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Review of expenditure trends on security services for the Health Facilities in the Eastern Cape to determine if security services are adequately budgeted or there is a wastage or there could be savings.

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GOVERNMENT SPENDING REVIEWS

1. Key points

The Eastern Cape Department of Health (ECDoH) needs to provide a safe and conducive working environment for all its employees. However, the department is faced with a growing concern on the physical safety and security of its staff in health facilities and ambulances.

Whilst expenditure on security is defined as a non-negotiable item, its high growth rate is not sustainable. Expenditure on security grew by an average of 14.7 per cent per annum from R295 million in 2016/17 to R511 million in 2020/21. This rate was significantly faster than the 8 per cent average growth per annum in the department's overall spend.

99 per cent of the department's annual spend on security is on security guarding services for access control with minimal spend on security equipment or security consumables. 92 per cent of this expenditure can be attributed to the province's hospitals (40%), clinics (32%), district offices (13%), and community health centres (7%).

The department's expenditure on security services is mainly directed through 23 suppliers of guarding services. The top 5 suppliers account for 83 per cent of the department's security expenditure. A further 18 suppliers account for the remaining 17 per cent.

The procurement of the above service providers is decentralised to tertiary and regional hospitals, and district offices for clinics and community health centres. Whilst the Head Office may provide guidance to the procurement process, the demand analysis and development of TORs and specification is decentralised and there are no provisioning norms and standards to guide these processes.

The analysis found significant variations in the expenditure per number of beds, the number of beds per security guard, and the monthly expenditure per guard across different hospitals:

- Excluding outliers, expenditure per bed varied from R17,660 per bed at Dorah Nginza Hospital to R29,860 per bed at Mthatha General Hospital.
- The number of beds per guard varied from 7 beds per guard to a high of 36 beds per guard. The average for this metric was 13 beds per guard for daytime guards and 16 beds per guard for night-time guards.
- The expenditure per guard varied from R7,800 per guard per month at Komani Hospital to R19,000 per month at Livingstone Hospital. Despite this variation, the average expenditure of per guard per month of R12,800 is significantly below the Private

Security Industry Regulatory Authority (PSIRA) pricing guideline of R17,200 per month indicating significant price increase and hence cost escalation risks for the department.

A cost model was thus developed to project the province's future spend on security. The model shows that trying to expand the provisioning of security guarding services using the current implied provision norms and standards will result in the department spending 2.5 times more than the R357 million it spent on security at Hospitals and Clinics in 2020/21 if it were charged the full PSIRA rates.

The cost model also showed that by adopting the proposed security guarding norms for hospitals and clinics and ensuring that procurement processes continue to result in discounted prices compared to the PSIRA guidelines the department could save up to R55 million per annum when compared to its 2021/22 baseline of R357 million. The savings will be significantly higher if the above principles were applied across the entire portfolio.

Therefore, it is recommended that:

1. The following security guarding norms for hospitals and clinics be adopted:
    a. Hospital guarding norms:
        i. 30 beds per security guard for daytime security
        ii. 60 beds per security guards for night-time security.
    b. Clinic and CHC guarding norms:
        i. Two (2) daytime weekday guards per clinic at large clinics and one (1) daytime weekday guard at small clinics.
        ii. One (1) security guard at night and over weekends at large clinics and none (0) at the small clinics.
2. The Savings from expenditure on security services should be utilised to invest in supporting infrastructure and alarm triggered armed response type security.
3. The developed cost model should be used by the province to determine the budgets for security guarding services over the MTEF.
4. The procurement of security guarding services should be centralised to allow the standardisation of the specifications and contract management approaches for guarding services. Potential procurement tactics to consider include:
    - Rationalising the number of suppliers used for guarding services to optimise the number of contracts managed by the department and to achieve better value.
    - Ensuring the pricing and invoicing for security guarding services is done per shift and per number of guards per shift to ensure greater transparency on the pricing and number of guards that the department is actually charged for.

In addition to the above recommendations, the following investigations should be undertaken upon receipt of contract / service level agreement information for the top service providers:

1. Comparison of the rates per guard to the PSIRA pricing guidelines.
2. The controls in place to ensure that the department is not overcharged for services.
3. Any other value adding services that the service providers are required to provide.

To take these recommendations forward and facilitate further discussions on the topic, this report should be shared with the DDG of Programme 2: Sustainable Resources Management, DDG Programme 3, EXMA; Head of Department (HOD) for Department of Health; Top Management; CBC and Executive Committee (EXCO).

2. Executive Summary

Problem statement and context

The Eastern Cape Department of Health strives to provide a quality health service to the people of the Eastern Cape Province promoting a better life for all. To this end, its mission is to provide and ensure accessible comprehensive integrated services in the Eastern Cape, emphasizing the primary health care approach, and optimally utilising all resources to enable all its present and future generations to enjoy health and quality of life.

To achieve the above the Department needs to provide a safe and conducive working environment for all employees. However, the department is dealing with a growing concern around the physical safety and security of staff in its health facilities and in the ambulances. These concerns are greatest in Gqeberha.

Over the 5-year period 2016/17 to 2020/21 the department's expenditure on security grew from R295 million per annum to R511 million per annum. This represented a growth rate of 14.7 per cent compared to an annual growth rate of 8% for the department's entire spend. Thus, whilst expenditure on security is defined as a non-negotiable item, such a high growth rate in expenditure implies that security is taking away scare resources from other department needs.

Main findings

Whilst security services and maintenance of government immovable assets is the competency of the Eastern Cape Department of Public Works and Infrastructure (ECDPW), the ECDoH currently procures security services for all its health frontline facilities. Only security for its administrative offices at head office are procured by the provincial department of Public Works.

The department has also adopted a decentralised approached to the procurement of security services. Tertiary and regional hospitals procure their own security services, with specifications or TORs developed by their own SCM units working on their own, or with the support of Head Office. Security services for clinics and community health centres are sourced through district offices with guidance from Head Office. The actual demand of services is determined by each facility, and there are no norms and standards to inform the number of guards per facility.

In general, expenditure on security can consist of three (3) components - security equipment, security (guarding) services, and security consumables. However, up to 99% of the department's expenditure is on security services. These services, mainly provided by service providers, are only limited to physical access controls (i.e., security guards at entrances and

exits with metal detectors). The ECDoH owns, maintains, and monitors its limited security equipment (i.e., CCTV cameras) at certain facilities (e.g, psychiatric hospitals and newly built hospitals like Cecilia Makiwane Regional Hospital).

Based on the 3-year average over the period 2018/2019 to 2020/21[1], security expenditure at hospitals (40%), clinics (32%), district offices (13%), and community health centres (7%) account for 92% of the department's security expenditure. The expenditure driver analysis for the top 10 hospitals which account for 44% of the total hospital security expenditure suggests that the province could benefit from the introduction of norms and standards to manage the demand and hence total expenditure on security.

Firstly, there is significant variation in the expenditure per number of beds across the top 10 hospitals. This ranges from R11,960 per bed at Frere Hospital to R26,300 per bed at St Patricks hospitals. Whilst, treating Frere hospitals and Komani hospitals as outliers raises the lower end of this range to R17,660 per bed, the variation is still significant.

Secondly, the average number of hospital beds per daytime and night-time guard is 13 beds per guard and 16 beds per guard respectively. This means that hospitals are fully occupied, each security guard is guarding 13 patients by day and 16 patients by night, in addition to all the other staff working at the facilities. These metrics vary from 8 beds per guard to 36 beds per guard. Standardising this ratio could potential yield savings given that on average as most facilities have the same number of vehicle and pedestrian access points.

Thirdly, the expenditure per guard varies from R7,800 per guard per month at Komani Hospital to R19,000 per month at Livingstone Hospital. The average expenditure per guard per month is R12,800. This average is significantly below the PSIRA published maximum rate of R17,200 indicating a potential price increase and hence cost escalation risk if suppliers seek to fully exploit the PSIRA rate card.

Whilst the review found that the top ten clinic cluster accounted for 48% of the expenditure on security within the clinics, no further data was available to determine the variations in unit costs across different locations.

The department's expenditure on security guards was spread across 23 service providers. However, off these 23, only 5 suppliers accounted for 80% of the department's spend. This high concentration of spend, suggests that the department should be able to leverage

[1] The 3 year average was used to accommodate the effects of the Covid Pandemic during the 2020/21 financial year

significant discounts on the 40% provision for overheads given the economies of scale likely to be enjoyed by the top 5 suppliers. This could explain the lower than market costs per guard per month highlighted above. However, the project team were unable to obtain the service level agreement or contracts for the above suppliers to validate this perspective. Lastly, it is postulated that additional savings could be achieved by further rationalising the number of suppliers, given that there are up to 18 other suppliers who account for the remaining 17% of the spend. Given their relatively small contract sizes, it is unlikely that these suppliers enjoy any sort of economies of scale that could help them manage their costs down.

Options analysis

Taking cognisance of the above findings with a particular emphasis on the lack of security provision norms and risk of cost escalations due to the published industry rates, a cost model was developed to project the province's future spend on security. The model allows the province to model the impact of:

1. standardising the number of beds per security guard across its hospitals (by day and by night)
2. standardising the number of daytime and night-time security guards at its clinics based on the size of the facilities.
3. running a procurement process that results in suppliers offering the province a discount on the 40% provision for overheads currently allowed by the PSIRA rate. *(The assumption here is that the province should be ensuring that the security guards employed by the hired security companies are paid fairly. Therefore, rather than negotiate down the direct costs due to the guards, emphasis should be placed on the 40% provision for overheads which is part of the profit margin enjoyed by the service providers).*

The model shows that it is impractical for the department to extend is average number of guards per bed and the average guards per clinics to all its hospitals and clinics. This will result in the department having to spend 2.5 times more than the R357 million it spent on security at these facilities in 2020/21 if the market charges the full PSIRA rate.

Therefore, to mitigate against this risk of cost escalation whilst expanding security service to all its facilities, the report proposes that the following security guarding norms for hospitals and clinics be adopted:

(i) Hospital guarding norms:

a. 30 beds per security guard for daytime security
b. 60 beds per security guards for night-time security.

(ii) Clinic and CHC guarding norms:

c. Two (2) daytime weekday guards per clinic at large clinics (i.e., with more than 10 staff) and one (1) daytime weekday guard at small clinics.
d. One (1) security guard at night and over weekends at large clinics and none (0) at the small clinics. The assumption here is that it is only the large clinics that have significant assets and inventories that warrant the additional security costs.

(iii) Savings from expenditure on security services utilise to invest in supporting infrastructure and alarm triggered armed response type security.

In addition to these norms, the department should ensure that its procurement processes limit the provision for overheads charged by its service providers to 30% of the total direct and indirect costs, rather than 40% allowed for by PSIRA rate card.

Adopting the above norms and maintaining the level of pricing outcomes mentioned above, the department can save up to R55 million per annum off its 2021/22 baseline of R357 million. The saving will be significantly higher if the above principles were applied across the entire portfolio.

Key recommendations and actions

Based on the review's key findings and the above option analysis, the following recommendations are put forward for consideration by both the ECDoH and the ECPT.

1. The province should adopt the proposed security guarding norms for hospitals and clinics to allow it to expand security services to all facilities and mitigate against the risk of future cost increases.
2. The developed cost model should be used by the province to determine the budgets for security guarding services over the MTEF.
3. The procurement of security guarding services should be centralised to allow the standardisation of the specifications and contract management approaches for guarding services. Potential procurement tactics to consider include:
    - Rationalising the number of suppliers used for guarding services to optimise the number of contracts managed by the department and to achieve better value.
    - Ensuring the pricing and invoicing for security guarding services is done per shift and per number of guards per shift to ensure greater transparency on the pricing and number of guards that the department is actually charged for.

In addition to the above recommendations, the following investigations should be undertaken upon receipt of contract / service level agreement information for the top service provider:

1. Comparison of the rates per guard to the permissible market rates

2. The controls in place to ensure that the department is not overcharged for security services.
3. Any other value adding services that the guards are required to provide.

To take these recommendations forward and facilitate further discussions on the topic, this report should be shared with the following internal and external structures.

1. DDG Programme 2 in the SMS meeting
2. DDG Programme 3 given the opportunity to introduce transversal sourcing strategies for this spend category.
3. EXMA
4. HOD Department of Health
5. Top Management
6. CBC
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3. Introduction

The nature of work of the ECDoH is to care for the sick in communities and the provision of safe and conducive working environment for all employees is a critical enabler of this. The department is dealing with a growing concern on the physical safety and security of staff in the health facilities (especially in Gqeberha) and in the ambulances as health professionals are attacked in the line of duty by criminals.

The ECDoH spends approximately R511 million per year and this item is categorised as one of the department's non-negotiable items. It currently procures its own security services for all its health facilities except for its administrative offices at head office.

Security services provided by service providers is only limited to physical access controls (e.g., security guards at entrances and exits with metal detectors) while ECDoH owns, maintains, and monitors its limited security equipment (e.g., CCTV cameras) at certain facilities (e.g., psychiatric hospitals and newly built hospitals like Cecilia Makiwane Regional Hospital).

4. Policy and Institutional Information

From a budget programme perspective and as per the organisational design, the security services function within ECDOH resides under the programme 1 directorate called Physical Security and Information Management Services. It is located in a unit called Physical Security Services. The head of the Physical Security Services unit reports to the head of Physical Security and Information Management Services, who then reports to the Deputy Director General: Corporate Services Management.

The Physical Security Services unit has adopted security standards as set out by the Government Security Regulator (GSR) and the Private Security Industry Regulatory Authority (PSIRA) at a national level. The GSR is a unit within the South African Police Services (SAPS) and it sets the minimum physical security and information standards that must be followed in all government buildings, national key points, and parastatals. Moreover, the GSR provides guidance to security managers of departments on the implementation and compliance with the minimum standards (inclusive of training and awareness programmes). Lastly, the GSR states roles and responsibilities of different stakeholders (i.e., Dept. of Public Works, the Accounting Officer of the department, Private Security Industry Regulatory Authority (PSIRA)), security managers and the GSR). The governance structure for GSR is the Government Sector Security Council (GSSC).

PSIRA`s role is to regulate the private security industry and to exercise effective oversight of the practices of security service providers in the public. This includes setting of pay rates, occupational grading, and training. The latest rate card published by PSIRA effective 1 April 2020 to 31 March 2021 is shown in the table below.

Table 1: PSIRA Contract Pricing Structure for 2020 (Effective March 2020)

(Based on the average month, 12 hour shift every day and night of such month at a site)

		Area 1			Area 3		
Hourly equivalent Rate	**Explanation**	**A**	**B**	**C/D/ E**	**A**	**B**	**C/D/ E**
Hourly equivalent Rate		**28**	**25**	**22**	**23**	**21**	**21**
Ordinary time: i) Primary Sec Officer	4 shifts per week (48hrs)	5 766	5 189	4 585	4 811	4 396	4 358
ii) * Relief Sec Officer	2 shifts per week (24hrs)	2 883	2 490	2 188	2 405	2 198	2 179
Sunday pay premium	4.333 weeks per month @ 1.5	2 163	1 946	1 719	1 804	1 648	1 634
Public holiday premium	1 shift per month	333	299	265	278	254	251
Security officer premium allowance	R175 fixed figure per month	263	263	263	263	263	263
Hospital cover	N/A in Year 1	-	-	-			
Leave provision	21 consecutive days leave	499	449	397	416	380	377
Sick pay	1 shift per month	499	449	397	416	380	377
Study Leave	6 days per annum	249	225	198	208	190	189
Family response leave	5 days per annum	208	187	165	173	159	157
Night shift allowance	R6 rand per night shift worked	183	183	183	183	183	183
Provident Fund	7.5% of fund salary	649	584	516	541	495	490
Long servicice bonus (5 year average)	R1000 over 60 months	25	25	25	25	25	25
Statutory annual bonus	Monthly salary	721	649	573	601	550	545
Subtotal		**14 439**	**12 937**	**11 473**	**12 125**	**11 119**	**11 027**
UIF	1% of remuneration	138	110	98	116	106	105
COID/WCA	4.07% of remuneration	561	448	398	471	431	428
Bargaining Council Levy	7	11	11	11	11	11	11
PSIRA "per SO" fee	3	4	4	4	4	4	4
Sets of Uniform	R1680 per person per annum	210	210	210	210	210	210
Training	1% of remuneration (SDL)	123	110	98	113	103	103
Cleaning allowance	Cleaning allowance R 30 per month)	45	45	45	45	45	45
Total Direct Cost		**15 531**	**13 875**	**12 337**	**13 095**	**12 030**	**11 933**
Share of overhead	40% of direct cost. Economy of scale rule applies	6 212	5 550	4 935	5 238	4 812	4 773
Total Cost per month		**21 743**	**19 425**	**17 271**	**18 333**	**16 842**	**16 706**

The Eastern Cape Provincial Government's Office of the Premier (OTP) also has a Provincial Security Management Policy which is informed by the GSR and also sets out the minimum physical and information security standards. The governance structure for the province is Provincial Security Management Committee (PSMC) which seeks to ensure uniformity in the function and assists departmental security managers in implementing security policies and directives. Directives are issued by the committee but are not related to physical security, mostly they relate to other types of security (e.g., technical surveillance and vetting

investigation). ECDoH has its own internal security policy which seeks to ensure that there is improved security at the health facilities for personnel, patients, information, and assets. This policy is informed by the above-mentioned legislative framework.

5. Delivery Processes and Logical Frameworks

The stakeholders involved on the implementation of security services in the department are Physical Security Services unit at Head Office; ECDPW; facility managers at tertiary and regional hospitals such as Nelson Mandela, Frere, Livingstone Hospital, and Cecilia Makiwane Hospitals, and supply chain management personnel at district offices.

Security services for head offices in Bisho (including Lilitha College, East London and King Williams Town offices) are procured by the ECDPW, wherein the ECDoH pays a monthly lease rental of R10 000. This amount covers rental for the buildings and its maintenance including municipal rates and security services. While security services at all other health institutions (i.e. 773 clinics, 41 community health centres (CHC), 92 hospitals; 8 district offices; 2 medical depots; 86 emergency service stations and forensic pathology offices) are procured by the ECDoH.

The physical security services that ECDoH request from service providers is mainly made up of physical access controls which includes security guards at entrances and exits with metal detectors. These services are usually sourced for a period of thirty six (36) months.

The CCTV cameras that are currently available at a few health facilities (e.g., Cecilia Makiwane hospital and Fort England Psychiatric Hospital) are owned, installed, maintained and monitored by the ECDoH personnel. Going forward, head office security services unit plans to expand the number of health institutions with CCTV cameras and has included this requirement in the specifications prepared for sourcing new security services providers, CCTV camera provision services.

The demand for security services including the number of security guards required by each health institution is determined by management of that institution working together with personnel from Head Office's physical security services unit, facility managers (for institutions that have facility managers), and supply chain management personnel. The demand is informed by the crime rate where the health institution is situated and the size of the facility. However, the department does not have documented norms and standards that determine the ideal number of security guards required for different security risks. As an example, a clinic will usually have two guards working at a time working during the day and during the night regardless of its opening hours, equipment, and inventory stored on site.

The level of security guards that are utilised by the department is Grade B and C. Tertiary hospitals security guard supervisors/site managers must be Grade B and must be physically

present in the hospital. At other health institutions the supervisor/site manager can be either be a Grade B or C and will oversee all health institutions in that particular locality.

Facilities managers at tertiary hospital are responsible for overseeing the security function at their hospital. Supply chain management personnel perform the facilities managers role in other health facilities due to capacity constraints.

The security services function is decentralised to each health facility and each facility has its own security budget. This therefore means that tertiary and regional hospitals procure their own security services, using specifications or terms of reference (TOR) developed by their own SCM unit personnel with or without the support of head office SCM personnel and representatives from the head office security services unit. The involvement of Head Office SCM personnel is dependent on the value of the contract to be concluded.

For all other health institutions (e.g., Clinics and Community Health Centres) security services are sourced through district offices with the assistance and guidance of head office security services unit. Both procurement processes are approved by the delegated officials in line with the departmental SCM delegations and guided by the amount of security services required. A copy of SCM delegations is available. This implies that there is a very high likelihood of significant variations in specifications, pricing, and approaches to contract management for the spend area.

The inputs utilised to provide security services are *human capital* (security guards, SCM – demand and acquisition personnel, head office security management unit personnel, finance management personnel); *equipment* (metal detectors, CCTV cameras and batons); *vehicles* and *stationery* (registers and pens). CCTVs are owned by ECDoH whilst other equipment such as vehicles are owned by the security service providers. Such equipment is taken back by the service providers at the end of the contract.

The activities performed on this programme as well as the responsible personnel are list below:

(a) *Security services need analysis activity* – health institutions' management, security management unit personnel and facilities manager (where there is one) perform the need analysis;

(b) *Sourcing of service providers activity* – health institutions SCM unit (guided by the SCM delegations).

(c) *Monitoring performance of security services provider activity* – the performance of the security companies is monitored by the facilities' SCM: contract management unit personnel in line with the service level agreement (SLA). The SCM: contract

management unit personnel then reports the performance monthly and quarterly to health institution`s CEO/ district manager and head office security management unit personnel.

(d) *Security audits* – The head office security management unit personnel on an annual basis do perform physical security audits in line with GSR guidelines on physical security. However, due to capacity constraints, the unit's personnel audit a sample of health facilities per category and not the whole population.

6. Performance Analysis

Whilst security performance data is not consolidated across the province, the following extract from the Gwala Security Services quarterly performance report 1 of 2021/22, which covers Livingstone Tertiary Hospital, Protea Flats and Park Drive (doctors' quarters) and Port Elizabeth Provincial Hospital – PEPH), provides anecdotal evidence of the security issues faced at different health facilities across the provinces.

Table 2: Typical Security Incidents Reported

Period	Location	Incident type	Number of Incidents	Reported to Security Management and SAPS
April to June 2021	Livingstone Tertiary Hospital	Handbag of an employee stolen in a locker.	1	Yes.
		Employee and patient car broken into in the hospital parking bay	2	Yes
		Burglary in the pharmacy room.	1	Yes
		Patient cellphone stolen in the patient ward.	1	Yes
		Unknown community members dropping off deceased bodies in the hospital waiting area	1	Yes
	Port Elizabeth Provincial Hospital	Forced Entry in the old hospital building	1	Yes
		Psychiatric patient escaping	1	Yes
		Patient cellphone stolen in the patient ward	1	Yes

From the table above, it can be noted that Livingstone Hospital has the highest incidents of security breaches. The performance report also highlighted that the CCTV cameras and the boom entrance gate at Livingstone Hospital was not functioning as both need to be repaired[2].

[2] (As at 11 November 2021, the CCTV cameras at Livingstone Hospital have since been repaired while the boom entrance gate is still not functional).

7. Expenditure Observations

7.1 High level expenditure trends

With reference to table 1 below aggregated expenditure on security over the last 5 years has grown from R295.507 million to R511.102 million representing an annual growth rate of 14.7 per cent. Expenditure on Security services for the security guards accounts for R511.049 million or 99 per cent of expenditure under this programme. The department reduced expenditure on Security equipment in the past 3 years and this declined from a high of R4.025 million in 2018/19 to R52.950 million in 2020/21. Security consumables recorded the least expenditure in the same period and only accounts for expenditure in 2017/18 and 2019/20 with R141 thousand and R274 thousand respectively.

Table 3: Aggregate Expenditure on Security Services (2016/17 - 2020/21)

Expenditure Component	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	CAGR
Security Equipment	-	314 409.50	4 025 826.10	924 271.73	52 950.00	-
Security Services	295 507 165.99	324 001 836.03	452 788 058.57	497 164 483.27	511 049 777.82	14.7%
Security Consumables		141 588.00	-	274 109.35	-	-
Grand Total	295 507 165.99	324 457 833.53	456 813 884.67	498 362 864.35	511 102 727.82	14.7%

7.2 Security expenditure by facility type

In the past financial year, the ECDOH procured security services for clinics in 26 municipalities, 39 community health centres (CHC), 92 hospitals; 8 district offices; 2 medical depots; 86 emergency service stations, 4 forensic pathology mortuaries, 5 Lilitha Nursing Colleges, and 3 Ortho and prosthetic centres. All EMS stations that are externally situated outside hospitals have their own security guards (two guards during day time and two at night time) while EMS stations that are situated inside the hospitals (only in Alfred Nzo and Joe Gqabi district) use the hospital security guards.

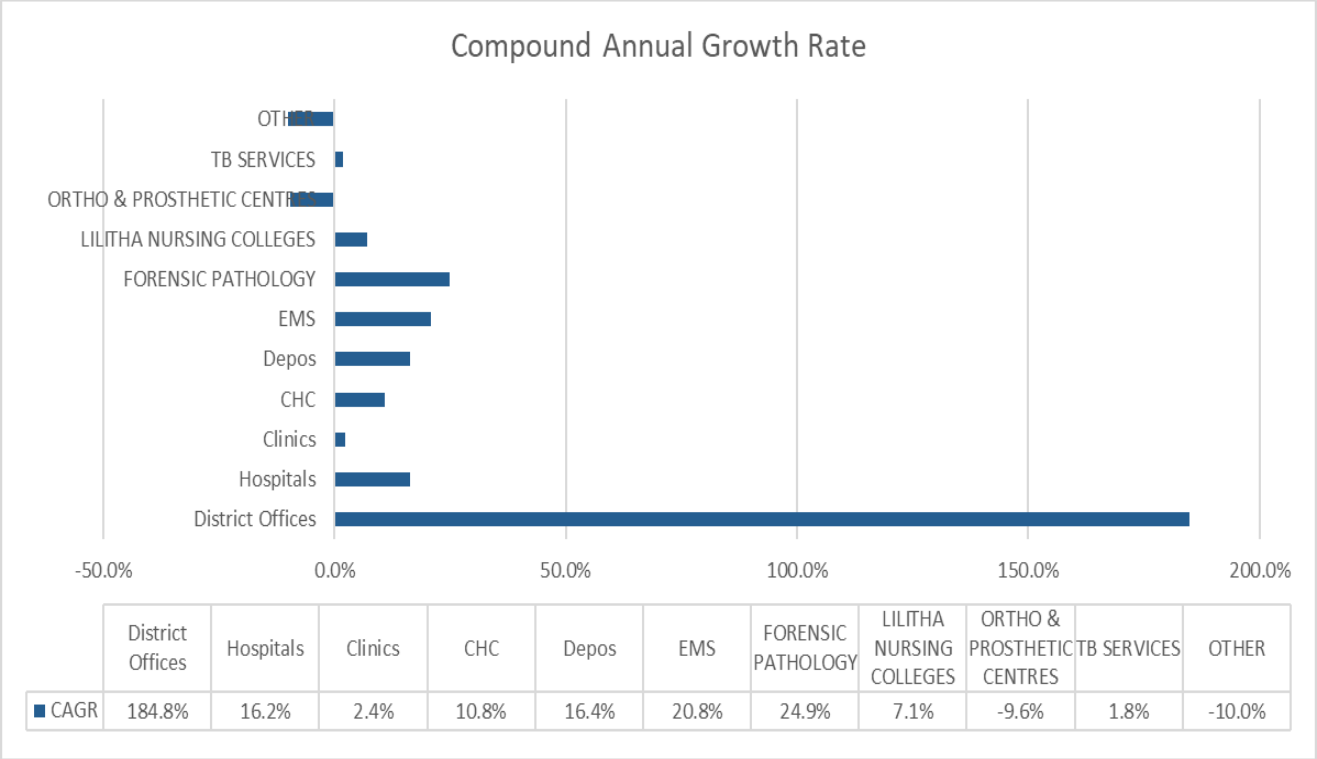
With reference to the table below, Hospitals, Clinics and District Offices account for 84.1 per cent of the total expenditure on security.

Table 4: Breakdown of aggregated expenditure by facility type (2016/17-2020/21)

FACILITY TYPE	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	3 Year Average	% Share of 3 Year Average	CAGR
District Offices	1 222 078	7 622 627	22 175 633	84 451 635	80 382 354	62 336 541	12.8%	184.8%
Hospitals	122 085 617	144 355 482	186 498 238	175 012 916	222 918 483	194 809 879	39.9%	16.2%
Clinics	122 227 966	126 866 301	170 260 826	156 484 743	134 191 957	153 645 842	31.5%	2.4%
CHC	21 826 413	20 270 341	34 459 010	37 687 376	32 901 626	35 016 004	7.2%	10.8%
Depos	1 717 678	1 240 534	2 280 354	2 775 440	3 151 724	2 735 839	0.6%	16.4%
EMS	5 836 013	4 145 229	9 276 049	16 520 206	12 422 347	12 739 534	2.6%	20.8%
FORENSIC PATHOLOGY	1 935 168	1 838 385	2 858 119	2 414 621	4 706 600	3 326 447	0.7%	24.9%
LILITHA NURSING COLLEGES	3 286 693	3 378 215	6 494 677	6 709 920	4 319 134	5 841 243	1.2%	7.1%
ORTHO & PROSTHETIC CENTRES	12 428	-	13 028	5 293	8 310	8 877	0.0%	-9.6%
TB SERVICES	14 470 682	13 890 780	22 010 155	16 296 456	15 518 772	17 941 794	3.7%	1.8%
OTHER	886 432	849 939	487 796	4 259	581 421	357 825	0.1%	-10.0%
GRAND TOTAL	**294 620 734**	**323 607 895**	**456 326 089**	**498 358 606**	**510 521 307**	**488 402 000**	100%	**15%**

With reference to the figure below, expenditure growth at District Offices has abnormally increased by 185 per cent whilst other facilities have grown at no more than 25 per cent per annum.

Figure 1: Growth in aggregated expenditure by facility type



7.3 Security expenditure at the top ten hospitals

Expenditure on security at the top ten hospitals in terms of security expenditure is shown in the table below. These hospitals account for 44 per cent of the total expenditure on security within hospitals. Within this group, the average expenditure on security per bed is R21.9 thousand per annum. The facilities with the best unit costs are Nelson Mandela Academic Hospital, Dora Nginza Hospital, Frere Hospital and St Patricks Hospital; whilst the facilities with the worst unit costs are Mthatha General Hospital, Fort England Hospital, Frontier Hospital, St Patricks Hospital, Livingstone Hospital, and Cecilia Makiwane Hospital. A full list of expenditure by hospitals is included in the annexures.

Table 5: Expenditure on security at the top ten hospitals

HOSPITALS	Expenditure							Expenditure Per Number of BEDS			
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	3 Year Average	3 Year Average %	NO. of beds	2016/2017	2020/2021	3 Year Average
LIVINGSTONE TERTIARY HOSPITAL	9 042 092	12 037 492	22 534 351	10 946 585	15 167 004	16 215 980	8.3%	642	642	23 625	25 259
CECILIA MAKIWANE HOSPITAL	7 866 184	7 913 631	14 119 981	11 002 313	14 878 184	13 333 493	6.8%	586	586	25 389	22 753
DORAH NGINZA HOSPITAL	6 407 219	7 038 323	10 926 400	11 224 329	11 058 137	11 069 622	5.7%	627	627	17 637	17 655
NELSON MANDELA ACADEMIC HOSPUTAL	2 564 351	8 000 775	9 234 645	10 373 048	12 377 573	10 661 755	5.5%	512		24 175	20 824
FRERE TERTIARY HOSPITAL	3 853 399	8 375 185	10 855 391	10 552 784	9 729 863	10 379 346	5.3%	868	868	11 210	11 958
MTHATHA GENERAL HOSPITAL	6 124 878	5 144 898	9 155 866	10 559 073	7 337 632	9 017 523	4.6%	302	302	24 297	29 859
FORT ENGLAND PSYCH HOSP	6 729 783	6 366 272	7 057 019	7 964 963	10 979 881	8 667 288	4.4%	313	313	35 079	27 691
FRONTIER HOSPITAL	3 691 575	3 642 523	4 862 696	7 979 509	11 208 098	8 016 768	4.1%	297	297	37 738	26 992
KOMANI PSYCH HOSPITAL	4 537 642	5 863 843	7 969 983	6 383 636	4 684 542	6 346 053	3.3%	440	440	10 647	14 423
ST PATRICKS HOSPITAL	1 159 408	1 120 000	2 064 818	2 364 547	12 610 292	5 679 886	2.9%	216	216	58 381	26 296
GRAND TOTAL	**122 085 617**	**144 355 482**	**186 498 238**	**175 012 916**	**222 918 483**	**194 809 879**	**100%**	**458**	**438**		

The table below shows the calculation of cost per security guards based on the number of security guards and 2020/21 expenditure. According to the 2020 Rate Card (see Table 1 in section 3), service providers could charge the department up to R17 thousand per security guard per month. Livingstone Hospital is the only hospital where the monthly expenditure per security guard is higher the published PSIRA guidelines. This may reflect the competitiveness of the local supplier market and the economies of scale enjoyed by the incumbents. Alternatively, it could also reflect the fact that local suppliers are under paying its staff compared to the published guideline and are passing this on as a savings to the department. Regardless of the reason, this fact introduces a significant risk of significant price hikes to the department.

Table 6: Expenditure per security guards in the top ten hospitals

Name of the Hospital	2020/2021	Vehicle Access points in the ground	Pedestrian Access points in the ground	Number of access points into the hospital building for visitors	Number of access points for staff (if applicable)	At hospital during the day	At hospital during the night	Total Number of guards per day	Cost per Guard	Cost per guard per month
LIVINGSTONE TERTIARY HOSPITAL	15 167 004	3	3	14	14	36	30	66.00	229 803.09	19 150.26
CECILIA MAKIWANE HOSPITAL	14 878 184	4	1	1	4	60	49	109.00	136 497.10	11 374.76
DORAH NGINZA HOSPITAL	11 058 137	1	2	5	6	36	36	72.00	153 585.24	12 798.77
NELSON MANDELA ACADEMIC HOSPITAL	12 377 573	2	2	5	2	33	29	62.00	199 638.28	16 636.52
FRERE TERTIARY HOSPITAL	9 729 863	2	2	5	7	41	24	65.00	149 690.20	12 474.18
MTHATHA GENERAL HOSPITAL	7 337 632	2	0	4	4	40	29	69.00	106 342.49	8 861.87
FORT ENGLAND PSYCH HOSP	10 979 881	1	1	1	0	42	24	66.00	166 361.84	13 863.49
FRONTIER HOSPITAL	11 208 098	1	1			38	38	76.00	147 474.97	12 289.58
KOMANI PSYCH HOSPITAL	4 684 542	2	2	1	1	25	25	50.00	93 690.83	7 807.57
TOTAL	**222 918 483**									

7.4 Security expenditure at the top ten clinic clusters

Table below shows the three- year average expenditure across top ten clinic clusters per municipalities. These clinics account for 48 per cent of the total expenditure on security within clinics. Information on the number of guards or beds per clinic cluster to enable further analysis was not readily available.

Table 7: Expenditure on security at the top ten clinics

CLINICS	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	3 Year Average	3 Year Average (Share of Total)
KSD CLINICS	10 287 131	11 531 201	19 163 844	18 011 576	16 965 489	18 046 970	11.7%
NYANDENI CLINICS	8 893 180	10 533 430	6 896 040	26 249 121	14 822 816	15 989 326	10.4%
BUFFALO CITY CLINICS	9 499 511	9 280 619	16 858 047	15 938 406	13 455 640	15 417 364	10.0%
MHLONTLO CLINICS	9 037 941	11 270 242	11 973 480	8 516 404	12 615 072	11 034 985	7.2%
QAUKENI CLINICS	6 219 893	7 404 307	9 047 405	8 528 258	10 383 141	9 319 601	6.1%
MBHASHE CLINICS	4 633 488	5 304 222	17 045 025	5 223 154	4 597 776	8 955 318	5.8%
UMZIMVUBU CLINICS	8 798 343	8 000 000	10 292 337	6 799 500	6 362 077	7 817 971	5.1%
AMAHLATHI CLINICS	7 926 956	10 323 573	10 658 781	5 848 058	6 292 166	7 599 669	4.9%
INTSIKA YETHU CLINICS	5 694 553	6 934 590	7 435 010	4 389 100	8 734 036	6 852 715	4.5%
LUKHANJI CLINICS	4 772 476	4 996 575	7 795 899	6 165 395	5 468 837	6 476 710	4.2%
GRAND TOTAL	**122 227 966**	**126 866 301**	**170 260 826**	**156 484 743**	**134 191 957**	**153 645 842**	**100.0%**

7.5 Expenditure per service provider for guarding services

With reference to the table below, the departments expenditure on security guards was spread across 23 service providers. However, off these 23, only 5 suppliers accounted for 80% of the department's spend. This high concentration of spend, suggests that the department should be able to leverage significant discounts on the 40% provision for overheads given the economies of scale likely to be enjoyed by the top 5 suppliers. Additional savings could be achieved by further rationalising the number of suppliers, given that there are up to 18 other suppliers who account for the remaining 17% of the spend.

Table 8: Security expenditure per supplier

Service Provider	2020/2021 Spend	Share of 2020/21 Spend	2020/21 Pareto Analysis
PHIKO SECURITY SERVICES	143 406 515	28.17%	28.17%
TYEKS SECURITY SERVICES	140 615 164	27.62%	55.79%
SILVER SOLUTIONS 1522	75 698 557	14.87%	70.66%
BULCOF SECURITY & CLEANING SERV	32 686 333	6.42%	77.08%
MADOLO HOLDINGS AND INVESTMENTS	27 291 087	5.36%	82.44%
GWALA SECURITY	24 722 939	4.86%	87.29%
WHISPERS SECURITY CLEANING	10 602 837	2.08%	89.38%
EASTERN GUARD SECURITY	9 155 193	1.80%	91.18%
DLS SECURITY SERVICES	9 095 272	1.79%	92.96%
THE BUSINESS ZONE 607	8 950 902	1.76%	94.72%
LEFT RIGHT & CENTRE SECURITY SERV	8 888 432	1.75%	96.47%
XHOBANI SECURITY CATERING AND DISTRIBUTION AGENCY	7 970 387	1.57%	98.03%
BULCOF SECURITY AND CLEANING SERVICES	7 707 858	1.51%	99.55%
GOLDEN SECURITY	1 140 720	0.22%	99.77%
RISE SECURITY SERVICES	576 862	0.11%	99.88%
MAYA TECH - MARKETING OF GENERAL PRODUCTS	215 338	0.04%	99.92%
ADT SECURITY	125 492	0.02%	99.95%
MEYIWA PROTECTION & CONSTRUCTION	102 596	0.02%	99.97%
RED GUARD SECURITY CC	55 406	0.01%	99.98%
LS TURNKEY (PTY) LTD	54 678	0.01%	99.99%
BUBELE SECURITY AND CLEANING SERVICES	32 200	0.01%	100.00%
FIDELITY SECURITY SERVICES	7 234	0.00%	100.00%
PROTEK SECURITY SYSTEM	4 736	0.00%	100.00%
TOTAL	**509 106 739**	**100%**	

8. Options analysis

The Private Security Industry Regulatory Authority (PSIRA), whose role is to regulate the private security industry and set pay rates for security services personnel, has been increasing the pay rates by over 5 percent annually for security personnel in both urban and rural towns.

Moreover, it has been noted that the security industry in the province does not charge the ECDoH the full 40 percent provision on direct costs. Should the security industry start doing so, ECDoH risks having to pay significantly more than the current expenditure.

Therefore, the project team has built a cost model showing two (2) costing scenarios for security guarding services at hospitals and clinics that demonstrate:

(1) a baseline scenario based on the current ratio of guards to beds used in the province and assumes that the province will have to pay the full provision of 40% of direct and indirect costs for overheads allowed for in the PSIRA.
(2) an enhanced scenario where the province adopts new guarding norms and avoids having to pay the full provision of overheads

8.1 Baseline scenario

This model assumes that ECDoH will begin to pay the full PSIRA industry rates (*see table 9 in the appendices*); adopt a norm of number of beds per guard (i.e., 13 beds per guard during daytime and 16 beds per guard at night-time) equal to the current average for the top nine hospitals All clinics will continue to have security guards at night and over the weekend.

Table 6: Costing Model 1: Estimated security guards costs in all hospitals and clinics after applying full PSIRA industry rates and expanding number of beds norm.

	Baseline Annual Savings Based on 2020/21 Actual Expenditure		
	2020/21 Actual Expenditure	2020/21 Model Projection	Estimated Annual Savings
Total for Hospitals	222 918 483.39	507 023 241.39	- 284 104 758.00
Total for Clinics	134 191 957.08	393 735 478.37	- 259 543 521.29
Total	***357 110 440.47***	***900 758 719.76***	***- 543 648 279.29***

This table shows that if ECDoH were to:

(1) expand its security guarding services as per the norm used at the top nine hospitals
(2) Have night-time and weekend guards at all its clinics, and
(3) Procure security services and be charged the full 40% PSIRA overheads,

The department would incur additional costs as high as R543 million compared to the 2020/21 actual expenditure.

8.2 Enhanced scenario

The enhanced scenario proposes that the ECDOH adopts the following provisioning norms for guarding services:

- 30 beds per security guard for daytime security and 60 beds per security guards for night-time security at all hospitals.
- Two (2) daytime weekday guards per clinic at large clinics (i.e. with more than 10 staff) and one (1) daytime weekday guard at small clinics. One (1) security guard at night and over weekends at large clinics and none (0) at the small clinics. The assumption here is that it is only the large clinics that have significant assets and inventories that warrant the additional security costs. However, this will be complemented by investments in supporting infrastructure and alarm triggered armed response type security.

In addition to adopting the above guarding norms, this enhanced scenario assumes that the ECDoH will not be charged more than 30% as a provision on the PSIRA overheads costs. This can be achieved through:

- A competitive tender process where ECDoH negotiate suppliers down,

- Supplier rationalisation, where the department issues fewer, but larger contracts, thus allowing the service providers to realise the economies of scale that allow them to spread their overhead costs across a wider range of facilities.

Table 7: Costing Model 2: Estimated security guards costs in all hospitals and clinics after negotiating 30% or below PSIRA industry rates and adopting number of beds norm.

	Proposed Scenario: Potential Annual Savings Based on 2020/21 Actual Expenditure		
	2020/21 Actual Expenditure	2020/21 Model Projection	Estimated Annual Savings
Total for Hospitals	222 918 483.39	170 661 672.85	52 256 810.54
Total for Clinics	134 191 957.08	131 197 992.54	2 993 964.54
Total	***357 110 440.47***	***301 859 665.40***	***55 250 775.07***

If ECDoH adopts the proposed norms as per the above table and are only charged a 30% provision on overheads vs. the 40% provision, the department will generate savings of up to R55 million per annum based on the 2020/21 expenditure baseline.

9. Recommendations

Based on the review's key findings and the above option analysis, the following recommendations are put forward for consideration by both the ECDoH and the ECPT.

1. The province should adopt the proposed security guarding norms for hospitals and clinics to allow it to expand security services to all facilities and mitigate against the risk of future cost increases.
2. The developed cost model should be used by the province to determine the budgets for security guarding services over the MTEF.
3. The procurement of security guarding services should be centralised to allow the standardisation of the specifications and contract management approaches for guarding services. Potential procurement tactics to consider include:
    - Rationalising the number of suppliers used for guarding services to optimise the number of contracts managed by the department and to achieve better value.
    - Ensuring the pricing and invoicing for security guarding services is done per shift and per number of guards per shift to ensure greater transparency on the pricing and number of guards that the department is actually charged for.

In addition to the above recommendations, the following investigations should be undertaken upon receipt of contract / service level agreement information for the top service provider:

1. Comparison of the rates per guard to the permissible market rates
2. The controls in place to ensure that the department is not overcharged for security services.
3. Any other value adding services that the guards are required to provide.

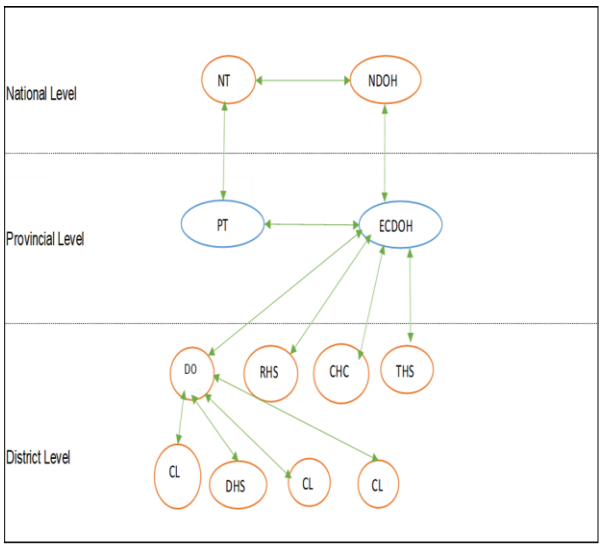
10. Actions

This report will be shared with the following structures (both internally and external):

1. DDG Programme 2 in the SMS meeting
2. EXMA
3. HOD Department of Health
4. Top Management
5. CBC
6. EXCO

11. Appendices

Figure 2: - Institutional map



NT	National Treasury
NDOH	National Department of Health
ECDOH	Eastern Cape Department of Health
PT	Provincial Treasury
CL	Clinics
RHS	Regional Hospitals
DHS	District Hospitals
THS	Tertiary Hospitals
CHC	Community Health Centres
DO	District Office

Figure 3: - flow of funds

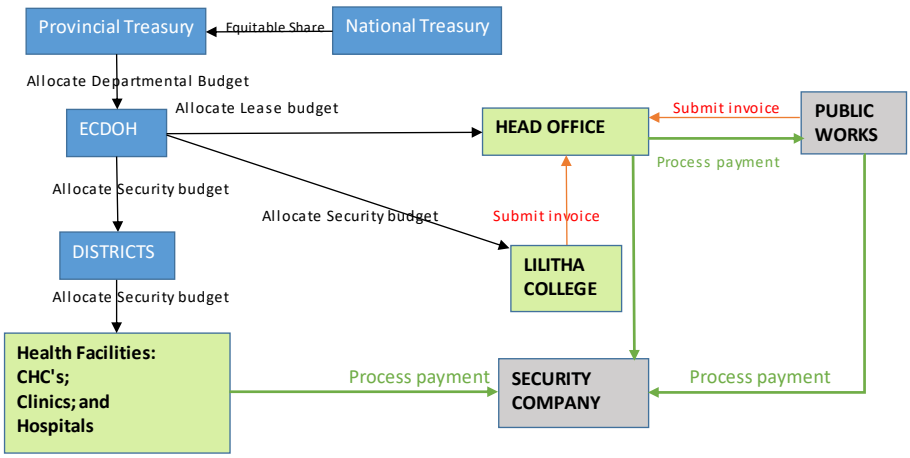


Table 9: PSIRA pay rates per shift

Contract Pricing Structure for 2021 (Effective March 2021)

Total Direct Costs Per Shift - based on a 30.41 day month

	Area 1						Area 3					
Shift Requirements	Grade A	Grade B	Grade C Armed	Grade C Unarmed	Grade D	Control Room CCTV	Grade A	Grade B	Grade C Armed	Grade C Unarmed	Grade D	Control Room CCTV
06:00 TO 18:00 MONDAY TO SATURDAY	459.57	408.32	365.18	365.18	365.18	365.18	384.49	360.55	357.81	357.81	357.81	357.81
18:00 TO 06:00 MONDAY TO SATURDAY	428.04	382.15	341.49	341.49	341.49	341.49	357.05	335.06	332.51	332.51	332.51	332.51
06:00 TO 18:00 SUNDAY	533.37	475.01	424.42	424.42	424.42	424.42	446.37	417.32	414.12	414.12	414.12	414.12
18:00 TO 06:00 SUNDAY	539.37	481.01	430.42	430.42	430.42	430.42	452.37	423.32	420.12	420.12	420.12	420.12

Contract Pricing Structure for 2022 (Effective March 2022)

Total Direct Costs Per Shift - based on a 30.41 day month

	Area 1						Area 2					
Shift Requirements	Grade A	Grade B	Grade C Armed	Grade C Unarmed	Grade D	Control Room CCTV	Grade A	Grade B	Grade C Armed	Grade C Unarmed	Grade D	Control Room CCTV
06:00 TO 18:00 MONDAY TO SATURDAY	491.10	435.74	392.60	392.60	392.60	392.60	420.98	391.81	379.27	379.27	379.27	379.27
18:00 TO 06:00 MONDAY TO SATURDAY	497.10	441.74	398.60	398.60	398.60	398.60	426.98	397.81	385.27	385.27	385.27	385.27
06:00 TO 18:00 SUNDAY	567.75	505.27	454.69	454.69	454.69	454.69	485.57	451.28	438.28	438.28	438.28	438.28
18:00 TO 06:00 SUNDAY	573.75	511.27	460.69	460.69	460.69	460.69	491.57	457.28	444.28	444.28	444.28	444.28

Table 10: Key cost model inputs per scenario

Proposed norm by determining the number of guards at hospitals based on the number of beds per hospital (during the day and at night). *For example each security personnel is allocated 30 beds during the day and 60 beds at night*.

	Model Inputs for Hospitals	
	Baseline (based on the top 9 hospitals exl. Nelson Mandela)	Proposed Norm
Number of hospital beds per daytime security guard	13	30
Number of hospital beds per nightime security guard	16	60

The table below determines the number of guards at clinics based on the size of the clinic. Modeller can set the threshold for what is a large clinic and set the norm of number of guards by day and number of guards by night.

	Model Inputs for Clinics - Scenario 1			Model Inputs for Clinics - Scenario 2		
Variables	Number of staff	For large Clinics	For small clinics	Number of staff	For large Clinics	For small clinics
Threshold for what is deemed large clinic	15			15		
Number of daytime security guards		2	1		2	1
Number of night time security guards		1	1		1	0

The table below states the PSIRA rate card allows service providers to charge up to 40% of their direct costs as overheads depending on their economics of scale. A good procurement process should result in a bidders charging less than the full 40%. The model allows the user to set a target for what this should be, for example 30%.

	Baseline (based allowable PSIRA amount)	Proposed Norm / Target
Assumed overhead charged by Service Provider	40%	30%