GTAC Analyse Assess Activate
Strategic & Technical Advisory
National Treasury
REPUBLIC OF SOUTH AFRICA

2020

Evaluation on the provision of accommodation in the Police Service

STUDENT NAME: MMATHAPELO MAPHANGELA

CLUSTER: JUSTICE AND PROTECTION SERVICES

NATIONAL TREASURY

SAVINGS@WORK
GOVERNMENT SPENDING REVIEWS

Abbreviations and Definitions

DoD: Department of Defence
DPWI: Department of Public Works and Infrastructure
N.D: No date
PMTE: Property Management Trading Entity
SAPS: South African Police Service
UAMP: Usser Asset Management Plan
YoY: Year on Year

Definition of key terms

Accommodation charges: Refers to the expenditure incurred for the management and maintenance of state-owned accommodation.
Accommodation structures: Different types of accommodation, included in the accommodation portfolio.
Capital works programme: Refers to the expenditure incurred on infrastructure related activities to construct accommodation.
Legislative framework: A legislative document highlighting a set of ideas, rules, or objectives from which decisions are based.
Operating leases: Refers to the expenditure incurred on privately leased accommodation.
Stakeholder Mapping: A process and visual tool to clarify and categorise the various stakeholders by drawing further pictures of what the stakeholder groups are, which interests they represent, the amount of power they possess, whether they represent inhibiting or supporting factors for the organization to realize its objectives, or methods in which they should be dealt with.
Year on Year growth rate: The comparison of one period with the same period from the previous years.

Executive Summary

SAPS is one of the largest national departments and has the largest geographical footprint in the country, incurring an average of R3.8 billion per year on rental expenses for both state-owned and privately owned accommodation. However, despite the high expenditure incurred on accommodation in the department, very little is known about the performance outputs associated with the SAPS accommodation portfolio, including the efficiency of spending in this regard. This spending review evaluated the SAPS accommodation portfolio with the aim of identifying areas where there may be inefficiencies, which if addressed, may lead to cost savings.

The study applied a mixed analytical approach, encompassing qualitative and quantitative data analysis. The qualitative data was collected by assessing the department's compliance or alignment with policies, norms and standards, and the applicable legal frameworks governing the management and utilisation of accommodation in SAPS. The quantitative data was collected through an analytical framework which entailed benchmarking SAPS' accommodation expenses relative to market rates, as well as an assessment of performance, efficiency, effectiveness and utilisation of the SAPS accommodation portfolio.

The key limitation of this study was the unavailability of data at the required detail level, more specifically of the rent paid per accommodation structure, the staff complement in each building, the desegregation of the expenditure on accommodation per province, and data on project start dates.

The main findings of the study were that:

a) There is scope for improving the management and utilisation of accommodation in SAPS. Currently, the construction of a police station takes an average of 7 years while the lease escalation rates for more than 50 per cent of the department's privately leased buildings are above the current market rate of 3 per cent. Furthermore, delays in relocating to Telkom Towers are costing the department approximately R350 million annually in rental expenses from month-to-month leases.
b) While the state-owned accommodation portfolio in SAPS is 8 times bigger than the private lease portfolio, the expenditure incurred on state-owned accommodation is far less than the expenditure incurred on private leases. This may be an indication of a significant under investment in the maintenance and repairs of the state-owned accommodation portfolio, or an indication of the high cost of privately leased buildings. These assertions could not be tested in the analysis due to the unavailability of data.
c) Furthermore, a comparative analysis conducted between SAPS and DoD revealed that the average accommodation cost in SAPS is higher relative to the average accommodation costs in DoD, despite DoD occupying 5 times more accommodation structures than SAPS. The comparative analysis also revealed the need for sharing resources between SAPS and DoD to leverage on the economies of scale.

Based on the findings outlined above, the study makes the following key recommendations:

1. The allocation of resources for the capital works programme and accommodation charges, should be informed by historical actual spending trends and performance outputs achieved over a certain period of time. Taking into account the timelines and duration associated with the completion of projects.

2. The allocation for the capital works programme, should be earmarked at item level, using the project plans as highlighted in the UAMP. This will also enhance the analysis and monitoring of performance and expenditure.
3. The department should charge a fixed rate for municipal services, to officials occupying the departments residential accommodation.
4. Should the options outlined in section 9 of this report be implemented, SAPS could realise total savings of R4.1 billion over the 2022 MTEF period.

Table of Contents

1. Introduction

In June 2020, Cabinet endorsed the "active" approach for stabilising government debt and to place our public finances on a sustainable path. The main intention of the "active" approach is to achieve fiscal consolidation by 2025/26 (National Treasury, 2020). In order to achieve fiscal consolidation, spending reductions amounting to R306.7 billion are required over the 2021 MTEF period. In support of the process for the identification of baseline reductions in departments, the National Treasury has undertaken a series of spending reviews since June 2020. Amongst these was the evaluation of the management and utilisation of the accommodation portfolio in SAPS, which is also the subject of discussion in this report.

The accommodation portfolio in SAPS was identified as one of the "topics" to conduct the spending review on as SAPS is one of the largest national departments and has the largest geographical footprint in the country, incurring an average of R3.8 billion per year on rental expenses for both state-owned and privately owned accommodation. The overall expenditure paid by government on office accommodation has been met with a lot of scrutiny from various stakeholders, mainly questioning whether state departments are not overpaying for office accommodation relative to market rates, and whether or not the state is deriving value for money.

This spending review was therefore aimed at understanding the costs involved in the leasing and construction of accommodation in SAPS, with the intention of proposing possible cost saving measures that can be implemented to ensure more effective and efficient management of the SAPS accommodation portfolio. The intended outcome of the study was to derive reasonable conclusions on whether the accommodation portfolio in SAPS is effectively and efficiently utilised, and whether SAPS is deriving value for money.

In this regard, the study found that there is scope for improving the management and utilisation of accommodation in SAPS. Currently, the construction of a police station takes an average of 7 years, which results in increased costs for the department. In addition, the lease escalation rates for more than 50 per cent of the department's privately leased buildings are above the current market rate of 3 per cent, while delays in relocating to Telkom Towers are costing the department approximately R352.4 million annually in rental expenses from month-to-month leases. Section 9 of this report proposes options which must be considered by the department to manage its accommodation portfolio more effectively and efficiently, and to achieve better value for money.

2. Context for a Spending Review on the SAPS Accommodation Portfolio

The provision of accommodation in SAPS seeks to cater for the different service delivery needs of the department and create an enabling environment for the department to effectively perform its functions.

2.1 Overview of the SAPS Accommodation Portfolio

The accommodation needs of the department can be summarised under the categories of residential, office, service delivery and operational. These needs are fulfilled by different types of accommodation ranging from, amongst others: office space; living quarters; victim friendly rooms; identification rooms; remand detention centres; training centres; criminal record centres; forensic labs and shooting range facilities. The accommodation portfolio in SAPS consists of state-owned accommodation and private leases, of which some are managed by the Department of Public Works and Infrastructure (DPW-I) and some are managed directly by SAPS. Table 1 below provides a breakdown of the different types of accommodation in SAPS.

Table 1: Accommodation Types in SAPS

Accommodation type	State owned	Private leases	Total	% of state owned	% of private leases
Buildings	5 664	910	6 574	86.2%	13.8%
Police stations	1 065	88	1 153	92.4%	7.6%
Satellite stations	140	34	174	80.5%	19.5%
Contact points	16	11	27	59.3%	40.7%
Married quarters	4 269	10	4 279	99.8%	0.2%
Single quarters	1 220	27	1 247	97.8%	2.2%
Offices	3 266	915	4 181	78.1%	21.9%
Victim Friendly facilities	647	57	704	91.9%	8.1%
ID rooms	128	13	141	90.8%	9.2%
Border posts	52	4	56	92.9%	7.1%
Shooting ranges	21	2	23	91.3%	8.7%
Detention cells	1 057	65	1 122	94.2%	5.8%
Training colleges	22	2	24	91.7%	8.3%
Total	**17 567**	**2 138**	**19 705**	**89.1%**	**10.9%**

Source: SAPS 2020/21 UAMP

As depicted in table 1, the bulk of the accommodation in SAPS is state-owned accommodation, which comprises of more than 80 per cent of the total accommodation portfolio in SAPS. The bulk of the accommodation that SAPS has for both state and privately owned buildings is under the category of 'buildings', which is basically for all types of accommodation that has not been classified under one of the other categories, for instance criminal record centres, forensic centres etc. The second largest is married quarters, which is basically rental accommodation that the department provides to its staff (and their families) who cannot source their own accommodation due to operational reasons; while the third largest is offices which is basically to provide office space for the department's non-frontline employees and supportive staff to be able to do their work on a day to day basis.

2.2 Problem statement

The accommodation portfolio in SAPS comprises of 19 705 structures, of which 17 567 (89 per cent) are state-owned and 2 138 (11 per cent) are privately-owned. Over the past 5 financial years (2015/16 – 2019/20) Approximately 22% (R21.9 billion) of SAPS' total non-CoE spending of R99 billion was for accommodation related expenses:

- 3% (R2.4 billion) for the construction/refurbishment/maintenance of infrastructure
- 6% (R6.4 billion) for accommodation charges (state-owned properties)
- 7% (R6.8 billion) for operating leases (privately owned properties)
- 6% (R5.7 billion) for municipal services

Despite this high expenditure on accommodation, very little is known about the performance outputs associated with SAPS' accommodation portfolio, including the efficiency of spending in this regard.

2.3. Objective of the Study

Primary objective:
The primary objective of the study is to identify and quantify efficiency savings that can be realised through more effective utilisation and management of the SAPS accommodation portfolio.

The secondary objectives of the study are to:

- Assess the relationship between SAPS' spending on accommodation over the past 5 years (2015/16 to 2019/20) and performance outputs achieved over the same period;
- Assess the extent to which the department is optimally utilising its existing accommodation and to identify inefficiencies, which if addressed, may lead to cost saving; and
- Propose options for SAPS to effectively and efficiently manage its accommodation portfolio, based on benchmarking of industry best practice.

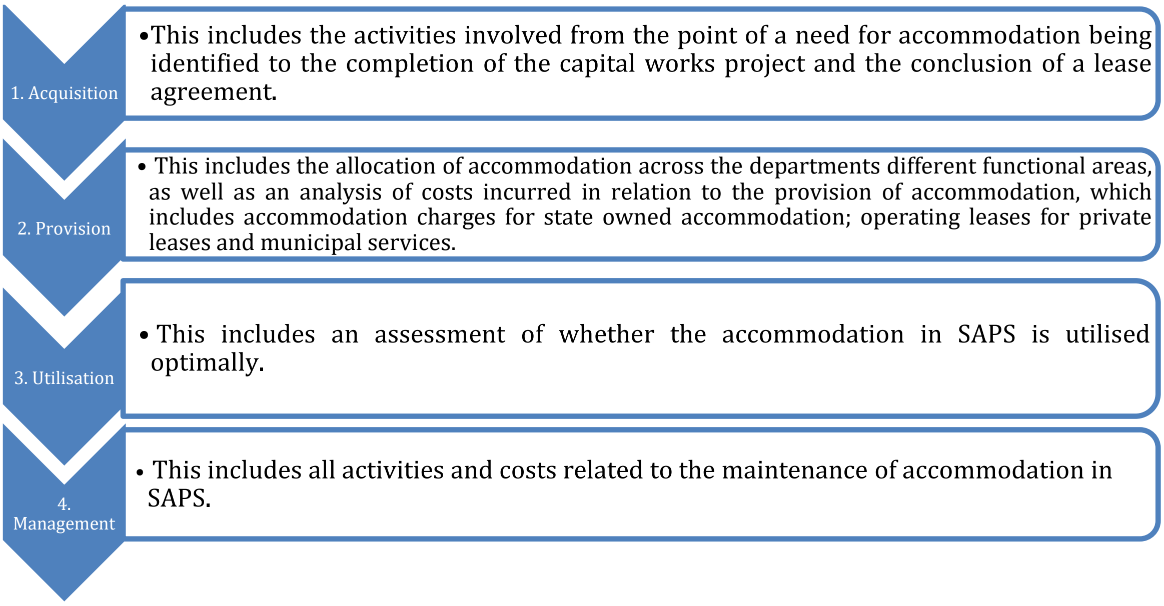
2.4. **Scope of the study**

In order for SAPS to provide for its accommodation requirements and needs, the department can either lease privately-owned accommodation, lease state-owned accommodation or construct its own accommodation. All of this must be done through the Department of Public Works and Infrastructure (DPW-I). As set out in the Government Immovable Assets Management Act (GIAMA) (2007), the DPW-I is mandated to be the custodian and portfolio manager of national and provincial government's immovable assets. This includes the provision of office accommodation and expert-built environment services to client departments at the national and provincial government level; as well as the planning, acquisition, management and disposal of immovable assets under the custody of the department.

In line with the above, this spending review assesses the **acquisition**, **provision**, **utilisation** and **management** of the SAPS accommodation portfolio. The SAPS accommodation portfolio is categorised according to the purpose and/or the functions performed in each accommodation structure, namely:

- ***Residential accommodation***: this category includes living quarters (single quarters and married quarters);
- ***Office accommodation***: this category includes office space, staff parking, and the cafeteria;
- ***Service delivery points***: this category includes Police stations; Victim friendly rooms; Identification rooms; and Remand Detention Centres; and
- ***Technical and operational facilities***: this category includes Training centres; Criminal record centres; Forensic labs and shooting range facilities.

Figure 1: The scope of the spending review



3. Research Methodology

The study applied a mixed approach, encompassing qualitative and quantitative data analysis. The qualitative data was collected by assessing compliance or alignment with, policies, norms and standards and applicable legal frameworks governing the management and utilisation of infrastructure and accommodation in SAPS. The quantitative data was collected through an analytical framework using the principles as outlined below:

Table 2: Expenditure and economic principles for analysing the accommodation portfolio in SAPS

Principles	Explanation	Application for the review of the accommodation portfolio
Effectiveness	- Activities to have clear and consistent objectives and be effective in achieving their objectives and represent value for money for the expenditure of taxpayer funds.	- Analyse whether the set objectives for accommodation were achieved as intended; assess the relationship between SAPS' spending on accommodation over the past 5 years and performance outputs achieved over the same period.
Efficiency	- Government programs to be administered and delivered in the most efficient way achievable, taking into account both short and long term economic and fiscal consequences.	- Analyse spending trends on accommodation and whether the allocation for accommodation was spent for what it was intended for.
Performance assessment	- Government activity to be subject to robust performance assessment and measurement.	- Analyse whether the performance outputs achieved in the past 5 years are in line with the targets set in the department's strategic planning documents, such as the Annual Performance Plan, Strategic Plan and the User Asset Management Plan (UAMP) were met
Market rate benchmarks	- Standard measurements that are used to compare the results obtained and those of competitors or industry.	- Benchmarking of market rates for privately leased accommodation in the same regional areas, looking at the size of the building, the cost per square metre, escalation rate per year and the category or class of the building
Optimal utilisation	- Optimum utilisation of resources utilises all the physical resources productively. It also provides for the maximum utilisation of scarce resources by selecting its best	- Analyse whether the current accommodation is optimally utilised, by assessing the number of occupants in each building.

possible alternate use.	

4. The Policy and Legislative Framework for Managing Accommodation in the Police Service

In South Africa, the management of immovable assets is governed by numerous policies and legislative frameworks, including instruction notes and norms and standards, some of which SAPS has developed and implemented internally to guide its management of the accommodation portfolio. The legislative frameworks that govern the management of accommodation in government include, amongst others: the Government Immovable Asset Management Act (GIAMA)(Act 19 of 2007); Public Finance Management Act (Act 1 of 1999) and Treasury Regulations. The policies and instruction notes that govern the management of the accommodation in government include, amongst others: the space planning norms and standards for office accommodation used by organs of state; Framework for the devolution of budgets and introduction of accommodation charges; Office of the Accountant-General Practice Note 6 of 2006/07 – Accounting for transactions between departments and the PMTE; Housing policy of the South African Police Service; National Instruction of 2012 on immovable assets. ement: Demand Management.

A summary of the key requirements from each legislation as applicable to SAPS is provided below.

4.1 Legislative frameworks

The table below summarises some of the legislative frameworks that were consulted which govern the management of accommodation in South Africa, specifically highlighting the objectives and the key requirements of the legislation.

Table 3: Legislative frameworks governing the management of accommodation

Legislative framework	Objectives	Key requirements of the legislation
1. Government Immovable Asset Management Act (GIAMA), 2007 (Act 19 of 2007)	- Provide a uniform framework for the management of an immovable asset that is held or used by a national or provincial department to ensure the coordination of the use of an immovable asset with the service delivery objectives of a national or provincial department; - provide for issuing of guidelines and minimum standards in respect of immovable asset management by a national or provincial department.	- Accounting officers of a custodian and user must prepare a Custodian Immovable Asset Management Plan & User Asset Management Plan (UAMP); - Minimum contents of the UAMP: Strategic needs assessment; acquisition plan; operations plan; immovable asset surrender plan.
2. Public Finance Management Act (PFMA) no. 1 of 1999 and Treasury Regulations	-Regulates financial management in national and provincial governments to ensure that: a) all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively b) to provide for the responsibilities of persons entrusted with financial management in those governments and c) to provide for matters connected therewith	**Public Finance Management Act** - Section 76(1)(l) of the PFMA states that the National Treasury must make regulations or issue instructions applicable to departments concerning the alienation, letting or other disposal of state assets; - Section 76(2)(d) states that the National Treasury may make regulations and issue instructions to departments concerning the improvement and maintenance of immovable state assets; and - Section 40(4)(c) provides that the accounting officer for a department must within 15 days of the end of each month submit to the relevant treasury

		and the executive authority responsible for that department: (I) the information for that month; (II) a projection of expected expenditure and revenue collection for the remainder of the current financial year; (III) when necessary, an explanation of any material variances and a summary of the steps that are taken to ensure that the projected expenditure and revenue remain within the budget **Treasury regulations** - Treasury Regulation 5.2.2(e) provides that a department's Strategic Plan must include details of proposed acquisitions of fixed or movable capital assets, planned capital investments and rehabilitation and maintenance of physical assets; - Regulation 16A7.3 stipulates that any sale of immovable state property must be at market-related value, unless the relevant treasury approves otherwise. - Regulation 16A7.5 provides that the accounting officer or accounting authority must review, at least annually when finalising the budget, all fees, charges, rates, tariffs or scales of fees or other charges relating to the letting of state property to ensure sound financial planning and management

4.2. Policies

The table below summarises some of the policies that were consulted which govern the management of accommodation in South Africa, also looking at internal policies which were formulated by the department, specifically highlighting the objective and key requirements of the legislation.

Table 4: Policies governing the management of accommodation in South Africa

Policies	Objectives	Key requirements of the policy
1. Department of Public Works and Infrastructure Notice 1665 of 2005 - Space planning norms and standards for office accommodation used by organs of state	- Provides updated norms for public office buildings which must be complied with and replaced all other previous norms	- Spatial requirements per function: Administration (open-plan1, local storage); Technical & management (open plan, space for large equipment such as drawing boards); Senior management2 (open plan or cellular offices3, requirements for privacy & space for small meetings); and Executive management4 (Cellular offices) - Norm per function: Administration (6 – 8m2); Technical & management (8 – 16m2); Senior management (16 – 20m2); and Executive management (20 – 25m2). - Support space should be between 55% and 65% of workspace area. - Core space between 65% to 85% of workspace area. - Structural space should not exceed 10% of (workspace+workspace support+core space areas)
2. Office of the Accountant-General Practice Note 6 of 2006/07 – Accounting for transactions between departments and the PMTE	- Provides procedures to be followed in respect of municipal utility charges and other accommodation expenses paid by the PMTE on behalf of client departments	- From 1 April 2006, DPW-I devolved accommodation related costs to client departments; - Amounts due to DPW-I in respect of accommodation expenses and municipal services administered on behalf of departments must be paid to the PMTE, on a quarterly basis; - PMTE experienced cash flow difficulties associated with the quarterly reimbursement arrangement, and

		as such a decision was taken in terms of Section 76(4)(g) of the PFMA that the PMTE will recover municipal service costs on a monthly basis from client departments.
3. Department of Public Works and Infrastructure - Framework for the devolution of budgets and introduction of accommodation charges	- Outlines the procedure for the devolution of budgets to client departments and how DPW administers accommodation charges.	- All costs associated with the delivery of a service by a department should be reflected on the budget of the department; - There should be incentives for departments to utilise immovable assets and related resources efficiently
4. Housing policy of the South African Police Service	- Facilitates the provision of official housing to employees in order to enhance the delivery of services to communities in terms of strategic objectives of the service; - The Policy regulates the equitable and effective allocation of official housing to all qualifying employees. - - The policy further defines the criteria and circumstances under which official housing may be provided to or withdrawn from employees. - The policy applies to all employees of SAPS who apply or occupy official housing.	- The occupant of the official housing will pay the rental as determined by the responsible authority, any monies payable to the relevant local authority for water and electricity consumption, as well as any other municipal rates or taxes (for instance: sanitation and refuse removal); - The occupant of official housing will furthermore be responsible for the upkeep of the official accommodation; For the duration of the undertaking, maintain the interior of the official housing and all parts thereof, including all windows, doors, ceilings, wall and floor covering, appurtenances, light fittings, water taps, electrical switches, toilets, heating, cooling, electrical, plumbing (including toilets and drains) and air conditioning installations, fixtures and fitting contained in the official housing. - In allocating official housing priority is given to: Functional police members performing duties in areas where private accommodation is not readily available; constable; police members who never occupied official housing; police members currently not receiving allowance; and SAPS Act employees.
5. National Instruction of 2012 Immovable asset management: Demand Management	- Regulate the preparation of User Immovable Asset Management Plans (U-AMP) for the management of immovable assets used by the South African Police Service; - highlights the needs determination for the construction of immovable assets	The construction of new immovable assets must be prioritised taking into account the following factors: - Population growth/expected growth; - Crime statistics in a certain area; - Overuse of existing immovable assets; - The condition of the immovable asset; - Whether the asset meet the needs of the user; and - Availability of funds.

5. Programme Chain of Delivery

5.1 Logical framework for the delivery of accommodation in SAPS

Figure 2 indicates the log frame for the delivery of accommodation in SAPS. A brief description of the different elements included in the logframe is provided below:

i) **Inputs:** Describes the key resource enablers in the project;

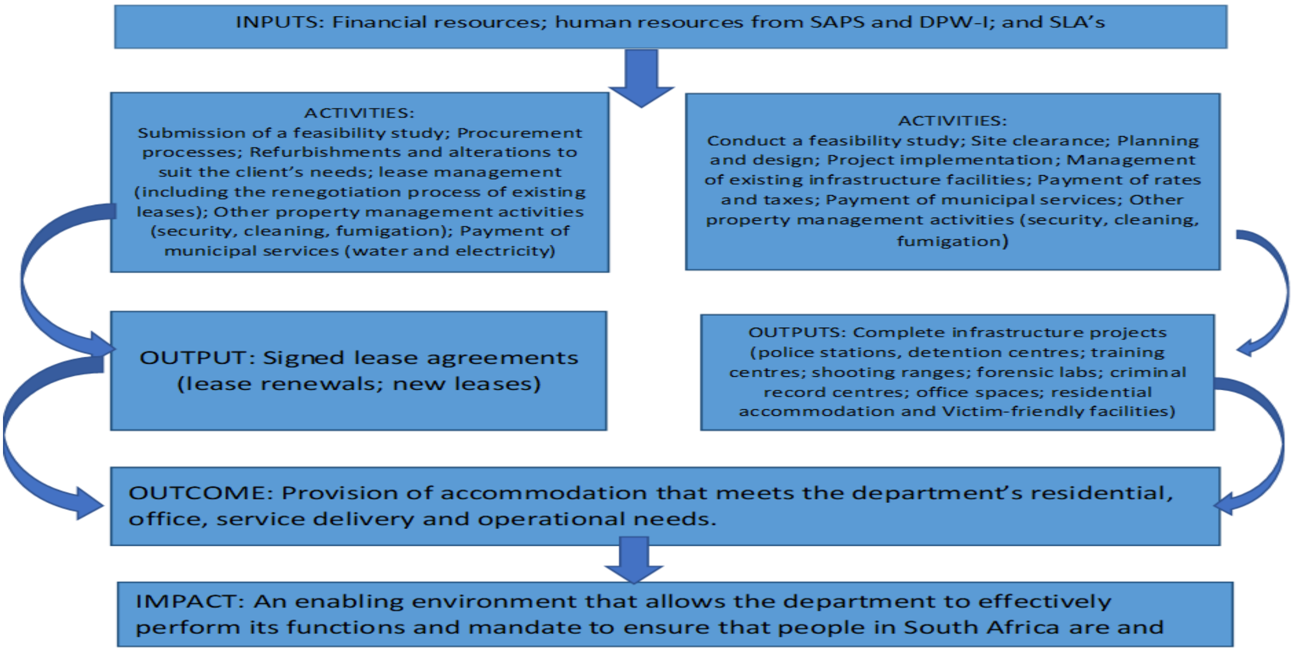
ii) **Activities:** Describes the major tasks which needs to be implemented in order to accomplish each of the outputs. The activities ought to be as detailed as possible and realistically defined;

iii) **Outputs:** Describes the goal or the potential or the vision;

iv) **Outcome:** Describes the desirable future, whereby the outputs are applied

v) **Impact:** Describes the end result or end goal

Figure 2: Logframe for the SAPS accommodation portfolio

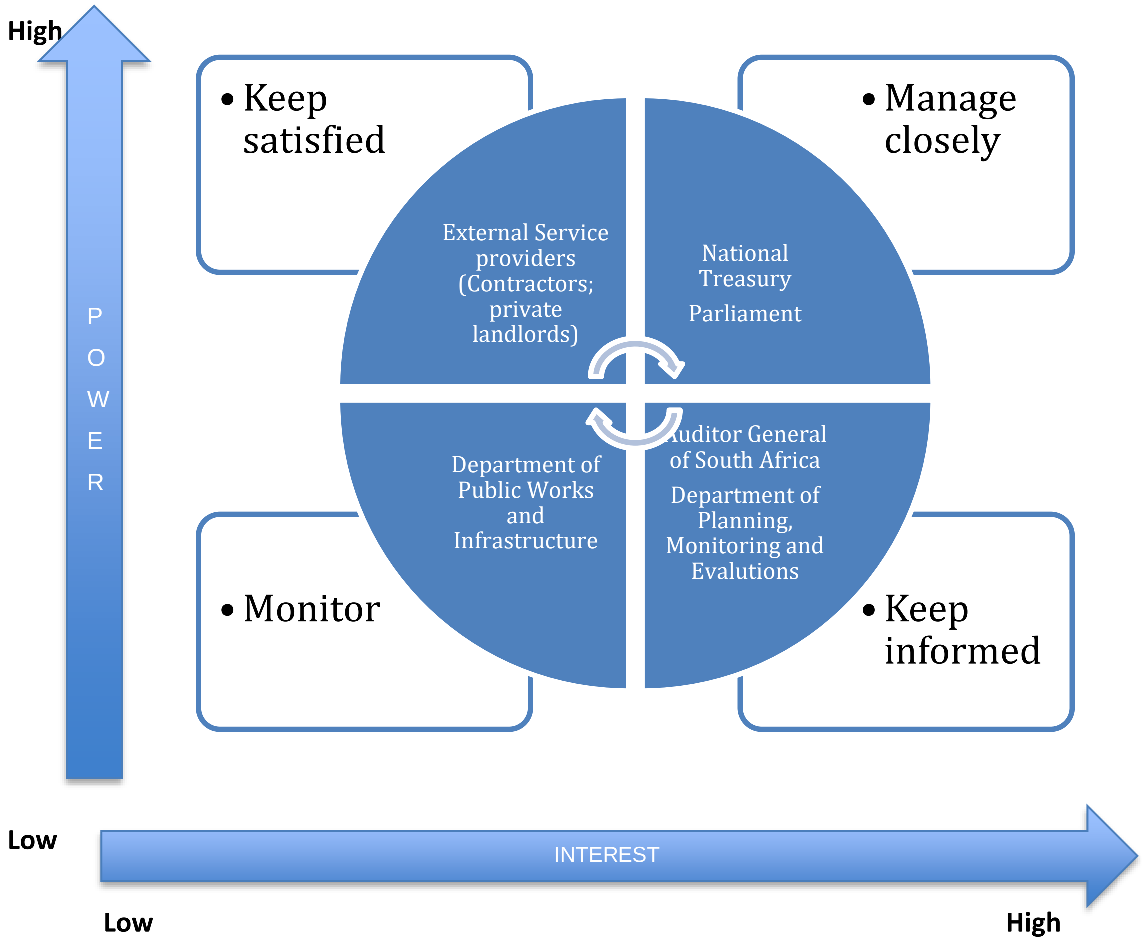


In terms of the expenditure buckets, the outputs are funded by the four expenditure buckets (capital works programme; operating leases; accommodation charges and municipal services) interrogated in this spending review, as follows: complete infrastructure projects are funded through the capital works programme; the outputs relating to signed lease agreements are funded through operating leases; while the expenditure buckets for municipal services and accommodation charges is used to finance both the outputs relating to complete infrastructure projects and signed lease agreements.

5.2 Stakeholder mapping and roles and responsibilities

Figure 3 below summarises the roles and responsibilities of all the stakeholders involved in the provision of accommodation in SAPS. Each stakeholder is mapped according to the level of interest and the power they possess in the accommodation portfolio in SAPS. Power in this context refers to decision making powers when it comes to the allocation of resources.

Figure 3: Stakeholder mapping



Stakeholders with high power and high interest

- National Treasury has high power because of its responsibility to allocate resources to the department and high interest because it monitors whether or not the resources are spent efficiently and as intended and can reduce the budget if not efficiently spent.
- Parliament has high power because it is responsible for approving the allocations to government departments including earmarking allocations as specific and exclusively appropriated and high interest because it is accountable to the people of South Africa, as it acts as the voice between the people of South Africa and government departments.

Stakeholders with high power and low interest

- External service providers, such as the contractors and private landlords have high power and must be kept satisfied because of their power to determine prices but they have low interest because they are not mainly interested in what the accommodation is used for.

Stakeholders with low power and high interest

- The Auditor General of South Africa and the Department of Planning Monitoring and Evaluations have low power because they are not decision making agents when it comes to the allocation of resources but have high interest and must be kept informed because they are responsible for monitoring performance and compliance with applicable laws and standards.

Stakeholders with low power and low interest

- The Department of Public Works and Infrastructure (DPW-I) has low power and low interest because they are mainly implementation agents and not decision making agents when it comes to the allocation of resources. They receive project plans from the department and their role is to execute those plans.

5.3. Programme chain of delivery

Figure 4 illustrates the key activities (acquisition, provision, utilisation and management) and sub-activities undertaken in the delivery of accommodation in SAPS:

i. Acquisition

SAPS makes a determination on whether its accommodation needs can be met with state-owned accommodation or privately leased accommodation.

In an event whereby the department opts for state-owned accommodation, the following activities will take place:

- Submission of a needs assessment;
- Submission of a feasibility study;
- Tender processes;
- Construction processes for new buildings; and
- Renovations and refurbishments for existing accommodation.

In an event whereby a lease-in decision is made, the following activities will take place:

- DPWI execute the procurement process upon receipt of a procurement instruction from the relevant key accounts manager;
- Bid Spec Committee drafts the lease requirements;
- Open tender processes, that is in line with the PFMA, Supply Chain Management Framework, and the requisite Bid Adjudication Committee and Bid Evaluation Committee;
- Negotiations and nomination processes
- Customising the accommodation to suit the needs of the client department.

ii. Provision

The provision of accommodation looks at the activities included in allocating accommodation per province and region. The provision of accommodation in SAPS is informed by the following key principles:

- Population growth/expected growth;
- Crime statistics in a certain area;
- Overuse of existing immovable assets; and
- The condition of existing immovable asset.

Costs incurred on accommodation includes: operating leases for private leases; accommodation charges for state-owned accommodation and municipal services which includes water, electricity, sewage charges.

1.3. Utilisation

The activities included in the utilisation of accommodation include:

- Allocation of office space per employee, looking at the function the employee performs.
- Allocating office space, taking into cognisance the spatial requirements

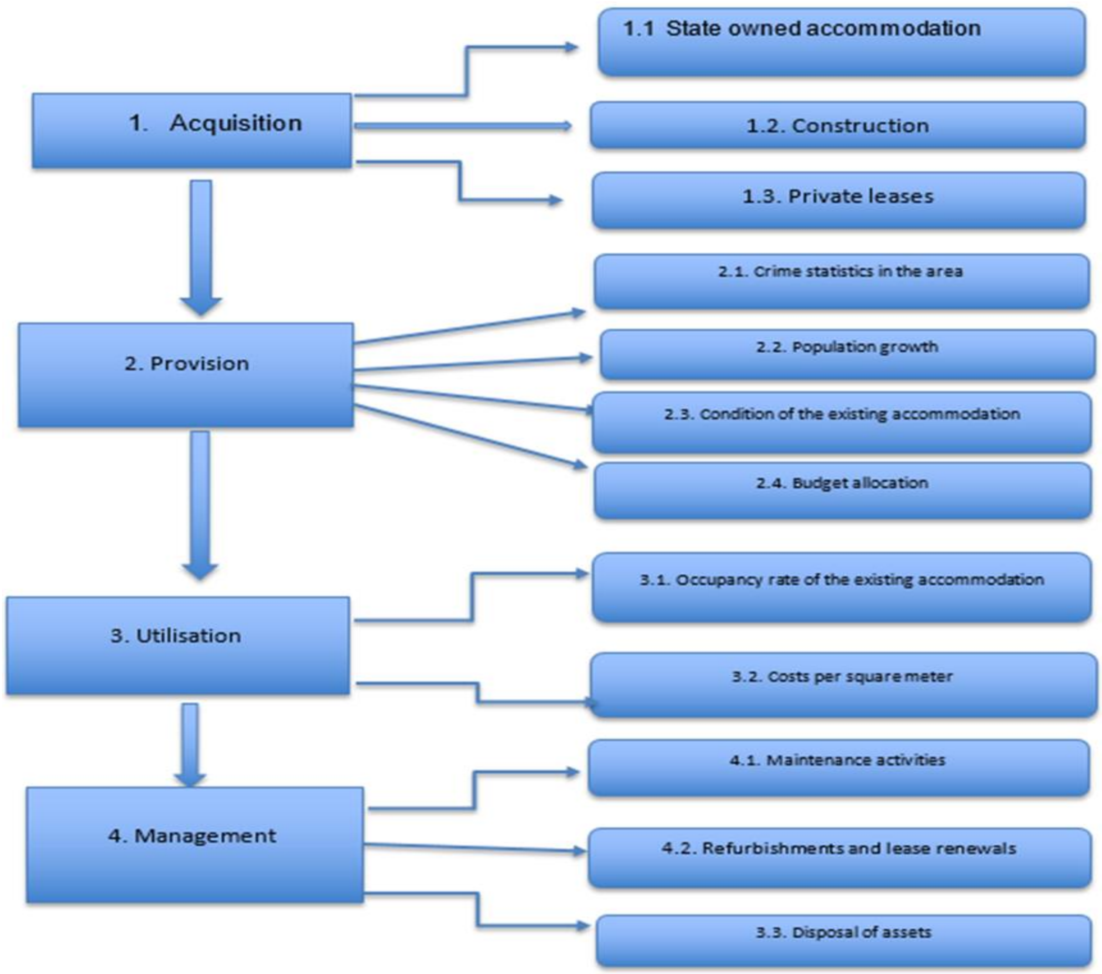
1.4. Management

This includes all the activities required to preserve the condition of the accommodation, and includes the following activities:

- Repairs and maintenance.
- Reconfiguration, Rehabilitation; Renovation; Refurbishments and upgrades.

Figure 4: Chain of delivery

ACTIVITIES SUB-ACTIVITIES



6. Expenditure Analysis

This section outlines findings from the expenditure analysis conducted on the SAPS accommodation portfolio for the period 2015/16 to 2019/20. It is divided into two segments. The first segment is the expenditure analysis and the aim of this section is to highlight the trends in spending, cost drivers, and calculation of growth rates. The second segment is the benchmarking analysis, which will be subdivided into three sections. The first section will look at the accommodation rates per province. The second section of the benchmarking analysis will be within the Justice Crime Prevention and Security (JCPS) cluster, comparing accommodation related expenses incurred by the Department of Defence (DoD) with SAPS. The section also looks at the number of accommodation structures each department has and the accommodation rates per province. The third section of the benchmarking will compare rental rates payable by SAPS against commercial market rates for accommodation in the various regions and metropolitan areas nationally.

6.1. Expenditure or costs analysis

The expenditure analysis examines the expenditure incurred on the SAPS accommodation portfolio over the past 5 financial years (2015/16 – 2019/20). The analysis is divided into four categories, namely: the expenditure incurred on the capital works programme which looks at the construction of accommodation; accommodation charges paid for state-owned accommodation; expenditure on operating leases which is the expenditure incurred for private leases; and the expenditure incurred on municipal services.

The spending outcome over the past 5 financial years is compared against the total allocation over the same period. The Year on Year (YoY) growth rate on the expenditure incurred and on the budget allocated over the same period was calculated, to understand the growth rates of spending and whether there is a correlation between the YoY growth rate on spending and the YoY growth rate on the budget. Under the capital works programme, specific focus will be on the allocation under each activity that takes place within the capital works programme, such as site clearance; planning and design; repairs and upgrades, and construction activities.

6.1. Capital works programme

The allocation for the construction and upgrading of police stations is specifically and exclusively appropriated by Parliament, meaning that this allocation can only be utilised for the purpose which it is intended for, in this case being constructing and upgrading police stations. Table 4 below shows the allocation earmarked for the building and upgrading of police stations in SAPS, actual expenditure incurred against this allocation, and the deviation between the allocated funds and actual spending. A consistent trend of underspending is depicted in all the financial years under review, this is despite the virements and shifting of funds effected against this allocation. The table below indicates that the department spends on average 78.2 per cent of its main appropriation budget (before virements), and 94 per cent of its adjusted appropriation (post virements).

Emerging policy questions

1. Given the consistent underspending recorded on the capital works programme over the years under review, does it make financial sense to continue growing this allocation with inflation, when the department is not able to fully exhaust the previous financial year's allocation?
2. Given that the historical data indicates that the department allocates on average R2.8 million per year for site clearance related activities; R35.8 million for planning and design related activities; R115 million for construction related activities; and R13.7 million for repairs and upgrading related activities, then shouldn't the allocation for the capital works programme be at an activity level, instead of programme level?

Table 4: Spending outcome of the capital works programme

R'000	Main appropriation	Adjusted Appropriation	Actual spending	Virement & shits	% of adju appr spent	% of main appr spent	YOY growth on main appropriation	YOY growth on actual spending
2015/16	1 094 720	1 294 720	1 264 474	- 200 000	98%	116%		
2016/17	1 138 272	883 458	833 831	254 814	94%	73%	4%	-52%
2017/18	984 280	653 895	634 879	330 385	97%	65%	-14%	-24%
2018/19	934 015	774 015	719 880	160 000	93%	77%	-5%	13%
2019/20	972 839	645 556	554 862	327 283	86%	57%	4%	-23%
TOTAL	**5 124 126**	**4 251 644**	**4 007 925**	**872 482**	**94%**	**78.2%**	**-5%**	**-11%**
Compound average growth rate					**-19%**			

Source: Annual reports and MTEF allocation letters

6.1.1. Spending on activities within the capital works programme

The section below looks at the allocation under some of the activity items in the capital works programme per year. The intention is to use the allocation at item level to inform policy reforms, when earmarking the allocation for the capital works programme.

6.1.1.1. Site clearance

Site clearance also known as site preparation refers to all the activities that are undertaken to clear the property of tree stumps, timber, refuse or any other refuse that might have accumulated on the site, before the construction of the project can take place (Department for communities and local government, 2016). For instance, if the ground where the building is going to be erected is waterlogged, drainage has to be provided during the preparation stage.

Over the period under review, the department allocated R13.9 million or 1.39 per cent of the overall allocation earmarked for the construction and upgrading of police stations to conduct site clearance activities. On average, the department allocates R2.8 million or 0.28 per cent of the allocation earmarked for the construction and upgrading of police stations for site clearance related activities. From the table provided below, it can be deduced that the department requires on average R3 million per year for site preparation activities.

Table 5: Total allocation over the last five years

R'000	Total allocation (A)	Total allocation for the capital works programme (B)	% of total allocation (A/B*100)
2015/16	839	1 094 720	0.08%
2016/17	1 665	1 138 272	0.15%
2017/18	6 605	984 280	0.67%
2018/19	815	934 015	0.09%
2019/20	3 945	972 839	0.41%
TOTAL	**13 869**	**5 124 126**	**1.39%**
AVERAGE	**2 774**	**1 024 825**	**0.28%**

Source: Annual Financial statements

6.1.1.2. Planning and design

Planning and design refers to the process of creating the description of a new facility, which is usually represented by detailed plans and specifications (Lean Construction Journal, 2018). Planning and design activities precedes site clearance activities. Over the period under review, the department allocated R179.2 million or 3 per cent of the overall allocation earmarked for the construction and upgrading of police stations to conduct planning and design activities.

On average, the department allocates R35.8 million per annum or 4 per cent of the allocation earmarked for the construction and upgrading of police stations, towards planning and design related activities. From the table provided below it can be deduced that the department requires on average R35.8 million per year for planning and design related activities.

Table 6: Total allocation over the last five years

R'000	Total allocation (A)	Total allocation for the capital works programme (B)	% of total allocation (A/B*100)
2015/16	22 643	1 094 720	2%
2016/17	16 200	1 138 272	1%
2017/18	45 284	984 280	5%
2018/19	62 147	934 015	7%
2019/20	32 880	972 839	3%
TOTAL	**179 155**	**5 124 126**	**3%**
AVERAGE	**35 831**	**1 024 825**	**4%**

Source: Annual Financial statements

6.1.1.3. Construction

Construction refers to any physical activity on the site involved in the erection of a structure (Hyari, 2005). Within the context of SAPS, construction refers to the construction of new police stations or buildings, or the construction of additions to existing buildings, and the necessary alterations of existing buildings to make them conform to any new additions and the demolition of buildings (SAPS UAMP, n.d).

Over the period under review, the department allocated R574.9 million or 11 per cent of the overall allocation earmarked for the construction and upgrading of police stations to construct new structures. On average, the department allocates R115 million per annum or 11 per cent of the allocation earmarked for the construction and upgrading of police stations for construction related activities. From the table provided below, it can be deduced that the department requires on average R115 million per year for construction related activities.

Table 7: Total allocation over the last five years

R'000	Total allocation (A)	Total allocation for the capital works programme (B)	% of total allocation (A/B*100)
2015/16	132 482	1 094 720	12%
2016/17	212 600	1 138 272	19%
2017/18	86 536	984 280	9%
2018/19	135 337	934 015	14%
2019/20	7 906	972 839	1%
TOTAL	**574 861**	**5 124 126**	**11%**

AVERAGE	114 972	1 024 825	11%

Source: Annual Financial statements

6.1.1.4. Repairs and upgrades

Repairs refers to the actions required to reinstate an immovable asset to its original state when such asset is damaged accidentally or maliciously (Cordella, Alfieri and Sanfelix, 2019). Upgrades means comprehensive capital works that increase the value of an existing immovable asset and extends the area or add new functionality to the asset (Cordella *et al*, 2019).

Over the period under review, the department allocated R68.6 million or 1 per cent of the total allocation earmarked for the construction and upgrading of police stations towards repairing and upgrading its immovable assets. On average, the department allocates R13.7 million per annum or 1 per cent of the allocation earmarked for the construction and upgrading of police stations for repairs and upgrade related activities. From the table provided below, it can be deduced that the department requires on average R13.7 million per year for repair and upgrade related activities.

Table 8: Total allocation vs total actual expenditure

R'000	Total allocation (A)	Total allocation for the capital works programme (B)	% of total allocation (A/B*100)
2015/16	5 667	1 094 720	1%
2016/17	700	1 138 272	0%
2017/18	12 062	984 280	1%
2018/19	27 700	934 015	3%
2019/20	22 500	972 839	2%
TOTAL	**68 629**	**5 124 126**	**1%**
AVERAGE	**13 726**	**1 024 825**	**1%**

Source: Annual Financial statements

6.1.1.5. *Other projects within the capital works programme*

This section highlights all the projects that are included in the capital works programme, both those that are performed directly by the department and those that are performed by DPWI on behalf of the department which constitute the bulk of the allocation cumulatively (77 per cent) other than site clearance; planning and design; construction of police stations; and repairs and upgrades. These includes projects for: accessibility for persons with disabilities; victim friendly rooms; mobile units; installation of generators and air conditioners etc.

Table 9: Total allocation over the last five years

R'000	Total allocation (A)	Total allocation for the capital works programme (B)	% of total allocation (A/B*100)
2015/16	933 089	1 094 720	85%
2016/17	907 107	1 138 272	80%
2017/18	833 792	984 280	85%
2018/19	708 016	934 015	76%
2019/20	905 608	972 839	93%

TOTAL	4 287 612	5 124 126	84%
AVERAGE	13 726	1 024 825	84%

Source: Annual financial statements

Please note: The allocation for the capital works programme at item levels is insignificant mainly because of the overall allocation earmarked for the capital works programme over the past 5 years, SAPS was only allocated 33 per cent or R1.5 billion for its own projects and the remaining 67 per cent or R3.1 billion was allocated to DPW-I.

6.1.2. Accommodation charges

Accommodation charges refers to the expenditure paid by the department to DPW-I for the management and maintenance of state-owned accommodation. As at the end of September 2020, the department had 17 567 state owned accommodation structures, ranging from: buildings (5 664); police stations (1 065); satellite stations (140); contact points (16); married quarters (4 269); single quarters (1 220); offices (3 266); Victim friendly facilities (647); identification rooms (128); border posts (52); shooting ranges (21); detention cells (1 057); training colleges (22).

Over the past 5 financial years, the department was allocated R6.7 billion which is earmarked for accommodation charges by the National Treasury. However, of this amount, the department only spent 97 per cent or R6.6 billion of the final allocation. This translated into cumulative underspending of R142.5 million, over the past 5 financial years (refer to table 10).

Emerging policy questions

1. Given that state owned accommodation comprises more than 80 per cent of the departments accommodation structure but the expenditure incurred on state-owned accommodation is lesser compared to the expenditure on private leases, does this imply that it is more cost effective to occupy state owned accommodation, rather than private leases?
2. Does this mean that the department's investment on the up keep of state-owned accommodation is low?

Table 10: Spending outcome on accommodation charges

R'000	Main appropriation	Adjusted Appropriation	Actual spending	Virement & shits	(OVER) / UNDER SPENDING	% of final appr spent	YOY growth on main appropriation	YOY growth on actual spending
2015/16	1 242 761	1 242 761	1 220 963	0	21 798	98.2%		
2016/17	1 294 458	1 294 458	1 246 011	0	48 446	96.3%	4%	2%
2017/18	1 360 680	1 360 680	1 338 003	0	22 677	98.3%	5%	7%
2018/19	1 420 470	1 375 555	1 366 139	-44 915	9 416	99.3%	4%	2%
2019/20	1 480 056	1 480 056	1 439 929		40 127	97.3%	4%	5%
TOTAL	**6 798 425**	**6 753 510**	**6 611 045**	**-44 915**	**142 465**	**97.9%**	**4.5%**	**4%**
Compound average growth rate					**4.2%**			

Source: Annual Financial statements

Looking at the YoY growth on the main appropriation for accommodation charges over the period under the review, a consistent average YoY growth of 4.5 per cent was noted over the years under review. When looking at the YoY growth on the actual expenditure incurred during the same period, an average growth rate of 4.2 per cent was noted. This implies that the National Treasury is allocating more resources to the department, without taking into cognisance historical actual expenditure trends. However, there is a need to confirm with the DPW-I if all invoices pertaining to state owned accommodation are being settled by SAPS prior to concluding that the department has excess funds on office accommodation. More especially because the department has not yet migrated to utilising the itemised billing system.

6.1.3. **Operating leases**

Operating leases refers to the expenditure incurred by the department on private leases. As at the end of September 2020, the department had 2 138 leases, with the bulk of the leases being on buildings (910 leases or 43 per cent), followed by leases for offices (915 leases or 43 per cent). The lease status of private leases consists of active contract leases, month to month leases, contact pending leases and terminated leases. Over the past 5 financial years, the department was allocated R6.9 billion for operating leases. However, of this R6.9 billion, the department only spent 98.5 per cent or R6.8. billion of the final allocation. This translated into cumulative underspending of R126.8 million, which was mainly recorded in the financial years: 2016/17; 2017/18 and 2019/2020 (refer to table 11).

Table 11 depicts an interesting observation whereby the average YoY growth rate for the allocation of operating leases was 5 per cent per year, however the YOY growth rate on actual expenditure was on average 6 per cent (excluding the F/Y 2017/18), which is above the average market growth rate of 4 per cent (Rodes, 2020). This implies that the department has lease commitments that exceeds available resources.

Table 11: Spending outcome on operating leases

R'000	Main appropriation	Adjusted Appropriation	Actual spending	Virement & shits	(OVER) / UNDER SPENDING	% of final appr spent	YOY growth on main appropriation	YOY growth on actual spending	YOY growth on market rates
2015/16	1 119 607	1 249 607	1 267 533	130 000	-17 926	101.4%			
2016/17	1 178 946	1 356 260	1 340 904	177 314	15 356	98.9%	6%	6%	4%
2017/18	1 451 199	1 341 199	1 319 116	-110 000	22 083	98.4%	-2%	-2%	4%
2018/19	1 522 781	1 403 210	1 404 135	-119 571	-925	100.1%	6%	6%	4%
2019/20	1 596 107	1 596 107	1 487 917	0	108 190	93.2%	6%	6%	4%
TOTAL	**6 868 640**	**6 946 383**	**6 819 606**	**77 743**	**126 777**	**98.2%**	**9.5%**	**4%**	**4%**
Compound average growth rate					**4.1%**				

Source: Annual Financial statements

The bulk of the leases are on active contracts (1 048 leases) followed by month to month leases (448 leases), contract pending leases (342 leases), and terminated leases (235 leases). The bulk of the month to month and terminated leases are mainly in Gauteng (251 months to month leases and 31 terminated leases) and this is mainly due to the delayed relocation to Telkom Towers.

In 2015, the department spent approximately R700 million to procure the Telkom Towers buildings, but the department has still not relocated into the buildings and has cited various occupational, health and safety challenges with the building. The cost to the department of not relocating to Telkom towers is currently R29.4 million per month on operating leases. This translates into a total cost of R352.4 million per year (refer to table 12 below).

Table 12: Leases affected by non-relocation to Telkom Towers (2020)

Building	Month to Month	Cost per month	Cost per year
PRESIDIA	Month to Month	490 605	5 887 261

LA ROCHELLE	Month to Month	467 998	5 615 973
540 PRETORIUS	Month to Month	1 338 950	16 067 404
PIET JOUBERT (LABS)	Month to Month	630 863	7 570 356
SHORBURG	Month to Month	955 359	11 464 309
OPERA PLAZA	Month to Month	1 528 201	18 338 413
OPERA PLAZA ANNEX	Month to Month	34 100	409 198
POYNTONS	Month to Month	30 452	365 428
TULBAGH PARK	31/12/2019 - Terminated	3 720 907	44 650 884
WACHTHUIS	28/02/2019 - Terminated	6 307 201	75 686 412
KOEDOE	28/02/2019 - Terminated	1 442 557	17 310 679
VERITAS	Terminated 31/12/2019	1 201 868	14 422 411
FIN PARK	Month to Month	202 650	2 431 804
PRETORIA PARCADE	Month to Month	48 499	581 987
VAN ERKOM	Month to Month	224 923	2 699 071
SANLAM PLAZA WEST	Month to Month	2 390 681	28 688 171
ALBEN	Month to Month	234 293	2 811 513
NEWLANDS	Month to Month	214 991	2 579 887
MAUPA NAGA	Month to Month	3 398 998	40 787 976
IJS BUILDING	Month to Month	1 489 577	17 874 926
SCHINDLER HOUSE	Expiry date 31/03/2023	458 806	5 505 677
PLANBURO PARK & DYNAMIC OFFICE PARK	Month to Month	1 002 122	12 025 462
KEISKAMMA STREET	Month to Month	78 468	941 616
99 BEATRIX STREET	Month to Month	19 716	236 591
ABSA BANK BUILDING	Month to Month	120 011	1 440 136
BUILDING NO 4 SCIENTIA	Expiry date 31/07/2054	85 760	1 029 121
CURATOR	Month to Month	429 830	5 157 961
SANLAM MEERZICHT	Month to Month	88 177	1 058 121
SANCARDIA	30/11/2018 - Terminated	729 525	8 754 299
		29 366 087	**352 393 049**

Source: Annual financial statements

Emerging policy questions

- Over the past 5 financial years the market rate on accommodation charges was 4%, while the average YoY expenditure on operating leases was 6%, what savings would be realised if the department was to renegotiate the existing lease contracts to align with the current market rates?
- Given that 18 per cent or 384 leases of private leases in SAPS have a zero escalation rate, what savings would be realised if the department was to negotiate for at least 50 per cent of their leases to have a zero escalation rate?

6.1.4. Accommodation charges vs operating leases (for private-owned buildings)

Table 13 below summarises expenditure for SAPS over the period 2015/16 to 2019/20, comparing the expenses incurred for state-owned and privately leased accommodation. When looking at the expenditure trends over this period with respect to expenditure incurred on state owned accommodation *vis a vis* expenditure incurred on private leases, it was noted that the department has incurred more expenditure on private leases than state owned accommodation.

Table 13: State owned accommodation vs private leases

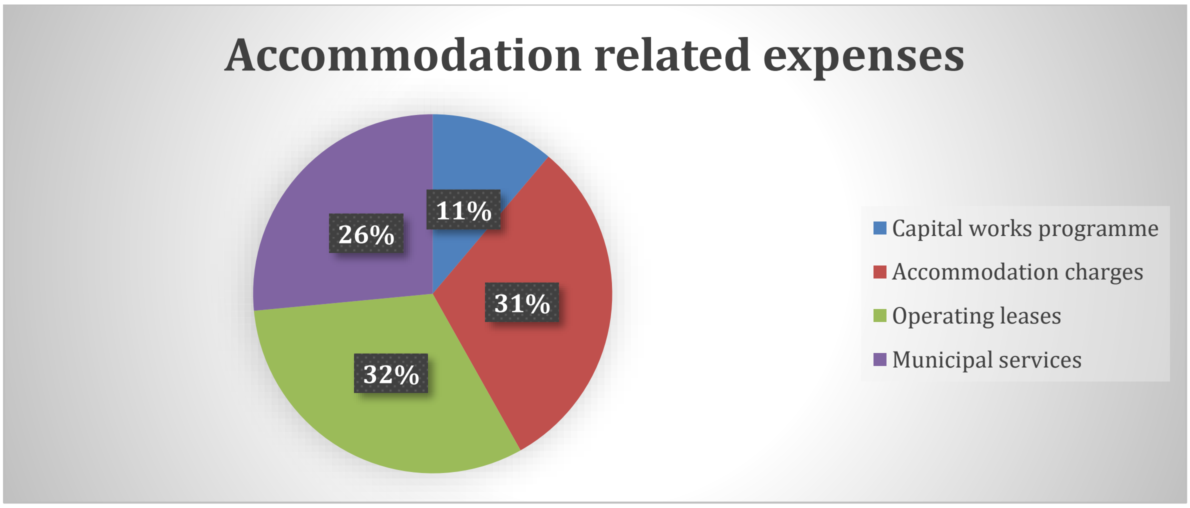
Financial years	Accommodation charges	Operating leases	Total
2015/16	1 220 963	1 267 533	2 488 496
2016/17	1 246 012	1 340 904	2 586 916
2017/18	1 338 003	1 319 116	2 657 119
2018/19	1 366 139	1 404 135	2 770 274

2019/20	1 439 929	1 487 917	2 927 846
Total	**6 611 046**	**6 819 606**	**13 430 651**

As indicated in table 13 above, expenditure incurred on state-owned accommodation over the past 5 financial years was R6.6 billion, while the expenditure incurred on private leases was R6.8 billion. This is interesting to note given that the state-owned portfolio of SAPS' accommodation is 8 times bigger than the private lease portfolio. Therefore, this may be an indication of a significant under investment in the maintenance and repairs on state-owned accommodation portfolio. This assertion could not be tested in our analysis due to the unavailability of data pertaining to the size of the state-owned accommodation and grades of the building. Additionally, there is a need to answer the policy question on whether it would be more cost effective to lease or build accommodation for SAPS, taking into account its service delivery requirements and security related aspects of the work that the department conducts.

When looking at non-Compensation of Employees (COE) spending over the past five financial years (2015/16 – 2019/20), the department spent R99 billion on non-COE related expenditure. Of this R99 billion, R21.5 billion or 22 per cent was spent on accommodation related expenses (including the capital works programme, operating leases, accommodation charges and municipal services) (refer to figure 4 below). However, despite the high expenditure incurred on accommodation related expenses over the past 5 financial years, very little is known about the performance outputs associated with the SAPS accommodation portfolio, including the efficiency of spending in this regard.

Figure 4: Expenditure on accommodation related expenses



Source: Vulindlela Management Information System

6.1.5. Municipal Services

The expenditure incurred on municipal services refers to the basic services paid to the municipality which includes, amongst others: sanitation (both sewerage and refuse); water; and sometimes rates and taxes (South African Property Owners Association, 2015). Over the past five financial years, R5.6 billion was allocated for municipal services, and the department spent R5.7 billion, which is in excess of what was allocated by 2.3% or R131.2 million.

The expenditure on municipal services includes the municipal services costs borne by the department on behalf of the officials occupying the departments living quarters (single and married quarters). This is mainly because the department currently does not have an existing system in place to monitor how much each residential unit spends on municipal related expenses.

The YoY growth rates on the baseline allocation for municipal services shows an average growth rate of 5 per cent, however when looking at the YoY growth rate on actual expenditure, it can be deduced that the department spends more on municipal services, than what is appropriated.

Table 14: Spending outcome on municipal services

R'000	Main appropriation	Adjusted Appropriation	Actual spending	Virement & shits	(OVER) / UNDER SPENDING	% of final appr spent	YOY growth on main appropriation	YOY growth on actual spending
2015/16	997 674	997 674	1 010 166	0	-12 492	101.3%		
2016/17	1 049 721	1 049 721	1 034 075	0	15 647	98.5%	5%	2%
2017/18	1 101 457	1 101 457	1 132 586	0	-31 129	102.8%	5%	10%
2018/19	1 165 342	1 213 984	1 213 910	48 642	74 318	100.0%	6%	7%
2019/20	1 230 601	1 230 601	1 333 866	0	-103 265	108.4%	6%	10%
TOTAL	**5 544 795**	**5 593 437**	**5 724 602**	**-48 642**	**-131 165**	**102.3%**	**5%**	**7%**
Compound average growth rate					**7.2%**			

Source: Annual financial statements

Emerging policy questions

- What savings would be derived if the department shared the costs incurred on municipal services for single and married quarters with the occupants of those buildings i.e. SAPS officials by charging a fixed rate?

6.2. Benchmarking

6.2.1.1. Fully-fledged police station costs per province

The table below indicates the accommodation related costs incurred by the department per province on fully-fledged police stations, mainly looking at the average size of the police station, the cost incurred per m^2 and taking into consideration whether the accommodation has a parking facility or not. A fully-fledged police station is defined as a station where most but not all disciplines such as support services, detectives, community services with patrol vehicles, and cells are located.
In simple terms, it is a small police station. In terms of table 15 depicted below, it appears as though the bulk of the departments fully fledged police stations have parking facilities.

Emerging policy question:
Given that accommodation charges are more expensive in Gauteng where the accommodation has parking facilities, what savings would be realised if the department was to decrease the cost at which it is currently subsidising its employees?

The table below also indicates that the cost of private leases For a fully-fledged police station with parking facilities in the region of Gauteng is expensive relative to other provinces, such as Western Cape. For instance, for a fully-fledged police station in Gauteng with an average size of 2 418m^2, the average cost per m^2 is R1 700. However, in Western Cape for a fully-fledged police station with an average size of 2 069m^2, the average cost per m^2 is R977. Looking at the accommodation without parking facilities, the province in which the accommodation costs per m^2 are less relative to the other provinces is Mpumalanga, whereby for an accommodation with an average size of 4 261m^2, the average cost per m^2 is R144.

Table 15: Cost per m^2 for a fully -fledged police station per province

Description	Average cost per m^2 - without parking (R)	Average size per m^2	Average cost per m^2 - with parking (R)	Average size per m^2
GP	776	1 452	1 734	2 418
LP	1 455	2 569	982	712
MP	144	4 261	979	529
NW	637	687	-	-
KZN	606	331	767	1 010
FS	300	625	3 020	1 215
NC	440	476	264	338
EC	860	383	2 419	1 577
WC	786	586	977	2 069
Head office	-	-	-	-
Total	**6 004**	**11 370**	**11 141**	**9 868**

Source: SAPS asset register

6.2.1.2. Office accommodation costs per province

The table below (table 16) indicates costs incurred on private leases for office accommodation per province. The provinces that were analysed were those that had sufficient information to enable the analysis, such as Western Cape; Kwa-Zulu Natal; Gauteng; Eastern Cape; Northern Cape and Head Office. The comparative analysis focused on: average space per m^2; number of leases; escalation rates; rent paid per m^2 per year; average rent per month; and average rent per year.

The observations noted from the analysis were that the lower the rent paid per year, the higher the escalation rate per year. This assertion can be substantiated by looking at provinces like Western Cape and Gauteng. The average rent paid per m^2 per year was R461 and R776 in Western Cape and Gauteng, respectively, while the escalation rate was 8% in Western Cape and 9% in Gauteng. The inverse is true whereby, the lower the escalation rate, the higher the average rent per m^2 per year. This assertion can be substantiated by looking at the escalation rates in the regions: Kwa-Zulu Natal (5 per cent); Eastern Cape (6 per cent); Head Office (6 per cent) and Northern Cape (6 per cent). However, when looking at the average rent payable per m^2 in the same provinces, they are all above R1 000 per m^2.

Although the average rent paid per m^2 per year is lower in Gauteng relative to other provinces, the average rent payable per month in Gauteng was still higher relative to most provinces except Head Office. The high average rent payable per year in Gauteng relative to other regions is mainly because of the large office space leased in Gauteng. The average rent payable per m^2 per year in Head Office is high relative to all provinces, including Gauteng, which leased more office space than Head Office. This is also despite the average escalation rate in Head Office being lower than in Gauteng.

Table 16: Office accommodation costs per province

Description	Average Space per m^2	Number of leases	Average escalation rate	Average rent per m^2 per year	Average rent paid per month	Average rent per year
WC	1 185	103	8%	461	45 541	546 492
KZN	1 307	124	5%	1 143	124 463	1 493 556
GP	3 923	133	9%	776	253 838	3 046 056

EC	786	140	6%	1 166	76 352	916 224
Head Office	2 376	113	6%	1 377	272 611	3 271 332
NC	535	54	6%	1 012	45 113	541 356

Source: SAPS 2020/21 UAMP

6.2.1.3. *Residential accommodation costs per province*

The table below (table 17) provides a comparative analysis of the costs incurred by the department on residential accommodation for private leases. The provinces that were included in the analysis were: Gauteng; Kwa-Zulu Natal; Northern Cape; Eastern Cape; and Western Cape. This was mainly due to data availability.

In terms of the information depicted in the below table, it was found that residential accommodation in Kwa-Zulu Natal is more expensive relative to other provinces. This is evidenced by the fact that the average rent payable per m^2 per year in Kwa-Zulu Natal exceeds the average rent payable per m^2 in Gauteng and Eastern Cape, despite Gauteng and Eastern Cape leasing more space per m^2 relative to Kwa-Zulu Natal.

Table 17: Residential accommodation costs per province

Description	Average Space per m^2	Number of leases	Average escalation rate	Average rent per m^2 per year	Average rent paid per month	Average rent per year
GP	2 261	4	8%	403	75 994	911 928
KZN	936	1	6%	1 189	92 755	1 113 058
NC	649	5	2%	125	6 787	81 444
EC	1 010	9	6%	633	53 280	639 360
WC	216	13	6%	263	4 730	56 760

Source: SAPS 2020-21 UAMP

6.2.1.4. *Criminal record centres leasing costs per province*

The SAPS criminal record centres enables the department to store, retrieve, retain, achieve, and view information, records, or files pertaining to enforcement operations. Most countries worldwide such as the United States, Australia, Canada, Germany etc have automated the procedures for the above processes to enhance day-to-day operations and improve efficient access to criminal history data (Bureau of Justice Statistics, 2020). South Africa is amongst the few countries whereby some police stations are still utilising manual processes for accessing and retrieving criminal records. According to the 2020-21 UAMP, the department currently has 63 criminal record centres, located across different provinces in South Africa (refer to table 18 below).

According to the below table, the department spends per annum approximately R52.1 million on its criminal record centres. In terms of the below table, the provinces which incurs the bulk of the costs are the provinces that has the most number of criminal record centres, for instance Eastern Cape has 16 criminal record centres, and incurs R20 million per year on those centres. An interesting observation was noted between the Mpumalanga and Western Cape provinces whereby although Western Cape has more criminal record centres, the costs incurred associated with those centres is far lesser than the costs incurred in Mpumalanga, which only has 6 centres.

There are multiple shortcomings associated with utilising the manual system, which amongst others includes, time inefficiencies that causes blockages within the criminal justice system. Due to the lengthy time it takes SAPS to locate records, there are a number of cases in which courts issue judgements on bail applications without knowledge of previous convictions. By the time the records are available for court, the bail decision has long been made (Parliamentary Monitoring Group, n.d).

According SAPS, there has been instances whereby a court granted a bail application for an accused alleged to have attempted to kidnap a child, and multiple convictions for sex offences against young girls but due to delayed records bail was granted prior to this information being known. More serious cases were when offenders were given incorrect sentences because of delays in obtaining records (Parliamentary Monitoring group, n.d). The emerging policy question is therefore; what savings would be realised if SAPS was to utilise an automated records management system for achieving and retrieving criminal records?

Table 18: Number of criminal record centres in SAPS, and associated costs per year

		State-owned			Private leases				Total number record centres	Total costs for record centres (per year)
Provinces	**Programmes**	**Number**	**Average space occupied**	**Cost for the occupied space**	**Number**	**Average space occupied**	**Cost for the occupied space**	**Average cost per m²**		
Eastern Cape	Detective Services	1	208	241 634	15	1 138	19 878 015	1 165	16	20 119 649
Free state		-	-	-	1	356	198 762	559	1	198 762
Gauteng		5	230	1 590 013	5	1 258	8 699 238	1 383	10	10 289 251
Head Office		-	-	-	1	426	363 164	854	1	363 164
KZN		-	-	-	6	551	3 037 109	920	6	3 037 109
Limpopo		-	-	-	6	466	3 300 624	1 181	6	3 300 624
Mpumalanga		2	150	271 062	4	1 108	4 003 495	904	6	4 274 557
North West		1	13	16 841	6	793	6 162 620	1 295	7	6 179 461
Northern Cape		-	-	-	2	285	397 247	698	2	397 247
Western Cape		5	415	1 921 450	3	720	2 000 160	926	8	3 921 610
Total		**14**	**1 016**	**4 041 000**	**49**	**7 099**	**48 040 434**	**9 884**	**63**	**52 081 434**

Source: SAPS 2020 – 21 UAMP

6.2.2.1. *Benchmark within the JCPS cluster*

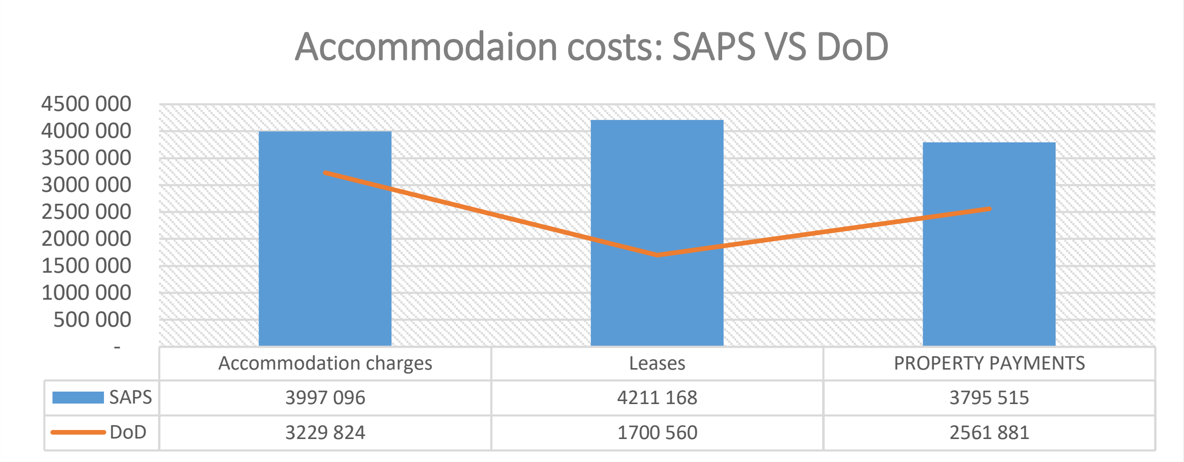
This part of the expenditure analysis looks at the benchmarking exercise that was conducted within the JCPS cluster, but specifically focusing on the Department of Defence (DoD), because of the department's large infrastructure footprint. The purpose of the benchmarking exercise is to identify and quantify efficiency savings that can be realised, based on benchmarking of industry best practice. The benchmarking with DoD looked at accommodation related expenses incurred, with specific focus on the number of accommodation structures the department has. The benckmark also looked at the accommodation rates per province, with specific focus on office and residential accommodation.

6.2.2.2. *Accommodation costs: SAPS vs DoD*

Over the past 3 financial years (2017/18 – 2019/20), SAPS and Defence incurred a combined total of R19.5 billion on accommodation related expenses. The bulk of this expenditure was incurred on accommodation charges (R7.2 billion or 37 per cent); property payments (R6.3 billion or 33 per cent) and lastly private leases (R5.9 billion or 30 per cent), in that order.

The main cost driver of spending on accommodation related expenses was SAPS, whereby R12 billion or 62 per cent of the total accommodation related expenditure was incurred within the department. Of this, R4.2 billion or 35 per cent was spent on private leases, R4 billion or 33 per cent on state owned accommodation; and R3.8 billion or 32 per cent on municipal services (refer to figure 5). Defence on the other hand, spent R3.2 billion or 43 per cent on accommodation charges; R1.7 billion or 23 per cent on private leases and R2.6 billion or 34 per cent on property payments.

Figure 5: Spending on accommodation costs



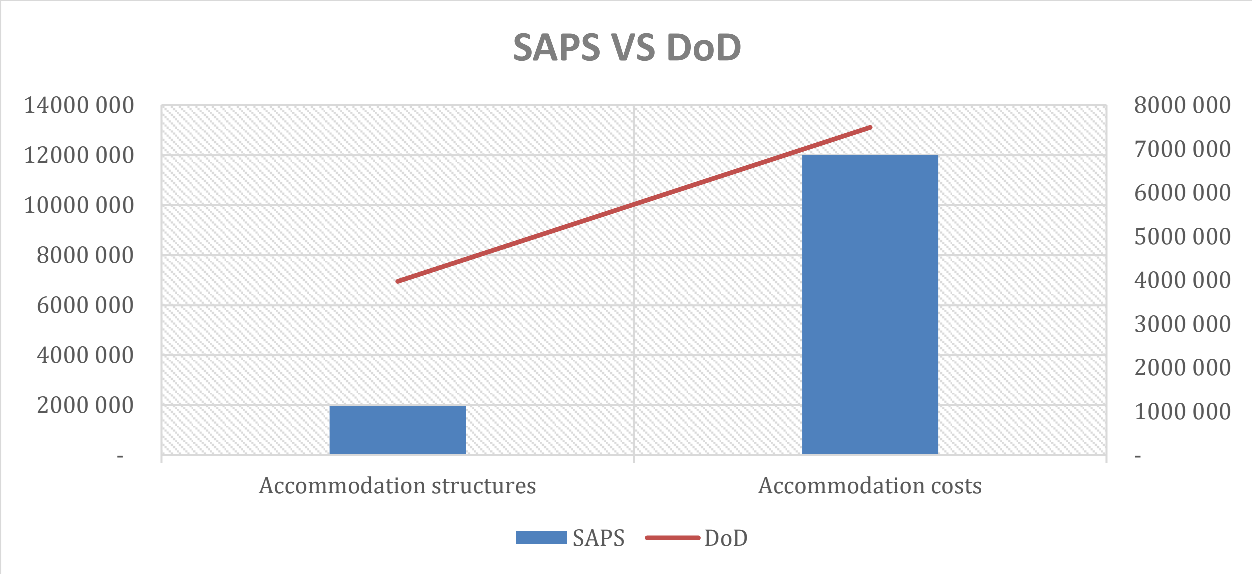
Source: BAS data

6.2.2.3. *Accommodation structures: SAPS vs DoD*

In terms of the number of accommodation structures, defence and SAPS have a combined total of 59 437 accommodation structures, of which 19 705 or 33 per cent are occupied by SAPS, while 39 732 or 67 per cent accommodation structures are occupied by DoD. An interesting observation was noted, whereby although SAPS has a lower number of accommodation structures, SAPS incurred higher expenditure on accommodation costs relative to DoD (refer to figure 6).

When looking at the average cost for accommodation incurred by each department per annum, the average accommodation cost in SAPS in 2019/20 was R141 000, while the average accommodation cost in DoD in the same financial year was R112 000, which was slightly below the average accommodation cost in SAPS by R29 000. Whilst this implies that SAPS is leasing accommodation at a higher cost compared to DoD as SAPS has less accommodation structures than DoD, further investigation of the quality and type of assets leased or used is needed.

Figure 6: Accommodation structures: SAPS vs DoD



Source: SAPS & DoD UAMP

Emerging policy questions:

1 Why is DoD spending less on accommodation costs when compared to SAPS, when it is occupying more accommodation structures?

6.2.2.4. *Office accommodation rates per province: SAPS VS DoD*

Section 6.2.2.2 revealed that SAPS was the driver of the bulk of expenditure incurred on operating leases, it was therefore imperative to do a comparative analysis between SAPS and DoD, to better understand the cost drivers of spending on operating leases. The comparative analysis was limited to the provinces: Western Cape; Kwa-Zulu Natal; Gauteng; and Eastern Cape. This was mainly due to the availability of data. The comparative analysis revealed that cumulatively DoD is leasing more office space per m^2 than SAPS. In terms of provinces, this office space was mostly leased in Gauteng (12 546 m^2) and Eastern Cape (14 500 m^2).

In terms of the number of private leases, the number of private leases in SAPS exceeded those in DoD by 459 leases. The comparative analysis also revealed that the leases in SAPS have a higher escalation rate per year than DoD, whereby the average escalation rate in SAPS was 7 per cent, while the average escalation rate in DoD was 6 per cent. The analysis also revealed that in Eastern Cape, the average rent per year in SAPS is higher than in DoD, despite the office space in Eastern Cape occupied by DoD being 10 times more than the office space in SAPS, and the escalation rates being the same (refer to table 18).

Table 18: Office accommodation rates per province: SAPS vs DoD

	Department of Defence (DoD)						South African Police Service					
	Average Space per m2	Number of leases	Escalation rate	Rent per m2 per year	Average rent paid per month	Average rent per year	Average Space per m2	Number of leases	Escalation rate	Rent per m2 per year	Average rent paid per month	Average rent per year
WC	660	1	6%	579	31 854	382 249	1 185	103	8%	461	45 541	546 492
KZN	612	9	7%	1 308	66 689	800 268	1 307	124	5%	1 143	124 463	1 493 556
GP	12 546	27	6%	1 490	1 394 735	16 736 817						

EC	14 500	4	6%	53	63 725	764 700	3 923 786	133 140	9% 6%	776 1 166	253 838 76 352	3 046 056 916 224
Total						**18 684 034**					**500 194**	**6 002 328**

Source: SAPS 2020 – 21 UAMP & DoD asset register

6.2.2.5. Residential accommodation rates in Eastern Cape: SAPS vs DoD

In section 6.2.2.2. it was revealed that SAPS was again the driver of the bulk of the expenditure incurred on accommodation charges. It was therefore, necessary to do a comparative analysis to better understand the lower level cost drivers of this expenditure item. The analysis was only done within the Eastern Cape province, mainly due to the availability of data. In the province analysed, the analysis found that DoD (5 663 m^2) is leasing more space per m^2 than SAPS (1 010 m^2); that the escalation rate in DoD (7 per cent) exceeds the escalation rate in SAPS (6 per cent); however, despite this, it was found that the average rent payable per month for residential accommodation by SAPS, exceeds the average rent per month in DoD by more than 400 per cent. The emerging policy question is therefore, what is driving spending on residential accommodation in SAPS, especially in Eastern Cape, despite SAPS occupying less space per m^2 and the escalation rate being the same when compared to DoD (refer to table 19)?

Table 19: Residential accommodation rates in Eastern Cape

Description	Average Space per m^2	Number of leases	Average escalation rate	Average rent per m^2 per year	Average rent paid per month	Average rent per year
EC (DoD)	5 663	5	7%	20.62	9 733	116 796
EC (SAPS)	1 010	9	6%	633	53 280	639 360

Source: SAPS 2020 – 21 UAMP & DoD asset register

6.2.3. Benchmark with current market rates

The report published by Rodes (2020) titled "The state of the property market in quarter 2 of 2020" was used to conduct the benchmark exercise using the current market rates for accommodation. The report indicates how constrained the property market is, due to weak fundamentals such as above-average vacancy rates and subdued rental growth, amidst a stalling economy. According to Rode (2020) the nominal rental growth for commercial space of 500 m^2 and above was 3 per cent. The report indicates that over the same period, grade-A rentals in Cape Town were the best performer, which recorded a growth rate of 4 per cent in the second quarter of 2020, while rentals in Durban and Johannesburg, grew by 1 per cent. In terms of the report, rentals in Pretoria, showed a growth rate of 3 per cent.

In line with the above findings as published by Rodes (2020), the average growth rate of 3 per cent was used to calculate whether SAPS is paying for operating leasing costs that are either below or above the current average market rate of 3 per cent. The leases that were used to undertake the analysis were: month to month leases, contract pending leases; terminated leases but specifically where the department is still occupying the accommodation; and active leases that has an expiry date from 31 March 2021 – 31 March 2025. More specifically, leases that have an escalation rate that is above the current market rate of 3 per cent. The specific focus on month to month leases, contract pending leases; terminated leases; and active leases that has an expiry date from 31 March 2021 – 31 March 2025 was mainly to identify leases whereby more immediate policy proposals can be implemented.

Therefore, in line with the above, the below leases were identified to be meeting the above criteria. These are all the leases that have an escalation rate that is above the current market rate of 3 per cent. If the department was to renegotiate the escalation clauses for all of the below identified leases to remain within the current market rate, then potential savings of R256.7 million could be realised per year. This is 8 per cent of the allocated budget for operating leases in 2019/20.

Table 20: Potential savings realisable using the current market rate

R'000	Potential savings	Number of leases	Proportionate terms
Contract pending	4	1	0.00%
Month to month leases	123 215	83	48.01%
Terminated	18 977	25	7.39%
State owned: month to month leases	6 016	3	2.34%
Active leases	108 454	144	42.25%
Total	**256 667**	**256**	**100.00%**

Source: 2020-21 UAMP

6.3. Utilisation *status of existing accommodation: Buildings*

The table below (table 21) summarises the utilisation status of buildings for private leases in SAPS. According to the department's UAMP, the number of buildings privately leased is 910, however only 848 buildings were analysed to assess the utilisation status of each building because the data received from the department only allocated a lease status to 848 buildings. According to table 21 below, the department currently has 18 buildings that are underutilised for which it is paying operating leases for, and these were mainly in Gauteng (9 buildings) and Head Office (2 buildings). It was also interesting to note that Gauteng also had buildings that are over-utilised. The same observation was noted with Head Office, whereby there were 10 buildings that were over utilised.

Emerging policy question

1 To what extent can the department maximise the utilisation of existing accommodation, especially in those provinces where there is accommodation that is under-utilised? and

2 what savings would be derived if this was to be done?

Table 21: Utilisation status of accommodation: buildings

	Utilisation status of buildings			
	0 - 75% (Under- utilised)	**76 - 110% (Optimally utilised)**	**110 and above (Overutilised)**	**Total**
Head Office	2	14	10	26
Western Cape	0	81	0	81
Eastern Cape	1	106	37	144
Northern Cape	1	61	2	64
Free State	1	51	16	68
KwaZulu-Natal	1	139	9	149
North West	1	63	0	64
Mpumalanga	1	60	7	68
Limpopo	1	61	10	72
Gauteng	9	84	19	112

Total	18	720	110	848

Source: SAPS 2020/21 UAMP

7. Performance Analysis

This section of the spending review report analyses the performance deliverables achieved over the past 5 financial years (2015/16 – 2019/20), specifically focusing on performance targets and the achievement thereof, related to the accommodation portfolio in SAPS.

7.1. Project outcome over the past 5 financial years

Over the past 5 financial years, the department had planned to undertake 1 788 capital works projects in relation to its various accommodation requirements. However, only 1 509 or 84 per cent of the planned projects were completed. The department met its target of 24 for repairing and upgrading facilities, thus showing no under or over performance. Similarly, the department exceeded its target on the following capital works projects: Accessibility for persons with disabilities; Victim friendly facilities and mobile units. On the contrary, the department underperformed on all of the other performance targets, except for the ones mentioned above (refer to table 22 below). The Cells highlighted in red indicates variances that are below the target (underperformance). From the table below, it appears as though the department is mostly effective in undertaking the following projects: Repairs and Upgrades; construction of disability facilities, victim friendly facilities and mobile units.

Table 22: Capital works projects: Planned vs Achieved

Projects		2015/16 – 2019/20			
		Planned	**Actual**	**Variance**	**Completion rate in percent**
CAPITAL WORKS	Site clearance	32	24	-8	75%
	Planning and design	52	9	-43	17%
	Construction	20	5	-15	25%
	Repairs and upgrades	24	24	0	100%
	Accessibility for persons with disabilities	97	107	10	110%
	Victim friendly facilities	57	69	12	121%
	Mobile units	33	69	36	209%
	Upgrading Of cells	39	24	-15	62%
	Generators: Devolved	66	56	-10	85%
	Generators: High sites	18	5	-13	28%
	Air conditioners	269	260	-9	97%
	Acquisition of leased police stations	11	2	-9	18%
	Purchasing land	9	1	-8	11%
TOTAL CAPITAL WORKS		727	655	-72	90%
PLANNED MAINTANANCE	Planning and design	45	7	-38	16%
	Construction	51	23	-28	45%
	Service contracts: Generators	614	550	-64	90%
	Service contracts: Air conditioners	351	274	-77	78%
TOTAL PLANNED MAINTENANCE		**1061**	**854**	**-207**	**80%**
TOTAL INFRASTRUCTURE PROJECTS		**1788**	**1509**	**-279**	**84%**

Source: Annual financial statements

7.2. Project timelines

This section of the spending review report looks at the timelines associated with each of the activities in the capital works programme. The rationale is to get an indication of the duration associated with each activity.

7.2.1. *Site clearance*

It takes the department on average 5 years to undertake and finalise site clearance related projects.

7.2.2. *Planning and design*

It takes the department on average 5 years to complete planning and design related projects.

7.2.3. *Construction of police stations*

It takes the department on average 7 years to complete the construction of a police station.

7.2.4. *Repairs and upgrades*

It takes the department on average 2 years to finalise repairs and upgrades.

7.2.5. *Conditioners (Acquisition & Installation)*

It takes the department on average 3 years to finalise the acquisition and installation of air conditioners.

7.2.6. *Repairs and upgrades of generators*

It takes the department on average 2 years to finalise the repairs and upgrades of generators.

7.3. **Compliance with the applicable legislations**

The below section analyses the departments compliance with the "National Instruction of 2012 Immovable asset management: Demand Management". The instruction note highlights key principles that must be complied with prior to undertaking the construction of new immovable assets. The objective is to assess whether the department complies with the requirements or key principles as highlighted in the instruction note. Specific focus will be on the key three principles as highlighted in the framework, namely: the population growth; the crime statistics and the utilisation status of the existing accommodation.

7.3.1. *Population growth/expected growth*

The table below provides the population data per province over the past 6 years, as published by the Department of Statistics SA. This is to test the first principle as highlighted in the instruction note, which looks at the population growth rate per province. Based on the below table, the provinces with the highest population growth over the past 6 years were: Gauteng; Kwa-Zulu Natal; Eastern Cape and then Western Cape.

Table 23: Population growth per province

	2015		2 016		2 017		2018		2 019		2 020	
Provinces	Population estimate	% of total population	Population estimate	% of total population	Population estimate	% of total population	Population estimate	% of total population	Population estimate	% of total population	Population estimate	% of total population
Eastern Cape	7 144 400	13%	6 916 200	13%	6 497 100	11%	6 508 000	11%	6 712 276	11%	6 734 001	11%
Free State	2 747 846	5%	2 817 900	5%	2 889 900	5%	2 891 000	5%	2 887 465	5%	2 928 903	5%
Gauteng	13 189 661	24%	13 200 300	24%	14 273 800	25%	14 661 000	26%	15 176 116	26%	15 488 137	26%
KwaZulu-Natal	10 991 384	20%	10 919 100	20%	11 067 500	20%	11 215 000	20%	11 289 086	19%	11 531 628	19%
Limpopo	5 495 692	10%	5 726 800	10%	5 774 600	10%	5 854 000	10%	5 982 584	10%	5 852 553	10%
Mpumalanga	4 396 554	8%	4 283 900	8%	4 442 500	8%	4 523 000	8%	4 592 187	8%	4679786	8%
Northern Cape	1 099 138	2%	1 185 600	2%	1 213 500	2%	1 230 000	2%	1 263 875	2%	1 292 786	2%
North West	3 846 984	7%	3 707 000	7%	3 854 400	7%	3 925 000	7%	4 027 160	7%	4 108 816	7%
Western Cape	6 045 261	11%	6 200 100	11%	6 508 700	12%	6 650 000	12%	6 844 272	12%	7 005 741	12%
Total	**54 956 920**	**100%**	**54 956 900**	**100%**	**56 522 000**	**100%**	**57 457 000**	**100%**	**58 775 021**	**100%**	**59 622 351**	**100%**

Source: StatsSA

Definition of colours

	0% - 5%
	6% - 10%
	11% - 15%
	15% and above

7.3.2. Crime statistics

The table below provides the data on the crime statistics over the past 5 financial years. The objective was to test the second principle as highlighted in the instruction note which requires that the crime statistics in a province should be taken into cognisance to determine the need for new immovable assets. In terms of the crime statistics, the provinces with the highest crime statistics were: Gauteng; Western Cape and KwaZulu-Natal

Table 24: Crime Statistics per province

Provinces	2015/16	2016/17	2017/18	2018/19	2019/20
Eastern Cape	196 089	199 663	195 883	197 624	194 949
Free state	117 688	114 810	108 893	107 775	101 208
Gauteng	857 594	853 477	828 134	803 823	773 414
kwaZulu-Natal	342 772	342 370	342 448	327 304	319 179
Limpopo	129 323	127 351	126 623	122 865	114 744
Mpumalanga	119 526	123 755	121 850	120 240	116 616
North West	114 335	115 566	115 406	115 969	107 682
Northern Cape	50 665	50 793	49 534	49 746	47 787
Western Cape	490 383	491 914	485 882	443 292	407 641

Total	**2 418 375**	**2 419 699**	**2 374 653**	**2 288 638**	**2 183 220**

Source: SAPS crime statistics

Definition of colours

	0 - 100 000
	101 000 - 200 000
	201 000 - 300 000
	301 000 - 400 000
	401 000 and above

7.3.3. Overuse of existing immovable assets

The last principle that was analysed as outlined in the department's instruction note, is the utilisation status of the existing accommodation. The categorisation of the utilisation status was as follows: 0 – 75 per was considered as underutilised; 76 – 110 per cent utilisation rate was considered as optimal utilisation; and any utilisation rate that is above 110 per cent was considered to be over utilisation. Based on the findings from the analysis that was undertaken, it was noted that the province where the accommodation is overly utilised is mainly Eastern Cape.

Table 25: Utilisation status

Eastern Cape	
Leased	
Asset type	**Weighted Average utilisation rate**
AUXILIARY GARAGE	230%
LOCAL CRIMINAL RECORD CENTER	172%
OFFICES	460%
PARKING	100%
POLICE STATION	499%
SATELLITE POLICE STATION	207%
State	
LIVING QUARTERS	99%
Offices	290%
POLICE STATION	186%
SATELLITE POLICE STATION	141%
WORKSHOP	176%

Source: SAPS UAMP 2020 - 2021

Given the above highlighted principles, and the assessment that was undertaken to assess compliance with the above principles, in order to arrive at conclusions of whether the department is complying with the principles in their instruction note, it was imperative to analyse the regional areas where the construction of new immovable assets is planned to take place in 2021/22.

Based on the below table, it can therefore be concluded that the department is not complying with the principles as highlighted in their instruction note. In the 2020/21 UAMP, the department anticipates to construct 2 new police stations in the North West province, one in Mabieskraal and the other in Moeka-vuma, but in Mabieskraal there are already 2 existing facilities that are optimally used. Furthermore, in terms of the population growth rate and the crime statistics, North West is one of the provinces with both low population growth rates and crime statistics.

Table 26: Planned construction of police stations

SURBUB		2015/16 – 2019/20			
		CATEGORY	NEARBY ACCOMMODATION TYPE	BUILDING NAME	UTILISATION STATUS
NORTH WEST	MABIESKRAAL	New	UNKNOWN	MABESKRAAL SATELITE POLICE STATION	100%
NORTH WEST	MABIESKRAAL	New	OFFICES	MABESKRAAL SATELITE POLICE STATION	100%
NORTH WEST	MOEKA-VUMA	New	N/A	N/A	N/A

Source: SAPS 2020/21 UAMP

8. Findings in terms of the Analytical Framework

1. Effectiveness

Analyse whether the set objectives for accommodation were achieved as intended; assess the relationship between SAPS' spending on accommodation over the past 5 years and performance outputs achieved over the same period.

1.1. There is a consistent trend of underspending the allocation for accommodation charges over the past 5 financial years. However, despite this underspending, the YoY growth rate for the allocation of accommodation charges over the period under review increased by an average of 5 per cent.

1.2. SAPS has the least number of accommodation structures (19 705 or 33 per cent) relative to DoD (39 732 or 67 per cent), but in terms of expenditure incurred on accommodation costs, SAPS incurred the highest expenditure on accommodation costs (R12 billion or 62 per cent). This is under all accommodation related costs that were assessed in this study, e.g accommodation charges for state owned accommodation; operating leases for private leases and municipal charges.

2. Efficiency

Analyse spending trends on accommodation and whether the allocation for accommodation was spent for what it was intended for.

2.1. The allocation for the construction and upgrading of police stations is based on the incremental budgeting system, whereby the allocation in the previous financial year is used as a base to determine new resource allocation. This system is largely criticised by numerous scholars for its inability to scrutinise the costs and effectiveness of existing expenditure (Ouassini, 2018).

2.2. The department allocates on average R2.8 million per year for site clearance related activities; R35.8 million for planning and design related activities; R115 million for construction related activities; and R13.7 million for repairs and upgrading related activities.

2.3. The bulk of the leases are on active contracts (1 048 leases) followed by month to month leases (448 leases), contract pending leases (342 leases), and terminated leases (235 leases). The bulk of the month to month and terminated leases are mainly in Gauteng (251 months to month leases and 31 terminated leases) and this is mainly due to the delayed relocation to Telkom Towers. The fact that the second largest group of leases is month to month leases is very alarming, particularly because month to month leases are inherently more cost ineffective as compared to active leases.

3. Performance assessment

Analyse whether the performance outputs achieved in the past 5 years are in line with the targets set in the department's strategic planning documents, such as the Annual Performance Plan, Strategic Plan and the User Asset Management Plan (UAMP) were met.

3.1. Over the past 5 financial years, the department had planned to undertake 32 site clearance activities but only completed 24 or 75 per cent. For planning and design, the department had planned to undertake 52 planning and design activities, but only completed 9 or 17 per cent. For construction, the department had planned to construct 20 police stations but only completed 5 or 25 per cent.

4. Benchmarking

Benchmarking of market rates for privately leased accommodation in the same regional areas, looking at the size of the building, the cost per square metre, escalation rate per year and the category or class of the building.

4.1. More than 50 per cent of the private leases within the department have an escalation rate that is between 5 – 8 percent. This is above the market rate of 3%.

4.2. It is more expensive to lease a criminal record centre in Gauteng and Eastern Cape relative to other provinces. It is more cost effective to lease the same type of accommodation in the Free State and Northern Cape provinces, and Head Office (refer to table 27 below).

Table 27: Total number of criminal record centres

Provinces	Total number record centres	Total costs for record centres (per year)	Cost per centre
Eastern Cape	16	20 119 649	1 257 478
Free state	1	198 762	198 762
Gauteng	10	10 289 251	1 028 925
Head Office	1	363 164	363 164
KZN	6	3 037 109	506 185
Limpopo	6	3 300 624	550 104
Mpumalanga	6	4 274 557	712 426
North West	7	6 179 461	882 780
Northern Cape	2	397 247	198 624
Western Cape	8	3 921 610	490 201
Average	**63**	**52 081 434**	**826 689**

Source: SAPS asset register

4.3. There is scope for shared services between SAPS and DoD. According to the data we received from the two departments, DoD has 2 shooting ranges for which it incurs R446 000 per year, while SAPS has 11 shooting ranges for which it incurs R16.3 million per year (refer to table 28 below). A similar observation was noted under the accommodation type, living quarters. Whereby the DoD is leasing 5 living quarters situated in Eastern Cape, while SAPS is leasing 9 living quarters in the same province.

For the 5 leased living quarters, DoD incurs R117 000 per year, while SAPS incurs R639 000 per year for the leased 9 living quarters (refer to table 29 below).

Table 28: Expenditure on shooting ranges

Description	Number of shooting ranges		Size per m2		Expenditure incurred	
	SAPS	DoD	SAPS	DoD	SAPS	DoD
Total	11	2	2 602	2 158	16 323 857	445 704

Source: SAPS UAMP & DoD asset register

Table 29: Living quarters: SAPS vs DoD

	Average Space per m2	Number of leases	Average escalation rate	Average rent per m2 per year	Average rent paid per month	Average rent per year
EC (DoD)	5 663	5	7%	20.62	9 733	116 796
EC (SAPS)	1 010	9	6%	633	53 280	639 360

Source: SAPS UAMP & DoD register

4.4. In terms of fully fledged police stations, the cost of private leases with parking facilities in the region of Gauteng is expensive relative to other provinces, such as Western Cape. For instance, for a fully-fledged police station in Gauteng with an average size of 2 418m^2, the average cost per m^2 is R1 700. However, in Western Cape, a fully-fledged police station with an average size of 2 069m^2, the average cost per m^2 thereof is R977. Looking at the accommodation without parking facilities, the province in which the accommodation costs per m2 are less relative to the other provinces is the Mpumalanga, whereby for an accommodation with an average size of 4 261m^2, the average cost per m^2 is R144.

4.5. In terms of office accommodation costs per province, the lower the rent paid per year, the higher the escalation rate per year. This assertion can be substantiated by looking at the provinces Western Cape and Gauteng. The average rent paid per m^2 per year was R461 and R776 in Western Cape and Gauteng, respectively. While the escalation rate was 8% in Western Cape and 9% in Gauteng. The inverse is true whereby, the lower the escalation rate, the higher the average rent per m^2 per year. This assertion can be substantiated by looking at the escalation rates in the regions: Kwa-Zulu Natal (5 per cent); Eastern Cape (6 per cent); Head Office (6 per cent) and Northern Cape (6 per cent). However, when looking at the average rent payable per m^2 in the same provinces, they are all above R1 000 per m^2.

4.6. The average rent paid per m^2 per year for office space is lower in Gauteng relative to other provinces, the average rent payable per month in Gauteng was still higher relative to most provinces except Head Office. The high average rent payable per year in Gauteng relative to other regions is mainly because of the large office space leased in Gauteng. The average rent payable per m^2 per year in Head Office is high relative to all provinces, including Gauteng, which leased more office space than Head Office. This is also despite the average escalation rate in Head Office being lower than in Gauteng.

4.7. For residential accommodation, it was found that residential accommodation in Kwa-Zulu Natal, is more expensive relative to other provinces. This is evidenced by the fact that the average rent payable per m^2 per year in Kwa-Zulu Natal exceeds the average rent payable per m^2 in Gauteng and Eastern Cape, despite Gauteng and Eastern Cape leasing more space per m^2 relative to Kwa-Zulu Natal.

4.8. The comparative analysis between SAPS & DoD revealed that the leases in SAPS have a higher escalation rate per year than DoD, whereby the average escalation rate in SAPS was 7 per cent, while the average escalation rate in DoD was 6 per cent. The analysis also revealed that in Eastern Cape, the average rent per year in SAPS is higher than in DoD, despite the office space in Eastern Cape occupied by DoD being 10 times more than the office space in SAPS, and the escalation rates being the same.

5. Optimal utilisation

Analyse whether the current accommodation is optimally utilised, by assessing the number of occupants in each building.

5.1. The department currently has 18 buildings for which it is paying operating leases for that are under-utilised, and these were mainly in Gauteng (9 buildings) and Head Office (2 buildings). The same regions also have buildings that are over utilised.

5.2. In terms of office space, police stations and satellite police stations, it was found that currently the department has a total of 61 532 m^2 space that is not utilised. Of this, 50 424 m^2 was state owned accommodation that is not utilised, and mainly in the regions, Gauteng and Western Cape.

Table 30: Over vs Under-utilisation of space per m^2

Provinces	Space overutilised	Space underutilised	DIFFERENCE	Space underutilised for state-owned accommodation
Eastern Cape	78 926	208	- 78 718	-
Free State	8 369	4 786	- 3 583	4071
Gauteng	6 230	30 067	23 837	23 390
HEAD OFFICE	103 120	912	- 102 208	584
KZN	212 917	-	- 212 917	-
Limpopo	27 142	-	- 27 142	-
Mpumalanga	5 292	396	- 4 897	396
North West	9 102	7 686	- 1 416	7 686
Northern Cape	2 441	8 557	6 116	6 622
Western Cape	2 045	8 921	6 876	7 676
Total	455 584	61 532	- 394 052	50 424

Source: SAPS UAMP 2020 – 2021

9. Options

9.1. The allocation for the capital works programme in SAPS is currently based on the incremental budgeting system. Section 5.1.1 revealed that over the past five financial years (2015/16 – 2019/20), the department spent on average 78.2 per cent of its main appropriation budget. The main appropriation budget was used instead of the adjusted appropriation mainly because it is the appropriation before any virements and shifts. Given that the department spends on average 78.2 per cent per year of its total allocation, if the National Treasury was to earmark the allocation for the capital works programme taking into account historical spending trends, then the overall allocation

for the capital works programme would have to be reduced by 22 per cent, based on historical trends. This 22 per cent is mainly shifted through virements to other priorities within the department in-year.
2 805 217 000 * 22% = R617 147 000

Therefore, using the 2020/21 allocation, and applying the findings which indicates that the department only spends on average 78.2 per cent of its allocation, then savings of R617.1 million over the MTEF can be realised.

However, it must be acknowledged that cutting the entire 22 per cent might not be feasible given the importance of the capital works programme, specifically in relation to ensuring access to police services in rural and other remote areas in South Africa. The alternative would therefore be to reduce this budget by 10 per cent as per the calculation below:
2 805 217 000 * 10% = R280 522 000

9.2. The National Treasury should allocate resources for the capital works programme at item level (items within the capital works programme) and not at programme level, as is currently the case. Section 6.1.1. revealed that the department allocates on average, R2.8 million per year for site clearance related activities; R35.8 million per year for planning and design related activities; R115 million per year for construction related activities; R13.7 million per year for repairs and upgrading related activities and R893.1 million for all the other items within the capital works programme.

This is important because historical spending trends indicate a consistent pattern of shifting funds in-year from the allocation earmarked for the capital works programme due to poor performance of contractors which results in slow spending during the year. Over the past 5 financial years, the department was allocated R4.6 billion for the capital works programme (excluding the allocation for maintenance). However, of this allocation, only R3.7 billion was spent. Table 31 below also indicates that over the past 5 financial years, a cumulative R825 million was shifted from the allocation earmarked for the capital works programme. There is scope to understand how much each activity within the capital works costs, such that the allocation for the capital works programme can be allocated and earmarked at item level taking into account project plans and the timelines for the completion of projects specified therein.

Table 31: Allocation vs Actual spending

R'000	Main appropriation	Adjusted Appropriation	Actual spending	Virement & shits	Spending deviation (Final Appropriation)
2015/16	998 720	1 198 720	1 190 289	- 200 000	8 431
2016/17	1 043 834	796 535	795 356	247 299	1 180
2017/18	891 513	561 128	564 788	330 385	- 3 660
2018/19	824 854	684 854	685 042	140 000	- 188
2019/20	870 657	563 374	512 794	307 283	50 580
TOTAL	**4 629 578**	**3 804 611**	**3 748 269**	**824 967**	**56 342**

Source: SAPS 2014/15 – 2020/21 UAMP

9.3. As at the end of the 2019/20 financial year, the department had office space, police stations, satellite police stations and residential accommodation totalling 61 532 m^2 that is not utilised. Of this, 50 424 m^2 was for state owned accommodation. Some of the reasons provided by the department for the under-utilisation largely stems from poor maintenance of the buildings. According to the 2020/21 UAMP, the department indicated a space Gap of 961 220.75 m^2, given the current available space of 50 424 m^2 on state owned accommodation, the department should absorb some of the required space through the maximum utilisation of existing space while adhering to the space planning norms and standards. This will result in savings on municipal service costs and other costs incurred for furnishing and customisation purposes.

9.4. If the department was to budget using historical actual expenditure trends for accommodation charges, the department would only need about 98 per cent of its allocation for accommodation charges over the medium term. Therefore, if the 2021 MTEF allocation for accommodation charges can be reduced by 2 per cent to take into account historical spending trends, then savings of **R100.1 million** over the 2021 MTEF can be realised.
5 006 333 * 2% = R100 127 000

9.5. If the department can renegotiate the escalation clauses of all month to month, contract pending, terminated leases but where the department is still occupying the accommodation; state owned leases on month to month and active leases which expire between 31 March 2021 – 31 march 2025, using the current market rate of 3%, then the savings that can be derived would be **R256.7 million** per year, this is 2.8 per cent of the allocation for operating leases in 2020/21.

Over the medium term, this will amount to **R766.2 million**
255 400 000 * 3 = R766 200 000

Please note: Section 6.2.1.2. revealed that leases with lower escalation rates, tend to have higher rent payable per m^2. Therefore, renegotiating for private leases to have a zero escalation rate might not realise the desired savings over the MTEF should landlord opt to increase the monthly rental fee.

9.6. According to the report published by Deloitte (2017), it is stated that the average South African household of more than 2 people consumes about 1KiloWatt per hour of electricity, or 900 KWh per month, at an average utility cost of R1.40/KWh thus translating to R1 260 per month. Using this basis, it was assumed that should the department charge a fixed rate for municipal services (including sanitation) of R500 for single quarters and R1 000 for married quarters per month for residential accommodation occupied by SAPS officials, the following savings could be realised per year:

R500 * 1 247 = R623 500 * 12months = R7 482 000
R1 000* 4 279 = R4 279 000 * 12months= R51 348 000
R58.8 million PER YEAR

This is 5.5% of the allocation for municipal services in 2020/21
Over the medium term, this would be **R176.5 million**:
58 830 000 * 3 = R176 490 000

9.7. Currently for parking facilities in Gauteng, the department's subsidy to staff for the fin park parking is 85 per cent, while the subsidy for the parcade parking is 92 per cent. For Fin park, the department incurs R14.4 million per year for 310 parking facilities and pays R2.7 million per year for the parcade parking for 70 parking spaces. Therefore, if the department can reduce its subsidy to staff on the Fin parking facilities to 50 per cent, then savings of R1.4 million per year can be realised, which translates into **R4.2 million** over the MTEF. If the department can reduce its subsidy on the parcade parking facilities to 50 per cent then savings of R315 000 per year could be realised, which translates into **R945 000** over the MTEF.

Please note: This was based on the quotation received from Karabo parking facilities which indicated that the parking cost per month is R900, but where 20 to 100 parking facilities are requested the cost per month is R750 per car.

9.8. Furthermore, the department currently has 63 criminal record centres, for which accommodation related expenses (excluding municipal related costs, such as electricity; water; sewage etc) incurred per annum amountS to **R52.1 million**. Therefore, should the department develop and utilise an automated records management system software just like other police services in different countries, then savings of **R52.1 million** per annum could be realised and additional savings on costs incurred on municipal services can be realised per year. However, it should be noted that the savings may not be realised in the first financial year, as the department would have to incur costs to develop the records management software and system.

9.9. Should SAPS take over the municipal services function provided by DPW-I, potential savings of **R169.7 million** over the 2020 MTEF on municipal services could be realised emanating from the 5 per cent management currently payable to DPWI. However, the savings realised might not amount to the full **R169.7 million** as the department will still need to source the necessary in-house capacity to execute the functions that were performed by DPW-I.

9.10. There is scope for SAPS and DoD to share accommodation, more especially in instances where the department has similar accommodation needs which are fulfilled by the same accommodation structures provided by DoD such as shooting ranges.

An observation was noted whereby both SAPS and DoD are leasing shooting ranges. Given that shooting ranges are different in terms of their utilisation frequency, SAPS and DoD could adopt a shared services model whereby they make use of the same shooting range facilities for their staff. The current costs amounting to R16.8 million for shooting ranges could possibly be halved to **R8.4 million** should a shared-services model be adopted and the costs shared between DoD and SAPS.

9.11. Should the department relocate to the Telkom Towers building, approximately **R352.4 million** will be saved annually from leasing costs. Over the medium term, this will be R1.1 billion:
352 393 049 * 3 = R1 057 179 146.40

Alternatively, if the department cannot relocate to Telkom towers, then it should consider disposing the Telkom Towers building to recover part of the initial investment costs. Alternatively, the department should take over the functions of upgrading and renovating the Telkom towers buildingS from DPWI, and outsource contractors directly, to expedite the readiness of the building.

9.12. COVID-19 introduced the world at large to “telecommuting” which is basically the practice of working from home. Numerous scholars have commended the approach as some advances that it increases productivity, it reduces unscheduled absence, it improves employee satisfaction and amongst others save employer’s costs. However, it should be noted that not all employees can work from home, more especially in an environment such as SAPS.

Notwithstanding this, employees performing finance and administrative functions can work from home. Therefore, given that as at the end of September 2020 the department had 34 981 employees working in the administration programme, assuming that for each employee the department spends R26 564 on accommodation related costs per year (total accommodation related costs/total number of employees as at the end of September 2020), then if at least 50 per cent or 17 490 employees currently working in the administration programme can permanently work from home, the department could save approximately **R464.6 million** per year on accommodation related charges

8.14 Table 32: Summary of potential savings over the MTEF

	Potential savings	
Details	**Yearly savings**	**Savings over the MTEF**
Use historical trends to inform new resource allocations (Total)	126 883 000	380 649 000
Capital works programme	93 507 333.33	280 522 000
Accommodation charges	33 375 667	100 127 000
Earmark the allocation of resources at item level	-	-
Renegotiation of escalation clauses for private leases	255 400 000	766 200 000
Introduce a fixed rate charge on municipal costs	58 830 000	176 490 000
Decrease the departments parking subsidy to employees	1 710 000	5 130 000
Develop a criminal record management system software	52 081 434	156 244 303
Take over the municipal services function from DPW-I	56 566 667	169 700 000
Relocate to telkom towers	352 393 049	1 057 179 146
Telecommuting	464 624 965	1 393 874 894
Adopt a shared services model for shooting ranges	2 794 927	8 384 780
Total	**1 371 284 041**	**4 113 852 123**

10 Recommendations

9.1. The allocation of resources for the capital works programme and accommodation charges, should be informed by historical actual spending trends and performance outputs achieved over a certain period of time.

- The allocation of resources should take into account, the timelines associated with the completion of projects and be allocated per year as per the duration of the projects.

9.2. Given that the department spends on average R352.4 million on accommodation related expenses as a result of not relocating to the Telkom towers building due to renovations currently underway conducted by the Department of Public Works. The department should either dispose of the Telkom towers buildings, or take over the renovations function from DPW. This will ensure that the renovations on the buildings are expedited.

9.3. Historical data revealed that of the overall allocation earmarked for the construction and upgrading of police stations, the department only spends 78.2 per cent for what the project is intended to achieve, with the remaining 22 per cent being vired to other spending priorities. Therefore, the allocation for the capital works programme, should be earmarked at item level, using the project plans as highlighted in the UAMP. This will also enhance the analysis and monitoring of performance and expenditure.

9.4. Section 6.2.3. of the report revealed that the bulk of the leases within SAPS are above the market rate as per the report published by Rode (2020). There is greater scope for the department to ensure that when negotiating for new leases, current market trends be taken into account. Furthermore, for existing leases, the department should renegotiate the escalation clauses of all month to month, contract pending and terminated leases which expire between 31 March 2021 and 31 March 2025 using current market rates.

9.5. Given that the municipal services costs for residential accommodation are borne by the department. In order to reduce the costs incurred by the department on municipal service costs, the department should charge a fixed rate for municipal services, to officials occupying the SAPS residential accommodation.

9.6. The department must decrease its subsidy rate for parking facilities for its employees.
- Alternatively, the department can share parking resources with departments that have in-house parking facilities that are free such as StatsSA.
- A task team might have to be established to compare the parking tarrifs across different government departments, and ensure alignment.

9.7. As at the end of the 2019/20 financial year, the number of police stations with functional Criminal Record Management and the Case Information Management System was 768. This is out of a total of 1 149 police stations, thus meaning that 381 police stations are still utilising the manual criminal record centres. The department should therefore ensure that all police stations migrate to the e-dockets systems, to ensure efficient data management and reduce backlogs in accessing data, and reduce data storage costs.

9.9. - The department currently has 50 424 m^2 office, police station and satellite police station space that is not utilised, and according to the 2020 – 2021 UAMP, in the same provinces the department has indicated new lease accommodation needs, through acquiring new leases. Instead of acquiring new leases, the department should maximise the utilisation of all the existing accommodation structures that are currently underutilised.

Table 33: List of actions to realise the proposed savings

Responsible stakeholder	Actions to be taken
1. National Treasury - Budget Office -Public Finance	- Reduce the budget for the capital works programme and accommodation charges by the negative growth rate per cent. - Use project timeframes to inform the allocation of new resources.
2. SAPS	- Dispose of the Telkom towers buildings; or

	- Take over the renovations and refurbishments function from DPWI.
3. National Treasury	- Earmark the allocation for the capital works programme at item level, instead of programme level.
4. SAPS & DPWI	- Renegotiate the escalation clauses of all month to month, contract pending and terminated leases which expire between 31 March 2021 and 31 March 2025 using current market rates.
4. SAPS	- The department should take over the municipal services function from DPW-I and perform the functions in-house.
5. SAPS	- Charge a fixed rate for municipal services, to officials occupying the SAPS residential accommodation.
6. SAPS	- The department must decrease its subsidy rate for parking facilities for its employees.
7. SAPS	- Ensure that all police stations have migrated to the e-dockets systems, to ensure efficient data management and reduce backlogs in accessing data, and reduce data storage costs.
8. SAPS	- Maximise the utilisation of all the accommodation structures that are currently underutilised.

11. Bibliography:

Bureau of Justice Statistics, 2020. Comparison of Criminal History Information Systems in the United States and other countries [Online]. Available from: https://www.bjs.gov/content/pub/pdf/CCHISUSOC.pdf [Accessed: 12/10/2020].

Cordella, M., Alfieri, F., & Sanfelix, J. 2019. Analysis and development of a scoring system for repair and upgrade of products [Online]. Available from: https://publications.jrc.ec.europa.eu/repository/bitstream/JRC114337/jrc114337_report_repair_scoring_system_final_report_v3.2_pubsy_clean.pdf [Accessed: 05/10/2020].

Deloitte, 2017. An overview of electricity consumption and pricing in South Africa [Online]. Available from: https://www.eskom.co.za/Documents/EcoOverviewElectricitySA-2017.pdf [Accessed: 05/10/2020].

Department for communities and local government. 2016. Site Clearance capability: A guide for effective local planning, response and recovery [Online]. Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/525826/Site_Clearance_Guidance.pdf [Accessed: 20/09/2020].

Government Technical Advisory Centre. 2015. Comparative review on Provincial Government Office Rental Accommodation [Online]. Available from:

https://www.gtac.gov.za/perdetail/Technical%20Report%20-%20Provincial%20Office%20Rental%20Accommodation%20-%20All.pdf [Accessed: 20/09/2020].

Hyari, K.H. 2005. Introduction to construction industry [Online]. Available from: https://www.researchgate.net/publication/292401396_Introduction_to_Construction_Industry [Accessed: 07/10/2020].

Joanne, K. 2015. Creating a ghost in the machine: managing the politics of expenditure [Online]. Available from: https://www.gtac.gov.za/Publications/070-3-%20Joanne%20Kelly%20-%20Politics%20of%20spending%20reviews.pdf [Accessed: 01/09/2020].

Lean Construction Journal, 2018. Planning the building design process according to level of development [Online]. Available from: https://www.researchgate.net/publication/325736345_Planning_the_Building_Design_Process_According_to_Level_of_Development [Accessed: 05/10/2020].

National Treasury. 2013. Estimates of National Expenditure 2013 [Online]. Available from: http://www.treasury.gov.za/documents/national%20budget/2013/ene/FullENE.pdf [Accessed: 12/10/2020].

National Treasury. 2020. Estimates of National Expenditure 2020 [Online]. Available from: http://www.treasury.gov.za/documents/National%20Budget/2020/ene/FullENE.pdf [Accessed: 12/10/2020].

National Treasury. 2020. Budget Review 2020 [Online]. Available from: http://www.treasury.gov.za/documents/National%20Budget/2020/review/FullBR.pdf [Accessed: 29/10/2020].

National Treasury. 2020. 2020 Supplementary budget review [Online]. Available from: http://www.treasury.gov.za/documents/national%20budget/2020S/review/Chapter%204.pdf [Accessed: 05/08/2020].

Ouassini, I. 2018. An introduction to the concept of incremental budgeting and beyond budgeting [Online]. Available from: https://www.researchgate.net/publication/324065329_An_Introduction_to_the_Concept_of_Incremental_Budgeting_and_Beyond_Budgeting [Accessed: 25/09/2020].

Parliamentary Monitoring Group. N.d Criminal Record Centre; Forensic Science Unit: briefing [Online]. Available from: https://pmg.org.za/committee-meeting/4090/#_Hlk466967660 [Accessed: 12/10/2020].

PayrollHeaven.com. Retrieved September 11, 2020, from PayrollHeaven.com website: https://payrollheaven.com/define/analytical-review/ [Accessed: 11/09/2020].

South African Police Service. N.d. Usser Asset Management Plan for 2020-21.

South African Property Owners Association, 2015. Municipal Service Costs Analysis [Online]. Available from:
https://www.sapoa.org.za/media/1453/2016-february-municipal-services-cost-report.pdf
[Accessed: 07/10/2020].

Steytler, N. & Powell, D. 2010. The impact of the global financial crisis on decentralised government in South Africa [Online]. Available from:
https://www.cairn.info/revue-l-europe-en-formation-2010-4-page-149.htm?try_download=1#:~:text=The%20global%20financial%20crisis%20has,fragile%2C%20and%20another%20recession%20possible [Accessed: 12/10/2020].