



KWAZULU-NATAL DEPARTMENT OF WORKS

REDESIGNING THE SERVICE DELIVERY MODEL

CREATING AN ORGANISATION OF EXCELLENCE

May 2006

Foreword

The Department of Works provides comprehensive building infrastructure services to the departments of the KwaZulu-Natal provincial administration. It relies on the quality of its service to attract client departments to fulfil their building needs by employing the Department of Works.

The Department must ensure that it is capable of meeting significantly increasing expectations without sacrificing any of the critical objectives of cost effectiveness, high quality construction and timeous completion of projects. Accelerated service delivery requires the adoption of new and innovative approaches to service delivery.

Throughout the 2005/2006 financial year, the department has concentrated on putting in place basic management structures and streamlining the business processes, to support the timeous and cost effective completion of the infrastructure needs allocated to the department by the client departments.

These changes set the stage for the more profound change needed to fulfil the ultimate objective of the department – to meet all of the building infrastructure needs of the KwaZulu-Natal Provincial Administration in a timeous, high quality and cost effective manner.

The next stage in the change process is the redesign of the department's service delivery model. This report presents the strategic elements of the redesign that, taken together, address how to transform service delivery to overcome the chronic issues preventing the department from meeting client expectations and, as important, to create the additional capacity to fully meet the increasing expectations put forward by all spheres of government and the public at large.

Following completion and approval of the redesign in March 2006, the Department has developed a detailed action plan to ensure full implementation of the redesign in the 2006/2007 financial year. The action plan forms a supplementary annex to the Annual Performance Plans of the department and its programmes.

The process of redesign must be seen as a work in progress and is expected to continue to cascade in detail as the elements of the redesign are unpacked. It is well recognised that the plan itself is insufficient; implementation is the critical phase and will include the development of a number of detailed new business solutions to give life to the redesign.

The Department of Works will be providing regular updates on progress on the implementation of the redesign of the service delivery model and will continue to share the more detailed innovations that it develops and implements.

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1. INTRODUCTION

The KwaZulu-Natal Department of Works is focused on transforming itself into an organisation of excellence. This encompasses fundamental change in every facet of the organisation and its programmes, including governance, performance management, policy and planning and service delivery.

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These changes set the stage for the more profound change needed to fulfil the ultimate objective of the department – to meet all of the building infrastructure needs of the KwaZulu-Natal Provincial Administration in a timeous, high quality and cost effective manner.

The next stage in the change process is the redesign of the department's service delivery model. This report presents the strategic elements of the redesign that, taken together, address how to transform service delivery to overcome the chronic issues preventing the department from meeting client expectations and, as important, to create the additional capacity to fully meet the increasing expectations put forward by all spheres of government and the public at large.

2. CHALLENGE OF SERVICE DELIVERY

Infrastructure development is one of the fundamental cornerstones for development in South Africa. Funding support from the National Government has reflected this priority and continues to increase, taxing the ability of all of the players in the infrastructure development sector to deliver on very ambitious expectations. It is anticipated that budget resources allocated to the provision of health and education infrastructure development, in particular, will continue to grow significantly in the next three years.

The KwaZulu-Natal Department of Works provides comprehensive building infrastructure services to the provincial administration. Its mandate is not binding on the other departments and it must rely on the decisions of these client departments to fulfil their building needs by employing the Department of Works.

Over a number of years the department has increasingly struggled to meet the infrastructure needs of the departments in a manner fully acceptable to them. This problem has become quite serious in recent years with the department unable to meet timing expectations, resulting in infrastructure backlogs and unexpended resources in any given financial year.

The department needs to ensure that it is capable of meeting all of the expanded expectations, without sacrificing quality and cost management objectives. The incorporation of other policy objectives related to employment and business development adds significant challenges to meeting the primary objective.

3. MANDATE FOR CHANGE

Upon his appointment as Minister of Works, the Honourable M B Gwala made a commitment to the Premier to transform the Department into an organisation of excellence. To action this commitment, the Minister commissioned the development of a Change Agenda which identifies the change expectations that form the core of a major turnaround initiative for the department.

The Change Agenda is as follows:

- Transformation of the department into a high-performing organisation;
- Redesign of the department's service delivery model to effectively, efficiently and timeously meet client expectations;
- Development of new partnerships and service delivery agreements with client departments;
- Fast tracked development and implementation of a new flagship programme for elimination of the classroom backlog;
- Development and implementation of a provincial fixed asset management system;
- Full engagement of the Expanded Public Works Programme.

The Change Agenda and the framework for a departmental turn around strategy were presented to and endorsed by the Premier and Executive Council and the Works and Finance Portfolio Committees. While this undertaking is seen as ambitious and difficult, support and encouragement has been unanimous from all quarters.

The mandate for change has been clearly established and widely endorsed.

4. REDESIGN OF THE SERVICE DELIVERY MODEL

Redesign of the department's service delivery model for the provision of building infrastructure to the provincial administration is the next critical phase in the change process. The objective is to transform service delivery to both overcome chronic barriers to effective service delivery and, as important, to create the additional capacity to fully meet the increasing expectations.

A Departmental Service Delivery Redesign Team (Redesign Team) was appointed in October 2005, comprised of senior departmental managers from Operations, Professional Services and Financial Services. The team was led and supported by the department's international transformation consultant.

A series of team workshops was held to examine in detail every aspect of the department's service delivery model and to identify innovative approaches able to meet all client expectations, recognising a two-fold increase in departmental capacity may be needed as early as 2007/2008.

The review perspective was business based and client driven. As a service provider, little distinguishes Works from a private sector service provider in terms of fully meeting the expectations of the clients in an effective, efficient and timeous manner.

Major issues addressed in workshops included:

- client management
- departmental capacity
- programme management
- management of major projects
- infrastructure planning
- policy and strategic planning
- decentralisation
- outsourcing
- selection and management of consultants
- procurement
- regional structure
- monitoring and reporting
- development of the Provincial Capital

Rather than undertake a general review of best practices, the Redesign Team focused on learning about the innovative approaches of other South African infrastructure development organisations for which there has been demonstrated success for the key elements of change being addressed in the redesign. Both government and private sector organisations with experience in multi-year, envelope based programme management were a particular focus for consultation.

The redesign is being completed and implemented in three phases. The first phase was the analysis and resolution of each of the major issues identified and addressed by the Redesign Team. This phase was completed in January 2006 and presented to the department's Executive Committee (EXCO) in early February.

After confirmation of the direction by EXCO, the Redesign Team has completed the development of more detailed analyses and proposals for certain major new elements, particularly a new programme management approach. The expanded report was presented to EXCO in late February.

A final report was completed and approved by the Head of Department in March 2006.

Implementation of the new service delivery model has already been initiated and will continue on a fast track through to completion in the 2006/2007 financial year. A transitional approach will be used as a number of the key elements need sufficient time for new operating procedures and documentation to be developed and completed.

5. ORGANISATIONAL CONTEXT AND KEY CHALLENGES

The Department of Works is not a line department. Its sole purpose is to provide infrastructure services to the provincial administration. Customer satisfaction must be its cardinal objective and the department should model itself after other highly successful public and private sector service providers.

The department needs to establish itself as a business and to understand that fully meeting the needs of its customers is paramount, within the context of national and provincial policy, of course. The service delivery model and the supporting structures need to reflect less of the traditional bureaucratic and internally operated structures normally associated with government organisations and, instead, should look to the private sector which has adopted “excellence in service” as the mantra for acquiring and holding market share.

Given the issues with attraction and retention of professional and technical staff, it is somewhat surprising that the department has not until now examined alternative service delivery models. This issue galvanises the basic challenge of the Department of Works, service delivery which meets or exceeds the performance of its potential competitors.

The redesign of the service delivery model is intended to provide the capacity and capability to fully meet all of the infrastructure needs of the provincial administration in a timeous, high quality and cost effective manner.

A number of key challenges must be addressed if this objective is to be met:

1. The department needs to leave behind the traditional process mentality and must become outcomes oriented.
2. The relationships with the customer departments must be recreated as the focus for the business model. These relationships must become sustained, strategic partnerships.
3. Business processes must be streamlined, creating more direct accountability for deliverables.
4. Significant new infrastructure development capacity must be created. At present, the department leaves its clients no choice but to turn to third party service providers.

5. Priority must be placed on the core business of the department – the provision of building infrastructure to meet all of the programme needs of the client departments. Resources should be channelled into the core functions, with other functions, such as the provision of artisan services, outsourced to the greatest extent possible.
6. Alternative service delivery approaches must be stimulated which overcome the chronic issues related to staff shortages, the failure of consultants to perform in a timeous manner and the inherent inefficiencies related to in-house provision of cyclically required services.
7. The service delivery organisation should be redesigned to reduce unnecessary levels and maximise alignment with client department and local government structures.

Resolution 1: The core functions of the department will be reorganised to ensure that all service delivery functions, including the management of consultants, are incorporated into what is now Operations and that the focus of what is now Professional Services will be on strategic client relationships, policy development, infrastructure planning and coordination and property management.

Resolution 2: The department should adopt a service delivery structure framed around providing the best possible service to the client departments in the most direct manner possible. No more than two levels are needed in the field organisation to accomplish this objective and the depots should be phased out in favour of a strengthened system of district offices. District offices should be aligned with the District Municipalities to maximise synergies with client departments and local government.

6. PERFORMANCE MANAGEMENT

Transformational change requires the analysis and resolution of the strategic issues and challenges facing the organisation. Basic principles must be clarified and confirmed. Clear direction comes from the application of these principles in a consistent manner. The Department of Works has completed the resolution of strategic issues and challenges facing it and the confirmation of its guiding principles. This new strategic direction provides the framework needed to transform the department into an organisation of excellence.

For any organisation to be well functioning, there must be clarity of purpose, objectives and culture. A system must be put in place which allows the strategic objectives of the department to be successfully managed with well defined deliverables and clear lines of authority, responsibility and accountability.

Notwithstanding the inherent efficiency and effectiveness of any new service delivery model, the changes must be fully implemented and the programme managed within a well functioning performance management system to fully realise these gains.

Expectations must be established in writing, with deadlines, milestones and responsibilities clearly set out. This “environmental condition” is an absolute prerequisite for the infrastructure development programme to address its new way of doing business and to fully meet all the expectations of its clients.

The progress made in the 2005/06 financial year in implementing the Performance Management Development System (PMDS) provides a solid starting point for the more disciplined and directing approach needed to successfully implement the major changes contemplated in the redesign of the service delivery model.

The Annual Performance Plan for 2006/07 incorporated the new strategic approaches which have been addressed in the workshops of the redesign team. Prior to the plan being finalised and approved, it was revised to fully incorporate the implementation of the new service delivery model. The Balanced Score Card will provide the system to effectively document and monitor performance on all of the key performance indicators.

Resolution 3: For the redesign of the service delivery model to be successful, the action plan has been incorporated into the PMDS to ensure that the recommendations are fully and expeditiously implemented and, as importantly, to provide the framework for management of the province’s infrastructure programme on an ongoing basis. PMDS needs to be rolled out to the lower levels of the department to ensure full engagement in the new service delivery model.

7. PROCUREMENT

Without question, procurement has been the single biggest cause of delays in the development of infrastructure in the past. For procurement decisions, the department is bound by the government wide system of delegation. With the introduction of Supply Chain Management, the overall accountability has been returned to the Accounting Officer. It would appear that the department will now be more in control of procurement decisions and will be able to ensure that the procurement management system is much more efficient.

Efforts must continue to focus decision-making on those possessed with business knowledge, supporting increased direct accountability rather than the anonymity associated with committee systems.

Electronic tools should be introduced to decrease the excessive amounts of time taken up by tender selection processes. This should also play an important role in simplifying selection processes and shortening decision lines.

Resolution 4: As Supply Chain Management is implemented in the department, special effort must be made to create timeous, efficient decision-making processes which acknowledge the need for direct accountability. Electronic tools should be introduced wherever possible to expedite tender processes.

8. CLIENT MANAGEMENT

The heart of any service-based business is the management of the relationships with the clients. Understanding the client's needs, managing the relationships, participating in the development of plans, providing the client with timeous and useful information and, most importantly, delivering on the client's needs is the essence of any service business. At present, client management is not strategically managed within the Department of Works, particularly related to the implementation of the Service Level Agreements.

Works has committed itself to recreate its relationships with its clients, proposing a partnership model so that expectations are clearly understood and risks and rewards are shared and co-managed. The partnership model should clarify all of the linkages between the departments and should set out the processes to be used to achieve a well planned and delivered infrastructure development programme.

Led by the Head of Department, discussions have been initiated to create new partnership based relationships with three client departments – Health, Education and Social Welfare and Population Development - that together commission the largest part of the province's building infrastructure programme.

The Joint Task Team on Education Infrastructure has been re-established and is quickly addressing the issues which must be resolved to allow the province to fully meet its school infrastructure targets. This concept should be replicated with all other departments, beginning with the Department of Health.

In order to more fully engage the other provincial client departments, it would be useful to establish a Provincial Works Infrastructure Committee that could be convened periodically to present and discuss strategic issues and progress on the provincial programme.

While these actions certainly constitute important first steps, much more is needed within the department. Client management needs to become one of the major priorities. Major infrastructure planning and coordination teams need to be established for each of Education and Health and, at a smaller scale, the other client departments as a collective. These teams must become the focus for planning, broad programme coordination and provincial client liaison.

The Departments of Works and Education have both embraced the second phase of the nationally supported Infrastructure Development Improvement Programme (IDIP). This programme provides senior technical assistance and programme management systems which aid the departments in ensuring that the school infrastructure development programme is able to fully meet its targets and will eliminate the backlog of classrooms as quickly as possible.

A similar programme will become available to the Departments of Works and Health, beginning in July 2006, and should be enthusiastically engaged by the two departments.

The principles that underpin IDIP are not specific to education or health infrastructure. It makes very good sense to maintain a uniform approach to the co-management of infrastructure programmes with all client departments. The IDIP processes and tool kit should be adopted as the basic operating model for the department.

The Service Level Agreements with client departments need to be expanded into service delivery agreements, incorporating the medium term infrastructure plans and programmes and the annual infrastructure programmes.

These agreements need to be fully incorporated into the PMDS in both Works and the client departments. To that end, discussions have been initiated with Western Cape Province concerning an Excel based software package designed specifically to manage performance on the Service Level Agreements.

Resolution 5: Infrastructure planning and coordination teams need to be established for Health, Education and the collective of other clients. These teams should be responsible for infrastructure planning, provincial programme coordination and management of the Service Level Agreements. Each of these teams should be led by a dedicated senior manager.

Resolution 6: The staffing structures to support this approach need attention, both in Works and in the client departments. All clients need to appoint responsibility managers with appropriate resource teams put in place for those departments with major programmes.

Resolution 7: The existing Service Level Agreements need to be expanded to include the multi-year programme management framework and the medium term infrastructure plans and annual infrastructure programmes for each department. Key performance indicators for each of the elements in the Service Level Agreements need to be established, identifying clear responsibility for all deliverables.

Resolution 8: A Joint Task Team on Health Infrastructure needs to be established at the earliest opportunity.

Resolution 9: The Departments of Works and Health should together embrace the new IDIP initiative when it becomes available in July 2006.

Resolution 10: To more fully inform and engage the other client departments, a Provincial Works Infrastructure Committee should be established to meet periodically to address strategic issues and progress on the provincial works programme.

Resolution 11: The department should formally adopt IDIP as the working approach to managing the infrastructure needs of all client departments. The IDIP Tool Kit should become the basic “operating system” for the provincial works programme.

Resolution 12: The department should investigate and, if appropriate, acquire the software package designed by Western Cape to monitor and manage performance on the implementation of the Service Level Agreements

9. MULTI-YEAR INFRASTRUCTURE PROGRAMME

It is almost inconceivable that in this millennium a provincial infrastructure programme is being managed strictly on a year to year basis. Budget structures and interdepartmental relationships in Kwa-Zulu-Natal have not encouraged the development of longer term planning and pre-development activities in the past. The client departments, including those with large infrastructure needs, have not been able to provide the much needed planning perspective.

Every well functioning infrastructure service provider is characterised by strength in planning – the more and the more strategic the better – and multi-year programme management. To be effective in this era of complexity, priorities need to be identified at no less than the medium term (minimum of three years). This provides the context for maximum coordination and advance preparation. Virtually every step up to site development can be undertaken in advance and scarce resources can be better deployed in anticipation of impending work loads.

This approach is critical to creating significant acceleration in service delivery. It must begin with the recognition by the client departments that the needed capacity and efficiencies can never be realised strictly through better management of annual infrastructure programmes. Advance planning, including integrated planning with those charged with the provision of road, power and water and sanitation services, real estate acquisition and site design should all be undertaken well in advance of site development and should be fully supported and funded by the client departments. The goal should be a true multi-year infrastructure development programme.

The creation of a multi-year infrastructure development programme should be fully supported and funded by the Treasury Department. This approach is an integral part of the accelerated service delivery model advocated within IDIP, which is formally sponsored and supported by both National Treasury and the KwaZulu-Natal Department of Treasury. Preparation of medium term infrastructure plans on an ongoing basis should be made a mandatory requirement by Treasury, as part of the process for annually updating the Medium Term Expenditure Framework.

These planning processes also need to address the preferential procurement objectives to be incorporated into the programme for each department. The delivery risks associated with meeting employment and business development targets must be defined and shared by the client and the service provider.

Resolution 13: A multi-year programme management approach should be adopted collectively by Works, Health and Education, and supported by Treasury, that includes the establishment of a running three year Infrastructure Programme Management Plan (IPMP), a multi-year implementation framework and budgeted advance funding for planning, real estate acquisition and project design and tender. This concept is illustrated in the flow chart on the next page.

Resolution 14: In cooperation with the client departments, medium term infrastructure plans and the annual programme plan should be developed by no later than 30 June 2006. These plans should set out the complete infrastructure needs and priorities of the department, including the specific preferential procurement objectives and should be updated on an annual basis.

Resolution 15: The Department of Works should formally request the Treasury Department to incorporate a mandatory requirement for medium term infrastructure plans to be prepared and updated annually as part of the process related to the annual consideration of the Medium Term Expenditure Framework.

10. PROVINCIAL CAPITAL

When the Premier announced Pietermaritzburg as the provincial capital in 2004, efforts were concentrated on centralising the corporate functions of the provincial administration in Pietermaritzburg on an urgent basis. Energy was expended in identifying and hiring all vacant space suitable to accommodating the migrating functions.

This phase has now been largely completed and it is important for the Department of Works to now begin to consider the longer term vision of the Premier for Pietermaritzburg. Over time, it is expected that the presence of the provincial administration in Pietermaritzburg will become an enormous asset to the city. The “provincial presence” is something which begs a medium term plan, to be developed in cooperation with the municipality.

The Department of Works will be a central player in the evolving implementation of the Premier’s vision for Pietermaritzburg. It would be prudent for the department to assume a leadership role in developing an overall accommodation plan for the provincial government in the city.

Resolution 16: The department should establish a separate infrastructure planning team to specifically address the development and implementation of the Provincial Capital concept for Pietermaritzburg.

11. POLICY DEVELOPMENT

The department needs to significantly strengthen its policy and planning capabilities. At present, policy needs are addressed by piggy-backing assignments on staff already fully engaged by their primary responsibilities.

A new organisational unit needs to be established incorporating the policy functions in Professional Services and adding new capabilities related to legislation and government policy and interdepartmental coordination. This unit should be responsible for norms and standards, research and development, capacitation and compliance.

Resolution 16: A Policy Development unit should be established incorporating the existing policy functions of Professional Services and adding new capabilities to provide departmental support for norms and standards, research and development, capacitation and compliance.

12. PROGRAMME MANAGEMENT

The greatest challenge in delivering the province's infrastructure programme is created by the project management approach presently utilised by the department. The approach is inherently inefficient with virtually every project managed separately and through processes fraught with overlap and uncertainty. The department appoints consultants for each project which are, in turn, briefed, directed and overseen by a gradually disappearing cadre of skilled departmental staff.

The department does not and is unlikely to ever have the staff to support this approach. But why would it want to. The private sector is able and interested in being contracted to manage suites of similar projects. The major client departments have created sufficient standardisation in facility design to facilitate the creation of groups of similar projects.

This challenge provides the greatest opportunity for the department to streamline the infrastructure development processes and substantially increase the overall capacity of the departmental programme.

The Redesign Team has researched a number of programme management models which have been successfully utilised by departments of the National Government. The team has developed a model for KwaZulu-Natal Works which is described in Annexure A.

Resolution 17: The department should adopt and implement the programme management system detailed in Annexure A which would identify and tender comprehensive three year contracts for programme coordination and consulting services for envelopes of similar projects for each client by region.

Resolution 18: The new model should be introduced with the 2006/2007 infrastructure programme. An Implementation Schedule is included in Annexure A. A transition will be required to develop and apply the new tender documents and contracts, likely necessitating a continuation of the present approach for a portion of the new programme. Specialised consulting assistance should be contracted to assist with the introduction of the new model.

13. MAJOR PROJECTS

The provincial building infrastructure programme includes a relatively small number of major projects. These projects are of sufficient scope and scale that they do not lend themselves to the envelope management system and can overwhelm the capabilities of the regionally based delivery system.

The Department of Health has indicated that each of the hospital projects funded by conditional grants from the National Government will need to be managed individually by teams with specialist skills in hospital construction. Their preference is for comprehensive contracts which include project management, consulting services, construction and maintenance.

At present, a number of these projects are managed on a one-off basis, with senior management and professional staff assigned project management responsibilities in addition to their normal duties.

It is expected that the number of these projects will significantly increase in the coming years, particularly related to national conditional grants for the development of hospitals.

Resolution 19: Major projects should be managed as a separate programme element as part of the new Service Delivery organisation but apart from the regional structure. For each project, the comprehensive contracting approach should be used, incorporating at the minimum, project management and the complete suite of consulting services. In cooperation with the Department of Health, consideration should be given to an even more comprehensive contracting approach which also includes construction, operation and maintenance.

14. CONSULTANTS AND CONTRACTORS

The management of consultants and contractors is a major challenge within the present service delivery model. With the present project management approach, hundreds of projects are tendered individually creating a major challenge for the limited staff available to provide adequate project leadership.

The appointment and briefing of consultants has been a major delay in itself. If the new web based roster system is used to its fullest advantage, this problem should be substantially reduced.

The relationship between the department and its consultants is entirely framed in the letter of appointment. This provides the consultant with a mandate but little information and the department with very little control. The letter is nothing at all like the kind of contract that a private sector service provider would put in place, which would set out the contractor's obligations, time lines and accountabilities including payment for performance and penalties for non-performance.

Once consultants are appointed, the department has an obligation to brief them, a process which often takes months to complete even though many projects are “standard” and similar to other projects in the same region.

Once the consultants are “turned loose”, their performance seems to be entirely on a voluntary basis with the department having little if any ability to expedite performance or even insist on timely progress reporting.

Most of the same issues pertain to the contractors as well. Letting contracts for hundreds of small projects is inherently inefficient and produces an enormous requirement for project management that is very difficult for the department to satisfy with its diminishing pool of skilled personnel. Performance expectations need to be clearly set out and rigidly enforced, including the application of penalties where appropriate.

Resolution 20: In addition to the implementation of the new multi-year programme management approach, the management of consultants and contractors should be fundamentally strengthened, beginning with the use of contracts with expectations clearly defined, payment tied to performance and much stronger enforcement provisions for poor and non-performance.

15. ARTISAN SERVICES

The department has traditionally maintained a large establishment of artisans, deployed in district offices and depots. Recent analysis has raised issues related to whether this is an effective and cost efficient approach to sourcing needed artisan services.

With the major growth in funding for infrastructure and the intense pressure to accelerate service delivery, the department needs to focus its limited managerial and financial resources on its core priority of providing new building infrastructure for the KwaZulu-Natal provincial administration, particularly to meet the ambitious targets for health and education infrastructure.

As part of the restructuring of Works after the 1995 amalgamation, the Department of Public Service Administration indicated that artisan work was not a core function of the Department of Works. This work could easily be outsourced without negative effect, allowing the department to focus on new building infrastructure. The National Department of Public Works has phased out artisan workshops long ago.

Recent EXCO visits to district offices and depots in the eThekweni, North Coast and Midlands Regions have concluded that maintaining a standing establishment of artisans is not the most cost effective way to provide artisan services. Significant overhead is being maintained for a work force that is much less than fully employed.

As noted in the EXCO visit to Umfolozi, at times the work force can be less than 10% utilised. The work audit conducted by EXCO members at the Maphumulu depot concluded that the services provided by the depot could be sourced from the private sector at approximately one-sixth the total cost.

This same conclusion had been reached independently by the Southern Region a number of years ago. Since then the region has created a much smaller, centralised group of senior artisans while phasing out altogether the remainder of the artisan services. The region was able to completely eliminate the depots as part of this change process. Any artisan services that cannot be met from within the core group are contracted from private firms.

With the construction industry about to enter a period of major growth, the department's artisan capacity could be much better utilised in the private sector. In fact, many of these artisans should be encouraged to establish SMME's which the department could contract with for meeting its needs, while providing a base from which to build a much larger business within the private sector.

In addressing the question of why the department should retain any artisan services in-house, the Southern Region noted that the core group is quite busy and they have an important role to play for very urgent small work where private firms are not available.

Resolution 21: The department should extend the model developed in the Southern Region for artisan services to the other three regions. This approach maintains a mobile, centralised, high level core group supplemented by contract resources as needed.

16. MATERIALS SUPPLY

Discussions with national departments and private sector firms have confirmed a new challenge for infrastructure development organisations in South Africa related to the availability of building materials. Shortages of materials supply are already causing disruptions and delays and the problem is expected to significantly worsen as construction related to the 2010 World Cup gets underway.

Recommendation 22: The department should establish a special task team to analyse the nature and scale of potential building material shortages in KwaZulu-Natal and identify possible responses including programmes to stimulate local production and the use of alternative materials.

17. MONITORING AND REPORTING

A critical element of both programme management and client relationships is monitoring and reporting on the status of all of the projects that make up the provincial infrastructure programme. This is much more important and involved than the present level of effort would suggest.

The existing system has suffered from a multitude of problems and issues ranging from the failure of consultants to report progress, questions about the suitability of the Works Control System to support the needs of a performance-based management approach and the lack of commitment to supply senior managers, clients and oversight groups with timely and accurate management information.

Once a project is initiated, information as to its current status must be maintained and be capable of being used within the performance management system to determine progress against established performance targets for the department and the accountable staff.

The Department of Works commissioned a major enhancement of the Works Control System. The new Works Information Management System (WIMS), now a web-based system, incorporates major improvements in accessibility and the ability to generate management information.

Resolution 23: A monitoring and reporting protocol needs to be developed on an urgent basis, building back from the needs of senior decision-makers in Works and the client departments to receive current summary information useable in assessing the operational and financial performance of the department.

18. IMPLEMENTATION

Implementation is intended to begin immediately, with a view to completing all of the changes in the 2006/2007 financial year.

The following items are the core of the Action Plan which is being developed in detail as part of the department's operational planning:

1. The annual performance plans for 2006/2007 need to incorporate detailed KPI's which fully address implementation of the service delivery redesign.
2. The organisation structure review needs to incorporate all of the relevant elements from the service delivery redesign. The redesign consultant should be tasked to work very closely with the organisation review consultants and the senior leadership team to ensure the best possible outcome.

3. Operations needs to incorporate the management of consulting services into a fully integrated service delivery model and put in place the structure to support the new programme management approach.
4. The streamlining and realignment of the regional structures needs to be finalised and an implementation plan prepared.
5. The new programme management system is the heart of the redesign and needs to be initiated immediately. Specialised consulting assistance should be appointed to work with the redesign team on the detailed design of the system and all of the prequalification and tender documents.
6. Client management teams need to be established as soon as possible to begin work, in cooperation with Health and Education, on a new multi-year infrastructure management framework. The Service Level Agreements need to be revised to incorporate both the medium term and annual programme plans.
7. A Joint Task Team on Health Infrastructure needs to be established at the earliest opportunity.
8. The new Joint Task Team should, as an urgent priority, establish the model for managing major health projects such as new hospitals.
9. A Provincial Works Infrastructure Committee needs to be established and should, at its first meeting, receive a presentation on the redesign of the service delivery model and the Annual Performance Plan for 2006/2007 for the Department of Works.
10. The IDIP Tool Kit needs to be transformed into the basic operating system for the department.
11. The redesign team should investigate and make a recommendation on the acquisition of the software package designed by the Western Cape to monitor and manage performance on the implementation of the Service Level Agreements.
12. Meetings of the Joint Task Teams with Education and Health should be asked to establish teams to cooperatively develop medium term infrastructure plans. The other client departments should be requested in writing to complete and submit medium term plans by 30 June 2006.
13. The Head of Department should request the Head of Treasury to consider the incorporation of a mandatory requirement for medium term infrastructure plans to be established and updated annually as part of the Medium Term Expenditure Framework process.

14. Contract documents for both consultants and contractors need to be reviewed and strengthened to ensure that performance expectations can be enforced.
15. The department should establish a special task team to analyse potential shortages in building materials and propose appropriate responses.
16. The Redesign Team should be tasked with the preparation of a comprehensive monitoring and reporting protocol.

19. CONCLUSION

This report sets out the recommended redesign of the service delivery model for the provincial building infrastructure programme undertaken by the KwaZulu-Natal Department of Works. After confirmation of the strategic direction by EXCO, the Redesign Team was tasked with the development of more detailed proposals for certain of the major new elements. This phase required much wider engagement with other government organisations and the private sector to learn of programme management approaches with demonstrated success.

Implementation of the detailed elements of the redesign should begin immediately and be completed in the new financial year. It should be noted that every aspect of the upcoming 2007/08 programme should be undertaken within the new model beginning with the completion of the medium term infrastructure plans for all client departments by the end of June 2006.

The key to fully meeting all of the expectations of the client departments lies in the full implementation of the new service delivery model. While a sound plan for expanded, efficient and effective service delivery is the right place to start, success will be a function of the commitment to change and innovation, particularly in the introduction of the new alternative service delivery approaches.

31 March 2006

ANNEXURE A

A PROGRAMME MANAGEMENT APPROACH FOR WORKS INFRASTRUCTURE IN KWAZULU-NATAL

Present Situation

The greatest challenge in delivering the infrastructure programme for the KwaZulu-Natal provincial administration is the project management approach presently utilised by the Department of Works. The approach is inherently inefficient with virtually every project managed separately and through processes fraught with overlap and uncertainty related to outcomes. The department appoints teams of consultants for each project which are, in turn, briefed, directed and overseen by a gradually disappearing cadre of departmental staff that serve as project leaders.

The department does not and will never have the staff to support this approach. But more importantly, there is absolutely no rationale for doing so. Alternative approaches are available which have demonstrated the ability to deliver much more infrastructure, in a well coordinated manner, with many fewer problems and with significant overall cost savings.

The private sector is able and very interested in being contracted to manage suites of similar projects. The major client departments have created sufficient common development models to greatly facilitate the creation of envelopes of similar projects.

The resolution of this challenge provides the greatest opportunity for the department to streamline the infrastructure development processes and substantially increase the overall capacity of the departmental programme.

Review of Successful Programme Management Systems

The Redesign Team has researched in detail programme management models which have been successfully utilised by departments of the National Government. Discussions have been held with national agencies and a number of private firms that have been engaged in the development and application of multi-year programme management models.

The Repair and Maintenance Programme (RAMP) managed by the Department of Public Works (DPW) is a multi-year programme with expenditures of over R 1 billion per year. Each client department has a multi-year funding envelope which is coordinated by a principal agent that is appointed by DPW. DPW also appoints all consultants and contractors and continues to provide all financial and administrative support. The use of a

Principle Agent has improved coordination and resulted in significant savings in total consulting costs.

Beginning in 1997, the Department of Water Affairs and Forestry has used a programmatic approach to their entire national water and sanitation programme. The initial programme was a multi-year build, operate and transfer approach which utilised comprehensive agreements that incorporated both the consulting and contracting components.

Following on that approach, the department opted to separate the consulting and contracting components, retaining the overall programme management responsibility in the consulting contract. The department wanted a more arms length relationship between the professional team and the contractors while retaining the efficiencies of a single programme manager and a professional team.

The comprehensive programme management and consulting contracts provide strong coordination and management and maximise the internal efficiencies related to the assignment of consulting capabilities. Departmental resources are focused exclusively on performance management of the comprehensive contracts related to the achievement of the programme objectives. While the creation of cost savings is not the primary objective of this approach, it should be noted that both the government departments and private sector comfortably noted major savings in the overall cost of consulting services.

New Programme Management System

Having considered the alternative approaches that have had demonstrated and sustainable success, it is recommended that the Department of Works adapt the approach utilised by the Department of Water Resources and Forestry in recent years.

The provincial infrastructure programme would be managed through a series of comprehensive multi-year programme management and consulting services contracts. These contracts would be appointed through a tender process available to pre-qualified companies/consortia and would include a programme coordination/management component and an integrated team of consultants.

Within this context, two alternatives are available in terms of how best to organise the programme. The first would function at the regional level and would organise all of the similar projects into an envelope, ideally by client department for the larger clients. The second approach would have all of the projects in a district managed within a contract.

It is recommended that the department organise programme management at the regional level, with programme contracts for each of Health, Education and the group of smaller clients which include the entire capital works and, possibly, the repair and renovation programme. This approach will strengthen

client relationships, capitalises on the department's present staffing strengths and is consistent with the regional model proposed in the organisation structure review. Ideally, each of the envelopes would have projects valued at between R40 million and R 150 million per year, with variability seen as an asset as it would utilise a broader spectrum of companies.

The construction phase would also be managed through more comprehensive contracts for the programme envelopes, although more flexibility would be available to engage a wider range of construction companies to suit the specific needs of each infrastructure envelope.

The department should establish a new unit within Operations to provide overall provincial coordination, capacitation and problem solving service to Regional Programme Coordinators for each programme envelope.

Tender documents and contracts will need to be comprehensive and performance oriented. Performance management will be the paramount consideration with expectations, penalties and incentives clearly stated. All government policies related to preferential procurement, utilisation of local professional services and mentoring of emerging consulting individuals/firms will need to be included. Provisions will need to be included for dispute resolution and management of shared risk.

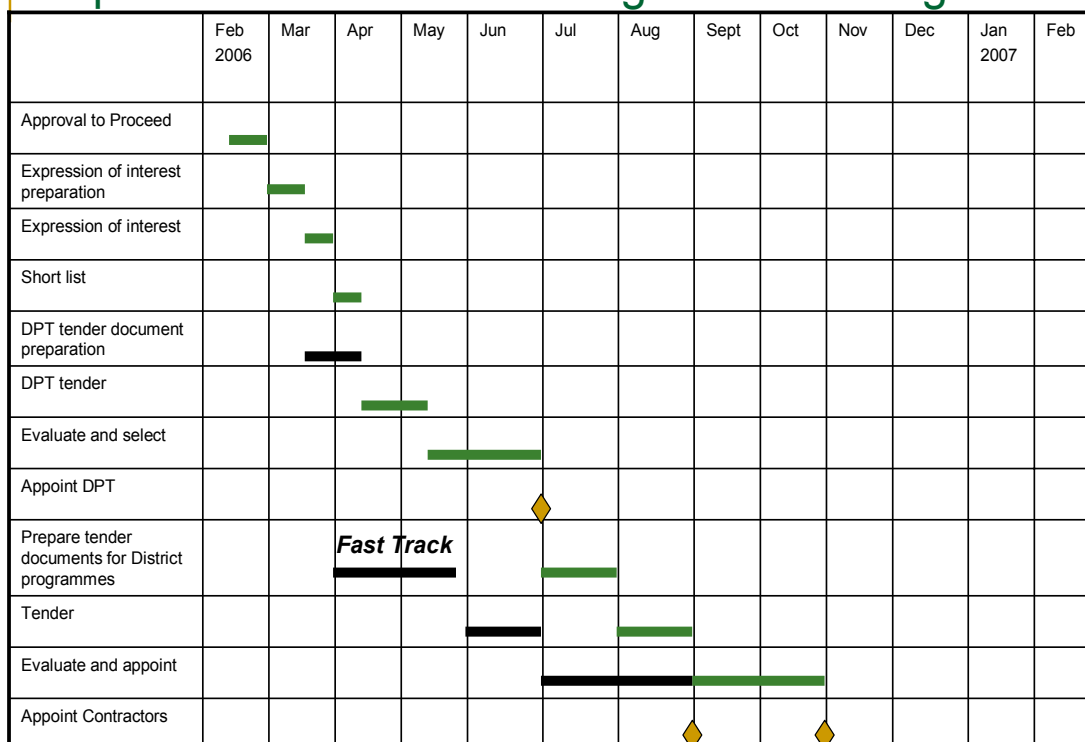
Implementation


The new model should be introduced with the 2006/2007 infrastructure programme. As noted in the implementation plan for the service delivery redesign, a transition period will be required to develop and apply the new tender documents and contracts, likely necessitating a continuation of the present approach for a portion of the new programme.

The fast track option is recommended. It requires the utilisation of specialised consulting expertise to assist with the preparation of documents which would be undertaken in parallel with other processes. This specialised consulting assistance should be appointed as soon as possible. Inquiries have concluded that experienced consulting expertise is available to immediately begin work on the pre-qualification and tender documents.

The proposed implementation schedule is presented on the next page.

Implementation Plan for Programme Management





 Existing process continued through transition

It is clear from the experiences of others that implementation of the multi-year programme management model can very quickly create the capacity needed to fully meet all of the building infrastructure needs of the KwaZulu-Natal provincial administration.