

**The Private Security Industry Regulatory
Authority**

**Illustrative Contract Costing Guideline
2021**



PSiRA
Private Security Industry Regulatory Authority

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1. Introduction

Security service providers and users are besieged by uncertainty and lack of clarity in relation to the costing of services, when engaging in activities relating to the procurement of security services which involve the provision of security officers. The uncertainty is further fuelled by the lack of clarity between role of the PSiRA, hereunder referred to as the Authority, and the National Bargaining Council for the Private Security Sector, hereunder referred to as the Bargaining Council.

Further to our Industry Circular dated 14 July 2021, please be advised that the Minister of Employment and Labour, acting in terms of section 32(2) of the Labour Relations Act, published the Collective Main Agreement of the National Bargaining Council for the Private Security Sector (Government Gazette No: 11045 dated 20 February 2020) ("Main Agreement").

The Main Agreement determines minimum conditions of employment (including wages) for the sector in which employers and employees are associated for the purpose of guarding or protecting fixed property, premises, goods, persons or employees, including monitoring and responding to alarms at premises which are guarded by persons or by electronic means, as well as car guards.

The Main Agreement does not cover all sectors within the Private Security Industry or seek to regulate fees or costs associated with security services for all sectors.

2. Purpose

The purpose of the Illustrative Contract Costing Guideline is four-fold, namely-

- For security businesses to recognise and understand what employee costs they will have to take into consideration to comply with labour legislation;
- For security businesses to be mindful of specific and other costs of operations that must be considered whilst quoting for security services, and their impact on the overall cost of business;

- For consumers and prospective consumers of security services to consider the contents thereof when budgeting and procuring security services, in particular as guidance in the preparation of requests for quotations, requests for proposals and competitive bids;
- Most importantly, for consumers to be aware of the statutory obligations which security businesses have towards their employees and third parties in terms of the labour law, insofar as conditions of employment are concerned, which are highlighted in parts A and B of the costing guideline.

With reference to the foregoing, we confirm that the illustrative guidelines are intended to negate or minimise unfair competitive business practices which arise from non-compliance with minimum conditions of employment by security businesses, and hopefully promote and encourage fair and legal competitive market practices within the Private Security Industry.

3. Legal Framework

These guidelines are issued in accordance with the objects of the Authority as provided for in section 3 of the Private Security Industry Regulation Act, 2001 ("the Act"), with particular reference to section 3(a) read with 3(d), (f), (m) and(o).

3.1. Objects of Authority

Section 3 of the Act, in relevant part, provides as follows:

3. *The primary objects of the Authority are to regulate the private security industry and to exercise effective control over the practice of the occupation of security service provider in the public and national interest and the interest of the private security industry itself, and for that purpose, subject to this Act, to-*

- (a) *promote a legitimate private security industry which acts in terms of the principles contained in the Constitution and other applicable law;*

- (d) promote stability of the private security industry;*
- (f) determine and enforce minimum standards of occupational conduct in respect of security service providers;*
- (m) promote the protection and enforcement of the rights of security officers and other employees in the private security industry;*
- (o) protect the interests of the users of security services.*

We also draw your attention to the provisions of sections 4(h), (j), (bb) and (ii) of the Act dealing with relevant functions of the Authority, read with regulation 11 in Chapter 3 of the Code of Conduct for Security Service Providers, 2003 in respect of the obligations of Employers.

3.2. Functions of Authority

Section 4 of the Act provides, in relevant part, as follows:

4. *The Authority must take steps to achieve its objects with the means at its disposal and may, subject to this Act and any other law, for the purpose of achieving its objects-*
 - (d) conduct an ongoing study and investigation of the rendering of security services and practices of security service providers in order to identify shortcomings in this Act and the Levies Act, or any policy or rule made in terms thereof, and to deal with any evasion, abuse or violation of the procedures or principles contained in this Act or the Levies Act, or any policy or rule made in terms thereof;*
 - (h) take such steps as may be necessary to develop and maintain standards and regulate practices in connection with the occupation of security service provider, and persons pursuing or intending to pursue such occupation;*
 - (j) take steps to protect and assist security officers and other employees against or in regard to acts, practices and consequences of exploitation or abuse;*

- (bb) determine minimum internal control systems for security businesses, including but not limited to, accounting and reporting procedures and any other procedures or systems;*
- (ii) generally, perform any act that contributes to the attainment of its objects.*

3.3. Code of Conduct Regulations for Security Service Providers

Regulation 11 of the Code of Conduct provides as follows:

Employers

11. (1) A security service provider employing any person in the private security industry must comply with every obligation imposed by law towards or in respect of such employee, and, without derogating from the generality of the foregoing –

- (a) may not abuse or exploit the employee;*
- (b) must ensure that the employee receives the full wages and all other service benefits due to him or her as provided for in terms of any applicable legal provision, agreement, contract or determination;*
- (c) must comply with all obligations imposed by law on employers to ensure that their employees qualify for or receive any social security benefits or other financial benefits provided for in terms of law;*
- (d) must comply with all obligations imposed by law on employers aimed at the training and skills development of such an employee; and*
- (e) must comply with all obligations imposed by law on employers relating to the deduction of annual amounts as contemplated in section 43 of the Act, or levies as contemplated in section 4 (2) (b) of the Levies Act, from the employee's wages, remuneration or reward, as well as the payment thereof to the Authority.*

In terms of section 38(1) (g) read with section 38(4) of the Act, any person who knowingly or without the exercise of reasonable care contracts for the rendering of security services contrary to the provision of the Act or the Private Security Industry Levies Act, is guilty of an offence and on first conviction is liable to a fine

or imprisonment not exceeding five years or to both fine and imprisonment. Any person who contravenes or fails to comply with any other provision of the Act is guilty of an offence and liable to a fine or imprisonment not exceeding a period of 24 month or to both fine and imprisonment.

4. Framework for Costing of Security Services

Taking the foregoing into consideration, the Authority has compiled an Illustrative Contract Costing Guideline, that can be used by security businesses as well as clients of security service providers.

The last section of the Illustrative Contract Costing Guideline provides for an estimated share of the overhead costs of the security business. In this regard, the Authority historically used 40% and continues to do so in the guideline. However, it must be noted that a business may apply other percentages as they see fit in respect thereof, as overhead costs may differ from business to business.

The 40% share of overheads (or other percentages that may be used by a business as mentioned in the paragraph above) is intended to cover all other costs associated with providing the security service, i.e. liability and other insurance, payroll and administrative costs, control center, transport costs (vehicles, maintenance and fuel), fixed infrastructure, rates & taxes, registers, security aids, occupational health and safety compliance, management and supervision and other statutory fees payable, but the list is not exhaustive of the costs, and the percentage share may obviously differ from business to business as mentioned above.

It should be noted that the Illustrative Contract Costing Guideline excludes VAT as well as net profit, as the targeted profit margin will differ from business to business. The Illustrative Costing Contract Guideline is attached as **Annexure A** hereto.

5. Application of Guidelines

The Illustrative Costing Contract Guideline is applicable to all sectors of the private security industry, in so far as it relates to costing for the provision of services by individual security service providers. The Guideline is not applicable to sectors which require services or products other than security officers.

The Illustrative Costing Contract Guideline, 2021, supersedes any such guidelines issued in prior years and is not intended to derogate from any specific legal obligation applicable to security service providers and users of security services. The Authority shall be the sole reference in respect to the interpretation, and the application of the Guideline, as well as any clarification, adjustment, amendment, variation, or review in respect of any part thereof.

The Authority does not take responsibility for the wilful or negligent incorrect application, use or interpretation of the Guideline. The Guideline should not be interpreted to encourage, directly or indirectly, the fixing of prices for security services or for purposes of limitation of any efficiencies in respect of the provision of security services and or promoting any anti-competitive conduct within the private security industry.

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