Register*

- A desk-top exercise to reconcile deeds and other existing databases to identify gaps will be complete by the end of May this year.
- The cleansing of all gaps identified accompanied by physical verification of select properties contained in the cleansed database will take a further year to complete. Currently we are talking about some 35,000 properties.
- Officials are working with auditors Ernst & Young – but embedding skills in the Department.

- *Stabilisation Project: Leases*

There are no quick wins with leases. Years of poor management, under-capacity and lack of financial controls have provided fertile terrain for fraud and corruption.

Serious irregularities have come to light, thanks to the detailed work of the SIU. It is for this reason, that shortly after my appointment I removed certain financial delegations to regions of the Department, such as withdrawing their powers to sign leases.

Twenty such leases have already been identified in one region alone – involving payments of over R28 million. This includes leases where DPW paid for the duration of the lease without the building being occupied. We have instructed our lawyers to approach the High Court to nullify these irregular lease agreements, and institute civil action against whoever unduly benefited.

Criminal cases are being opened against several officials including some who have left the Department. I am informed that some criminal investigations have been concluded and arrests are imminent.

In his Budget Speech, the Minister of Finance announced a joint programme with the Department of Public Works to audit all current leases of the Department. I should add that we are building on the excellent diagnostic work done by the SIU in relation to lease audits.

As our colleagues in the Treasury pointed out to Parliament last month, the cost of leases on public buildings is rising unsustainably and represents a drain on public resources which could be used productively elsewhere.

In general, it is clear that the Department currently lacks adequate capacity to deal with the complexity of property management. We are therefore currently putting in place mechanisms to deal with the resultant backlogs as part of a stabilisation strategy within the Department. We apologise to client departments and landlords whose operations have been adversely affected by the poor management of leases.

To give a sense of the scale of the task we face: DPW manages approximately 3000 leases – of which a quarter have lapsed and are being paid on a month by month basis. Recent media reports have highlighted problems experienced by the South African Police with their accommodation. To place this in perspective: we manage 1,277 leases on behalf of SAPS.

This also goes to the heart of service to client departments. This is why in relation to police leases, the Acting DG has met with the HOD of the South African Police Services to establish a Task Team to address lease related issues.

Operations Management

It is clear that as DPW we have to reconfigure our operations to be responsive to our clients' needs. This has to be our point of departure, and we will be

engaging our clients on how we propose to manage their respective portfolios. This approach will be underpinned by the creation of single points of contact; greater specialisation and focused responsibility of portfolio managers for specific clients. Key outcomes of the proposed operating model include stable and accelerated service delivery as a result of high repeatability, specialisation and systematisation; as well as lower unit costs.

- *Stabilisation Project: Clean audit*

Too little, too late has been done to fundamentally change the audit outcome for financial year 2011-12. That is why, for the current year that has just commenced (2012-13) we are employing additional capacity. I am confident that the first positive results of this will be visible by mid-year when the Interim Audit results are presented by the Auditor-General.

To develop a metaphor I used previously: DPW is still in ICU, but we are now stopping the bleeding and stabilising the patient, before deciding on the appropriate long-term treatment.

Of course a successful turnaround depends on getting the right people in the right places and capacitating and using the people we have optimally:

- Crucial new appointments and secondments – from entities and other departments - have taken place to provide immediate support in the following areas: Operations, Finance, Monitoring and Evaluation, Supply Chain Management, Property and the Built Environment.

- A Support Team leader has been appointed whilst an open tender advert has gone out for the other members of the Team, as well as for a Panel of Experts to carry out specific projects.

In general the approach is as follows:

- Stabilise leadership as quickly as possible;
- Identify and stabilise areas of greatest threat;
- Build capacity around the office of the DG for further stabilisation and transformation;
- As far as possible mobilise resources from within the public sector, and
- Where we have to use service providers – consultants – ensure that we embed capacity in the Department as part of the process.