



public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

PRESENTATION TO PORTFOLIO COMMITTEE

IMMOVABLE ASSETS & OVERVIEW OF FOREIGN ASSETS

13 MARCH 2018



SPATIALLY ENHANCED ASSET INFORMATION

DPW IMMOVABLE ASSET REGISTER (IAR)

The Department of Public Works (DPW) manages an extensive property portfolio of 29 322 registered and unregistered land parcels on which 93 943 improvements are located (buildings and structures) across 52 client departments countrywide in order to make a contribution towards the State's service delivery objectives

DPW releases suitable vacant land parcels to the Department of Rural Development and Land Reform and the Department of Human Settlements for the land reform programme and to address the housing backlog in the country

The IAR serves as the primary source of data for all property related activities or transactions. The PMTE has initiated the migration of the rebuilt IAR data into an integrated asset management solution

DPW is able to determine its property portfolio, confirm existence, high level condition assessment of properties, users of properties as verified and validated through the physical verification project

DPW applied a Deemed Cost Model in order to eliminate assets recorded at R1 and determine carrying amounts/the value of immovable assets under its custodianship. As a result, the total value of immovable assets was disclosed as **R139 billion** as at 31 March 2017. DPW made a significant contribution to the National Treasury/South African Reserve Bank G20 Balance Sheet Project

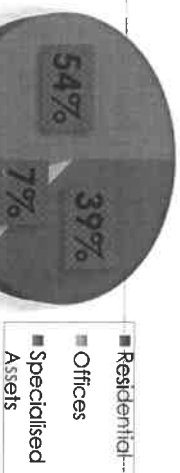
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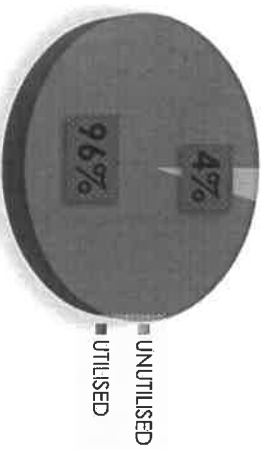
DPW PORTFOLIO BREAKDOWN – FREEHOLD

STATE OF GOVERNMENT ESTATE

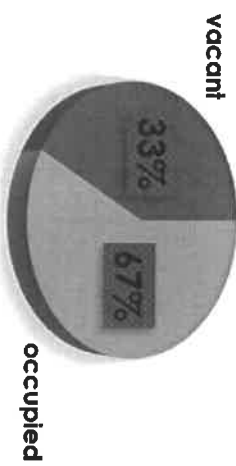
Accommodation Type



Building Occupancy



Land Parcels



Land Parcels: 29 322
Buildings: 93 943
Value: R139 billion

SPECIALISED ASSETS COMPRISE POLICE STATIONS, PRISONS, COURTS & DEFENCE FACILITIES



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Public Works
REPUBLIC OF SOUTH AFRICA

SUMMARY OF LAND PARCELS PER PROVINCE

PROVINCE	CORRECTIONAL SERVICES	DEFENCE	HOME AFFAIRS	JUSTICE AND CONSTITUTIONAL DEVELOPMENT	OFFICES	SA POLICE SERVICES	OTHER	TOTAL NUMBER OF LAND PARCELS	TOTAL VALUE OF LAND PARCELS
	NUMBER OF LAND PARCELS	NUMBER OF LAND PARCELS	NUMBER OF LAND PARCELS	NUMBER OF LAND PARCELS	NUMBER OF LAND PARCELS	NUMBER OF LAND PARCELS	NUMBER OF LAND PARCELS		
EASTERN CAPE	79	73	4	146	33	508	1 529	2 372	3 998 971 298
FREE STATE	101	148	3	213	28	588	1 901	2 982	2 161 251 886
GAUTENG	22	955	12	69	94	540	1 899	3 591	9 303 466 587
KWAZULU-NATAL	64	192	3	111	61	489	6 152	7 072	4 584 319 033
LIMPOPO	16	339	13	65	29	303	2 169	2 934	2 104 557 042
MPUMALANGA	124	93	6	101	9	347	1 518	2 198	2 550 598 792
NORTH WEST	19	109	8	29	50	158	1 597	1 970	3 726 075 758
NORTHERN CAPE	41	547	2	85	10	330	1 149	2 164	7 437 101 626
WESTERN CAPE	274	853	1	126	72	512	2 201	4 039	8 750 700 623
TOTAL	740	3 309	52	945	386	3 775	20 115	29 322	44 617 042 646
INFRASTRUCTURE									310 548 555
TOTAL VALUE OF LAND									44 927 591 201

THE COLUMN "OTHER" INCLUDES 9 663 VACANT LAND PARCELS TO BE UTILISED TO MEET THE STATE'S SERVICE DELIVERY & SOCIO ECONOMIC OBJECTIVES

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SUMMARY OF BUILDINGS PER PROVINCE

PROVINCE	CORRECTIONAL SERVICES	DEFENCE	HOME AFFAIRS	JUSTICE AND CONSTITUTIONAL DEVELOPMENT	OFFICES	SA POLICE SERVICES	OTHER	TOTAL NUMBER OF BUILDINGS	TOTAL VALUE OF BUILDINGS
	NUMBER OF BUILDINGS	NUMBER OF BUILDINGS	NUMBER OF BUILDINGS	NUMBER OF BUILDINGS	NUMBER OF BUILDINGS	NUMBER OF BUILDINGS	NUMBER OF BUILDINGS		
EASTERN CAPE	1 365	1 239	23	397	516	2 496	2 185	8 221	5 292 932 982
FREE STATE	1 245	2 146	6	388	208	2 207	1 887	8 087	3 642 707 001
GAUTENG	2 360	7 049	49	208	1 128	2 293	2 502	15 589	23 582 782 393
KWAZULU NATAL	1 613	1 744	43	614	909	3 017	3 225	11 165	7 602 925 319
LIMPOPO	128	5 722	98	298	563	1 655	2 208	10 672	8 524 816 626
MPUMALANGA	1 039	1 529	94	256	515	1 865	5 173	10 471	13 167 605 369
NORTH WEST	655	1 016	80	162	873	1 417	3 378	7 581	4 268 035 085
NORTHERN CAPE	419	4 404	53	232	241	1 512	1 813	8 674	3 908 056 299
WESTERN CAPE	2 739	5 893	2	172	417	1 619	2 641	13 483	11 178 897 700
TOTAL	11 563	30 742	448	2 727	5 370	18 081	25 012	93 943	81 168 758 774

The 25 012 BUILDINGS CONSIST OF OTHER USER DEPARTMENTS, FOR EXAMPLE, WATER AND SANITATION, HUMAN SETTLEMENTS, ETC.

THE PROPERTY PORTFOLIO IS UTILISED TO SUPPORT PMTE'S INVESTMENT DECISIONS IN LINE WITH GOVERNMENT'S SERVICE DELIVERY OBJECTIVES

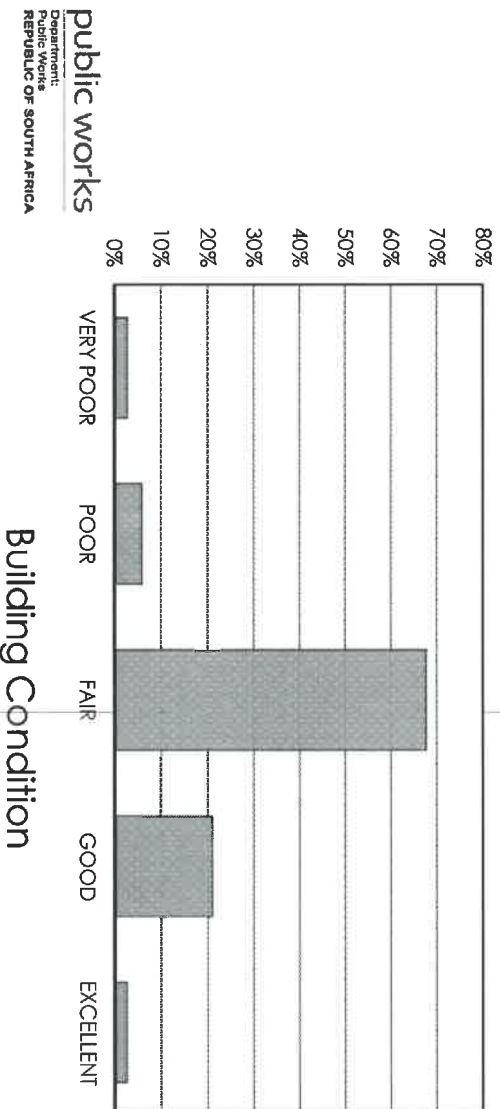


ASSET UNDER CONSTRUCTION	10 392 595 732
COMPLETED PROJECTS	1 461 668 036
COMPONENTS	1 044 400 011
TOTAL VALUE OF BUILDINGS	94 067 422 554
GRAND TOTAL VALUE	138 995 013 755

BUILDING CONDITION ANALYSIS

DEPARTMENT	BUILDINGS CONDITION					TOTAL
	VERY POOR	POOR	FAIR	GOOD	EXCELLENT	
CORRECTIONAL SERVICES	132	622	8 156	2 629	24	11 563
DEFENCE	564	1 858	24 738	3 571	11	30 742
HOME AFFAIRS	10	30	226	179	3	448
JUSTICE AND CONSTITUTIONAL DEVELOPMENT	79	279	1 691	638	40	2 727
OFFICES	209	550	3 338	1 144	129	5 370
SA POLICE SERVICES	514	1 932	11 573	3 783	279	18 081
OTHER	1 538	4 142	15 349	3 755	228	25 012
TOTAL	3 046	9 413	65 071	15 699	714	93 943

Average portfolio condition



Building Condition



DPW manages the life cycle of immovable assets as per section 13 (d) of GLAMA by conducting physical verification and condition assessment over a five-year cycle including the use of various technologies. 132 young graduates and project managers were recruited for the DPW IAR Enhancement Programme

OVERVIEW OF THE STATE'S FOREIGN
IMMOVABLE ASSETS

AN OVERVIEW OF THE MANAGEMENT OF STATE-OWNED PROPERTIES ABROAD

1. The Department of Public Works (DPW) had been the historical custodian of state-owned properties in foreign countries until 1999 and was tasked until then with lifecycle management of approximately 101 immovable assets throughout the world in service to the Department of International Relations and Cooperation (DIRCO), and other Government Departments serving in the missions;
2. State-owned assets in Foreign countries typically comprised of Chanceries and Official Residences which had been acquired or built by the State over many years;
3. Following protracted discussions in the 1990's between the Department, DIRCO, National Treasury and the DPWSA, the function to manage and procure properties and accommodation abroad was allocated to DIRCO by the then Minister of Public Service and administration from 1 May 1999 on recommendation of the Public Service Commission in terms of section 3(3)(a) of the Public Service Act, 1994;
4. A key motivating factor was the perception that DIRCO had an advantageous position to better manage the foreign property portfolio than DPW given its closer proximity to the assets as well as direct knowledge of local conditions, legislation and

AN OVERVIEW OF THE MANAGEMENT OF STATE-OWNED PROPERTIES ABROAD cont.....

5. The scope of the function transferred to DIRCO included all aspects regarding leasing, purchasing, disposal, alterations, maintenance, refurbishment, furniture and facilities;
6. Allocation of the function to DIRCO implied the full financial and operational accountability and final decision-making authority for the function;
7. The intention of DIRCO, as noted in the allocation letter, was not to duplicate professional, technical and essential services such as architects and valuers but to continue to source services from DPW as far as possible. In the 19 years since the function was allocated to DIRCO, however, the role of DPW has diminished and the Department has primarily acted as delivery agent / project manager in the development of a number of Chanceries and Official Residences abroad e.g. Abuja, Nigeria.
8. The immovable asset register of state-owned properties abroad is disclosed by DIRCO in the financial statements of that Department.

AN OVERVIEW OF DISPOSALS OF STATE-OWNED PROPERTIES ABROAD ONCE DECLARED SURPLUS

1. The State Land Disposal Act, 1961, (Act No 48 of 1961) empowers the Minister of Public Works to dispose of properties under its custodianship on terms and conditions that the Minister may deem fit as articulated in the legislation. The Act further mandates the Minister to manage properties effectively and efficiently in the best interest of the State.
2. In the realignment of South African relationships with the rest of the world subsequent to 1994, a number of missions were closed and some of the properties sold before 1999, the proceeds of which were returned to the National Treasury e.g. the Official Residence in Rio de Janeiro, Brazil and the Official Residence in Montevideo, Uruguay. These disposals were dealt with jointly by DPW and DIRCO with DPW being the final disposal agent in terms of the aforementioned legislation.
3. Notwithstanding the allocation of the property function to DIRCO in 1999, that Department was not mandated to dispose of state-owned immovable assets under its custodianship abroad as the State Land Disposal Act has never made provision for this.

AN OVERVIEW OF DISPOSALS OF STATE-OWNED PROPERTIES ABROAD ONCE DECLARED SURPLUS cont.....

4. The list of properties abroad declared surplus by DIRCO was updated over the years with the requirement for DPW to dispose of these. In 2008, the then Minister of Public Works approved that the properties identified by DIRCO as surplus be disposed of through public tender. In a pilot phase, 5 of 13 properties (houses) in Namibia were sold in 2010 and the balance remained unsold as the highest bidders, in the main, could not raise the necessary capital.
5. Approximately 13 properties abroad remain unsold. However, in an interdepartmental meeting in December 2017, DIRCO indicated that the process to dispose should not proceed as that Department has identified other uses for the properties.

AN OVERVIEW OF INTER-DEPARTMENTAL ENGAGEMENT WITH DIRCO ON THE FOREIGN SERVICES BILL

1. DIRCO has championed the enactment of Legislation in relation to all aspects of the Foreign Service. The management of immovable state-owned assets abroad is covered in Clause 8 (Assets) of the Foreign Services Bill [B 35-2015];
2. Based on the allocation of the function in 1999 to DIRCO, the Department's position has been that the Foreign Services Bill must comply with the Government Immovable Asset Management Act, (Act 19 of 2007) in respect of the full spectrum of life-cycle immovable asset management.
3. The Department has engaged DIRCO on regular basis in respect of the required rewording of the proposed Foreign Services Bill in relation to Clause 8 (Assets), and has also appeared in two sittings of the Portfolio Committee for International Relations and Cooperation where its position was duly articulated.
4. The Department's inputs to the relevant clauses in the proposed legislation are as follows:

AN OVERVIEW OF INTER-DEPARTMENTAL ENGAGEMENT WITH DIRCO ON THE FOREIGN SERVICES BILL cont....

➤ In relation to Definitions:

- It is recommended that a definition of “**acquire**” be included in the definition section of the Bill:
 - “**acquire**” in relation to an immovable asset, means acquisition through construction, purchase, lease and acceptance of a gift outside the Republic, for use by the Foreign Service;
 - Consider the inclusion of a definition of “**immovable asset**”:
 - “**Immovable asset**” means land or an immovable structure on land, or rights in such land or immovable structure.
- In relation to **Clause 8** of the Bill:
- It is recommended that the heading of the clause be changed from “Assets” to “**Immovable Assets**”.
 - The use of the word “*shall*” is restricted to where a provision imposes a duty to act. However, contemporary legislative drafting style has replaced the word “*shall*” with “*must*”. It is therefore advisable that the word “*shall*” be replaced with the word “*must*” wherever it imposes a duty to act in the Bill.



AN OVERVIEW OF INTER-DEPARTMENTAL ENGAGEMENT WITH DIRCO ON THE FOREIGN SERVICES BILL cont....

- The following rewording of clause 8 is proposed:
- *The Minister is the custodian of all immovable assets outside of the Republic acquired for use by the Foreign Service.*
- *The Minister's custodianship must be exercised in accordance with the provisions of the Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007).*
- *Subject to subsection (2), the Minister may –*
 - *acquire immovable assets outside the Republic for use by the Foreign Service; or*
 - *dispose of such immovable assets.*
- 5. There is on-going discussion with DIRCO to finalise the wording as it relates to immovable assets in the Bill.

A PLAN FOR PORTFOLIO OPTIMISATION

1. The verification of the Department's immovable asset register reveals that there are:
 - a) 9653 vacant land parcels comprised of:
 - Erven (urban land);
 - Agricultural holdings (peri-urban plots); and
 - Farms, as well as
 - b) 1989 vacant buildings in different condition
2. Towards optimisation of the portfolio, the above-mentioned properties will be matched against known domestic needs of the State in consultation with User Departments, other Custodians as well as Human Settlements and Rural Development and Land reform programs at national, provincial and local government level to ensure optimum utilisation.
3. Surplus assets not required by any sphere of Government but with economic potential will be deployed to optimum use in support of income generation initiatives of the PMTE, which may include commercial ventures and / or disposal to realise the highest and best-use potential.
4. These initiatives will align with the current project to develop a financial model for the Department.

THANK YOU