

Evaluation of the Provision of Accommodation by the National Department of Public Works as Guided by the GIAMA ACT 19 OF 2007

Summary Report 20 August 2021



planning, monitoring
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Department:
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REPUBLIC OF SOUTH AFRICA



Akwethu

Engineering & Development

Engineering Consulting | Project Management | Property Development



public works
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Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA

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Glossary

AP- Accommodation Provision
APP-Annual Performance Plan
BMA-Border Management Authority
C-AMP-Custodian Asset Management Plan
CIDB-Construction Industry Development Board
DBE-Department of Basic Education
DEFF-Department of Environmental Affairs, Forestry and Fisheries
DHA-Department of Home Affairs
DoD-Department of Defence
DoJ-Department of Justice
DPME-Department of Planning, Monitoring and Evaluation
DPSA-Department of Public Service and Administration
DPWI-Department of Public Works and Infrastructure
GIAMA-Government Immovable Asset Management Act
GPU-Government Property Unit (UK)
GTAC-Government Technical Advisory Centre
HPW-Department of Housing and Public Works (Queensland)
IA-Immovable Asset
IAM-Portfolio Inventory and Performance Analysis
IAR-Immovable Asset Register
IFM-Integrated Facilities Management
KAM-Key Account Management
MTSF-Medium-Term Strategic Framework
NDP-National Development Plan
OAMF-Office Accommodation Management Framework (Queensland)
PFMA-Public Finance Management Act
PMTE-Property Management Trading Entity
PPPs-. Public Private Partnerships
PSPC-Public Services and Procurement (Canada)
PWGSC (Canada)
SARS-SA Revenue Service
TAU-Technical Advisory Unit
U-AMP-Users Asset Management Plan

1. POLICY SUMMARY

In June 2020 the Department of Planning, Monitoring and Evaluation (DPME) contracted Akwethu Engineering and Development to evaluate the Accommodation Provision Programme of the Department of Public Works and Infrastructure (DPWI). The evaluation included a literature review, a review of internal DPWI documents, an international best practice study of four designated countries, focus interviews at head office, a deep dive into selected DPWI processes, regional office group interviews, stakeholder interviews, interviews with officials in twenty nine government departments and more detailed case studies of eight of departments. The interviews, internal and external; all painted a consistent overall picture.

The outputs of the evaluation were documented in an inception report, a literature review, an international best practice report, a sustainability model, an interview summary report, a case study report and a report on findings and recommendations.

The final comprehensive report contains over a hundred findings clustered in these categories: Basic functionality, Leadership, Management and Staff challenges, Client Satisfaction, Communication, Ability of DPWI to “Work with Government”, GIAMA, Business model, Client Department Interface, Dispute Resolution, Key Account Management, Regional Operations, Lease and Property Acquisition, Management of Landlords, Procurement, Maintenance, Project Management, Processes, Capacity in User Departments, User Perspective, Impact on the Local Economy, Disposal and Turnaround Strategies.

From a policy perspective key among the findings are

- **GIAMA has become a compliance exercise,**
- **Efficiency and effectiveness are talked about but neither measured nor managed,**
- **Relationships with client departments are sometimes poor, but more often dysfunctional and**
- **Areas which should be DPWI core competencies such as procurement, landlord management and project management are seen as weaknesses and not as strengths.**

The report lists twelve key recommendations 1) Set up a team to drive a benefit-driven two-year change programme; 2) Develop a functional business model; 3) Set up the organisational structure for the delivery; 4) Set up appropriate accounting structures; 5) Implement a rapid project to fix the asset register for properties in use; 6) Redefine the procurement strategy and function; 7) Optimise processes for time and cost; 8) Implement a dispute resolution mechanism; 9) Devolve what can be devolved; 10) Set up the capacity to provide strategic advice; 11) Set up the processes to respect the intentions of GIAMA; 12) Dispose of non-performing assets. These recommendations underline the need for sweeping large scale change.

In addition, some 30 quick wins that can be implemented immediately were identified.

From a policy perspective it is important to ask why previous “turnarounds” have failed.

Previously implemented turnarounds were fatally flawed in both their design and their execution. They were compliance driven rather than benefit driven. Their time frames were too loose to maintain discipline and focus. They were not geared to address the underlying business model or identify how to maximise added value. They talked about but did not introduce the requisite tools for measuring and managing efficiency and effectiveness. They did not develop built in mechanisms to identify and reduce of waste and inefficiency. Critically, asset management is driven by the need to invest money and make money; past processes have not measured or managed return on investment (ROI).

Large scale change is fraught and complex; successful change when it happens, is invariably driven by someone who has experienced the change cycle from beginning to end.

There is wide consensus that good accommodation is critical to sustainable service delivery.

2. MANAGEMENT SUMMARY

1 INTRODUCTION

Akwethu Engineering and Development was appointed by the Department of Monitoring and Evaluation (DPME) to conduct “an evaluation of the provision of accommodation as guided by the GIAMA Act 19 of 2007”. The programme is implemented by the Department of Public Works and Infrastructure (DPWI) which is mandated to provide fit for purpose accommodation efficiently, effectively, and sustainably to the different arms of the state.

Suitable accommodation is a key enabler for the successful implementation of government operations and to achieve optimal service delivery. In 2006, DPWI was tasked with driving the establishment of the Property Management Trading Entity (PMTE) and act as a real estate manager for the public sector, managing government’s real estate portfolio from planning to the provision of accommodation. In 2007, the Government Immovable Asset Management Act 19 (GIAMA) came into law. GIAMA serves as a uniform framework for the issuing of minimum standards in respect of immovable asset management and maintaining an Immovable Asset Register (IAR) for national and provincial departments.

The provision of state accommodation by DPWI has experienced significant challenges ranging from high levels of unsatisfactory service provision to negative client feedback. The purpose of the evaluation was to assess the implementation of the DPWI Accommodation Provision Programme (AP Programme), with specific reference to current patterns of operational performance, results (delivery), immediate outcomes and propose how implementation can be strengthened.

The evaluation covered:

- a literature review,
- a review of internal DPWI documents,
- an international best practice study of four designated countries,
- focus interviews at head office,
- a deep dive into selected DPWI processes,
- regional office group workshops,
- stakeholder interviews,
- interviews with officials in twenty eight government departments and
- more detailed case studies of eight of these client departments as selected with DPWI.

The outputs of the review are documented in the literature review, an international best practice report, a sustainability model, an interview summary report, a case study report and a report on findings and recommendations as well as a comprehensive report of which this is the summary.

2 KEY FINDINGS FROM THE LITERATURE AND DOCUMENT REVIEW

The mandate of the department is primarily governed by the Government Immovable Asset Management Act, 2007. This Act aims to ensure efficient and effective immovable asset management in national and provincial government to improve service delivery. It sets out the Custodian and User Asset Management Plans (C-AMP and U-AMP) as key alignment tools. Through GIAMA, the department is mandated as the custodian and portfolio manager of a significant portion of the national government's immovable assets. This includes the provision of accommodation; rendering expert built environment services to user departments at national government level and the planning, acquisition, management and disposal of immovable assets under its custodianship.

In the late 1990’s perceptions of impaired efficiencies in the DPW led to a growing trend of client departments opting for private sector accommodation. In May 1999, Cabinet approved the creation of a PMTE with the expectation of optimising the state’s property business, expediting and enhancing service delivery, introducing “new money”, and bringing savings to the state. Subsequently, a number of independent reviews, situational analyses and business cases were undertaken. The consultants proposed to assist with the

implementation of their proposals but these were deemed too expensive and DPW opted to implement internally.

In 2012 the Technical Assistance Unit (TAU) of Treasury provided a diagnostic report with a view to implementing the PTME. The report listed 89 critical findings in eight subcategories and highlighted shortcomings. These included limited information flow between DPW and client departments, compliance driven processes, service delivery not meeting customer requirements, lack of requirements for integrating design with maintenance requirements, failure to adhere to the whole life cycle approach, no consideration given to alternative contracting strategies, focus on compliance rather than on managing risks or achieving best value outcomes, centralisation of leases resulting in a slow-down of accommodation delivery, poor adherence to lead times, an extraordinary high number of variation orders, excessive cost, lack of real time reporting to the client, and unstructured reporting often characterised by misinformation and out of date information.

3 KEY FINDINGS FROM INTERNATIONAL BEST PRACTICE REVIEW

The best practice component involved four country comparisons covering Canada, United Kingdom, Queensland in Australia and Botswana. The country studies focused on the portfolio, operating model, customer care approach, maintenance, sustainability, differences and similarities.

The four countries have on the face of it quite different models.

- In the UK asset management is fully devolved to client government departments with the Government Property Unit providing guidance and direction.
- The Canadian model is centralised in the Public Works and Government Services Canada, which in turn has the ability to leverage the private sector as a key strength through outsourcing.
- In the Queensland model, the Queensland Department of Housing and Public Works (HPW) delivers directly but on a commercial basis and in competition with the private sector.
- In Botswana the delivery of services is through a property management agency that falls under the Department of Lands and Housing. The agency offers office accommodation to government departments. It also delivers gap market and social housing to the public at a price.

There is a sense that any high level model can be made to work, provided the correct underlying elements are in place.

1. The performance of the portfolio is measured with clear indicators in place.
2. Efficiency and effectiveness are not just pronounced upon; they are measured and managed.
3. Where a department or agency is responsible directly for maintenance, there is a customer care function to handle and address queries and escalated complaints.
4. Key account managers are professionals with clear targets and accountabilities
5. In each of the country studies, the government benchmarks itself and expects to match the private sector.
6. Asset managers keep an accurate asset register to ensure billing can be itemised accurately to the lowest level and to automate and optimise maintenance.
7. In the decentralised models, there is devolution to user departments to manage their portfolios.
8. In Queensland, the property management division has to compete for government business like any other private asset management company
9. In all countries, disposal applies to assets that are not performing or coming to the end of their life.

4 FINDINGS FROM CASE STUDIES

A total of eight cases were documented and cover the following departments and agencies; Department of Home Affairs, Department of Defence, Department of Environment, Forestry and Fisheries, Department of Justice, South African Police Service (SAPS) Department of Basic Education, Border Management Authority (BMA), South African Revenue Service

(SARS). These are presented here individually with a synopsis of key issues. There is also a detailed case study report and the case studies are presented more fully in the comprehensive report.

The case studies provided commonalities and threads.

- A breakdown in communication, rather than poor communication was cited widely as an issue; ranging from matters being ignored, unresolved for extended periods or escalation to Ministerial level
- User departments expressed the most satisfaction where they were independent of DPW. This included SARS, the Department of Basic Education and SAPS in the case of the police stations they manage themselves.
- None of the user departments were happy with the service that they were getting from DPW. There was a high level of frustration regarding DPWI bordering at times on suspicion.
- Some departments were looking for a better service from DPWI (e.g. DEFF) while others were keen to develop the capacity in house. However, no one was happy with the current level of service.
- None of the departments reported receiving strategic portfolio management. Where departments were looking for strategic or implementation advice, they typically went TO external parties.
- For some of the departments the Public Works regional model does not reflect the way they (user departments) are set up. DPWI is a service department and should align its delivery to their users.
- Many departments claimed that the policies used by DPWI make it difficult for them as a government department to operate, impacting negatively on their service delivery.
- The U-AMPs are by and large regarded as compliance documents.
- Procurement is universally seen as a weakness. Almost every interviewee had advice on what could be done better within the government framework.
- Several departments had disputes over what should be mundane activity such as billing, occupancy or the existence of buildings which have dragged on in more than one department for years and in some cases, decades.
- Almost all departments complained about project management taking too long and being too expensive. Costing too much with very little results to show.
- Departments complained about maintenance issues dragging on unresolved for extensive periods.

5 KEY EVALUATION FINDINGS

The final report contains findings categorised under Basic Functionality, Leadership, Management and Staff challenges, Client satisfaction, Communication, Ability of DPWI to “Work with Government”, GIAMA, Business model, Client Department Interface, Dispute Resolution, Key Account Management, Regional Operations, Lease and Property Acquisition, Management of Landlords, Procurement, Maintenance, Project Management, Processes, Capacity in User Departments, User Perspective, Impact on the Local Economy, Disposal and Turnaround Strategies.

The performance of the accommodation provision programme was also assessed according to the Development Assistance Committee (DAC) evaluation criteria and the results are presented in the following table.

Relevance	1	<ul style="list-style-type: none"> • Service delivery planning is inadequate in terms of resourcing and annual reviews. • With the U-AMPs not developed properly, user needs are not adequately addressed. • Many departments are accommodated in buildings that they do not want to be in. • Many government buildings are unsuitable and need major refurbishments or disposal.
Effectiveness	0	<ul style="list-style-type: none"> • The portfolio is not managed in a manner that achieves its intended objectives. • DPWI is not providing effective solutions to meet identified user needs. • GIAMA is not being implemented and is largely seen as a compliance tool. • User departments are not receiving support in developing the U-AMPs. • The performance and the condition of immovable assets are not being assessed. • The capacity of the department to serve customers and provide the required accommodation solutions is in question. • The regional model is not serving its purpose. • Leasing and maintenance are big concerns. • Projects seem to be at a standstill. • The asset register cannot provide reliable information required for strategic asset management. • With no measures in place cost effectiveness cannot be assessed.
Efficiency	0	<ul style="list-style-type: none"> • Administration and management arrangements are not enabling. • The processes of the department are not an enabler but a hindrance. • Delays in leasing and projects cannot be justified. • Clients are dissatisfied with services and the customer interface. They want alternatives. • Users do not see value for money. • Return on investment is low and not explicitly tracked
Impact	0	<ul style="list-style-type: none"> • Impact is not explicitly measured or looked for. • There is no emerging impact. • There cannot be any impact without relevance, effectiveness and efficiency.
Sustainability	0	<ul style="list-style-type: none"> • Sustainability of the programme has been of concern for over 10 years. The situation has not improved. • The portfolio is not managed effectively to make a positive return, there is no surplus. • Planning is poor with U-AMPs completed for compliance. • Condition assessments and maintenance are lagging behind, with emergency maintenance the norm. • Some departments want to use other accommodation providers, and not DPWI.

6 CONCLUSIONS

Efficiency and effectiveness are important drivers within the context of GIAMA, however they are neither adequately measured or nor actively managed. DPWI's own C-AMP neglects these as quantitative measures while capital and operational expenditure are combined making return on investment (ROI) impossible to track.

In order to understand aggregated asset performance, it is necessary to understand what impacts efficiency and effectiveness, the measures that are needed to track this and the different activities and actions that bring this about. These factors are documented in a sustainability model which provides a link between outcomes, output and input from a quantitative, organisational perspective much as the Theory of Change does for a project.

7 RECOMMENDATIONS

The issues identified in the review are systemic and require a systemic response. They will not be addressed, as suggested in the 2012 Treasury study, by simply applying the IDM Toolkit or by proper training of DPWI staff. The evaluation made twelve recommendations around substantial change. In addition, there were some thirty quick wins identified in the interviews with internal and external respondents.

Gearing up for change	R1: Set up a team to drive a benefit-driven two year change project R2: Develop a functional business model R3: Set up a new organisational structure for the delivery
Redesigning internal business processes	R4: Set up the appropriate accounting structures R5: Implement a ten month project to fix the asset register R6: Process optimisation R7: Redefine the procurement strategy and function
Improving and strengthening service delivery to user departments	R8: Put a dispute resolution mechanism in place R9: Devolve what can be devolved –Lighten the load R10: Set up the capacity to provide strategic input and advice R11: Set up a process to respect the intentions of GIAMA R12: Dispose of non-performing assets

8 WAY FORWARD

DPW has been trying out turnaround strategies since the 1990's, and yet after each turnaround the organisation seems to be worse off. The question arises as to what has gone wrong and what could be done differently.

Large scale change is complicated; typically it needs to restructure, revitalise, reframe and renew in a way that is transparent to the organisation. The restructuring involves the hard productivity decision; cutting cost and enhancing productivity. The revitalisation means finding new ways to add value. Reframing involves commitment, passion and mobilisation. Renewing involves removing the weak links and building a team that can go head to head in this case with any other South African property management organisation. If any of these are lacking, the change process is destined to fail.

Previous turnarounds have all been fatally flawed in both their design and their execution. They have been compliance driven rather than benefit driven. Their time frames have been too loose to maintain discipline and focus. They have not addressed what must be done to maximise added value or conceptualised the underlying business model. They have not introduced the tools for measuring (let alone managing) efficiency and effectiveness. They have not prioritised the hard decisions and the need to be seen to reduce waste and inefficiency. Critically, asset management is driven by the need to invest money to make money; previous change processes did not have return on investment (ROI) as a key management process.

Large scale change is difficult to manage successfully to completion. Successful large scale change projects are invariably led by someone who has been through the full change cycle.

3. THE EVALUATION

3.1 Introduction

Akwethu Engineering and Development was appointed by the Department of Monitoring and Evaluation (DPME) to conduct “an evaluation of the provision of accommodation as guided by the GIAMA Act 19 of 2007”. The programme is implemented by the Department of Public Works and Infrastructure (DPWI) which is mandated to provide fit for purpose accommodation efficiently, effectively, and sustainably to the different arms of the state.

3.2 Background to the Intervention

Suitable accommodation is a key enabler for the successful implementation of government operations and to achieve optimal service delivery. The portfolio of assets under the custodianship of DPWI consists of significant assets with potential for a meaningful impact on the macro-economic, socio-political and physical landscape of SA. The department provides office, functional and official residential accommodation and ensures optimal utilisation of immovable assets that contribute to improved service delivery.

In 2006, DPWI was tasked with driving the establishment of the Property Management Trading Entity (PMTE) and act as a real estate manager for the public sector, managing government’s real estate portfolio from planning to the provision of accommodation. In 2007, the Government Immovable Asset Management Act 19 (GIAMA) came into law. GIAMA serves as a uniform framework for the issuing of minimum standards in respect of immovable asset management and maintaining an Immovable Asset Register (IAR) for national and provincial departments.

3.3 Background to the Evaluation

The provision of state accommodation by DPWI has experienced significant challenges ranging from high levels of unsatisfactory service provision to negative client feedback. Users have often expressed their dissatisfaction with the provision of accommodation and response times related to maintenance of facilities further affecting productivity of the client department.

The evaluation assessed the implementation of the DPWI Accommodation Provision Programme (AP Programme), with specific reference to current patterns of operational performance, results (delivery), immediate outcomes and proposed ways of strengthening implementation. The evaluation focused on parts of GIAMA that deal with accommodation provision, in particular Sections 5, 6, 13, 14 and 19. These sections deal with the roles of users and custodians, powers and duties of the Minister, principles of immovable asset management, as well as functions of the custodian and user.

3.4 Methodology

The evaluation was comprised of the following elements:

- a literature review,
- a review of internal DPWI documents,
- an international best practice study of four designated countries,
- focus interviews at head office,
- a deep dive into selected DPWI processes,
- regional office group interviews,
- stakeholder interviews,
- interviews with officials in twenty nine government departments and
- more detailed case studies of eight of these client departments as selected with DPWI.

Documentation produced include an inception report, a literature document review and international best practice report, a sustainability model for the provision of accommodation, an interview summary report, a case study report and a report on findings and recommendations. All these study outputs are consolidated in a comprehensive report.

Table 1: Investigation methodologies

Evaluation Theme	Key questions	Investigation method
Effectiveness	<ul style="list-style-type: none"> To what extent has the implementation of accommodation provision been effective in achieving its goals, objectives and intended outcomes? What compliance monitoring is happening at present (by users, DPWI and the Accountant General)? 	<ul style="list-style-type: none"> Document review Legislative and policy overview Focus interviews at HO Regional office interviews Client department interviews
Cost effectiveness	<ul style="list-style-type: none"> How cost-effective is the portfolio management model? To what extent is the provision of accommodation underpinned by the principle of 'Value for money'? 	<ul style="list-style-type: none"> Portfolio analysis based on document review, asset register and internal interviews Client department interviews
Efficiency	<ul style="list-style-type: none"> How was the AP programme designed? To what extent are user needs being met? What has been the biggest payoff? Are the steps involved in delivering a service efficient? Are resources to achieve results used in a timely manner? Which benefits exceed their costs? How can altering current patterns of expenditure maximise efficiency? Are timeframes reasonable and adjustable to changing demands and contexts? To what extent has GIAMA's implementation been efficient, with specific reference to administration and management arrangements? 	<ul style="list-style-type: none"> Document review Business process review KAM workshop to identify key processes and inherent inefficiencies Client department interviews DPWI interviews Stakeholder interviews
Relevance	<ul style="list-style-type: none"> How does Public Works in South Africa compare with other leading countries on provision of government accommodation? Are user needs being met? 	<ul style="list-style-type: none"> Comparison study of four countries Document review Focus interviews Client interviews
Sustainability	<ul style="list-style-type: none"> Mandate: How do we strengthen advocacy of GIAMA as an Act and related tools and provide support to user departments to ensure implementation? Resources: Are departments budgeting sufficiently for maintenance? Are departments planning properly for the medium and long term? 	<ul style="list-style-type: none"> Analytical review of income and expenditure Client department Interviews Focus interviews
Impact	<ul style="list-style-type: none"> What are the measurable results of the implementation of the GIAMA Act and evidence of the emerging impact of the accommodation provision programme, if any on performance of departments? 	<ul style="list-style-type: none"> Case studies Client interviews

4. KEY FINDINGS FROM THE LITERATURE/DOCUMENT REVIEW

The extended document provides a full review of the legislative, strategic and review documents dating back to the White Papers of the 1990s, various policy and legislative documents as well as the many interventions and reviews over the ensuing decades. The context is important and is detailed in the extended document. A full review and bibliography government and departmental documents includes:

- *Approved PMTE Organisational Structure, 30 September 2016*
- *Briefing Note, for the New Minister of Public Works, November 2011*
- *Business Case for Interim Mechanism, DPW, 22 November 2005*
- *Business Case: Property Management Trading Entity & Feasibility Study: Establishing the State Property Management Agency – Government Component, 2014, (updated January 2015)*
- *Cabinet Approval of the PMTE Business Case, Cabinet Statement, GCIS, September 2014*
- *Cabinet endorsement of PMTE Business Model and Approval of Appointments, Cabinet Statement, GCIS, May 2015*
- *Department of Public Works 2014/15 Strategic plan.*
- *DPWI 2020-2025 Annual Performance Plan*
- *DPSA Approval of PMTE structure, 4 June 2016*
- *Framework for the Devolution of Budgets and introduction of accommodation charges, DPW, December 2005*
- *National Treasury approval for the establishment of the PMTE, NT, 14 March 2006*
- *NDPW Diagnostic Report, TAU, 14 December 2012*
- *White Paper 1997, Towards the 21st century*
- *White Paper 1999, Creating an enabling environment for reconstruction, growth and development in the construction industry.*
- *Government-Wide Immovable Asset Management Policy, 2005*
- *Government-Wide Immovable Asset Management Act 2007*
- *Progress update on the 1997 & 1999 Public Works White Papers review towards the Public Works.*
- *Government of South Africa. National Treasury. (2004) Asset Management: Guidelines for Implementing the New Economic Reporting Format. Learners Guide. South Africa. Pretoria. Government Printers.*
- *Government of South Africa. National Treasury. (2004). Asset Management Framework*
- *PMTE Operationalisation and Status Quo Report, 27 May 2017*
- *PMTE Funding Strategy, 2018*

The list was extensive and is dealt with substantially in the stand-alone document as well as the comprehensive report. The focus of the summary below is on the emerging themes and the key principles.

The mandate of the department is primarily governed by the Government Immovable Asset Management Act, 2007. This Act aims to ensure efficient and effective immovable asset management in national and provincial government to improve service delivery and sets out the Custodian and User Asset Management Plans (C-AMP and U-AMP) as key alignment tools. Through GIAMA, the department is mandated as the custodian and portfolio manager of a significant portion of the national government's immovable assets. This includes the provision of accommodation; rendering expert built environment services to user departments at national government level and the planning, acquisition, management and disposal of immovable assets under its custodianship.

In the late 1990's perceptions of impaired efficiencies in the DPW led to a growing trend of client departments opting for private sector accommodation. In May 1999, Cabinet approved the creation of an agency with the expectation of optimising the state's property business, expediting and enhancing service delivery, introducing "new money", and bringing savings to the state. This PMTE is at the heart of the business of the department and is seen as central.

At the time there were a number of reviews, situational analyses and business cases. The consultants proposed to assist with the implementation of their proposals but were deemed too expensive; DPW opted to implement internally. A technical committee drew up a business plan in 2005 (2005 Business Case Interim Mechanism Trading Account). National Treasury approved the establishment of the PMTE, devolved budgets and accommodation charges and

passed the GIAMA in 2007. Treasury subsequently initiated further interventions aimed at getting the 1999 process back on track.

The 2006 devolution of budgets was expected to promote the following principles: (a) transparency of costs pertaining to a department's usage of properties, (b) attainment of re-usable savings as incentives for a given department's ability to bring down accommodation related expenses, (c) better strategic alignment between a department's accommodation requirements and the plan designed to achieve its mandate and (d) greater accountability for the usage of immovable assets. It represented the government's intention see a more effective and efficient management of real properties.

A cabinet memo (Minister of Finance Briefing Note 7 December 2011) detailed thirteen challenges including an unstable strategic direction, the need to develop and apply principles of efficiency in the acquisition, usage and disposal of government immovable assets, underspending of budgets due to inefficiencies, failure to develop the capacity required to manage property portfolio, declining capacity, an incomplete asset register, corruption and fraud, exorbitant leases, late submission and erroneous reconciliation of invoices and the need for the department to articulate and implement a consistent or stable strategic direction.

With regard the PMTE the memo noted that the department had failed to produce a business case for the establishment of such an entity. Treasury referenced international best practice, where for example the United Kingdom (UK) has moved from managing its government fixed assets through a single public entity, to each department managing its own real property portfolio requirements.

In 2012 the Technical Assistance Unit of Treasury (now GTAC) provided a diagnostic report (TAU NDPW Diagnostic Report 14 December 2012) with a view to implementing the PTME. It placed emphasis on the Infrastructure Delivery Management Toolkit, formalised into an Infrastructure Delivery Management System (IDMS) with a strong focus on outcomes, value for money and the effective and efficient functioning of the procurement and delivery management system in compliance with relevant legislation and analysed performance against the "should be processes".

The report listed 89 critical findings in eight subcategories and included limited information flow between DPW and the client departments, compliance driven processes, service delivery not meeting customer requirements, lack of requirements for integrating design with maintenance requirements, failure to adhere to the whole life cycle approach, no consideration given to alternative contracting strategies, focus on compliance rather than on managing risks or achieving best value outcomes, centralisation of leases resulting in a slow-down of accommodation delivery, poor adherence to lead times, an extraordinary high number of variation orders, excessive cost, lack of real time reporting to the client, and unstructured reporting often characterised by misinformation and out of date information. It concluded that some of the problems could be addressed by the application of the IDM Toolkit while many issues could not be addressed by applying a toolkit, a system or a methodology. These needed to be addressed as part of the overall turnaround strategy.

The department initiated a Turnaround Strategy in January 2012 to restore organisational health across all perspectives. A seven year "Turnaround Plan" was developed and a range of strategic priorities were identified to be addressed over the short and medium-term. The seven year plan also outlined changes to structures, processes, policies and skills that needed to be developed along with adequate capacity to deliver services at acceptable levels.

The 2012 Turnaround Strategy appears not to address the issues identified in the Finance Minister's brief or the subsequent diagnostic report. In particular it remained a compliance driven rather than a benefit driven exercise

5. KEY FINDINGS FROM INTERNATIONAL BEST PRACTICE REVIEW

The best practice component involved four country comparisons covering Canada, United Kingdom, Queensland in Australia and Botswana. The country studies focused on the portfolio, operating model, customer care approach, maintenance, sustainability, differences and similarities.

The UK Model: In the mid-1990s responsibility for all aspects of government estate management passed from the then Property Services Agency to individual departments with a view to creating clarity and accountability. The Government Property Unit (GPU) was set up in 2010 as part of the Cabinet Office to strengthen central coordination of efficiency savings on property, to improve the management and performance of the government estate and to get better value for money from the public sector's extensive property estate.

In 2014, a strategy designed to "create an efficient, fit-for-purpose and sustainable estate whose performance matches the best of the private sector by 2020" was launched. The key aims of the strategy were to: remove boundaries between departments, local authorities and other public bodies; minimise the need for office space; use existing land and buildings more efficiently and dispose of surplus assets in a way that maximises receipts while boosting growth and creating new homes.

The Canadian Model: The property management function falls under Real Property Services, one of eleven branches under Public Services and Procurement Canada (PSPC) under the Minister and Receiver General for Canada. The Public Services and Procurement Department serves as the central purchasing agent, real property manager, treasurer, accountant, pay and pension administrator, and integrity adviser to federal departments and agencies. Services are organised under five categories with property and buildings being one.

Real Property Services is responsible for managing government real property holdings, offering professional and technical real property services, and providing safe, healthy and productive working environments. It has an overarching Policy on Management of Real Property which ensures the sustainable and financially responsible management of real property, throughout its life cycle, to support the cost-effective and efficient delivery of government programmes. Through Real Property, PSPC manages one of the largest and most diverse portfolios of real estate in the country and is considered Government of Canada's real estate expert.

The Queensland Model: Australia is made up of several federal states with Queensland being one of them and often cited for best practice. Accommodation provision operates in a competitive market as government agencies are not bound to lease from the division. The office is required to provide the buildings on a commercial basis on the one hand and on the other, contain its costs within market benchmarks and achieve a commercial return on investment. Acquisition, management and utilisation of office accommodation is guided by the Office Accommodation Management Framework (OAMF) which supports the use of best-practice methodologies in accommodation management and establishes a structured approach to accommodation planning, space management, fitout, accommodation use and accommodation change. Further, it promotes consistency, equity, cost-efficiency, sustainability and accountability in all phases of accommodation management and aims to achieve the strategic and operational alignment of government accommodation with the delivery of government services to the community.

The Botswana model: The Department of Lands and Housing is the focal point for land governance, government immovable asset/estate management and conveyancing matters. The department is the custodian of immovable assets and is responsible for managing and disposing of government estate assets. It derives its mandate from the State Land Act. It is one of eight departments under the Ministry of Lands and Housing. Other departments are Department of Town & Regional Planning, Department of Surveys & Mapping, Department of Housing, Department of Technical Services, Land Tribunal., Deeds Registry and Department of Corporate Services. The Property Development Department is the project implementation arm within the corporation. The department is responsible for acquisition, preparation of land, conception of viable housing schemes informed by project appraisals, architectural and

engineering designs, project cost estimates, and monitoring and supervision of projects during construction. Other core duties include amongst others, maintenance and upkeep of the property asset register, leasing and rental revenue collection. The department also offers project management services to third party clients, mainly government institutions.

Key findings from the international case studies

The four countries have on the face of it quite different models.

- In the UK asset management is fully devolved to client government departments with the Government Property Unit providing guidance and direction.
- The Canadian model is centralised in the Public Works and Government Services Canada, which in turn has the ability to leverage the private sector as a key strength through outsourcing.
- In the Queensland model, the Queensland Department of Housing and Public Works (HPW) delivers directly but on a commercial basis and in competition with the private sector.
- In Botswana the delivery of services is through a property management agency that falls under the Department of Lands and Housing. The agency offers office accommodation to government departments as well as deliver gap market and social housing to the public at a price.

There is a sense that any high level model can be made to work, provided the correct underlying elements are in place. Further, common processes relate to the acquisition, use and disposal of property.

At the operational level there are many similarities across the study.

1. The performance of the portfolio is measured with clear indicators in place.
2. Efficiency and effectiveness are not just pronounced upon; there is evidence that they are measured and managed.
3. Where a department or agency is responsible directly for maintenance, there is a customer care function to handle and address customer queries and escalate complaints based on customer service standards to ensure consistent and timely service delivery.
4. Key account managers are central to operations. These are property management professionals and not just liaison officers. They have clear targets and accountabilities
5. In each of the case studies, the government benchmarks itself and expects to match the private sector. In the UK, the public estate outperforms the private sector and is considered a critical enabler for public service.
6. Asset managers keep an accurate asset register to ensure billing can be itemised accurately to the lowest level and to automate and optimise maintenance.
7. In the decentralised models, there is devolution to user departments to manage their portfolios.
8. In the Canadian model, large regional tenders are issued to a limited number of asset managers with certain conditions in place; such as outsourcing to local suppliers. Cost-effectiveness, value for money and quality of work performed are some of the benefits derived from the use of the private sector through real property services management contracts.
9. In Queensland, the property management division has to compete for government business like any other private asset management company as government agencies are not bound to lease from them. The division is not guaranteed business by virtue of being the "custodian". Departments manage their core business at the same time as their property needs.
10. The Queensland approach is driven by scheduled, planned maintenance and a structured Condition Assessment. In 2017 they managed to attend to attend to 89% of maintenance queries against a target of 98%.
11. In all countries, disposal applies to assets that are not performing or coming to the end of their life.

6. FINDINGS FROM CASE STUDIES

The evaluation included primary data from focus interviews at head office, regional office group discussions, stakeholder interviews, interviews with officials in twenty nine government departments and more detailed case studies of eight selected client departments. These all painted a consistent overall picture. The eight case studies: SARS, Department of Basic Education, Border Management Authority, Department of Home Affairs, Department of Defence, Department of Environment, Forestry and Fisheries, Department of Justice and SAPS are presented here individually with a synopsis of key issues. There is a detailed case study report and the case studies are presented more fully in the comprehensive report.

6.1 SARS

SARS manages its own portfolio and also leases some accommodation from Public Works. SARS contracts directly with landlords. It has SARS-owned buildings in line with its Act of establishment which gives it custodial rights. The SARS model is worth studying for any department that wishes to take both greater accountability and responsibility for its space optimisation. SARS has embarked on a strategy of improving the efficiency and effectiveness of the spatial environment using cost and quality measures. Much of what they presented ties in well with the international case studies, which were also part of this assignment. SARS has been able to draw on best practice and drive toward better space utilisation as well as better space productivity

6.2 Department of Basic Education

The National Department of Basic Education was chosen in part as a case study because it is one of the few departments to rely primarily on a PPP for its accommodation needs. The Department of Basic Education strongly believes that the PPP model works well for them and should be widely considered. Certain key elements of their relationship were cited as important. Contracts need to be long enough to ensure adequate capital spend and upgrades. Even a PPP needs direct hands on management by the user department. Weekly meetings and detailed monthly reports are needed to ensure alignment and compliance. Integrated facilities management (IFM) with well-defined service levels and penalty clauses is a key element to this building. There is a sense that the building has contributed to productivity improvement in the way employees work.

6.3 Border Management Authority

Under its newly constituted Border Management Authority Act July 2020, the Border Management Authority (BMA) will be accountable for “establishing and maintaining bureaus, depots, quarters, workshops ... which may be expedient for the general management, control and maintenance of the Authority”. Until now it has relied in part on DPWI and in part on Airports Company South Africa (ACSA) for the provision of accommodation. The contrast between the two state authorities provides a unique insight into the strengths and weaknesses of the DPWI approach, hence the value as a case study.

The BMA members were very concerned at the service they were getting. *“For the port entity the U-AMP has become a malicious compliance tool.” “Of the 53 (contracts) 23 are expired and 20 expire in the next three months.” “The tender is set up poorly and generates a non-response. DPWI then oblige themselves to wait six months. ACSA would replace a contractor the same day.” “Maybe it is time to engage Treasury. It is irresponsible for us to do the same thing if it’s not working.” “DPWI is not even getting the user charges correct.” “You must look at the procurement process that Public Works follows.” “The facilities are not OHS compliant.”*

There seems to be no reason why BMA could not take over responsibility for facilities and make it work. BMA would be able to adopt the processes that ACSA has used successfully for some time.

6.4 Department of Home Affairs

DHA has commissioned extensive independent work on its current footprint, ideal footprint that they envisage and prototyping the optimum layout for delivery. For this reason, the Department of Home Affairs provides a useful case study with regards strategic thinking, contracting and day to day delivery. Home affairs has formally applied to be able to manage its own portfolio. The DHA has a total of 421 offices ranging from large to small of which 215 are state owned and 206 private leases.

To say that the Department of Home Affairs is unhappy with the service would be an understatement. *“There are 35 existing offices not aligned with our model and 34 need to be relocated. We have identified over 30 areas where we need offices and don’t have them”. “The procurement process takes for ever. Nothing seems to be working. We might be trying to resuscitate a dead horse!” “In one office the plan was for plan for R6 million, which jumped to R50 million. Another one was R30 million and jumped to R120 million. We could do this better. Ten years later they are still struggling to construct the office”. “It was supposed to be a refurbishment, which should have been quick. Now 18 years later we only have drawings.” “Offices with no water. Offices with no air conditioning. Offices with lifts out of order. “(It) took about three years to get a lift.”*

Participants expressed a strong wish to go it alone. There is a belief that the current poor space utilisation is an impediment to service delivery.

6.5 Department of Defence

The Department of Defence (DoD) makes an interesting case study because of its extensive foot print, the specialised needs especially with regards work on military installations and the internal capacity that the department already has. The DoD was happy to participate but was concerned that the report would be edited. *“There is nothing that we will tell you that DPW has not already heard. We wish that you could see some of the facilities”.*

There seems to be wide consensus that the DoD should take over property management from DPW. *“We are paying R1.2bn in utilities very year. But we can’t put in meters. People are paying rentals of R1200 and then subletting their garages and (domestic) quarters for more. People are running businesses from rental houses on our sites.” “Each year we put aside R800m for projects. Then they underspend by between R300m and R600m”*

Within DoD there are differing views as to how such a transition should take place.

6.6 Department of Environment, Forestry and Fisheries

The newly constituted Department of Environment, Forestry and Fisheries (DEFF) provides an interesting case study. This is, in part, because of the input needed to maximise the spatial synergies, and in part due to the complex and diverse portfolio in part due to the PPP which was recently concluded but without the support of DPWI. At a basic accounting level, DPW is not able to assess or even correct the basic accounting transactions. *“We give them twenty months’ notice before leases expire, but it still doesn’t help. Three years later, the lease is not renewed but continues on a month to month basis.” “We are getting bills for buildings vacated eight years ago. There is a complete breakdown between the key account management team and the billing team.”* At a contractual level DPW is unable to maintain leases and enforce the contracts. At an occupational level, the space is deemed to be suboptimal operationally and in places not even health and safety compliant. On a strategic level, the big strategic decisions are undertaken without support being offered by DPWI.

6.7 Department of Justice

The Department of Justice is an interesting case study in terms of the breadth and depth of service delivery. The department has a wide foot print (User Immovable Asset Management Plan 2016/17) consisting of one Constitutional Court Facility, one Supreme Court of Appeal Facility, one Land Claims Court, fifteen High Court Facilities, seventy six Branch Courts, three hundred and sixty nine Magistrates’ Courts, four Periodical Courts, and twenty two Detached Courts.

There is a view that the planning process is not working and that this is compromising service delivery. *"We are not doing justice to the AMP. DPW is also not doing justice to the AMP."* *"For five years we have not seen a C-AMP (custodian asset management plan). Every year we give our plan for compliance purposes but there is no response".* *"Even water in the court can be a problem. DoJ struggles to get even an interim solution."* The Department of Justice believes that it is sufficiently large to allow them to build the capacity instead of buying it in from a provider where the trust has clearly broken down. DoJ acknowledges that it will need to have the technical and professional services posts approved by the DPSA before it starts preparing to take over the portfolio.

6.8 SAPS

The SAPS provides an interesting case study because of the specialised nature of police stations and also because some of the assets have already been devolved. They are also interesting because despite the challenges they identified, they would prefer the services to be offered by DPWI. SAPS has built up the capacity to handle their 284 own police stations, to get value for money and to manage projects. However, they neither have the capacity to handle the full portfolio, nor would they be happy to take over facilities in the state they are in.

6.9 Common issues across the case studies

The case studies as a whole provided commonalities and threads.

- A breakdown in communication, rather than poor communication, was cited widely as an issue ranging from matters being ignored, unresolved for extended periods or escalation to Ministerial level
- User departments expressed the most satisfaction where they were independent of DPWI. This included SARS, the Department of Basic Education and SAPS in the case of the police stations they manage themselves.
- None of the user departments were happy with the service that they were getting from DPW. There was a high level of frustration regarding DPWI bordering at times on suspicion.
- Some departments were looking for a better service from DPWI (e.g. DEFF) while others were keen to develop the capacity in house. However, no one was happy with the current level of service.
- None of the departments reported receiving strategic portfolio management. Where departments were looking for strategic or implementation advice, they typically went outside.
- For some of the departments the Public Works regional model does not reflect the way they (user departments) are set up. DPWI is a service department and should align its delivery to its users.
- Many departments claimed that the policies used by DPWI make it difficult for them as a government department to operate, impacting negatively on their service delivery.
- The U-AMPs are by and large regarded as compliance documents.
- Procurement is universally seen as a weakness. Almost every interviewee had advice on what could be done better within the government framework.
- Several departments had disputes over what should be mundane activity such as billing, occupancy or the existence of buildings which have dragged on in more than one department for years and in some cases, decades.
- Almost all departments complained about project management taking too long and being too expensive. It costs too much with very little results to show.
- Departments complained about maintenance issues dragging on unresolved for extensive periods.

7. KEY EVALUATION FINDINGS

Our assessment of performance based on DAC criteria is included in the following table.

Table 2: Key findings according to DAC criteria

Relevance	1	<ul style="list-style-type: none"> • Service delivery planning is inadequate in terms of resourcing and annual reviews. • With the U-AMPs not developed properly, user needs are not adequately addressed. • Many departments are accommodated in buildings that they do not want to be in. • Most government buildings are unsuitable and need major refurbishments or disposal.
Effectiveness	0	<ul style="list-style-type: none"> • The portfolio is not managed in a manner that achieves its intended objectives. • DPWI is not providing effective solutions to meet identified user needs. • GIAMA is not being implemented and is largely seen as a compliance tool. • User departments are not receiving support in developing the U-AMPs. • Performance and the condition of immovable assets are not being assessed. • The capacity of the department to serve customers and provide the required accommodation solutions is in question. • The regional model is not serving its purpose. • Leasing and maintenance are big concerns. • Projects seem to be at a standstill. • The asset register cannot provide reliable information required for strategic asset management. • With no measures in place cost effectiveness cannot be assessed.
Efficiency	0	<ul style="list-style-type: none"> • Administration and management arrangements are not enabling. • The processes of the department are not an enabler but a hindrance. • Delays in leasing and projects cannot be justified. • Clients are dissatisfied with services and the customer interface. They want alternatives. • Users do not see value for money. • Return on investment is low and not explicitly tracked
Impact	0	<ul style="list-style-type: none"> • Impact is not explicitly measured or looked for. • There is no emerging impact. • There cannot be any impact without relevance, effectiveness and efficiency.
Sustainability	0	<ul style="list-style-type: none"> • Sustainability of the programme has been of concern for over 10 years. The situation has not improved. • The portfolio is not managed effectively to make a positive return, there is no surplus. • Planning is poor with U-AMPs completed for compliance. • Condition assessments and maintenance are lagging behind, with emergency maintenance the norm. • Some departments want to use other accommodation providers, and not DPWI.

0= Area of concern, 1= Mixed progress and experience, 2= On the right track, progress

The results from the literature review, the internal interviews, the regional interviews, the international benchmarks, the client interviews and the case studies are synthesised in the following findings. We have clustered the findings to make them easier to review.

7.1 Basic functionality

1. User departments and regions indicate that DPWI is struggling with regard very basic

functionality

2. DPWI is unable to correctly assign space and in some cases, buildings to the user departments
3. DPWI is in many instances struggling to provide accommodation that complies with basic health and safety legislation, let alone space that optimises service delivery
4. DPWI is struggling to get the correct billing out to user departments. This in some cases results in extended disputes
5. DPWI is unable to settle disputes amicably and within a reasonable time frame. Disputes drag on year to year without resolution
6. Basic contractual and service level agreements with departments are not in place. Standard annual performance reviews of DPWI's service to departments are not standardly in place

7.2 Leadership, management and staff challenges

7. Leadership at a strategic level is not stable, with a high turnover of Ministers and Directors General. This hampers service delivery
8. Many managers are in acting positions
9. Vacancy rates are very high at head office and regions
10. There is a lack of management decisiveness with managers not having the tools to measure performance or capacity

7.3 Client satisfaction

11. None of the twenty plus user departments interviewed were happy with the service that they were getting from DPWI. No one was happy with the current level of service
12. There was a high level of frustration regarding DPWI bordering at times on suspicion
13. Some departments were looking for a better service from DPWI while others were keen to develop the capacity in house.

7.4 Communication

14. Many user departments cited poor communication with DPWI including lack of feedback on their U-AMPs, progress reports on acquisitions and projects, or even notification of changes in prioritisation
15. Client forum meetings are not taking place in many of the user departments. Where such meetings take place, information presented is not accurate.
16. Basic courtesies and Batho Pele principles were routinely reported as not being adhered to, including answering phones and replying to emails
17. Many reports indicated communication that is not only poor but dysfunctional with issues ignored and being escalated to DG or Ministerial level
18. Issues escalated to Ministerial level are reported to receive attention followed by high level large meetings but without the mechanisms to resolve the underlying problem
19. User departments feel they are treated as dependants rather than DPWI equals
20. User departments believe that requirements that they have which in their view have an impact on service delivery, are not taken into consideration

7.5 Ability of DPWI to "Work with Government"

21. Many departments claimed that the policies used by DPWI make it difficult for them as government departments to operate; impacting negatively on their ability to function and deliver services to citizens
22. Many instances were cited of funding allocations not being spent, and project money handed back to user departments at financial year end
23. Examples were cited by multiple users of corrections being made across financial year ends, creating problems in government accounting
24. There were examples cited of where Treasury needed to be approached but it was the user department that had to approach Treasury because the approach proposed by DPWI to Treasury was regarded as not constructive
25. Other government agencies and departments were cited as being better able to deliver within a government policy framework using the same PFMA

7.6 GIAMA

26. The U-AMPs were by and large regarded as compliance documents
27. None of the departments felt that they were receiving strategic portfolio management from DPWI as part of the GIAMA process
28. Departments claimed that DPWI prioritised their requirements independently of their U-AMP and without consultation
29. Departments claimed either not to have been engaged on the C-AMP or even not to have seen the C-AMP relating to their portfolio
30. Where departments were looking for strategic or implementation advice, they typically went outside, for example to the CSIR
31. Portfolio management in terms of GIAMA should be a joint set of activities by DPWI and the user department. Instead both submit separate documents to Treasury. This is despite Treasury indicating to DPWI that these documents also need to go to the user departments

7.7 Business model

32. There doesn't seem to be a clear business model underlying the provision of accommodation
33. DPWI does not keep track of where it adds value or make a surplus. Key Account Managers do not work from income, expenditure and value add at an asset and customer level
34. There does not seem to be a clear framework as to total cost of ownership, make or buy, acquisition or disposal, refurbishment or maintenance as well as capital and investment decisions
35. The standard indicators which we would expect for each building and client are neither kept nor monitored monthly
36. Indicators such as surplus/deficit, return on capital, return on assets, return on investment, and amount and cost of capital raised are not being measured on a customer basis
37. DPWI appears to be flying blind with regards performance and service delivery measures
38. Internal interviews pointed to a need for a DPWI delivery model to allow the custodian to provide accommodation effectively and efficiently and to continually improve performance
39. The PMTE is currently set up like a government department and not as a property management company

7.8 The DPWI Interface with departments

40. Departments felt that they had to adapt to the DPWI structure and that the way DPWI was set up did not reflect their reality
41. The hand overs from national user departments to regions, to regional DPWI offices to the national DPWI office and then back to the users' regional offices were seen as costly in terms of time and nuance
42. For some of the departments the Public Works regional model did not reflect the way the user department is set up. Departments felt that DPWI is a service department and should align its delivery to the users

7.9 Dispute resolution

43. Many user departments noted ongoing disputes dating back several years
44. There appears to be no annual performance agreement or contractual basis to refer to
45. There appears to be no binding dispute mechanism to resolve ongoing disputes in a systematic and timely manner
46. It appears to be common across user departments to escalate disputes to a DG or Ministerial level. While such a mechanism might vent frustration, it is not in itself resolution orientated
47. The standing committees and task teams set up to smooth implementation are not the sort of mechanism that enables implementation or action
48. There is a feeling among user departments that DPWI uses client forums to blame the user rather than to resolve issues as they would if they were a service provider dependent on their client for business

49. Communication has been widely cited as an issue. However, it appears that poor communication seems to be representing deeper underlying issues, which lead to disputes that are not being resolved at a systemic level

7.10 Key Account Management

50. Key account management is expected to act as the focal point for delivery by the back office, but appears not empowered to do so
51. The key account manager has neither the business role nor the expertise role traditionally expected in a property company
52. Key account managers do not jointly scope projects with their client departments
53. Key account managers are not measured on the sustainability of their portfolios

7.11 Regional operations

54. The strong centralisation is seen by regions and user departments as compromising the regions' ability to deliver. Most of the regions and many user departments cited this as a cause of poor delivery, worsening service and unacceptable delays
55. Activities that could be devolved to regions are being held centrally causing bottlenecks and delays; giving client departments poor value for money
56. Regions are managed through circulars rather than through proper policy documents. Circulars are seen as a poor substitute for policy as they lack coherence and consistency. Further, they do not form a consolidated framework
57. The different regions are seen by users as having quite different characteristics and performance levels
58. Client departments are expected to adapt to the DPWI set up instead of DPWI operations reflecting the needs of its client base

7.12 Lease and property acquisition

59. Many departments cited a high fraction of contracts where leases had lapsed and were on month to month
60. The month to month contracts were seen to compromise quality, maintenance and service delivery
61. Users saw the turnaround time for new leases as problematic
62. Users complained that leases which they wanted to terminate were extended
63. Users complained that the lead time required by DPWI was longer than needed, but that even when they complied with this, leases were not completed on time
64. Some departments did not even have copies of their leases or access to their lease agreements
65. Several complained that key property details on the leases were not correct. Departments have resorted to external parties to verify their lease portfolio
66. Departments complained that clauses that they require are not in the lease agreements and that those in the lease agreements are not enforced

7.13 Management of landlords

67. There was a general expression of frustration with the management of landlords, and a belief that managing landlords was not a competence of DPWI
68. Almost all users complained that landlords were not properly managed. Issues that needed resolving with landlords were not communicated timeously.
69. Lease terms and conditions are not enforced
70. Many of the users have chosen to go directly to the landlords themselves, while others try to manage the landlord via DPWI. Where the formal authority is vested in DPWI, neither approach is seen as optimal

7.14 Procurement

71. For DPWI, procurement is almost universally seen as a weakness
72. Almost every interviewee had advice on what could be done better within the government framework (PFMA)

73. There was a strong view both internally and across multiple users that other government agencies and departments can procure quicker, better and cheaper than DPWI
74. Many user departments had “horror stories” relating to procurement including the procurement of related goods and services costing several times more than market value
75. Client departments felt that DPWI was at times hiding behind the PFMA
76. Client departments believe that DPWI does not use the full range of procurement tools
77. For many maintenance tasks the prequalification of providers is believed to be inadequate
78. The promise of earlier DPWI reviews that the PMTE would make procurement a core competence and that it would procure quicker, better and faster than the private sector seems not to have materialised

7.15 Maintenance

79. Several departments complained that maintenance issues drag on unresolved for extensive periods.
80. There was a view that poor maintenance has a significant impact on service delivery on both ends (to the user departments and consumers of government services)
81. Examples were cited of buildings not complying with occupational health and safety for long periods
82. Rolling condition assessment of all user assets appear not to be done jointly, and do not lead to a joint maintenance strategy
83. The asset register is not at the subcomponent level and therefore not at the level needed to coordinate the maintenance planning and not at the level required by a property management company

7.16 Project management

84. Management of projects is not seen as a strength of DPWI
85. Almost all departments complained about project management taking too long and being too expensive
86. Clients with project management capacity tended to believe that they can and do manage projects better than DPWI
87. Project reporting seems to be problematic and not driven by the standard KPIs reported monthly and summarised at a client and a corporate level
88. The standard project overview reporting seems to be deficient both at a client and summary level
89. Where DPWI have gone to third party agencies, clients believe they can manage the third parties (like DBSA and COEGA) better and without an extra layer of cost
90. Clients believe that variations are not adequately managed and project spending and delivery fall behind creating problems for their government accounting

7.17 Processes

91. Processes appear to be siloed, with poorly defined interfaces, process measures and KPIs
92. The process improvement project appears not to be benefit driven but rather a compliance exercise
93. Previous studies dating back decades point again and again to the same issues around processes and inefficiency

7.18 Capacity in user departments

94. User departments with internal capacity were better able to interface with DPWI, implementing agents and consultants
95. Many departments, view accommodation as intimately tied to their delivery model and their ability to dispense critical services
96. Many departments did not seem to have the basic capacity needed to interface with their providers
97. Accommodation is a key enabler and many departments felt they needed the capacity to strategise and manage accommodation provision
98. Some members of DPWI appear to see user competence as a threat to DPWI and its mandate

7.19 User perspective

99. From the user perspective, there doesn't seem to be adequate service level agreements in place
100. Basic service standards are not adhered to
101. Satisfaction levels are not measured. There is no annual satisfaction score by the user and there is limited ability to provide feedback on poor service or inadequate provision.

7.20 Impact on the local economy

102. The impact of DPWI assets on local economies is not being measured
103. Anecdotal evidence is that the DPWI assets are compromising rather than enhancing neighbourhood value
104. The impact on the local economy is not considered when assessing the state of DPWI buildings

7.21 Disposal

105. DPWI has many underutilised properties that are not disposed of
106. There appear to be properties that are not bringing in income but are a cost in terms of maintenance, utilities, rates, and security
107. The underutilised properties are believed to have a negative impact on the local economy

7.22 Turnaround strategies

108. Previous documents referred to many attempts at the turnaround of performance with little tracking as to their success
109. User departments were under the impression that delivery was not improving, but rather that it had deteriorated over the past few years

The turnaround strategies that are cited in the document review do not have the benefits focus, the tight time frames, the resourcing or commitment associated with other successful turnaround strategies

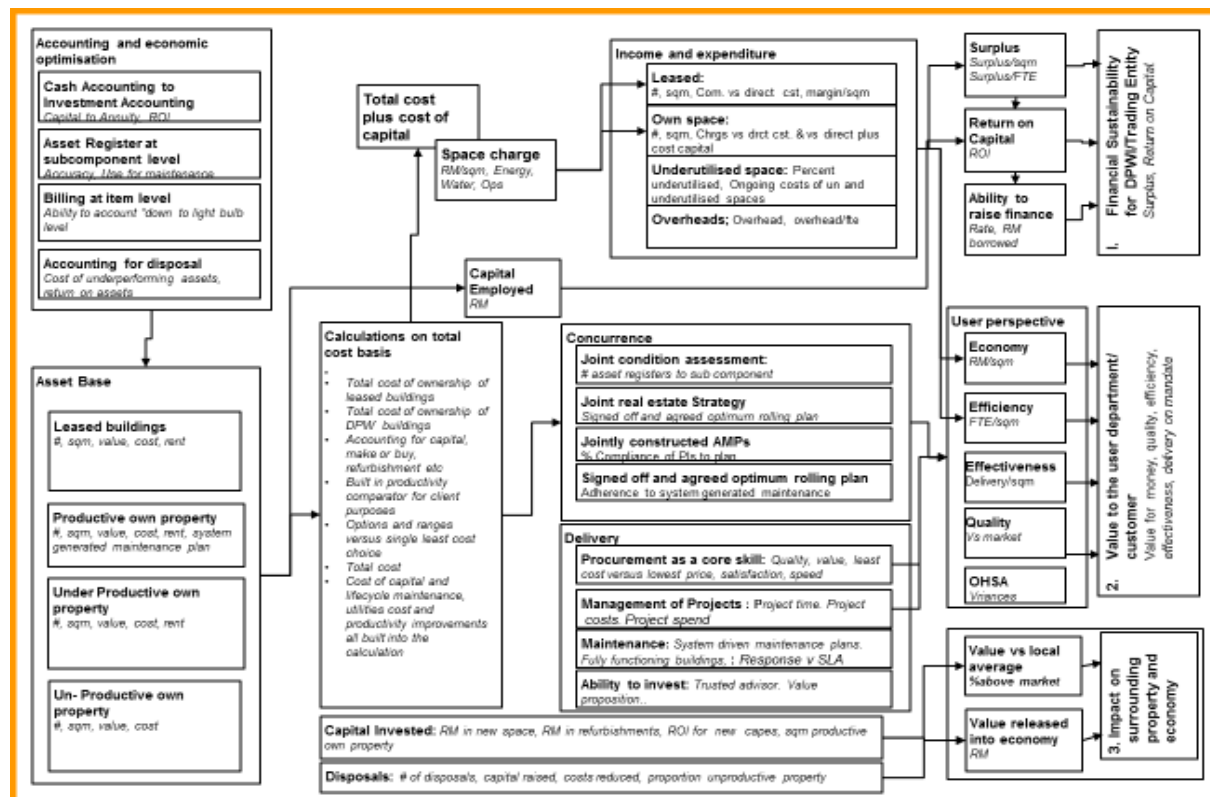
8. CONCLUSIONS

Efficiency and effectiveness are important drivers within the context of GIAMA, however they are neither adequately measured nor actively managed. Indeed, DPWI’s own C-AMP neglects these as quantitative measures while capital and operational expenditure are combined making return on investment impossible to track.

In order to understand the aggregated asset performance, it is necessary to understand what impacts efficiency and effectiveness, the measures that are needed to track this and the different activities and actions that bring this about. This sustainability model was produced to this end. It provides a link between outcomes, output and input from a quantitative, organisational perspective much as the theory of change does for a project.

The framework is needed to underpin the recommendations. Indeed, it provides bridge the findings and the recommendations.

Figure 1: The sustainability model



1. The model provides a framework for cost benefit analysis. Cost benefit decisions need to become routine throughout the value chain: make or buy, acquisition and disposal, refurbishment and maintenance, capital and investment as well as the decisions around devolution of decision making both the regions and the user departments.

2. The model provides indicators for best practice and benchmarks. Each of the elements in the sustainability model can be described conceptually and numerically. In this way the key elements can be identified and their balance, their ratios and their performance can be compared to best practice and managed for optimum performance across the value chain.

3. The model is the equivalent of Theory of Change at a departmental level. The Theory of Change links outcomes, outputs and inputs for social change projects. The sustainability model provides this at a departmental level.

The model has been workshopped and set out in some detail in a separate document. It is used here to provide the concluding thread to the findings and as preparation for the recommendations.

As with the Theory of Change, the outcomes provide a starting point. Three outcomes have

been identified namely; financial sustainability from a DPWI perspective, service delivery from a user department perspective and impact on the real estate market from the perspective of the economic environment.

1. Financial sustainability looks at the intended impact from a trading perspective. Running a surplus creates a fiscal discipline and is needed for immediate sustainability. In the longer term, investments in a property portfolio drive efficiency and for this reason; long term sustainability demands a return on investment.
2. Service delivery and efficiency provide the user perspective. After staffing costs, space costs are one of the biggest line items. Better space usage represents a significant opportunity for improvement in efficiency and effectiveness. The international case studies show the significant benefit of close collaboration between the user departments and the property arms of government to drive such improvements.
3. Real estate represents a significant fraction of the economy. Within that, government has a significant portfolio. For this reason, the impact of government on neighbouring real estate is an important enabler in unlocking the local economy and opportunities for empowerment and growth.

The model provides measures at each step allowing one to understand the various findings from a quantitative perspective. It also highlights areas which need to be addressed. This includes procurement as a core skill, management of projects, maintenance, and the ability to invest.

Basic management skills: These include collecting on debts, charging for services, creating a fit for purpose structure, resolving disputes, adding value, satisfying the user and providing a legally compliant product.

Procurement: Early PMTE design assumed the power of the state would procure quicker, better and cheaper than the private sector. There is wide consensus internally and externally that DPWI is slower, more expensive, less able to extract value or generate innovation from the procurement process. *Potential indicators include: Total cost of ownership, response times, quality, value, user satisfaction.*

Management of Projects: Agility is an important part of delivery. Key to delivery is the ability to deliver on projects. Project cost, speed of delivery, quality and ability to manage cash flows are all important. *Potential indicators: Duration vs benchmark. Project costs vs benchmark. Project spend vs plan.*

Maintenance: Repeatedly interviews pointed to situations where client departments are unhappy to pay DPWI rates, but were more than happy to go to a more expensive provider. Cited frequently was the inability to hold lessors to account or to provide maintenance. Maintenance whether from owners of leased accommodation, DPWI accommodation, or third party maintenance providers seems to be the most immediate cause of non-performance. *Potential Indicators: System driven maintenance plans. Response of DPWI vs SLA. Fully functioning buildings. Days outage for water, electricity, climate control, elevators or OHS.*

Ability to invest: An overarching theme in property management is the need to invest money to make money. The speed, efficiency and the return on investment are key to successful property management. *Potential Indicators: Return on investment. Amount invested. Rand benefit generated from investment.*

9. RECOMMENDATIONS

This section looks at the recommendations based on the results of the interviews, the literature review, best practice analysis and our findings. Issues raised are systemic; they will not be addressed, as suggested in the 2012 Treasury study, by simply applying the IDM Toolkit or by proper training of DPWI staff. The literature indicates that DPWI has been attempting to address these challenges since the 1990's with little success.

Table 3 Recommendations

Gearing up for change	R1: Set up a team to drive a benefit-driven two year change project R2: Develop a functional business model R3: Set up a new organisational structure for the delivery
Redesigning internal business processes	R4: Set up the appropriate accounting structures R5: Implement a ten month project to fix the asset register R6: Process optimisation R7: Redefine the procurement strategy and function
Improving and strengthening service delivery to user departments	R8: Put a dispute resolution mechanism in place R9: Devolve what can be devolved –Lighten the load R10: Set up the capacity to provide strategic input and advice R11: Set up a process to respect the intentions of GIAMA R12: Dispose of non-performing assets

Gearing up for change

From the evaluation, it is clear that the organisation is floundering at all levels and that wide-ranging fundamental change is needed.

R1: Set up a team to drive a benefit driven, two year change project

The literature review repeatedly underlines the need for large scale change. However, there is no evidence of the change processes being successful. This appears to be in part due to their poor design, loose targets and lack of focus. At the same time there is a massive performance gap that cannot be addressed through Treasury. The change projects have to a large extent been compliance rather than benefit driven. Projects that are devised around a return on investment look different from those seeking compliance. Furthermore, turnarounds must be time bound and focussed so that the energy of the change process is not dissipated into operations activity. Large scale change is typically driven by someone who has managed such a process before. It is time bound and benefit driven.

R2: Develop a functional business model

A good business model allows for strategic decision making, focus and for measuring performance at key points of the value creation chain. As one member of the Technical Working put it: "We don't have a business model, and this is causing us to be uncompetitive. It is as if we have a black and white TV set. Then see that others have smart TV's. So we keep adding things onto our black and white TV to try and make it like the smart one that other people have. In the end we still have a black and white TV set, but one that is too heavy to move". A business model is needed to understand where value is created, enable prioritisation and focus, set a framework for make or buy, use or lose, invest or operate decisions. It puts a number on inefficiencies and frames a target on the potential for value creation. Finally, it provides realistic measures for tracking progress on the R20bn performance gap.

R3: Set up a new organisational structure for the delivery part

The current PMTE hybrid has been set up along the lines of a government department and not as a competitive entity; it is long on government positions but short on value adding posts. Its structure and reporting lines do not reflect best practice. A general theme from the interviews was a loss of skills, “more people but less capacity”, shortage of technical professional skills, and a lack of specific capacity. This includes managers who have become decision averse and repeat processes known to fail. Being successful in the competitive accommodation delivery space requires the right structure filled with the possible best people. The structure and the performance measures must reflect the business model so that the right people can be found with structures and processes to maximise value.

Redesigning internal business processes

The current processes, tools, systems, measures are not aligned to the mandated improvements in efficiency and effectiveness.

R4: Set up the appropriate accounting structures

There is management adage that you need to invest money to make money, or in this case to add value. This is particularly true of property management. The value could be to DPWI itself, to the client department or to the country as a whole. The ability to invest, manage investments and extract value are a core competence of a real estate management company. It requires a significant shift from the cash based and MTEF timeframe of government departments. It requires project and investment accounting with differing timeframes and measures. With this in place capital investment reverts back to the PMTE as it does with our leasing partners. As one interviewee stated: “In government we are incentivising compliance, in the private sector we are incentivising return on investment”. The best practice study shows that a public sector which focusses on public money, government revenue and reducing cost, often sub-optimally utilises its assets. The move from cost reduction thinking to a return on investment thinking has been the driver for improvement in the best practice studies.

R5: Implement a ten month project to fix the asset register for properties in use

The current asset register is not complete, not accurate, not up to date and not at a level which is operationally useful. The asset register needs to enable a cost effective maintenance programme; it is a tool that translates assets into a maintenance plan. This is done at the sub-component level.

The current asset register project appears to have been driven around financial compliance rather than as a tool for service delivery; it is on the wrong level of detail.

R6: Optimise processes

The indication is that processes are full of inefficiencies, delays, handovers and ambiguities. Significant value can be found in streamlining the processes for lost time, rework, duplications and inefficiency. There are disconnects at individual steps and across the process. Processes are not managed end to end. There are interfaces causing significant delays. Management systems across interfaces are lacking. Key measures are not in place either at individual steps, known bottlenecks or across systems. There has been no formal line balancing. Processes are not optimally linked. There is current process review underway. However, this is a compliance exercise and not seen as a driver of either productivity or value.

R7: Redefine the procurement strategy and function

Early strategic documents around the design of DPWI all assumed the power of the state would mean procuring quicker, better and cheaper than the private sector. In doing so, DPWI would unlock enormous benefit for the citizen. There is wide consensus that this is not the case; interviewees believe that DPWI is slower, more expensive and less able to extract innovation from the procurement process. Almost all departments had “horror stories” relating to procurement including that of goods and services. Almost every interviewee had advice on what could be done better within the government framework. DPWI needs to review its entire procurement portfolio and understand the value that best practice procurement could deliver.

Improving and strengthening service delivery to user departments

“South Africa works because of Public Works”. There was a broad consensus from both public works and user departments regarding the importance of the provision of good accommodation and the need to work together to achieve this. There was also consensus that the mechanism for achieving this, including those foreseen by GIAM are not working.

R8: Put a dispute resolution mechanism in place

Almost all external interviewees noted disputes that were ongoing and unresolved. Many were over a decade old. Disputes related to occupancy, billing, health and safety compliance, as well as maintenance. Unresolved disputes are toxic and the current escalation processes are political rather than managerial. Indeed, the typical management practices such as contracts and service level agreements are either lacking or unenforceable. We recommend a third party mechanism with processes and work loading to ensure disputes are resolved speedily. The processes should be mapped, with clear thresholds and triggers and with contractual limits in terms of duration and cost.

R9: Devolve what can be devolved

There is a tacit assumption almost everywhere that there are economies of scale; bigger is expected to be more efficient. This is often only true up to a certain scale, big organisations suffer diseconomy of scale characterised by slow, broken processes serving internal needs and DPWI appears to be experiencing this. This is also true with regards devolution to regional offices.

DPWI is well into the diseconomy of scale. It is a repeated frustration by interviewees at both head office and in the regions. Devolution of certain functions to user departments is in line with the 2014/15 Ministerial policy statement calling for “a thorough policy review resulting in a Public Works Act that would help clarify and refresh the mandate of the DPW”. Further, taking over some property management functions is in line with the intentions of the 1997 White Paper (Sec 5.4.10), which stated that “From 2002/2003 FY, clients would then be at liberty to source property and facilities management services from the most appropriate service provider; be it private or public”. The transition should be a managed process with a clear understanding of how DPWI will monitor and measure ongoing efficiency and effectiveness of the devolved activity.

R10: Set up the capacity to provide strategic input and advice

The DPWI is the custodian of a large proportion of state property. As such, a core function of the DPWI should be the ability to provide key strategic accommodation advice. The CSIR and many other organisations are already active in this space. For DPWI to have credibility, it needs to be seen as the strategic advisor of government in the space of accommodation provision and provide the required leadership. Support for this can be found in a Ministerial policy statement which directed DPW in its review of the White Papers “to give attention to models where the department would focus primarily on setting of standards, best practice guidelines and monitoring and evaluation, whilst devolving more responsibilities in the execution of certain projects to selected departments”.

R11: Set up a process to respect the intentions of GIAMA

The U-AMPs are widely regarded as compliance documents. The users and regions complain that the U-AMPs and C-AMPs neither correlate with each other nor with the purchase orders supposedly emanating. This is at odds with the intention of the Act.

The DPWI place the blame for poor U-AMPs on the capability of their customer departments. However, in sharp contrast with the international best practice study, the DPWI’s own C-AMP does not even measure, let alone manage efficiency and effectiveness. Capital and operational are all lumped under expenditure excluding any possible ROI focus.

The importance of the asset management plans in creating an interchange around ROI is

emphasised by the discussion around charge out rates and services. From the DPWI perspective the rates are too low; compromising delivery. On the other hand client departments are unhappy to pay the standard DPWI rates, but at the same time look to go outside to more expensive providers. The U-AMP and C-AMP processes must be set up as interactive processes, with a focus on value for money in the form of efficiency, effectiveness and return on investment.

R12: Dispose of non-performing assets

Productive assets have an annual liability that can amount to 15-20% of their capital cost. This is in the form of rates, taxes, security, consumables, water and electricity charges. In addition, non-performing assets create complexity for the organisation and add to inefficiencies. In the case of DPWI this is seen in the struggle to perform even the most mundane of functions; getting an asset register up to date, correct billing, billing down to a transactional level, resolving disputes. Most important, they take value out of the economy twice; firstly, by taking potentially active assets out of the economy, and secondly because of the effect that deteriorating unsecure assets have locally (on the neighbourhood).

As evidenced in the best practice studies, other countries have embarked on successful disposal drives based on reducing complexity, reducing cost, increasing customer focus and freeing up resources into the economy.

9.1 Quick Wins

The underlying issues identified in the findings are systemic in nature and recommendations R1-R12 involve working across silos to address this. These will typically involve cross functional teams to resolve structural issues across organisational silos.

During interviews, the focus groups and the subsequent discussions a number of immediate actions were identified which can be implemented without the fundamental changes to the organisational model, structure, and staffing. These have been collected here:

1. Move more of the procurement to term contracts
2. Prequalify maintenance contractors
3. Manage through policies and block the circular route for sending out instructions
4. Devolve lease renewal to the regions
5. Review procurement terms with the clients for overspecification
6. Make sure the asset register is up to date and at subcomponent level for an asset before writing out comprehensive maintenance plans
7. Build a slate of professional services in each region that can be drawn on rapidly and economically
8. Set up mechanisms for user departments to deal directly with landlords where they believe it adds value
9. Install a policy of email responses within 24 hours
10. Target a three month turnaround time for lease renewal
11. Review the optimum contract length and the preferred standard conditions
12. Check prices independently against the market to ensure that prices are in line
13. Set up contracts that are long enough to ensure adequate capital spend and upgrades
14. Direct hands on management by the user department for maintenance where possible
15. Hold weekly meetings and provide detailed monthly reports to ensure compliance
16. Where other state entities can procure better, use that capacity (put sign off in place)
17. Make sure all maintenance contracts are up to date
18. Tenders with no response should be reviewed by an independent body with possible sanctions
19. Review tender specs with user department to ensure that they will attract a market response
20. Use prequalification as a tool where a market response is deemed to be potentially problematic
21. Let users indicate where space is completely unsuitable and trigger an immediate review,

22. Where user departments have project management capacity, look at each project to see if it is optimally placed
23. Review the list of leases to expire in six months, on a monthly basis
24. Put in electricity and water meters on all individual rental accommodation properties
25. Where a user department deems accommodation unsuitable, put a time limit on that accommodation.
26. Set processes in place so that short term fixes can be done as rapidly as in the private sector.
27. Ensure timely reporting of underspend and eliminate the practice of retrospective adjustments
28. Where equipment is being bought, benchmark to market prices
29. Renegotiate escalation clauses where they are above inflation
30. Develop a procurement strategy for accommodation in small towns

The implementation of these should be tracked, on a benefit rather than on a compliance basis. The success of the implementation will be the value of the improvements and not the number. The value needs to be identified, quantified, budgeted and then realised for them to have effect.

10. Way Forward – Why should it be different this time around?

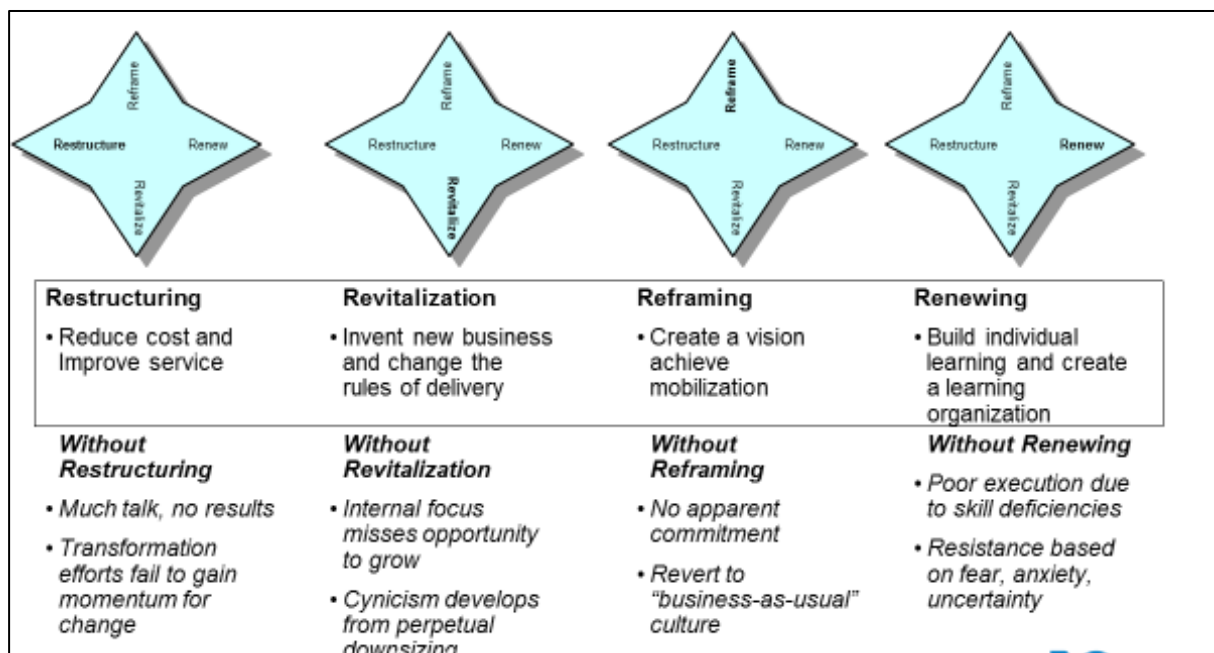
“DPW has been trying turnaround strategies since the 1990’s, and yet after each turnaround the organisation seems to be worse off; why should this change process be different.”

This question has come up several times in discussions. The recommendations in the previous section emphasise the need for sweeping large scale change; it is important to ask why previous “turnarounds” as documented in the literature review have failed.

Large scale change is complicated; typically it needs to restructure, revitalise, reframe and renew in a way that is transparent to the organisation. The restructuring involves the hard productivity decisions: cutting cost and enhancing productivity. The revitalisation means finding new ways to add value. Reframing involves commitment, passion and mobilisation.

Renewing involves removing the weak links and building a team that can go head to head in this case with any other South African property management organisation. If any of these are lacking, the change process is destined to fail.

Figure 2: Systemic change



The extensive engagement of this project and the opportunity to study the historical progression, positions the project uniquely to offer a perspective. Previous documented turnarounds have all been fatally flawed in both their design and their execution. They have been compliance driven rather than benefit driven. Their time frames have been too loose to maintain discipline and focus. They have not addressed the underlying business model. They have not addressed what must be done to maximise added value. They have not introduced the tools for measuring and managing efficiency and effectiveness. They have not prioritised hard decisions and the need to reduce inefficiency. Critically, asset management is driven by the need to invest money to make money; any investment, including change management needs to track cost, benefit and to calculate a return on that investment.

Large scale change is difficult to manage successfully to completion. Successful large scale change projects are invariably led by someone who has been through the full change cycle.