



education

Department:
Education
PROVINCE OF KWAZULU-NATAL

Enquiries: Mr L Rambaran

Ref No: 3/4/1/1

27 May 2019

To: All Deputy Director Generals
Chief Directors
Head Office Directors & Staff
District Directors & Staff
Circuit and Ward Directors
Heads of Institutions
Principals of Schools

FINANCE CIRCULAR NO. 03 OF 2019

IMPLEMENTING OF UPDATED COST-CUTTING MEASURES

1. All previous cost-cutting circulars still continue to be applicable and functional. It should be noted that cost-cutting measures are simply elements of a good governance and therefore should remain in place for the foreseeable future.
2. All components within the department must continue to implement the following updated cost-cutting measures outlines on the attached **Annexure A – Treasury Circulars No. PT (6) OF 2019/20: Issuing of Updated Cost-Cutting Measures.**
3. The adherence to the outlined cost-cutting measures will be monitored by Provincial Treasury, who will continue to submit a monthly report in this regard to the Cabinet.
4. Your commitment to this process is essential. It should be reiterated, that the implementation of these cost-cutting measures should not necessarily result in under-spending at the end of the financial year as the amounts saved should simply be redirected to service delivery spending.
5. It is further requested that the attached Finance Circular be brought to the attention of all officials for compliance.
6. Compliance to this Financial Circular would be with immediate effect.

Yours sincerely

Dr EV Nzama

Head of Department: Education

30/5/2019.

Date

..Championing Quality Education - Creating and Securing a Brighter Future

KWAZULU-NATAL DEPARTMENT OF EDUCATION

Postal Address: Private Bag X9137 • Pietermaritzburg • 3200 • Republic of South Africa

Physical Address: 247 Burger Street • Anton Lembede Building • Pietermaritzburg • 3201

Tel.: +27 33 392 1010 • Fax.: +27 033 392 1012 • Email: Yvonne.ngidi@kzndoe.gov.za • Web: www.kzneducation.gov.za

Facebook: KZNDOE....Twitter: @DBE_KZN....Instagram: kzn_education....Youtube: kzndoe



**TO: ALL DEPARTMENTS
ALL PUBLIC ENTITIES**

**TREASURY CIRCULAR NO PT (6) OF 2019/20
ISSUING OF UPDATED COST-CUTTING MEASURES**

Once again, the Province of KwaZulu-Natal had to find ways to deal with budget cuts in the preparation of the 2019/20 MTEF budget, as a result of the update of the Provincial Equitable Share (PES) formula. These PES budget cuts come after a litany of budget cuts suffered by the province over the past few years, making it difficult for the province to find areas to effect these cuts. In dealing with the cuts, the Provincial Executive Council took a number of decisions, which includes a decision to continue to implement cost-cutting measures, which have been in place in KZN since 2009/10. The aim of cost-cutting is to reduce expenditure on “frills” and “nice to haves” and to re-direct these funds into service delivery areas. This is primarily the responsibility of the Accounting Officers of departments and entities to be responsible for the effective, efficient, economical and transparent use of their respective institutions’ resources, as set out in Section 38 (1) (b) of the PFMA.

Departments and entities should note that over and above the provincial cost-cutting circular, National Treasury has issued Instruction Note No. 3 of 2017/18 cost-containment measures that should be adhered to by all government institutions. Departments are required to comply with this Instruction Note, as well as the provincial cost-cutting circular, as non-compliance constitutes grounds for financial misconduct, as well as resulting in irregular expenditure which would need to be disclosed in the financial statements of the institution. National Treasury’s Instruction Note, as well as this provincial circular attempts to cover most situations where cost-cutting can be implemented. However, it is acknowledged that some cases may be unique, therefore, Accounting Officers/Authorities may submit formal enquiries to the Public Finance unit of Provincial Treasury in this regard.

The cost-cutting measures, which are listed below, are updated and re-issued to departments and public entities each year and remain in place as they are critical elements of good governance, rather than a once-off initiative to contain costs:

Compensation of employees related:

1. Vacant posts are frozen for both departments and public entities. Departments and entities are permitted to fill critical vacant posts, as long as they remain within their baselines and receive permission to fill these posts from the Premier and the MEC for Finance. Departments to ensure that only funded vacant posts appear on PERSAL.
2. Where posts become vacant through natural attrition, or where departments and entities elect to fill critical posts from within their baselines, these may not be filled without receiving approval from the Premier and MEC for Finance.
3. Any revised organograms which have the effect of increasing a department’s or entity’s total staff number may not be implemented. Any revisions to organograms must be approved by the Premier and MEC for Finance prior to submission to DPSA.

TREASURY CIRCULAR NO PT (3) OF 2019/20



4. No leave conversion payments (leave to be taken) – this does not apply to leave pay-outs when staff exit the public service.
5. Strict control of overtime.

Procurement related:

6. Furniture and equipment purchases to be approved by the Accounting Officer and the CFO. All furniture and equipment to be purchased should be standardised according to staff designations.
7. Energy saving projects to be explored with an aim of reducing electricity and water usage.
8. Timeous planning to be undertaken to ensure market related prices are charged by service providers.
9. Database of local service providers per municipality and fixed prices per commodity to be compiled to ensure exorbitant prices are not charged.
10. Cell phone, landline and data bundle costs to be reviewed and limitations in respect of usage and approval of these services to be effected. Stricter cell phone limits to be introduced.
11. Hiring of offices: government-owned properties to be utilised as far as possible to limit costs, except where these come at a cost, in that case quotes should be sourced and the cheapest venue be used.
12. Transversal contracts to be used for inventory items such as stationery, nappies, baby food, medication, etc.
13. Essential training to be done in-house (exceptions to be approved by the HOD/CEO).
14. Catering for meetings to be stopped (exceptions to be approved by the HOD/CEO, but there should be no catering for internal meetings).
15. When printing APPs, SPs, Annual Reports, etc., the use of colour pages to be minimised and lighter weight of pages and covers to be used. Feasibility of using electronic distribution (e.g. compact discs) to be looked at to reduce costs. Gold and silver embossed letterheads may not be used.
16. No bottled water may be procured for meetings, etc. Where it is not practically possible to provide water in jugs, Provincial Treasury approval must be sought.
17. All newspapers and other publications purchased for employees must be discontinued. Such purchases must be in line with National Treasury's Instruction Note.
18. New expenditure items/projects/mandates will be permitted only if they are funded through internal reprioritisation by the department and/or entity. Motivation for items/projects/mandates that require new funding from the provincial fiscus must be submitted to Provincial Treasury who will assess these critically.

Travelling related:

19. S&T – only essential trips to be undertaken.
20. Monthly mileage restrictions to be adhered to and officials to use one hired car for meetings outside KZN (synergy between departments attending same meetings). Kilometre controls to be implemented on travelling (average of 2 500 kilometres per month per official unless there are exceptional circumstances – exceptions to be approved by the HOD).

TREASURY CIRCULAR NO PT (3) OF 2019/20



treasury

Department
Treasury
PROVINCE OF KWAZULU-NATAL

145 Chief Albert Luthuli Street
P.O. Box 3613
Pietermaritzburg 3200
Tel: 033 897 4540 - Fax: 033 897 4617
Enquiries: Ms N. Mjuza
Reference: 11/5/8/1/R – 2019/20

21. Responsibility managers to ensure co-ordinated travel to reduce costs, and officials to travel together unless absolutely unavoidable.
22. Meetings and workshops to be held where the majority of the officials reside/work (50 per cent +1).
23. Departments and public entities to develop an integrated annual calendar of standing events/meetings so that meetings and workshops are properly co-ordinated to reduce travel costs.
24. Meetings need to start at reasonable time to reduce need to sleep over. Overnight accommodation, where required, needs to be cost-effective. Departments and entities need to determine the most economical option when considering stay-overs vs commuting.
25. Assessment to be done between road travel to end destination vs distance to airport (e.g. cheaper for a person from Newcastle to travel to Jhb by road than to drive to Dbn to take flight to Jhb).
26. Overseas trips to be rationalised with the number of delegates being kept to a minimum. Submissions seeking PT approval must reach PT at least 5 days before the planned travel. The submission must include quotations for all items.
27. Business class travel only for MECs, HODs, CEOs, Chairs of Board (and MPLs, where applicable). All other officials and board members must fly economy class.
28. Car hire bookings – class of vehicle to be lowered.
29. Departments and public entities to plan meetings carefully and rationalise the number of meetings held (it seems that staff from regions/districts are sometimes called to head office meetings organised by different units on various different days, requiring them to travel to and from the regions/districts frequently. These meetings must be co-ordinated and planned between the various units to reduce the wastage of time and money).
30. Where there are one-day meetings in other provinces, officials to travel there and back on the same day (where possible).

Events related (including workshops/meetings, etc.):

31. Departments and public entities must ensure total enforcement of the current cost-cutting measures. Lavish and expensive events will not be approved by Provincial Treasury. Furthermore, events should be limited to service delivery events or campaigns only and the costs associated with such events should be rationalised.
32. No. of service delivery events held by departments and public entities must be strictly kept at no more than 24 per annum, as approved by the Provincial Executive Council (for an event with 3 500 community members, this event should not cost more than R1.2 million to host. For events where 1 500 to 2 000 community members attend, these events may not cost more than R600 000 – R900 000 per event). The cost per event to be adhered to, as per guidelines given. Requests for events **must reach Provincial Treasury five (5) working days before** the event is planned to take place to allow sufficient time for Provincial Treasury to assess the requests, and should be accompanied by the following:
 - a) Three quotations for all aspects relating to the event.
 - b) Date of the event.
 - c) Venue of the event.

TREASURY CIRCULAR NO PT (3) OF 2019/20

www.kzntreasury.gov.za



- d) Motivation showing the purpose and objective of the event, linking to its contribution to service delivery mandate of the department or entity.
- e) Total cost of the event – with the breakdown cost of each item. The submission should be signed by the CFO and the HOD before forwarding to Provincial Treasury for approval.

If requests do not reach Provincial Treasury within this stipulated timeframe with all the required supporting documentation, approval will not be granted.

- 35. Musicians and other performing artists to be sourced from a database administered by the Department of Arts and Culture (DAC). The Arts Development unit can be contacted on 033 – 341 3608/09 in this regard. DAC will ensure that the rate charged by the musicians and performing artists falls in line with the rates set out in Provincial Government's "Departmental Honoraria and Special Payment Policy". While the artists will be selected by DAC, the payment to these artists is the responsibility of the department or public entity requesting the services of the artist/s. Provincial Treasury will ensure that the amount to be paid to the artist/s falls in line with the policy when departments submit the request for an event to be held to Provincial Treasury.
- 36. Programme Director or MC services at service delivery events should be rendered by a departmental official to reduce costs. Exceptions to be motivated and approval to be requested from Provincial Treasury.
- 37. With regards to catering at service delivery events, departments and entities are requested to provide catering at no more than R70-R90 per meal per person.
- 38. No tracksuits, t-shirts, caps, bags or other promotional materials to be purchased or handed out at events (exceptions to be approved by Provincial Treasury). Procurement of uniforms for staff working at service delivery events/functions must be approved by Provincial Treasury.
- 39. Departments to share databases for government and community venues to minimise use of private venues.
- 40. Marquees and catering costs for events to be reduced through timeous procurement (departments should end fixed contracts with just one service provider – look at panel of event co-ordinators instead).
- 41. Proper planning of events to be undertaken to reduce costs. Core planning team to co-ordinate all events in the department to ensure value for money.
- 42. Number of departmental/public entity officials attending events to be kept at an absolute minimum.
- 43. Internal meetings, strategic planning sessions and workshops to be held in departments' and public entities' offices instead of private venues (exceptions to be approved by Provincial Treasury). Where Provincial Treasury approval is requested, proof must be given that all other avenues have been exhausted before a private venue will be approved.
- 44. External meetings, workshops and events to be held in government facilities instead of private venues (exceptions to be approved by Provincial Treasury). Use of marquees to only be considered where such events could not be held in municipal halls, school halls, FET College

TREASURY CIRCULAR NO PT (3) OF 2019/20



facilities, etc. Where Provincial Treasury approval is being requested, proof must be provided that all other avenues have been exhausted before a private venue will be approved.

45. No team building exercises or year-end/Christmas functions to be held (only permitted if paid for by the staff themselves).
46. Procurement and/or hiring of VIP services and facilities such as marquees, toilets and catering, etc. for events is strictly prohibited.
47. Donations and sponsorships made by departments and public entities towards events must be submitted to Provincial Treasury prior to making such donations or sponsorships. The submission must indicate what value for money will be achieved and what aspects of the proposed events are being sponsored.

Sport Day/Events related:

Departments are requested to make their individual submissions with regard to the sport day event to Treasury for approval and the following should be noted:

48. Departments are allowed to centrally procure tracksuits, caps and t-shirts for the sport day, but departments will have to raise a debt for the employees for them to pay back the money to the respective departments over three months.
49. Also, departments are permitted to procure sport kit for the teams for the various sporting codes. This kit, however, belongs to the department, and the items after being used, will have to be washed and returned to a central point at the respective CFO's office who must keep a register of all the items in the kit.
50. With regard to catering, departments are requested to not to exceed the cost per person of R70-R90 or provide light meals such as muffins for breakfast and hotdogs for lunch only. With regard to the R70-R90 ceiling, Treasury considers this reasonable. This amount is sufficient to provide a decent meal for such an event. While hotdogs are suggested, this is not prescriptive. A health roll with chicken mayonnaise with fruits, or any other nutritious meal could be procured and R70-R90 is deemed reasonable in this regard.
51. Departments can procure bottled water but the costs must be reduced to a standard price of bottled water. Some departments quoted R20 for a bottle of water, which is overpriced. A standard bottle of water should not cost more than R15, when purchased from retailers. This is even cheaper when sourced from a wholesaler directly and when purchased in bulk. Treasury will **not approve** the procurement of bottles of powerade or any other sport drink, as they are in contravention of the cost-cutting measures.
52. Departments will be granted approval to hire a marquee with its accessories, however, the cost must be minimised.
53. Approval is granted based on the fact that this is a sport event and is in line with the employee health and wellness programme.
54. Three quotations are required for each item that approval is required for.

TREASURY CIRCULAR NO FT (3) OF 2019/20



treasury

Department
Treasury
PROVINCE OF KWAZULU-NATAL

145 Chief Albert Luthuli Street
P.O. Box 3613
Pietermaritzburg 3200
Tel: 033 897 4540 - Fax: 033 897 4617
Enquiries: Ms N. Mjuza
Reference: 11/5/8/1/R – 2019/20

55. Inter-provincial sport outings that involve travelling, accommodation and catering costs are discouraged, unless departments are participating in nationally organised sport events, all such must be submitted to Provincial Treasury for approval.

Prepayments/Advance payments

56. Where procurement of goods and services relating to this circular require that a prepayment be made to a service provider, the department/entity should submit a request for approval of such prepayment to the office of the Provincial Accountant General.

MR. L.S. MAGAGULA

HEAD OF PROVINCIAL TREASURY

DATE: 26/03/2019

TREASURY CIRCULAR NO PT (3) OF 2019/20

www.kzntreasury.gov.za