provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

Nokuthula Simelane Building, No. 7 Government Boulevard, Riverside Park Extension 2, Mbombela, 1200
Private Bag X 11205, Mbombela, 1200

SigcinaMafa SesiFundza UmNyango weeMali ZesiFunda Provinsiale Tesourie

Enquiries Ms G. Milazi
Ref MPT12/3/5/1/R

PROVINCIAL TREASURY CIRCULAR NO. 49 OF 2023

TO:

DIRECTOR-GENERAL: OFFICE OF THE PREMIER OF MPUMALANGA
SECRETARY OF THE MPUMALANGA LEGISLATURE
HEADS OF DEPARTMENTS
CHIEF EXECUTIVE OFFICERS OF PUBLIC ENTITIES

CHIEF FINANCIAL OFFICERs OF DEPARTMENTS
CHIEF FINANCIAL OFFICERs OF PUBLIC ENTITIES

GUIDELINES ON COST CONTAINMENT MEASURES FOR IMPLEMENTATION BY ALL PROVINCIAL DEPARTMENTS AND PUBLIC ENTITIES TO CLOSE FISCAL GAP

We refer to the letter issued by National Treasury on 31 August 2023, the cost containment guidelines issued on the 18 September 2023 as well as Circular 19 of 2023 issued by the Provincial Treasury on the financial implications and the measures to be explored.

The Provincial Treasury presented the current economic and fiscus challenges facing the country to the Provincial Management Committee. Furthermore, the risks to the fiscus and the responsive measures were highlighted during the Premier's one-on-one engagements on departmental plans for the 2023/24 financial year.

Accounting Authorities and Officers therefore are advised to take note of the cost containments measured as outlined in the guidelines, and further note that for the purpose of filling critical posts, reference to the National Treasury guidelines should be read as Provincial Treasury and where it refers to Department of Public Service and Administration (DPSA) it must be read as the Office of the Premier provincially. Accordingly, all requests to fill critical posts should first be submitted to the Office of the Premier and then to the Provincial Treasury for finalisation.

Section 38(1)(b) of the PFMA requires Accounting Officers of Departments and constitutional institutions to be responsible for the effective, efficient, economical, and transparent use of their respective institutions" resources. Sections 38(1)(c)(iii) and 51(1)(b)(iii) of the PFMA require Accounting Officers and Accounting Authorities to take effective and appropriate steps to manage the available working capital of their respective institutions efficiently and economically.

PROVINCIAL TREASURY CIRCULAR NO. 49 OF 2023

Attached to this circular are the guidelines on the cost containment measures issued by National Treasury.

Your cooperation is greatly appreciated.

Kind regards

MS GUGU MASHITENG
HEAD: PROVINCIAL TREASURY
DATE: 16 / 10 /2023

GUIDELINES ON COST CONTAINMENT MEASURES ANNOUNCED BY THE NATIONAL TREASURY FOR THE 2023/24 FINANCIAL YEAR

INTRODUCTION

On 31 August 2023, the National Treasury issued a letter to national departments and provincial treasuries (the August letter). The August letter summarises key elements of the fiscal challenges faced by government in the current financial year. It advises accounting officers and accounting authorities on specific measures required to achieve much-needed savings and prevent the materialisation of potentially crippling resource constraints in the latter part of the 2023/24 financial year.

This document provides a guide to accounting officers and accounting authorities on the implementation of the measures outlined in the August letter. Please note that both the August letter as well as these guidelines are advisory and not an instruction in terms of section 76 the Public Finance Management Act (PFMA), 1999. Its status has also been shared with the Auditor-General. For any queries regarding these guidelines, please contact your budget analyst in the relevant Treasury.

PURPOSE

The current fiscal challenges originate mainly from an exceptionally large year-to-date decline in government tax revenue collections (estimated at R22bn for the first five months of the year) and tighter financial conditions that have constrained government's borrowing programme. These constraints are exacerbated by the wage agreement for the public service, signed in March 2023, which was not accommodated in the Budget Review 2023 and for which claw-back mechanisms have not yielded results that would mitigate potential negative impacts.

The guidelines outlined here are therefore only applicable for the remainder of the 2023/24 financial year and apply to national departments, schedule 3 entities and provinces. While they do not apply to schedule 2 public entities, the executive authorities and accounting authorities of these entities are strongly urged to take these guidelines into account and implement similar measures. These guidelines intend to assist accounting officers and accounting authorities to significantly reduce the pace of expenditure within their portfolios in the current financial year.

GUIDELINES

1. Recruitment

1.1. Following the conclusion of the 2023/24 Public Service Wage negotiations, the National Treasury (NT) wrote to the Department of Public Service and Administration (DPSA) on the 31 March 2023, urging that a joint team comprising of the NT and the DPSA be established to explore funding mechanisms for the 2023/24 wage agreement.

1.2. To give effect to the NT's letter, the DPSA in consultation with the NT drafted a directive, the purpose of which is to outline control measures effected on PERSAL and PERSOL to assist executive authorities to operate within the medium-term expenditure framework (MTEF) and financial ceilings for their departments when creating and filling vacant posts in line with its structure after consultation with the Minister for the Public Service and Administration.

1.3. The intention of the PERSAL and PERSOL control mechanisms is not to impede the functions of an executive authority, but rather to assist in exercising control over compensation budgets, contribute towards stabilising the public service wage bill and bring the fiscal framework back to sustainable levels. Executive authorities remain responsible for the staff establishment, recruitment, and the compensation allocation of their respective departments.

1.4. An executive authority must consult with the Minister for the Public Service and Administration on all changes to the organisational structure affecting all units or posts regarding the creation of units and posts and functional reorganisation within the key programmes.

1.5. Before creating a post for any newly defined job, or filling any vacancy, an executive authority must confirm the need for the post to meet the department's objectives, in line with specific criteria as advised by the DPSA.

1.6. An executive authority must submit a motivation, for creating or filling of a post on PERSAL or PERSOL to the Minister for the Public Service and Administration for concurrence.

1.7. A directive in regard of the above, and as referred to in 1.2, will be issued by the Minister for Public Service and Administration to outline further details. This directive, once issued, will be binding upon all departments and government components.

1.8. Departments must indicate in their Adjusted Estimates of National Expenditure (AENE) submission the full extent of possible savings in the compensation of employees budget.

2. Travel

- *These guidelines do not apply to routine one-day travel with no overnight stay and no flights.*
- *Travel arrangements for critical service delivery items, as determined by the relevant accounting officer and accounting authority, are exempt from these guidelines.*
- *Travel arrangements requested or approved by the President or Premier of a provincial government for political officer-bearers are exempt from these guidelines.*
- *Travel required due to a request by Parliament are exempt from these guidelines. However, delegations to attend physical Parliamentary meetings should be kept to the minimum and, if meetings are hybrid, officials should attend virtually unless the relevant Committee requires otherwise.*
- *Travel arrangements wholly or partly paid for through external resources (for example, donor-funding or funding provided by international or foreign institutions) are exempt from these guidelines.*

2.1 When considering travel requests, the relevant accounting officer or accounting authority should consider alternatives to travel, including the possibility of attending meetings through virtual platforms, or delaying the need for travel, where possible.

2.2 When meetings are initiated by a department, government component or schedule 3 public entity and where travel is unavoidable, the relevant accounting officer or accounting authority should arrange these meetings in such a way that a hybrid option is also available as an alternative.

2.3 All accounting officers and accounting authorities should submit a pre-planned consolidated travel plans as part of the in-year monitoring (IYM) to the National or Provincial Treasury (where relevant) and the executive authority, on a monthly basis, for monitoring purposes.

3. Conferences, workshops and catering

Meetings, conferences, workshops, and other similar engagements which are wholly or partly funded by external resources (for example, donor-funding or funding provided by international or foreign institutions) are exempt from these guidelines.

3.1 Arranging meetings outside of government premises should be avoided.

3.2 Where a meeting, conference or workshop is arranged by a department or government component, no catering should be provided, unless approved by the accounting officer.

4. Capital spending

Spending on buildings and other fixed structures

- *Capital projects for which the procurement process has been completed are exempt from these guidelines.*
- *Capital projects for which a contract award has been recommended by a bid adjudication committee are exempt from these guidelines.*
- *All valid invoices for projects and purchases underway are exempt from these guidelines and must be paid.*

4.1 Accounting officers and accounting authorities should consider postponing the implementation of capital projects that have not yet commenced until 31 March 2024.

4.2 When deciding on which projects to postpone, accounting officers and accounting authorities must facilitate the delayed implementation and manage any legal risks and ensure that government will not be liable for claims due to any such decision.

4.3 Projects that are already underway or projects for which procurement processes have been completed and contract(s) awarded should proceed.

Spending on machinery and equipment on other assets

4.4 Accounting officers and accounting authorities are advised to consider postponing the replacement of machinery and equipment until 31 March 2024. This includes items such as desktop and laptop computer equipment, telecommunications equipment, vehicles, and construction equipment.

5. Other considerations

Annual performance plans and report

5.1 Institutions are advised to consider the impact of the above measures on their Annual Performance Plan (APP) for the 2023/2024 financial year. To this end, accounting officers and accounting authorities may need to initiate a process to amend their APPs in accordance with the Revised Framework for Strategic Plans and Annual Performance Plans issued by the Department of Performance Monitoring and Evaluation (DPME).

5.2 In-year adjustments to the APP must be considered and approved by the respective Executive Authorities and explained in the ensuing annual report along with reasons and measures to address any underperformance. These must be in line with any in-year adjustments to the budgets of departments.

Compliance report

5.3 The August letter and these guidelines have not been issued as an instruction under the Public Finance Management Act (PFMA), 1999.

5.4 Accounting officers and accounting authorities therefore have the flexibility to implement these (and other innovative) measures without attracting irregular expenditure. The inclusion of information on the measures implemented by institutions in the compliance report is encouraged.

Surplus and unspent funds

5.5 The implementation of these (and other institution specific) measures should result in a reduction in spending over the next 6 months. The resulting surplus as at 31 March 2023 will, for schedule 3A public entities, be subject to the requirements of National Treasury Instruction 12 of 2020/21 on Retention of Surpluses. Departments, on the other hand, will be required to surrender any unspent voted funds to the relevant revenue fund as required by Treasury Regulation 15.8.1.