No.172 - 2022: Fourth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

**========================**

Wednesday, 18 May 2022

# **ANNOUNCEMENTS**

none

# **TABLINGS**

none

**COMMITTEE REPORTS**

**1. The Chairperson of the Infrastructure Development Portfolio Committee, Hon. M G Modise, tabled the Committee’s Oversight Report on the Detail of the Department of Infrastructure Development Budget Vote 15 of the Provincial Appropriation Bill *[G001-2022]* for the 2022/23 FY, as follows:**

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**INFRASTRUCTURE DEVELOPMENT AND PROPERTY MANAGEMENT PORTFOLIO**

**COMMITTEE**

**OVERSIGHT REPORT ON DETAIL OF VOTE 15 – GAUTENG DEPARTMENT OF INFRASTRUCTURE DEVELOPMENT AND PROPERTY MANAGEMENT APPROPRIATION BILL FOR THE 2022/23FY**

| **Committee Details** | **Department Details** |
| --- | --- |
| **Name of Committee** | **Infrastructure Development Portfolio Committee** | **Name of Department** | **Gauteng Department of Infrastructure Development**  |
| **Which Financial Year** | **2022/23** | **Dept. Budget Vote Nr.** | **15** |
|  |  | **Name of MEC** | **Acting Hon. J Mamabolo** |
| **Committee Approvals** |
|  | **Name** | **Signed** | **Date** |
| **Hon. Chairperson** | **Hon. M Modise** |  | **20 May 2022** |
| **Adoption and Tabling** |
| **Date of Final Adoption**  | **Scheduled date of House Tabling** |
| **16 May 2022** | **20 May 2022** |

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**ABBREVIATIONS**

|  |  |
| --- | --- |
| Abbreviation |  Full wording |
| APP | Annual Performance Plan |
| DID  | Department of Infrastructure Development  |
| EPWP | Expanded Public Works Programme  |
| GIAMA  | Government Immovable Asset Management Act |
| HVAC | Heating ventilation and Air conditioning  |
| HOD | Head of Departments  |
| IAM | Immovable Asset Management  |
| IDMS | Infrastructure Delivery Management System |
| GPG | Gauteng Provincial Government  |
| FY  | Financial Year |
| MTEF | Medium Term Expenditure Framework |
| MEC  | Member of Executive Committee |
| MVs | Military Veterans  |
| NDP | National Development Plan |
| OHS | Occupational Health and Safety |
| OSD | Occupational Specific Dispensation |
| PFMA | Public Finance Management Act |
| TER | Township Economic Revitalisation  |
| SDG | Sustainable Development Goals  |
| SMME | Small, Medium and Micro Enterprises |
| SMS | Senior Management Service |
| SONA | State of the Nations Address |
| SOPA | State of the Province Address |

**EXECUTIVE SUMMARY**

The oversight role of the Infrastructure Development and Property Management Portfolio Committee, as prescribed in the Standing Rules of the Gauteng Legislature, makes it imperative for the Committee to provide an analytical assessment of the state of the budget allocation to the Gauteng Department of Infrastructure Development and Property Management for the 2022/23 financial year. The Committee noted that that the Gauteng Department of Infrastructure Development and Property Management has been allocated **R3 312 235 000**, for the current financial year. The Committee is of the view that the Department is not adequately capacitated and resourced to carry out its functions and discharge its mandate with the budget allocated. However, the Department reported it plans to engage the Gauteng Treasury on any budget shortfall during the financial year.

The Committee noted that Programme one (Administration Programme) received an amount of R384 429 000. The budget will be channelled towards procurement allocated to Youth, Women, People with Disabilities and Military Veterans owned enterprises and to Township Enterprise Revitalisation.

**Programme two ( Public Works Programme)** received a total allocation of R2 668 243 000.It was concerning to the Committee to note that during the current financial year the budget presentation of the Department was not specific on issues related to Capital Expenditure per client Departments, breakdown of the construction budget. This information was vital to the Committee because, in the main, the mandate of the Department relies to this programme. However, the Committee noted that the allocated budget will be channelled towards recruitment of technical employees under Occupational Specific Dispensation, Kopanong Precinct, and refurbishment of some of the buildings such as Emoyeni and Corner House Buildings. The Committee further noted that Maintenance sub - programme received **R627 013 000** during year under review. This allocation does not include any of Department of Health facilities, but only allocated for its regional offices and workshops across the province, i.e. Westhoven, Tulisa Park, Tshwane, Springs, Sedibeng Thelle Mogoerane, Steve Biko Academic Hospital, Dr. George Mukhari and Chris Hani Baragwanath and Charlotte Maxeke.

**Programme three (Expanded Public Works Programme)** The Committee noted that budget allocation for this programme is R259 560 000, in the current FY. This allocation will amongst others cater for compensation of employees, community development, goods and service and households. The Committee will continue to monitor the Department’s performance during the FY.

1. **INTRODUCTION**

The Committee’s assessment of the Budget Vote 15 seeks to verify whether the proposed inputs translate into outputs, to realize the required outcomes thus ensuring that the funds apportioned to the Gauteng Department of Infrastructure Development and Property Management are used cost effectively.

1. **PROCESS FOLLOWED**

Vote 15 of the Schedule of the Provincial Appropriation Bill was formally referred by the Speaker, in terms of the Standing Rules 220 (2) of the Legislature to the Committee for consideration and reporting.During the virtual Committee meeting held on the 5th May 2022, the Committee Researcher made a presentation on the analysis of the Department’s Budget Vote 15 Report and questions emanating from the research analysis were forwarded to the Department of Infrastructure Development and Property Management to respond in writing.  Stakeholders did not partake in the processes of the Budget Vote. The Department presented its Budget Vote report on the 13th May 2021 and responded to all questions. The Committee deliberated and adopted the Oversight Report on the Departmental Budget Vote during the meeting held on Monday, 16th May 2022.

1. **OVERVIEW OF THE POLICY PRIORITIES**

***Departmental priorities and strategic objectives:*** The Department’s mandate is informed by National and Provincial priorities, which are outlined in the policies of both spheres of government.

***Nationally Priorities****:* During the State of the Nations Address of the 2022/23 financial year, the President of the Country His Excellency C Ramaphosa emphasised that government remain focused on a massive rollout infrastructure and stated that Infrastructure is central to economic reconstruction and recovery. The devastating effects of the Covid-19 pandemic on the South African economy continues to exacerbate the rising unemployment rate and deepen the deeply entrenched poverty and inequality with disastrous consequences for the millions of people. The economic reconstruction and recovery plan remains at the core of rebuilding the South African economy. The president also highlighted some of the challenges constraining the much-needed economic recovery include amongst others, the unreliable electricity supply, the high cost of doing business and inefficient network industries.

***Provincial Priorities****:* During his State of the Province (SOPA) Address of 2022/23 financial year, the Premier of the province Mr. David Makhura highlighted that prior to Covid, the infrastructure sector yielded job opportunities and giving a total of 22 000 jobs that managed to put bread on the table and enhanced the employability of those who participated. The premier further stated that our track record on maintenance has been dismal, delays and costing projects are areas of concern. Investing in infrastructure includes improving efficiencies, value for money and effecting the modernization of the delivery of government services. It is important to note that the province is planning to give Departments full responsibility for the maintenance. The health facilities managers have been suggesting this for quiet sometime due to challenges.

The above issues that were announced by the President and Premier also respond to the Millennium Development Goals. According to the UN Sustainable Development Goals Report (SDG) 2021, the SDG Report shows that South Africa is moderately improving on the industry, innovation and infrastructure.

***Departmental priorities****:* During the 2022/23 FY, the Department of Infrastructure Development and Property Management indicated that it would remain focused on an optimized public-owned fixed property portfolio, efficient and effective delivery of SMART public infrastructure”, the department will also ensure the:

* functional, reliable, and compliant infrastructure
* increased contribution of infrastructure spends to socio-economic development.
* poverty relief and improved employability of EPWP beneficiaries, and
* capable, ethical, and developmental organization.

The Department reported that it also aims to play a role in the modernization of the economy and the public service, while it also radically transforms the economy and accelerate social transformation. The Committee will continue to monitor the performance of the Department through IYM with a view to ensure that the resources allocated are utilized economically, effectively, and efficiently.

1. **OVERSIGHT ON TECHNICAL PERFORMANCE**

**COMMITTEE’S ASSESSMENT OF BUDGET VOTE 15**

**4.1 Summary of receipts**

The Committee noted that the Department of Infrastructure Development and Property Management is the implementing agent of most of the Departments in the social sector in respect of infrastructure development namely: the Departments of Health, Education and Social Development, also that the Department’s revenue is made up of the provincial equitable share and a conditional grant i.e. EPWP Incentive Grant which is meant to improve the creation of decent jobs, through the National Youth Service (NYS) programme.

The Committee observed that the entire budget allocation for the Department in the current FY is **R3 312 235 000**, however, concerned that the Department is underfunded noting a number of projects that are still outstanding.

**Summary of payments and estimates for the Department in the 2022/23 financial year**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programmes** **R' 000**  |  **Main appropriation****2021/22** |  **Adjusted****appropriation****2021/22** | **2022/23** | **2023/24** | **2024/25** |
| Administration | 446 264 |  468 108 |  384 429 | 338 718 | 356 926 |
| Public works  | 2 572 878 | 2 599 635 | 2 668 243 | 2 592 542 |  2 504 536  |
| EPWP  | 241 789 |  181 277 |  259 563 | 271 984 |  377 972  |
| **Total Payments**  | **3 260 931** | **3 249 020** | **3 312 235** | **3 203 244** | **3 236 434**  |

***GDID Budget Statement 2022/23 FY***

**Departmental Receipts Collection**

The main source of Departmental funding is its equitable shares and the revenue that it generates from sales of goods and services other than capital assets. The Committee noted with concern that the Department has been struggling when it comes to debt collections especially on leased properties. However, noted that in the current financial yearit, projected to generate R30 664 000 from properties which are due for public auction.

1. **PROGRAMME INFORMATION**
	1. **PROGRAMME 1: ADMINISTRATION**

The objective of this Programme is to render advisory, secretarial, administrative and office support to the MEC and to render strategic support to the Department in areas of finance, human resources, procurement, information and communication systems and policy. Programme 1 is divided into three sub-programmes; namely, office of the MEC, Corporate Services and Management.

**Administration summary of payments**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programmes** **R' 000**  |  **Main appropriation****2021/22** |  **Adjusted****appropriation****2021/22** | **2022/23** | **2023/24** | **2024/25** | **% Change 2021/22 - 2022/23** |
| Office of the MEC | 12 634 |  12 634 |  11 022 | 9 966 | 10 413 | -12.8% |
| Corporate Support  | 416 172 | 438 016 | 355 263 | 310 253 |  324 183  | -18.9% |
| Management of the Department | 17 458 | 17 458 | 18 144 | 18 499 |  19 330  | 3.92% |
| **Total Payments**  | **446 264** | **468 108** | **384 429** | **338 718** |  **353 926**  | **17.9%** |

***Source: Budget Statement 2022/2023 FY***

The Committee noted that the total appropriation for this programme is to **R384 429 000** which is a decrease of 17.9% when compared with the previous financial (2021/22) FY year budget allocation which was **R468 108 000.**

The Committee also noted that **Corporate Service sub-programme** received the largest budget within the Administration Programme as it received **R355 263 000**, which is 92.4% allocation of the overall budget allocated to this Programme. The Office of the MEC received R11 022 000 while the Corporate Support received R355 263 000. Responding to the Committee on the budget reduction under this sub-programme, the Department reported that it plans engage Gauteng Treasury on any budget shortfall.

The Committee acknowledged that the Department would continue with its plans to mainstream the previously disadvantaged groups into the economy**. However, concerning** is that some of the targets were adjusted upwardly and yet the budget was increased with only R686 000. Amongst other targets that were adjusted upwardly consist of the percentage of procurement allocated to youth-owned enterprises from 20% to 22%, percentage of procurement allocated to black women-owned enterprises from 30% to 32%, percentage of procurement allocated to Township Enterprise Revitalisation from 25% to 30%, also the percentage of procurement allocated to youth-owned enterprise has been increased from 1% to 2%.

Furthermore, the Committee was concerned that the Department has never achieved targets related to procurement spent to MVs and PwDs owned enterprises in the previous FYs . Responding to the Committee the Department reported that it will embark in the process of facilitating educational workshops on the targeted groups and there it will be guided by the BBBEE strategy document that will be adopted in the current FY. It will continue to encourage the establishment of value-adding joint ventures between traditional contractors and underperforming targeted groups. The Department further reported that the Emerging Contractor Policy is in its final stages, this will be the guide document for the procurement of the Emerging Contractor’s Development Panel. Whilst noting the strategies that will be implemented, the Committee noted with **concern** that there is no strategy reported that is related to non-payment of SMMEs by the main contractors, such as Kopanong Hospital SMMEs and Moraba Training consultant, which causes further project delays.

**5.2 PROGRAMME 2: PUBLIC WORKS**

The purpose of this programme is to plan, procure, deliver, and manage infrastructure delivery programme and to promote effective and efficient management of the property portfolio with a view to maximising the returns of investment. This Programme constitutes the core mandate of the Department.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programmes** **R' 000**  |  **Main appropriation****2021/22** |  **Adjusted****appropriation****2021/22** | **2022/23** | **2023/24** | **2024/25** | **% Change 2021/22 - 2022/23** |
| Construction | 281 189 |  210 756 |  235 937 | 169 929 | 169 929 | 11.9% |
| Maintenance  | 567 672 | 596 486 | 627 013 | 615 797 |  615 797  | 5.12% |
| Immovable Asset Management | 1 724 017 | 1 792 393 | 1 805 293 | 1 806 816 |  1 599 007  | 0.71% |
| **Total Payments**  | **2 572 878** | **2 599 635** | **2 668 243** | **2 592 542** |  **2 504 536**  | **2.64%** |

**Public Works summary of payment**

The Committee noted that the total appropriation for this programme is R2 668 243 000, which is the largest share of the entire budget of the FY.

***Construction sub-programme*** received an allocation of R235 937 000 which is a decrease of R45 252 000 from R281189 000 allocated in the previous financial year.

The Committee noted that compensation of employees’ budget for the current financial year R29 815 000 will cater for the continued recruitment of technical employees under Occupational Specific Dispensation (OSD) which is higher than the normal government salary grades. Most of these employees’ service client departments such as health institution, Gauteng Department of Education and STARS clients.

The Committee noted that ***Maintenance sub-programme*** received **23.4%** of the overall budget as it has been allocated **R627 013 000** during year under review. The budget has increased by 5% (**R30 525 000)** from R596 486 000 that was allocated in the 2021/22 financial year FY. The Department reported that this budget does not include any of Department of Health facilities, but only allocated for its regional offices and workshops across the province, i.e., Westhoven, Tulisa Park, Tshwane, Springs, Sedibeng , Thelle Mogoerane, Steve Biko Academic Hospital, Dr. George Mukhari and Chris Hani Baragwanath and Charlotte Maxeke.

**Maintenance Budget allocation**

|  |
| --- |
| **Maintenance 2022/23 Budget Allocation** |
| **Economic Classification** | **Budget amount** |
| **R’000** |
| Compensation of employees | 625 235 |
| Goods and services | 43 516 |
| Minor Assets | 1 000 |
| Fleet Services | 20 200 |
| Inventory | 2 000 |
| Consumable supplies | 1 766 |
| Property payments | 11 972 |
| Travel & Subsistence | 6 528 |
| Operating payments | 50 |
| Households | 1 778 |
| **Grand Total** | **627 013** |

Source :GDID Budget Vote responses

With regards to ***Property Management sub-programme,*** the Committee noted thataccording to the Department plans, ten (10**)** non-core properties will be disposed in the current FY and one (1) GPG Properties be commercialised, the Committee will continue to monitor progress during the FY. Other funds will be channeled to the establishment of the Kopanong Precinct totaling to R8 500 000, Refurbishment of amongst other of Emoyeni,, Number 30 Simmonds street Fire rehabilitation and Cornerhouse number 63 Fox Heating ventilation and Air conditioning (HVAC).

The Committee further noted that the largest share of the Public Works budget was channeled to GIAMA sub-programme as it was allocated R1 805 293 000 of the overall budget which is translated to 68%. The Committee is of the view that this sub-programme has been underfunded noting that the Immovable Asset Management targets has been increased by 2%. While on the other hand the Department is not adequately capacitated and resourced to carry out its functions related to GIAMA.

The Committee noted that **compensation of employees’** budget increased by 4% which is R29 815 000 due to continued recruitment of personnel especially technical employees under Occupational Specific Dispensation (OSD) which is higher than the normal government salary grades. The Committee further noted that the majority of these employees’ service client departments such as health institutions, Gauteng Department of Education and STARS clients.

It was concerning to the Committee to note that no details on the capital projects implemented on behalf of the Client Departments was provided, which is also the core mandate of the GDID.

**5.3 PROGRAMME 3: EXPANDED PUBLIC WORKS PROGRAMME (EPWP)**

The purpose of EPWP programme is to manage the implementation of programmes and strategies that leads to the development and empowerment of communities and contractors. This includes the provincial management and co-ordination of the Expanded Public Works Programme. The programme is nationwide aimed at the reorientation of the public sector spending in favour of projects that create more work opportunities and plays a crucial role in poverty alleviation.

**Expanded Public Works Programme summary of payments**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programmes** **R' 000**  |  **Main appropriation****2021/22** |  **Adjusted****appropriation****2021/22** | **2022/23** | **2023/24** | **2024/25** | **% Change 2021/22 - 2022/23** |
| Programme Support Cbp | 30 368 |  26 368 |  187 073 | 177 308 | 54 170 | 609% |
| Community Development  | 211 421 | 154 909 | 72 490 | 94 676 |  323 802  | -53.2% |
| **Total Payments**  | **241 789** | **181 277** | **259 563** | **271 984** | **377 972**  | **43.2%** |

***Source: Budget Statement 2022/2023 FY***

The Committee noted that budget allocation for this programme is R259 560 000, in the current FY. This allocation will amongst others cater for compensation of employees, Community development, Goods and service and households. The Committee will continue to monitor the Department’s performance during the FY.

1. **OVERSIGHT ON MEANINGFUL PUBLIC INVOLVEMENT**

As required in terms of Section (118) (1a) of the Constitution, act 108, of 1996, a provincial legislature must facilitate public involvement in the legislative and other processes of the legislature and its Committees. The Committee Stakeholders were not invited to partake in the meetings due to short notice and tight schedule of GPL.

1. **FINDINGS, RECOMMENDATIONS, AND IMPLICATIONS ON LAW MAKING**

**7.1** Committee Findings / Concerns

The Committee is concerned:

* + 1. that the Department is proposing a budget that is underfunded in a material way an example is that of the insufficient funds to pay rates and taxes or perform even basic level of maintenance. The proposed solution of the Department is to appeal before the Treasury for additional funding, which in a constraint financial environment is simply unavailable.
		2. that the Department has been struggling with debt collections on leased properties.

7.1.3 that there is no strategy reported that is related to non-payment of SMMEs by the main contractors who have contractual agreement with the Department.

**7.2 Recommendations**

**After assessing the Department of Infrastructure Development and Property Management Budget Vote 15 for the 2022/23 financial year, the Portfolio Committee recommends the Department to submit responses by** **Friday 24th June 2022.**

* + 1. The Department should re-think its budget and reprioritize in order to ensure that essential expenses such as rates and taxes and maintenance are provided by the re-worked budget.
		2. The Department to put considerable effort in ensuring maximum revenue collection on leased properties.
		3. A strategy to be developed in order to avoid non-payment of SMMEs by the main contractors who have contractual agreement with the Department, to avoid project delays.
1. **ACKNOWLEDGEMENTS**

The Chairperson of Portfolio Committee on Infrastructure Development, Honourable Mpho Gift Modise would like to thank MECs, T Motara, J Mamabolo, Head of the Department and the entire Departments’ Executives for their efforts in the consideration of this report.

The Chairperson further appreciates the diligent deliberations of Honourable Members T Magagula, K Diale-Tlabela, T Ndlovu, M Letsie, A Fuchs, N De Jager, M Mofama, C Mabala and K Hoffman.

The Committee Chairperson would also like to thank T Bodibe, M Tshabalala, K Mdlalose, T Mulibana, T Khumalo, L Ncume, N Mbonane, K Mphirime, for their dedication and assistance.

1. **ADOPTION**

In accordance with Rule 117 (2)(c) read with Rule 164 the Portfolio Committee on Infrastructure Development and Property Management; present before the House the Oversight Report on the Department of Infrastructure Development Budget for the 2022/23 financial year for consideration and adoption.