



KWAZULU-NATAL LEGISLATURE

DRAFT MINUTES OF PUBLIC WORKS PORTFOLIO COMMITTEE VIRTUAL SPECIAL MEETING HELD ON TUESDAY, 19 MAY 2020 AT 11H30

ATTENDANCE

COMMITTEE MEMBERS : Hon. Frazer, MC (Chairperson)

Hon. Duma, SA

Hon. Mazibuko, MJ

Hon. Meyer, LM

Hon. Mpayipheli, N

Hon. Mthethwa, TP

Hon. Thakur-Rajbansi, S

Hon. Zuma, BM

APOLOGIES : Hon. Cele, ZLI

Hon. JS Nxumalo

Hon. SW Mshengu

DEPARTMENTAL EXECUTIVE AND OFFICIALS

MEC: Hon. NP Nkonyeni

HOD: Dr GG Sharpley

CFO: Mr J Redfern

Acting DDG: Infrastructure – Ms A. Khan

Southern Regional Manager: Mr T. Mchunu

KZN LEGISLATURE OFFICIALS: Phakathi, T (Recording Coordinator)

Brown, L

Hlongwa, W

KZN LEGISLATURE OFFICIALS: Mhlanga, T

Nkosi, SN

Nsele, S

Nxumalo, S

Pillay, P

1. OPENING AND WELCOME

The Chairperson opened the meeting by welcoming members of portfolio committee and the Departmental Executive. She requested that the meeting be adjourned and delayed for 30 minutes to accommodate members of the portfolio committee who were held up in other Committee meetings due to clashes. The meeting resumed again at 12H00. The Chairperson officially opened the meeting and welcomed all present.

2. APOLOGIES

Apologies for the MEC, Honourable MJ Mazibuko and Mr S. Nkosi were noted, they joined the meeting in progress due to a clash with Human Settlements Committee meeting. Apologies for Hon. ZLI Cele, Hon. MJ Nxumalo and Hon. SW Mshengu were tabled due to a clash with Community Safety & Liaison Committee meeting. Also reported was Mr Majola, Chief Director for Infrastructure at Public Works.

3. CONSTITUTION OF THE MEETING

The meeting was properly constituted at the start.

4. ADOPTION OF THE AGENDA

The agenda was adopted with amendments. The Committee agreed that adoption of the minutes of previous meetings should be removed and be dealt with at a normal portfolio committee meeting, since it was a special meeting. Honourable BM Zuma moved for the adoption of the agenda, Honourable SA Duma seconded.

5. REMARKS BY THE CHAIRPERSON

The Chairperson raised concern about the clashes on the Legislature Calendar, which affect Committee meetings and cause conflict amongst Committee activities. She apologized to the MEC about the clashes and acknowledged her delay to join the meeting, Furthermore, she expressed her disappointment about members who were not able to attend the meeting due to clashes and expressed her gratitude to members who were not affected by clashes, for their cooperation.

6. REMARKS BY THE MEC

The MEC humbly apologized for joining the meeting whilst in progress and thanked the Committee for accepting her apology. She alluded that the KwaZulu-Natal Department of Public Works is entrusted with the Provincial Government Property Portfolio which entails amongst others; the provision of quality office space for client departments, maintenance of government buildings. The MEC highlighted two types of property being, those that are leased from the landlords and those that are owned by Government. She assured the Committee that the Department is committed to use taxpayer's money in a more prudent manner and highlighted few challenges. In most cases when the client departments are experiencing challenges, maintenance funds become a target which result to government buildings being neglected.

Other challenges include; inefficient usage of water and electricity, age of the buildings that does not allow for contemporary space sufficiency, over-pricing of repairs and maintenance costs, lack of planning in emergency intervention, high rate bill although the Department is negotiating with South African Local Government Association (SALGA) to get bills stabilized. Whilst the budget for rental and maintenance is dependent upon the user departments, the Department of Public Works is advocating for the allocation of maintenance budget to be directed to Public Works in order to become liable and solely accountable for the maintenance of government buildings. The Department of Public Works has embarked on the transformation process of the property management sector.

The Department is enforcing the Government Immovable Asset Management Act (GIAMA) to ensure effective maintenance planning. The MEC is confident that the success of the Provincial Government Precinct will reduce Government Bill. The MEC referred the presentation of the departmental report to the HOD.

7. NEW MATTERS: DEPARTMENTAL REPORT

7.1 Property Management

The HOD, Dr GG Sharpley made emphasis on few points that the MEC had alluded on, such as the provincial government precinct project. He then requested the Acting DDG for Infrastructure Ms A. Khan to proceed with the presentation on Property Management.

Overview of Property Management

In her presentation, Ms Khan highlighted that Property Management entails Immovable Assets Management with specific focus on the transformation of leasing sector. She outlined the purpose of the Property Management of Government Assets within the Department of Public Works, concurring what the MEC had mentioned about the mandate of the Department. She provided overview and highlighted on the four directorates within Property Management being; Acquisitions, Disposals, Provincial Information, and Property Development and Valuations. Ms Khan stated that Acquisitions relate to the hiring, purchasing, expropriation and exchange of Immovable Assets amongst others. Disposal of Government Assets relate to letting, selling, donating and allocating of state provincial assets amongst others. Provincial Information pertains to the implementation of Government Immovable Asset Management Act, 2014 (GIAMA) and payment of property rates. Property Development and Valuations which is responsible specifically with the managing and maintaining condition assessment as well as the condition of immovable state provincial assets for optimal state use. Furthermore, it deals with undertaking valuations of properties which may be needed for various functions and is responsible for implementing GIAMA.

Strategic Objectives

It was reported that a number of key issues have been identified as strategic objectives in order to fulfill the mandate as custodian of Government Immovable Assets thus enhance service delivery. Strategic objectives include the responsibility to identify state land to be used for socio-economic purposes particularly for disadvantaged groups as an objective for GIAMA. Since the Department has realized that many monopolies have been created within the Property Management Sector, they intend to ensure equal distribution of opportunities within the property sector and reduce monopoly in the leasing sector, thus ensure value for money. Also, the Department intends to lease burden by the state and ensure consistency and predictability in rates billing in order to budget accordingly.

Salient Statistics

Ms Khan provided insight on the Salient Statistics in terms of the Provincial State Assets for 2018/19 financial year and mentioned that figures for 2019/20 financial year are being finalized for Annual Financial Statements (AFS). The Salient Statistics of the leasing sector as at the end of March 2020 were presented, it was noted that the duration of the leases differs. Ms Khan handed over to the Director of Acquisitions, Mr T. Mchunu to present the breakdown of statistics.

Breakdown of Salient Statistics

In his presentation, Mr Mchunu illustrated the breakdown of statistics in term of the 186 leases that have been hired by the Department and the monitory value attached to the lease agreement. It was reported that the majority of landlords are Indians from whom the Department had hired 82;44%, Blacks 15;8%, Whites 40;21%. It was reported that most leases in the province are dominated by the Southern Region which include Mooi River and Pietermaritzburg, followed by Midlands and EThekweni Region, the least leases were reported to be at North Coast Region. He explained that Pietermaritzburg also have Office of the Premier and Treasury as clients which is not the case with other regions hence the majority of leases in Southern Region. The current top five landlords per region were reported.

Challenges

It has been realized that the leasing sector is being monopolized by certain groups, hence transformation process to ensure value for money since client Departments are concerned about the poor condition of leased buildings. Mr Mchunu concluded his presentation by outlining proposed turnaround strategy for leases, he was adamant that the provincial government precinct would be a solution in addressing some of the challenges and reduce the dependency in private leasing. The Department of Public Works have procured a piece of land at Ixopo in Harry Gwala District, there are other pieces of vacant land whereby the Department of Public Works is engaging other Departments to partner and probably look at the possibility of building their own offices as a long-term plan.

8. DISCUSSION

Members of the Committee made reference to the Chairperson's concern that the issue of monopoly in the lease sector had been an ongoing challenge. It had been discussed extensively at committee meetings in the previous terms contrary, the Department had managed to meet targets without transformation.

The Committee raised the following:

- the percentage breakdown of vulnerable groups such as the number and the value of leases to women, people with disabilities and youth;
- the effect and impact of disparities between the previously disadvantaged lessors and the landlords who had since benefited prior to democracy;
- the statistics of leases that were allocated during and after apartheid dispensations;
- the mechanisms that the Department of Public Works have, to address the issue of poor condition in buildings which result to the dissatisfaction by the user Departments;
- measures of the Department to verify if a landlord is using multiple companies to tender thus promote monopoly, directorship and fronting;
- the Department's plan about the government properties at Ulundi;
- demarcation to allow renaming of Districts, clarification of regions;
- forensic internal investigation;
- and the medium-term strategy.

The Committee commended the MEC for engaging SALGA to ensure consistency in rates. The Department's proposal to move the maintenance budget from client Departments to the Department of Public Works was welcomed as it will be mandatory for Public Works project managers to maintain the buildings rather than the current situation of evading responsibilities.

Committee resolved that: PW02/05/2020

- the Department should present a clear workplan to the Committee with attainable goals, objectives and timeframe in relation to the turnaround strategy.

- A forensic investigation within the Department in order to establish possible accomplices who may be participating in the property lease monopoly.
- The Public Works Portfolio Committee declared its support to the Department of Public Works in their endeavor towards transformation in the management of the provincial government property specifically in the lease sector.
- The Department to update the Committee on the issue of Regions.

Responses by the Department

The HOD explained that the Department changed the policy on leasing last year and introduced key principles to address the issue of an ongoing monopoly. The HOD sincerely apologized to the MEC and the Committee that the Department had never compiled records or statistics of vulnerable groups such as women and people with disability. However, he committed to report back to the portfolio committee on the split particularly in the regions. The HOD reported that in terms of disparities the trend in leasing of property suggests that the ownership change from time to time. He also confirmed that there are no lease agreements dating prior to democracy.

A fundamental principle is that a lessor does not have to own a building, an Offer to Purchase or a back to back lease agreement could be acceptable on condition that the equity in the company that is going to manage is provided thus assist in addressing the issue of fronting. The Department had already stopped many leases that had not been advertised rather extended over the years. The HOD maintained that Ulundi Building Precinct is still in operational, some national Departments co-lease the building amongst others are; SASSA and Department of Home Affairs, Office of the Premier and a section of Independent Electoral Commission (IEC). The House of Traditional Leaders is using the Old Parliament as and when they need to. The Department is in the process of strengthening the district offices, progress report will be provided to the Committee.

The HOD emphasized that the approach of the Department of Public Works is not to victimize or target the landlords rather intend to engage in a more sustainable agreement. In terms of Internal investigation, the HOD reported that there is a report from Treasury implicating two Departmental officials for duplicating payments to a particular landlord.

However, the Department will pursue the matter once the regulations for lockdown are conducive. In response to the condition of the building, the HOD reported that they have advised user Departments not to configure their needs at the new buildings where they would prefer to be moved according to the specifications of the building that they occupy because government buildings cannot be compared to the private buildings.

The HOD mentioned that they had briefed the MEC about the three buildings in Pietermaritzburg which are in poor condition. The respective landlord was unsuccessful in obtaining court interdict against the Department of Public Works for instructing the three Departments that occupy those buildings to move out although the lease has expired. The Legislature will be the first building at the Provincial Precinct and the HOD assured the Committee that the progress of designs was at the advanced stage. He referred to the transformation of the EGB building behind the Harbour at EThekweni as one of the Department's objectives which will accommodate seven Departments.

The MEC concluded that the Department had realized the challenges in the property management particularly in the lease sector and are committed to address such through transformation. The Department has already embarked on roadshows engaging prospective clients in the sector with an aim to expose the opportunities to vulnerable groups. Whilst the Committee expressed disappointment for such a prolonged monopoly in the property lease sector however, the Department's intervention and strategy to mitigate in ensuring that existing challenges are addressed were much appreciated and welcomed.

9. CLOSURE

The Chairperson encouraged all members of the Committee to adhere to the regulations of Covid-19 as pronounced by the President of the Republic of South Africa. There being no further discussion, the Chairperson declared the meeting adjourned at 13H30.

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CHAIRPERSON:

HON. MC FRAZER

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DATE