

# **Hospital Revitalisation**

**Quarter 1 – Mar 2005 – Jun 2005**

## **Introduction**

The Hospital Revitalisation program commenced the year with a number of changes implemented that was proposed during the last quarter of 2004/2005. The changes resulted from a renewed urgency to address and manage the challenges posed by the R1bn program. Some of the significant challenges posed are the continued underexpenditure by the provinces, lack of personnel to manage the components of the HRP and quality and detail of data that is available to the National Department of Health as well as the monitoring and evaluation of current and proposed projects.

Notwithstanding, 4 hospitals (Calvina, Colesberg, Swartruggens and Piet Retief) have been completed, with 3 further hospitals to be completed this year.

## **Process**

The process of inclusion into the Hospital Revitalisation program can be described as follows:

- **Business Cases**
  - The business case consists of 2 parts. The first, being the strategic context, indicates the current and proposed situation with regards to health service delivery in the province. This section indicates, in a standardised format, the priorities of revitalising facilities in the province based on service as well as financial issues. The second portion deals with the specific facility – size, level of care, capital

cost, operational cost, enabling work, duration and expected impact.

- The business cases that was done in prior years reflected the following:
  - No standardisation with regard to business cases, although a format exists
  - No formal approval processes were followed
  - Business cases were not questioned sufficiently due to a lack of capacity
- ***The Hospital Revitalisation Unit took it upon themselves to:***
  - ***Conduct workshops to explain the standard format***
  - ***Assisting the provinces in drafting business cases.***
  - ***Create a formal method of appraisal.***
  - ***Request from provinces to redraft business cases of projects that is not yet in the construction phase in order to have them appraised and potentially approved.***
  - ***Request provinces to submit extra business cases for approval***
- Project Implementation Plans
  - Project Implementation Plans (PIP's) are required for each project for each year that the project is part of the hospital Revitalisation program.
    - The following was found with regard to PIP's
      - It was found that Gauteng did not submit PIP's in the past year
      - None of the PIP's were formally appraised and approved
      - The PIP's did not conform to the standards as set out in the Project Implementation Manual.

- ***The Revitalisation Unit remedied the situation in the following manner:***
  - ***All PIP's received were appraised. The process resulted in one month's transfer of funds being withheld, as no province complied with the deadlines given, nor was the quality and depth of information according to standard.***
  - ***The PIP's were resubmitted and approved based on detailed appraisals and suggestions made from the Unit.***
  - ***All provinces are in possession of approved PIP's that contains all the components of revitalisation***

## **Monitoring and Evaluation**

Due to drastic staff shortages at the Unit, a proposal was made and approved to create posts for 2 specialists (A deputy director: Infrastructure and deputy director: Health Technology). A third deputy director post for organisational development and quality assurance is in the process of being created. These individuals will be appointed ASAP and will assist in the following manner:

- Monitoring progress along all 4 components of revitalisation
- Consulting with provinces to assist with specific issues such as staff audits, technology audits and hospital design.
- The creation of standards and norms specific to revitalisation, specifically cost and size related.
- Quality verification of all components.

The process of appointment is cumbersome, and advertisements are expected to be placed in one month's time.

## **Capacity**

The issue of capacity in provincial departments were raised at 2 NHCC meetings, where provinces were instructed to appoint a team of individuals with specific focus on Revitalisation. Mpumalanga is the first province to comply, and advertisements for a Revitalisation team were placed 1 month ago. Interviews were held on the 14<sup>th</sup> of July 2005, with NDOH involved in the interviews. The Western Cape and Eastern Cape are in the process of appointing managers at Director level for Revitalisation.

## **Reports**

It was found that the reports as requested by the NDOH were insufficient to gather all required information. A task team was appointed in the Project Manager's Forum in May 2005, and will report back to the Forum on a standardised and detailed format. This information is required to be able to create norms that will assist provinces in drafting implementation plans and business cases. A challenge that remains to be mounted is the availability of financial information within the deadline as set by the Division of Revenue Act. It was found that the information received from the provincial treasuries do not always accurately reflect the progress on site due to slow capturing of payments as well as payments made late. The reports address this problem partly by requesting the project managers to submit uncertified figures that are more reflective of the actual situation. This is then compared to the figures received along the formal channels and questioned.

## **Progress on site**

Progress on site for most of the revitalisation projects is severely hampered by inefficiencies in the tendering and procurement systems, as well as the appointment of contractors that do not have the capacity to handle large scale

construction activities. The annexure (Annexure 1) to this document is a survey that was done by the unit among all provinces with regard to problems experienced with provincial departments of Public Works.

The table below indicates the current hospitals in the Revitalisation program, expected completion dates as well as short notes on each province.

Below the table are pictures of Mary Theresa Hospital in the Eastern Cape, due for completion in the current financial year.

HOSPITAL REVITALIZATION PROGRAMME				
PROV	Project name		2005/06 New Projects	Notes
EC	1. Frontier	2009/12/31	5. St. Lucy's	Site visits made to Frontier, Mary Theresa and Rietvlei in Q3. Mary Theresa to be finished in 2005/2006
	2. St. Elizabeth's	2011/12/31		
	3. Mary Theresa	2005/12/31		
	4. Rietvlei	2007/12/31		
FS	1. Boitumelo	2009/04/30	3. National Hospital	Awaiting business cases from National and Dihlabeng and will be shifted to 2006/2007. Site Visits made
	2. Pelonomi	2008/04/30	4. Bethlehem (Dhilabaneng)	
GP	1. Mamelodi	2007/07/31	2. Zola	All business cases complete for new projects, Mamelodi has appointed new contractor on site after previous one disappeared. Site visit made
			3. Natsalspruit	
			4 Chris Hani Bara level1	
KZN	1. King George V	2008/12/31	3. Dr. Pixley Seme	All business case complete and in planning phase. King George to submit revised business case that will shorten construction by 23 months. Site visit made
	2. Ngwelezane / Lower Umfolozi	2009/06/30	4. Dr. John Dube	
			5. Hlabisa	
LP	1. Lebowakgomo	2008/04/30		LBK and JF will be completed towards the end of the year. 2 business cases for Maputha Malatjie and Letaba have been submitted for 2006/2007 start. Site visit made
	2. Jane Furse	2008/04/30		
	3. Dilokong	2008/04/30		
	4. Nkhensani	2008/04/30		
MP	1. Piet Retief	2006/12/31	5. New Nelspruit	New Nelspruit business case is being developed, Piet Retief to be analysed in detail as newly completed hospital is 140% occupied. First indications are that initial catchment population figures were incorrect. Site visit made
	2 Themba	2006/12/31		
	3 Rob Ferreira	2008/12/31		
	4. Ermelo			
NC	1. Colesburg	2005/03/31	4. Upington (Gordonia)	West End in construction phase, contractors progress slowly due to capital constraints. De Aar, Barkley West and Gordonia had sodturning events in past 3 months. Colesberg and Calvinia completed. Site visit made
	2. Calvinia	2005/03/31	5. New Kimberly (start 2006/07)	
	3. Psychiatric (West End)	2008/12/31	6. Barkely West	
			7. De Aar	
NW	2. Swartruggens	2005/03/31	4. Jubilee	Swartruggens completed, progress slow on other sites due to contractor problems. Business cases for Brits and Jubilee to be submitted in a week's time. Site visit made
	1. Moretelelesi / George Stegmann	2007/12/31	5. Brits	
	3. Vryburg	2007/12/31		
WC	1. Vredenburg	2005/12/31	4. Paarl	Paarl business case in appraisal process, Kayelitsha being developed. Good progress on current sites. Site visit made.
	2. George	2005/12/31	5. Khayelitsha	
	3. Worcester (Eben Donges)	2006/12/31		





## **Annexure 1**

### **Provincial Departments of Public Works and Health**

#### **Summary**

From the input received via a telephonic survey with provincial health officials, it is clear that similar problems with the provincial departments of Public Works exist in all 9 provinces:

1. Delay of awarding tenders/procurement
2. Lack of technical capacity in public works

A disconcerting issue that requires immediate attention is the combination of infrastructure and health technology budget in the Western Cape. The revitalisation grant should be kept and handled separately for expenditure only on revitalisation projects.

The short term result of the delays experienced by the provincial departments of Health due to tender processes, procurement and appeals is severe underexpenditure in the provinces. In the long term, the delays causes contract price escalation, resulting in more expensive health services.

A possible solution would be that the provincial department of health is more involved in the tender and procurement procedures and have the authority to manage the deadlines. The conditional grant needs to be and remain in the control of the provincial department of health as the grants have been specifically allocated based on projected cashflows on approved projects. As performance is measured on the expenditure of this grant, the provincial department of health

should maintain control over the expenditure – from the tender procedure, through appeals processes and procurement.

## **Limpopo Province**

Three major areas of concern exist with regard to the relationship with the Department of Public Works.

1. Contracts are awarded a long time after the tender has closed. For instance, tenders at Lebowakgomo and Jane Furse have closed in August 2004, and the contractors have still not been awarded.
2. Poor contract management. The contractors are on site, but the individual appointed by Public Works to manage the contract is not able to exert the necessary pressure on the contractor. At Jane Furse, the contractor ran 60% over contract time, then left the site before the project was fully complete.
3. Contracts are awarded to contractors that cannot do the work. A contractor was appointed to build 2 36 bed wards at Jane Furse even after he went 80% over contract at Mapulaneng. Contractors has no capacity to do retention work.

## **Kwazulu Natal**

Major problem is related to the internal system of Public Works.

1. Contract Management
  - a. There are no milestones or performance agreements written into the contracts.
  - b. No retention amounts on contracts
  - c. Example – A contractor worked on a 14 month contract in King George V was 6 months into the contract, but already 3 months

behind schedule. An appeal followed, and the company who appealed received the contract.

2. Appeal system
  - a. It is possible for anyone to appeal without:
    - i. Clear grounds for appeal
    - ii. Paying a deposit that is not refundable if the appeal fails
  - b. There is no definite timeframe in which the appeal should be finalised
  - c. If an appeal is lodged, the contract under appeal stands still. This results in escalation costs and delaying of the whole project, especially if contract under appeal is in the critical path of the project
  - d. There are no repercussions for someone who has lodged an appeal without having any firm reasons for it.

## **Northern Cape**

1. Delay of tenders and awarding thereof. Mental health facility tender for sewage closed first week of October 2004, and was awarder in first week of December.
2. The advertising of tenders also experiences delays. Deadlines are given for advertising but are not adhered to.
3. General technical capacity:
  - a. Design/Architect/Engineering cannot give input in design phase. Nothing from contractors are questioned – “everything goes”.
  - b. Implementation of projects by Public Works project managers. Expertise lacking in contract management.

## **N- West**

The problem with this province is that the procurement process, tender board as well as appointment of contractors are done by the Public Works Department. Because of this, they do not have any control over any delays and most of the contractors start six months late.

## **Mpumalanga**

Most of the problems that Mpumalanga faced with Public Works have been dealt with. At present the quality of the contractors appointed the only concern. Public Works awards tenders to small contractors that do not have the capacity to handle big projects. The result is that underexpenditure for the project as well as the province is expected.

## **Gauteng**

Gauteng indicates that there is serious problem on tender processes. There is unnecessary delay to get a contractor appointed and on site.

PWD appoint contractors that are qualified to handle R2m projects on projects of R20m. This has caused delays due to the contractor becoming bankrupt.

PWD do not have sufficient capacity. It takes time to assign people who can deal with the project cash flows. This results in consultants being appointed on a regular basis – a costly and time-wasting expense

## **Eastern Cape**

1. Planning – there are not much problems with planning despite lack of capacity. Planning is very well driven by the health department and public works slots in very well despite lack of capacity.
2. Only one architect that is dedicated to health projects, only one electrical engineer, no mechanical engineer, no civil engineer.
3. Despite this lack of capacity, the public works department is co-operative in terms of planning and implementing. They are very committed. Also, the relationship between the people on the ground (on site) and public works department is very good.
4. Their only major problem is with regards procurement. There are poor procurement systems, from the tendering stage through the relevant channels to procurement stage. Tendering and procurement processes take very long. For instance, it took the public works department 10 months just to approve a completion contractor at the Frontier Hospital. If they do not have the skills or capacity to perform some services, they outsource them e.g. electrical engineering services.
5. With regards to site inspection (quality control) public works is also falling short because of a lack of capacity. They are running many projects other than revitalisation projects and thus do not have the capacity to do inspection in all the sites.

## **Western Cape**

1. The major problem is that the public works department controls both the building (infrastructure) as well as the equipment (health technology) budget.
2. They combine the two budgets into one and they misuse the health technology budget into infrastructure. It is therefore difficult to purchase equipment for the buildings.

3. The equipment budget is something that the department of health should really be using, and not the public works department. So the two budgets should be separated such that the health technology part of the budget should be transferred to health.
4. The other problem is that the reporting system in the department of public works is not up to scratch. The control of the budget is not done well by public works department. They employ principal agents (e.g. architects) so the department of health gets reports from these principal agents.
5. The entire budget should be transferred to the health department to control it and pays everything based on demand.
6. There are not enough people on the ground to do quality check on sites because of a lack of capacity from the public works side.
7. Public works department is understaffed and therefore cannot manage all the projects as they are also managing other projects as well
8. The revitalisation projects should be separated from other projects for control purposes.

### **Free State**

1. Delays in the procurement processes by public works causes delays in construction and therefore escalating costs.
2. For instance, the trauma unit at Pelonomi hospital was supposed to have been finished six months ago, but because of these delays, that has not yet happened.
3. Delivery of service does not happen when it should. Public works does not see that this service is for the people and the longer they take in their procurement processes, the longer it takes to deliver service to the people.
4. As a result of this the relations between the two departments is strained.
5. The health department receives qualified audits for poor spending because of the delays attributed to Public Works..