



MINISTRY  
PUBLIC WORKS  
REPUBLIC OF SOUTH AFRICA

**NATIONAL COUNCIL OF PROVINCES (NCOP)**

**POLICY DEBATE**

**BUDGET VOTE 7: PUBLIC WORKS**

**(SUMMARY)**

**TW NXESI**

**MINISTER OF PUBLIC WORKS**

**24 JULY 2014**

***Rebuilding the Department of Public Works***

**EMBARGOED UNTIL 14h00 24 July 2014**

## **1. Introduction**

- Honourable Chairperson
- Honourable members of Cabinet and MECs
- Honourable Chairperson and members of the Select Committee on Economic and Business Development
- Honourable Members of Parliament
- CEOs of Public Entities
- DG and senior management of the DPW
- Ladies and gentlemen

Welcome. A detailed document will be availed to members to cover the following:

- To present the budget vote and commitments for 2014/2015; and
- To account for what we have done as a Department over the last year – 2013/2014;

In the time available today, I will provide a strategic overview of where we are as a Department:

- To map out – at a high level - our vision and priorities for the next 5 years of this Administration; and
- To provide a progress report on the Turnaround Strategy for the Department of Public Works.

## **2. The Strategic Vision for 2014-2019**

My five priorities are:

**One:** The creation of 6 million work opportunities for poor and unemployed people through the labour-intensive delivery of public services and infrastructure.

Let us be clear colleagues, long term structural unemployment is going to be with us for the foreseeable future – it is a global phenomenon. That is why public employment programmes play a central role in the National Development Plan.

In Phase III (2014-2019), we are called upon to intensify the mainstreaming of the EPWP – and labour intensive methodologies - across national, provincial and local government - and all implementing bodies will be held accountable for delivery targets. That is why MinMec has agreed that National EPWP will work closely with the provinces to roll out Phase III.

Whilst numerical targets are important, we also seek to enhance the programme qualitatively in ways:

- Which help build families and communities
- Which facilitate community participation
- Which support sustainable environmental policy (eg reclaiming wetlands; clearing alien vegetation – with massive positive impact on water reserves)
- Which develop infrastructure and services particularly in poor communities (eg ECD and home-based health care), and
- Which contribute to economic development (eg through skills development).

**The second priority area:** The operationalization of PMTE (Property Management Trading Entity) and the transformation of the core property business of Public Works (including construction management). This necessarily includes a programme to rebuild technical and professional capacity in the Department.

This is the core business of Public Works – custodianship of state immovable assets and provision of accommodation to government – and accounts for 75% of the Departmental allocation.

**Three:** The full operationalization of the Governance, Risk and Compliance Branch to drive anti-corruption and to spearhead the second phase of the Turnaround using the tools of improved planning and performance management. This also means working with HR and Change Management to promote a committed performance driven work culture.

**Fourth priority area:** In consultation with all stakeholders – particularly the wider Public Works family in the provinces - a policy review culminating in a Public Works Act.

**Five:** In partnership with our entities, the charter councils and relevant stakeholders, a renewed and sustained programme of action to transform the Built Environment – the construction and property sectors – as part of the second more radical phase of transition to democracy. This must include support for black and female contractors and property practitioners; as well as the production of black professionals and artisans in the Built Environment disciplines. [We cannot be complacent that only 24% of Built Environment professionals are black; 9% female.]

I have already begun a process of intense consultation with stakeholders in the sector.

### 3. Turnaround Strategy: Rebuilding the Department of Public Works

During 2012, with the support of National Treasury, we developed a Seven Year Plan to Rebuild the Department of Public Works. The plan envisages 3 phases:

- Phase 1: Stabilisation
  - Phase 2: Efficiency enhancement, and
  - Phase 3: Sustainable development.
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- **Phase 1:** The stabilisation phase was necessitated by poor performance by DPW and the lack of adequate management and financial controls culminating in eight years of adverse audit findings – as well as high levels of fraud and corruption evidenced in the reports of the Public Protector and the SIU. We are two years into the Seven Year Plan and I can report that we have stabilised core business areas: leases, the Immovable Asset Register and finances:

- **Lease Review** – With National Treasury we have conducted an audit of 2,162 properties leased-in from the private sector, and introduced more robust systems to manage the leasing portfolio. The Department has overhauled SCM processes in the leasing environment and negotiated, with National Treasury, a special dispensation to fast track the re-signing of expired leases. As a result:
  - We were able to renegotiate leases downward in 50% of cases (with a saving R33 million per annum.)
  - The Treasury dispensation places a 5.5% ceiling on escalation of leases – below inflation - with further savings to the state.
  - The Audit also highlighted leases where fraud and collusion is suspected (*eg. empty buildings we were paying for.*) These have been flagged for forensic investigation.



- I should mention that National Treasury has now agreed to extend the special dispensation on leases to provinces – who on average lease-in around 100 properties from the private sector.

In the past, poor management in the leasing environment also resulted in contraventions of the Occupational Health and Safety Act. Inspections will now be prioritized on an annual basis.

- Another area of stabilisation is ***The Immovable Asset Register*** – Simply put: for the first time in the history of the South African state, Public Works has produced a reliable register of state properties which is 95% complete. National Public Works accounts for 107,000 properties on some 30,000 land parcels. 95% of these assets have been physically verified. This is a game changer: we now have a much better idea of what we own. And we can start to use this massive

property portfolio to leverage economic development and job creation.

I need to mention that in cleaning-up and developing the Asset Register, as DPW, we have cooperated with the Department of Rural Development and Land Reform and the Surveyor-General. We are also working closely with provincial departments of Public Works – through MinMec structures - to assign custodianship of land parcels.

There is still a long road to travel. As you know, once we have sorted out the immovable assets of the provinces and national, Parliament expects us to assist municipalities with their asset registers.

- ***Clean audit project*** – The other major stabilisation project - was to urgently stabilise the finance and supply chain management environment. For the 2012/13 financial year, the

audit outcome of the Department's main account improved from a disclaimed opinion to a qualified audit opinion. The qualifications that affected the Department's Main Account were reduced from eight (8) to three (3).

The audit outcomes of the PMTE (Property Management Trading Account) also improved considerably. Although the disclaimed opinion remained in 2012/13, the number of qualifications reduced from twelve (12) to four (4).

We expect further significant improvement in audit outcomes for 2013/14.

The employment of 64 unemployed commerce graduates as interns has been a success story of the clean audit project. They are now eligible to participate in internal recruitment processes.

A formal skills transfer programme and on-the-job training on the revised processes in finance and

supply chain management have been implemented to embed the stabilisation initiatives.

In relation to irregular expenditure, all transactions – some 1.5 million transactions - were revisited for the period 2009/10 to 2012/13. There are no short-cuts to good governance and compliance. All irregular expenditure and fruitless and wasteful expenditure identified will be investigated, and action taken.

I am very pleased to announce that compliance with the President's injunction to pay service providers within 30 days has greatly improved. This is a very obvious way in which government departments can support small and emerging businesses.

***Phase 2 of the Turnaround:*** Efficiency enhancement – This is where we seek to improve the business model and processes of the Department. This will be the focus

of the next 5 years. Critically this involves the following strategies and actions:

- First, implementing a structure which aligns with the mandate of the Department, principally:
  - The operationalization of the PMTE (Property Management Trading Entity) in line with earlier Cabinet decisions – to ring fence and professionalise the property business. This massive property portfolio (Seven times the size of GrowthPoint) includes 73,000 properties used by government departments, and some 30,000 properties largely unutilised. The priorities of the PMTE include:
    - At a strategic level, to advertise and headhunt property professionals from the private sector to be employed on performance based contracts.
    - To consolidate the improvements in the lease environment;

- To improve the maintenance and security of state assets through the National Infrastructure Maintenance Strategy (NIMS), to establish best practice and norms and standards for maintenance of state assets; to revive the Workshops; and to work with small business and co-ops to provide maintenance services.
  
- To progressively reduce leasing-in in favour of rehabilitating our own stock for occupation by government. (Currently 2,700 buildings are leased-in at a cost of R3.2 billion);
  
- To work with emerging black estate agents to market our unutilised stock and to manage the leases;
  
- To seek public-public partnerships with other entities already working in the property management space to develop state assets.

In relation to PMTE and the management of state properties, the vision is as follows:

- to ring-fence, better manage, maintain and optimally utilise this massive state property portfolio to build value and to bring savings to the state;
  - as well as other socio-economic benefits – particularly job creation and empowerment;
  - whilst improving service to client departments.
- The second focus of organisational development in the Department is to fully operationalize the Governance Risk and Compliance Branch - to drive compliance and the anti-fraud and corruption campaign.

In 2012, I announced that the Turnaround Strategy stood on two legs: improving the way we

do business as DPW, and combatting fraud and corruption.

In the stabilisation phase, we depended heavily on the expertise of the SIU to investigate fraud and corruption. Ninety-five (95) cases were referred to the SIU for investigation, of which 75 have been finalised. This resulted in disciplinary action against 50 employees; 23 of which resigned before the commencement of the disciplinary hearing. Of the remaining 27, five received final written warnings, seven were dismissed and 15 cases are pending.

Civil action has been instituted against employees and contractors in eight matters, mainly claims for damages or action to have voidable lease agreements set aside.

For serious cases we will continue to use the SIU. However, the establishment of the GRC Branch marks a milestone: embedding capacity, in-



house, to detect and prosecute wrong-doing, and developing systems to quash opportunities for those who would wish to engage in fraud and corruption. The Branch is tackling a backlog of 250 internal cases reported since 2009/2010. Of the 158 completed investigations, 93 disciplinary charges have been recommended and 15 criminal cases reported to the SAPS.

- The GRC Branch is also driving a proper process of strategic planning incorporating risk management, performance management and process re-engineering. An important objective is to develop a new Service Delivery Model – in line with DPSA (Department of Public Service and Administration) requirements - which is based on the needs of client departments and enhancing the performance of DPW.
- In the Construction Project Management environment, lack of planning over years has led to under-spending on the budget, as well as cost over-runs and delays

on individual projects. This is being addressed through:

- greater coordination between branches and units along the construction value chain;
  - The establishment of Technical Joint Teams to liaise directly with clients, and
  - The introduction of a proper planning methodology – in the form of IDMS (Infrastructure Delivery Management System).
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- The Department has also developed an ICT (Information Communication Technology) plan to be implemented as part of the second phase of Turnaround.
  - *HR and Organisational Development* – It is not enough to have a good plan. You also need the right people – committed and willing to embrace change – together with the right mix of skills. At Exco level, the key management positions of Director-General, Chief

Financial Officer and Deputy Director-General: Corporate Services were filled. An acting Deputy Director General was seconded from the State Security Agency to commission the newly established Governance, Risk and Compliance Branch.

We are addressing the lack of technical and professional capacity as follows:

- Insourcing skills during the stabilisation phase. This necessary spending on consultants will reduce, as we build capacity in-house.
- Recruiting – some 45 professional and technical positions have been filled to date.
- Developing our own skills. The Department's Schools Programme to improve Maths and Science teaching and learning supports learners from disadvantaged communities. Together with the CETA (Construction Education and Training Authority), the Department, this year, awarded 132 bursaries to students enrolled in built

environment tertiary programmes. Currently there are 1,149 participants in the various training programmes of the Department.

- We are resuscitating the Workshops to improve the quality of service to clients and to develop technical skills and capacity. In collaboration with private sector companies some 293 artisans are being trained by the Department during 2014/2015.
  
- **Phase 3:** Sustainable development – this is where we fundamentally review the mandate, purpose and responsibilities of the Public Works family across the different spheres of government - culminating in a Public Works Act, to refresh and clarify the mandate of Public Works and to establish a platform for sustainable development.

#### **4. Other Services**

## ***Prestige Portfolio***

The Prestige Property Management Unit is now centralised in the DG's office and is undergoing restructuring with a view to greater specialisation. The key here is to improve the management of customer relations and communication with departments and individual clients.

We have revived the Parliamentary Villages Management Board, and begun a programme of renovations, including upgrading the security system.

In respect of Ministers' and Deputy Ministers' official accommodation, I requested the SIU to investigate all Prestige projects involving excessive cost escalations:

- As a result, the Director of Prestige in Pretoria was charged and dismissed.
  
- In the case of Cape Town, we will report to Parliament, once the SIU completes its investigation.

- Costs for renovation of State-owned houses have now been capped at 30% of the market value of the property.

### ***Inner City Regeneration***

The Inner City Regeneration Branch, soon to be renamed “Spatial Planning and Development”, has broadened its scope to include Metros other than Tshwane, as well as towns, districts, small rural towns and harbours. This also supports the broader outcomes of regional and rural development, as well as improved local government. It starts to challenge past apartheid spatial planning, and talks to the ‘Ocean Economy’ discussed by the President yesterday.

### ***Provision of state land***

During 2013/14, 128 hectares of state land was approved for release for human settlements. A further 22 properties were identified for release in the current year for human settlement.

## ***Accessibility Programme***

Under the Accessibility Programme, 15 buildings were made more accessible for people with disabilities, seriously under-achieving on our target of 100 buildings for 2013/2014. This was due to contractual problems – but there can be no excuses. I fully expect Parliament to hold us to account on this matter. However, we are now confident of an improved procurement environment and, a further 51 buildings are prioritised for this current year.

## **5. Concluding remarks**

In my 2012 Budget Vote, I likened the Department of Public Works to a patient in ICU. In 2013, with some improvements, I said that we had now stopped the bleeding and the patient was being stabilised. Today, in 2014, I can inform Honourable members that the patient is fully stabilised and responding well to medication. We

confidently expect that the patient will be discharged in the very near future.

It is my pleasure to call upon the National Council of Provinces to support the budget vote of the Department of Public Works.

I thank you.