



public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

PROPERTY MANAGEMENT TRADING ENTITY

REVISED STRATEGIC PLAN

2015 - 2020

REVISED STRATEGIC PLAN

2015 - 2020

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MINISTER'S FOREWORD

It is with great pleasure that I present the Revised Strategic Plan for the Property Management Trading Entity (PMTE), which represents a critical milestone in the Turnaround of the Department of Public Works (DPW).

As the PMTE account constitutes approximately 75% of the work and budget of DPW and represents the largest property portfolio in South Africa, the operationalisation of the PMTE has been identified as one of my five key priorities for the period of this administration (2014-2019). This will ensure effective delivery on our mandate of accommodation provision to Government and act as custodian for the State's immovable assets. The State's property portfolio is currently underutilised and neglected, leaving numerous properties vacant, and susceptible to theft, vandalism, vagrants and illegal occupation. The condition of some buildings is poor and in many cases does not enable our user departments to fulfil their service delivery mandates. This has led to a disproportionate use of leased in accommodation leading to excessive costs to the State.

The PMTE's key role is to optimise the asset portfolio to ensure improved and effective, but cost saving service delivery. This will be achieved by improving access to and the quality of public buildings, by utilising the State's unutilised properties productively and creating funding streams for capital maintenance and improvement programmes, to extend the life-cycle of existing State properties.

As set out in the National Development Plan (NDP), the objective and mission of Government's developmental agenda is to set the country on a higher and sustainable trajectory of economic growth and increased infrastructure development. Other priorities include: resolving the energy challenge; unlocking the potential of Small, Micro and Medium Enterprises (SMMEs), Co-operatives, townships and rural enterprises; growing the ocean economy through Operation Phakisa; and transformation, job creation and skills development. In this regard, the value proposition of the PMTE cannot be under-estimated. The PMTE has not only been geared-up to be a responsive, effective, cost saving property management entity for the State, but has the added benefit of contributing towards these priorities through its operations.

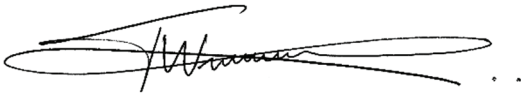
In its commitment to the above, the PMTE aims to:

- Leverage the State's property portfolio to contribute towards job creation, black empowerment and skills development mainly through the reopening of the Facilities Management Service Centres (Workshops) and bridging service delivery gaps by targeting and engaging Co-operatives, SMME's and Turnkey Solutions procurement in the provision of construction, facilities management, and property management services for unutilised state owned properties;
- Implement strategies and redress mechanisms towards energy and water savings on newly constructed buildings and reducing the energy demand on existing properties. Immense gains have already been achieved through the incorporation of energy efficiency into the building design and energy efficient technologies (Smart Metering and Lighting) into existing buildings;
- Reclaim the mandate of Public Works, and take control of – and develop – small proclaimed harbours as well as harbours that are not yet proclaimed. This has implications for the better utilisation of state resources to promote economic development and job creation. The same goes for Admiralty land for which Public Works is responsible. The PMTE as the State's infrastructure development organ will play a pivotal role in the development and modernisation of small harbours in stimulating the South African maritime economy. This also includes the development of Government precincts in small towns and rural areas;
- Clarify the Broad-Based Black Economic Empowerment (BBBEE) policy and its application to leasing-in, leasing-out, Real Estate Management, Construction, Facilities Management and planned maintenance;
- Safeguard the State's assets from vandalism, theft and land invasion; and
- Reclaim all misappropriated State land through the Bring Back Campaign.

The PMTE is however, still faced with the challenge of attracting and retaining the skills necessary to professionalise our property business and address the high infrastructure backlog. The Construction Project Management division's inability in the past to deliver within time, cost and quality has been exacerbated by insufficient professional capacity and skills.

Addressing the aforementioned issues, requires the establishment of a quality public sector property management organisation with competitive, market-related compensation packages that will attract appropriately skilled personnel to deliver high quality and professional services, and assist in capacitating existing staff. To this extent, a Business Case for establishing the PMTE as a Government Component has been presented and endorsed by Cabinet. The value proposition of such a Government Component is premised on being a ring-fenced and focussed service delivery entity with flexible administrative and operational arrangements to expedite and improve service delivery, whilst remaining an integral part of the public service. This means that the Government Component will remain committed to the State's priorities whilst being closely acquainted and involved with the needs of its public sector clients.

It is clear, that the successful operationalisation of the PMTE requires a fundamental shift in the way in which we do business and, this will not occur overnight. The PMTE will therefore ring-fence, better manage and optimally utilise the State's massive property portfolio to build value and bring savings to the State. It will also consider other socio-economic benefits – particularly job creation and empowerment – whilst improving services to client departments. All of this demands a focused and uncompromised effort. As we remain resolute in our commitment to improve service delivery and reduce public spending on accommodation, a lot of work still needs to be done. I am confident that the above interventions are a concrete expression that we will continue to strive towards improving service delivery in the context of Government's priorities.



Mr. T W Nxesi, MP
Minister of Public Works

PROPERTY MANAGEMENT TRADING ENTITY
REVISED STRATEGIC PLAN
2015 – 2020

OFFICIAL SIGN-OFF

It is hereby certified that the Revised Strategic Plan 2015-2020 was developed by the management of the PMTE under the guidance of the Minister of Public Works and takes into account all the relevant policies, legislation and other mandates for which Public Works and the PMTE are responsible. It accurately reflects the strategic outcome orientated goals and objectives which the PMTE will endeavour to achieve over the period 2015 - 2020.



Mr. P Serote

Head: Property Management Trading Entity



PROPERTY MANAGEMENT TRADING ENTITY

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REVISED STRATEGIC PLAN

2015 – 2020

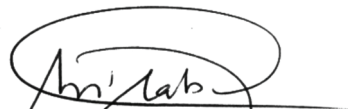
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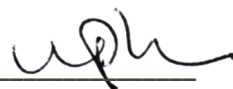
Mr. I Fazel
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Mr. J Mokgoro
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Property Management Trading Entity

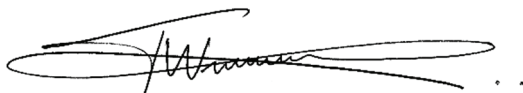


Mr. M Dlabantu
Director-General
Department of Public Works



Mr. J P Cronin, MP
Deputy Minister of Public Works

Approved by:



Mr. T W Nxesi, MP
Minister of Public Works

MANCO SIGN-OFF

MANCO MEMBERS	
	Mr. MS Thobakgale Project Management Office
	Ms A Chowan Supply Chain Management
	Mr. P Chiapasco (acting) Real Estate Investment Management
	Ms. S Subban Planning and Precinct Development
	Mr. B Kgasoane (acting) User Demand Management
	Mr. N Vilakazi (acting) Construction Project Management
	Ms. L Bici Special Intervention Projects
	Mr. M Govender Real Estate Management
	Ms. S Matthews Real Estate Information and Registry Services
	Mr. J Maroga Facilities Management

ACRONYMS AND GLOSSARY OF TERMS

ACRONYM	FULL DESCRIPTION
AIM	Asset Investment Management
AG	Accountant General
BBBEE	Broad Based Black Economic Empowerment
BCOCC	Border Control Operations Coordination Committee
C-AMP	Custodian Asset Management Plan
CBE	Council for Built Environment
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CIO	Chief Investment Officer
CIDB	Construction Industry Development Board
CCM	Client Centric Management
COGTA	Cooperative Governance and Traditional Affairs
CPAP	Contract Price Adjustment Provision
CPI	Consumer Price Index
CPO	Chief Procurement Officer
DAFF	Department of Agriculture, Forestry and Fisheries
DCIO	Deputy Chief Investment Officer
DG	Director General
DMS	Document Management System
DPSA	Department of Public Service Administration
DPW	Department of Public Works
DRDLR	Department of Rural Development and Land Reform
ECSA	Engineering Council of South Africa
EDMS	Employee Development and Management System
EMP	Energy Management Plans
ENE	Estimates of National Expenditure
EPWP	Expanded Public Works Programme
EXCO	Executive Management Committee
FDC	Fisheries Development Corporation
FTE	Full Time Equivalent
FM	Facilities Management
FY	Financial Year
GBCSA	Green Building Council of South Africa

ACRONYM	FULL DESCRIPTION
GC	Government Component
GEAR	Growth Employment and Redistribution
GDP	Gross Domestic Products
GIAMA	Government Immovable Asset Management Plan
GRAP	Generally Recognised Accounting Practice
GVA	Gross Value Added
HOD	Head of Department
HOSS	Head of Support Services
HR	Human Resources
IAR	Immovable Asset Register
ICT	Information Communication Technology
IDMS	Infrastructure Delivery Management System
IDT	Independent Development Trust
IDIP	Infrastructure Delivery Improvement Programme
IDMS	Infrastructure Delivery Management System
IDP	Integrated Development Plans
IKS	Indigenous Knowledge System
IT	Information Technology
IPIP	Infrastructure Programme Implementation Plan
IPMP	Infrastructure Programme Management Plan
KAM	Key Account Management
LAB	Land Affairs Board
LOGIS	Logistical Information System
MOU	Memorandum of Understanding
MTBPS	Mid Term Budget Policy Statement
MTEF	Mid Term Expenditure Framework
MTSF	Mid Term Strategic Framework
MIS	Management Information System
NDP	National Development Plan
NDPW	National Department of Public Works
NGP	New Growth Path
NT	National Treasury
PFI	Project Finance Initiative
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission

ACRONYM	FULL DESCRIPTION
PMIS	Property Management Information System
PMO	Project Management Office
PMTE	Property Management Trading Entity
PSA	Public Service Act
PSR	Public Service Regulations
PPI	Producer Price Index
PPP	Public Private Partnership
REIRS	Real Estate Information and Registry Services
SA	South Africa
SACNASP	South Africa Council for Natural Scientific Professions
SDF	Spatial Development Framework
SDIF	Service Delivery Improvement Framework
SDIP	Service Delivery Improvement Plan
SEDF	Spatial and Economic Development Framework
SPA	State Property Agency
SPMC	State Property Management Corporation
SCM	Supply Chain Management
SIP	Strategic Integrated Projects
SLA	Service Level Agreement
SP	Strategic Plan
SOE	State Owned Entity
SONA	State of the Nation Address
State assets	Assets under the Custodianship of the Minister of Public Works
SPMA	State Property Management Agency
TAU	Technical Assistance Unit
U-AMP	User Asset Management Plan
VPN	Virtual Private Network
WBS	Web Based Reporting Systems
WCS	Works Control System
WMU	Water Management Unit
WSP	Workplace Skills Plan

PROPERTY MANAGEMENT TRADING ENTITY
REVISED STRATEGIC PLAN
2015 – 2020

PART A: STRATEGIC OVERVIEW



REVISED STRATEGIC PLAN

2015 – 2020

1. VISION

Convenient access to dignified public services.

2. MISSION

Effective management of the State's immovable assets to contribute towards economic and social development and transformation of the built environment.

3. VALUES

We align our values with the Constitution, as underpinned by the following culture drivers:

- **Innovation:** by tirelessly seeking opportunities for service delivery improvement by thinking freely and not bound by old, non-functional, or limiting structures, rules and practices.
- **Integrity:** by consistently honouring our commitments, upholding ethical, honest behaviour through transparent communication.
- **Motivation:** by having an attitude that brings out our best efforts and actions toward the realisation of organisational goals.
- **Professionalism:** by treating our clients with respect and reliably delivering against expectations.
- **Accountability:** by discharging our duties in a responsible manner in compliance with the relevant laws.
- **Results-orientated:** by knowing what results are important and focusing resources to achieve them.
- **Teamwork:** by respecting diversity while sharing a common purpose and working together in cooperation with each other.

4. LEGISLATIVE MANDATE

By virtue of the devolution of the roles and responsibilities from the Department of Public Works (Department) to the Property Management Trading Entity (PMTE), the PMTE's mandate is, as a consequence, shaped by the legislative and other mandates which direct the Department's functions. In this regard, the following legislative and other mandates must be noted.

4.1 CONSTITUTIONAL MANDATES

As the entity established to take control and improve the real estate management services on behalf the Department, the PMTE is bound by the Constitutional mandate of the Department, as provided in Schedule 4, Part A, of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) [Constitution], i.e.: Functional Areas of Concurrent National and Provincial Legislative Competence. In executing this Constitutional mandate, both the Department and the PMTE need to observe the principles of good cooperative governance and intergovernmental relations as provided for in Section 41 of the Constitution.

4.2 LEGISLATIVE MANDATES

The applicable legislative mandates for the PMTE are set out, *inter alia*, in the following pieces of legislation:

- i. Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007) [GIAMA];
- ii. The Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) [CIDBA];
- iii. Council for the Built Environment Act, 2000 (Act No. 43 of 2000) [CBEA];
- iv. Professional Council Acts that regulate the six Built Environment Professions (BEPs);
- v. Public Finance Management Act, 1999 (Act No. 1 of 1999) [PFMA]; and
- vi. Other Acts listed in Annexure A.

4.3 POLICY MANDATES

The PMTE's Policy mandates derive largely from the Department's directives, as they pertain to the following:

4.3.1 DPW White Paper: Public Works, Towards the 21st Century (1997) [White Paper (1997)]

The White Paper (1997) documented the challenges faced by the Department and continues to serve as an overarching Policy Framework for the Department's restructuring process. This has led to directing the Department to meet Government's socio-economic objectives by becoming a client-orientated organisation which will focus on Policy and Service Reform; Property Investment, Property and Facilities Management and the implementation of the National Public Works Programmes.

4.3.2 DPW White Paper: Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry, 1999 [White Paper (1999)]

The White Paper (1999), sets out Government's Policy Objectives for the Construction Industry and focuses on the need to enhance delivery, achieve greater stability, improve industry performance, create value for money and facilitates growth of the emerging Construction Sector.

4.3.3 Construction Sector Transformation Charter, 2006 (Charter 2006):

The Charter 2006, *inter alia*, aims to:

- provide the construction sector with the first quantitative method of monitoring and evaluating the progress of an enterprise towards achieving Broad-Based Black Economic Empowerment (BBBEE) targets and thereby contributing to ending the malpractice of fronting;
- expand the employment potential and absorption capacity of the sector by using labour-intensive approaches, where economically feasible and possible; and
- address skills development in a manner that accelerates the advancement of black people, women and designated groups with particular emphasis on learnerships, as well as technical and management training.

4.3.4 Property Sector Transformation Charter, 2007 (Charter 2007)

The Charter 2007 aims to promote the objectives contained in Section 2 of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) [BBBEE Act) as these relate to the Property Sector and, in particular but without limitation, *inter alia*, to:

- promote economic transformation in the Property Sector to enable meaningful participation of black people and women;
- unlock obstacles to property ownership and participation in the property market by black people;
- promote property development and investment in under-resourced areas which enhances basic infrastructure, encourages investment and supports micro and small enterprises; and
- facilitate the accessibility of finance for property ownership and property development.

4.3.5 DPW Broad-based Black Economic Empowerment Strategy, 2006 (DPW BBBEES 2006)

This strategy guides the Department to give effect to the BBBEE Act by addressing enterprise development, preferential procurement, skills development and employment equity.

4.3.6 Property Management Strategy on BBBEE, Job Creation and Poverty Alleviation, 2007 (PMS BBBEE 2007):

The objective of the PMS BBBEE 2007 is to:

- address skewed property and equity ownership in the property industry in the country; and
- promote black participation in the property industry through management, control and procurement.

4.3.7 Green Building Framework, 2001.

This Framework outlines the Department's commitments to address key elements in the NGP and the Industrial Policy Action Plan by promoting, *inter alia*, sustainable development, reducing greenhouse gas emissions, promoting energy efficiency, stimulating new green industries, etc.

4.4 RELEVANT COURT RULINGS

While there were no Court Rulings, which were relevant to the PMTE, in the past financial year, the Court Rulings reflected in the Strategic Plan 2015-2020 remain relevant and include the following:

4.4.1 Case Number: 576 / 2011 (Eastern Cape High Court, Mthatha)

Applicant: Azcon Projects CC

Respondent: The Minister of Public Works and three others

Mini Summary: The Applicant obtained an order to review and set aside the awarding of tender MTHPCOL and ordering the Respondent to reconsider the tender. The Respondent had disqualified the bidder on the basis of an outstanding tax clearance certificate. The court order had an adverse impact on service delivery as the project, which involved the renovation of the Mthatha Central Police Station, was put on hold pending the conclusion of the litigation process, which effectively lasted for a year.

Judgement: The judgement for the case reinforces the fact that the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act 29 of 1999, should be strictly followed in the procurement process.

4.4.2 Case Number: 2845/12 (Magistrate's Court, Newcastle)

Applicant: Anton van Kaampen

Respondent: The Minister of Public Works

Mini Summary: The Applicant obtained an eviction order against the Respondent in respect of a building occupied by the SAPS. The lease for the relevant premises had expired and the Respondent owed rentals on the property. Consequently, the Respondent was locked out of the premises which resulted in having to work from its official vehicles.

Judgement: The implication of the judgment is that the backlog in the leasing portfolio is impeding service delivery of user departments

5.1 EXTERNAL ENVIRONMENT

As part of the situational analysis process, the PMTE has identified a set of external factors within the environment that have an impact on its operations. These external influences include, amongst others, the political environment, the country's slow economic growth, various infrastructure gaps, the energy challenge, weak domestic demand and anaemic investment rates acting as a drag on growth.

5.1.1 The Political Environment

Political stability remains a key contributor to investor confidence. Central to this are: effective governance structures that are corruption-free, managing public spending within the national budget, keeping borrowing within agreed limits, sound supply-chain management processes, an appropriate framework of macro-economic, social and labour market policies, a skilled workforce and strategies and interventions which promote socio-economic development. These fundamentals are essentially in place in South Africa, but in a global situation where commodity prices are low and growth levels are falling, South Africa, along with most other emergent economies, will be affected negatively. In response, the South African Government intends to keep a focus on these fundamentals and to reassure investors, trading partners and lenders that South Africa remains, and will continue to be, an attractive place for doing business.

At the Policy level the National Development Plan – or Vision 2030 (NDP) has identified infrastructure investment as a priority for South Africa moving forward and provides an effective mechanism to support socio-economic transformation and to build a new level of economic resilience in an increasingly challenging global environment. In response to key policy imperatives enunciated in the NDP, the PMTE will focus on maintaining the value of Government's immovable assets, the development of small and not yet proclaimed harbours, developing Government precincts in small towns and rural areas, improving access to and the quality of Government's immovable assets and reclaiming all misappropriated State land.

In the context of the PMTE, the political environment will have implications, largely on job creation, addressing inequality and poverty and driving the transformation agenda of Government. Examples include transforming the property and construction industries by promoting BBBEE and the development of Co-operatives in the built environment. A strategic example of addressing growth and development is growing the Ocean Economy as part of the Operation Phakisa initiative. The PMTE will contribute to Operation Phakisa through the development and encouragement of economic activity within small harbours. These initiatives are set to drive economic growth and create jobs, while increasing local economic development and contributing substantially to enhancing social infrastructure.

5.1.2 The Economic Environment

Global Economic growth for 2015 was estimated at 3.1%. The United States economy depicted a resilient recovery, whilst the Euro zone cautiously negotiated their moderate recovery with rates slowing down in the third quarter of 2015. Global growth is projected at 3.4 % for 2016 and 3.6 % for 2017.¹ A modest recovery is expected to continue for advanced economies. The economic outlook for emerging and developing economies is varied but, in many cases, challenging. The slowdown and rebalancing of the Chinese economy, lower energy prices (e.g. oil), the gradual exit from accommodative monetary policies in the United States and strains in some large emerging market economies will continue to weigh on growth prospects in 2016-17.

Most countries in sub-Saharan Africa are expected to see a gradual pickup in growth rates, which are lower than those seen over the past decade. This mainly reflects the continued adjustments to lower commodity prices, heightened financial market volatility and higher borrowing costs, which weigh heavily on some of the region's largest economies, as well as a number of commodity exporters.

South Africa's Gross Domestic Product (GDP) growth was 1.3 % in 2015², which was lower than the projected rate of 2.1% at the beginning of the year. Energy supply constraints remain a major contributor to the low economic growth figures. Being an oil intensive country, the South African economy was expected to benefit from the decline in oil prices. However, the depreciation of the Rand relative to the dollar, offset these benefits.

South Africa's GDP growth for 2016 is projected to be around 0.9%³. This follows primarily from the continued low business confidence and, consequently, private sector fixed investment, recent shocks in the economy, the deteriorating Rand and (deficit and debt) constrained Government expenditure levels.

Government remains in a constrained budget, as Government debt and the budget deficit continue to increase. Government debt was recorded at around R1.74 Trillion by the third quarter of 2015, an 11% increase year-on-year. Furthermore, Government's gross loan debt was 49% of GDP by the third quarter of 2015. At the same time budget deficit averaged 5.4% of real GDP which is higher than the target of 3.9% set in the 2015 budget. Given the low tax base and the need for further fiscal stimulus, an increase in the debt level should be expected.⁴

¹ IMF economic outlook, January 2016

² 2016 Budget Speech

³ 2016 Budget Speech

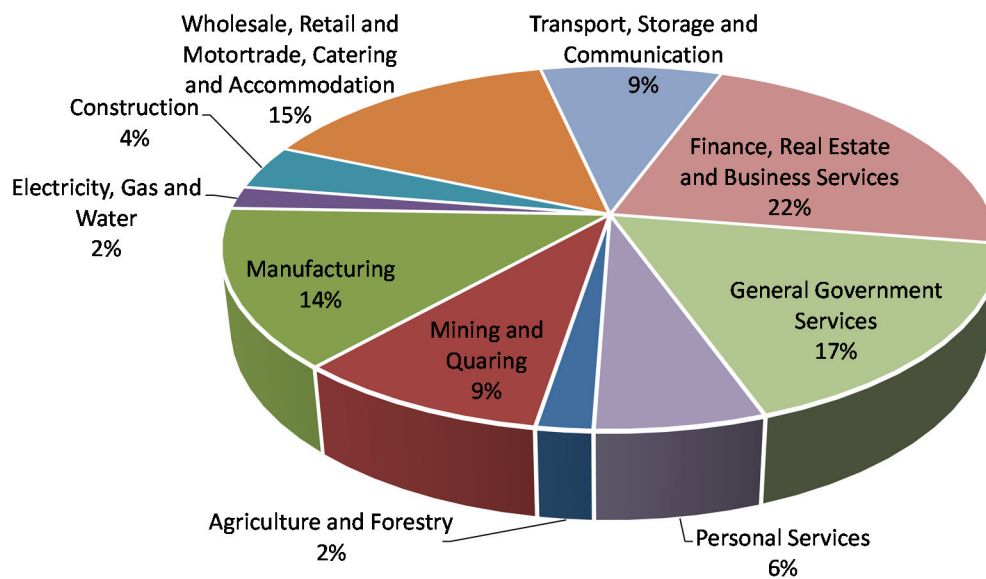
⁴ Reserve bank Quarterly Bulletin (2015:Q3), Statistical tables -Public Finance

The year-on-year Consumer Price Index (CPI) in January 2016 was 6.2%, from a previous figure of 5.2% in December 2015. In view of the numerous risks to inflation and the rand depreciation, the repo rate was increased by 50 basis points in January 2016, following a 25 basis points increase in November 2015. Higher interest rates will suppress fixed private investment, as a result of high borrowing costs. This will have a negative impact in the construction and property development sectors.⁵

5.1.2.1 The Property Sector

The real estate and accommodation markets contribute to two of the major contributing sectors of the South African GDP, which are The Finance, Real Estate and the Business Services sector; as well as the Wholesale, Retail and Motor Trade, Catering and Accommodation sectors, as indicated in the figure below. South African listed properties did moderately well when compared to other assets in the country as, at end of the third quarter 2015. During the same period, South Africa saw modest growth in office rentals, with National rates estimated to have grown by 1.7%, in real terms. However, the experiences varied across regions. Year-on-year rentals in Johannesburg and Cape Town rose by 6.3% and 6.9% (real rates) respectively, where Durban and Cape Town decreased by 0,7% and 9,3% respectively.⁶

Figure 1: GDP distribution by sector



Data Source: Statistics South Africa

⁵ Statistics South Africa P0141 – Consumer Price Index (CPI) January 2016

⁶ Rode 2015

Owing to slowing economic activity, office vacancy rates have increased over the past few years, in general. Decreases were seen in some regions, particularly in the third quarter of 2015 but nationwide, vacancy rates are still high, reaching double-digits in the majority of regions. The table below sheds light on the property vacancy rates, in major regions nationwide. The low levels of economic activity since the third quarter of 2015 is expected to weigh down demand for space and thus increase vacancy rates.⁷

Table 1: Office Vacancy Rate

SAPOA OFFICE VACANCY FACTORS (%)					
	September 2014	December 2014	March 2015	June 2015	September 2015
CBD Johannesburg	13,5	13,3	14,8	16,1	16,8
CBD Pretoria	9,0	13,6	13,6	17,2	9,9
Sandton	15,0	12,0	12,28	11,67	10,1
CBD Cape Town	11,7	12,0	12,0	10,3	10,6
CBD Durban	14,0	14,0	32,8	14,2	12,6
NATIONAL CBD'S	14,6	14,8	15,3	15,0	14,6

Source: South African Property Owners Association (SAPOA) data

Although escalation rates have been fixed for leases that fell within the National Treasury, the increase in vacancy rates might have an impact on the PMTE's expiring and new leases.^{8 9}

⁷ Rode 2015

⁸ Rode 2015

⁹ Statistics South Africa 2015

5.1.2.2 The Construction Sector

The construction sector is a key component of the secondary sector of the South African economy and contributed 3.5% to the GDP for 2015, as at end of the third quarter. This amounted to R137 billion Gross Value Added (GVA), measured at a seasonally adjusted annualised rate.¹⁰

As at the end of the third quarter of 2015, total gross fixed capital formation in the economy amounted to an estimated R542 billion at current prices. Of this amount, 8% was invested in the construction of residential buildings, 9% in non-residential, and 32% in construction works.¹¹

The input costs of building contractors rose by 4.1% in the year to April 2015, more or less in line with overall inflation. The building costs are affected by a number of factors such as building material costs, labour costs, transport costs, equipment costs, land prices, rezoning costs, developer and contractor holding costs and profit margins. The main risks to the inflation outlook arise from regulated prices, particularly where infrastructure costs need to be recovered in respect of electricity, water and transport. The rise in the Producer Price Index (PPI) from 4.3% year-on-year by November 2015 to 4.8% is another index indicative of increases in general input costs.¹²

Electricity production decreased by 1.5% year-on-year in November 2015. Electricity is not a major input in construction, but is essential in the manufacturing sector which supplies the construction sector with inputs. Proposed increases in electricity, of up to 16% will increase building costs, which combined with the aforementioned reduction in capital formation and investor confidence, will weigh down on the construction industry. In addition to this, recent interest rate hikes will increase borrowing costs, which is expected to lower fixed investment. [Statistics South Africa: 2015]

The increase in debt and deficit, and Rand depreciation are not only detrimental to Government priorities of job creation, reduction of income and inequality, but has an immense effect on the PMTE's ability to adequately contribute towards infrastructure development and the provision of appropriate accommodation.

¹⁰ Reserve bank Quarterly Bulletin (2015:Q3), Statistical tables -Public Finance

¹¹ Statistics South Africa 2015

¹² Statistics South Africa 2015

5.1.3 The Social Environment - Unemployment

Unemployment continues to be at a very high level and this impacts on the country's social environment as well as on the direct and indirect social costs to the economy. In addressing this unemployment challenge, Government has formulated various Programmes to deal with this issue and some of these include, the Extended Public Works Programme (EPWP), the New Growth Path (NGP), and providing financial support to qualifying companies in various sectors.

Table 2: Key labour market indicators

	Jul-Sep 2014	Apr-Jun 2015	Jul-Sep 2015	Qtr-to-qtr change	Year-on-year change	Qtr-to-qtr change	Year-on-year change
	Thousand				Per cent		
Population aged 15-64 years	35 489	35 955	36 114	159	625	0,4	1,8
Labour force	20 268	20 887	21 246	359	979	1,7	4,8
Employed	15 117	15 657	15 828	171	712	1,1	4,7
Formal sector (non-agricultural)	10 843	10 835	10 930	95	87	0,9	0,8
Informal sector (non-agricultural)	2 407	2 661	2 721	60	314	2,3	13,0
Agriculture	686	869	897	28	211	3,2	30,8
Private Households	1 180	1 292	1 280	-11	100	-0,9	8,5
Unemployed	5 151	5 230	5 418	188	267	3,6	5,2
Not economically active	15 221	15 068	14 867	-200	-354	-1,3	-2,3
Discouraged work-seekers	2514	2 434	2 226	-208	-287	-8,5	-11,4
Other (not economically active)	12 707	12 633	12 641	7	-67	0,1	-0,5
Rates (%)							
Unemployment rate	25,4	25,0	25,5	0,5	0,1		
Employments/population ratio (absorption rate)	42,6	43,5	43,8	0,3	1,2		
Labour force participation rate	57,1	58,1	58,8	0,7	1,7		

Due to rounding, numbers do not necessarily add up to totals

Note: Quarter 2: 2015 estimates (column April-June 2015) and Quarter 3: 2015 estimates (column Jul-Sep 2015) are from the 2013 Master Sample

Between Quarter 3 of 2014 and the Quarter 3 of 2015 the unemployment rate grew from 25,4% to 25,5%. Formal employment in the construction sector has been stable over the past ten years, whilst informal employment has been rising. In the Quarterly Labour Force Survey of 2015 (QLFS, Quarter 3, 2015), Statistics South Africa recorded a rise in construction employment of 180 000 jobs between the third quarter of 2014 and that of 2015, with only 59 000 of these being in the formal sector.

Table 3: Annual change in the working-age population by labour market status, 2008-2015

	2009	2010	2011	2012	2013	2014	2015	Change 2008- 2015
Youth aged 15-34 years								
Working-age population	195	204	216	229	230	221	202	1 497
Labour force	-	-	-	-	-	-	-	-
Employed	107	484	-82	223	25	219	495	289
Unemployed	-	-	-	-	-	-	-	-
Not economically active	164	307	-85	170	-24	150	239	-221
	58	21	5	53	48	69	256	510
	303	688	298	6	205	2	-293	1 209
Rates (Percentage points)								
Unemployed rate	1,0	2,0	0,4	-0,3	0,4	-0,1	0,8	
Employed / population ratio (Absorption)	-1,3	-3,1	-0,8	0,5	-0,5	0,5	0,9	
Labour force participation rate	-1,1	-3,2	-1,0	0,6	-0,4	0,5	2,1	
Adult aged 35-64 years								
Working-age population	395	394	386	381	383	397	420	2 756
Labour force	281	-88	172	330	342	483	377	1 897
Employed	343	-312	192	210	298	346	166	1 243
Unemployed	-62	224	-19	118	45	136	212	654
Not economically active	114	482	213	52	41	-85	42	859
Rates (Percentage points)								
Unemployed rate	-1,0	2,5	-0,5	0,7	-0,1	0,6	1,4	
Employed / population ratio (Absorption)	0,8	-3,9	-0,2	0,0	0,5	0,8	-0,5	
Labour force participation rate	0,0	-2,5	-0,6	0,5	0,6	1,4	0,5	
All ages 15-64 years								
Working-age population	590	598	602	610	613	618	622	4 253
Labour force	174	-572	90	553	367	702	872	2 186
Employed	179	-819	107	380	274	496	405	1 022
unemployed	-4	245	-14	171	93	205	468	1 164
Not economically active	417	11170	511	58	246	-83	-251	2 068
Rates (Percentage points)								
Unemployed rate	-0,2	2,0	-0,2	0,2	0,0	0,1	1,2	
Employed / population ratio (Absorption)	-0,3	-3,3	-0,4	0,4	0,0	0,7	0,4	
Labour force participation rate	-0,6	-2,8	-0,7	0,6	0,1	1,0	1,4	

Table 3 above, which highlights the change in the working age population by labour market status, indicates that there has been an increase in employment within the period 2008-2015 for the youth. However, the increase in employment by 1,0 million was solely on account of job gains among adults (up by 1,2 million) while among youth job losses of 221 000 occurred. Therefore, youth employment is on a downward swing.

A contributing factor to unemployment amongst the youth, is the oversupply of new graduates in the market. In his speech, at the launch of Decade of Artisan Programme, the Deputy Minister of Higher Education and Training, Mr Mduduzi Manana mentioned that “In areas of work such as the artisan trades, apprenticeships have traditionally been the pathway to qualifications; however, the apprenticeship system has been allowed to deteriorate, since the mid-1980s, resulting in a shortage of mid-level skills in the engineering and construction fields. Re-establishing a good artisan training system is an urgent priority; the current target is for the country to produce 30 000 artisans a year by 2030.”

With this turn of events within the employment market, the PMTE will continue focusing on projects which bolster growth and employment, especially those which add to alleviating unemployment within the youth age gap (ages 15-34 years). Focus will remain on creating work opportunities through the use of labour intensive delivery methods in the construction, maintenance and management of State-owned facilities. Added to this, the PMTE will forge ahead with projects such as the development of harbours and the refurbishment of State properties. More opportunities will come to the fore as a result of jobs created and skills developed for artisans through the revitalization of Facilities Management Services Centres (Workshops) and will include the facilitation of involvement of Cooperatives, Small Medium Enterprises (SME’s) and the involvement of young people in the refurbishment, rehabilitation and maintenance of community infrastructure across the country

5.1.4 The Green Economy

The United Nations Environment Programme encourages Governments across the globe to support economic transformation to a greener economy. The green economy refers to the following, two interlinked developmental outcomes for the South African economy:

- Growing economic activity in the green industry sector; and
- A shift in the economy, as a whole, towards cleaner industries and sectors with a low environmental impact compared to its socio-economic impact.

A Green Economy contributes to energy efficiency and results in a reduction in energy demand and lowered investment in power supply. A 2% of GDP investment in the green economy, which is distributed equally among all the sectors, including energy efficiency, results in a reduction of energy demand.

South Africa’s transition to a green economy is on the right track with Government Departments developing effective implementation plans to create green jobs and promote sustainable and inclusive growth.

In this regard, South Africa is targeting a reduction of emissions by 34% by 2020 and by 42% in 2025 through the implementation of National mitigation actions. While South Africa's effort to achieve these targets is not contingent on international support, as a developing country, its ability to do so while meeting its urgent development priorities in job creation and poverty alleviation will, to some extent, depend on the existence of global agreements on the flow of financial and technical support from developed countries that have already industrialised.¹³

Some of the key sectors that are expected to drive South Africa's Green Economy that directly affect the PMTE are the following:

- I. Green Buildings;
- II. Energy supply including grid-connected solar, thermal and large wind powered projects, energy efficiency including demand side management;
- III. Water, waste management; and
- IV. Consultancy, policy, research and governance management and consultancy, policy, research and governance.

Energy efficiency reductions in the construction and operation of buildings, offers one of the single most significant opportunities to reduce the impact on climate change. According to the Green Building South Africa (GBCSA), buildings consume 40% of the world's end-use energy, generate 40% of its solid waste and consume 12% of fresh water through construction and operation. In South Africa, the operation of the building sector accounts for approximately 23% of greenhouse gas emissions.¹⁴

The substantial negative environmental impacts of buildings have led to the emerging concept of "green buildings" which are designed to be energy and water efficient, use non-hazardous materials and provide healthy productive environments. Green buildings can reduce their consumption of energy to less than half of what a conventional building does, with similar reductions in potable water usage, runoff to sewer and solid waste.

In the case of green buildings, Government has to lead by example. As the largest owner and operator of property in South Africa, the PMTE's participation in accelerating sustainability in the built environment, will encourage other players in the construction sector to follow the same approach. The demand for green buildings is on the increase as they provide healthier and more productive indoor environments and reduce the consumption of energy and other resources, which is becoming more and more crucial.

¹³ www.enviropeadia.com

¹⁴ www.enviropeadia.com

5.1.4.1 *Energy Challenge*

South Africa's economy is highly energy-intensive, requiring twice the energy input per unit of gross domestic product (GDP) as compared to the international average. The International Energy Agency (IEA) states that South Africans collectively have relatively higher per capita energy intensity, despite about a quarter of the population lacking access to modern energy services.¹⁵

The energy challenge has huge implications for business and the South African economy and is constraining growth, materially. Manufacturing activity has recently plunged to a four-year low mainly due to shortages. The retail sector has seen a rise in operational costs, mainly due to purchasing and the extensive use of alternative energy sources, such as generators.

The biggest threat however, is the impact that outage schedules (shedding) has on the survival of small businesses that cannot afford alternative sources.

Expected shifts in the energy prices also have a huge bearing in increasing operating costs for the property industry, including office -based and functional accommodation. High operating costs erode the net return to property owners. This is likely to result in higher costs for leases and operating freehold properties.¹⁶

5.1.4.2 *Water and Waste Management*

Water is the primary medium through which climate change will impact people, ecosystems and the economies internationally. Rainfall is expected to become more variable resulting in more floods, intense droughts and rising sea-levels. Weather forecasters have been predicting El Niño weather patterns, which has led to lower-than-average rainfall for South Africa. The most recent gross domestic product (GDP) figures revealed that the current drought has caused the agricultural sector to contract by more than 17% quarter-on-quarter.¹⁷

¹⁵ www.enviropeadia.com

¹⁶ www.enviropeadia.com

¹⁷ www.enviropeadia.com

The net effect of all the impacts are: reduced availability of water, reduced security of water supply, increased storm intensities which will result in more common floods in some areas. This will impact on water infrastructure assets such as dams and water and wastewater treatment works, with a total resultant effect of reduced water quantities and an impact on the quality of water.

Waste management in South Africa is based on the principles of the White Paper on “Integrated Pollution and Waste Management and the National Waste Management Strategy. South Africa supports the waste hierarchy in its approach to waste management by promoting cleaner production, waste minimisation, reuse, recycling and waste treatment with disposal seen as a last resort in the management of waste.

As the custodian of the largest property portfolio nationally, the PMTE, as the implementation arm of the Department, is not only mandated to put in place initiatives in place to contribute to the country’s remedies of energy and water challenges, but it is also the responsibility of the PMTE to lead by example and pioneer Programmes that can be adopted by the Property and Construction Sector. In addition, the greater impact that the PMTE can have is also creating campaigns that will educate the occupants/tenants of the Government buildings about taking care of the environment and contributing to energy efficiency behaviours through the energy awareness campaigns that will be implemented throughout the year to ensure that behavioural change is realised.

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5.2. INTERNAL ENVIRONMENT

5.2.1 Background

During the late 1990s, perceptions of impaired proficiency in the DPW and contrasting competence in the private sector, led to a growing trend of Government Departments entering into agreements with private sector companies for accommodation and facilities management services. The artificially created monopoly held by the private sector led to inappropriately high rentals which had to be paid by those Government Departments. This situation resulted in requests for excessive funding requests from National Treasury, which in turn, impacted negatively on the fiscus. It was therefore incumbent on Government to seriously consider creating a focussed, efficient and cost-effective property management entity, under the aegis of the DPW that would deliver suitable accommodation to user-departments at competitive prices.

In 1997, the DPW's White Paper ["Public Works towards the 21st Century"] championed the introduction of "user charges" for departments that utilised state-owned accommodation. It also identified structural and operational weaknesses that impeded the Department's performance in asset investment management, property and facilities management and project management.

During the course of 1999, Cabinet approved the establishment of a State Property Agency (SPA) as a vehicle which would professionally manage the State's immovable assets. By 2002, no progress had been achieved in establishing the SPA and, as a result, the joint National Treasury/DPSA Technical Committee recommended that a Trading Entity, with a lifespan of approximately 2 years be created, as the first step towards separating the functions of DPW and the PMTE.

Another period of inactivity followed until 2006, after which the "property agency" discussion was resuscitated. At this time, National Treasury approved the devolution of accommodation budgets to individual departments and the introduction of the concept of "user charges" for state accommodation. During March 2006, and subject to certain specified conditions, National Treasury then authorized the establishment of a Property Management Trading Entity (PMTE), as a vehicle to account for the costs recovered from user-departments and payments towards leases, maintenance, property rates and municipal services.

Unfortunately, National Treasury's directive was not fully complied with and the Department underperformed for the following eight (8) consecutive years. This culminated, inter alia, in adverse audit findings with two (2) consecutive disclaimers during 2010 – 2011 and 2011 – 2012 financial years, mainly due to the failure to operationalise the PMTE, in line with National Treasury's 2006 approval. This led to a concerted effort by the current Executive and Accounting Officers to put measures into place to correct the history of poor management in the Department and, as a result, in November 2011, the Minister requested assistance from the Technical Assistance Unit (TAU) of National Treasury, to provide a rapid diagnostic in respect of the state of affairs within the Department. The findings in the report detailed problems of mismanagement and misalignment and pointed to the need for fundamental reorganisation for the Department to deliver effectively, its core business.

5.2.2 The Turnaround Strategy

In response to these challenges detailed in the TAU diagnostics report, the Department launched the "Seven (7) year Plan to Rebuild the Department of Public Works" (Turnaround Strategy), in 2012, which identified a range of strategic priorities to be addressed over the short- to medium-term. In this regard an anti-corruption and anti mal-administration drive, together with the operationalisation of a fully-functional Property Management Trading Entity (PMTE) as per the 2006 National Treasury approval, were identified as central to the Turnaround Strategy. Defined in the plan, are three discrete phases namely: Stabilisation; Efficiency Enhancement; and Sustainability and Growth, where the Stabilisation Phase that ended on 31 March 2014 focused mainly on immediate challenges and created the potential for more fundamental change that could bring large efficiency gains through better practice and improved policy options.

Progress on PMTE turnaround interventions carrying over to the Efficiency Enhancement Phase include:

i. Review of Organisational Structure and stabilisation of management leadership

The review of the organisational structure is complete. The filling of critical professional and technical positions for the key business areas, including, Finance, Supply Chain Management (SCM), Property Management and Construction Management, have been prioritised in the MTEF budgeting period.

ii. Asset Management:

The development of the Real Estate Asset Register (REAR) is 98% complete. The REAR has progressed from modified cash to accrual basis of accounting (GRAP – Generally Recognised Accounting Practice). As at February 2015, 37,012 (including deemed Provincial) properties and 6,567 State Domestic Facilities have been physically verified, and 15,593 land parcels have been vested.

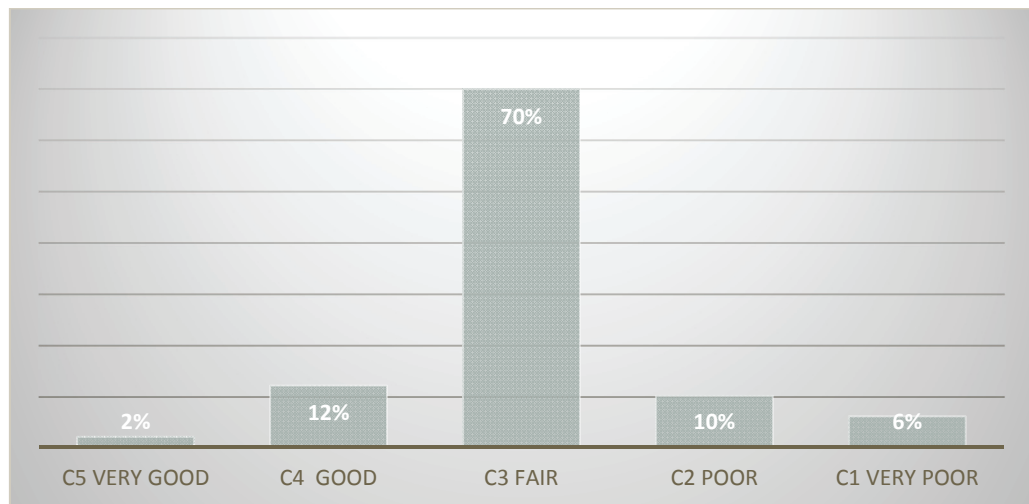
Immovable Asset Base

The PMTE asset portfolio consists of approximately 32 000 registered and unregistered land parcels and 108 000 improvements (buildings and structures) countrywide with an estimated replacement value of R 425 billion including land.

State of Immovable Asset Base

Based on a high-level condition assessment undertaken to date, 14% of the portfolio's immovable assets are in a poor condition and 86% are in a fair-to-good condition, as demonstrated in Figure 5 Below. Notwithstanding the number of properties within the portfolio and the aforementioned condition of the majority of assets, the demand for suitable and appropriate accommodation exceeds the supply, hence leading to the need for a significant number of new construction, maintenance and leasing programmes.

Figure 2: PMTE Portfolio Performance



iii. Property and Facilities Management

The lack of lease-in management systems in the Department contributed significantly towards the negative audit outcomes. In collaboration with National Treasury, the stabilisation intervention therefore prioritised auditing of lease-ins and the reengineering of the lease-in business process.

- a) The review of 2,162 office leases has been completed and physical verification of occupancy and size was carried out on 2,143 leased buildings. National Treasury approved the Department's Dispensation on Renewal for leases that have expired.
- b) As at February 2015, 1443 (92%) out of 1566 leases have been renewed with a fixed 5.5% resulting in an estimated annual saving of R33 million or an estimated 3 years saving of R99 million.
- c) 112 NDPW "unoccupied but paid for" leased properties have been investigated, 41 cases have been resolved and 71 handed over to the Special Investigation Unit (SIU) for forensic investigation. Of the 29 "Occupied by other" properties, 6 have been resolved and the remainder referred for forensic investigation.

iv. Construction Project Management:

Addressing the need skills need, building technical and professional capacity in construction project management was at the centre of the stabilisation intervention.

- a) During the 2013 – 2014 financial year, 48 professional and technical positions were filled. As part of this capacity building programme, the contracts of 50 young professionals were extended, 11 were absorbed into permanent positions, 4 mentors were appointed to provide mentorship and 148 Water Care personnel were appointed; and
- b) With a view to 'growing our own', the Department is running a Schools Programme supporting 10,000 learners for Mathematics and Science and awarded 182 bursaries to students registered for tertiary level built environment courses.

The PMTE is, however, still facing challenges of insufficient professional capacity and skills, infrastructure backlog, under-spending of capital/current budgets, non-compliance with laws/regulations and inability to deliver within time, cost and quality. In this regard, the Turnaround Strategy has been adopted for the Construction Project Management to improve infrastructure delivery effectiveness and efficiency. This will be achieved through business process re-engineering, the continuation of technical and professional capacity development, and improved ICT systems.

v. Inner City Regeneration (ICR)

ICR focussed on the following:

- a) In collaboration with the City of Tshwane, the Master Plan for Tshwane Inner City has been completed and provides for the creation of 4 Precincts;
- b) Seventeen (17) departments have been prioritised with high level needs. Land parcels for development have been identified, and engagements with National Treasury on funding models are in the progress developed; and
- c) As at February 2015, the Development Framework for Salvokop was completed and the Township Establishment application was submitted for approval. The vision is to establish 6 – 9 head offices on Salvokop. A consent use for StatsSA Head Office on Salvokop was approved and the building of project is progressing well.

vi. Clean Audit

Management controls, financial management and SCM processes have improved. During the 2013 – 2014 financial year, the following significant progress was made:

- a) the PMTE Account moved from a disclaimed to a qualified opinion;
- b) Payment of suppliers within 30 days has been improved;
- c) 99 staff members were trained as part of a Train-the-Trainer Programme;
- d) 593 personnel from the regions received SCM training;
- e) 64 unemployed commerce graduates were employed as interns, many of whom will be considered for full-time employment; and
- f) The unallocated deposit account was reduced from R384m to approximately R44m at 31 March 2014.

vii. Fighting Fraud and Corruption

The Department has revised and adopted an Anti-Fraud and Corruption Strategy. The investigation backlog of 250 cases has been reduced significantly and investigations are currently instituted within 30 days of receipt of allegations.

5.2.3 Operationalisation of the PMTE as required in the Turnaround Strategy

The creation of the PMTE was mainly due to the need to separate the regulatory and policy, quality norms and standard setting and monitoring functions of the Department from the service delivery functions of the PMTE. The PMTE, which now holds approximately 75% of the functions and budget of the Department, will undertake the immovable asset management functions across the asset lifecycles to ensure that optimal value for money is gained as will be reflected in a better rate of return on investment in the public estate and which will be closer to market-related value. The PMTE will be a client-centric and revenue focused entity that will ensure lower service delivery costs while ensuring sustainability and growth.

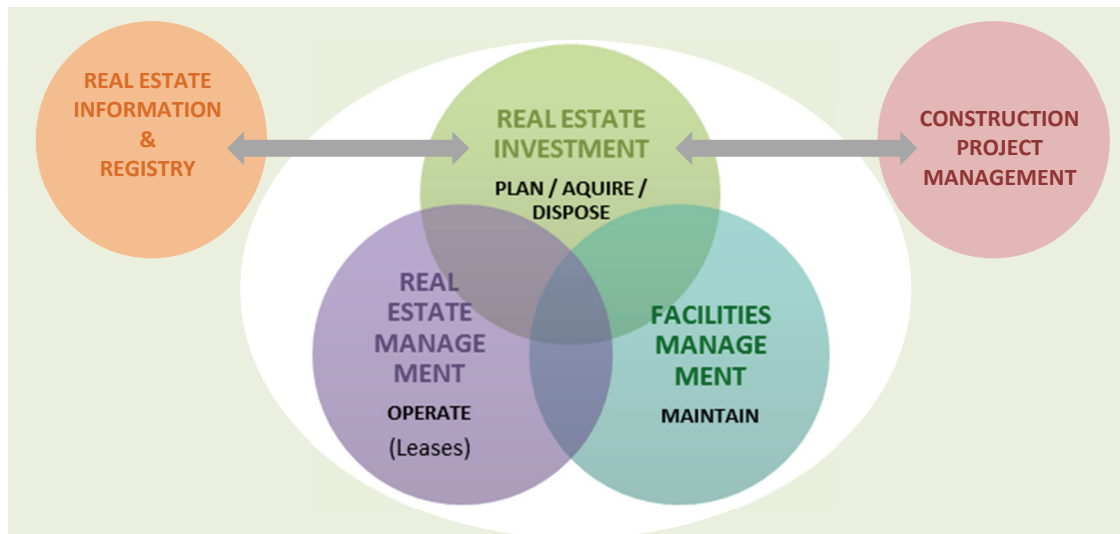
Central to the *modus operandi* for the PMTE is good governance, a ring-fenced budget, professionally managed and optimally utilised State Property Portfolio to build value and bring savings to the State.

While the PMTE is anticipated to adopt a best practice approach to conducting its business, it is important to note that a State property management entity has different priorities to its private sector equivalent as its ethos must go beyond just business efficiency to achieve maximum profit. A State entity must, of necessity, use the State property portfolio to catalyse integrated urban development, to assimilate the labour-intensive approaches in the maintenance of the portfolio and to actively pursue green retro-fitting and accessibility. Emanating from the formation of the PMTE, it is therefore anticipated that other socio-economic benefits will accrue, including job creation, empowerment and improved service to user departments.

In order to achieve optimum outcomes in the provision of accommodation and managing the State asset life cycle, an interdisciplinary approach, where greater synergies exist between the DPW's traditional property and asset management functions, have been adopted. The core business of the PMTE consists of three focussed operational divisions, with two interlinking special service divisions that will collectively realise its asset management goals, as is illustrated below.

As illustrated below, the three core business divisions in the PMTE are Real Estate Investment Management, Real Estate Management, and Facilities Management. Real Estate Information & Registry Services and Construction Project Management will function as two independent divisions interlinked with Real Estate Investment Management. These operational divisions have been established to support optimal business and administrative processes which will ensure professional methodologies in managing and optimising the State's asset portfolio.

Figure 3: Focussed operational divisions for the PMTE



Projecting demand by establishing client needs over the planning period is at the centre of the PMTE Strategy and as a result the new “hands-on” approach in developing User Asset Management Plans (U-AMP) has been adopted by the PMTE. In this regard, once completed, the Real Estate Asset Register will be utilized to support the processes to align the accommodation owned by the State, establishing client needs, predicting demand and then providing accommodation that is fit for purpose. As per the newly developed Business Model, priority has been given to establishing a robust Client Liaison and Servicing Model with a client-centric approach where expert teams will provide onsite technical support to client Departments primarily to streamline the U-AMP/C-AMP processes.

From an asset investment perspective, the broader property market and the performance of the PMTE portfolio will continually be analysed, with the view to maintaining and enhancing value and leveraging this for economic development and job creation.

5.2.4 Focus areas for the PMTE

The key focus areas that have been identified for the PMTE are:

- Reducing the cost of doing business and the optimisation of state assets that fall under the custodianship of the Minister of Public Works;
- Decreasing the number of leased-in properties depending on the availability and appropriateness of current and new State stock which will address user-needs. This will also be informed by the respective contracting arrangements;
- Prioritising the development of functional assets as opposed to assets to be used as residences or offices;
- Shifting the responsibility for conducting basic maintenance to the client departments while the PMTE will focus on capital injection to refurbish buildings to extend their life and use. The PMTE will, through the reactivation of the Facilities Management Services Centre (Workshops Project), continue to provide basic maintenance services only to specific users and pilot projects; and
- Facilitating procurement engagements and conducting aggregation of potential suppliers, based on user-department's basic facilities management needs.

The steps for the successful operationalisation of the PMTE are to be undertaken in three (3) phases. It is noted that during the Stabilization and Transitional Phases, the PMTE will account to the Director-General and then to the Minister during the Sustainability and Growth Phases.

5.2.5 The feasibility study for the establishment of the Government Component

Emanating from the TAU diagnostic findings, a feasibility study on an alternative institutional form to better ring-fence, improve and professionalise the property management business of Department was developed by its Business Improvement Unit (BIU), located in the office of the Director-General, with the assistance of TAU. Based on a detailed situation and options analysis, as well as consultation with key stakeholders, the study concluded that it was both desirable and feasible for the Department to establish a Government Component for its Property Management service to the public sector.

The value proposition of such a Government Component is premised on being an autonomous ring-fenced and focussed service delivery entity, whilst remaining an integral part of the public service. This means that the Government Component would remain committed to public service objectives whilst being closely acquainted with the needs of its public sector clients.

The eventual establishment of a Government Component that would report to the Director- General of the Department but account directly to the Minister of Public Works, will ensure that the following areas are achieved:

- i. Componentising and ring-fencing the property business of the DPW to separate the Department as the regulator from the component as the implementer.

The Department had previously served as both Implementer and Regulator in the sector which provided the grounds for a conflict of interest. The diagnostic confirmed the need to separate the functions of Department's main account from that of the PMTE and as a result, the Director-General approved interim measures to ring-fence all relevant asset and property management functions in DPW to form a part of the PMTE's operations. This measure took effect from 01 April 2013.

- ii. Flexible administrative and operational arrangements that may be customised to suit the property management environment, and expedite and improve service delivery.

The Department was previously unable to meet the demand for property and facilities management services for its clients. Hence breaking the culture of non-delivery requires the creation of a client-centric agency that focuses on the needs of the clients, timeous decision-making closer to the point of delivery and higher service delivery standards while offering more value. This fundamental change in the manner in which the business is conducted, requires a structure with clear lines of accountability and a customised performance management system aligned with the service delivery model.

- iii. Lack of appropriate systems and clear business processes with related policies and procedures to facilitate a holistic view of requirements from user-departments.

This issue means that the systems in use are not in congruence with the business requirements. A lack of monitoring, reporting and record keeping means that there are no adequate information available on clients' needs, work undertaken or on funds disbursed. Furthermore, the Department was unable to present a comprehensive database of the State's immovable assets.

Arising from the above, it was recommended that discrete flexible systems, processes, technology and procedures must be customised to better fit the business needs. Duplication of functions across the service, together with the associated costs, need to be eradicated and effective interfaces between functions, regions and the Head Office, as well as with client organisations need to be established. The commissioning of services through a flexible,

streamlined, but transparent and robust SCM system was recommended as an essential component to expedite service delivery and a comprehensive REAR had to be created.

iv. Asset life-cycle management and compliance with best accounting principles (GRAP).

The historical poor management, corruption, and neglected state properties had led to high costs of approximately R3 billion per annum as a result of leasing-in buildings while the State's portfolio of properties was under-utilised and decreasing in value due to the lack of proper management.

Reversing the abovementioned scenario requires the need for effective life-cycle property management that would ensure value for money returns on the State's asset portfolio while creating the ability to generate and retain revenue for the preservation and optimisation of these assets. This, together with the adoption of GRAP compliant systems, as made mandatory for all Trading Entities from 1 April 2014, necessitated interim measures in terms of which the PMTE was required to comply. The "new" DPW, however, continues to account on the basis of modified cash.

v. Attracting and retaining skills through a special compensation dispensation based on market related rates.

This is necessary due to the high infrastructure backlog and the inability to deliver within time, cost and quality. In addition, the internal structure of the old Department reflected imprecise relationships between the Projects (Construction) Branch and the Entities Branch and the Independent Development Trust (IDT). This situation was exacerbated by insufficient professional capacity and skills required for construction, as required by the industry.

Addressing the aforementioned issues, requires the establishment of a quality public sector property management agency with high levels of professionalism, and managed along sound business principles. This will be achieved through a special compensation dispensation based on market-related rates that will attract appropriately skilled personnel to assist in capacitating existing staff to deliver high quality and professional services. It is anticipated that this approach will provide the basis for clear career pathways that will ensure that employees will be retained.

The feasibility study for the establishment of a Government Component was endorsed by Cabinet in August 2014 and represented a significant milestone for the Department and Government as a whole.

5.2.6 The implementation plan

The implementation plan for the establishing a sustainable Government Component will be phased as follows:

- i. **Phase 1** (2014-2019) is focussed on operationalising the PMTE, in line with the 2006 National Treasury approval and formally establishing it as a Government Component. During this time, it will formulate the details of its Implementation Plan to ensure the seamless continuation of services of the operationalised PMTE and adherence to the Turnaround Strategy.
- ii. **Phase 2** (2019 – 2023) will see the PMTE progress to full implementation of the Revised Business Model where revenue streams will be optimised in terms of the utilisation of assets. Cost saving and efficient decision making and administrative processes will be in place to ensure a professional business approach to manage and optimise the State’s asset portfolio.
- iii. **Phase 3** (2024 – 2028) will focus on consolidating the work of the preceding years, a review of the effectiveness of the PMTE and planning the way ahead. This will include a review of service effectiveness and a determination of the strategic path forward, with an emphasis on business improvement, growth and sustaining the gains achieved.

5.2.7 The New Focus of the PMTE

With the operationalisation of the PMTE, the focus will shift towards cost savings and improved service delivery to client departments through:

- Securing and maintaining government buildings to preserve, improve the value and extend the life-cycle of the buildings;
- Improving access to and the quality of Government offices; and
- Separating PMTE from the “new” DPW with the PMTE becoming the implementer and “new” DPW, the policy-maker and regulator.

Through these interventions, the PMTE will be geared to achieve the following outputs:

- Cost savings to user-departments and improved quality of public buildings;
- Improved utilisation of the State’s vacant properties by establishing a funding stream for maintenance and improvements thereby extending the life-cycle of existing state properties;
- Skills development by accessing expertise within the PMTE;
- Job opportunities;
- Empowering emerging black business (through Real Estate Management and Facilities Management divisions - by targeting and engaging SMMEs to provide property management services for unutilised state owned properties and Facilities Management services).

Going forward, the PMTE is committed to conducting its business in line with the following focus areas.

i. Portfolio Strategy

The focus of the portfolio strategy will be on the portfolio performance and demand management

Portfolio performance

- The Maintenance and Rehabilitation Programmes will address the portfolio's maintenance backlog and ensure improved compliance with applicable legislation such as the Occupational Health and Safety Act;
- Managing the maintenance of immovable assets towards lowest life-cycle cost and full cost-recovery;
- Managing the responsibilities towards maintenance appropriately, so that users, custodians and even landlords undertake the maintenance that is expected to ensure on-going acceptable performance; and
- Identifying opportunities for benchmarking and implementation, where feasible and affordable, of initiatives within improving SHERQ and sustainability standards

Demand management

- Development of a plan for the location of various levels of accommodation (Head Office, District, Sub-District);
- Reducing accommodation costs through rationalisation of the portfolio, reduced space use and increased flexibility;
- Identifying and implementing opportunities for integrated service delivery and more efficient use of resources through shared facilities;
- Facilitating increased access to expanding government service delivery, while ensuring optimal utilisation; and
- Balancing the use of freehold vs leased accommodation (operating and finance leases)

ii. A client-centric approach to service delivery

The implementation of an Operations Nerve Centre, as the central point of communications, where all calls will be directed through the contact centre, thus, allowing them to be filtered, allocated a severity and a priority. This will form the basis for performance management as the key indicators for end-to-end calls and / or job or case management from single input to the operations nerve centre. This is a critical direction-change that will distinguish the PMTE from previous operations.

iii. Addressing Accommodation Needs

The PMTE will ensure suitable accommodation is provided to user departments in order for them to deliver on their service delivery objectives, based on their needs. The PMTE will address their needs through the allocation of the current freehold properties, leasing, purchasing or constructing new accommodation. The table below outlines the current space requirements and how it will be addressed.

iv. Adopting a Business-Like Approach to Recovering Cost through Accommodation Charges

The currently PMTE charges for state-owned properties and an element of leased properties through the accommodation charge. The accommodation charge income is used to manage, maintain and replace state-owned properties as well as to pay leases. The aim of the accommodation charge system creates a situation where the full costs of managing and replacing accommodation-related immovable assets is transparent and is reflected on the budget of the department which utilises the assets for service delivery.

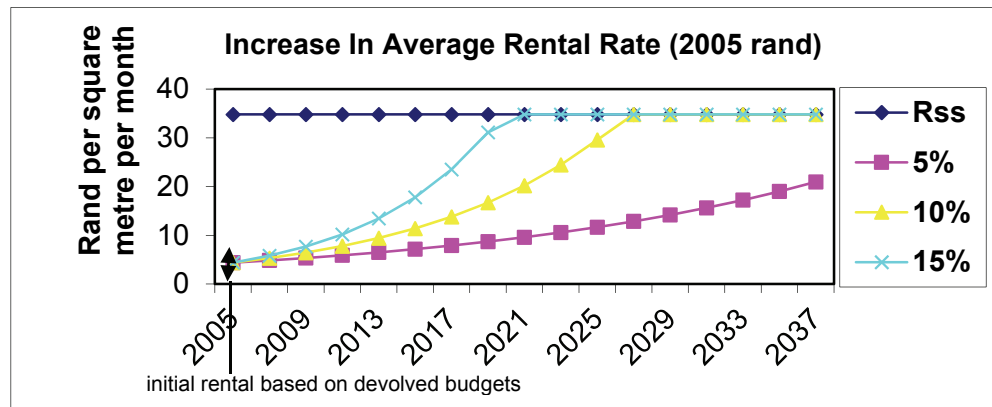
Accommodation charges are used to pay for property rates, maintenance and rehabilitation, major refurbishment and or replacement of existing state-owned properties and ensures the sustainability of the portfolio. Going forward, any surpluses accrued on the accommodation charge will be used to accumulate capital which in time is to be used to finance (or partially finance) the acquisition of additional properties.

To accelerate towards the recovery of the full cost of accommodation, it is required that NT annually increases the accommodation budgets of user departments by 10% or 15%. In addition user-departments should be required to improve the utilisation of accommodation thus driving down the total cost of accommodation but increasing the effective cost in line with the objectives of GIAMA.

Current Situation

The figure below, illustrates different increases in accommodation charges from the initial charge (CCA) (based on DPW's baseline for 2005/06) to Full Cost Accommodation (FCA) over time. Increases in charges of 5% (current), 10% and 15% per annum are stipulated below. The current increase of 5% indicates that the portfolio will only be self- sustaining only beyond 2037, while an increase of 10% or 15% will ensure the property is self-sustainable prior to 2027. Therefore the higher the real rate of increase in charges, the sooner the portfolio will become self-sustaining.

Figure 4: Increase in Average Rental Rate



v. **Unleashing Other Revenue Sources**

Letting

The PMTE plan to let-out under-utilised and redundant space available to be let out to consumers in order to generate revenue for the State. With more emphasis tightly focused on optimal utilization of space in state-owned properties, the PMTE will grant permission to private entrepreneurs and co-operatives to utilize leasable space.

The granting of non-core (extra) space, that is, space for vending machines, kiosks, restaurants, auto teller machines, fishing harbours, photo booths on state-owned properties, etc., would not only optimize utilisation of space, but also satisfy the requirement to have alternative means of generating revenue from these properties whilst simultaneously, improving the utilisation of State-Owned properties. The PMTE, when letting out state-owned properties will:

- have most maintenance responsibilities shifted to the tenant (triple net lease); and
- enter into short-term leases where there is no tenant willing to pay market-related rentals whilst advertising for an alternative tenant who is willing to pay market-rentals and, at the same time, enter into long-term leases where a tenant is paying above market rentals.

In addition:

- The PMTE will enter into agreements that will allow it to terminate a lease with a tenant if the property is required for another use.
- Leases that support social objectives of Government will be considered on short, medium and long term basis. Such leases will provide sufficient security to tenants.

Outdoor Advertising

Outdoor advertising is identified as one of the many tools to boost black economic empowerment, as such the exteriors of Government buildings will be made available for outdoor advertising purposes. Outdoor advertising should be regulated in terms of specific policy.

Commercial Partnerships

In identifying business opportunities, the PMTE is exploring opportunities with a view to broadening the financial income stream for the PMTE in its process of commercialisation.

The PMTE will explore opportunities for parking facilities for use by private sector clients for a fee in towns, cities and areas where parking is a challenge. In this regard, easily accessible and appropriate land parcels and buildings will be identified and planned for these facilities.

Conference Facilities

Government owns a large number of properties in areas where the private sector companies do not find these properties appropriate for their business purposes. The PMTE plans to upgrade and promote these properties for use by local Business Chambers, State Owned Enterprises (SOEs), Non-Governmental Organisations (NGOs), local, provincial and national governments. An integrated marketing approach will be undertaken to market these facilities.

Retail Facilities

The PMTE will explore concessioning out business opportunities within the established government buildings for leasing to private individuals who fall within the ambit and definition of SMME's in line with the provision of the BBEEA. Such opportunities will include, inter alia, car washing facilities, convenience stores, and restaurants. Portfolio Analyses will be undertaken to determine benchmarks for rentals for these business opportunities.

Re-capitalisation the Real Estate Portfolio

Accommodation Charges are rendered for capital and land acquisitions and for the provision of professional services provided by the PMTE. In this regard all the charges are added in order to get to a capitalized amount. The breakdown is as follows:

- 8% is charged for the maintenance and basic refurbishment of accommodation;
- 2% is charge for property rates and taxes;
- 25% in charged for overheads, eg. administration and personnel costs; and
- 65% is for capital expenditure, major refurbishments and maintenance. At this stage this entire sum of money is allocated to the maintenance because of the current maintenance backlog.

Expenses relating to the refurbishment and maintenance of immovable assets are not constant and vary over the life-cycle of an asset. Due to the variable nature of expenses over the asset life-cycle and to facilitate the management of the asset portfolio as a self-sustaining portfolio, the PMTE requires to build up a capital reserve for refurbishment and replacement of assets during and at the end of its life-cycle.

Initially, the income received from the current cost of accommodation was not sufficient to build up such a capital base. Over time, however, the accommodation charge will be sufficient to build up a capital base to provide for the replacement of assets at the end of its life-cycle.

Revenue Generation through Refurbishment

According to the National Treasury Asset Management Guideline, once accommodation has been refurbished by the PMTE, the User Department is expected to pay the FCA for the facility.

Therefore where the PMTE will invest in refurbishing certain strategic assets over the short-term, at the expense of maintaining non-strategic assets, the PMTE will create a self-sustaining portfolio and charge the FCA to Departments. The Strategy will be implemented as follows:

- The PMTE will utilize a specific percentage of the accommodation charge for refurbishment;
- Identify the key strategic assets of client departments;
- Refurbish identified accommodation to the clients required specification; and
- Utilise and charge FCA.

vi. Adapting to the requirements of GRAP accounting

The property management trading account will operate on a modified cash basis of accounting and in future will operate on full accrual accounting. It will also attempt to address new challenges in terms of accounting, management statements, statements and disclosures and reporting to the Chief Financial Officer and the Financial and Accounting team.

vii. Capacitating and Institutionalising the Infrastructure Delivery Management System (IDMS)

The PMTE will focus on rebuilding the technical capacity of the PMTE by improved infrastructure delivery through process re-engineering, technical and professional capacity development, improved ICT systems and commitment to time, cost and quality.

Through these interventions, the PMTE aims to achieve the following outputs:

- Superior service delivery through expediting the delivery of infrastructure projects;
- Better utilisation of resources to implement infrastructure projects in the required time, cost and quality parameters;

- Improved business processes, i.e. planning, design, procurement and delivery strategies - to expedite infrastructure project delivery and contribute to increased capital spending;
- SMME development and job creation within infrastructure projects through preferential procurement strategies and contractor development.; and
- Internal skills development through the Schools Programme, Bursary Programme, Young Professionals Candidacy Programme Mentorship Programmes, as well as the utilisation of CESA and SACPCMP professionals for the training of Project Managers.

viii. ICT interventions

Major ICT interventions are to be implemented to ensure efficient and appropriate technological support within the PMTE and the “new” DPW. The new interventions will also provide upgraded connectivity between the national entities, clients, stakeholders and the other roleplayers within the public works sector.

A myriad of new information technologies to drive innovation and productivity to efficiently manage the State’s asset portfolio will include:

- **Building management systems** – becomes key to managing the large estate under control of the PMTE. The use of measuring devices on key components such as geysers, boilers, lifts etc. that report electronically directly to the operations nerve centre provides control over maintenance requirements and the implementation and monitoring of maintenance activities. This can be achieved through cellular and telemetric communication.
- **Intelligent building systems** - allows for more effective energy management and building maintenance management. These systems allows for the integration of integrated voice, video, security, etc
- **Building. Information Model (BIM)** – becomes the standardized approach to document all information of building and exchange information between parties engaged in the design, construction, operation and maintenance of buildings. It forms the future keystone of building information.

5.3 DEMAND FOR SERVICES

The PMTE manages a large and diverse portfolio that includes specialised facilities such as prisons, military bases, magistrates' courts, police stations and office buildings. The stock of properties is not fully utilisable given the condition of some of the properties, their location, configuration and/or nature. The situation is exacerbated by inadequate funding to renovate, refurbish or reconfigure many of the immovable assets for other uses which, in turn, leads to over-reliance on leased accommodation from the private sector.

Currently however, there are no comprehensive Technical Condition Assessments for the immovable assets to inform maintenance, in accordance with its Immovable Asset Management Policy. For this reason, and to also ensure compliance with the GIAMA legislation, the PMTE will undertake condition assessments for all its immovable assets at an appropriate level over the five (5) year-term. A total of R2.1b was allocated for both Planned Maintenance and Refurbishment Programmes for the 2015/16 financial year. The baseline for the 2016/17 and 2017/18 financial years is R1.9b and R2.3b respectively.

5.3.1 Condition and utilisation of immovable assets under the custodianship of the PMTE

Based on a high-level condition assessment undertaken to date, 15% of the portfolio's immovable assets are in a poor condition and 85% are in a fair-to-good condition for State immovable assets. The figure below represents the current condition of the Immovable Assets within the PMTE's portfolio for which high-level condition assessments were conducted in the Custodian Asset Management Plan (C-AMP) of 2016/17.

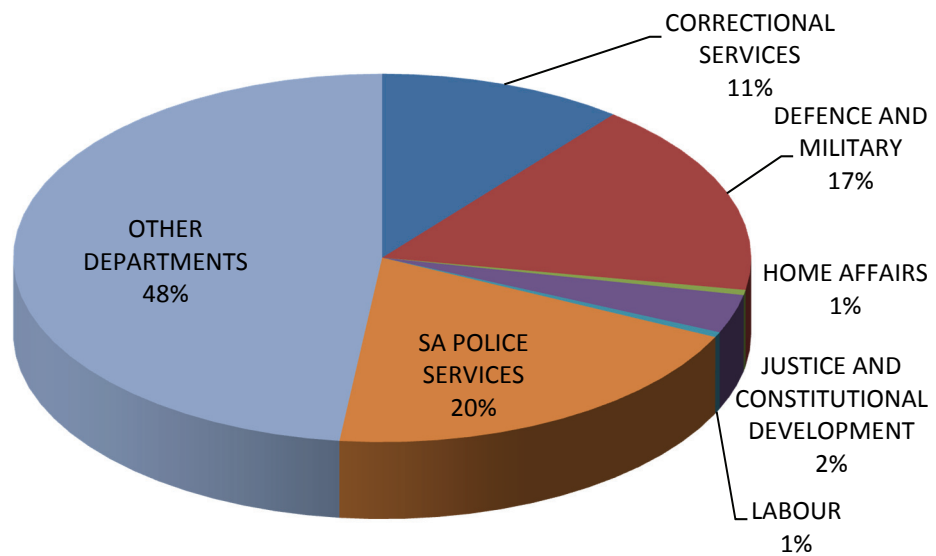
Table 4: The high level condition of State-owned immovable assets occupied by user departments

Department	Condition of State -owned Buildings										Total
	(Number and Percentage)										
	Very Good		Good		Fair		Poor		Very Poor		
	C5		C4		C3		C2		C1		
Defence	1	0%	30	12%	190	79%	12	5%	9	4%	242
Correctional Services	1	1%	11	6%	153	81%	20	11%	5	3%	190
Justice	3	0%	103	14%	580	79%	35	5%	9	1%	730
SAPS	43	3%	145	10%	1014	70%	232	16%	14	1%	1448
Other user departments	7	2%	86	23%	250	68%	21	6%	6	2%	370
Unutilized	0	0%	0	0%	0	0%	0	0%	103	100%	103
TOTAL	55	2%	375	12%	2187	71%	320	10%	146	5%	3083

Notes:

- i. The Justice and Constitutional Development portfolio excludes condition ratings for all residential accommodation.
- ii. The SAPS portfolio includes condition ratings for devolved police stations.
- iii. The number of properties under the Defence portfolio is derived from the U-AMP 2012-2015 and includes residential units within complexes.
- iv. Unutilised buildings comprise of offices only and reported at complex level.
- v. The Correctional Services portfolio excludes condition ratings for residential units both within and outside complexes.

Figure 5: Utilisation per User-Department



5.3.2 Demand for new space by user departments

Notwithstanding the number of properties within the portfolio and the aforementioned condition of the majority of assets, the demand for suitable and appropriate accommodation exceeds the supply leading to significant new construction, maintenance and leasing programmes.

The information provided in Tables 7 and 8 is aligned to the User Asset Management Plan (U-AMP) and is subject to an options analysis.

Table 5: Demand for new space by user department (capital requirements)

User department	Area required (m ²)	Total capital funds required - (R)	2016/17	2017/18	2018/19
			MTEF Year 1 requirements (R)	MTEF Year 2 requirements (R)	MTEF Year 3 requirements (R)
South African Police Services	496 800	1 151 235 740	508 426 958	389 545 027	253 263 755
Defence	60 585	517 256 017	83 048 213	115 189 338	319 018 466
Justice and Constitutional Development	29803	1 161 310 197	338 871 516	822 438 681	0
Correctional Services	64800	491 767 332	464 475 795	23 712 428	3 579 109
Home Affairs	9921	252 851 719	69 189 638	94 410 862	89 251 219
Labour	1754	347 028 935	18 232 041	326 013 348	2 783 546
Other Departments	198372	103 369 773	99 644 853	3 724 920	0
SUM TOTAL	862 035	4 024 819 713	1 581 889 014	1 775 034 604	667 896 095

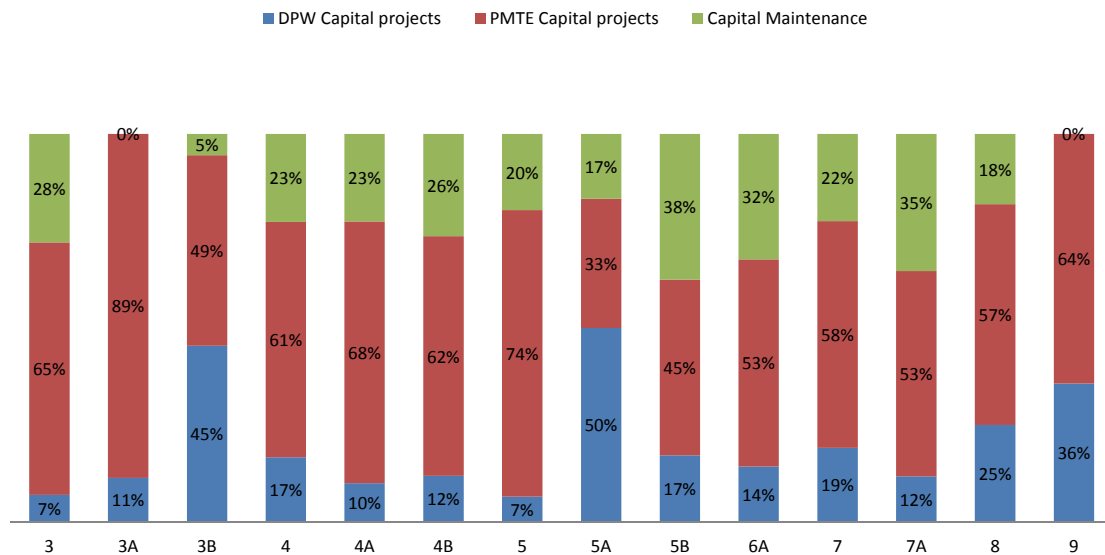
Table 6: Demand for new space by user department (leasing requirements)

User department	Area required (m ²)	Total needs for leased accommodation (R)	2016/17	2017/2018	2018/2019
			MTEF Year 1 requirements (R)	MTEF Year 2 requirements (R)	MTEF Year 3 requirements (R)
South African Police Services	45 114	348 905 304	107 474 527	116 072 489	125 358 288
Defence	32 500	115 241 114	35 449 605	38 289 712	41 501 797
Justice and Constitutional Development	7 270	27 443 473	7 999 349	9 467 329	9 976 795
Correctional Services	1544	5 791 865	1 735 839	1 957 486	2 098 540
Home Affairs	20 605	97 831 369	24 979 596	38 256 281	34 595 492
Labour	315	770 197	267 997	287 072	215 128
Other Departments	126 897	1 421 113 396	140 601 577	141 748 262	149 523 350
SUM TOTAL	234 245	1 027 856 511	318 508 490	346 078 631	363 269 390

5.3.3 Demand for construction

The Department has delivered a total of about 4 485 Capital and Maintenance projects in the past five years while confronting some difficult challenges. The delivery of these projects by the Department translates to a total actual expenditure of R24 969 602 926 in construction and planned maintenance budgets.

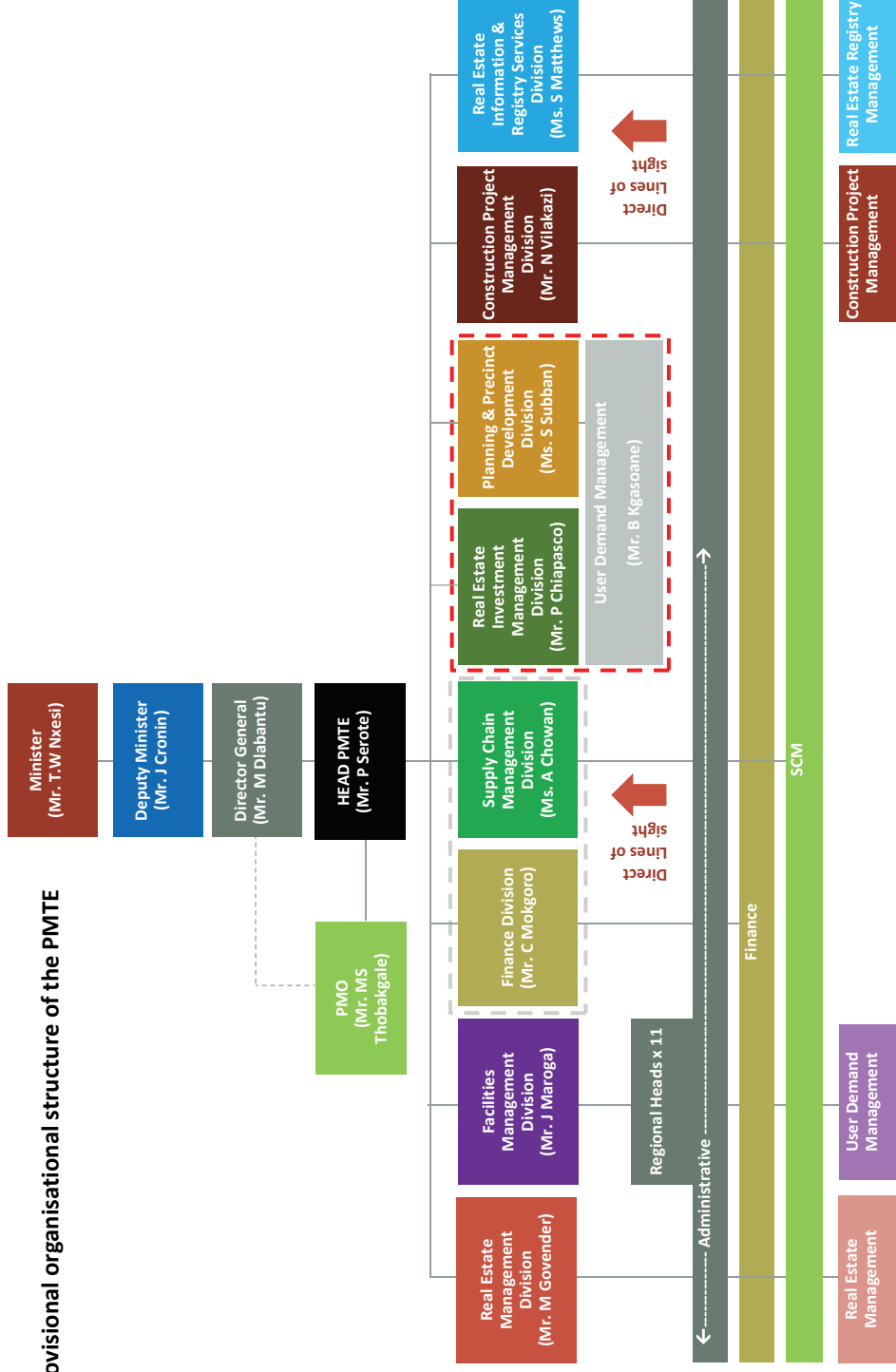
Figure 6: Project Type per Stage



Departmental building programmes pertaining to maintenance and capital works will continue to be implemented in the medium-term. Key projects will include the upgrading of facilities to ensure access to the disabled, the upgrading and construction of departmental offices, the development of National Government precincts and the refurbishment of infrastructure related border post centres. These projects will be funded from the infrastructure budgets of the Department and user Departments.

5.4 ORGANISATIONAL ENVIRONMENT

5.4.1 High level provisional organisational structure of the PMTE



5.4.1.1 Key issues relating to the organizational structure

With the PMTE assuming the responsibility for the implementation of the Construction and Property Management functions, as well as the management of the immovable asset life cycle on behalf of the Department, the PMTE structure provides the functions and functional areas required for the PMTE to discharge its mandates and priorities. The PMTE remains a Trading Entity under the Accounting Officer of the Department (i.e. the Director-General) until such time as a Government Component is established. This transition to the Government Component will be supported by an appropriate organisational design, with an envisaged longer term review, once the PMTE is fully operational and prepared to modify services and relevant operating models.

There has been extensive consultation on the revised PMTE organisational structure, internally as well as other relevant stakeholders, i.e. DPSA and the Department of Labour. The structure has been submitted to DPSA for final concurrence. In the interim, stability in key positions will be managed through appointments and secondments to ensure the continuation of services.

Taking the above into consideration, the functional Organisational Structure of the PMTE, which is aligned to the Public Works mandate, depicts the following three distinctive focal areas:

- **Core Business** - consisting of Real Estate Investment, Planning and Precinct development, Real Estate Management, Facilities Management, Real Estate Registry Services, and Construction Management.
- **Enabling Services** – consisting of Financial Management and Accounting, and Supply Chain Management.
- **DPW Shared Services** - consisting of Internal Audit, Office Support, Corporate Services, and Governance.

To ensure operational improvement, a **direct accountability model** for each area of service has been adopted. Functional areas within the National as well as Regional Offices now have direct accountability lines to their respective functional heads in the PMTE. The Regional Coordination function thus ceases to exist and Regional Offices, in essence, become the custodian for assets within the Region, on behalf of State.

The lack of proper Maintenance Strategies and Implementation Plans result in many properties being underutilised and neglected leaving properties vacant and susceptible to theft, vandalism, vagrants and illegal occupation. The poor condition of many buildings did not enable User Departments to fulfil their service delivery mandates. This necessitated the need to prioritise proper Portfolio Management, Client Relations and Maintenance of Properties through the Regions to build value to State assets and achieve the PMTE's Property Management objectives.

In line with the direct accountability model, the Regional Manager assumes the position of Regional Head and is accountable to the Divisional Head: Facilities Management in playing the pre-eminent role of strategic Portfolio and Facilities Management (Owner of Assets). Regional Heads - as the most senior officials in the regions - remain the “points of entry” for client engagement and remain responsible for various compliance and administrative processes, until the processes have been re-aligned to the suit and improve the new delivery model.

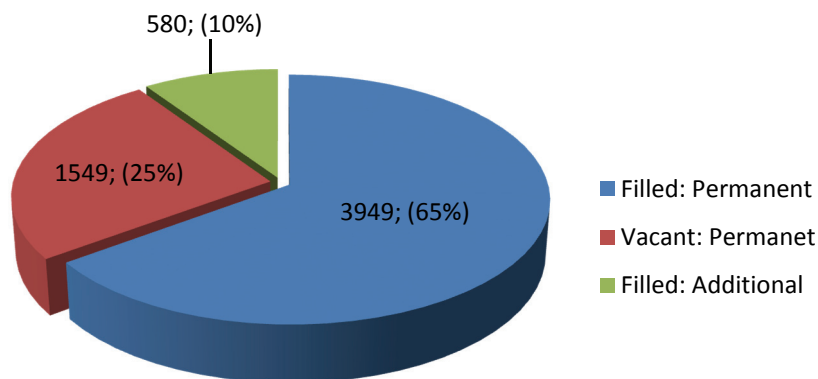
From an operational view, SCM and Finance will serve various functions within the Region, but be directly accountable to the respective Heads.

5.4.1.2 Factors within the organizational environment that have informed the Revised Strategic Plan

The PMTE has, pending the approval and implementation of the PMTE Structure, prioritised the recruitment of suitably skilled and experienced professionals to assist with the operationalizing the PMTE. To this end, the secondment of the Head of the PMTE and critical management appointments for the Head of Facilities Management and Head of Real Estate Registry Services were finalised in 2015/16. In line with the revised organisational structure, the Department will also facilitate the recruitment and appointment of technical and professional experts in the property management environment.

The graphic representation below indicates provides the PMTE staff complement for the 2015/16 financial year, as at January 2016:

Figure 7: Property Management Trading Entity - Staff Establishment



The PMTE has a total staff establishment of 5 369 posts of which 3 932 are filled. An integrated Human Resource Plan has been developed to respond to Government’s priorities and to align the PMTE workforce with the mission, vision, strategic goals and financial resources of the PMTE. The Human Resource Plan, which identifies current and future human resources needs for the PMTE to achieve its strategic goals, is reviewed annually, in line with the strategy and structure, to ensure that the appropriately skilled people, are in the right place at the right time, to respond to critical areas in the course of delivering on the mandate of the PMTE.

Figure 8: Filled versus vacant positions (permanent plus additional)

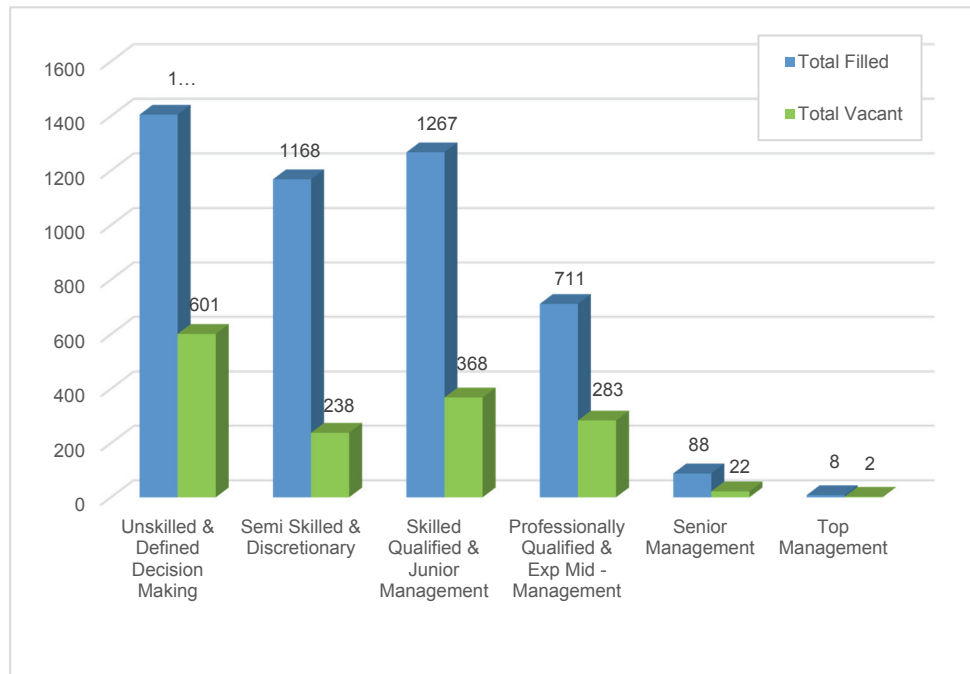


Table 7: Employment and vacancies by critical occupations

Critical Occupations	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Architects, town and traffic planners	70	59	15.71	4
Chemical and physical science technicians	12	11	38.89	2
Civil engineering technicians	27	13	45.83	1
Electrical and electronics engineering technicians	12	4	21.10	3
Engineers and related professionals	269	239	8.78	79
Mechanical engineering technicians	14	3	91.43	
Quantity surveyors & related prof	37	25	32.43	1
TOTAL	441	354	21.44	90

The Department is coordinating the Talent Pipeline Strategy that contributes to high level human capital development and to the creation of a pool of critical skills aiming at changing the profile of the workforce by growing a representative workforce for the built and property environment while growing the size and raising the quality of the human capital base, needed to improve the quality of life of all South Africans.

Through these Programmes young talent is targeted and inspired to take up careers in the built and property environment. Special effort is taken to provide access and assistance to disadvantaged students who want to further their careers. The implementation of the Pipeline Strategy supports Talent Management for the PMTE and is implemented in the form of the Schools Programme, the Bursary Scheme, Internships, Work Integrated Learning, Learnerships, Young Professionals, Management Trainee, Artisan Development and Mentorship Programmes.

5.5 DESCRIPTION OF THE STRATEGIC PLANNING PROCESS

The strategic planning process for the PMTE is aligned to the Planning Framework of National Government. This Framework defines the cycles of policy, strategy, programme development, budgeting, monitoring and evaluation and the tabling of these documents for public consumption. In this regard, PMTE has taken cognisance of the NDP, the existing Strategic Plan, the Medium Term Strategic Framework, the New Growth Path (NGP) and Decade of Action and the African Millennium Development Goals in the compilation of this Annual Performance Plan.

As part of the operationalisation of the PMTE and separation of functions between the Department of Public Works and the PMTE a new Programme Budget Programme Structure was developed for PMTE in 2015/16. This resulted in the tabling of a Strategic Plan and Annual Performance Plan for PMTE for the first time in 2015/16. Whilst the Strategic Plan was well received, there were specific areas of improvement that were identified by the PMTE. These improvements relate to how effectively the Strategic Plan is cascaded down into the Annual Performance Plans, Business Plans and Performance Agreements whilst ensuring accountability for the delivery thereof. The Executive Committee of the Department subsequently resolved that there should be a review of the Strategic Overview of the Strategic Plan that would also take into consideration clarity of the future structure of the PMTE. Various strategic review sessions then followed with further discussion and debate about the alignment of functions, modes of delivery, Vision, Mission, Values, Strategic Oriented Goals and Objectives for PMTE.

The 2016-17 Annual Performance Plans sets out what the PMTE intends doing over the MTEF towards progressively achieving the full implementation of the five (5) year Revised Strategic Plan. The following process was followed in the development of the Revised Strategic Plan and Annual Performance Plan:

Table 8: Description of the strategic planning process for PMTE

ACTIVITIES	PURPOSE	TIMEFRAMES
Development of (5) year Strategic Plan for the 2015-2020 planning cycle	This five year Strategic Plan was developed as part of the process to operationalise the PMTE and to reflect the policies and plans of the new Government. It distinguishes the implementation functions of the property and construction project management from the policy and regulatory role of the Department.	11 March 2015
Transfer of DPW functions to PMTE	On 01 April 2015 the Department of Public Works transferred the relevant personnel and its associated costs to the PMTE.	01 April 2015
Policy Statement of PMTE	The Minister of Public Works delivered an Updated Policy Statement in June 2015 which outlined the policy priorities that have become the strategic thrusts of the PMTE.	23 June 2015
Training on Strategic and Annual Performance Planning	Training sessions were conducted for PMTE management on strategic planning and monitoring and evaluation.	August and September 2015
Annual Strategic Planning Workshop	A Strategic Planning Session was convened from 13-15 August 2015 as attended by senior managers in the PMTE as well as the Chief Executive Officers of the Public Entities reporting to the Minister of Public Works. During the Strategic Planning Session, the PMTE expanded on its strengths, thus furthering its competitive advantage, to achieve effectiveness and success. The objective of the session was to inculcate integrated planning and highlight critical areas of performance, reprioritise current activities and related performance targets, define future targets to align to the newly defined priorities and affirm the second phase of the Turnaround Strategy for the PMTE, which is Efficiency Enhancement Phase.	13-15 August 2015
Submission of the 1st Draft Annual Performance Plan	The 1 st Draft APP was submitted to the National Treasury and the Department of Planning, Monitoring and Evaluation. The 1 st Draft APP was also presented to the Department's Audit Committee	31 August 2015 28 September 2015
1st Strategic Review Session for Branch Heads	A Strategic Review Session was held for all Heads of Branches within the PMTE to discuss the Strategic Overview of PMTE	04 November 2015

ACTIVITIES	PURPOSE	TIMEFRAMES
2nd Strategic Review Session for Branch Heads	A second Strategic Review Session was held for all Branch Heads within PMTE to discuss the key performance indicators for the various programmes within PMTE	12 November 2015
Compilation of 2nd Draft Annual Performance Plan	The outcomes from the Strategic Review Sessions and the inputs from the units and relevant information pertaining to the current strategic direction of the PMTE were taken into consideration in the compilation of the 2 nd draft for the Annual Performance Plan. The strategic interventions and projects for 2016/2017 were identified as part of this process.	21-26 November 2015
Submission of the 2nd Draft Annual Performance Plan to PMTE	The 2 nd Draft Annual Performance Plan was submitted to the National Treasury and the Department of Planning, Monitoring and Evaluation. The 2 nd Draft Annual Performance Plan was also presented to the Department's Audit Committee	30 November 2015
Final draft Annual Performance Plan tabled at Special EXCO	The final draft of the Annual Performance Plan was tabled at a Special EXCO workshop.	21 January 2016
Annual Performance Plan Workshop with Audit Committee	The final draft Annual Performance Plan was presented to the Audit Committee.	15 February 2016
Peer review workshop	A peer review workshop was held with National Treasury, the Departments of Planning, Monitoring and Evaluation and Public Service and Administration.	28 February 2016
Tabling of the Revised Strategic Plan and Annual Performance Plan	The Revised Strategic Plan and 2016/17 Annual Performance Plan are printed and distributed.	10 March 2016
PMTE Operational Plans	The Annual Performance Plans are translated into Operational Plans where strategic performance indicators are broken down into operational performance indicators which measure inputs, activities, processes and lower level outputs. The budget is, at this stage linked and done at an activity level. The objective is to link the Operational Plans to the key performance areas of management.	15 March 2016

6.

STRATEGIC OUTCOME ORIENTED GOALS OF THE PMTE

6.1. STRATEGIC GOALS OF THE PMTE

In executing its mandate, the PMTE has identified eight strategic outcome oriented goals that define its direct service delivery responsibilities. These goals, which are linked to the mission, are:

Table 9: Strategic outcome oriented goal 1

Strategic Goal 1	To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements
Goal Statement	Drive the Efficiency Enhancement Phase (Phase II) of the Turnaround Strategy of the Property Management Trading Entity to achieve full stabilization and improve efficiencies for rebuilding the PMTE by 2020 in a compliant manner.
Programme Name	Programme 1: Administration
Justification	The implementation of the Turnaround Strategy is a prerequisite for the performance of the PMTE and is based on the need to address critical and foundational aspects and immediate improvements in the manner that core programmes are supported.
Links	<p>The National Development Plan highlights the need for well-run and effectively coordinated state institutions with skilled public servants who are committed to the public good and capable of delivering consistently high-quality services, while prioritizing the nation's developmental objectives.</p> <p>Finance and Supply Chain Management functions are governed by the PFMA, Treasury Regulations, GRAP, PPPFA and BBEE Acts.</p>
Related Strategic Objectives	<ul style="list-style-type: none"> • To provide a compliant internal control and financial service • To provide a compliant Supply Chain Management service

Table 10: Strategic outcome oriented goal 2

Strategic Goal 2	To consolidate user demands that enables planning and budgeting
Goal statement	To achieve an efficient and competitive Real Estate Portfolio for the State through effective planning and budgeting
Programme Name	Programme 2: Real Estate Investment Services
Justification	Development depends on providing the right type of infrastructure, in the right places at the right times. Planning for user department’s accommodation requirements is a fundamental activity in the development of the State’s immovable asset portfolio.
Links	Outcome 12: An efficient, effective and development-oriented public service (Sub-Outcome 4: Efficient and effective management and operations systems) Highlights the need for more functional workplaces, leading to improved responsiveness to the needs of service-users
Related strategic objectives	To ensure that the user asset management plans are produced in compliance with relevant prescripts

Table 11: Strategic outcome oriented goal 3

Strategic Goal 3	To increase the value of the State’s immovable asset portfolio
Goal statement	To achieve an efficient and competitive Real Estate Portfolio for the State through informed investments
Programme Name	Programme 2: Real Estate Investment Services
Justification	To ensure that optimal value for money and a better rate of return on investment in the State’s immovable asset portfolio. Such investment has a multiplier effect throughout the economy, generating lasting economic, social and environmental benefits.
Links	Outcome 6: An efficient, competitive and responsive economic infrastructure network (Sub-outcome 1: Regulation, funding and investment improved) Highlights the need to lay the foundations for improvements in productivity, including infrastructure delivery and services.
Related strategic objectives	<ul style="list-style-type: none"> • To inform asset management decisions through optimal investment solutions • To manage the performance of the immovable asset portfolio so as to ensure appropriate investment decisions

Table 12: Strategic outcome oriented goal 4

Strategic Goal 4	To develop accommodation solutions for User Departments in collaboration with the relevant spheres of Government
Goal statement	To achieve an efficient and competitive Real Estate Portfolio for the State through effective planning for spatial, economic and infrastructural integration in order to provide improved accommodation with specific reference to accessibility, quality and facility management for efficient service delivery to the country and its citizens.
Programme Name	Programme 2: Real Estate Investment Services
Justification	Redress spatial imbalances, elimination of the silo approach to infrastructure development and the creation of economies of scale whilst supporting improved service delivery.
Links	Contribute towards the integration of spatial development plans of rural municipalities as per Outcome 7 (Sub Outcome 2). Support efficient and effective public service by improved, integrated and accessible infrastructure as per Outcome 12 (Sub Outcome 4).
Related strategic objectives	To direct precinct planning and development for national government in urban and rural areas

Table 13: Strategic outcome oriented goal 5

Strategic Goal 5	To meet user departments accommodation requirements as per the approved Infrastructure Programme Implementation Plan (IPIP)
Goal statement	To provide effective and efficient delivery of accommodation needs for DPW and User Departments through construction and other infrastructure improvement programmes. This entails new construction, upgrades and additions and refurbishment of infrastructure over a 5 year period.
Programme name	Programme 3: Construction Project Management
Justification	The NDP identifies infrastructure investment as a key priority for South Africa to support socio-economic transformation and to build a new level of economic resilience in an increasingly challenging global environment. Construction is key in the achievement of this national objective.
Links	Provide reasonable functional accommodation that facilitates the attainment of user departments' service delivery objectives as outlined in Outcome 12 (Sub Outcome 4).
Related strategic objectives	<ul style="list-style-type: none"> • To develop detailed construction plans that direct the execution of construction projects • To ensure that construction programmes are implemented according to approved criteria

Table 14: Strategic outcome oriented goal 6

Strategic Goal 6	To provide quality accommodation and contribute to the financial sustainability of the PMTE
Goal statement	To provide and manage the real estate portfolio in support of Government’s social, economic, functional and political objectives and reduce the PMTE’s financial dependency on Government.
Programme Name	Programme 4: Real Estate Management Services
Justification	The PMTE is the primary provider of accommodation for Government departments and is the biggest land owner in the country. Through the optimal utilisation of its immovable asset base and sourcing accommodation through other means, the PMTE assists user departments to provide suitable, cost-effective and functional accommodation to the end user.
Links	The provision of conducive accommodation enables user departments to improve service delivery and consumer satisfaction as outlined in Outcome 12.
Related strategic objectives	<ul style="list-style-type: none"> • To provide functional leased accommodation for user-departments • To increase revenue through the rental of State-owned property • To manage and administer contractual obligations for all accommodation solutions

Table 15: Strategic outcome oriented goal 7

Strategic Goal 7	To provide reliable immovable asset information that informs investment decisions and portfolio management
Goal statement	To develop and manage a complete, accurate and compliant Immoveable Asset Register to meet service delivery objectives for the State, Department and Property Management Trading Entity business requirements.
Programme Name	Programme 5: Real Estate Information and Registry Services
Justification	A national immovable asset base is central to achieving socio-economic objectives as outlined in the NDP and performs a pivotal role in securing custody and control over the State’s immovable assets hence to importance of control and compliance in the management of the immovable asset information.
Links	The Immoveable Asset Register is maintained and managed in a manner that contributes to the national objective of good corporate governance practices as outlined in the NDP and governed by the PFMA, Treasury Regulations and GIAMA.
Related strategic objectives	<ul style="list-style-type: none"> • To maintain a compliant Immoveable Asset Register • To provide guidance and support to other custodians in the compilation of compliant Immoveable Asset Registers

Table 16: Strategic outcome oriented goal 8

Strategic Goal 8	To ensure optimal performance of the State's immovable asset portfolio.
Goal statement	To ensure that immovable assets used by government departments and the public, are optimally utilised and maintained in a safe, secure healthy and ergonomic and environment while contributing to job creation, skills development and poverty alleviation.
Programme name	Programme 6: Facilities Management
Justification	Optimise the utilisation and performance of state assets that fall under the custodianship of PMTE through the implementation of a Maintenance and National Green Building plan.
Links	South Africa needs to invest and manage a strong infrastructure network designed to support the country's long term economic and social objectives as outlined in Outcome 6 and 12.
Related strategic objectives	<ul style="list-style-type: none"> • To manage maintenance programmes in accordance with an approved plan • To reduce unscheduled repairs on State-owned buildings • To ensure resources efficiency in State-owned building

The strategic goals and strategic objectives of the PMTE are aligned to the following priority areas within the Medium Term Strategic Framework (2014-2019):

Table 17: Alignment to MTSF priority area:

MTSF PRIORITY	NATIONAL OUTCOME	STRATEGIC GOAL	PROGRAMME
¹⁸ Radical economic transformation, rapid economic growth and job creation	¹⁹ 12: An efficient and effective development oriented Public Service	1: To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements.	1, 2, 3, 4, 5, 6
	²⁰ 6: An efficient, competitive and responsive infrastructure network	2: To consolidate user demands that enables forward planning and budgeting 3: To increase the value of the State's immovable asset portfolio	
	²¹ 4 : Decent employment through inclusive economic growth	5: To meet user department accommodation requirements as per the approved IPMP 6: To provide quality accommodation and contribute to the financial sustainability of the PMTE	
	²² 5: A skilled and capable workforce to support an inclusive growth path	7: To provide reliable immovable asset information that informs investment decisions and portfolio management 8: To ensure optimal performance of the State's immovable asset portfolio	
²³ Rural development, land and agrarian reform and food security	²⁴ 7: Vibrant, equitable, sustainable rural communities contributing towards food security for all	4: To develop accommodation solutions in collaboration with the relevant spheres of Government 5: To meet user department accommodation requirements as per the approved IPMP	2, 3, 5, 6
	²⁵ Outcome 8: Sustainable Human Settlements and Improved Quality of Household Life	3: To increase the value of the State's immovable asset portfolio. 7: To provide reliable immovable asset information that informs investment decisions and portfolio management 8: To ensure optimal performance of the State's immovable asset portfolio	

¹⁸ MTSF 2016-2019 Page 6

¹⁹ Outcome 12: Sub Outcome 4: Page 15

²⁰ Outcome 6: Sub Outcome 2: Page 12 and Sub Outcome 3: Page 19

²¹ Outcome 4: Sub Outcome 1: Page 8

²² Outcome 5: Sub Outcome 4: Page 16

²³ MTSF 2016-2019 Page 6

²⁴ Outcome 7: Sub Outcome: 1 Page: 4

²⁵ Outcome 8: Sub Outcome 1 Page: 8

6.2. LINKS TO GOVERNMENT-WIDE PLANS

The Constitution requires that all spheres of Government work together and participate in the development of programmes to redress poverty, underdevelopment, marginalisation of people and communities, and protect and enhance environmental assets and natural resources. It is clear that the implementation of the strategic agenda of Government and National priorities requires an effective National Government, as well as the smooth functioning and careful synchronisation of the three spheres of Government.

The National Development Plan (NDP) contains proposals for tackling the problems of poverty, inequality, unemployment and resource preservation in the country. It is a roadmap to a South Africa where all South Africans will have water, electricity, sanitation, jobs, housing, public transport, adequate nutrition, education, social protection, quality healthcare, recreation and a clean environment. Amongst the nine critical challenges identified in the NDP, of particular relevance to the PMTE, are:

- infrastructure is poorly located, inadequate and under-maintained;
- spatial divides impede inclusive development;
- public services are uneven and often of poor quality; and
- corruption levels are high.

Part of the 9 priorities identified to boost the economy, that directly affect the PMTE, are:

- Resolving the energy challenge;
- Unlocking the potential of SMMEs, cooperatives, townships and rural enterprises; and
- Operation Phakisa which aims to grow the ocean economy - such as the shipping and storage of energy products.

In the context of the NDP, Cabinet adopted a National Infrastructure Plan in 2012 to transform the economic infrastructure landscape while simultaneously creating significant numbers of new jobs, and strengthening the delivery of basic services. This Infrastructure Plan also supports the integration of African economies. The Presidential Infrastructure Coordinating Commission (PICC) is mandated by Cabinet to plan and coordinate the National Infrastructure Plan. Government is investing R827 billion in building new and upgrading existing infrastructures. These investments will improve access by South Africans to healthcare facilities, schools, water, sanitation, housing and electrification. On the other hand, investment in the construction and upgrading of ports, roads, railway systems, electricity plants and dams will contribute to faster economic growth. Eighteen Strategic Integrated Projects (SIPs) have been developed and approved to support economic development and address service delivery in the poorest Provinces. Each SIP comprises a large number of specific infrastructure components and programmes.

The Medium-Term Strategic Framework (MTSF, 2014 - 2019) builds on the successes of the past 20 years of democracy and is the first five year building block of the NDP. The basic thrust of MTSF is to improve the living conditions of all South Africans and to build a better Africa and a better world. It is a statement of intent, identifying the development challenges facing South Africa and outlining improvements in the living conditions of South Africans for enhanced contribution to the cause of building a better world. The strategic focus of the MTSF (2014-2019) will not digress from the understanding that economic growth and development through sustainable job creation and investment in quality education and skills development, are at the centre of the Government's approach.

Directed by the mandate of the Department and the Performance Agreement between the President of the Republic of South Africa and the Minister of Public Works, the PMTE has identified five outcomes based on the Department's contribution to the MTSF:

1. Efficient, competitive and responsive economic infrastructure network (Outcome 6),
2. Comprehensive rural development (Outcome 7),
3. Sustainable human settlements and improved quality of household life (Outcome 8);
4. Protected and enhanced environmental assets and natural resources (Outcome 11); and
5. Efficient, effective and development orientated public service (Outcome 12).

Following hereunder are the specific links to Government-wide plans

Table 18: Small Harbour Development

NDP Chapter & MTSF National Outcome	Chapter 3, 4 and 5 Outcome 6: An efficient, competitive and responsive economic infrastructure network
Description	The PMTE as the State's infrastructure development organ will play a pivotal role in the development and modernisation of small harbours in order to stimulate South Africa's maritime economy. The PMTE in collaboration with the Department of Environmental Affairs, the Department of Economic Development, the Department of Agriculture, Forestry and Fisheries and the South African Maritime Safety Authority (SAMSA) will develop these harbours and state properties for economic development and revenue generation.
MTEF Budget	R20.6 million
Related performance indicators	<ul style="list-style-type: none"> • Percentage of revenue increased through rentals of harbour related properties • Percentage of DAFF certified Operation Phakisa Ocean economy leasing requests processed within agreed timeframes

Table 19: Energy Savings

NDP Chapter & MTSF National Outcome	Chapter 4 and 5 Outcome 6: An efficient, competitive and responsive economic infrastructure network
Description	Given the reality of South-Africa’s constrained Electricity supply; demand needs to be managed in a way that limits the impact of load shedding on Government’s economic and social priorities. The Property Management Trading Entity (PMTE), mainly through its Construction Project Management and Facilities Management Divisions, provides the opportunity to focus on electricity savings by ensuring electricity supply security by meeting its renewable energy targets and ensuring that all future construction and refurbishment projects are in line with DPW’s Green Building Policy.
MTEF Budget	R28 million
Related performance indicators	<ul style="list-style-type: none"> • Reduction in energy consumption (kilowatt hours) in identified property portfolio • Number of Kilowatt hours of renewable generated

Table 20: Water Conservation

NDP Chapter & MTSF National Outcome	Chapter 4 and 5 Outcome: 6 An efficient, competitive and responsive economic infrastructure network Outcome 11: Protected and enhanced environmental assets and natural resources
Description	Given the reality of the scarcity of water in South-Africa numerous initiatives need to be executed to educate South Africans on water saving, as well as utilising water saving devices in their homes, workplaces and all other institutions. The PMTE mainly through its Construction Project Management and Facilities Management Divisions, provides the opportunity to focus on water savings by ensuring water supply security by meeting its water saving targets and ensuring that tender specifications include water saving equipment for all future construction, refurbishment and facilities management projects including unscheduled maintenance.
MTEF Budget	R162 million
Related performance indicators	<ul style="list-style-type: none"> • Reduction in water consumption (kilolitres) in identified property portfolio

Table 21: Inclusive rural economy

NDP Chapter & MTSF National Outcome	Chapter 6 Outcome 7: Comprehensive rural development
Description	Rural development is a cross cutting mandate that requires significant institutional coordination for maximum impact. The PMTE will be collaborating with sector departments and rural municipalities to coordinate infrastructure planning and ensure maximum positive impact in rural areas by making public services more accessible with a particular focus on public services that are provided by the South African Social Security Agency, Department of Home Affairs, Department of Labour, South African Police Service, Department of Basic Education and Department of Justice and Constitutional Development. The role of the PMTE is to unlock the potential of its collective asset base to stimulate the local economy in meeting the accommodation requirements of its user departments.
MTEF Budget	R6 million
Related performance indicators	<ul style="list-style-type: none"> • Number of User Asset Management Plans received • Number of Custodian Asset Management Plans approved • Number of Government Precinct Development Proposals integrated with identified municipal (urban and rural) Integrated Development Plans (IDPs)

Table 22: Transforming Human Settlements

NDP Chapter & MTSF National Outcome	Chapter 8 Outcome 8: Sustainable human settlements and improved quality of household life.
Description	<p>The apartheid legacy of spatially marginalising the poor has meant that people live far from job opportunities and major services in “dormitory” type residential areas. Many South Africans continue to survive without basic services in informal settlements. Individuals who have jobs find it difficult to access subsidised houses on the one hand and mortgage products from commercial banks on the other.</p> <p>The Planning and Precinct Development Programme of the Department ensures integrated planning of infrastructure and urban efficiencies by aligning and consolidating Government services to reduce costs associated with accessing public services, particularly by those who live in remote areas. By making public services accessible, in close proximity to rural areas, Government will positively contribute to the livelihoods of the poor. In addition, the Department will release well located land and properties for developmental purposes to the Department of Human Settlements.</p>
MTEF Budget	R1.9 million
Related performance indicators	<ul style="list-style-type: none"> • Number of Government Precinct Development Proposals integrated with identified municipal (urban and rural) Integrated Development Plans (IDPs) • Number of sites established for development • Percentage of responsive disposal requests approved within scheduled timeframes

Table 23: Building a capable and developmental State

NDP Chapter & MTSF National Outcome	Chapter 13 Outcome 12 : An efficient and effective development-oriented Public Service
Description	<p>The PMTE as the custodian of a significant portion of the State’s immovable assets ensures that immovable assets that are utilised for delivering various Government services yield functional, economic and social benefits to the State. The PMTE provides office, functional and official residential accommodation and ensures optimal utilisation of immovable assets that contribute to improved service delivery. Through the development of the Custodian Asset Management Plan and the User Asset Management Plan as principle strategic planning instruments, the PMTE provides accommodation to user departments that promotes integration, accessibility, sustainability, environmental sensitivity, economic growth and social empowerment.</p>
MTEF Budget	<p>The PMTE medium term budget allocation is R34 billion (Clients capital budget, repair and maintenance, cleaning and gardening, private leases, rates and taxes).</p>
Related performance indicators	<ul style="list-style-type: none"> • Percentage of infrastructure projects completed within approved budget • Percentage of infrastructure projects completed within agreed construction period • Percentage reduction of identified leased-in functional accommodation within the security cluster • Percentage of accommodation procured for user departments that adhere to prescribed criteria • Percentage of unscheduled reported maintenance incidents resolved within prescribed time frames

7. OVERVIEW OF THE 2016/17 BUDGET AND MTEF ESTIMATES

7.1 EXPENDITURE ESTIMATES

Programmes	Audited outcome 2012/13 (R'000)	Adjusted appropriation 2013/14 (R'000)	Medium-term expenditure estimate					
			2014/15 (R'000)	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)	2018/19 (R'000)	
Administration	4 357	1 016 723	1 702 587	847 287	904 936	876 970	844 000	
Real Estate Investment Services	-	-	-	105 850	116 521	129 274	136 780	
Construction Project Management	2 405 423	-	-	477 422	538 565	579 610	540 704	
Real Estate Management Services	4 128 294	4 431 449	5 047 922	5 567 961	5 992 578	6 494 269	7 031 380	
Real Estate Information & Registry Services	-	56 264	82 470	207 745	326 836	326 389	273 860	
Facilities Management Services	3 287 163	2 780 424	2 709 923	2 676 995	2 842 612	3 034 890	3 039 200	
Total for Programmes	9 825 237	8 284 860	9 542 902	9 883 260	10 722 048	11 441 402	11 865 924	

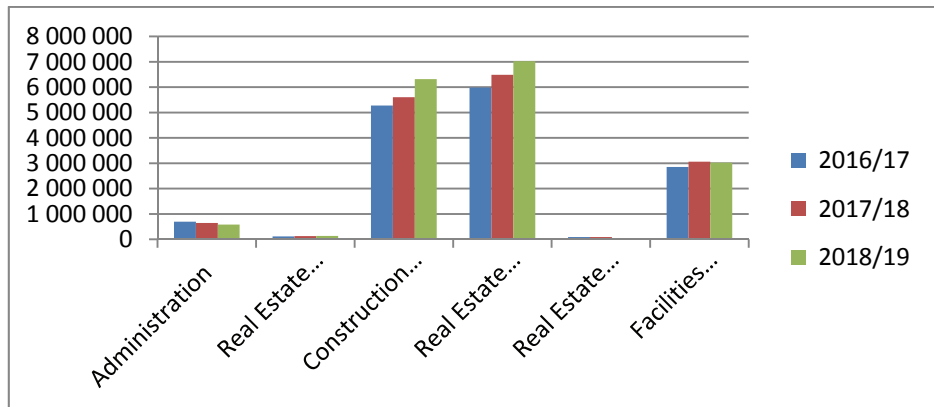
Economic Classification	Audited outcome 2012/13 (R'000)	Adjusted appropriation 2013/14 (R'000)	Medium-term expenditure estimate					
			2014/15 (R'000)	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)	2018/19 (R'000)	
Current payments	9 330 912	6 791 550	7 393 731	8 902 082	9 560 252	10 163 426	10 460 151	
Compensation of employees	17 869	-	-	1 288 773	1 469 782	1 580 886	1 672 741	
Salaries and wages	15 639	-	-	1 108 345	1 264 013	1 359 562	1 438 557	
Social contributions	2 230	-	-	180 428	205 769	221 324	234 184	
Goods and services	9 041 372	6 427 134	7 101 284	7 298 777	7 643 579	8 123 245	8 314 956	
Agency and support/outsourced services	-	-	-	-	-	-	-	

Economic Classification	Audited outcome 2012/13 (R'000)	Adjusted appropriation 2013/14 (R'000)	Medium-term expenditure estimate					
			2014/15 (R'000)	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)	2018/19 (R'000)	
Communication	25 668	-	-	-	-	-	-	-
Computer services	-	3 548	13 848	7 527	29 234	30 929	32 723	-
Consultants	-	50 406	44 658	-	-	-	-	-
Contractors	2 404 426	239	73 151	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Lease payments	3 330 966	3 557 111	3 939 379	4 020 000	4 320 000	4 665 600	5 038 848	-
Repairs and maintenance	3 119 300	2 581 046	2 442 025	1 936 623	2 056 694	2 175 982	2 302 189	-
Research and development	-	-	-	-	-	-	-	-
Training and staff development	2 362	-	-	12 428	13 692	14 744	15 599	-
Travel and subsistence	-	19 676	45 153	-	-	-	-	-
Other	158 650	215 108	543 070	1 322 199	1 223 959	1 235 990	925 597	-
Depreciation	-	56 264	82 470	120 000	240 000	240 000	240 000	-
Losses from	257 570	306 694	209 339	175 768	186 666	197 492	208 947	-
Sale of fixed assets	-	-	-	-	-	-	-	-
Impairments and Adjustments to Fair Value	242 635	279 815	100 349	150 000	159 300	168 539	178 315	-
Adjustments to Fair value of financial assets	242 635	279 815	100 349	150 000	159 300	168 539	178 315	-
Impairments to non-financial assets	-	-	-	-	-	-	-	-
Other	14 935	26 879	108 990	25 768	27 366	28 953	30 632	-
Interest, dividends and rent on land	14 101	1 458	638	18 764	20 225	21 803	23 507	-
Interest	1 880	1 458	638	500	500	500	500	-
Dividends	-	-	-	-	-	-	-	-

Economic Classification	Audited outcome 2012/13 (R'000)	Adjusted appropriation 2013/14 (R'000)	Medium-term expenditure estimate					
			2014/15 (R'000)	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)	2018/19 (R'000)	
Rent on land	12 221	-	-	18 264	19 725	21 303	23 007	
Transfers and subsidies	494 324	1 493 310	2 149 171	981 178	1 161 796	1 277 976	1 405 773	
National government	-	642 958	1 313 914	-	-	-	-	
Departmental agencies and accounts	-	-	-	-	-	-	-	
Provinces	-	-	-	-	-	-	-	
Municipalities	494 324	850 352	835 257	981 178	1 161 796	1 277 976	1 405 773	
Total Expenditure	9 825 236	8 284 860	9 542 902	9 883 260	10 722 048	11 441 402	11 865 924	

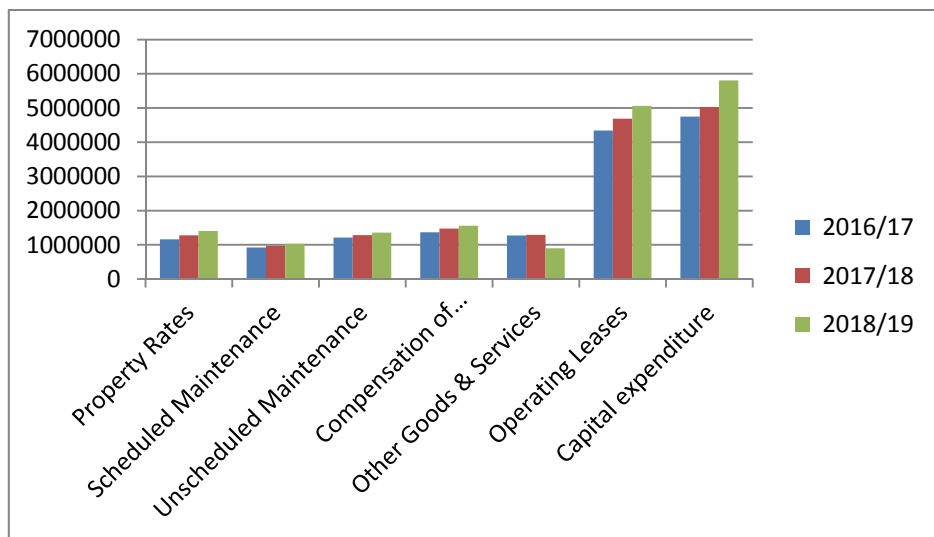
7.2 RELATING EXPENDITURE TRENDS TO STRATEGIC GOALS

Figure 9: Budget allocation per Programme



Note: Capital expenditure has been included under Programme 3: Construction Management Services

Figure 10: Budget allocation per Programme



Note: Capital expenditure has been included under Programme 3: Construction Management Services

Over the medium term the PMTE will continue to enhance its operational efficiencies in the provision of office accommodation to user departments at National Government level, as well as in the planning, acquisition, management and disposal of immovable assets under the custody of the Department. Further, focus areas include rebuilding the PMTE's technical and professional capacity to support national infrastructure investment, reducing costs to the State, and becoming self-sustainable. These operational efficiencies will be enhanced through the implementation of Phase II of the Turnaround Strategy. The operationalisation of the PMTE commenced on 1 April 2014 with the transfer of functions to the PMTE. From 1 April 2015 the budget linked to the transferred functions were also transferred to the PMTE.

The compensation of employees' budget is expected to increase from R1.3 billion in 2015/16 to R1.7 billion in 2018/19 at an average annual rate of 7 per cent which is aligned to Cabinet's Wage Bill agreement. Goods and services is expected to increase from R7.5 billion in 2015/16 to R8.5 billion in 2018/19 at an average annual rate of 4.5 per cent. The main cost drivers of total goods and services are repairs and maintenance and operating leases. Goods and services include both operational activities (i.e. leasing and maintenance) and administrative activities. The expected expenditure for goods and services is over the medium term is 73.9 per cent. The Real Estate Management Services programme accounts for 57.2 per cent of the PMTE's total expenditure. The main goods and services items that are linked to this programme include operating lease and municipal services expenditure.

The PMTE has appointed various specialists to assist rebuild its technical and professional capacity. These skills were required to enhance the operational efficiencies in line with Phase II of the Turnaround Strategy. These appointments were funded by using the vacant positions which exist on the current approved structure. In addition, the PMTE has identified 238 vacant posts which are critical to the successful operationalization of the PMTE to be filled during 2016/17. The financial impact of making these appointments are estimated to be R76.9 million for 2016/17 and projected to be R167.9 million over 2017/18 and 2018/19. Baseline funding will be reprioritised to fill prioritised vacant posts.

There has been a reduction of R164 million over the MTEF on the infrastructure budget which has resulted in proportional decreases across all infrastructure projects. The projects which the PMTE expects to deliver over the medium term are in different stages of implementation, ranging from planning, design and construction to finalisation, funded by the PMTE as well as those funded from user departments' infrastructure budgets. A total of 393 infrastructure projects and 436 repair and refurbishment projects will be completed over the MTEF. Key infrastructure projects that the PMTE will complete over the MTEF period and beyond include Bryntirion Heritage site in Pretoria, Research station on Antarctica Island, Department of Defence and the SAAF Air School in Pretoria, Eben Donges building in Port Elizabeth and Ndabeni and Epping in Cape Town. Key repair and refurbishments projects that the PMTE will complete over the MTEF period and beyond include the restoration of the Old Magistrate Court, integrated Facilities Management Services for Cape Town official and residential accommodation, repair to Masimanyani complex and repair and maintenance of Graaf Reinet Police College.

The augmentation allocation from the Department transfer was reduced by R250 million in 2016/17 following budget cuts during the Cabinet meeting in January 2016. The Turnaround Programme of the PMTE has a total budget allocation of R450 million for the 2016/17 financial year. The R250 million reduction can therefore not be implemented against this provision as it will effectively suspend this transformational initiative which is a key priority. The Department will subsequently not be able to deliver on its commitments to transform this entity into an effective organisation capable of generating optimum levels of revenue while delivering a high standard of property management services to its clients.

The Infrastructure Repair and Refurbishment budget is partly funded by the transfer. This is the only alternative where the proposed budget cut can be accommodated. This Programme aims to maintain, refurbish and upgrade government owned buildings to an acceptable standard. The funding allocated to this Programme amounts to R2.1 billion and, as the proposed reduction of R250 million represent 11.9% of the allocated budget, it has to be noted that this will have an adverse impact on the roll-out of the envisaged implementation plan. No new projects will be embarked upon during the 2016/17 financial year. The Programme is committed in terms of contractors already on site, design teams appointed and other contracts already in advanced stages of the procurement processes. It might be necessary to delay the award and implementation of these contracts.

The Department's capital infrastructure budget, specifically the Border Control Operations Coordination Committee (BCOCC) allocation, was reduced by R76 million for each year over the MTEF. No new projects will be initiated during the period of budget cuts which will slow down the delivery trend on the Infrastructure Programme as a whole in subsequent years.



PROPERTY MANAGEMENT TRADING ENTITY

REVISED STRATEGIC PLAN

2015 – 2020

PART B: PROGRAMME AND SUB-PROGRAMME PLANS



public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

PMTE PROGRAMME STRUCTURE

PROGRAMME 1: ADMINISTRATION

Purpose: Provide leadership, strategic management, governance and administrative support to the Property Management Trading Entity (PMTE).

Sub-Programmes:

- 1.1 Management Leadership
- 1.2 Operations Support Management
- 1.3 Financial and Accounting Management
- 1.4 Supply Chain Management

PROGRAMME 2: REAL ESTATE INVESTMENT SERVICES

Purpose: To optimise utilization and maximise the value of the State Property Portfolio.

Sub-Programmes:

- 2.1 User Demand Management
- 2.2 Planning and Precinct Development Services
- 2.3 Property Performance Management
- 2.4 Investment Analysis

PROGRAMME 3: CONSTRUCTION PROJECT MANAGEMENT

Purpose: To provide effective and efficient delivery of accommodation needs for DPW and User Departments through construction.

Sub-Programmes:

- 3.1 Construction Project Planning
- 3.2 Construction Project Management

PROGRAMME 4: REAL ESTATE MANAGEMENT SERVICES

Purpose: To timeously provide and manage suitable accommodation in support of users needs to meet their service delivery objectives

Sub-Programmes:

- 4.1 Management of Freehold Property
- 4.2 Land Administration & Management
- 4.3 Surplus Freehold (Revenue) Management
- 4.4 Leasehold Management

PROGRAMME 5: REAL ESTATE INFORMATION AND REGISTRY SERVICES

Purpose: To develop and manage a complete, accurate and compliant Immovable Asset Register to meet service delivery objectives for the State, Department and Property Management Trading Entity (PMTE) business requirements.

To provide leadership, guidance and support to National, Provincial and Local Government custodians of State assets to ensure use of applicable standards in accounting for immovable assets and management of IARs.

To develop, maintain and report on a consolidated National database of State properties

Sub-Programmes:

- 5.1 Asset Registry Services
- 5.2 Conveyancing

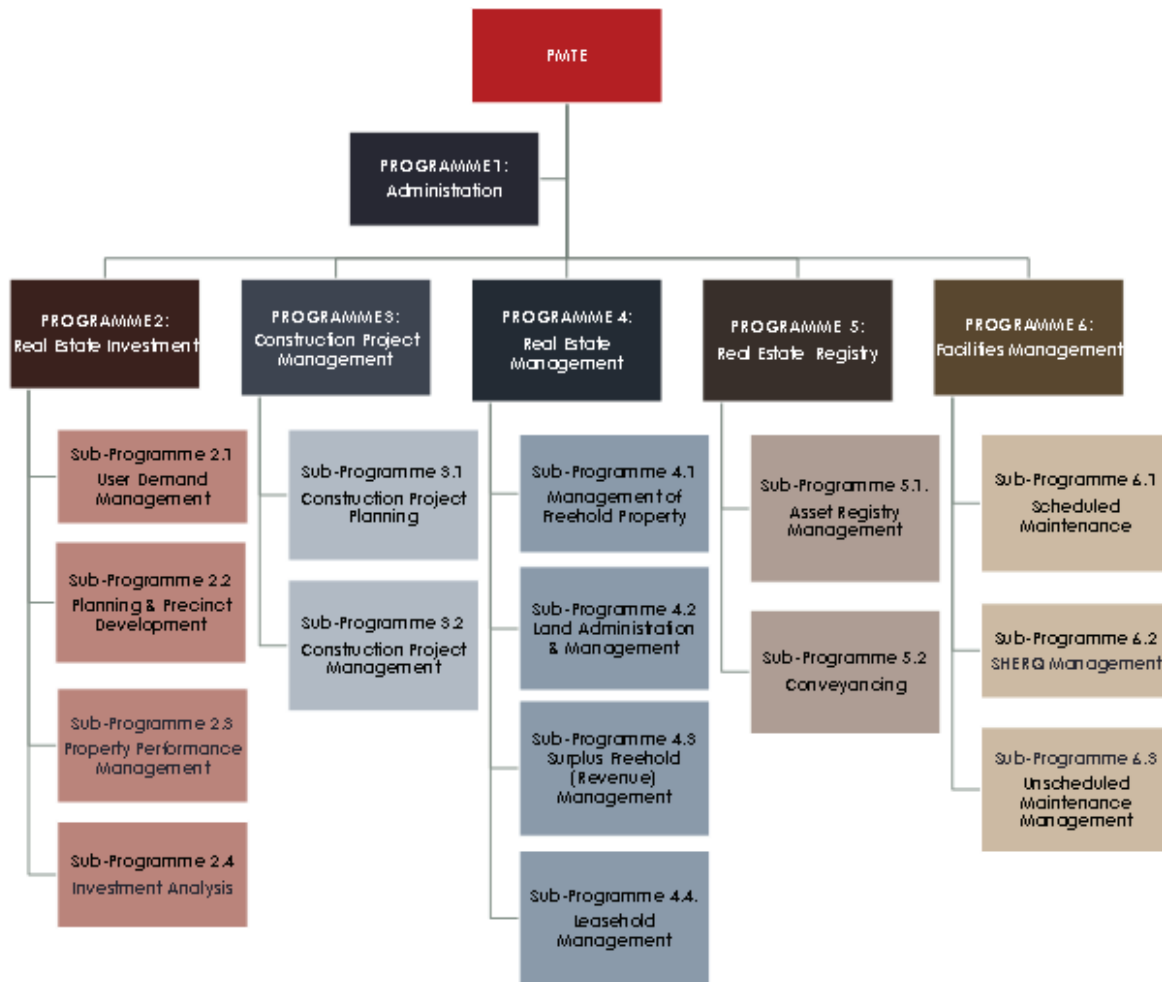
PROGRAMME 6: FACILITIES MANAGEMENT

Purpose: 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.

Sub-Programmes:

- 6.1 Scheduled Maintenance
- 6.2 SHERQ Management
- 6.3 Unscheduled Maintenance Management

Figure 11: Programme Budget Structure



PROGRAMME AND SUB PROGRAMME PLANS

8.1

PROGRAMME 1: ADMINISTRATION

PURPOSE: Provide leadership, strategic management, governance and support to the Property Management Trading Entity (PMTE).

The programme ensures effective leadership in accordance with legislation and accountability through organizational strategy and performance driven management, strengthened by sound governance, and appropriate administrative systems to enable the PMTE through converged innovative best practice solutions and standards.

SUB-PROGRAMMES

This programme is constituted by the following four sub-programmes:

Sub-Programme 1: Management Leadership

Office of the Head of PMTE and related services providing strategic leadership, governance and administration support

Sub-Programme 2: Operations Support Management

Provision of operations support and enabling services

Sub-Programme 3: Financial and Accounting Management

Provision of effective and efficient financial management.

Sub-Programme 4: Supply Chain Management

Provision of effective purpose orientated Supply Chain Management to realize inclusive Economic Growth

ACHIEVEMENTS

- Functions and immovable assets transferred from DPW to the PMTE;
- GRAP compliant financial management systems and controls were developed and implemented;
- GRAP compliant itemised accounting & billing system procured;
- The PMTE Account progressed from a disclaimed to a qualified opinion;

- High Level Business Case for establishing the PMTE as a Government Component (SPMA) developed and approved by Cabinet;
- Enhanced ICT efficiencies by establishing the Public Works call centre

PROBLEM STATEMENT

- Shortage of suitably qualified experts to operationalise the PMTE;
- Initial lack-of buy-in from labour due to insufficient consultation, information sharing and change management;
- Insufficient funding for all Turnaround projects and the full operationalisation of the PMTE*.

IMPLEMENTATION STRATEGY

- Filling of critical vacancies within the PMTE executive management;
- Specific skills recruitment to address skills shortage within the core business;
- Finalisation and capacitation of the organisational structure in support of the new PMTE business model;
- Implement and re-engineer business processes with converged and innovative best practice solutions and developing a master system architecture plan aligned to the PMTE business requirements;
- Developing a proactive and responsive engagement model of operations within Support Services;
- Security enhancements and a responsive labour relations environment to mitigate against fraud and corruption;
- Rollout of the change management program to ensure sustainable business improvement;
- Implementation of the PMTE Operating Framework and PMTE business processes.
- Implementation of PMTE Governance Structures;
- Revision of Supply Chain Management processes (National Treasury & Office of the Chief Procurement Officer);
- Staff training programmes and skilling.

8.1.1 Strategic Objectives for Programme 1: Administration

Table 24: Strategic Objective 1.1

Strategic objective 1.1	To provide compliant internal controls and financial services
Objective statement	Ensure effective financial accounting, planning and management through: <ul style="list-style-type: none"> • Implementing sound internal control measures; • Managing the expenditure of the PMTE.
Objective indicator	Audit outcome for the PMTE
Baseline	Qualified audit outcome for 2014/2015 (3 qualification areas and 10 negative emphasis of matter)
5 Year target	Clean audit outcome
Justification	Improving the financial performance of the PMTE by ensuring compliance to financial frameworks.
Links	Strategic goal 1: To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements

Table 25: Strategic Objective 1.2

Strategic Objective 1.2	To provide compliant Supply Chain Management services
Objective Statement	Timeous procurement of capital and current goods and services in line with approved procurement plans whilst demonstrating efficiency and value for money.
Objective indicator	Audit outcome for PMTE
Baseline	Qualified audit outcome for 2014/2015 (3 qualification areas and 11 negative emphasis of matter)
5 Year target	Clean audit outcome
Justification	Compliance with Preferential Procurement Policy Framework (No 5 of 2000) ensuring effective use of budgeted resources and contribution to closing the gap between the first and second economies.
Links	Strategic goal 1: To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements ²⁶ Outcome 12: Procurement systems that deliver value for money

²⁶ Medium Term Strategic Framework: Outcome 12: Sub-outcome 5: Page 18

8.1.2 Resource considerations for Programme 1: Administration

8.1.2.1 Expenditure estimates for Programme 1: Administration

PROGRAMMES	AUDITED OUTCOME			ADJUSTED	MEDIUM-TERM EXPENDITURE		
	2012/13	2013/14	2014/15	APPROPRIATION	2016/17	2017/18	2018/19
	(R'000)	(R'000)	(R'000)	2015/16	(R'000)	(R'000)	(R'000)
Management							
Operations Support Management							
Financial and Accounting Management							
Supply Chain Management							
Total	4 357	1 016 723	1 702 587	847 287	904 936	876 970	844 000

ECONOMIC CLASSIFICATION	AUDITED OUTCOME			ADJUSTED	MEDIUM-TERM EXPENDITURE		
	2012/13	2013/14	2014/15	APPROPRIATION	2016/17	2017/18	2018/19
	(R'000)	(R'000)	(R'000)	2015/16	(R'000)	(R'000)	(R'000)
Current payments	4 357	373 765	388 673	847 287	904 936	876 970	844 000
Compensation of employees				312 308	396 900	427 459	452 313
Salaries and wages				268 585	341 334	367 615	388 989
Social contributions				43 723	55 566	59 844	63 324
Goods and services	2 477	92 492	264 555	384 479	348 236	280 472	212 872
Of which ¹							
Agency and support/outsourced services							
Communication							
Computer services		3 548	13 848	7 527	29 234	30 929	32 723
Consultants		50 406	44 658				
Contractors		239	73 151				
Inventory							
Lease payments							
Repairs and maintenance							
Research and development							
Training and staff development	2 362			12 428	13 692	14 744	15 599
Travel and subsistence		19 676	45 153				
Other	115	18 623	87 745	364 524	305 310	234 799	164 550
Depreciation							
Losses from		279 815	123 982	150 000	159 300	168 539	178 315
Sale of fixed assets							
Impairments and Adjustments to Fair Value		279 815	100 349	150 000	159 300	168 539	178 315
Adjustments to Fair value of financial assets		279 815	100 349	150 000	159 300	168 539	178 315
Impairments to non-financial assets							
Other			23 633				
Interest, dividends and rent on land	1 880	1 458	136	500	500	500	500
Interest	1 880	1 458	136	500	500	500	500
Dividends							
Rent on land							
Transfers and subsidies		642 958	1 313 914				
National government		642 958	1 313 914				
Departmental agencies and accounts							
Provinces							
Total	4 357	1 016 723	1 702 587	847 287	904 936	876 970	844 000

Expenditure Trends Analysis

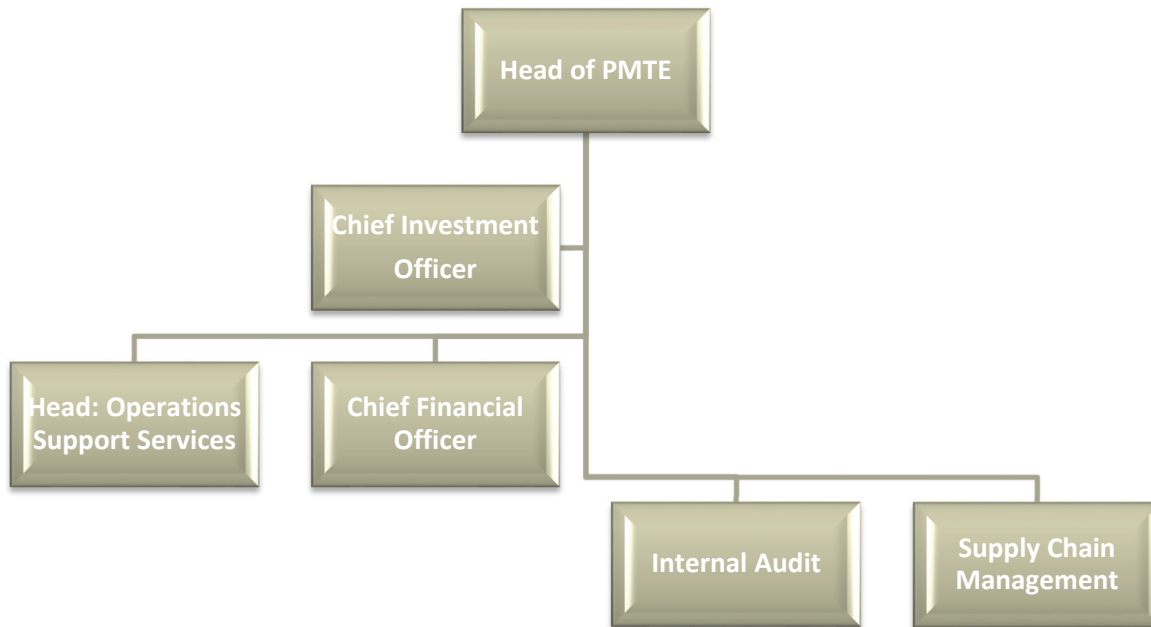
The spending focus over the medium-term will be on activities that are directed at developing the finance model for the PMTE, improving internal controls and monitoring compliance to the finance and supply chain management prescripts. The bulk of this expenditure is on compensation of employees, goods and services for day to day operation of the PMTE and Phase II of the Turnaround Strategy to enhance the PMTE's operational efficiencies.

Goods and services for the day to day operations of the PMTE has increased by 18% from 2015/16 to 2016/17 due to the transfer of the SCM and Business Improvement Unit (BIU) budgets from DPW to PMTE. Compensation for employees increased by 10% from 2015/16 to 2016/17 due to the transfer of the Business Improvement Unit (BIU) budget from DPW to PMTE.

Total expenditure is expected to reduce over the MTEF as Phase II of the Turnaround Strategy nears completion.

8.1.2.2 Staff establishment for Programme 1: Administration

The macro-organisational structure which constitutes Programme 1 is:



Programme 1 – Administration (Head Office and Regional Offices)					
Salary Level	Filled Permanent	Vacant Permanent	Total (Filled & Vacant)	Current vacancy rate (%)	Additional to the establishment
1	0	0	0	0.00	50
2	16	35	51	68.63	0
3	16	3	19	15.79	0
4	56	28	84	33.33	12
5	74	44	118	37.29	6
6	106	61	167	36.53	7
7	183	151	334	45.21	15
8	127	65	192	33.85	7
9	18	28	46	60.87	0
10	95	43	138	31.16	2
11	6	11	17	64.71	0
12	53	2	55	3.64	2
13	17	5	22	22.73	3
14	14	2	16	12.50	1
15	1	0	1	0.00	0
16	0	0	0	0.00	0
Grand Total	782	478	1260	37.94	105

8.1.3 Risk management for Programme 1: Administration

Table 26: Risk Management for Programme 1: Administration

Strategic objective	Risk Description	Mitigating factors
To provide compliant Supply Chain Management services	Exposure to fraud and corruption	<ul style="list-style-type: none"> • Development of a Contract Management Framework • Implementation of a leasing dispensation framework
	Inadequate procurement process in leasing	<ul style="list-style-type: none"> • Supply Chain Management procurement policy developed • Implementation of a leasing dispensation framework • Change management strategy to be put in place

PURPOSE: To achieve an efficient and competitive Real Estate Portfolio for the State through effective planning, analysis and informed investments.

Programme 2 aims at achieving an efficient, effective and competitive State Property Portfolio in order to provide cost effective accommodation to other State Departments so they derive costs savings, meet their service delivery objectives and to realise the preservation and growth of the State's asset portfolio. This is done through the optimal utilization and maximising (investment stock) the value of the State Property Portfolio. The programme further aims to integrate the planning and development of government infrastructure with the sector departments, provinces and municipalities to address historic spatial imbalances and to pursue future development.

SUB-PROGRAMMES

The Real Estate Investment programme is organised into three sub-programmes:

Sub-Programme 1: User Demand Management

To determine user needs develop comprehensive knowledge of user requirements in line with their service delivery priorities.

Sub-Programme 2: Planning and Precinct Development Services

To plan and develop integrated government precincts in urban and rural areas for improved government accommodation and enhanced service delivery.

Sub-Programme 3: Property Performance Management

To determine the strategy for each asset class and individual assets i.e. buy, hold and sell decisions.

Sub-programme 4: Investment Management

To execute asset management decisions in order to optimise utilization and maximise the value of the State Property Portfolio.

ACHIEVEMENTS

- Completion of annual Custodian Asset Management Plan (C-AMP) based on available User Asset Management Plans (U-AMPs);
- Annual infrastructure plans developed for capital and maintenance works;
- Land released for key strategic objectives of Government e.g. land reform and human settlements;
- Pilot projects to generate revenue and improve utilisation.

PROBLEM STATEMENT

The Department is the custodian of a significant register of immovable assets. There has been an inability to optimise the portfolio owing to the absence of an integrated immovable asset management framework underpinned by clear investment guidelines, strategies, processes and capacity.

IMPLEMENTATION STRATEGY

Over the 5-year term, inadequacies in relation to policies, strategies, processes and capacity will be addressed to ensure targeted performance levels are achieved.

The Real Estate Investment Management Programme has been structured to deliver the Master Strategy for the State Asset Management Services that is informed by:

- Classification of assets into residential, office, functional, heritage and vacant land; and prioritisation thereof;
- Strategies for each asset class to optimise utilisation;
- A "rationalised" strategic maintenance plan; and
- A strategic (long-range) funding strategy.

Based on clearly developed service delivery plans and identified asset performance standards, the Asset Management Strategy will serve as the basis to evaluate and optimise existing processes and activities, current performance, costs and risk. In this regard, the plan will assist in identifying asset management processes or activities that need improvement, and set out the framework for the agency to allocate appropriate resources and make strategic decisions to support service delivery. Therefore in developing the Master Strategy for Asset Management the following factors will be considered:

- new or changing service delivery requirements;
- different methods of service delivery;
- evolving technology;
- Population and nodal data.

The Master Strategy would identify:

- existing assets that are currently capable of servicing user departments' needs;
- existing assets that are identified but are below the necessary standards and need refurbishment to meet user departments' requirements;
- assets which are surplus to user departments' needs and can be disposed of or deployed;
- new assets that must be acquired and/or developed to meet future delivery needs.

Through the Needs Assessment Programme, Client Centric Multi-disciplinary teams will be deployed to user departments to develop comprehensive knowledge of the users and have an ability to meet user requirements. Therefore, the Client Centric Multi-disciplinary teams will provide on-site technical support to user departments primarily to assist with the development of U-AMPs, based on the users' strategic plans and service delivery priorities. This approach will ensure user participation at all levels and identified users will be allocated an executive who will manage the portfolio with an onsite client services team.

The Programme further aims to execute the State CAPEX projects to facilitate integrated Precinct development in cities, small towns and rural areas. Therefore this sub-programme will drive integrated planning in collaboration with various provinces, district and local municipalities to facilitate integrated Precinct Development in the targeted areas. The programme also ensures that property development is designed to support economic growth and investment within a framework that benefits the poor and underprivileged in the country.

The Planning and Precinct Development Unit will be responsible for providing built environment planning services to support investment decisions on State-owned accommodation. The spatial planning of cities, towns and rural areas is the responsibility of municipalities. In supporting integrated planning and development to address spatial imbalances as articulated in the NDP, the government asset portfolio will be utilized as a catalyst for development in identified towns and cities. Various efficiencies can be derived from a coordinated and integrated approach

The urban and rural renewal programme of government will further guide the location, development and rehabilitation of State-owned buildings within the precinct context, thereby ensuring easy access to Government services, promoting a “one stop concept”, whilst ensuring improved working conditions for state departments.

The Planning and Precinct Development Unit will perform the various functions in supporting Investment Management in producing accommodation solutions including the identification of precinct locations, alignment to IDPs, SDFs and other government sectors with site development plans, environmental and legislative impacts. Further taking into account bulk service infrastructure services and the building concept design with sketch plans and estimated cost.

The PMTE as the State’s infrastructure development organ will play a pivotal role in the development and modernisation of small harbours in order to stimulate South Africa’s maritime economy. The PMTE in collaboration with the Department of Environmental Affairs, the Department of Economic Development, the Department of Agriculture, Forestry and Fisheries and the South African Maritime Safety Authority (SAMSA) will develop these harbours and state properties for economic development and revenue generation.

8.2.1 Strategic Objectives for Programme 2: Real Estate Investment Services

Table 27: Strategic Objective 2.1

Strategic Objective 2.1	To ensure User Asset Management Plans are produced in compliance with relevant prescripts
Objective Statement	Drive the optimal level of statutory compliance for compilation of development of User Asset Management Plans (U-AMP) in line with GIAMA
Objective indicator	Percentage of compliant user asset management plans
Baseline	100% of U-AMPs compliant with relevant prescripts
5 Year target	100% of U- AMPs compliant with relevant prescripts
Justification	To comply with legislative requirements of GIAMA in maximizing and coordinating the management of immovable assets in relation to service delivery objectives of user departments
Links	Strategic goal 2: To increase the value of the State’s immovable asset portfolio ²⁷ Outcome 12: An efficient, effective and development-oriented public service.

²⁷ Outcome 12: Sub Outcome 4: Page 15

Table 28: Strategic Objective 2.2

Strategic objective 2.2	To direct precinct planning and development for national government in urban and rural areas
Objective statement	Planning and integrated development of State accommodation including Government precincts in cities, towns and rural areas.
Objective indicator	Number of accommodation solutions developed for user departments within identified precincts
Baseline	<p>Four (4) urban and rural precincts planned</p> <ul style="list-style-type: none"> ○ Head Office accommodation proposals developed (DHS, DSD and DHET); ○ Salvokop Township establishment application submitted to City of Tshwane; ○ 1 Precinct proposal in Polokwane developed (3 accommodation solutions produced for project implementation in Polokwane (DPW, SAPS and DoJ&CD)); ○ DPW infrastructure plans integrated with sector departments and IDPs of 5 rural municipalities.
5 Year target	24 accommodation solutions developed for user departments within identified precincts
Justification	The integration of development efforts in urban and rural areas aimed at improving the service delivery to communities/citizens as main beneficiaries.
Links	<p>Strategic goal 4: To develop accommodation solutions in collaboration with the relevant spheres of Government</p> <p>²⁸Outcome 7: Vibrant, equitable, sustainable rural communities contributing towards food security for all; and</p> <p>²⁹Outcome 12: An efficient, effective and development-oriented public service.</p>

²⁸ Outcome 7: Sub Outcome: 1 Page: 4

²⁹ Outcome 12: Sub Outcome 4: Page 15

Table 29: Strategic Objective 2.3

Strategic objective 2.3	To inform asset management decisions through optimal investment solutions
Objective statement	Manage property performance and provide investment decisions to ensure sustainable life cycle immovable asset management and a responsive and value driven property portfolio under the custodianship of the Department of Public Works
Objective indicator	Percentage of investment solutions completed
Baseline	260 investment solutions completed.
5 Year target	724 investment solutions completed
Justification	To comply with the legislative requirements of GIAMA in maximizing and coordinating the management of immovable assets in relation to service delivery objectives of user departments
Links	Strategic Goal 2: To increase the value of the State’s immovable asset portfolio Effective asset life cycle management contributes directly to the delivery of an efficient, competitive and responsive infrastructure network that supports socio economic development imperatives

Table 30: Strategic Objective 2.4

Strategic objective 2.4	To manage the performance of the immovable asset portfolio so as to ensure appropriate investment decisions
Objective statement	To measure performance of immovable assets under PMTE custodianship in relation to operating cost and utilization to ensure assets are performing at acceptable levels
Objective indicator	Number of buildings’ performance measured
Baseline	300 buildings’ performance measured
5 Year target	3 100 buildings’ performance measured
Justification	To comply with the legislative requirements of GIAMA in maximizing and coordinating the management of immovable assets in relation to service delivery objectives of user departments
Links	Strategic goal 2: To increase the value of the State’s immovable asset portfolio Effective asset life cycle management contributes directly to the delivery of an efficient, competitive and responsive infrastructure network that supports socio economic development imperatives

8.2.2 Resource considerations for Programme 2: Real Estate Investment Services

8.2.2.1 Expenditure estimates for Programme 2: Real Estate Investment Services

PROGRAMMES	AUDITED OUTCOME			ADJUSTED	MEDIUM-TERM EXPENDITURE		
	2012/13	2013/14	2014/15	APPROPRIATION	2016/17	2017/18	2018/19
	(R'000)	(R'000)	(R'000)	2015/16	(R'000)	(R'000)	(R'000)
User Demand Management							
Planning and Precinct Development Services							
Investment Management							
Total	-	-	-	105 850	116 521	129 274	136 780

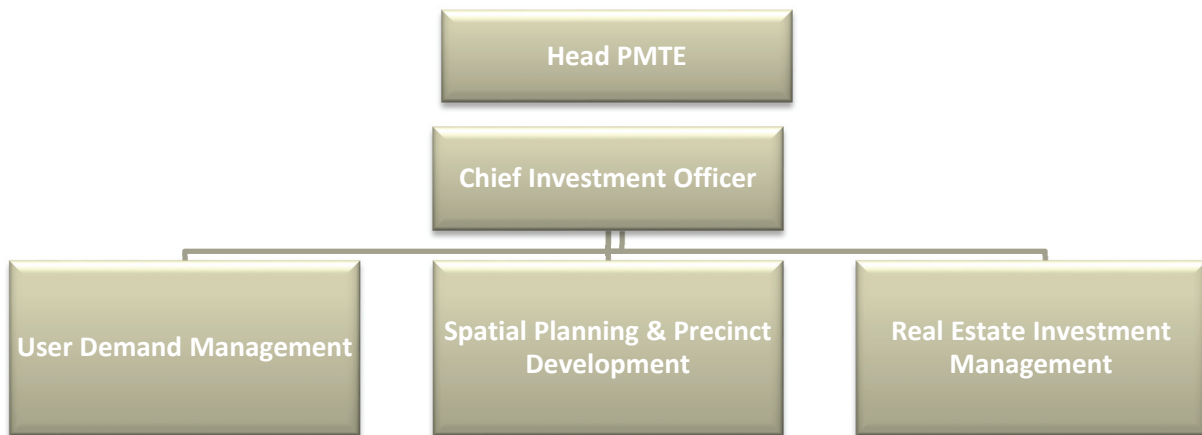
ECONOMIC CLASSIFICATION	AUDITED OUTCOME			ADJUSTED	MEDIUM-TERM EXPENDITURE		
	2012/13	2013/14	2014/15	APPROPRIATION	2016/17	2017/18	2018/19
	(R'000)	(R'000)	(R'000)	2015/16	(R'000)	(R'000)	(R'000)
Current payments				105 850	116 521	129 274	136 780
Compensation of employees				97 081	105 335	119 249	126 174
Salaries and wages				83 490	90 588	102 554	108 510
Social contributions				13 591	14 747	16 695	17 664
Goods and services				8 769	11 186	10 025	10 606
Other				8 769	11 186	10 025	10 606
Transfers and subsidies							
Payments for capital assets							
Payments for financial assets							
Total	-	-	-	105 850	116 521	129 274	136 780

Expenditure Trends Analysis

The spending focus over the medium-term will be directed at the implementation of IDMS through the completion of User Asset Management Plans and the Custodian Asset Management Plan. The PMTE will also direct precinct planning through the development of Government Precinct proposals and concept designs. To ensure sound investment solutions the PMTE will be conducting investment analysis, feasibility studies and valuations. The bulk of the expenditure within Programme 2 will be on compensation of employees.

8.2.2.2 Staff establishment for Programme 2: Real Estate Investment Services

The macro-organisational structure which constitutes Programme 2 is:



Programme 2 - Real Estate Investment Services (Head Office and Regional Offices)					
Salary Level	Filled Permanent	Vacant Permanent	Total (Filled & Vacant)	Current vacancy rate (%)	Additional to the establishment
1	0	0	0	0.00	6
2	0	0	0	0.00	0
3	0	0	0	0.00	0
4	0	0	0	0.00	1
5	0	7	7	100.00	0
6	18	1	19	5.26	0
7	11	6	17	35.29	10
8	26	9	35	25.71	7
9	0	0	0	0.00	0
10	40	10	50	20.00	0
11	4	8	12	66.67	0
12	45	14	59	23.73	3
13	12	4	16	25.00	0
14	3	1	4	25.00	0
15	1	2	3	66.67	0
16	0	0	0	0.00	0
Grand Total	160	62	222	27.93	27

8.2.3 Risk management for Programme 2: Real Estate Investment Services

Table 31: Risk Management for Programme 2: Real Estate Investment Services

STRATEGIC OBJECTIVE	RISK DESCRIPTION	ACTION PLAN
To inform asset management decisions through optimal investment solutions	Inability to perform Property Performance and Investment management	<ul style="list-style-type: none"> • Full implementation of the integrated Immovable Asset Management system including WCS; • Fast tracking completion of the U-AMPs
To direct precinct planning and development for national government in urban and rural areas	Non-Integration of spatial planning activities with National, Provincial and Local spheres of Government.	<ul style="list-style-type: none"> • Signed agreements with Municipalities

Purpose: To provide effective and efficient delivery of accommodation needs for DPW and User Departments through construction

SUB-PROGRAMMES

The Construction Project Management programme is organised into two sub-programmes:

Sub-Programme 1: Construction Project Planning

To plan for project delivery through project implementation planning, procurement of professionals, design development and appointment of contractors.

Sub-Programme 2: Construction Project Management

To programme - and project manage the delivery of construction projects.

PROBLEM STATEMENT

The CPM within the PMTE is currently facing challenges of insufficient professional capacity and skills, infrastructure backlog, under spending of capital and current budgets, non-compliance with laws and regulations and inability to deliver within time, cost and quality.

IMPLEMENTATION STRATEGY

Improving infrastructure delivery effectiveness and efficiency through business process re-engineering, technical and professional capacity development, improved ICT systems and commitment to time, cost and quality criteria.

8.3.1 Strategic Objective for Programme 3: Construction Project Management

Table 32: Strategic Objective 3.1

Strategic objective 3.1	To develop detailed construction plans that direct the execution of construction projects
Objective statement	To develop concept drawings, detailed designs and contract documents for infrastructure projects based on the needs of user departments.
Objective indicator	Number of design solutions completed for user departments
Baseline	36 design solutions completed for user departments
5 Year target	339 design solutions completed for user departments
Justification	Well-designed, sustainable, and resilient infrastructure enhances economic growth, boosts productivity, and provides significant positive flow-on effects including improved access to markets, job creation and economic growth across sectors.
Links	Strategic goal 5: To meet user departments accommodation requirements as the approved IPIP ³⁰ Outcome 12: Improved planning and delivery of immovable assets that are utilised for delivering various Government services in a way that yield functional, economic and social benefits to the State.

³⁰ Outcome 12: Sub Outcome 4: Page 15

Table 33: Strategic Objective 3.2

Strategic objective 3.2	To ensure that construction programmes are implemented according to approved criteria (IDMS)
Objective statement	To manage the delivery of infrastructure programmes within time, cost and quality as per the requirements of user department.
Objective indicator	Percentage implementation of IDMS for key user departments
Baseline	-
5 Year target	90% implementation of IDMS for key user departments
Justification	Infrastructure investment is deemed to increase the growth potential of an economy by increasing the economy's productive capacity.
Links	<p>Strategic goal 5: To meet user departments accommodation requirements as the approved IPIP</p> <p>³¹Outcome 4: Decent employment through inclusive growth.</p> <p>³²Outcome 5: A skilled and capable workforce to support an inclusive growth path.</p> <p>³³Outcomes 6: Delivery of infrastructure requirements at the Land Ports of Entry.</p> <p>Outcome 12: Sub Outcome 4: Support efficient and effective public services through improved, integrated and accessible infrastructure</p>

³¹ Outcome 4: Sub Outcome 1: Page 8

³² Outcome 5: Sub Outcome 4: Page 16

³³ Outcome 6: Sub Outcome 2: Page 12 and Sub Outcome 3: Page 19

8.3.2 Resource considerations for Programme 3: Construction Project Management

8.3.2.1 Expenditure estimates for Programme 3: Construction Project Management

PROGRAMMES	AUDITED OUTCOME			ADJUSTED APPROPRIATION	MEDIUM-TERM EXPENDITURE ESTIMATE		
	2012/13	2013/14	2014/15	2015/16	2016/ 17	2017/ 18	2018/19
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Pre-Construction Project Planning							
Construction Project Management							
Total	2 405 423	-	-	477 422	538 565	579 610	540 704

ECONOMIC CLASSIFICATION	AUDITED OUTCOME			ADJUSTED APPROPRIATION	MEDIUM-TERM EXPENDITURE ESTIMATE		
	2012/13	2013/14	2014/15	2015/16	2016/ 17	2017/ 18	2018 /19
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Current payments	2 405 423	-	-	477 422	538 565	579 610	540 704
Compensation of employees	17 869			382 878	422 346	457 764	484 364
Salaries and wages	15 639			329 275	363 218	393 677	416 553
Social contributions	2 230			53 603	59 128	64 087	67 811
Goods and services	2 420 725			94 544	116 219	121 846	56 340
Communication (G&S)	25 668						
Contractors	2 404 426						
Other	(9 369)			94 544	116 219	121 846	56 340
Losses from Adjustments to fair value of financial assets	(48 106)						
Other	14 935						
Transfers and subsidies							
Payments for capital assets							
Payments for financial assets							
Total	2 405 423	-	-	477 422	538 565	579 610	540 704

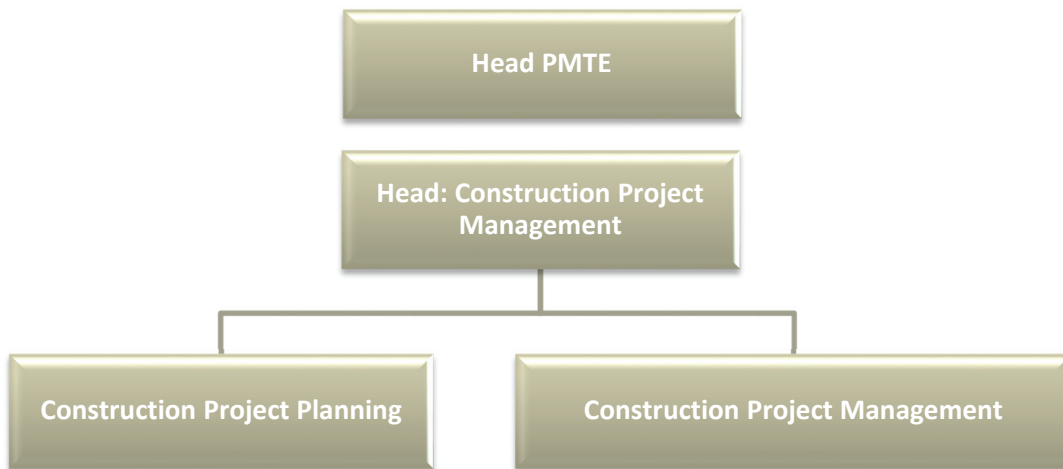
Expenditure Trends Analysis

The spending focus over the medium-term will be on the design and implementation of construction programmes for user departments. The bulk of the expenditure for Programme 3 will be for refurbishments, upgrades and new infrastructure projects.

The total current expenditure is expected to reduce over the MTEF as Phase II of the Turnaround Strategy nears completion. Hence capital expenditure will increase sharply by 15% in 2018/19 (compared to an average annual escalation of 5.5% between 2015/16 to 2017/18) as the funds which were utilised for Phase II of the Turnaround Strategy (PMTE as a whole) in previous years will be allocated for infrastructure development.

8.3.2.2 Staff establishment for Programme 3: Construction Project Management

The macro-organisational structure which constitutes Programme 3 is:



Programme 3 - Construction Project Management (Head Office And Regional Offices)					
Salary Level	Filled Permanent	Vacant Permanent	Total (Filled & Vacant)	Current vacancy rate (%)	Additional to the establishment
1	0	0	0	0.00	16
2	0	1	1	100.00	0
3	1	0	1	0.00	0
4	1	0	1	0.00	1
5	2	2	4	50.00	1
6	10	1	11	9.09	1
7	26	4	30	13.33	7
8	8	10	18	55.56	2
9	7	23	30	76.67	0
10	23	71	94	75.53	0
11	12	67	79	84.81	11
12	64	74	138	53.62	17
13	4	7	11	63.64	0
14	3	0	3	0.00	0
15	0	1	1	100.00	0
16	0	0	0	0.00	0
Grand Total	161	261	422	61.85	56

8.3.3 Risk management for Programme 3: Construction Project Management

Table 34: Risk management for Programme 3: Construction Project Management

STRATEGIC OBJECTIVE	RISK DESCRIPTION	ACTION PLAN
To ensure that construction programmes are implemented according to approved criteria (IDMS)	Inability to implement construction programmes	Implementation of a detailed infrastructure planning process (strategic brief and concept report)

Purpose: To timeously provide and manage suitable accommodation in support of User needs to meet their service delivery objectives

The Real Estate Management division (REMS) is structured and capacitated to implement the asset management strategy by providing suitable and cost effective accommodation to State Departments, to facilitate service delivery objectives through the effective deployment of freehold properties, and the efficient acquisition and management of leasehold accommodation.

SUB-PROGRAMMES

The REMS programme is organised into four sub-programmes:

Sub-programme 1: Management of Freehold Property

To optimally manage the freehold portfolio to support service delivery.

Sub-programme 2: Land Administration & Management

Management of land parcels.

Sub-programme 3: Surplus Freehold Stock (Revenue) Management

To drive and create a funding stream for capital maintenance and improvements to extend the life-cycle of existing freehold properties.

Sub-programme 4: Leasehold Management

To effectively and efficiently manage the leasehold portfolio.

ACHIEVEMENTS

- Realignment of the Business Processes to strengthen payment of certified invoices within 30 days;
- Co-ordinate and monitor Devolution of Property Rates Fund Grant to the Provinces;
- Management of 2778 leases annually at the Regional Offices in accordance with the approved business processes and approved directives;
- Verification of 10590 freehold properties for the payment of rates and taxes to municipalities for properties under custodianship of DPW 31 March 2014;
- Verification of 7700 freehold properties for the payments of municipal services by 31 March 2014;
- 1453 Property current rental debtors managed in terms of the signed contract terms and conditions, relevant legislations/ regulations and policy by 31 March 2014;
- The Department has transferred the following assets to the PMTE:
 - 71 397 state owned structures that are leased out to 29 User Departments;
 - 1840 state owned structures that are privately leased out with 2 294 tenants;
 - 695 state owned prestige buildings leased out to 1062 prestige clients;
 - 2671 active leasehold portfolio
- Lease Review project completed (phase 1);
- Standard lease agreement finalized;
- Business processes review;
- Draft Lease Policy endorsed by EXCO.

PROBLEM STATEMENT

The freehold portfolio is underutilised and neglected. This has left numerous properties vacant, and susceptible to theft, vandalism, vagrants and illegal occupation. Services and security are still being paid for. This has led to a disproportionate use of leasehold accommodation leading to excessive cost to the Department. Currently it is spending an estimated R3.7 billion for leasehold accommodation and utilisation. There is no proper allocation for maintenance for freehold properties. Any income generated from the leasing of these properties was not necessarily retained by REMS, and therefore could not be utilised by REMS. In a normal business setting, portions of rental income are retained for payments of related operational cost (e.g.: maintenance, horticulture, municipal services, etc.), rates and taxes.

IMPLEMENTATION STRATEGY

Primarily, REMS will provide accommodation to National Government Departments to meet service delivery objectives. REMS further focus on the optimal utilization of freehold properties and reducing the utilization and/or dependency on leasehold accommodation. REMS will also drive improvements on freehold properties to become a viable alternative for private sector accommodation and to create a funding stream for capital maintenance and improvements to extend the life-cycle of existing freehold properties.

Programme activities include:

- Stakeholder management;
- Allocating and/or reallocating freehold properties, to meet existing and changing requirements;
- Managing property agreements, e.g., leases, occupancy agreements, tenant service contracts, managing relations with users (tenants) and landlords on issues such as signage, access, health and safety;
- Routine performance monitoring of properties against legal or policy compliance requirements, and reporting of relating findings, details concerning increased or surplus demands, physical condition, etc;
- Defining and refining property requirements on a technical level, developing and setting related specifications;
- Selecting the best method for acquiring leases. Implementing the method for acquiring leases and managing the related user and landlord(s) in terms of lease agreement. Receiving, accepting and commissioning of leased properties, i.e., ensuring that all requirements have been met and putting the property into service; and evaluating application of the acquisition process in terms of performance against factors such as scope, time, and budget and reporting;
- Property Payments – includes payment of leased accommodation, rates and taxes for state owned properties;
- Debt Management – includes collection of debts from User Departments and private tenants
- Empower Small Black Property Developers and Agents to develop and market freehold properties through rapid re-development using the Build, Operate and Transfer (“BOT”) model. Therefore this sub-programme will collaborate with the Department of Small Enterprise Development to develop a structured programme for the development of small property businesses.

8.4.1 Strategic Objectives for Programme 4: Real Estate Management Services

Table 35: Strategic Objective 4.1

Strategic objective 4.1	To provide functional leased accommodation to user departments
Objective statement	To ensure accommodation is procured in accordance to approved user departments' needs
Objective indicator	Percentage of accommodation procured for user departments that adhere to prescribed criteria
Baseline	70 new leases procured for user departments
5 Year target	80% of lease procured for user departments compliant with prescribed criteria
Justification	The PMTE is the primary provider of accommodation to government departments and is the biggest land owner in the country. Through the optimal utilisation of its immovable asset base and sourcing accommodation through other means, the PMTE provides suitable, cost-effective and functional accommodation to user departments.
Links	Strategic goal 6: To provide quality accommodation and contribute to the financial sustainability of the PMTE ³⁴ Outcome 12: An efficient, effective and development-oriented public service.

³⁴ Outcome 12: Sub Outcome 4: Page 15

Table 36: Strategic Objective 4.2

Strategic objective 4.2	To increase revenue through the rental of State-owned properties
Objective statement	Optimise deployment of freehold property to generate revenue and extend the life-cycle of the existing freehold properties
Objective indicator	Income generated through rentals of State-owned properties
Baseline	R20m income generated through rentals of State-owned properties
5 Year target	37.5% increase in revenue generated through rental of State-owned properties
Justification	REAM Services in collaboration with Department of Small Enterprise Development will engage Small Black Property Developers and Agents to develop and market the leasing of freehold properties to the private sector
Links	Strategic goal 6: To provide quality accommodation and contribute to the financial sustainability of the PMTE ³⁵ Outcome 12: An efficient, effective and development-oriented public service.

Table 37: Strategic Objective 4.3

Strategic objective 4.3	To manage contractual obligations for all accommodation solutions procured
Objective statement	Provide Real Estate Management Services to User Departments through leased-in accommodation where users' needs cannot be met by the State's Freehold property
Objective indicator	Percentage of identified immovable assets let out for venue generation
Baseline	95% backlog leases renewed
5 Year target	90% leases procured aligned to headline inflation
Justification	A rental property should always be competitive in price and must be well maintained. The PMTE will ensure value for money on leased accommodation using local rental market expertise to ensure lease agreements are in line with local markets.
Links	Strategic goal 6: To provide quality accommodation and contribute to the financial sustainability of the PMTE ³⁶ Outcome 12: An efficient, effective and development-oriented public service.

³⁵ Outcome 12: Sub Outcome 4: Page 15

³⁶ Outcome 12: Sub Outcome 4: Page 15

8.4.2 Resource considerations for Programme 4: Real Estate Management Services

8.4.2.1 Expenditure estimates for Programme 4: Real Estate Management Services

PROGRAMMES	AUDITED OUTCOME			ADJUSTED APPROPRIATION	MEDIUM-TERM EXPENDITURE ESTIMATE		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Management of Freehold Property for State Departments							
Management of leased –in properties for State Departments							
Leased Out freehold Properties for revenue							
Land Management & Administration							
Total	4 128 294	4 431 449	5 047 922	5 567 961	5 992 578	6 494 269	7 031 380

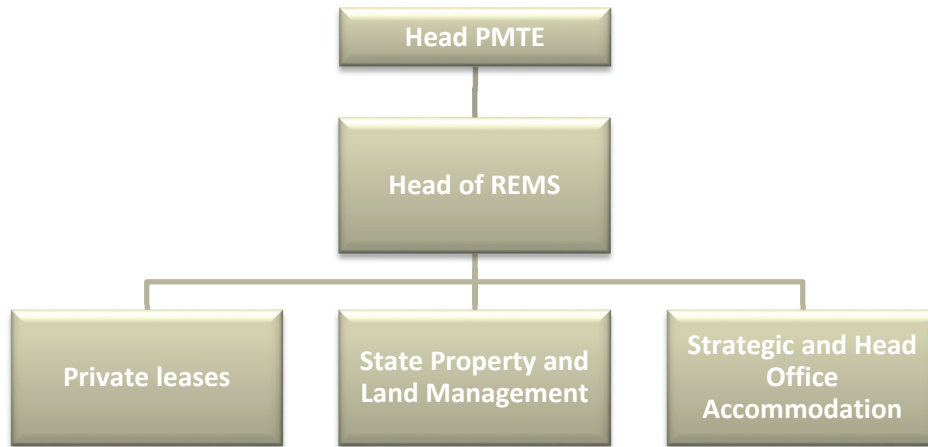
ECONOMIC CLASSIFICATION	AUDITED OUTCOME			ADJUSTED APPROPRIATION	MEDIUM-TERM EXPENDITURE ESTIMATE		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Current payments	3 633 969	3 581 097	4 212 665	4 586 783	4 830 782	5 216 293	5 625 607
Compensation of employees				189 555	207 380	219 051	231 772
Salaries and wages				163 017	178 347	188 384	199 324
Social contributions				26 538	29 033	30 667	32 448
Goods and services	3 331 007	3 581 097	4 212 163	4 378 964	4 603 677	4 975 939	5 370 828
Operating leases	3 330 966	3 557 111	3 939 379	4 020 000	4 320 000	4 665 600	5 038 848
Other	41	23 986	272 784	358 964	283 677	310 339	331 980
Losses from Adjustments to fair value of financial assets	290 741						
Interest (Incl. interest on finance leases)	12 221		502	18 264	19 725	21 303	23 007
Rent on land	12 221				19 725	21 303	23 007
Transfers and subsidies	494 324	850 352	835 257	981 178	1 161 796	1 277 976	1 405 773
Departmental agencies and accounts	494 324	850 352	835 257	981 178	1 161 796	1 277 976	1 405 773
Municipalities	494 324	850 352	835 257		1 161 796	1 277 976	1 405 773
Total	4 128 294	4 431 449	5 047 922	5 567 961	5 992 573	6 494 269	7 031 380

Expenditure Trends Analysis

The spending focus over the medium-term will be on providing and managing leased accommodation, letting out of identified properties for revenue generation and improving contract management. The bulk of the expenditure in this programme is spent towards operating leases, property rates and municipal services. The goods and services expenditure for this programme represents 57.2% of the PMTE's total spending.

8.4.2.2 Staff establishment for Programme 4: Real Estate Management Services

The macro-organisational structure which constitutes Programme 4 is:



Programme 4 - Real Estate Management (Head Office and Regional Offices)					
Salary Level	Filled Permanent	Vacant Permanent	Total (Filled & Vacant)	Current vacancy rate (%)	Additional to the establishment
1	0	0	0	0.00	58
2	227	0	227	0.00	0
3	72	0	72	0.00	0
4	32	0	32	0.00	13
5	35	0	35	0.00	0
6	74	1	75	1.33	0
7	169	2	171	1.17	6
8	132	7	139	5.04	1
9	55	0	55	0.00	0
10	74	10	84	11.90	1
11	0	0	0	0.00	5
12	51	4	55	7.27	0
13	5	2	7	28.57	0
14	0	0	0	0.00	0
15	0	0	0	0.00	0
16	0	0	0	0.00	0
Grand Total	926	26	952	2.73	84

8.4.3 Risk Management for Programme 4 for Real Estate Management Services

Table 38: Risk Management for Programme 4: Real Estate Management Services

STRATEGIC OBJECTIVE	RISK DESCRIPTION	ACTION PLAN
To increase revenue through the rental of State-owned properties	Inability to optimally utilize freehold properties for user departments and national strategic priorities	<ul style="list-style-type: none"> • Finalisation of the Lease Agreement Framework for User Departments which will be used to recover revenue from User Departments. • Approval of the PMTE structure and filling of critical vacant posts.

Purpose: To develop and manage a complete, accurate and compliant Immovable Asset Register to meet service delivery objectives for the State, DPW and Property Management Trading Entity (PMTE) business requirements.

This includes the provision of leadership, guidance and support to National, Provincial and Local Government custodians of State assets to ensure use of applicable standards in accounting for immovable assets and management of IARs and to maintain and report on a consolidated National database of State properties

SUB-PROGRAMMES

The REIRS programme is organised into two sub-programmes:

Sub-programme 1: Asset Registry Services

This Sub-programme will conduct physical verification and condition assessments and update information on the register for compliance with GIAMA and GRAP (depreciation, impairment, componentisation, review estimated useful lives, etc.) including accounting for Rental Debtors as well as Rates and Taxes.

Sub-Programme 2: Conveyancing

This sub-programme will provide conveyancing and vesting services for the State.

ACHIEVEMENTS

- Established the Asset Register Management Unit (ARM) in August 2009;
- Developed a Vesting Master Plan and Business Case in conjunction with DRDLR and Provinces;
- Improved on DPW's main vote Audit outcome from a disclaimer to a qualified opinion in 2012/2013;
- Unqualified audit opinion on IAR for 2013/2014;
- Developed an IAR Operating Model;
- Development of a data collection software tool;
- Implemented an action plan for National and Provincial custodians (execution of the concurrent mandate)

PROBLEM STATEMENT

- Vesting of all land parcels under DPW's custodianship;
- Alignment of IAR to DPW's business processes: IAR currently complete for reporting, however still inadequate for business needs;
- Lack of an appropriate IAR system;
- Produce a single inventory for State assets;
- Implementation of Operation Bring Back.

IMPLEMENTATION STRATEGY

Phase 1 of the Immovable Asset Register Enhancement Programme (IAREP) started in November 2011 up to November 2013 and focused on the completeness of land parcels. This milestone was successfully reached whereby the PMTE moved from an audit disclaimer to an audit qualification for immovable assets for the 2012/13 financial year.

Phase 2 of IAREP commenced in January 2014. The objective of Phase 2 IAREP is to achieve a Generally Recognised Accounting Practice (GRAP) compliant IAR for the PMTE. Key milestones in the IAREP Phase 2 include physical verification, vesting of land parcels and application of the fair value model to the IAR.

Physical verification of identified immovable assets in the Department's custody commenced in October 2013 and is in the process of being finalised. The PMTE to date has verified 99% of the properties that were identified for the verification exercise. It is to be noted that the scope of the verification exercise excluded immovable assets utilised by the Department of Defence. These immovable assets were verified by the Council of Scientific Institute and Research (CSIR) and the results are incorporated in the IAR. All information collected has been subjected to further comprehensive analysis to ensure GRAP compliance by 31 March 2016. The IAR will then be maintained in alignment to the relevant prescripts and continued real estate operations.

PMTE has cumulatively vested 16 638 land parcels in its custody to date, to ensure vesting of land parcels is complete through collaborative processes with various National and Provincial custodians of State immovable assets.

PMTE applied municipal values on approximately 60% of properties in the 2014/15 financial year. This resulted in the disclosure of vacant land at R78.1 billion for the year ended 31 March 2015, as opposed to the R10.3 billion in the 2013/14 financial year. PMTE is continuing to apply municipal values to its portfolio and an alternative valuation methodology will be applied to determine fair values of immovable assets where municipal values do not exist.

8.5.1 Strategic Objective for Programme 5: Real Estate Information and Registry Services

Table 39: Strategic Objective 5.1

Strategic objective 5.1	Maintain a compliant Immovable Asset Register
Objective statement	To maintain an accurate and reliable Immovable Asset Register through the: <ul style="list-style-type: none"> • Valuation of immovable assets for Immovable Asset Register compliance with annual statutory requirements; • On-going verification of all immovable assets in the Immovable Asset Register
Objective indicator	Audit outcome on the immovable asset register
Baseline	Unqualified audit opinion on the Immovable Asset Register
5 Year target	Unqualified audit opinion on the Immovable Asset Register
Justification	The Immovable Asset Register is an accounting tool that serves as a database containing all the physical, financial and legal information regarding the properties and their tenants. A comprehensive and reliable immovable asset register will allow the PMTE to use the property portfolio to leverage socio-economic development and job creation;
Links	<ul style="list-style-type: none"> • Strategic goal 7: To provide reliable asset information that informs investment decisions and portfolio • Outcome 7: Comprehensive rural development - coordination of vesting and disposal of State Immovable Assets through the PSLVDC in the National and Provincial Spheres

Table 40: Strategic Objective 5.2

Strategic objective 5.2	To provide guidance and support to other custodians in the compilation of Immovable Asset Registers
Objective statement	Provide guidance and support to other custodians in the compilation of compliant immovable asset registers that will inform a single integrated Immovable Asset Repository to be used by National, Provincial and Local Government
Objective indicator	Percentage compliance of provincial and national immovable asset registers
Baseline	Compliance criteria for the Immovable Asset Register set with Provinces.
5 Year target	Average increase of 60% in the compliance of all provincial and national immovable asset registers
Justification	To enable the whole of government to ensure demonstrable linkages between service delivery and immovable asset resource planning and co-ordination and to ensure that decision-making by individual organs of State takes place within a government-wide common framework.
Links	Strategic goal 7: To provide reliable asset information that informs investment decisions and portfolio Outcome 7: Comprehensive rural development - coordination of vesting and disposal of State Immovable Assets through the PSLVDC in the National and Provincial Spheres

8.5.2 Resource considerations for Programme 5: Real Estate Information and Registry Services

8.5.2.1 Expenditure estimates for Programme 5: Real Estate Information and Registry Services

PROGRAMMES	AUDITED OUTCOME			ADJUSTED APPROPRIATION	MEDIUM-TERM EXPENDITURE ESTIMATE		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Asset Register Management							
Conveyancing and Vesting							
Total	-	56 264	82 470	207 745	326 836	326 389	273 860

ECONOMIC CLASSIFICATION	AUDITED OUTCOME			ADJUSTED APPROPRIATION	MEDIUM-TERM EXPENDITURE ESTIMATE		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Current payments			82 470	207 745	326 389	326 389	273 860
Compensation of employees				26 285	27 308	28 893	30 569
Salaries and wages				22 605	23 485	24 848	26 289
Social contributions				3 680	3 823	4 045	4 280
Goods and services				61 460	59 528	57 496	3 291
Other				61 460	59 528	57 496	3 291
Depreciation		56 264	82 470	120 000	240 000	240 000	240 000
Transfers and subsidies							
Payments for capital assets							
Payments for financial assets							
Total	-	56 264	82 470	207 745	326 836	326 389	273 860

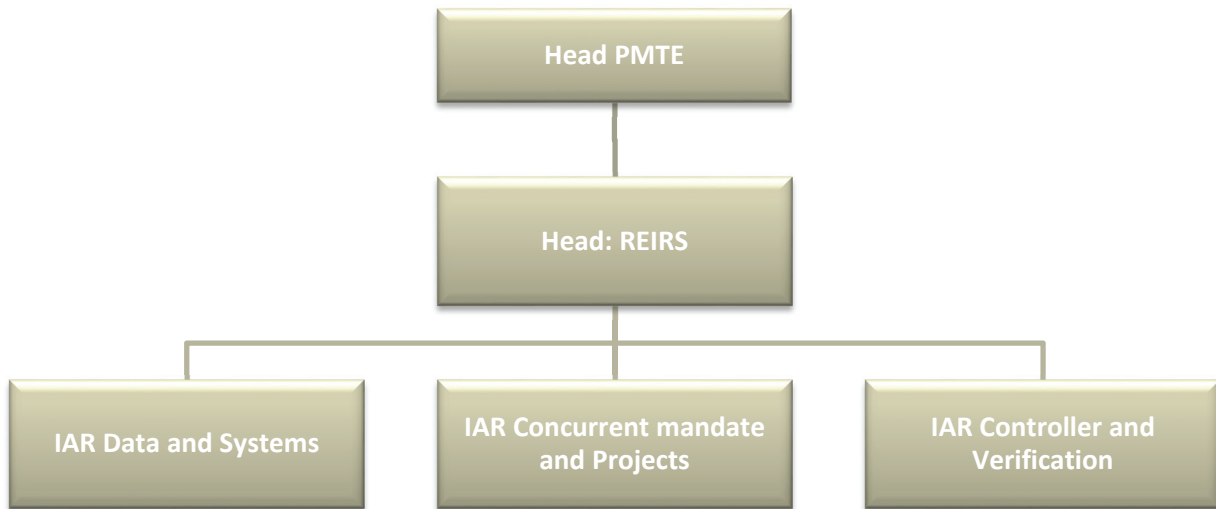
Expenditure Trends Analysis

The spending focus over the medium-term will be on activities directed at maintaining a complete and compliant immovable asset register which is an important deliverable towards the full operationalisation of the PMTE. In addition, the PMTE will provide ongoing support to other national provincial custodians on the compilation of immovable asset registers that are complaint.

The bulk of the expenditure in this programme is spent towards compensation of employees and Phase II of the Turnaround Strategy to enhance the PMTE's operational efficiencies. Total expenditure is expected to reduce over the MTEF as Phase II of the Turnaround Strategy nears completion.

8.5.2.2 Staff establishment for Programme 5: Real Estate Information and Registry Services

The macro-organisational structure which constitutes Programme 5 is:



Programme 5 - Real Estate Registry and Information Services (Head Office and Regional Offices)					
Salary Level	Filled Permanent	Vacant Permanent	Total (Filled & Vacant)	Current vacancy rate (%)	Additional to the establishment
1	0	0	0	0.00	2
2	1	0	1	0.00	0
3	0	0	0	0.00	6
4	0	0	0	0.00	15
5	0	0	0	0.00	0
6	0	0	0	0.00	0
7	0	3	3	100.00	28
8	1	3	4	75.00	1
9	0	0	0	0.00	0
10	0	3	3	100.00	0
11	0	0	0	0.00	7
12	1	0	1	0.00	4
13	1	0	1	0.00	0
14	1	0	1	0.00	0
15	0	0	0	0.00	0
16	0	0	0	0.00	0
Grand Total	5	9	14	64.29	63

8.5.3 Risk management for Programme 5: Real Estate Information and Registry Services

Table 41: Risk management for Programme 5: Real Estate Information and Registry Services

STRATEGIC OBJECTIVE	RISK DESCRIPTION	ACTION PLAN
To maintain a compliant Immovable Asset Register	Inability to maintain compliant asset register	<ul style="list-style-type: none"> • Provide inputs on the implementation of the Property Management System (ARCHIBUS) • Appointment of a Business Analyst to develop REIRS business processes

Purpose: 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.

Facilities Management will provide property maintenance and improvement service to the Real Estate Asset Management to meet the requirements of users in order to comply with regulatory and other policy imperatives at an acceptable life cycle cost.

SUB-PROGRAMMES

The Facilities Management programme is organised into three sub-programmes:

Sub-programme 1: Scheduled Maintenance

To provide planned maintenance (preventive maintenance and refurbishment) on state buildings to extend their life and use based on user department's basic facilities management needs.

Sub-Programme 2: Safety, Health, Environment, Risk and Quality (SHERQ) Management

To monitor and enforce compliance with Safety, Health, Environment, Risk and Quality legislation.

Sub-Programme 3: Unscheduled Maintenance Management

To provide unscheduled maintenance (corrective, day-to-Day emergency maintenance), to promote technical and professional skills development through Service Centres.

ACHIEVEMENTS

- Needs assessment of key buildings have been conducted;
- Cost analyses of key buildings have been conducted in preparation for implementing maintenance;
- In green building fifty public buildings have been retrofitted with energy efficiency technology whilst twelve have been retrofitted with water efficiency technologies. The Pretoria region has recorded R52.8 million water savings in the 2014/15 year alone culminating into R300 million over the past ten years.

PROBLEM STATEMENT

Government is the largest estate holder in the country. However, the condition of buildings is very poor and in most cases does not enable user departments to fulfil their service delivery mandate. The image of government buildings has become a cause for concern. Some buildings are an eye-sore while others are vacant and become nests for vagrants, a haven for criminals and a health hazard. If these buildings and equipment are not maintained it could endanger public safety. Some User Departments find it difficult to fulfil their service delivery mandates due to poor conditions of immovable assets.

High level condition assessments reveal a very daunting scenario indicating that the suitability, performance and functionality of these buildings is very poor and therefore requires millions of financial injection to restore them to habitable and reliable condition.

Research has proven that it is more cost effective to provide planned maintenance for an asset rather than wait for deterioration of the building and or equipment. Additionally, properties which do not comply with legislation or regulations may result in government being faced with litigation by communities due to accidents, hazardous substances or security breaches.

In 2006, the Department developed the National Infrastructure Management Strategy (NIMS) which recognizes major backlogs in relation to the maintenance of public infrastructure to ensure that efforts are harnessed to resuscitate immovable assets from further extinction. However, implementation has not yet set off the ground. Facilities management becomes a quick fix activity which is not planned or budgeted for. Legislation governing protection, safety and health is minimally applied thus posing negative exposure to both user departments and visitors of government facilities. A review of NIMS is underway to ensure that implementation occurs.

Facilities Management offers an opportunity for government to salvage further deterioration of immovable assets and loss of value. Currently, facilities management is applied in a fragmented approach and in some cases not in line with Supply Chain Management processes.

It is therefore crucial that a strategy be developed to direct future facilities management in the country. The strategy will prescribe uniform application of facilities management to ensure compliance with related legislation.

IMPLEMENTATION STRATEGY

The guiding principles for Facilities in the PMTE are to ensure that the needs of all User Departments are met as to enable them to have ample time to deliver services to the community at large. The PMTE seeks to build robust client relations to ensure that the operating environment exudes healthy relations which contribute to healthy government machinery.

In order to improve performance in the field of facilities management an analysis of the current situation has been undertaken in order to understand current reality and unlock impediments to service delivery. The main thrust of the facilities management conceptual framework is to optimally manage the government asset portfolio to ensure that it adds value to service delivery.

The strategy should aim at contributing towards poverty alleviation while bringing infrastructure development and investment to National Government. It will focus on maximizing job creation, enterprise development, skills development and income-generation through government programmes such as the Expanded Public Works Programme (EPWP), Property Incubator Programmes (PIP), and the Green Economy Built Environment Programmes egg, Retrofitting, Energy, Water, and Waste Efficiency.

The PMTE will enter into Facilities Management contracts with service providers and these will incorporate advancement of EPWP, small business and co-operatives. Other infrastructure initiatives such as NIMS, geared specifically at enhancing the financial; socio economic and functional value of the immovable asset portfolio will be driven through a model that seeks to increase return on investment throughout the life cycle of government immovable assets. Where opportunities exist, the Department will enter into Public Private Partnerships to maximise utilisation of buildings and adding value-add.

8.6.1 Strategic Objectives for Programme 6: Facilities Management

Table 42: Strategic Objective 6.1

Strategic objective 6.1	To manage maintenance programmes in accordance with an approved plan
Objective statement	<ul style="list-style-type: none"> To provide planned maintenance services that meets the requirements of users, occupants, custodian and the public in a manner consistent with regulatory and other policy imperatives at an acceptable life cycle cost. To ensure compliance with SHERQ (Safety, Health, Environment, Risk & Quality) regulatory framework, by conducting proactive and re-active inspections at workplaces.
Objective indicator	Simple count of the number of buildings maintained through scheduled maintenance as per approved maintenance plan.
Baseline	300 buildings maintained through scheduled maintenance as per the approved maintenance plan
5 Year target	2 000 buildings maintained through scheduled maintenance as per the approved maintenance plan
Justification	The PMTE will develop maintenance plans to ensure that building infrastructure provides an enabling environment for user departments to implement their service delivery mandates to ensure effective delivery of public services.
Links	<p>Strategic goal 8: Ensure optimal performance of the State's immovable asset portfolio</p> <p>³⁷Outcome 6 - efficient competitive and responsive infrastructure network</p> <p>³⁸Outcome 12 - efficient and effective development-oriented public service.</p>

³⁷ Outcome 6: Sub Outcome 2: Page 12 and Sub Outcome 3: Page 19

³⁸ Outcome 12: Sub Outcome 4: Page 15

Table 43: Strategic Objective 6.2

Strategic objective 6.2	To reduce unscheduled repairs on State-owned buildings
Objective statement	To ensure appropriate response times to user departments unscheduled maintenance needs without service delivery interruptions.
Objective indicator	Percentage reduction in unscheduled maintenance incidents
Baseline	53 835 unscheduled maintenance incidents reported
5 Year target	30% reduction in unscheduled maintenance incidents
Justification	The PMTE will timeously respond to maintenance calls to ensure that building infrastructure provides and enabling environment for user departments to implement their service delivery mandates and reduce interruption to service delivery
Links	Strategic goal 8: Ensure optimal performance of the State’s immovable asset portfolio ³⁹ Outcomes 4: The PMTE will prioritise transformation initiatives in line with Outcome 4 to deal with the challenges of unemployment, poverty and inequality ⁴⁰ Outcome 12: Through the call centres, the PMTE will ensure rapid and immediate response to user departments needs

Table 44: Strategic Objective 6.3

Strategic objective 6.2	To ensure resource efficiency in State-owned buildings
Objective statement	To ensure rapid savings achieved on energy and water consumption in compliance to the Green Building Framework on Government Immovable Assets
Objective indicator	Percentage implementation of the national green building programme
Baseline	National green building programme approved
5 Year target	100% implementation of water and energy management plans
Justification	Green buildings are designed to reduce the overall impact of the built environment on human health and the natural environment by: <ul style="list-style-type: none"> • Efficiently using energy, water, and other resources • Protecting occupant health and improving employee productivity • Reducing waste, pollution and environmental degradation
Links	Strategic goal 8: Ensure optimal performance of the State’s immovable asset portfolio ⁴¹ Outcome 10: The PMTE will continue to align to the green buildings framework in line with Government’s transition to a low carbon, resilient economy to mitigate the effects of global warming through the use of energy efficiency, water efficiency and waste management programmes. ⁴² Outcomes 4: Decent employment through inclusive economic growth

³⁹ Outcome 4: Sub Outcome 1: Page 8

⁴⁰ Outcome 12: Sub Outcome 4: Page 15

⁴¹ Outcome 10: Sub Outcome 1 and Sub Outcome 2: Pages 5 & 9

⁴² Outcome 4: Sub Outcome 1: Page 8

8.6.2 Resource considerations for Programme 6: Facilities Management

8.6.2.1 Expenditure estimates for Programme 6: Facilities Management

PROGRAMMES	AUDITED OUTCOME			ADJUSTED APPROPRIATION	MEDIUM-TERM EXPENDITURE ESTIMATE		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Planned Maintenance							
Unscheduled Maintenance							
SHERQ Management							
Total	3 287 163	2 780 424	2 709 923	2 676 995	2 842 612	3 034 890	3 039 200

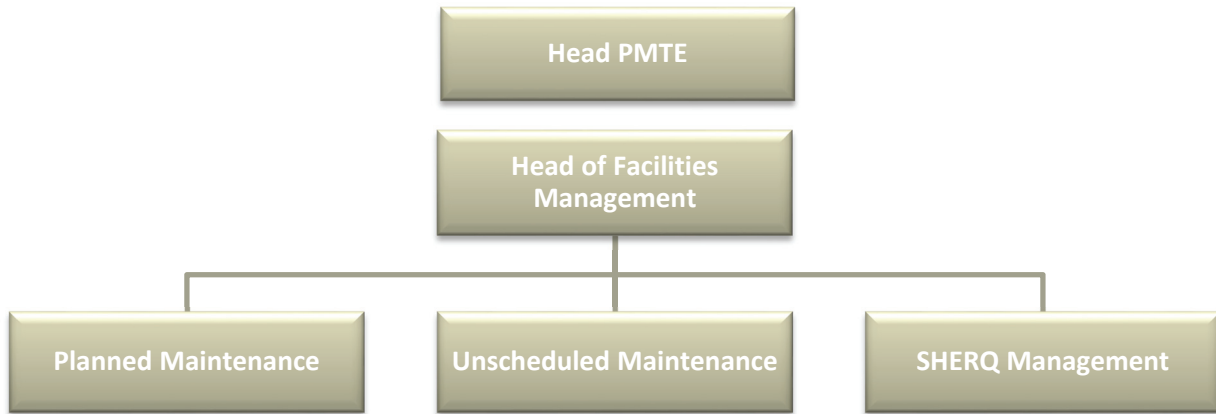
ECONOMIC CLASSIFICATION	AUDITED OUTCOME			ADJUSTED APPROPRIATION	MEDIUM-TERM EXPENDITURE ESTIMATE		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Current payments	3 287 163	2 780 424	2 709 923	2 676 995	2 842 612	3 034 890	3 039 200
Compensation of employees				280 666	310 513	328 470	347 549
Salaries and wages				241 373	267 041	282 484	298 892
Social contributions				39 293	43 472	45 986	48 657
Goods and services	3 287 163	2 753 545	2 624 566	2 370 561	2 504 733	2 677 467	2 661 019
Repairs & maintenance	3 119 300	2 581 046	2 442 025	1 936 623	2 056 694	2 175 982	2 302 189
Other	167 863	172 499	182 541	433 938	448 039	501 485	358 830
Losses from Other			85 357	25 768	27 366	28 953	30 632
Payments for capital assets							
Payments for financial assets							
Total	3 287 163	2 780 424	2 709 923	2 676 995	2 842 612	3 034 890	3 039 200

Expenditure Trends Analysis

The spending focus over the medium-term will be on the implementation of Scheduled Maintenance Programmes as per the approved plan, to manage and minimize unscheduled maintenance incidents and to reduce the consumption of water and electricity in State-owned buildings. The bulk of the expenditure in this programme is for the compensation of employees, repair and maintenance and cleaning and gardening.

8.6.2.2 Staff establishment for Programme 6: Facilities Management

The macro-organisational structure which constitutes programme 6 is as follows:



Programme 6 - Real Estate Facilities Management (Head Office and Regional Offices)					
Salary Level	Filled Permanent	Vacant Permanent	Total (Filled & Vacant)	Current vacancy rate (%)	Additional to the establishment
1	0	0	0	0.00	111
2	726	494	1220	40.49	125
3	646	113	759	14.89	0
4	45	64	109	58.72	1
5	112	29	141	20.57	0
6	22	0	22	0.00	2
7	89	4	93	4.30	0
8	61	0	61	0.00	0
9	12	0	12	0.00	0
10	44	1	45	2.22	1
11	98	2	100	2.00	2
12	55	6	61	9.84	3
13	4	0	4	0.00	0
14	1	0	1	0.00	0
15	0	0	0	0.00	0
16	0	0	0	0.00	0
Grand Total	1915	713	2628	27.13	245

8.6.3 Risk management for Programme 6: Facilities Management

Table 45: Risk Management for Programme 6: Facilities Management

STRATEGIC OBJECTIVE	RISK DESCRIPTION	ACTION PLAN
To manage maintenance programmes in accordance with an approved plan	Ineffective maintenance of freehold properties	<ul style="list-style-type: none"> • Revision of the Facilities Management Policy and Strategy • Develop maintenance plan
To ensure resource efficiency in State-owned buildings	High consumption of water and electricity	<ul style="list-style-type: none"> • Implementation of energy and water savings projects (retrofitting programme)



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PART C: LINKS TO OTHER PLANS



7. Links to long-term infrastructure plan

Table 46: New, replacement, upgrades and additions

NO OF PROJECTS	PROJECT DESCRIPTION	PROGRAMME	MUNICIPALITY	OUTPUT	OUTCOME			MAIN APPROPRIATION 2015/16	ADJUSTED APPROPRIATION 2015/16	REVISED ESTIMATE 2015/16	MEDIUM TERM ESTIMATES		
					2012/13	2013/14	2014/15				2016/17	2017/18	2018/19
67	Various	Departmental	Various	Various	228 106 000	250 041 000	139 832 000	203 000 000	-	203 000 000	187 000 000	170 661 000	180 560 000
156	Various	Accessibility	Various	Various	4 992 000	7 098 000	10 156 000	23 000 000	-	23 000 000	20 000 000	24 479 000	15 320 000
29	Various	Dolomite Risk Management	Various	Various	32 355 000	24 717 000	85 026 000	135 336 000	-	135 336 000	120 000 000	114 370 000	121 000 000
84	Various	Land Ports of Entry	Various	Various	233 892 000	191 684 000	137 164 000	115 000 000	-	115 000 000	185 159 000	200 664 000	216 553 000
7	Various	Inner City Regeneration	Various	Various	94 838 000	36 199 000	3 718 000	83 000 000	-	83 000 000	9 400 000	61 786 000	84 676 000
50	Various	Prestige	Various	Various	118 820 000	57 626 000	46 524 000	174 000 000	-	174 000 000	180 850 000	176 279 000	186 500 000

Table 47: Scheduled Maintenance and Repairs

NO OF PROJECTS	PROJECT DESCRIPTION	PROGRAMME	MUNICIPALITY	OUTPUT	OUTCOME			MAIN APPROPRIATION	ADJUSTED APPROPRIATION	REVISED ESTIMATE	MEDIUM TERM ESTIMATES		
					2012/13	2013/14	2014/15				2016/17	2017/18	2018/19
1400	Various	Various	Various	Various	1 633 909 601	966 310 619	827 787 779	867 916 938	-	867 916 938	914 145 185	975 188 675	1 031 749 000

Table 48: Refurbishment (Scheduled maintenance: Capital and Rehabilitation)

NO OF PROJECTS	PROJECT DESCRIPTION	PROGRAMME	MUNICIPALITY	OUTPUT	OUTCOME			MAIN APPROPRIATION	ADJUSTED APPROPRIATION	REVISED ESTIMATE	MEDIUM TERM ESTIMATES		
					2012/13	2013/14	2014/15				2016/17	2017/18	2018/19
720	Various	Various	Various	Various	784 520 968	1 004 617 375	1 272 605 637	1 225 322 235	-	1 225 322 235	1 243 637 815	1 316 763 000	1 865 350 000

Notes to the Long Term Infrastructure Plan:

The management of infrastructure under the custodianship of Public Works is currently aligned to a 3 year MTEF cycle which emanates from U-AMP's, where provided by User departments, and from the C-AMP which the Department develops as required by the Government-wide Immovable Asset Management Framework (GIAMA). In order for the PMTE to provide a long-term infrastructure plan, the full operationalisation of the PMTE, its strategies and alignment of its organisational structure is currently underway. This will enable the PMTE, inter alia, to work more closely with its User departments in the compilation and submission of annual U-AMP's with 10, 20-30-year projected accommodation requirements.

As per the newly developed Business Model, priority has been given in establishing a robust client liaison and servicing model with a Client-Centric approach where expert teams will provide onsite technical support to user departments primarily to streamline the U-AMP/C-AMP processes.

In order to respond to the need for a long-term infrastructure plan, the PMTE is finalising the enhancement of the immovable asset register and physical verification thereof, with a view to assess the conditions on a prioritised basis so as to inform rolling maintenance plans for assets within the portfolio with a short, medium and long term horizon.

The Risk Management processes are guided by the Risk Management Policy and Risk Management Strategy which are intended to provide a systematic approach and also create an environment that allows for risk taking while ensuring that public interest and investment is protected. The risk appetite and tolerance levels have been set for the PMTE which is aimed at improving actual business decision-making and revolves around the PMTE's strategic objectives.

The PMTE has integrated Risk Management principles and practices in its strategic and operational decision making. This will assist the PMTE in minimizing the negative impacts of events resulting from uncertainty, while maximizing opportunities to improve on service delivery and add value to the operations of our User Departments. The aim of Risk Management is to reinforce a risk based, informed and ethical decision - making culture into the department.

The PMTE faced a number of external and internal risks in 2015/16 financial year. The dominant external risks focused on the growing operational demands associated with major project initiatives such as National Infrastructure to the Government's National Development Plan.

For the PMTE to effectively deliver on its strategic objectives, attention and resources are being focused on the areas of most significant risk and concern to its stakeholders.

The Risk Management unit facilitates the process to assess both Strategic and detailed operational risk assessments with the aim to:

- Provide management with a basis for executing a formal and structured system of risk management for the PMTE, as mandated by the Public Finance Management Act, 1999 (Act No. 1 of 1999) and as recommended by the King III Report on corporate governance,
- Assist the Internal Audit activity in reviewing its strategic and operational risk-based audit plans as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) and Treasury Regulations.

Table 49: Property Management Trading Entity – Strategic Risk Register – 2016/17

RISK NO.	STRATEGIC GOALS	RISK TITLE	ROOT CAUSE / CONTRIBUTING FACTOR	CONSEQUENCE	IR	CURRENT CONTROLS	RR	ACTION PLAN	DATE	RESPONSIBLE BRANCH
1	To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements	Uncertainty of Business Continuity	Inadequately funded mandate Lack of approved business model	Inability to operationalize PMTE Inadequate decision making Inability to meet expectations from client departments Client departments undertaking Public Works functions	High	Change Management office in place	High	Effective change management office	31/03/2017	Corporate Services
2	To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements	Exposure to Fraud and Corruption	Inadequate Procurement process in leasing	Irregular expenditure Litigation against the Department	High	Updated SCM policy and delegations in place	High	Development of a Contract Management Framework. Implementation of a leasing dispensation framework	31/03/2017	Finance and Supply Chain Management
3.	To increase the value of states immovable asset portfolio	Inability to perform Property Performance and Investment management	Non-existence of the Immovable Asset Management system Non submission and incomplete submission of the UAMP's	Inadequately informed custodial planning and investment decisions,	High	Reliance on existing non-integrated property and project management information systems	High	Full implementation of the integrated Immovable Asset Management system including WCS. Fast racking completion the UAMP's	31/03/2017	Corporate Services User Demand Management

RISK NO.	STRATEGIC GOALS	RISK TITLE	ROOT CAUSE / CONTRIBUTING FACTOR	CONSEQUENCE	IR	CURRENT CONTROLS	RR	ACTION PLAN	DATE	RESPONSIBLE BRANCH
4	To develop accommodation solutions in collaboration with relevant spheres of Government	Non-integration of spatial planning activities with national, provincial and local spheres of government	No signed agreements with municipalities to support spatial development of government infrastructure priorities.	Inefficient infrastructure delivery leading to ineffective service delivery.	High	Individual agreements with municipalities	High	Signed agreements with municipalities	31/03/2017	Planning and Precinct Development
5	To meet user department accommodation requirements as per the approved IIP	Inability to plan and implement construction programmes	Insufficient technical and professional capacity, Inadequate contract management	Non-delivery in terms of time and costs,	High	Project Management Office in place Integrated development plan in place	High	Implementation of Infrastructure planning (strategic brief and concept report)	31/03/2017	Construction Project Management
6	To provide quality accommodation and contribute to the financial sustainability of the PMTE	Inability to optimally utilize freehold properties for User Departments and National Strategic priorities	Lack of requisite skills to perform complex analyses of property portfolio Lack of Revenue Recovery and Collection Strategy and plan	Fragmented delivery of services Land invasion	High	Business processes, policies and delegations in place Security in place for vacant buildings	High	Approval of the PMTE structure and filling of critical vacant posts Finalization of the Lease Agreement Framework for User Departments which will be used to recover revenue from User Departments	31/03/2017	Real Estate Management Services
7	To ensure optimal performance of the State's immovable asset portfolio	Ineffective maintenance of freehold properties	Lack of scheduled maintenance plan	High levels of unscheduled maintenance High maintenance costs	High	Day to day maintenance guidelines and business processes in place	High	Revision of the Facilities Management Policy and Strategy Develop maintenance plan	31/03/2017	Facilities Management
8	To ensure optimal performance of the State's immovable asset portfolio	High consumption of water and electricity	Lack of Measurement & Verification (M&V) of achieved energy savings	Degradation of the natural environment Load shedding Missed investment opportunities	High	Energy and water savings projects (retrofitting programme)	High	Implementation of energy and water saving projects (retrofitting programme)	31/03/2017	Facilities Management

RISK NO.	STRATEGIC GOALS	RISK TITLE	ROOT CAUSE / CONTRIBUTING FACTOR	CONSEQUENCE	IR	CURRENT CONTROLS	RR	ACTION PLAN	DATE	RESPONSIBLE BRANCH
9	To provide reliable immovable asset information that informs investment decisions and portfolio management	Inability to maintain complaint asset register	Lack of an integrated Information Asset Register (IAR) system Inadequate internal capacity to maintain a compliant asset register Lack of integrated REIRS business processes Dependencies on external stakeholders	No integration of asset registry for all spheres of government	High	Measuring and verification process by service provider Costing plan in place Use of Excel Spread sheets Use of consultants and contract workers Usage of DPW business processes and use of circulars Quarterly GIAMA forums	High	Provide inputs on the implementation of the Property Management System (ARCHIBUS) Appointment of the Business Analyst to develop REIRS's Business processes.	31/03/2017	Real Estate Information Registry Services
10	To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements	Inadequate Procurement process in Leasing	Normal procurement process undertaken for procurement of leases (Procurement process not aligned to type of services offered by the entity)	Delayed implementation of service delivery projects Inadequate procurement of leases	High	Implementation of SCM infrastructure projects framework	High	SCM procurement policy developed awaiting approval Implementation of a leasing dispensation framework Put change management strategy in place	31/03/2017	Finance and Supply Chain Management

9. Service Delivery Improvement Plan (SDIP)

In line with Chapter 1, Part 111 C of the Public Service Regulations, 1999 (as amended), the Department has developed its Service Delivery Improvement Plan (SDIP) which enables the Executing Authority to institute and support service delivery within the context of a comprehensive improvement programme. The focus of the SDIP is to promote efficient and effective service delivery based on the Batho Pele principles and seeks to achieve the following objectives:

- Identifies the services provided to its user-departments and stakeholders while improving service delivery;
- Provides details of the strategies to remove barriers to access to services and meet user-department needs within improved response times;
- Indicates the high standards that will be maintained for services to be delivered;
- Outlines the Department's commitment to improve efficiencies; and
- Increase outputs and eliminate waste and related costs.

Accordingly, the SDIP lays out a detailed plan with targets to be achieved to improve the Department's performance going forward. These areas include the following-

- Provisioning of accommodation through construction (aligned to the IDIP);
- Provisioning of accommodation through private leases (aligned to IDIP); and
- Customer relationship management.

The SDIP, which has been widely consulted on with all relevant stakeholders, covers a 3-year period in line with the medium term planning cycle and will form part of the Annual Report of the PMTE. During this three-year period, a detailed process of monitoring and evaluating the implementation of the plan will be undertaken, including the process of evaluating the impact thereof.

SERVICE DELIVERY IMPROVEMENT PLAN

SERVICE BENEFICIARY	AREA FOR SERVICE IMPROVEMENT	KEY IMPROVEMENT ACTIVITIES	CLIENT IMPACT OF IMPROVEMENT	KEY PERFORMANCE INDICATOR	CURRENT STANDARD (BASELINE)	TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
			Client relationship management					
	Active management of client relations (Consultation, Access, Courtesy, Openness & Transparency, Information, Redress and Value for Money) - (DP1: Portfolio Management, DP1-1: Infrastructure Planning, U-AMP, Gate 1(a))	<ul style="list-style-type: none"> Develop Key Account Managers: Client target ratio⁴³ Capacitate Key Accounts Management Develop and implement a CRM approach and system Train resources in KAM and CRM Agree minimum thresholds for number of client meetings Develop and implement client service survey/questionnaire⁴⁴ 	<p>Clear and shared expectations.</p> <p>Accessible DPW resources for issue resolution.</p> <p>Potential issues promptly addressed.</p> <p>Improved client satisfaction.</p>	<p>Key Account Managers: user department ratio</p> <p>Number of customer relationship management meetings per user department</p> <p>Client survey index</p>	1:15	1:1 (Big user departments) 1:6 Other user departments	1:1 (Big user departments) 1:6 Other user departments	1:1 (Big user departments) 1:6 Other user departments
User Departments					2 per annum	2 per user department	2 per user department	2 per user department
					(New indicator)	Information towards the development of the survey index researched and collated.	Minimum rating of 3 out of 5	Minimum rating of 4 out of 5
User Departments	Reduction of leasing backlog ⁴⁵ (Quantity and Quality) - DP1: Portfolio	<ul style="list-style-type: none"> Clarify lease management policy 	<p>Reduced levels of inconvenience, embarrassment and reputational damage.</p>	<p>Number of expired leases⁴⁷</p> <p>Number of lock-outs</p>	1,303	0 expired leases	0 expired leases	0 expired leases
					(New indicator)	0 lock outs	0 lock outs	0 lock outs

⁴³ Key Account Managers (KAMs) are presently under-capacity. A target ratio has been developed that takes account of client size and complexity and allocates sufficient resources to each to enable satisfactory relationships. Different targets apply to six big user departments and 46 in "other".

⁴⁴ A client service survey goes beyond formal SLA compliance and measures client perceptions of consultation, access, courtesy, openness and transparency, information provision, information accuracy, redress and value for money.

⁴⁵ The DPW presently manages 2,771 private leases for client departments. Private leases are defined as leases contracted for properties not owned by the State. Backlog leases are those which are about to expire or have already expired and require renewal, extension or termination. In practical terms it is virtually impossible to have a zero backlog as leases are entered into at different times with different terms and anniversary dates. The intention is to focus on reducing expired leases as these result in significant inconvenience to clients potentially culminating in lock-outs. This reflected in the KPI.

⁴⁷ This KPI relates specifically to leases that are not to be terminated.

SERVICE BENEFICIARY	AREA FOR SERVICE IMPROVEMENT	KEY IMPROVEMENT ACTIVITIES	CLIENT IMPACT OF IMPROVEMENT	KEY PERFORMANCE INDICATOR	CURRENT STANDARD (BASELINE)	TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
	Management, DP1-1: Infrastructure Planning, U-AMP, Gate 1(a) ⁴⁶	<ul style="list-style-type: none"> Develop three stratified lease agreements Institute effective procurement planning Re-engineer business processes Sign SLAs with all lessees Capacitate leasing/ up-skill personnel Proactively analyse lease portfolio to avoid backlog 	<p>Adequate warning of impending issues.</p> <p>Reduction of irregular expenditure on leases.</p>	<p>% signed SLAs</p> <p>Ratio of leasing resources to leases</p>	52% signed SLAs	80% signed SLAs	90% signed SLAs	100% signed SLAs
	Build sustainable and predictable leasing solutions (Quality) - (DP1: Portfolio Management, DP1-1: Infrastructure Planning, U-AMP, Gate 1(a))	<ul style="list-style-type: none"> Develop lease strategy Develop lease review prioritization process (need/value/size) Re-engineer leasing processes 	<p>Enhanced interaction with the DPW as a reliable, predictable and professional leasing partner.</p> <p>Lease budget compliance⁵⁰</p>	SLA compliance ⁴⁹	(New indicator)	100% SLA compliance	100% SLA compliance	100% SLA compliance
	Deliver demonstrable Value for Money to clients - (DP1: Portfolio Management, DP1-1: Infrastructure Planning, U-AMP, Gate 1(a))	<ul style="list-style-type: none"> Establish market-related rates for property categories by region Adjust DPW rates Move towards market price leadership 	<p>Improved client confidence in the DPW delivery of value for money.</p> <p>DPW rates indexed to market variance %</p>	Budget compliance ⁵⁰	(New indicator)	100% Budget compliance	100% Budget compliance	100% Budget compliance

⁴⁶ As noted, this scope is presently limited to private leases. Scope will be expanded to include residential and other non-office leases from 2014/15 onwards.

⁴⁸ Based on 72 staff and 2,771 leases at October 2013.

⁴⁹ SLA compliance measures the mechanics of service delivery, specifying service levels, lead times required for service, etc.

⁵⁰ While availability of approved budget remains the client's responsibility, budget compliance in terms of disbursements made according to plan is a key indicator for the DPW Leases Branch.

SERVICE BENEFICIARY	AREA FOR SERVICE IMPROVEMENT	KEY IMPROVEMENT ACTIVITIES	CLIENT IMPACT OF IMPROVEMENT	KEY PERFORMANCE INDICATOR	CURRENT STANDARD (BASELINE)	TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
Acquisition of new accommodation through construction								
National Government Departments	Improved planning (as a key driver for measuring delivery performance in relation to the provision of accommodation through construction)	<ul style="list-style-type: none"> The adoption of IDMS as a primary system for managing delivery Provisioning of training on the IDMS Re-engineering of business processes Provisioning of support to user Departments in formulating their U-AMPS Compilation of the C-AMP 	Clear and shared expectations	Number of user departments who have approved IPIPs	CWIP and PMIP	11 User departments with IPIPs (DoA, DAC, DCS, DoD, DoH, DHET, DHA, DoJ&CD, DoL, DRDLR, SAPS)	11 User departments with IPIPs	11 User departments with IPIPs
1. SAPS 2. DoD 3. Justice 4. Correctional Services 5. Arts & Culture 6. Home Affairs 7. Public Works 8. Labour 9. Agriculture, Forestry and Fisheries 10. Rural Development and Land Reform 11. Health 12. Higher Education	Quantity and Quality <ul style="list-style-type: none"> (DP1: Portfolio Management, DP1-1: Infrastructure Planning, DP1-1: C-AMP, Gate 1(b), DP1-2: Programme Management, 	<ul style="list-style-type: none"> Effective project planning Improved procurement planning Management of SCM dependencies/ improvement in procurement processes 	Shared understanding of the needs of the clients and how projects will be delivered Improved delivery of construction projects (within time, cost and	Number of planned projects completed (Works Completion Report – PEP 7) ⁵¹ % of new projects completed within stipulated timeframes, cost and quality % of current projects with	300 projects completed (New indicator)	440 projects completed Establish baseline	305 projects completed 100% of projects based on the completed IPIPs ⁵²	167 projects completed 100% of projects based on the completed IPIPs ⁵³ 100% current projects with

⁵¹ Dependent on effective procurement; Qualified suppliers; Improved planning

⁵² Projects for one of six of the big user departments (DoD) and one of the remaining user departments should at least be in line with time frames and cost

⁵³ Projects for two of the remaining five big user departments and three of the small user departments should at least be in line with time frames and cost

SERVICE BENEFICIARY	AREA FOR SERVICE IMPROVEMENT	KEY IMPROVEMENT ACTIVITIES	CLIENT IMPACT OF IMPROVEMENT	KEY PERFORMANCE INDICATOR	CURRENT STANDARD (BASELINE)	TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
	CPS - Gate 2 and IPMP) <ul style="list-style-type: none"> DP2: Project Management, DP2-1: Implementation Planning, PEPv1, Gate 3, PEPv2, Gate 4, IPIP) 	<ul style="list-style-type: none"> Effective construction management Establishment of institutional structures to drive delivery (Acquisition Committee and PMOs) Roll out of the IDMS Investigate the need for establishing user department specific programme management offices 	<p>quality requirements)</p> <p>Improved client satisfaction and perception of value for money</p>	<p>approved project scopes (Backlog)</p> <p>Number of Programme Management Offices established for all executing units</p>	(New indicator)	approved project scopes	approved project scopes Not applicable ⁵⁴	approved project scopes Not applicable
	Value for Money - DP2: Project Management, DP2-1: Implementation Planning, PEPv1, Gate 3, PEPv2, Gate 4, IPIP)	<ul style="list-style-type: none"> Effective project planning Improved procurement planning Improvement in procurement processes Effective construction management 	Improved delivery of construction projects within cost	% budget variance on completed projects	(New indicator)	<15%	<15%	<15%
	Human Resources - DP2: Project Management,	<ul style="list-style-type: none"> Staffing of organisational 	Improved delivery of construction projects (within	Number of project managers registered with the South	(New indicator)	0 ⁵⁶	10	15

⁵⁴ The DPW will explore the need to establish user department specific Programme Management Offices

⁵⁶ The fast track process will take no less than one year, delivery will commence in year two.

SERVICE BENEFICIARY	AREA FOR SERVICE IMPROVEMENT	KEY IMPROVEMENT ACTIVITIES	CLIENT IMPACT OF IMPROVEMENT	KEY PERFORMANCE INDICATOR	CURRENT STANDARD (BASELINE)	TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
	DP2-1: Implementation Planning, PEPv1, Gate 3, PEPv2, Gate 4, IPIP)	structure with appropriately qualified personnel <ul style="list-style-type: none"> Up-skilling and mentoring of existing staff 	time, cost and quality requirements)	African Council for Project and Construction Management Professions (SACPCMP) ⁵⁵ Ratio of project managers to projects ⁵⁷	1:20 (plus)	1:10	1:10	1:10

10. Public Private Partnerships

There are no Public Private Partnerships to report for the 2015-2020 period

⁵⁵ Dependent on the approval of a fast track process for certifying the project managers.

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PART D: ANNEXURES TO THE ANNUAL
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Annexure A: Technical Goal Descriptions

Strategic outcome oriented goal 1

Goal title	To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements
Short definition	Drive the Efficiency Enhancement Phase (Phase II) of the Turnaround Strategy of the Property Management Trading Entity
Purpose/importance	The Turnaround Strategy and its implementation is a prerequisite for the strategic performance of the PMTE. The Turnaround Strategy is based on the need to address critical and foundational aspects of service delivery as well as to ensure immediate improvements that can be used to elicit further success
Source/collection of data	7 Year Turnaround Strategy, Auditor-General Reports
Method of calculation	None
Data limitations	None
Type of goal	Outcome
Calculation type	Cumulative
Reporting cycle	5 year cycle
New goal	Yes
Desired performance	Unqualified Audit Outcome
Goal responsibility	Deputy Director-General: Governance, Risk and Compliance, Deputy Director-General: Corporate Services, Chief Financial Officer

Strategic outcome oriented goal 2

Goal title	To consolidate user demands that enables planning and budgeting
Short definition	To achieve an efficient and competitive Real Estate Portfolio for the State through effective planning and budgeting
Purpose/importance	Development depends on providing the right type of infrastructure, in the right places at the right times. Planning for user department's accommodation requirements is a fundamental activity in the development of the State's immovable asset portfolio.
Source/collection of data	User Asset Management Plan (Functional Performance Assessment), Custodian Asset Management Plan (Life-cycle Management Plans),
Method of calculation	None
Data limitations	Inaccurate immovable asset information
Type of goal	Outcome
Calculation type	Non-cumulative
Reporting cycle	5 year cycle
New goal	Yes
Desired performance	An efficient, competitive and responsive accommodation infrastructure network
Goal responsibility	Deputy Director-General: User Demand Management

Strategic outcome oriented goal 3

Goal title	To increase the value of the State's immovable asset portfolio.
Short definition	To achieve an efficient and competitive Real Estate Portfolio for the State through informed investments
Purpose/importance	To ensure that optimal value for money and a better rate of return on investment in the State's immovable asset portfolio. Such investment has a multiplier effect throughout the economy, generating lasting economic, social and environmental benefits.
Source/collection of data	Custodian Asset Management Plans, Immoveable Asset Register
Method of calculation	None
Data limitations	None
Type of goal	Outcome
Calculation type	Cumulative
Reporting cycle	5 year cycle
New goal	Yes
Desired performance	Realisation of economic growth promotion through integrated infrastructure development
Goal responsibility	Deputy Director-General: Real Estate Investment Management

Strategic outcome oriented goal 4

Goal title	To develop accommodation solutions for user department in collaboration with the relevant spheres of Government
Short definition	To achieve an efficient and competitive Real Estate Portfolio for the State through effective planning for spatial, economic and infrastructural integration in order to provide improved accommodation with specific reference to accessibility, quality and facility management for efficient service delivery to the country and its citizens.
Purpose/importance	Redress spatial imbalances, elimination of the silo approach to infrastructure development and the creation of economies of scale whilst supporting improved service delivery.
Source/collection of data	Infrastructure plans of sector departments and Provinces, Spatial Development Frameworks of municipalities
Method of calculation	None
Data limitations	Availability of long term infrastructure plans (national, provincial and local)
Type of goal	Outcome
Calculation type	Cumulative
Reporting cycle	5 year cycle
New goal	Yes
Desired performance	Economic growth through integrated infrastructure development in urban and rural areas
Goal responsibility	Deputy Director-General: Planning and Precinct Development

Strategic outcome oriented goal 5

Goal title	To meet user department accommodation requirements as per the approved Infrastructure Programme Implementation Plan (IPIP)
Short definition	To provide effective and efficient delivery of accommodation needs for DPW and User Departments through construction and other infrastructure improvement programmes. This entails new construction, upgrades and additions and refurbishment of infrastructure over a 5 year period.
Purpose/importance	The NDP identifies infrastructure investment as a key priority for South Africa to support socio-economic transformation and to build a new level of economic resilience in an increasingly challenging global environment. Construction is key in the achievement of this national objective.
Source/collection of data	Contractor Development Reports, SMME Development Reports; U-AMP's, C-AMP
Method of calculation	None
Data limitations	Non submission of U-AMPs to inform infrastructure planning
Type of goal	Outcome
Calculation type	Cumulative
Reporting cycle	5 year cycle
New goal	Yes
Desired performance	Construction, upgrading and refurbishment of infrastructure as per approved IPIP
Goal responsibility	Deputy Director-General: Construction Project Management

Strategic outcome oriented goal 6

Goal title	To provide quality accommodation and contribute to the financial sustainability of the PMTE
Short definition	To provide and manage the real estate portfolio in support of Government's social, economic, functional and political objectives and reduce the PMTE's financial dependency on Government.
Purpose/importance	The PMTE is the primary provider of accommodation for Government departments and is the biggest land owner in the country. Through the optimal utilisation of its immovable asset base and sourcing accommodation through other means, the PMTE assists user departments to provide suitable, cost-effective and functional accommodation to the end user.
Source/collection of data	User Asset Management Plans, Property Management Information System
Method of calculation	None
Data limitations	Non submission of U-AMPs to inform infrastructure planning
Type of goal	Outcome
Calculation type	Cumulative
Reporting cycle	5 year cycle
New goal	Yes
Desired performance	Provision of accommodation that meets the requirements of the end user, within the required timeframes and approved budget
Goal responsibility	Deputy Director-General: Real Estate Management Services

Strategic outcome oriented goal 7

Goal title	To provide reliable immovable asset information that informs investment decisions and portfolio management
Short definition	To develop and manage a complete, accurate and compliant Immovable Asset Register to meet service delivery objectives for the State, Department and Property Management Trading Entity business requirements.
Purpose/importance	A national immovable asset base is central to achieving socio-economic objectives as outlined in the NDP and performs a pivotal role in securing custody and control over the State's immovable assets hence to importance of control and compliance in the management of the immovable asset information.
Source/collection of data	Various asset data sources such as the Deeds Web, Deeds data (Pub land data), Surveyor-General, Municipalities and other custodians Immovable Asset Registers, other business units within PMTE
Method of calculation	None
Data limitations	Incomplete data, inaccurate property records.
Type of goal	Outcome
Calculation type	Cumulative
Reporting cycle	5 year cycle
New goal	Yes
Desired performance	Complete and accurate immovable asset register that informs investment decisions
Goal responsibility	Deputy Director-General: Real Estate Asset Information and Registry Services

Strategic outcome oriented goal 8

Goal title	To ensure optimal performance of the State's immovable asset portfolio.
Short definition	To ensure that immovable assets used by government departments and the public, are optimally utilised and maintained in a safe, secure healthy and ergonomic and environment while contributing to job creation, skills development and poverty alleviation.
Purpose/importance	Optimise the utilisation and performance of state assets that fall under the custodianship of PMTE through the implementation of a Maintenance and National Green Building plan.
Source/collection of data	Immovable Asset Register, Green Building Framework and Strategy, User Asset Management Plan, Custodian Asset Management Plan
Method of calculation	None
Data limitations	Non submission of U-AMPs to inform infrastructure planning
Type of goal	Outcome
Calculation type	Cumulative
Reporting cycle	5 year cycle
New goal	Yes
Desired performance	Provision of maintenance services that meets the requirements of the end user
Goal responsibility	Deputy Director-General: Facilities Management

Annexure B: Technical Objective Descriptions

1. PROGRAMME 1: ADMINISTRATION

Strategic Objective 1.1

Objective title	To provide compliant internal control environment and financial services
Short definition	Ensure that controls are in place for effective and efficient planning, financial accounting, and management of expenditure to obtain an unqualified audit report indicating that the financial statements are free from material misstatements
Purpose/importance	Improving the financial performance of the PMTE by ensuring compliance to financial frameworks
Source/collection of data	Audit report from the Auditor General of South Africa
Method of calculation	None
Data limitations	None
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	No
Desired performance	Clean audit for PMTE
Objective responsibility	Chief Director: PMTE Finance

Strategic Objective 1.2

Objective title	To provide compliant Supply Chain Management services
Short definition	To timeously procure required capital and current goods and services in line with approved procurement plans, demonstrate effectiveness and value for money and reduce non-compliance
Purpose/importance	Compliance with Preferential Procurement Policy Framework (No 5 of 2000) and ensure effective use of budgeted resources and contribution to closing the gap between the first and second economies
Source/collection of data	Audit report from the Auditor General of South Africa
Method of calculation	None
Data limitations	None
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	No
Desired performance	Timeous procurement of required capital and current goods and services to support service delivery
Objective responsibility	Chief Director Supply Chain Management

2. PROGRAMME 2: REAL ESTATE INVESTMENT SERVICES

Strategic Objective 2.1

Objective title	To ensure User Asset Management Plans are produced in compliance with relevant prescripts
Short definition	Ensure statutory compliance in the development of User Asset Management Plans (U-AMPs)
Purpose/importance	To comply with legislative requirements of GIAMA in maximizing and coordinating the management of immovable assets in relation to service delivery objectives of user departments
Source/collection of data	WCS, PMIS, Immovable Asset Register and Feasibility Studies
Method of calculation	<u>Number of compliant user asset management plans received</u> Number of user asset management plans submitted by user departments for the same period
Data limitations	Adequacy of information received from user departments and entities
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	100% compliant U-AMPS from all user departments and entities
Objective responsibility	Chief Director: User Demand Management (UDM)

Strategic Objective 2.2

Objective title	To direct precinct planning and development for national Government in urban and rural areas
Short definition	To provide built environment planning and integrated services for investment decisions on state accommodation
Purpose/importance	The integration of development efforts in urban and rural areas aimed at improving the service delivery to communities/citizens as main beneficiaries
Source/collection of data	Integrated Development Frameworks, site development plans, U-AMPs, project business plans
Method of calculation	A simple count of the number of accommodation solutions developed for user departments within identified precincts
Data limitations	Long term infrastructure plans of national departments, provincial departments and local government.
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	Planning for all identified precincts completed within time
Objective responsibility	Chief Director: Planning and Precinct Development

Strategic Objective 2.3

Objective title	To inform asset management decisions through optimal investment solutions
Short definition	Manage property performance to inform investment decisions that ensure sustainable life cycle immovable asset management and a responsive property portfolio under the custodianship of the Department of Public Works
Purpose/importance	To comply with the legislative requirements of GIAMA in maximizing and coordinating the management of immovable assets in relation to service delivery objectives of user departments
Source/collection of data	User Asset Management Plans, Custodian Asset Management Plan, ENE, Annual Report, WCS, PMIS, Immovable Asset Register and feasibility studies
Method of calculation	A simple count of the number of investment solutions completed
Data limitations	Adequacy of information received from user departments and entities
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	Investment decisions that inform socio economic development and provide value for money
Objective responsibility	Chief Director: Investment Analysis

Strategic Objective 2.4

Objective title	To manage the performance of the immovable asset portfolio so as to ensure appropriate investment decisions
Short definition	To measure performance of immovable assets under PMTE custodianship in relation to operating cost and utilization to ensure assets are performing at acceptable levels
Purpose/importance	To comply with the legislative requirements of GIAMA in maximizing and coordinating the management of immovable assets in relation to service delivery objectives of user departments
Source/collection of data	User Asset Management Plans, ENE, WCS, PMIS, Immovable Asset Register and feasibility studies
Method of calculation	A simple count of the number of buildings' performance measured
Data limitations	Incomplete Immovable Asset Register
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	Performance of all identified buildings measured within time and cost
Objective responsibility	Chief Director: Portfolio Performance and Monitoring

3. PROGRAMME 3: CONSTRUCTION PROJECT MANAGEMENT

Strategic Objective 3.1

Objective title	To develop detailed construction plans that direct the execution of construction
Short definition	To develop concept drawings, detailed designs and contract documents for infrastructure projects based on the needs of user departments.
Purpose/importance	To ensure that CPM within the PMTE constructs buildings to meet the accommodation requirements for the DPW and User Departments to deliver public services.
Source/collection of data	WCS, PMIS, Immovable Asset Register and Feasibility Studies
Method of calculation	A simple count of the design solutions completed for user departments
Data limitations	Completeness of user requirements received from user departments and entities
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	Design solutions completed within time and cost
Objective responsibility	Chief Director: Construction Project Management

Strategic Objective 3.2

Objective title	To ensure that construction programmes are implemented according to approved criteria (IDMS)
Short definition	To manage the delivery of infrastructure programmes within time, cost and quality as per the requirements of user department.
Purpose/importance	Infrastructure investment is deemed to increase the growth potential of an economy by increasing the economy's productive capacity.
Source/collection of data	WCS, sketch plans, contract documentation, bill of quantities, Immovable Asset Register and Feasibility Studies
Method of calculation	<u>Number of projects implemented using IDMS for key user departments</u> Number of projects implemented for key user departments for the same period
Data limitations	Inaccurate project information on WCS
Type of objective	Output
Calculation type	Cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	100% infrastructure projects for key user departments completed using IDMS
Objective responsibility	Chief Director: Construction Project Management

4. PROGRAMME 4: REAL ESTATE MANAGEMENT

Strategic Objective 4.1

Objective title	To provide functional leased accommodation to user departments
Short definition	To ensure accommodation is procured in accordance to approved user departments' needs
Purpose/importance	The PMTE is the primary provider of accommodation to government departments and is the biggest land owner in the country. Through the optimal utilisation of its immovable asset base and sourcing accommodation through other means, the PMTE provides suitable, cost-effective and functional accommodation to user departments.
Source/collection of data	Property Management Information System, User Asset Management Plans
Method of calculation	Count the number of leases procured that comply with prescribed criteria and express this as a percentage of the total number of leases procured for the same time period. <u>Count the number of leases procured as per prescribed criteria</u> Total number of leases procured for the same time period
Data limitations	Incomplete lease agreements (not all documents included in the files)
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	All required accommodation to be provided in the correct quantity, at the right time whilst ensuring value for money to the State.
Objective responsibility	Chief Director: Real Estate Management

Strategic Objective 4.2

Objective title	To increase revenue through rental of State-owned property
Short definition	Optimise deployment of freehold property to generate revenue and extend the life-cycle of the existing freehold properties
Purpose/importance	REAM Services in collaboration with Department of Small Enterprise Development will engage Small Black Property Developers and Agents to develop and market the leasing of freehold properties to the private sector
Source/collection of data	Real Estate Policies & Procedures, Immovable Asset Register, Property Management Information Systems, C-AMPs, WCS and valuation reports
Method of calculation	<p>The difference between the income generated through the rentals of State-owned properties in the current financial year and the previous financial year</p> <p>Percentage calculation</p> $\frac{\text{Revenue generated through the rentals of State-owned properties in the current year}}{\text{Revenue generated through the rentals of State-owned properties in the previous year}}$
Data limitations	Data integrity of the Immovable Asset Register
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	All identified properties let out at identified rates
Objective responsibility	Chief Director: Property Management

Strategic Objective 4.3

Objective title	To manage contractual obligations for all accommodation solutions
Short definition	Provide Real Estate Management Services to User Departments through leased-in accommodation where users' needs cannot be met by the State's Freehold property
Purpose/importance	A rental property should always be competitive in price and must be well maintained. The PMTE will ensure value for money on leased accommodation using local rental market expertise to ensure lease agreements are in line with local markets.
Source/collection of data	Real Estate Management Policies & Procedures, Immovable Asset Register, Property Management Information Systems, C-AMPs, WCS and valuation reports
Method of calculation	Percentage calculation. <u>Count the number of leases procured in line with headline inflation</u> Total number of leases procured for the same time period
Data limitations	Data integrity of the Immovable Asset Register
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	37.5% increase in revenue generated through rentals of state owned property
Objective responsibility	Chief Director: Real Estate Management Services

5. PROGRAMME 5: REAL ESTATE INFORMATION & REGISTRY SERVICES

Strategic Objective 5.1

Objective title	To maintain a compliant Immovable Asset Register
Short definition	To maintain an accurate and reliable Immovable Asset Register through the updating of fields of the immovable assets for IAR compliance with annual statutory requirements
Purpose/importance	The Immovable Asset Register is an accounting tool that serves as a database containing all the physical, financial and legal information regarding the properties and their tenants. A comprehensive and reliable immovable asset register will allow the PMTE to use the property portfolio to leverage socio-economic development and job creation;
Source/collection of data	Various immovable asset data sources such as the Deeds Web, Deeds data (Pub land data), Surveyor-General, Municipalities and Custodians' IARs (National and Provincial spheres of Government) and other business units in the PMTE
Method of calculation	None
Data limitations	Incomplete property data; inaccurate property descriptions.
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	No
Desired performance	Clean audit on the Immovable Asset Register
Objective responsibility	Chief Director: Real Estate Information Registry

Strategic Objective 5.2

Objective title	To provide guidance and support to other custodians in the compilation of compliant Immovable Asset Registers
Short definition	Provide guidance and support to other custodians in the compilation of compliant immovable asset registers that will inform a single integrated Immovable Asset Repository to be used by National, Provincial and Local Government
Purpose/importance	To enable the whole of government to ensure demonstrable linkages between service delivery and immovable asset resource planning and co-ordination and to ensure that decision-making by individual organs of State takes place within a government-wide common framework.
Source/collection of data	Various Provincial Custodians' Immovable Asset Registers as reconciled against the Deeds data and other Custodians IARs
Method of calculation	Percentage calculation <u>Number of compliant Immovable Asset Registers of other custodians assessed</u> Total number of Immovable Asset Registers of other custodians assessed for compliance for the same period
Data limitations	IARs data integrity, incomplete/inaccurate property descriptions and different sources (electronic systems) and definitions that used by Custodians
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	Complete and accurate Immovable Asset Registers for all custodians
Objective responsibility	Chief Director: Immovable Asset Register

6. PROGRAMME 6: FACILITIES MANAGEMENT

Strategic Objective 6.1

Objective title	To manage maintenance programmes in accordance with an approved plan
Short definition	<ul style="list-style-type: none"> To provide planned maintenance services that meets the requirements of users, occupants, custodian and the public in a manner consistent with regulatory and other policy imperatives at an acceptable life cycle cost. To ensure compliance with SHERQ (Safety, Health, Environment, Risk & Quality) regulatory framework, by conducting proactive and re-active inspections at workplaces.
Purpose/importance	The PMTE will develop maintenance plans to ensure that building infrastructure provides an enabling environment for user departments to implement their service delivery mandates to ensure effective delivery of public services.
Source/collection of data	Custodian Asset Management Plan, approved maintenance plan for various facilities
Method of calculation	Simple count of the number of buildings maintained through scheduled maintenance as per approved maintenance plan.
Data limitations	Lack of data on condition of facilities
Type of objective	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	All identified properties maintained as per approved maintenance plan
Objective responsibility	Chief Director: Facilities Management

Strategic Objective 6.2

Objective title	To reduce unscheduled repairs on State-owned buildings
Short definition	To ensure appropriate response times to user departments unscheduled maintenance needs without service delivery interruptions.
Purpose/importance	The PMTE will timeously respond to maintenance calls to ensure that building infrastructure provides and enabling environment for user departments to implement their service delivery mandates and reduce interruption to service delivery
Source/collection of data	Number and types of calls logged by various user departments through the call centre logging system
Method of calculation	<u>Number of unscheduled maintenance calls logged in the current year</u> Number of unscheduled maintenance called logged in the previous year
Data limitations	None
Type of objective	Output
Calculation type	Cumulative
Reporting cycle	Annually
New objective	Yes
Desired performance	All maintenance requirements addressed timeously without interruption to services
Objective responsibility	Chief Director: Facilities Management

Strategic Objective 6.3

Objective title	To ensure resources efficiency in State-owned buildings
Short definition	To ensure rapid savings achieved on energy and water consumption in compliance to the Green Building Framework on Government Immovable Assets
Purpose/importance	Green buildings are designed to reduce the overall impact of the built environment on human health and the natural environment by: <ul style="list-style-type: none"> • Efficiently using energy, water, and other resources • Protecting occupant health and improving employee productivity • Reducing waste, pollution and environmental degradation
Source/collection of data	Data collected from municipal accounts and audits conducted by regional offices
Method of calculation	<u>Number of green building initiatives implemented on the national green building plan</u> Number of green building initiatives contained on the green building plan
Data limitations	Accuracy of municipal electricity and water accounts
Type of objective	Output
Calculation type	Cumulative.
Reporting cycle	Annually
New objective	Yes
Desired performance	Efficiency and savings on water and energy achieved as per approved national plan
Objective responsibility	Chief Director: Facilities Management

Annexure C: Legislation that the Department of Public Works administers

Table 1: Legislation the Department of Public Works administers

Short Title of the Act	Purpose of the Act
Before Union (prior to 1910)	
Cape Outspans Act 17 of 1902	To provide for the resumption of unused Outspans, and cancellation and delimitation of Outspan Servitudes.
Pretoria and Military Supply Ordinance, 1905	To render certain Crown Land to the Municipality of Pretoria upon certain conditions.
During Union (1910 – 1961)	
Rhodes Will (Groote Schuur Devolution) Act 09 of 1910	To provide for the surrender of the Groote Schuur Estate to the Government of the Union of South Africa in accordance with the Will of the late Cecil John Rhodes and for the release of the Trustees.
Agricultural Holdings (Transvaal) Registration Act 22 of 1919	To approve the division and registration of land in former Transvaal as an agricultural holding and to cancel such certificates at request for owner.
Bethelsdorp Settlement Act 34 of 1921	To provide for the settlement of certain matters in dispute at Bethelsdorp between the London Missionary Society and its successors, the Congregational Union Church Aid and Missionary Society of South Africa and the Bethelsdorp Board of Supervisors.
Mooi River Township Lands Act 05 of 1926	To provide for the grant of certain land to the Local Board of Township of Mooi River and matters incidental therefore.
Carnarvon Outer Commonage Sub-division Act 17 of 1926	To provide for the cancellation of the title issue under section 14 of Act No 19 of 1913 to the Committee of Management of the Carnarvon Outer Commonage, the sale of certain sowing lands on the said Commonage, the subdivision and allocation of the remaining extent of the said Commonage among the owners of 'opstallen' and persons having grazing and sowing rights thereon and the issue of individual titled to such owners and persons, the disposal of certain other lands owned by the said Committee, and matters incidental thereto.
Payment of Quitrent (Cape) Act 14 of 1927	To regulate the payment of quitrent by part-owner of land subject to payment of quitrent and situated in the province of the Cape of Good Hope.
Marburg Immigration Settlement (Social Board of Management) Act 43 of 1927	To provide for the constitution of a local Board of Management for the Marburg Immigration Settlement, County of Alfred, in the Province of Natal and certain incidental matters.
Cape Outspans Act 17 of 1937	To provide for the issue of deeds of grant to divisional and municipal councils in respect of Outspans consisting of Crown Land situated in the Cape of Good Hope.
Municipal Lands (Muizenberg) Act 09 of 1941	To make better provision for attaining the object of certain lands adjoining False Bay are vested in the Council of the City of Cape Town.

Short Title of the Act	Purpose of the Act
Cape Town Foreshore Act 26 of 1950	To provide for the management, control and development of the Cape Town foreshore and to that end to establish a board in respect of the said foreshore and to define its functions and to provide for through the incidental matters.
Republic (1961 – 1994)	
State Land Disposal Act 48 of 1961	To provide for the disposal of certain State Land and for matters incidental thereto, and to prohibit the acquisition of State Land by prescription.
Paarl Mountain Act 83 of 1970	To provide for the transfer of the ownership of certain land to the Paarl Municipality for certain purposes and the expropriation of certain rights in such land; to empower the said Municipality to donate a portion or portions of the said land to the State for the purpose of a Language Monument, and to provide for other incidental matters.
Marburg Immigration Settlement Regulation Act 50 of 1971	To provide for the subdivision of commonages within the Marburg Immigration Settlement situate in the County of Alfred, province of Natal and the allocation of the relevant portions to, and the dividing of the other assets of the Marburg Immigration Settlement Board, among registered owners of lots within the said Settlement, for matters incidental thereto.
Church Square, Pretoria, Development Act 53 of 1972	To provide for the management and upkeep of Church Square in Tshwane.
General Law Amendment Act 102 of 1972	Section 34. Certain conditions of title applying in respect of immovable property owned by the State to lapse in certain circumstances.
The Lake Areas Development Act 39 of 1975	To provide for the establishment of lake areas under the control of a Lake Areas Development Board, and for matters incidental thereto.
Expropriation Act 63 of 1975	To provide for the expropriation of land and other property for public and certain other purpose and for matters incidental thereto.
Rating of State Property Act 79 of 1984	To repeal certain Acts granting exemption in respect of certain State property from rates levied on immovable property by local authorities; provided that such rates may, notwithstanding certain other exemptions, be levied on other State property, make provision for rebates in respect of such rates levied on State property, and provide for matters such rates levied on State property, and provide for matters incidental thereto.
Transfer of Powers and Duties of the State President Act 97 of 1986	To amend certain laws so as to vest certain functions presently assigned to the State President, in the respective Ministers of State who are charged with the administration of those laws; and to provide for incidental matters.
Land Affairs Act 101 of 1987	To provide for the determination of amounts of compensation, purchase prices or rents in respect of immovable property expropriated, purchased or leased by the Department of Public Works for public purposes and the giving of advice with regard to the value of land and purchase prices or rent in respect of certain immovable property; for that purpose to make provision for the establishment of a Land Affairs Board; and to provide for incidental matters.

Short Title of the Act	Purpose of the Act
Commonwealth War Graves Act 08 of 1992	To prohibit the desecration, damaging or destruction of Commonwealth War Graves, to regulate the disinterment, removal, reinterment or cremation of Commonwealth war burial and the removal, alteration, repair or maintenance of Commonwealth War Graves and to provide for matters connected therewith.
South Africa (1994 to date)	
Parliamentary Village Management Board Act 96 of 1998	To provide for the establishment of a Parliamentary Villages Management Board and matters incidental thereto.
Construction Industry Development Board Act 38 of 2000	To provide for the establishment of the Construction Industry Development Board, and matters incidental thereto.
Council for the Built Environment Act 43 of 2000	To provide for the establishment of the Council for the Built Environment and matters incidental thereto.
Architectural Profession Act 44 of 2000	To provide for the establishment of the Council for the Architectural Profession and matters incidental thereto.
Landscape Architectural Professional Act 45 of 2000	To provide for the establishment of the Council for the Landscape Architectural Profession and matters incidental thereto.
Engineering Profession of South Africa Act 46 of 2000	To provide for the establishment of the Council for the Engineering Profession and matters incidental thereto.
Property Valuers Profession Act 47 of 2000	To provide for the establishment of the Council for the Property Valuers Profession and matters incidental thereto.
Project and Construction Management Profession Act 48 of 2000	To provide for the establishment of the Council for the Project and Construction Management Profession and matters incidental thereto.
Quantity Surveying Profession Act 49 of 2000	To provide for the establishment of the Council for the Quantity Surveying Profession and matters incidental thereto.
Government Immovable Asset Management Act 19 of 2007	To provide for a uniform framework for the management of an immovable asset that is held or used by a national or provincial department to ensure the coordination of the use of an immovable asset with the service delivery objectives of a national or provincial department; to provide for issuing of guidelines and minimum standards in respect of immovable asset management by a national or provincial department.

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