

2021

**Review of the Property Management
Trading Entity's Spending on
Compensation of Employees and
Outsourced Services**

STUDENT NAME:

CLUSTER: ADMINISTRATIVE SERVICES

NATIONAL TREASURY

Executive Summary

PROBLEM STATEMENT

The Property Management Trading Entity (PMTE) spends an average of R2.2 billion on compensation of employees per year and still depends on outsourced services each year to conduct some of the maintenance and repairs and to meet other technical requirements of the trading entity.

Therefore, this spending review sort to provide a detailed understanding of the expenditure drivers and composition of spending on compensation of employees and outsourced services. The insight gained from the review may be used by the entity to achieve efficiency gains and value for money.

KEY FINDINGS

Only a small portion of the PMTE's staff establishment can perform small maintenance, repairs, and construction work. The bulk of the establishment is made up of cleaners and groundsman. This implies a mismatch between the skills that the PMTE requires and the skills that currently exist in the entity, creating allocative inefficiencies in state spending. By determining the core skills required by the PMTE, funds could be more efficiently directed towards and utilised for the employment or utilisation of such skills.

The study compared the salaries paid by the PMTE and those paid by the sector benchmark with comparable job titles. There are 50 job titles for which the PMTE is paying below the sector benchmark and 35 job titles for which the PMTE is paying above the sector benchmark. The potential savings that may be derived from a re-alignment of salaries that the PMTE pays more than 10 per cent of the sector benchmark is R30 million per financial year.

The entity spends on average R286.6 million per financial year on cleaning and gardening services it provides to the Department of Justice and Constitutional Development, Department of Public Works and Infrastructure (DPWI), prestige portfolio institutions, and the Department of Sports, Arts and Culture. The continued provision of cleaning and gardening services by

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the PMTE to these institutions on a non-cost recovery basis, and the PMTE's budgeting for these requirements in its budget, is not consistent with the cost recovery imperatives assigned to the PMTE by the PFMA and chapter 19 of the Treasury Regulations. The re-assignment of cleaning and gardening services to these clients and their votes would enable a more accurate reflection of the core business of the PMTE, and a more efficient allocation of resources towards its core functions.

Recommendations

The skills profile of the PMTE does not seem to be aligned with those required for the entity's core business functions of planning, acquiring, managing, operating, and disposing of immovable assets, hence the high level of outsourcing. Only a small portion of the staff can perform the PMTE's core technical functions. There is a need for the PMTE to assess its skills profile and efficiently allocate its budget towards the requirements for the compensation of employees intimately associated with or required for the fulfilment of its mandate.

Furthermore, the PMTE should consider shifting, if not the actual function, at least the cost of gardening and cleaning services to the votes of the Department of Justice and Constitutional Development, DPWI and prestige portfolio institutions, and the Department of Sports, Arts and Culture.

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Summary

PROBLEM STATEMENT

The PMTE spends an average R2.2 billion on compensation of employees per year and still depends on outsourced services each year to conduct some of the maintenance and repairs and to meet other technical requirements of the trading entity. The PMTE's service delivery model for maintenance and construction presently relies heavily on outsourcing. This implies a mismatch between the skills that the PMTE requires, and the skills that currently exists within the entity, creating allocative inefficiencies in state spending. By determining the core skills required by the PMTE, funds could be more efficiently directed towards and utilised for the employment or utilisation of such skills and improving the performance outputs and outcomes of the trading entity.

Therefore, this spending review sort to provide a detailed understanding of the expenditure drivers and composition of spending on compensation of employees and outsourced services. The insight gained from the review may be used by the entity to achieve efficiency gains and value for money.

KEY FINDINGS

Only a small portion of the PMTE's staff establishment can perform small maintenance, repairs, and construction work. The bulk of the establishment is made up of cleaners and groundsman. This implies a mismatch between the skills that the PMTE requires and the skills set that currently exist in the entity, creating allocative inefficiencies in state spending. By determining the core skills required by the PMTE, funds could be more efficiently directed towards and utilised for the employment or utilisation of such skills.

The PMTE receives a transfer from the fiscus via DPWI. Historically this transfer has accounted for 44 per cent of the revenue received by the PMTE. The balance comes from PMTE's cost recovery from its client departments. The transfer as a per cent of PMTE's total revenues is projected to increase to 51 per cent over the 2021/22 MTEF. The transfer from the DPWI is, in part, intended to cover the shortfalls in the PMTE's operating expenditure and

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cost recovery. The entity has not managed to fully recover all its costs, causing a growing funding gap.

Thus, this spending review also analysed the potential for the PMTE to optimise the ratio of its spending on insourced personnel services to its spending on outsourced personnel services, as a means for reducing the PMTE's dependency on the fiscus.

The study also compared the salaries paid for comparable job titles by the PMTE to those paid by provincial public works departments. There are 50 job titles for which the PMTE is paying below the sector benchmark and 35 job titles for which the PMTE is paying above the sector benchmark. The potential savings that may be derived from a re-alignment of salaries that the PMTE pays more than 10 per cent of the sector benchmark is R30 million per financial year.

An analysis of the services that the entity is currently outsourcing found the following:

- 8 274 out of the 14 937 businesses that were contracted from 2016/17 to 2020/21, were contracted for maintenance jobs valued at less than R100 000. The PMTE should not have been involved in the execution of these jobs, as jobs valued at less than R100 000 should be done by user departments.
- The entity spends on average R286.6 million on cleaning and gardening services, provided to the Department of Justice and Constitutional Development, DPWI, prestige portfolio institutions, and the Department of Sports, Arts and Culture. The continued provision of cleaning and gardening services by the PMTE to these institutions, and the PMTE's budgeting for these requirements in its budget is not consistent with the cost recovery imperatives assigned to the PMTE by the PFMA and chapter 19 of the Treasury Regulations. The re-assignment of cleaning and gardening services to these clients and their votes would enable a more accurate reflection of the core business of the PMTE, and a more efficient allocation of resources towards its core functions.

Recommendations

The skills profile of the PMTE does not seem to be aligned with those required for the entity's core business functions of planning, acquiring, managing, operating, and disposing of immovable assets, hence the high level of outsourcing. Only a small portion of the staff can

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perform the PMTE's core technical functions. There is a need for the PMTE to assess its skills profile and efficiently allocate its budget towards the requirements for the compensation of employees intimately associated with or required for the fulfilment of its mandate.

Furthermore, the PMTE should consider shifting, if not the actual function, at least the cost of gardening and cleaning services to the votes of the Department of Justice and Constitutional Development, DPWI, prestige portfolio institutions, and the Department of Sports, Arts and Culture.

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Introduction

The Property Management Trading Entity (PMTE) performs immovable asset management functions on behalf of the Department of Public Works and Infrastructure (DPWI), including the provision of residential and office accommodation for user departments and other client institutions and persons, and the planning, acquisition, management, operation, and disposal of immovable assets in the department's custody. The PMTE manages a diverse portfolio that includes specialised facilities such as prisons, military bases, courts, police stations, and office buildings.

The entity was established to apply professional business approaches to managing and optimising the state's immovable asset portfolio for efficient returns. On a cost-recovery basis, the entity (1) finances the purchase, construction, refurbishment, and maintenance of state-owned government properties, (2) manages the leases of privately-owned properties accommodating national departments, and (3) rents out some of its properties to provide accommodation to clients.

Over the 2021 medium term, an estimated 80.3 per cent (R48.1 billion) of the entity's budget is allocated for goods and services, mainly for repairs and maintenance of state-owned buildings, and lease payments. Annual expenditure is set to increase at an average annual rate of 1.3 per cent, from R19 billion in 2020/21 to R19.8 billion in 2023/24.

Compensation of employees increased at an average annual rate of 9.5 per cent from R1.6 billion in 2017/18 to R2.1 billion in 2020/21 and is expected to increase at an average annual rate of 3.1 per cent to R2.3 billion in 2023/24.

The PMTE spends on average R2.2 billion on compensation of employees per year and still depends on outsourced services each year to conduct maintenance and repairs and to meet other technical requirements of the trading entity. This could imply a mismatch between the skills that the PMTE requires and the skills that currently exists within the entity, creating allocative inefficiencies in state spending. By determining the required skills within the PMTE, funds can be more efficiently directed at and utilised for compensation of employees, and improving outcomes implemented by the entity.

The report has seven sections. After the introduction, section 2 provides a description of the PMTE's objectives or programmes. Section 3 presents an overview of the trading entity's policy and institutional arrangements. Section 4 covers the delivery chain for the PMTE's programme delivery. The report then provides an analyse of the performance of the trading entity in section 5 and an analysis of its expenditure in section 6. Lastly, in section 7 the report presents some recommendations.

Programme Description

As the custodian of the state’s immovable assets, the key objective of the PMTE is to optimise the state’s asset portfolio to ensure effective, efficient, and cost saving service delivery in line with the developmental objectives of the National Development Plan. By providing and managing suitable and accessible accommodation, the PMTE impacts on the efficiencies of user departments and consequently the effective delivery of services to the public.

The PMTE’s organisational structure has three distinctive focal areas:

- Core Business – consisting of real estate investment, planning and precinct development, real estate management, facilities management, real estate registry services and construction management.
- Enabling Services – consisting of financial management and accounting and supply chain management.
- DPWI-PMTE Shared Services – consisting of internal audit, office support, corporate services and governance.

The three core business divisions in the PMTE are Real Estate Investment Services, Real Estate Management Services, and Facilities Management. Real Estate Information and Registry Services and Construction Management Services function as two independent divisions interlinked with Real Estate Investment Services. These operational divisions have been established to provide optimal business and administrative processes which ensure the application of professional methodologies in managing and optimising the state’s asset portfolio.

Table 1: Objectives of the PMTE

Programme Component	Subcomponents	Purpose of Component	Intended of beneficiaries
Real Estate Investment Services	<ul style="list-style-type: none"> ▪ Asset management plans ▪ Investment analysis ▪ Valuations ▪ Feasibility studies 	To increase the value of the state’s immovable asset portfolio	State departments

Construction Management Services	<ul style="list-style-type: none"> ▪ Replace, refurbish, and upgrade existing facilities ▪ Construct new office buildings for departments 	To provide effective and efficient delivery of accommodation needs by ensuring that construction programmes are	DPW and state Departments
	<ul style="list-style-type: none"> ▪ Project manage the delivery of construction projects ▪ Procurement of professionals ▪ Development of designs and concept drawings ▪ Appointment of contractors 	implemented according to approved criteria	
Real Estate Management Services	<ul style="list-style-type: none"> ▪ Providing and managing leased accommodation ▪ Managing property agreements (e.g. leases) ▪ Property payments (includes payment of leased accommodation) ▪ Debt management (includes collection of debts from user departments and private tenants) 	To provide quality accommodation and contribute to the financial sustainability of the PMTE	State departments
Facilities Management	<ul style="list-style-type: none"> ▪ Property maintenance (preventive and corrective maintenance and refurbishment) ▪ Job creation and skills development through government programmes such as the EPWP 	Ensure that immovable assets used by government departments and the public are optimally utilised and maintained	State department and the public
Real Estate Information and Registry Services	<ul style="list-style-type: none"> ▪ Immovable asset register ▪ Physical verification and condition assessments ▪ Conveyancing and vesting services 	To provide reliable immovable asset information that informs investment decisions and portfolio management	State departments

Source: PMTE Strategic Plan 2015-2020

Policy and Institutional Information

Although the DPWI and the PMTE lie within the same vote, each institution operates within its own separate balance sheet. Each institution has its own financial statements, and these financial statements are audited separately from those of the other institution. The DPWI is responsible for policy development, as well as sectoral oversight, coordination and monitoring and evaluation, while the PMTE is responsible for implementing the department's accommodation and infrastructure mandate. This functional separation not only clarifies and emphasises the department's wider responsibilities to the public works sector, but also gets rid of the conflict between the roles of referee and player, or regulator and implementer, that the department used to play. Accordingly, from 2015/16 onwards, the budgets for the DPWI and the PMTE have been reconstituted in line with and to reflect their different functions.

The Public Service Act, 1994, the Public Service Regulations, 2001, the Public Finance Management Act (PFMA), Government Immoveable Asset Management Act 2007 (GIAMA) and subsequent amendments are the main pieces of legislation governing the operations of the PMTE. The GIAMA is used to provide for a uniform framework for the management of an immovable asset that is held or used by a national or provincial department; to ensure the coordination of the use of an immovable asset with the service delivery objectives of a national or provincial department; to provide for issuing of guidelines and minimum standards in respect of immovable asset management by a national or provincial department; and to provide for matters incidental thereto.

The PMTE must operate in line with the provisions of the PFMA and Treasury Regulations. For example, in keeping with the requirements of Treasury Regulation 19.7.1, the retention of a surplus or planning of a deficit by a trading entity requires the approval of the National Treasury. Treasury Regulation 17.7.1 states that "An accounting officer of a department operating a trading entity must, at the end of each financial year and after books of account have been closed, declare any surplus or deficit to the relevant treasury. The relevant treasury may apply such surplus to reduce any proposed allocation to the trading entity or require that all or part of it be re-deposited in the Exchequer bank account."

The PMTE was established after a decision of Cabinet in 2006 that costs related to accommodation be devolved from the DPWI to client departments. The entity performs immovable asset management functions, including the provision of residential and office accommodation for user departments at the national government level, and the acquisition,

management, operation, maintenance and disposal of immovable assets in the department's custody. The entity was established to apply professional business approaches to managing and optimising the state's immovable asset portfolio for efficient returns. On a cost-recovery basis, the entity finances the purchase, construction, refurbishment, and maintenance of state-owned government properties; and manages the leases of privately-owned properties accommodating national departments. It also lets out some of the state-owned properties that are not used by the public sector to the private sector.

Conditional approval for the establishment of a trading account and trading entity in the DPWI was granted by the National Treasury in 2006/07. The trading account began operating in 2006/07. However, the operationalisation of the PMTE only began in 2012/13 following the appointment of the former Minister Thulas Nxesi who made it a top priority for the department.

The cost recovery mechanism utilised by the PMTE includes the levying of accommodation charges where the PMTE charges departments for renting state-owned accommodation. Accommodation charges are used to provide for property rates, maintenance and rehabilitation, refurbishment, and replacement of state-owned properties.

Another funding source for the PMTE consists of transfer payments from the fiscus. Departments' current budgets for accommodation charges provide for a partial recovery of the PMTE's accommodation costs. These transfer payments are allocated to cover some of the shortfalls in the PMTE's operating expenditure and cost recovery. Other sources of funding for the PMTE include the 5 per cent management fee that the PMTE charges clients for using its trading account to pay for municipal services, receipts from leases of state-owned properties by the private sector, project management fees for professional services, and receipts from disposals of immovable assets.

An estimated 80.3 per cent (R48.1 billion) of the entity's budget is allocated for goods and services, mainly for repairs and maintenance of state-owned buildings, and lease payments. Client departments are also allocated a maintenance budget within their budgets for goods and services and are permitted to utilise this budget for minor upgrades, limited to R100 000. The PMTE is responsible for all other maintenance related activities for client departments

Out of a total of R13.3 billion in transfer payments from the DPWI to the PMTE over the 2021/22 medium term expenditure framework period, amounts of R2.0 billion in 2021/22, R2.2 billion 2022/23, and R2.3 billion 2023 have been provided for the PMTE's budget for compensation

of employees. However, once the PMTE is fully operationalised, all costs, including those for compensation of employees will be expected to be generated through prices which the PMTE will charge for its services.

The PMTE has had access to a revolving overdraft facility since its inception. The negative balances of the bank overdraft have increased over the years due to the PMTE's operating model, and some of the client's non-payments for services provided by the PMTE. Inefficiencies in the process that is followed to recover monies relating to private leases, municipal services, user infrastructure spending (capital allocation) and other recoverable infrastructure projects have led to a 60 to 90-day delay (and even more than 90-day delay) in the matching of the initial payment and the eventual recovery. This has contributed to the deterioration of the bank overdraft balance.

Programme Chain of Delivery or Component

The operational divisions within the PMTE have been established to support optimal business and administrative processes in order to optimise the state's asset portfolio.

Through the programmes or objectives mentioned in section 2 of this report, the PMTE seeks to achieve the following outputs:

- Cost savings for user-departments and improved quality of public buildings
- Improved utilisation of the state's vacant properties by establishing a funding stream for maintenance and improvements in this manner extending the life-cycle of existing state properties
- Skills development using expertise within the PMTE
- Job opportunities
- Empowering emerging black business by targeting and engaging Small Medium and Micro Enterprises to provide property management services for unutilised stateowned properties.

The following subsections provide an overview of the purpose and key outputs of each of PMTE's programmes.

a. Real Estate Investment Management Services

The purpose of this programme is to firstly achieve an efficient and competitive real estate portfolio for the state through effective planning and budgeting. This is to ensure the attainment of an optimal value for money and a better rate of return on investment in the state's immovable asset portfolio. Economic development, in part, depends on providing the right type of infrastructure, in the right places at the right times.

Secondly, the programme seeks to achieve an efficient and competitive real estate portfolio for government through effective planning for spatial, economic, and infrastructural integration in order to provide accommodation that is accessible to all (including people with disabilities) and ensures quality facility management for efficient service delivery to the country and its citizens. The programme aims to redress spatial imbalances, eliminate the silo approach to infrastructure development and create economies of scale whilst supporting improved service delivery.

The programme is also involved in the implementation of the Infrastructure Delivery Management System through asset management plans and directs precinct planning through the development of government precinct proposals and concept designs. To ensure sound investment solutions, the programme conducts investment analyses, feasibility studies and valuations.

b. Construction Project Management

The purpose of this programme is to provide effective and efficient delivery of accommodation requirements for the DPWI and user departments through construction and other infrastructure improvement programmes. This entails new construction, upgrades and additions, and refurbishment of infrastructure.

The programme's activities include:

- Planning for project delivery through project implementation planning
- Procurement of professionals and appointment of contractors
- Project management of the delivery of construction projects within time, cost and quality as per requirements of a user department
- Developing concept drawings, detailed designs and contract documents for infrastructure projects based on the needs of user departments

c. Real Estate Management Services

The purpose of this programme is to provide and manage the real estate portfolio in support of government's social, economic, functional, and political objectives and reduce the PMTE's financial dependency on government. The programme focuses on providing and managing leased accommodation, letting identified properties for revenue generation and improving contract management. The bulk of the expenditure in this programme is spent on operating leases, property rates, and municipal services.

The programme's activities include:

- Stakeholder management
- Managing property agreements; for example, leases, occupancy agreements, tenant service contracts
- Property payments, which include making payments for leased accommodation from the private sector, and rates and taxes for state owned properties

- Debt management, which includes the collection of debts from user departments and private tenants
- Empowering small black property developers and agents, to develop and market freehold properties through rapid re-development using the build, operate and transfer (“BOT”) model.

d. Facilities Management

The purpose of this programme is to ensure that immovable assets used by government departments and the public, are optimally utilised and maintained in a safe, secure, healthy, and ergonomic environment while contributing to job creation, skills development, and poverty alleviation. Facilities management offers an opportunity for government to prevent further deterioration of immovable assets and loss of value. This is done by providing planned maintenance (preventive maintenance and refurbishment) of state buildings to extend their life, and by providing unscheduled maintenance (corrective, day-to-day emergency maintenance).

Facilities management also focuses on maximizing job creation, enterprise development, skills development, and income-generation through government programmes such as the Expanded Public Works Programme (EPWP), Property Incubator Programmes and the Green Economy Built Environment Programmes (for example, relating to energy, water, and waste management efficiencies).

The programme is tasked to develop maintenance plans and to ensure that building infrastructure provides an enabling environment for user departments that helps them to implement their service delivery mandates to ensure effective delivery of public services.

The programme is focused on the implementation of scheduled maintenance programmes as per the approved plan, to manage and minimise unscheduled maintenance incidents and to reduce the consumption of water and electricity in stateowned buildings. The bulk of the expenditure in this programme is for the compensation of employees, as well as repair and maintenance and cleaning and gardening services.

e. Real Estate Information and Registry Services

The purpose of this programme is to develop and manage a complete and accurate Immovable Asset Register that meets service delivery objectives for the state, DPWI and PMTE business requirements. The programme conducts physical verification and condition assessments and updates information on the register for compliance with GIAMA and Generally Recognised Accounting Practice (depreciation, impairment, componentisation, review estimated useful life, etcetera). The programme is also expected to provide conveyancing and vesting services for the state.

Performance Analysis

There is a need to effectively operate and maintain state-owned infrastructure. Failure to do so has dire consequences for human development and economic growth. The lack of timely and adequate maintenance of infrastructure may necessitate the need for repair works to be undertaken which may cost more money and ultimately infrastructure may need to be replaced.

Facilities Management, particularly maintenance, is beginning to play a crucial part in the entity's mandate of state property management. It is therefore important to understand its expenditure trends and practices. The entity has been tasked to provide repair operations for 488 state-owned buildings and maintain 31 146 properties and 92 534 buildings for 52 of its user departments.

There is currently a huge maintenance backlog. Non-payments for services by some of the clients and poor budgeting may be some of the main causes of the inadequate maintenance of buildings.

The PMTE has not done a comprehensive condition analysis of all the buildings in its portfolio. Some of the accommodation that the PMTE leases is in poor condition, thus the entity needs to take steps to ensure that the landlord is providing adequate facilities.

Some of the accommodation that the PMTE leases out is also in a poor condition. There is therefore a need to for a comprehensive maintenance plan to address the maintenance backlog to avoid the premature ageing of properties.

Major cost drivers include the cost of leased properties and municipal services. The PMTE issues invoices to client departments and collects user charges from clients on a quarterly basis. But the entity has not been recovering 100 per cent of the costs for these services. The under-recovery of costs for services is causing the negative overdraft balance to continue.

Construction Management Services is tasked to replace, refurbish, and upgrade existing facilities. The programme completed 84 of the 130 planned infrastructure projects in 2020/21. The programme has underspent its budget in previous years due to delays in the execution of projects caused by poor performance of some of the contractors and delays in the appointment of new contractors.

There is a time lag in the implementation of infrastructure projects pertaining to the planning, tendering, designing, and the construction phases. Unspent funds could potentially mean unbuilt or incomplete buildings which ultimately negatively affects the delivery of goods and services to the public.

The entity has employed more individuals under Real Estate Information and Registry Services from 62 in 2018/19 to 110 in 2020/21. This increase is expected to have a positive effect on the development of an efficient and stable Immovable Asset Register.

Expenditure Observations

This section seeks to examine the trends relating to the PMTE's expenditure on its own and outsourced personnel during the past three financial years.

The performance and expenditure review process seek to provide a detailed understanding of the expenditure drivers and an understanding of the composition of spending. Insights gained from the review may be used to promote and achieve efficiency gains and value for money.

The data used in the report is collected from the Personnel and Salary Administration System (PERSAL) which is a central system for the administration of the public service payroll. Data on outsourced services was obtained from the Logistical Information System (LOGIS) and SAGE system which provide procurement related data and information.

This section has four parts. Section 6.1. provides an overview of the PMTE's headcount and spending over the period 2018/19 to 2020/21. Section 6.2. presents a comparison of the PMTE staffing pyramid and salaries with the public works sector benchmark. Section 6.3. looks at the allocation of spending on compensation of employees to frontline services with an emphasis on personnel who can fulfil construction and maintenance work. Section 6.4. provides a comparison of PMTE salaries per job title with the sector benchmark. Section 6.5. discusses the profile of the PMTE's expenditure on outsourced services.

6.1. Overview of PMTE headcount over the period 2018/19 to 2020/21

Table 2: Headcount analysis

Staff Establishment	2018/19	2019/20	2020/21
Approved	3 942	3 856	3 885
Additional	703	667	935
Grand Total	4 645	4 523	4 820

The PMTE had 4 820 employees, inclusive of 935 additional to the establishment, in the 2020/21 financial year. The headcount decreased by 122 warm bodies from 2018/19 to 2019/20 and increased by 297 warm bodies from 2019/20 to 2020/21. The number of personnel in the entity grew at an annual growth rate of 1.87 per cent from 2018/19 to 2020/21.

It is worth noting that the spike in the headcount in 2020/21 could be attributed to the introduction of the Presidential Employment Stimulus package which employed 440 individuals.

Table 3: Spending on compensation of employees

Staff Establishment	2018/19	2019/20	2020/21
Approved	1 517 001 025	1 593 209 992	1 592 900 191
Additional	237 749 775	246 117 735	248 652 325
Grand Total	1 754 750 800	1 839 327 727	1 841 552 516

The entity spent R1.84 billion on compensation of employees in 2020/21, which includes R248.7 million on contract workers. There was an underspending against compensation of employees in 2020/21 amounting to R71.1 million in 2020/21, mainly due to delays in the filling of vacancies.

Table 4: Expenditure on compensation of employees as a percentage of the transfer received from the DPWI

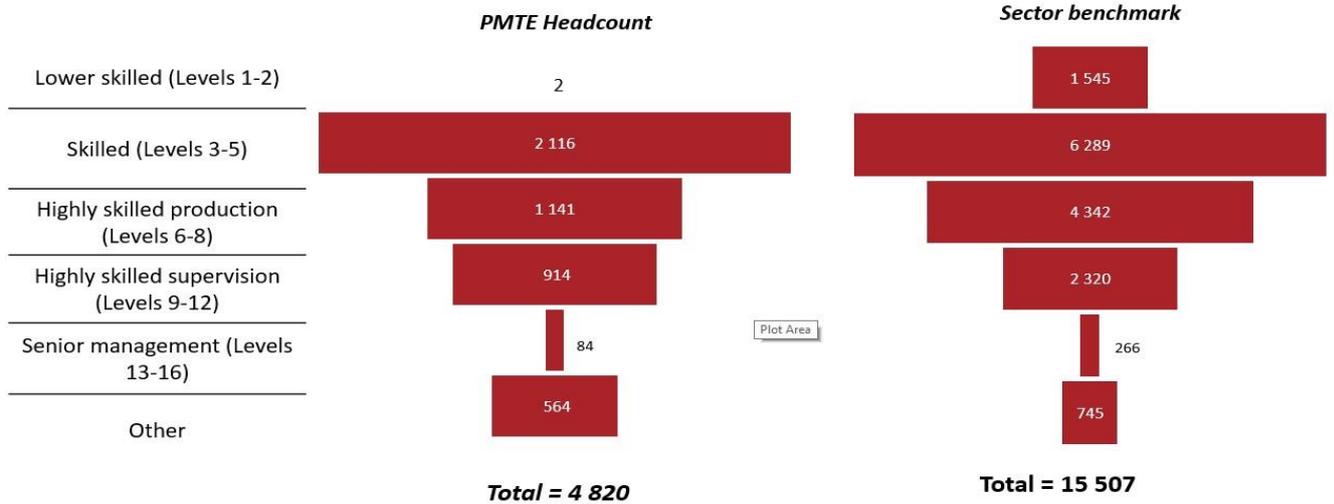
R million	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Transfers received	4 009.5	4 315.7	4 360.4	4 349.7	4 463.7	4 480.8
COE	1 763.9	1 821.4	2 142.5	2 038.9	2 161.2	2 290.9
% share of COE	44%	42%	49%	47%	48%	51%

Personnel expenditure as a percentage of the total transfer received from the DPWI stood at 44 per cent in 2018/19 and is expected to increase to 51 per cent by 2023/24. The increase could be due to inflation adjustments, but it is worth mentioning that the PMTE is expected to be self-sustainable in the long run and the transfer from the DPWI is expected to decrease.

The transfer from the DPWI is, in part, intended to cover the shortfalls in the PMTE's operating expenditure and cost recovery. The entity has not managed to fully recover all its costs, causing a growing funding gap

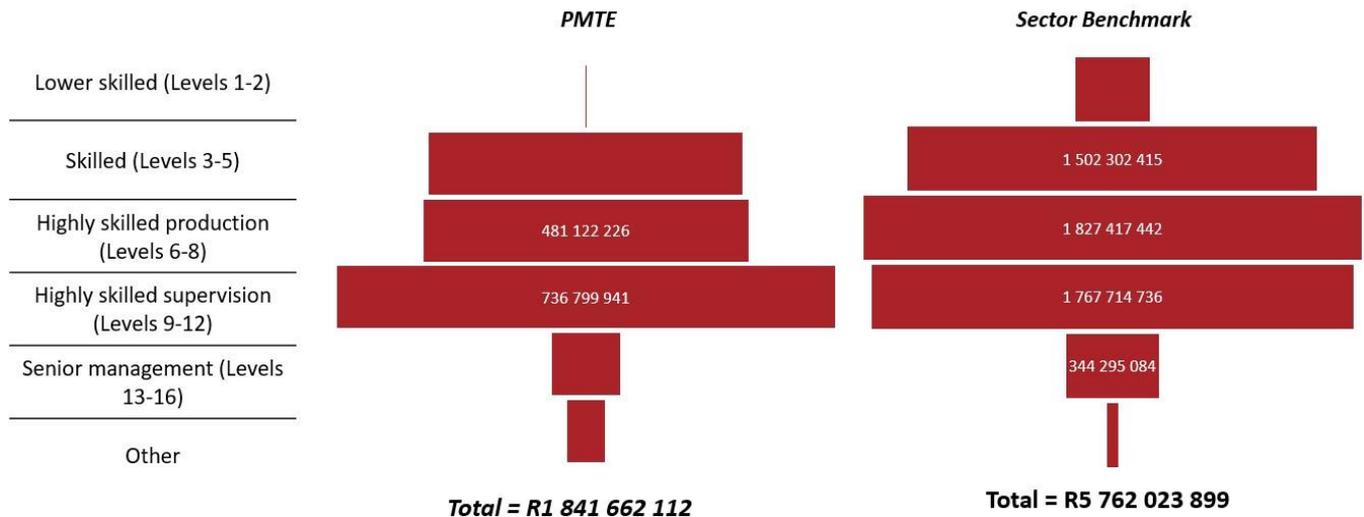
6.2. Profile of PMTE staff

Figure 1: Comparison of PMTE Staffing pyramid sector benchmark (headcount)



Approximately 50 per cent of the personnel in the PMTE lie in salary levels 3 to 5 which is also the case in the sector benchmark (provincial public works departments). The staffing pyramid of the PMTE looks similar to that of the sector benchmark.

Figure 2: Comparison of PMTE Staffing pyramid sector benchmark (expenditure)



Salary levels 9-12 account for approximately 40 per cent of the compensation of employees' budget in the PMTE and 30 per cent of that for the sector benchmark. A similar picture is also observable in the sector benchmark's expenditure data.

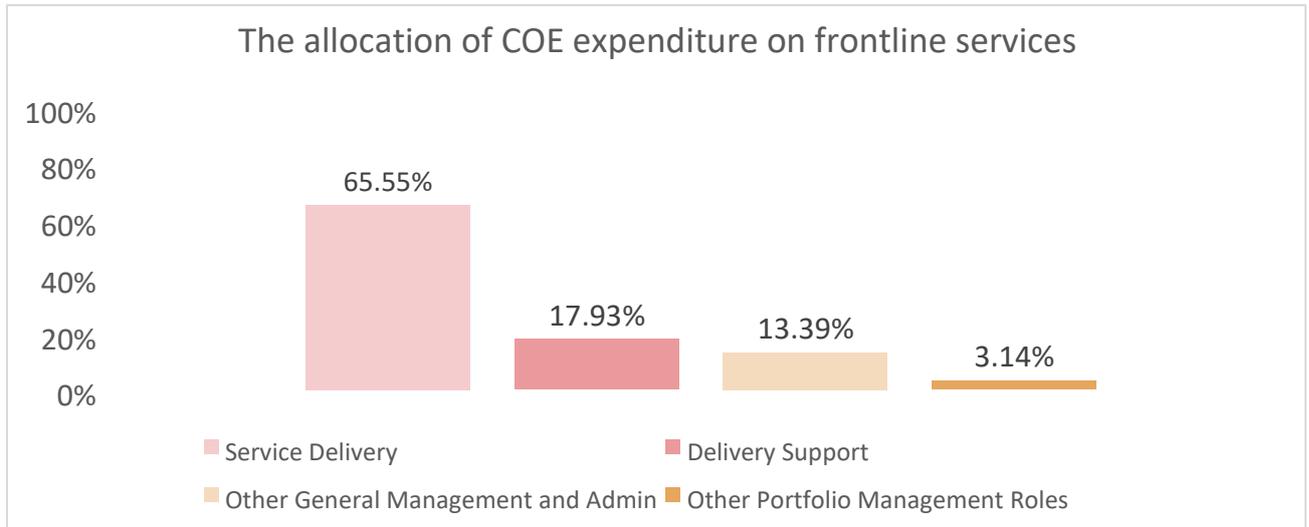
6.3. Distribution of PMTE staff and COE Expenditure by functions

With reference to the table below, the study grouped the PMTE's outputs and activities into 11 functions. These functions were further grouped into 4 role types depending on their proximity to the client:

Table 5: The allocation of expenditure on compensation of employees for frontline services

Clients			
Facilities Management (2382)	Property Leases and Payment (240)	}	Service Delivery Roles
Construction Project Management (537)			
Financial Management and Accounting (235)	Supply Chain Management (448)	}	Service Delivery Support Roles
Infrastructure Portfolio Management / Client Relationship Management (181)			
Immovable Asset Register (124)		}	Other Portfolio Management Roles
Spatial and Precinct Planning (27)			
Special Project (440)	Programme Management Office (12)	}	General Management and Administration Roles
General Management and Admin (194)			
Legend:			
Service Delivery Roles	Service Delivery Support Roles	Other Portfolio Management Roles	General Management and Administration Roles

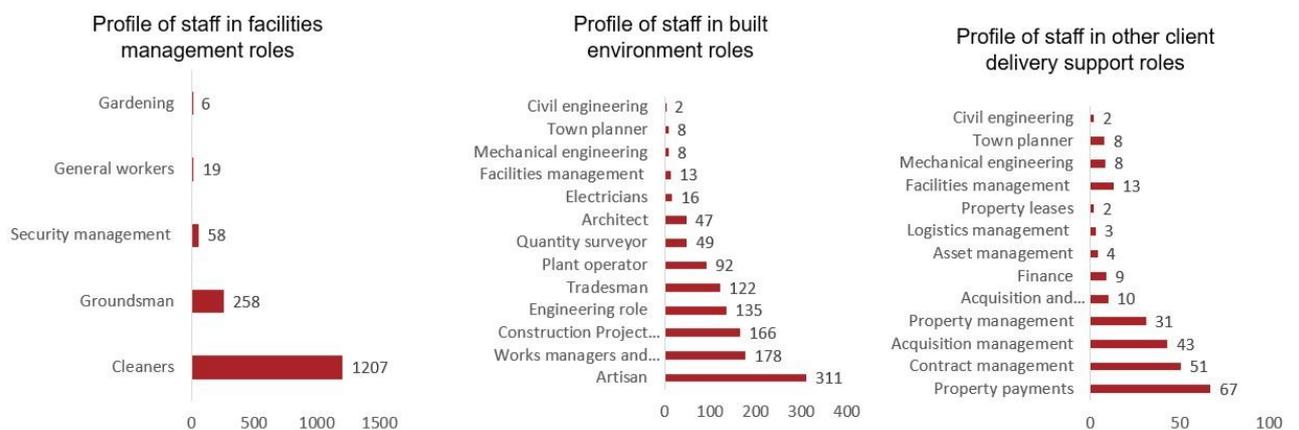
Figure 3: The allocation of expenditure on compensation of employees for frontline services



The analysis showed that 80 per cent of the staff are in service delivery or delivery support roles. Most of these employees are in facilities management roles (cleaners, groundsman and security management), built environment roles (artisans, plant operators, and works managers) and other client delivery support roles.

The study further looked at the composition of the functions that make up the bulk of the establishment as captured below:

Figure 4: The allocation of COE expenditure on frontline services

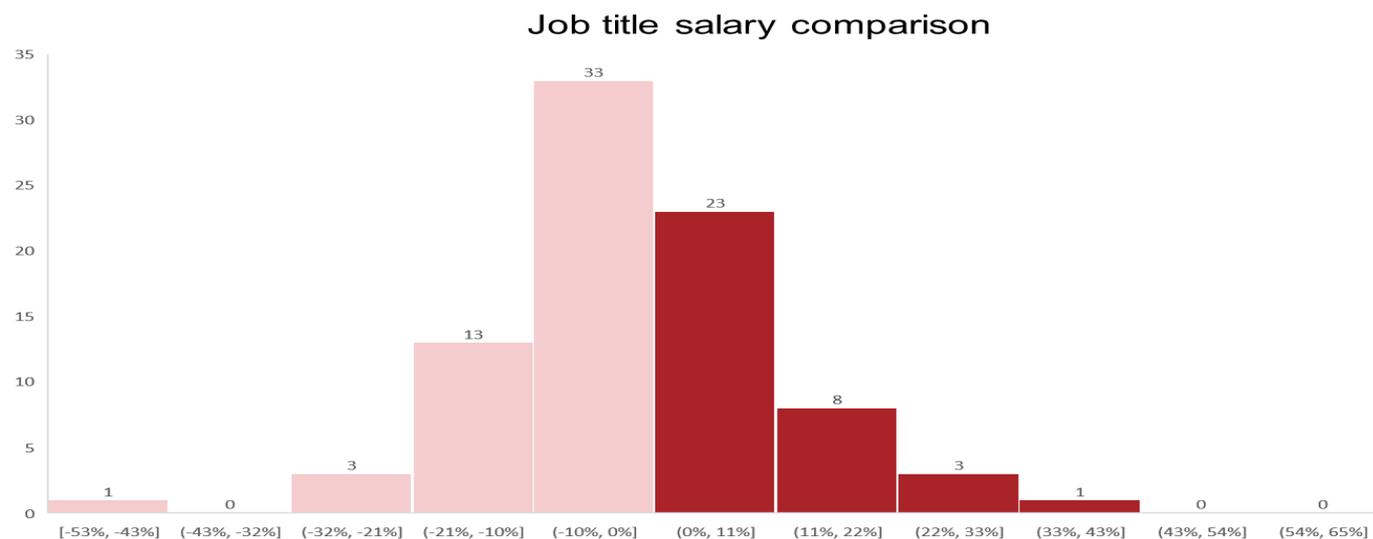


In Figure 4, it is observable that only a small portion of the staff establishment can perform small maintenance, repairs, and construction work. The bulk of the establishment is made up

of cleaners and groundsman. This could imply a mismatch between the skills that the PMTE requires and the skills set of employees currently working for by the entity, creating allocative inefficiencies in state spending. By determining the core skills required by the PMTE, funds can be more efficiently directed towards and utilised for the employment or utilisation of such skills.

6.4 Comparison of PMTE Salaries to Public Works Sector Benchmarks

Figure 5: Comparison of PMTE salaries to sector benchmark according to job titles



Legend:

Below sector benchmark	Above sector benchmark

The study compared the salaries paid by the PMTE with those paid by the sector benchmark for comparable job titles. There are 50 job titles for which the PMTE is paying below the sector benchmark and 35 job titles for which the PMTE is paying above the sector benchmark. The full list of job titles is provided in Annexure A at the end of this report.

The study looked at the job titles in which the PMTE is remunerating personnel at rates that are above the sector benchmark by over 10 percent. Table 6 captures the job titles with respect to which the PMTE is paying salaries that are 10 per cent higher than the sector benchmark.

Table 6: Comparison of PMTE salaries to sector benchmark according to job titles

Job Titles	Sum of FTE 2020/21	PMTE Average Salary per FTE	DPWI Average Salary per FTE	Percentage Difference	Difference	Potential Savings
PERSONAL ASSISTANT	15	419 989	383 004	10%	36 985	554 776
ARTISAN FOREMAN GRADE A	37	515 109	467 938	10%	47 171	1 729 613
SECURITY OFFICER	31	258 721	233 660	11%	25 062	772 739
SENIOR STATE ACCOUNTANT	25	502 246	446 853	12%	55 393	1 384 829
DEPUTY DIRECTOR	44	961 675	853 233	13%	108 442	4 812 126
FOOD SERVICES AID	15	210 128	184 046	14%	26 082	389 054
BOILER OPERATOR	18	284 750	247 186	15%	37 564	676 149
MR6 LEGAL ADMINISTRATION OFFICER SENIOR	7	1 092 907	948 650	15%	144 257	1 045 864
ARTISAN PRODUCTION GRADE B	2	428 360	359 114	19%	69 246	138 491
GRUNDSMAN	235	215 591	178 307	21%	37 284	8 777 292
ASSISTANT DIRECTOR	22	680 799	560 893	21%	119 906	2 667 915
NETWORK CONTROLLER	1	512 694	415 572	23%	97 122	97 122
IT TECHNICIAN	10	457 905	370 114	24%	87 792	848 655
TRADESMAN AID	117	236 295	188 475	25%	47 820	5 582 973
ARCHITECTURAL TECHNICIAN PRODUCTION GRADE A	1	592 705	414 926	43%	177 779	177 779
HANDYMAN	2	382 573	217 786	76%	164 786	329 573
						29 984 950

The potential savings that may be derived from a re-alignment of the PMTE’s salaries to the sector benchmark are estimated at R30 million.

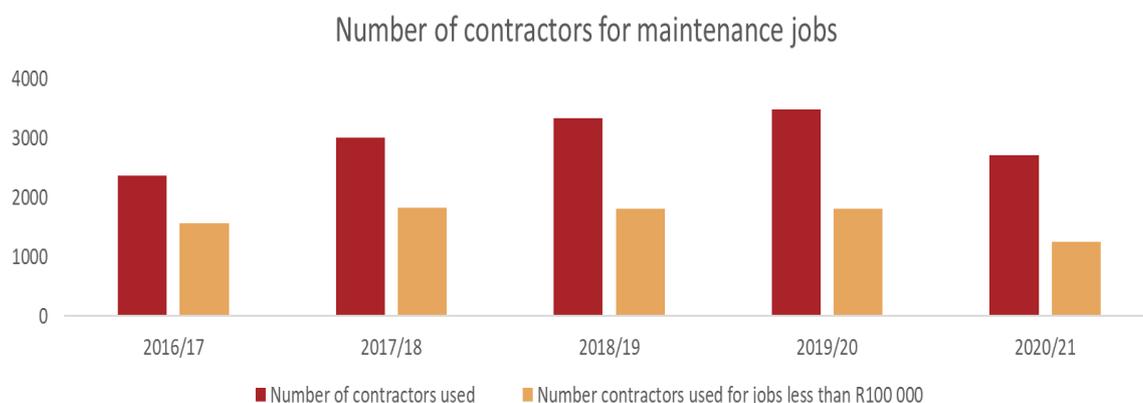
6.5. Profile of expenditure on outsourced work

Given the current trend in government departments to outsource functions which are not regarded as part of their core business functions, there is a need for the study to zoom into

the services that the entity is currently outsourcing, particularly maintenance and cleaning services.

6.5.1. Expenditure on outsourced services for scheduled and unscheduled maintenance:

Figure 6: Contractors used for maintenance jobs



8 274 out of the 14 937 businesses that were contracted from 2016/17 to 2020/21, were contracted for maintenance jobs valued at less than R100 000. The entity should be performing maintenance jobs that are valued at more than R100 000 and jobs valued at less than R100 000 should be done by the user department.

6.5.2. Expenditure on cleaning and gardening services

Table 7: Cleaning and gardening outsourcing spending

Departments (R000)	2018	2019	2020	Grand Total
Justice and Const Develop	192 801	208 809	259 580	661 190
DPWI Prestige	57 382	40 602	39 957	137 941
DPWI Departmental	9 753	9 765	15 614	35 133
Arts and Culture	11 519	10 019	3 552	25 090
Voted Funds	11	67	343	420
Grand Total	271 466	269 262	319 047	859 775

The entity provides cleaning and gardening services to the Department of Justice and Constitutional Development, DPWI and the prestige portfolio institutions and the Department

of Sports, Arts and Culture. The entity spends on average R286.6 million on cleaning and gardening services.

The continued provision of cleaning and gardening services by the PMTE to the Department of Justice and Constitutional Development, DPWI and the prestige portfolio institutions, and the Department of Sports, Arts and Culture, and the PMTE's budgeting for these requirements in its budget is not consistent with the cost recovery imperatives assigned to the PMTE by the PFMA and Treasury Regulation 19. At least the clients in question should pay the PMTE for these services. At best, the budget for these services should lie in these clients' votes, and the clients should pay for services provided by the PMTE. The current plan to shift gardening and cleaning functions, together with associated resources, to the Department of Justice and Constitutional Development, is a move in the right direction. The PMTE should seriously consider migrating the cost of gardening and cleaning services to the other clients. The PMTE could agree to perform these functions on behalf of certain clients, but this should take place on a paid agency basis or a full cost recovery basis. The re-assignment of cleaning and gardening services to these clients and their votes would enable a more accurate reflection of the core business of the PMTE, and a more efficient allocation of resources towards its core functions.

Recommendations

The skills profile of the PMTE does not seem to be aligned with those required for the entity's core business functions of planning, acquiring, managing, operating, and disposing of immovable assets, hence the high level of outsourcing. Only a small portion of the staff can perform the PMTE's core technical functions. There is a need for the PMTE to assess its skills profile and efficiently allocate its budget towards the requirements for the compensation of employees intimately associated with or required for the fulfilment of its mandate.

Furthermore, the PMTE should consider shifting, if not the actual function, at least the cost of gardening and cleaning services to the votes of the Department of Justice and Constitutional Development, DPWI and the prestige portfolio institutions and the Department of Sports, Arts and Culture.

Actions

The following actions will be taken:

- The finalised report will be submitted to GTAC for further assessment and evaluation.
- The report will also be shared with the PMTE after finalisation. Once feedback is received from the PMTE, the report will be refined accordingly.
- There will be continuous engagement with the PMTE regarding the information from this review to ensure that it is properly utilised to achieve efficiency gains.

Appendices

Annexure A: Comparison of PMTE Salaries to Public Works Sector Benchmarks

Job titles	PMTE average salary per fte	DPWI average salary per fte	Percentage difference	Absolute Difference	Potential gain/loss from adjustment
ARTISAN PUPIL (APPRENTICE)	82 590	177 491	(53%)	(94 901)	(13 800 189)
PROJECT ADMINISTRATOR	255 364	359 927	(29%)	(104 563)	(1 960 565)
SENIOR REGISTRY CLERK	274 228	376 516	(27%)	(102 289)	(971 741)
INTERN*	73 109	95 951	(24%)	(22 842)	(68 525)
ARCHITECTURAL TECHNICIAN CANDIDATE	368 137	454 023	(19%)	(85 886)	(85 886)
ARTISAN SPECIALISED PRODUCTION	527 058	647 901	(19%)	(120 843)	(120 843)
CHIEF HORTICULTURIST	486 110	590 234	(18%)	(104 124)	(832 993)
ENGINEERING TECHNICIAN PRODUCTION GRADE B	462 600	547 669	(16%)	(85 069)	(85 069)
ARCHITECTURAL TECHNOLOGIST CONTROL GRADE A	717 316	841 412	(15%)	(124 096)	(82 731)
ARTISAN CHIEF GRADE B	644 958	753 240	(14%)	(108 282)	(216 564)
ARTISAN FOREMAN GRADE B	503 201	587 009	(14%)	(83 809)	(167 617)
ENGINEER CHIEF GRADE B	1 374 402	1 603 082	(14%)	(228 680)	(686 039)
GENERAL WORKER	174 381	202 643	(14%)	(28 262)	(226 098)
ENGINEER PRODUCTION GRADE C	982 638	1 119 073	(12%)	(136 435)	(136 435)
MR5 LEGAL ADMINISTRATION OFFICER GRADE 5	581 085	661 650	(12%)	(80 565)	(181 271)
ENGINEERING TECHNICIAN PRODUCTION GRADE C	571 506	650 617	(12%)	(79 111)	(316 445)
DOMESTIC WORKER	168 592	191 043	(12%)	(22 451)	(157 158)
REGISTRY CLERK GRADE I SENIOR	281 066	313 487	(10%)	(32 421)	(32 421)

CONSTRUCTION PROJECT MANAGER PRODUCTION GRADE C	1 007 817	1 122 298	(10%)	(114 482)	(496 087)
INTERN	86 358	95 951	(10%)	(9 593)	(1 703 622)
PERSONNEL PRACTITIONER	417 952	463 906	(10%)	(45 954)	(459 536)
ARCHITECTURAL TECHNICIAN PRODUCTION GRADE B	481 239	533 391	(10%)	(52 153)	(104 306)
TOWN AND REGIONAL PLANNER CANDIDATE	495 185	543 700	(9%)	(48 515)	(460 892)
QUANTITY SURVEYOR CANDIDATE	507 635	551 871	(8%)	(44 235)	(575 059)
HORTICULTURIST	398 360	432 053	(8%)	(33 693)	(67 386)
DRIVER/MESSENGER	243 636	263 888	(8%)	(20 251)	(222 762)
SENIOR SECURITY OFFICER	337 723	362 310	(7%)	(24 587)	(155 715)
CONSTRUCTION PROJECT MANAGER CANDIDATE	603 907	647 779	(7%)	(43 872)	(1 411 202)
ENGINEER CANDIDATE	602 356	643 645	(6%)	(41 289)	(1 667 039)
ENGINEERING TECHNOLOGIST CONTROL GRADE A	778 158	829 855	(6%)	(51 697)	(68 929)
ENGINEERING TECHNICIAN CONTROL GRADE A	644 439	685 062	(6%)	(40 624)	(528 106)
STATE ACCOUNTANT	414 419	437 443	(5%)	(23 024)	(1 253 828)
ARCHITECT CHIEF GRADE B	1 260 694	1 314 167	(4%)	(53 473)	(588 208)
ACCOUNTING CLERK	288 219	299 542	(4%)	(11 323)	(69 825)
ENGINEERING TECHNICIAN CONTROL GRADE B	896 660	926 511	(3%)	(29 852)	(208 963)
ADMINISTRATIVE OFFICER	407 345	419 604	(3%)	(12 260)	(699 817)
QUANTITY SURVEYOR CHIEF GRADE B	1 302 210	1 337 604	(3%)	(35 393)	(212 361)
ARCHITECT CANDIDATE	528 906	542 876	(3%)	(13 970)	(135 040)
QUANTITY SURVEYOR CHIEF GRADE A	947 532	972 555	(3%)	(25 023)	(296 111)
ENGINEERING TECHNICIAN CANDIDATE	373 723	381 297	(2%)	(7 574)	(70 059)

ENGINEER PRODUCTION GRADE B	934 263	951 287	(2%)	(17 024)	(17 024)
CONSTRUCTION PROJECT MANAGER CHIEF GRADE B	1 439 731	1 465 550	(2%)	(25 819)	(247 434)
MESSENGER	218 527	222 397	(2%)	(3 870)	(11 610)
PROVISIONING ADMINISTRATION OFFICER	407 508	412 178	(1%)	(4 670)	(18 679)
ENGINEER CHIEF GRADE A	1 122 027	1 132 660	(1%)	(10 633)	(142 655)

TOWN AND REGIONAL PLANNER PRODUCTION GRADE A	648 519	654 420	(1%)	(5 902)	(25 083)
ARCHITECT CHIEF GRADE A	981 622	989 276	(1%)	(7 653)	(88 650)
SENIOR ADMINISTRATIVE OFFICER	477 923	481 609	(1%)	(3 686)	(119 790)
OFFICE MANAGER	585 713	587 194	0%	(1 481)	(9 937)
DIRECTOR	1 146 222	1 146 113	0%	109	543
ARCHITECTURAL TECHNOLOGIST CANDIDATE	433 840	431 748	0%	2 091	12 199
ENGINEERING TECHNOLOGIST CANDIDATE	457 869	450 406	2%	7 463	21 767
ARTISAN CHIEF GRADE A	630 084	615 083	2%	15 001	145 632
ARCHITECTURAL TECHNOLOGIST PRODUCTION GRADE A	497 942	485 868	2%	12 075	24 149
ARCHITECT PRODUCTION GRADE A	659 226	641 294	3%	17 931	34 369
PROVISIONING ADMINISTRATION CLERK	361 274	351 135	3%	10 140	30 419
CLEANER	200 851	194 992	3%	5 859	6 754 231
RECEPTIONIST	275 626	265 270	4%	10 356	103 557
SENIOR PERSONNEL PRACTITIONER	502 272	483 097	4%	19 175	591 237
ENGINEERING TECHNOLOGIST CONTROL GRADE B	973 101	930 904	4.5%	42 197	84 395
ENGINEERING TECHNICIAN PRODUCTION GRADE A	488 989	464 159	5.3%	24 829	99 318
ARTISAN PRODUCTION GRADE A	312 606	296 534	5.4%	16 072	1 785 963

QUANTITY SURVEYOR PRODUCTION GRADE A	666 645	632 180	5.5%	34 464	34 464
REGISTRY CLERK	309 914	292 371	6.0%	17 543	565 755
DEPUTY DIRECTOR: IMMOVABLE ASSET REGISTER	891 219	837 668	6.4%	53 552	116 028
CONSTRUCTION PROJECT MANAGER CHIEF GRADE A	1 217 978	1 144 413	6.4%	73 566	2 541 076
CONSTRUCTION PROJECT MANAGER PRODUCTION GRADE A	832 305	779 741	6.7%	52 564	547 544
CHIEF DIRECTOR	1 496 061	1 391 002	7.6%	105 059	105 059
TOWN AND REGIONAL PLANNER CHIEF GRADE A	983 958	910 095	8.1%	73 863	680 154
CONTROL WORKS INSPECTOR: ELECTRICAL	716 467	660 580	8.5%	55 887	55 887
PERSONAL ASSISTANT	419 989	383 004	9.7%	36 985	554 776
ARTISAN FOREMAN GRADE A	515 109	467 938	10.1%	47 171	1 729 613
SECURITY OFFICER	258 721	233 660	10.7%	25 062	772 739
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ARCHITECTURAL TECHNICIAN PRODUCTION GRADE A	592 705	414 926	42.8%	177 779	177 779
HANDYMAN	382 573	217 786	75.7%	164 786	329 573