



TO: ALL DEPARTMENTS
ALL PUBLIC ENTITIES

PROVINCIAL TREASURY INSTRUCTION NOTE 1 OF 2024/25

1. PURPOSE

- 1.1. The purpose of this Instruction Note issued in terms of section 18 of the PFMA, is to prescribe cost containment measures to be implemented by all provincial accounting officers and chief executive officers whilst ensuring alignment to the National Treasury Instruction notes.
- 1.2. The Provincial Executive Council has endorsed the contents thereof as a commitment to the Provincial Financial Recovery Plan.
- 1.3. The previous provincial cost cutting circulars are hereby repealed and this Instruction note takes effect on date of signature.

2. BACKGROUND

- 2.1. Section 38(1)(b) of the Public Finance Management Act (PFMA) requires accounting officers of departments and constitutional institutions to be responsible for effective, efficient, economical and transparent use of their respective institution's resources.
- 2.2. Accounting Officers and Chief Executive Officers (CEOs) are therefore required to implement control measures to ensure that all expenditure in their respective institutions is necessary, appropriate, cost-effective and recorded and reported as prescribed by the relevant legislative framework.
- 2.3. The aim of the cost-cutting measures is to reduce expenditure on the "nice-to-haves" and to redirect these funds to service delivery areas. "In giving effect to this requirement, accounting officers and accounting authorities are responsible for ensuring that all employees are mindful of the current economic realities and the need to intensify efforts to improve efficiency in expenditure" (NTIN 3 2023/24 and NTIN1 2024/25).
- 2.4. Accounting officers are further reminded of their responsibilities in terms of section 64 of the PFMA wherein any directives made by the Executive Authority which have financial implications must be dealt with in terms of provisions of the PFMA to avoid unfunded commitments.

3. SCOPE OF APPLICATION

- 3.1. The Treasury Instruction Note applies to:
 - 3.1.1. KZN Provincial Departments and
 - 3.1.2. KZN Provincial Public entities and business enterprises
- 3.2. This Instruction Note must be read together with the National Treasury cost-cutting Instruction Notes, Guidelines on cost containment as well as the National Travel Policy Framework.



4. COMPENSATION OF EMPLOYEES

- 4.1. Departments and public entities are permitted to fill critical **funded** vacant posts, as long as they remain within their Compensation of employees (COE) baselines and receive prior permission to fill these posts from the Premier and the MEC for Finance.
- 4.2. Where posts become vacant through natural attrition, or where departments and public 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.
- 4.3. Posts being filled on contract (including extensions thereof) must follow the same process stipulated in 4.1 and 4.3 above. Furthermore, Departments and provincial public and business entities must ensure that they adhere to the Labour Relations Act when appointing individuals in ~~on~~ contract positions.
- 4.4. The exemption in respect of Department of Education and Health has been withdrawn given the current projected over expenditure on compensation of employees. Therefore all vacant posts must follow the processes outlines above.
- 4.5. Any revisions to departmental organograms must be approved by the Premier and the MEC for Finance prior to submission to the DPSA for concurrent approval.
- 4.6. No leave conversion payments to be paid (leave to be taken) – this does not apply to leave pay-outs when staff exit the public service.
- 4.7. Accounting Officers must exercise strict control over overtime and consider staff productivity before overtime is approved. Alternatives of hiring staff when compared to the costs incurred for overtime may be considered as well as the impact on the employees ability to deliver quality service.
- 4.8. PERSAL cleanup is required by all departments clearing:
 - 4.8.1. Duplicate pay point codes, duplicate paypoint descriptions, duplicate allowance descriptions, duplicate cost centres, duplicate responsibility codes, incomplete Identity numbers, incomplete data fields (e.g. job descriptions, job titles).
 - 4.8.2. Timely termination of resignations, dismissals, contract expiry etc.
 - 4.8.3. Timely processing of retirement
 - 4.8.4. Personnel above retirement age (65 years)
 - 4.8.5. Ensuring contract end dates are captured on PERSAL for contract staff
 - 4.8.6. Timely termination of deceased personnel
 - 4.8.7. Regular Headcounts to identify and remove “ghost employees”
 - 4.8.8. Removal of UNFUNDED vacant posts
- 4.9. Shareholder departments to inform their respective public entities accounting authorities, that given the fiscal constraints, entities should not be paying out Performance Bonuses.



5. SUPPLY CHAIN MANAGEMENT

- 5.1. No requisition shall be issued without prior confirmation of the budget. Any responsibility manager who is found to have approved a requisition without the requisite funding will be charged in line with the disciplinary codes.
- 5.2. Similarly no orders should be issued without confirmation of budget by the responsibility manager as the acquisition process may result in an award at a cost higher than estimated and budgeted for. Any responsibility manager who is found to have approved an order without the requisite funding will be charged in line with the disciplinary codes.
- 5.3. Furniture and equipment purchases to be approved by the Accounting Officer/ CEO and the CFO. All furniture and equipment to be purchased should be standardized according to staff designations in terms of the departments' and public entities' Asset Management Policies.
- 5.4. All departments should review their asset policy in relation to the period of the useful life of various categories of assets in order to extend the duration of utilization as a measure to save further capital costs.
- 5.5. When tabling Annual Performance Plans, Strategic Plans, Annual Reports, speeches etc., these should be submitted **electronically only** to the Legislature with no printed documents being required to be submitted. Gold and silver embossed letterheads/covers may not be used.

6. TRAVELLING

- 6.1. Only essential trips to be undertaken, the consideration of utilization of Teams or other online meeting platforms should be used as viable options.
- 6.2. The Department/Public Entity should have an S&T policy where rates are aligned to those of the public service, as provided for in the DPSSA guidelines including alignment to National Treasury travel guidelines.
- 6.3. Monthly mileage restrictions to be adhered to and officials to use one hired car for meetings outside KZN (synergy between departments and public entities attending same meetings). Kilometre controls to be implemented on travelling (limited/not to exceed 1750 kilometres per month per official unless there are exceptional circumstances (which must be motivated in a submission which must be approved by the Accounting Officer or his/her delegated official as contained in the delegations of authority for the department)).
- 6.4. Each department must develop and monitor adherence to its fleet management policy to ensure trips undertaken in government vehicles are for official purposes only.
- 6.5. An assessment to be undertaken when booking flights, to compare safety as well as cost of road travel to end destination (mileage claim) as compared to the price of an air ticket.
- 6.6. Planning of meetings must be undertaken to rationalize the number of meetings held and to reduce the wastage of time and money.
- 6.7. The Accounting Officer or his/her delegated official should approve the use of more than one vehicle where exceptions arise, as officials from the same department should travel together where practical to the same destination.
- 6.8. Overseas trips to be drastically rationalized with the number of delegates being kept to a minimum, namely only one executive authority per trip with clear motivation on the value to be achieved through attendance. All trips must be submitted timeously to the Accounting Officer), and annual trips to be planned in advance in order to take advantage



KWAZULU-NATAL PROVINCE

TREASURY
REPUBLIC OF SOUTH AFRICA

of travel discounts through early bookings. All costs for these trips to be appropriately authorized per the department's delegations. These trips must agree to the Cabinet Memo (names of delegates and dates), where such trips had to receive Cabinet approval. The costs should not exceed more than 15% of the estimated costs provided to Cabinet. The report produced post the trip must include the actual costs incurred by the delegation and must be presented to Cabinet.

- 6.9. Accommodation should be booked as close as possible to the conference/meeting venue with exceptions being approved by the Accounting officer or authorized delegate.
- 6.10. Accounting officers must commit to reduce the department's travel costs by 25% of the average spend of the past three years on subsistence and travel and government fleet costs.

7. EVENTS

- 7.1. Given the province's current fiscal constraints and the measures to contain costs, events should be limited to critical service delivery events, Cabinet events or campaigns aligned to the mandate of the department/entity. The hosting of similar themed events in all districts e.g. world aids day, should no longer take place given the fiscal position.
- 7.2. The Accounting Officer/ Chief Executive Officers should ensure that events are properly planned, budgeted for and undertaken at market related costs per event. Only government and community facilities must be utilised and any exceptions must be approved by the Provincial Treasury. The department must consider the full costs of the event, taking into consideration the time and costs of officials attending preplanning, dry runs and the event and the subsistence and travel claimed by the attending officials and supporting ministry teams. The event should be cost-effective and motivation for service delivery event should be given to the Accounting Officer/ Chief Executive Officers for authorization 10 days prior to the event to ensure that due SCM processes can be adhered to and cost-effective pricing obtained whilst ensuring that service providers are enabled to deliver quality services with timely awards. Consideration should be given to the cost of an event to launch a project versus the investment made by the department in that specific project.
- 7.3. Musicians and other performing artists to be sourced from a database administered by the Department of Sport, Arts and Culture (DSAC). DSAC 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". The Accounting Officer/ Accounting Authority will ensure that the amount to be paid to the artist/s falls in line with the policy.
- 7.4. Attendance at events should be limited to the critical officials required based on the nature of the event. Where possible only officials from the district wherein events are held should attend to reduce subsistence, travel and personnel costs.
- 7.5. External meetings and workshops to be held in government facilities instead of private venues. Use of marquees to only be considered for large events that cannot be accommodated in government/community facilities. All other avenues must have been exhausted (evidence to be attached to the motivation for audit purposes) before a private venue can be approved by the Accounting Officer/ Accounting Authority.
- 7.6. No team-building exercises or year-end/Christmas functions to be held, unless paid for by the employees themselves.
- 7.7. Donations and sponsorships made by departments and public entities towards events must be submitted to the Accounting Officer/ Chief Executive Officer prior to making such



KWAZULU-NATAL PROVINCE

TREASURY
REPUBLIC OF SOUTH AFRICA

donations or sponsorships. The submission must indicate what value for money will be achieved and what aspects of the proposed events are being sponsored. This should be aligned with the Treasury Regulations 21.1.1 on donations and the relevant Provincial Treasury Instruction Note.

8. SPORTS DAY EVENTS

- 8.1. Departments/entities are permitted to procure sport kits for the teams for the various sporting codes within the department. This kit, however, belongs to the department/entity, and the items after being used, will have to be washed and returned to the responsible office who must keep a register of all the items in the kit.
- 8.2. The Accounting Officer can grant approval to hire a marquee with its accessories, however, the cost must be reasonable. Similarly, catering may be procured for the sports day, but such costs must be reasonable and must be approved by the Accounting Officer. The catering costs should not exceed R200 per head.
- 8.3. Approval is granted based on the fact that this is a sport event and is in line with the employee health and wellness programme.
- 8.4. Inter-provincial sport outings that involve travelling, accommodation and catering costs are discouraged, unless departments are participating in nationally organised sport in which case the Accounting Officer/ Chief Executive Officer must review the costs involved and approval of participation and the costs to be incurred rests with the Accounting Officer/ Chief Executive Officer.

9. INFRASTRUCTURE

- 9.1. No new construction funded by the equitable share should be undertaken unless proof that supporting operational budget (for example: operating costs, equipment, compensation of employees) is in place/will be put in place to ensure the effective utilisation of the facility/infrastructure to be delivered.
- 9.2. Where the Department of Public Works is requested to implement on behalf of the relevant provincial department, following the conclusion of the agreement, Provincial Treasury will Ring fence the funding and will only release the funding upon sign off by the relevant accounting officer for payment to be processed to the Department of Public Works through a special run.

10. MINISTERIAL VEHICLES

- 10.1. Cabinet resolved in line with the Ministerial handbook and National Treasury Instruction note, that all departments that require ministerial vehicles should procure the vehicles through the RT contract. All orders should be placed by no later than 15th November 2024.
- 10.2. In the interim the departments would be required to rent vehicles but should not exceed the following limits:
 - 10.2.1. maximum of R70 000 monthly rental including 8000 free kilometers and/or
 - 10.2.2. maximum of R16 per kilometer over 8000 free kilometers

11. REPORTING OF COST CONTAINMENT INFORMATION

- 11.1. Accounting Officers and CEOs must report quarterly to COHOD and Accounting Authorities respectively on total expenses incurred on all conferences and events, including expenditure on international travel per the template attached as Annexure A.



KWAZULU-NATAL PROVINCE

TREASURY
REPUBLIC OF SOUTH AFRICA

- 11.2. Quarterly Reports will be submitted to the Provincial Executive Council by Provincial Treasury based on the reports received by provincial departments including areas of non-compliance for Executive Authorities to take corrective action where required.
- 11.3. Accounting Officers and Accounting Authorities must, in the annual report of their respective institutions, report the total expenses incurred by the department, constitutional institution or public entity on all conferences and events, including expenditure on international travel and sport days.
- 11.4. Officials who have not complied with the Instruction note will be deemed to have breached the financial prescripts and consequence management must be applied in these instances.

12. Provincial Austerity measures guidelines

- 12.1. In order to implement the financial recovery plan for the province, the Guideline attached as Annexure B, provides further guidance on how departments can reduce inefficiencies and enhance revenue generation and will be required to report on progress and savings realised.

MS C.L. COETZEE
HEAD OF DEPARTMENT
DATE: 1 November 2024