

**PROVINCE
OF KWAZULU-NATAL**

Vote 14: Works

Budget Address to the Provincial Legislature: 2005/2006

By the Honourable MB Gwala, Minister of Public Works

Mr Chairman

Honourable Premier

Colleagues in the Provincial Government

Honourable Members.

INTRODUCTION

When I presented my first Budget Speech as Minister of Public Works on 28 July 2004 last year, I said I was very conscious of the needs and expectations of the people of this Province. I went on to say we have a responsibility to give meaning to those expectations by providing appropriate services and that the Department of Works had a major role to play in the delivery of accommodation services.

Today we are nine months further down the road and I think it appropriate that I share with this House what I have recently shared with my Colleagues in the Provincial Cabinet, and the Portfolio Committees for Works and Finance.

If anyone in this House doubted my determination and commitment to what I had said last year and about how I view giving meaning to our responsibility to meet the expectations of the people of our Province, I want to eliminate those doubts today. I did not agree to take the Public Works portfolio to fail the people of our Province. I took on this responsibility because I believe I can deliver on their expectations.

Mr Speaker, this House will recall that I was a critic of the Department of Works, before I was the Minister. Having been appointed the Minister did not mean that I shelved my criticism. I am still a critic - only now I criticise from the inside with a more informed background. With this background, I did not hesitate to ask the Office of the Premier to investigate the Highway House matter and to ask the Premier to suspend the then Head of Department soon after my appointment. The Premier informed this House during his Mid-term report in December last year about the conclusion of the investigation and the former Head of Department has since left the service after being reinstated by the Premier. Since the former Head of Department's suspension, I have had the opportunity to learn more about the Department and came to the conclusion that it is in dire need for change.

NEED FOR CHANGE

The Honourable Premier asked the Department of Public Service and Administration and the Office of the Public Service Commission last

year to investigate our Province's readiness for service delivery. I don't want to dwell too much on their report; save to say that Works is one of six Departments mentioned by the report that is not ready for service delivery. Considering my commitment to deliver to the people of this Province, I embraced this Report and committed myself to change the way my Department has been working before.

CHANGE AGENDA FOR 2005-2006

I have announced a Change Agenda to the Managers of my Department early in February of this year and repeated it at a follow-up meeting in April, to better focus what we have jointly decided on during our strategic planning last year. This Change Agenda does not replace the strategic plan, but merely focuses it. The Agenda for the financial 2005/2006-year is:

- The transformation of the Department into a high-performing one.
- The redesign of the service delivery model, which was incapable to fully deliver until now.
- The development of new partnerships and service delivery agreements.
- Fast tracking development and the implementation of a new flagship programme for classrooms.
- The development of a provincial fixed asset management system.

- A major commitment to the Expanded Public Works Programme that has been absent thus far.

This Change Agenda has to be seen against the background of the current state of my Department.

STATE OF THE DEPARTMENT

When I criticised the Department of Works as an ordinary MPP, I could not imagine the extent to which my Department was unable to meet the expectations of our clients. Some of it is the fault of the Department – some not! I have spent a considerable amount of time trying to find out why my Department is unable to meet the expectations of our clients and have come to understand much better what the problems are.

I have had the experience to work with my Department for close to a year and found it wanting in many respects. The following is a brief overview of the current state of my Department:

- The senior management team is dysfunctional
- The current organisational structure is not aligned to the core functions of the Department
- In the past, strategic plans were developed only to comply with national policies

- The Departmental vacancy rate is in excess of 30% and includes very high rates for professional and technical staff with no Departmental retention or attraction response
- Every aspect of human resource management is problematic: recruitment, planning, performance management, and disciplinary management.

NEW LEADERSHIP AND MANAGEMENT

Mr Chairman, I am sure the House will agree with me that given the dysfunctional state of my Department's management, I need permanent and competent leadership to head my Department. Since I have been the Minister of Public Works, my Department had a change in leadership four times. I know you will agree with me that this instability cannot be good for any department but we should not make a mistake to regard this instability as the only cause for my Department's inability to deliver. I have finalised the recruitment of a new Head of Department to lead and transform the Department. The Premier, on the recommendation of the Selection Committee I have chaired, approved the appointment of Dr Fikisiwe Beatrice Madlopha as Head of Works with effect from 1 April 2005.

The new Head of Department will lead a turn around team to address my transformational Change Agenda. Her initial task is the creation of a high performance senior leadership team, functioning in a professional, unified and focused manner. She will also lead the re-established Departmental Executive Committee, and ensure that the

Departmental Management Committees and the Management Forum serve as the foundation for improved Departmental planning, decision-making and communication. These Committees will play a spearhead role in a turnaround strategy for the Department.

Mr Chairman, the type of work my Department does, makes it vulnerable to corruption and fraud. I am acutely aware of work done by auditors and other investigators that revealed fraud, corruption, nepotism, and other malpractices in my Department. I have stated in various *fora* that I will not tolerate these, and instructed before that these be attended to and I am pleased to say that some progress had been made, but regrettably, these malpractices prevail. I have, therefore, instructed my new Head of Department to vigorously and ruthlessly deal with fraud, corruption, nepotism and other malpractices so that they can be rooted out and the culprits be dealt with.

TURNAROUND STRATEGY

The Department of Works is a service provider to all Provincial Departments. However, its infrastructure development process is unable to meet the requirements of these Departments. It is widely recognised that just about every aspect of the development process is under performing and that the processes of planning, procurement, project management - all require redesign.

The turnaround strategy for the Department will focus on the whole Department participating actively in all corporate turn around processes led by the Director-General. Specific projects in the future will focus on improved strategic planning, human resource management, performance management, disciplinary management and professionalism.

The report by the Department of Public Service and Administration and the Office of the Public Service Commission coincided with an initiative I have taken to investigate the Department's service delivery and to embark upon a turnaround strategy.

I have identified some time ago that something must be deficient in my Department's service delivery model – if not, it would have been able to deliver. My Department has contracted an international consultant who is vastly experienced in service delivery redesign to review the Department's service delivery model, focusing on the creation of a streamlined, high performance service delivery model – the objective being to fully meet client requirements for timely delivery of high quality infrastructure.

The redesign scope is comprehensive, addressing both internal and corporate issues, whilst the redesign process will propose changes to the existing model as well as considering alternative approaches.

It is an essential requirement that any service delivery department should have very good relationships with its clients. Regrettably, the

Department of Works's relationships with clients have never been its strong point. This requires a re-orientation.

- New partnerships and service delivery agreements will have to be negotiated with clients.
- The first task of interdepartmental processes will be to develop medium term infrastructure plans to facilitate advanced planning, design and real estate acquisition.
- Client relationship managers will be established for each client department.

Mr Chairman, as a Department, we are the champions of development.

FIXED PROPERTY ASSET MANAGEMENT SYSTEM

The heart and soul of the Department of Works should be in its property management system. Members of this House will tell me that we currently have neither a heart nor a soul and I won't argue with you. However, we want to be known for having these and therefore we will rectify the situation.

The Department of Works will ensure that a fully functional Fixed Asset Management System is in place by May 2006. This system will be capable of providing:

- A fixed property asset register
- It will indicate the rental status of official housing
- It will allow for the letting out and for the hiring of state property

- It will cater for the calculation of depreciation of fixed assets; and
- It will provide for facilities management.

I have appointed a Real Estate Manager towards the end of 2004. He already closely collaborated with the Provincial Treasury and jointly they have identified an appropriate information technology platform that is already used by our two biggest clients, as suitable. Mr Chairman, this is the first time in the history of the Department that we have a real Estate Manager and look at what has already been achieved in the short time since his appointment. I have set the goal for the Department that a fully operational system will be in place by May 2006.

Mr Chairman, as a Department, we are the champions of development.

CLASSROOM CONSTRUCTION NUMBER ONE PRIORITY

The President in his State of the Nation Address mentioned that delivery of classrooms still have not reached the desired expectations. The Premier emphasised the same in his State of the Province Address. In keeping with them emphasising classroom construction a top priority, my Department will make this our number one priority.

The profile of the Province identifies a backlog of over 14 000 classrooms and indicates that 32% of all schools have weak buildings. Mr Chairman, at Works we regard a classroom as “weak” when it does not comply with our standard requirements of having a face brick double skin wall; vinyl floor tiles, a ceiling, electricity or at least conduits for electricity where ESKOM did not provide electricity to an area yet; chalk boards; glazed windows, wooden doors; a metal sheet or concrete tile roof; a minimum floor area of 50 square metres, etc. The President’s State of the Nation Address clearly identified a major continuing backlog as the most urgent priority for governments in South Africa. We will embark on a five-year programme of classroom construction to eliminate this backlog, starting with 1 500 classrooms this financial year and then delivering the remainder over four years there after.

My Department and I are very much aware that a continuation of the existing programme, even with redesigned service delivery, will still be grossly insufficient in meeting needs.

Mr Chairman, the Departments of Education, Works and the Provincial Treasury are currently collaborating in a special classroom initiative that started in 2004, with my Department playing a major planning role in the fast tracking and building of new classrooms to eradicate learners under trees. Under the joint effort, the majority of Phase 1 sites have been handed over to the successful contractors. Tenders have closed on 15 April 2005 for Phase 2 of the fast tracking programme and these tenders are currently being adjudicated by the

joint team. Works is also fulfilling an architectural function in assisting and approving site development plans. Works have prepared standard plans and detail for the 2, 3, 4 and 5 classroom blocks, all in face brick. We will apply these fast tracking techniques and any lessons learned from it, on other projects in future.

My Department is very aware of the special needs of disabled people and that we have to take into account these needs when we plan and construct classrooms and other types of buildings. My Department also realises that a sizeable number of the Province's existing buildings do not provide adequately for these special needs. My Department estimates that up to half of the provincial buildings may not be as friendly to disabled people as they should be. Although we already have standard specifications to take care of these needs, we will be re-visiting them. We will engage organisations for disabled people to consult with them on how to provide even better for disabled people in future.

I have made proposals to a recent Cabinet Indaba, and received full support from the Honourable Premier, Colleagues and Heads of Department, for the mentioned five-year programme to fully eliminate the classroom backlog.

- Due to essential planning that has been lacking before, the Premier announced that during 2005-2006, 1 500 classrooms will be constructed.

- The first year there after will focus on comprehensive planning, design and real estate acquisition with construction of 2 000 classrooms.
- For each of remaining three years we will target 4 000 classrooms.

Mr Chairman, as a Department, we are the champions of development.

INTEGRATED SERVICE DELIVERY

Cabinet approved the functioning of a new Cabinet Cluster system that brings new opportunities for coordinated service delivery. Works has been placed in the Governance and Service Delivery Cluster. This centrality provides for the complete consolidation of the Provincial Administration and the redesign of the service delivery architecture for Provincial Government services. The report by the Department of Public Service and Administration / Office of the Public Service Commission recommends that the Office of the Premier and the Department of Works co-lead the full implementation of this high leverage initiative.

To date community infrastructure delivery was at best fragmented. There is a need to design and implement an interdepartmental process for maximizing the integration of the planning and delivery of rural infrastructure including roads, housing, water, sanitation, schools, clinics and other public buildings. I declared Works's

preparedness to participate actively in the team led by the Department Transport.

Mr Chairman, as a Department, we are the champions of development.

EXPANDED PUBLIC WORKS PROGRAMME

The Expanded Public Works Programme is a well-intentioned initiative and is here to stay. I am very much committed to it.

Despite my commitment, the commitment by my Department has been limited to date. The envisaged transformed Department of Works will assume an energised role in delivering Provincial commitments to poverty alleviation, job creation and broad based Black Economic Empowerment. In this regard, my Department is currently involved in the development of the Construction Industry Transformation Charter by the National Department that addresses -

- Direct Black Ownership;
- Direct Black Women and Youth Ownership;
- Business Control by Black People, Women, Youth and the disabled at all levels from executive to board level;
- Employment Equity at all levels of organization from junior to senior management; and

- Skills development, Mentoring, Enterprise Development and Corporate Social Investment.

The Charter is currently in its final stages for signing by the Minister of Trade and Industry and is intended to be effective from July 2005.

There should be no doubt that the Expanded Public Works Programme will form a part of every Department of Works project. Mr Chairman, this will require an up front commitment from every Member of this House, every Member of the Provincial Cabinet and every Head of Department and Accounting Officer. Although the objectives of the Expanded Public Works Programme are clear that standards shall not be compromised, it will be unwise to assume that human beings, on whom this Programme is focused, can work the same as machines. If we are serious for this Programme to succeed, we will not hesitate to commit ourselves.

LIMITATIONS TO INFRASTRUCTURE DEVELOPMENT

Mr Chairman, I have alluded to my Department not always being at fault for non-delivery. I will, therefore, be amiss if I do not mention some limitations my Department face in the development of infrastructure. I do not view these limitations as insurmountable, but to overcome them is sometimes not entirely in the hands of my Department or my own. Mr Chairman, I also need to stress the fact that HIV/AIDS has a major influence on the construction sector. This affects the capacity of the contractors to deliver.

Delivery capacity

It has been well documented last year by the Construction Industry Development Board that the construction industry as a whole lacks the capacity at all levels - nationally, provincially and locally - to fulfil the construction needs of South Africa. The Province of KwaZulu-Natal merely reflects this situation. We will be able to overcome this lack of capacity over the medium to long term because it starts at school level where learners do not become well equipped in maths and science, resulting in a shortage of students that study engineering, architecture, quantity surveying, building science, etc. We currently experience a nation-wide scarcity of these skills. Consequently, everybody competes for the same scarce resources and I will give members one guess at who will win the competition between the private and public sectors with civil service salaries being what they currently are.

In addition to the scarcity of skills, the Occupational Health and Safety Act places onerous occupational health and safety requirements on contractors – especially emerging contractors who form part of the Expanded Public Works Programme. The President spoke in his State of the Nation address about these onerous requirements and the need to find ways to relax them for smaller companies.

There is a tendency for people to have an image of the construction industry that equates and confines it to the construction of houses.

Maybe we do so because we at one or the other stage become involved in house building. The difference between the sector of the construction industry that builds houses and the sector that builds schools, hospitals, etc, is vast. Apart from the scale at which these sectors work, the requirements of the Occupational Health and Safety Act do not apply equally to these sectors – our sector has the more onerous requirements. I sincerely hope this problem is solved soon.

Procurement

Mr Chairman, let us admit it - the general procurement process we were required to follow till now is flawed because authority, responsibility and accountability are misaligned. In addition, the specific procurement processes my Department has been required to follow have been the most significant cause of delays to date. The recent procurement processes followed by the Treasury on behalf of the Department of Education for the fast tracked classrooms, demonstrates clearly that other ways can be found. Why this could not have been done in the past or could not have been extended also to my Department, and why we had to wait this long to find other ways, is beyond my understanding.

HIV/AIDS in the Construction Environment

Research indicates the South African construction industry has the third highest incidence of HIV/AIDS in South Africa.

The Construction sector has a predominantly migratory labour force, making it a prime contributor to the spread of HIV/AIDS - construction

camps are a breeding ground for the spread of HIV/AIDS and Sexually Transmitted Diseases (STDs), which is being compounded by the situation where migrant workers on contract generally avoid the consequences of casual sexual relationships.

The Prevalence of subcontracting; the emergence of small contractors; and the tendency toward labour-only subcontracting, increases the complexity of developing an effective HIV/ AIDS strategy that targets the full spectrum of those employed in construction.

This level of complexity places a special responsibility on clients, professions and industry leaders.

BUDGET FOR 2005/2006

Mr Chairman, I now turn to the budget, but before I do so, I need to explain something because we had Members last year that clearly did not understand how Vote 14 fits together and its relationship to other Votes.

The Public Finance Management Act requires that each Department budget for its own expenditure. Therefore, the Department of Works budgets only for its own expenditure. It does not budget for the anticipated infrastructure spending of other Departments. Each Department does so itself. However, Works spends the infrastructure

budgets of other Departments when those Departments instruct us to handle infrastructure projects on their behalf.

The budget for the Department of Works covers only the infrastructure requirements for the Works Department, and for certain shared facilities. The rest goes towards paying for the services and associated costs of its specialised staff that do work on behalf of other Departments.

In view of this, the Department of Works may start the financial year with a budget in the order of R426 million and end up by the end of the financial year having spent over R1 billion. The Provincial Treasury ensures that the books balance between all Departments concerned. Members should not think that the figure appearing in the infrastructure budget for Vote 14 at the beginning of the financial year is the total for infrastructure budgets for the Province. Similarly, Members should not think that the salaries and other associated expenditure of Works's staff are paid only to deliver the Works's infrastructure budget. The Department of Works employ staff that has expertise, many of which is not duplicated elsewhere in other Provincial Departments. These specialised staff members serve the whole Provincial Administration while their salaries and expenditure are paid by the Department of Works.

I now turn to my Department's strategic plan. My Department assisted me in August 2004 to develop the current strategic plan for the next five years, starting 1 April 2005.

DEPARTMENTAL VISION

Mr Chairman, the Vision of my Department is –

“To remain market leaders in the provision of public property and facilities in KwaZulu-Natal Province ... ASISEBENZE, KUGUG’ IFOSHOLO.”

DEPARTMENTAL MISSION

The Department’s Mission is –

“To provide cost effective, competitive construction and real estate management services in an efficient, effective and equitable manner that will enhance job opportunities to alleviate poverty.”

DEPARTMENTAL OBJECTIVES

The objectives of the Department of Works are –

- To provide and facilitate the provision of accommodation and property management services to satisfy our clients’ needs.
- To achieve optimal utilisation of fixed state assets (Government-Wide Immovable Asset Management System).

- To improve integrated service delivery.
- To create jobs through the Expanded Public Works Programme.
- To ensure effective and efficient management of the department's financial resources.
- To have a competent, empowered and motivated workforce.

Mr Chairman, this strategic plan is the source of the budget that I now present. The implementation of the strategic plan will be focused by my Change Agenda.

Vote 14 has a budget totalling R425.970 million. It comprises three Programmes, namely Programme 1 that deals with Administration; Programme 2 that deals with Real Estate; and Programme 3 that deals with the Provision of Buildings, Structures and Equipment. It is the latter Programme that is responsible for the frontline delivery of my Department.

Programme 1: Administration

This Programme provides for the Ministry that is responsible for policy formulation that is led by the Minister, assisted by the Department's Management; the overall management of the Department and rendering professional, administrative and corporate services to the whole Department.

A total amount of R127.639 million is provided, which includes R9.942 million for the Ministry and R117.697 million for expenditure towards managing the Department. Of the R117.697 million, R73.180 million is for the compensation of employees. R49.928 million of this amount has been earmarked for costs associated with the migration of the Department to the new Provincial capital. The migration budget for the Department has been centralised to enable good management and control. The remainder of the Programme goes towards payments for office machinery and equipment and the transfer of subsidies to local government and housing subsidies, etc.

This Programme includes the Office of the Chief Financial Officer with a budget of R5 million. This Office, despite its vacancies, is playing a key role in combating fraud and corruption. Currently it is busy finalising two cases with the SAPS and Prosecuting Services and several arrests are imminent. These cases involve PERSAL and procurement fraud.

The PERSAL fraud entails 27 fraudulent transactions entered on the PERSAL system under the guise of supplementary payments. The amount involved here is in excess of R750 000.00. Fraudulent pension claims were made against one retired and two deceased officials. The amount involved here approximates R800 000.00

Nine officials have allegedly been involved in criminal acts pertaining to procurement, which involves kickbacks, or cover quoting. 25

Private individuals have allegedly been found to be involved in these criminal acts involving procurement with the Department.

The current status is that charge sheets have been drafted for the nine Departmental officials involved in the alleged Procurement fraud and are in their final stages. The files for disciplinary hearings have been prepared and a presiding officer will be nominated and the dates for the hearings will be set shortly. The files for both the PERSAL and Procurement fraud cases have been given to the Senior Prosecutor for perusal; the warrants of arrests have been prepared and are currently awaiting signature. This should result in the arrest of an anticipated total of 40 individuals involved in these cases. I will be able to provide more information in respect of the outcomes of these cases within the near future.

I have stated last year that I planned to continue with the construction conference that was started by my predecessor. The Ingxoxo which took place on 29 and 30 November 2004 where the Department of Works was able to meet key industry stakeholders in the Province and discuss with them construction industry issues and challenges was very successful. I intend continuing with this practice and this Programme allows for a 2005/2006 Ingxoxo.

In my budget address last year, I spoke of the strengthening of the Department's HIV/AIDS budget for its own staff as part of our Employee Assistance Programme. We have subsequently appointed four service providers that will assist the Department in our four

Regions. My Department is also currently in process of recruiting a Personnel Practitioner for each of the four Regions whose job it will be to deal with HIV/AIDS cases in conjunction with our service providers.

Mr Chairman, as a Department, we are the champions of development.

PROGRAMME 2: REAL ESTATE

This Programme exists to ensure that the Department's real estate functions are enabled with the correct policies, systems and procedures. It is under this programme that the Real Estate Manager has been appointed in December last year. It is this Programme that has to ensure that the Department has a fully functional Fixed Asset Management System in place by May 2006.

The amount budgeted for this Programme totals R11.304 million, of which R5.380 million is for compensation of employees. The remainder of the budget goes towards goods and services which includes a Fixed Property Asset Register System amounting to R3.7 million and associated costs. Lease of accommodation amounts to R1.8 million.

Mr Chairman, as a Department, we are the champions of development.

PROGRAMME 3: PROVISION OF BUILDINGS, STRUCTURES AND EQUIPMENT

Mr Chairman, this Programme is the frontline for the Department on behalf of our clients. This Programme is responsible for the provision and maintenance of buildings, structures and engineering works. It is also responsible for community-based projects that are targeted at rural communities.

This Programme consists of four Sub-Programmes, dedicated to Personnel and Administration; Buildings and Structures; Community-based Projects; and Prestige Furniture for Members of the Executive Council.

The budget for this Programme totals R287.027 million. R173.337 million of this total goes towards the compensation of employees; R33.924 million is for the Department's own infrastructure and the remainder goes towards associated costs such as goods and services, which includes R16 million for maintenance and repairs; R10.2 million for cleaning service contracts and R15 million for municipal services.

The amount of R33.924 million that is budgeted for the infrastructure of the Department of Works, is earmarked for the continuation of the construction of the Madadeni Depot; the continuation with the construction of additional office accommodation, road works and fencing of the Eshowe District Office; extensions to the Midlands

Regional Office in Ladysmith; and construction at Parkside, a shared facility.

Mr Chairman, it is this Programme that will be responsible to deliver our flagship Programme of 1 500 classrooms in 2005/2006, whilst also responsible for work of other clients such as the Clinic Upgrading and Building Programme of the Department of Health; the Department of Health's Hospital Revitalisation Programme funded by conditional grant estimated at R350 million, such as the redevelopment of the King George V Hospital. Further projects for the Department of Health includes a project comprising two new 250-bed District Hospitals at Inanda and Ntuzuma, whilst a third at KwaMashu is already in the planning phase. Other projects my Department handles for the Department of Health are the redevelopment of the Ngwelezane and Lower Umfolozi War Memorial Hospitals in Empangeni valued at an estimated amount of R115 million.

This Programme also handles on behalf of the Department of Health maintenance and adaptation projects at 21 hospitals and 5 clinics and Community Health Centres throughout the Province. We also handle projects for 5 welfare institutions on behalf of the Department of Social Welfare and Population Development.

This Programme is also responsible to transfer water and sewerage treatment plants still under control of my Department to District Municipalities. About 96% of the treatment installations have already been transferred.

Programme 3 is also responsible to find office accommodation for staff as a result of the migration of Departmental Head Offices to Pietermaritzburg. 11 Departments require office accommodation in Pietermaritzburg for an estimated 231 Managers and 2 609 other staff members. The estimated required floor space totals 29 221m²

My Department has already invited tenders for the hire of office accommodation and we are well on our way to finalising this tender process. We anticipate that leases will be concluded soon. I must, however, state that the allocation of office accommodation will be done with the full involvement of the Provincial Department concerned and the Provincial Treasury.

In finding accommodation for Departments in Pietermaritzburg, my Department has also taken into account all under-utilised Provincial buildings in Pietermaritzburg that have the potential to be used for office accommodation for the aforementioned need. Certain buildings have been identified for such use and will be re-configured or renovated according to client Departments' needs.

Mr Chairman, as a Department, we are the champions of development.

CONCLUSION

In conclusion, Mr Chairman, I want to take this opportunity to express my thanks to Dr Radebe, the past Chairperson of the Works Portfolio Committee, and Mr Ngcobo, the current Chairperson, and the Committee for their support, co-operation and guidance provided to my Department.

I also want to thank those staff members in my Department who have remained dedicated and hard working despite leadership problems and often-unfounded criticism. I salute them because without their dedication we would not have been able to deliver considerable work for which we are never thanked.

Mr Chairman, I table the budget for Vote 14 and move that the House approve it.

I thank you.