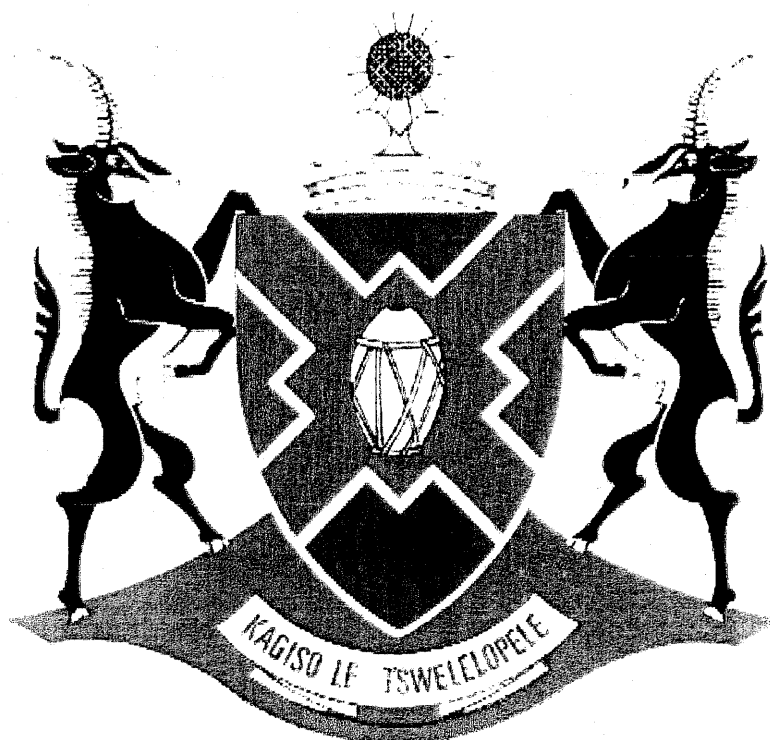


# NORTH WEST PROVINCIAL GOVERNMENT



## COST CONTAINMENT POLICY

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## 1. PREAMBLE

The economic downturn has tremendously imposed serious financial challenges on the government service delivery mandates. This crippling effect has pushed the government to re-assess its current financial position. It is therefore vital that available resources are channeled towards service delivery, placing emphasis on the efficient allocation of resources, away from spending on non-essential items and frills.

Therefore there is a need for all North West Provincial Government departments and public entities to curb unnecessary expenditure and thus realizing efficiency gains.

The Public Finance Management Act, (PFMA) stipulates that an Accounting Officer of a department is responsible for effective, efficient and transparent systems, financial risk management and internal control in the department.

The cost containment policy to be adopted by the North West Provincial Government departments in the 2012/13 financial year and beyond is meant to give effect to provisions of the PFMA stipulated below:

1.1 Section 18(1)(b)                      Read together with section 18(2)(i) of PFMA, states that the Provincial Treasury must exercise control over budget implementation of the provincial budget and may do anything further that is necessary to fulfill its responsibility effectively.

1.2 section 38(1) (a) (i)                Stipulates that an Accounting Officer of a department must ensure and maintains effective, efficient and transparent systems, financial risk management and internal control in the department.

1.4 section 18(1)(d)                    Which stipulates that the Provincial Treasury must also ensure that policies introduced do not materially and unreasonable prejudice national economic policies.

## **2 PURPOSE**

The purpose of this policy is to:

- i. Provide a framework for the budget reprioritization approach and implementation of cost reduction measures in order to free monies from non-core items and compensation of employees in order to address key service delivery mandates.
- ii. To ensure that expenditure of the departments are managed efficiently and effectively.
- iii. To ensure uniformity in terms of the application of the policy in the North West Provincial Government Departments.

## **3 SCOPE OF APPLICATION**

The policy shall be applicable in all the Departments in the North West Provincial Government and the policy is intended to regulate spending in respect of specified expenditure items with the view of realizing savings and direct such savings to critical and core spending programmes of government in support of government priorities.

## **4. EXPENDITURE ITEMS WHERE SAVINGS CAN BE REALISED**

### **4.1. COMPENSATION OF EMPLOYEES**

#### **a. Filling of all non-core posts –**

- i. The MEC and Accounting Officer will determine which posts to classify as core and critical and will proceed with the appointment of such within the given budget allocations;
- ii. Only funded posts should be advertised after approval by the Accounting Officer

- iii. Advertisement of unfunded posts will constitute an irregular expenditure.
  - iv. Under-spending on the Compensation budget should not be utilized without Treasury approval;
- b. Review of temporary and excess appointments –**
- i. The departments must assess its existing staff complement against the number of funded vacancies, and freeze all unfunded vacancies.
- c. Upgrading of posts –**
- i. The upgrading of posts should be done in line with PART V of the Public Service Regulations dealing with upgrading of posts.
  - ii. Appointment of staff in the office of the MEC must comply with ministerial handbook.
- d. Termination of ex-employees on the system-**
- i. The termination of ex-employees must be implemented timeously on PERSAL in order to reduce the debt owed by these officials.
  - ii. The termination of ex-employees must be done within thirty days.
- e. Payment of incentive bonus –**
- i. Must be within the standard provision of 1.5%
- f. Overtime –**
- i. Obtain approval from delegated person prior to implementation.
  - ii. All departments and programmes need to develop an overtime plan to be approved by the delegated person.
  - iii. Approval to work overtime should be obtained before overtime is worked.

- iv. Officials working shifts and claiming overtime should be monitored and the definition for shift must be clarified.
- v. Departments should develop Overtime policies aligned to the Basic Conditions of Service Act which should regulate overtime. In the event such policies are not available the provisions of the Basic Conditions of Service Act should be strictly adhered to when overtime is worked.
- vi. Approval to work overtime should be obtained from the Accounting Officer.

**4.2. GOODS AND SERVICES- the following expenses should be curtailed:**

**a. Telephone limits –**

- i. All Departments must introduce monthly telephone limits by developing a telephone usage policy, which indicates private calls and business calls.
- ii. Operational requirements of officials must be considered when developing the telephone usage policy.
- iii. The North West Provincial Government must procure a telephone management system in order to effectively monitor the usage of office telephone.
- iv. Private calls must be listed and claimed against salaries after analysis of telephone calls and agreement between supervisors.
- v. Staff should be allocated R50 per month on personal calls/private calls. Access to mobile and international calls should be barred unless authorised by Programme Manager (depending on the job function)

**b. Cell phones –**

- i. All existing cell phone approvals must be reviewed in line with official duties outside the office. The cell phone maximum limits (all inclusive) to be set as follows for 2012/13 financial year and beyond. These rates are subject to review every year by the Provincial Treasury:

MEC	R3 000
Accounting Officer	R2 000
Deputy Director General	R1 500
Chief Directors	R1 200
Directors	R900
Deputy Directors	R600
Assistant Directors	R400
Others	R300

- ii. Payment for cell phones for officials below Assistant Directors needs special approval from the delegated official. Approvals are granted based upon working requirements.
- iii. No departments should procure cell phones for their employees except for Accounting Officer and MEC.
- iv. All departmental cell phones which are allocated to officials must have soft locks on approved limits.
- v. 3G Cards allocated to officials must have limit of R350 per month. Any exception needs to be motivated and approved by Accounting Officer.

**c. Air transport cost –**

- i. Only economy class must be used. Approval must be given by the Accounting Officer.
- ii. International flights should be limited to include only trips approved by the relevant MEC or Premier unless funded by external parties and no daily allowance will be paid to officials on the external funded trips.
- iii. Utilization of travel agencies must be limited to foreign trips.

**d. Use of white fleet vehicle (normally referred to as GG vehicles) –**

- i. White fleet vehicles will only travel on Mondays to Fridays.
- ii. Trip authorities for white fleet vehicles to travel over weekends should be signed by the Accounting Officer or delegated official.

- iii. All white fleet vehicles must be parked at government institutions on Fridays at 18:00 and over weekends except if there was approval for usage beyond this time.
- iv. Trip authority must be signed prior to the use of a white fleet vehicle.
- v. The designated department will correspond with Local Traffic Department and responsible department for traffic management and policing in order to monitor white fleet vehicles on all roads in the province and outside the province. In the event the trip authority documents are not available vehicles must be confiscated and reported.
- vi. Department responsible for white fleet must develop a maintenance and management plan of white fleet vehicles with regard to security, misuse and economic running of the vehicles.
- vii. All Government officials are obliged to monitor and report misuse of white fleet vehicles.

**e. Emergency vehicles –**

- i. The above measures do not apply to emergency vehicles (EMS transport and patient transport and Traffic Officials etc).
- ii. EMS station managers are tasked to monitor and control the vehicles.

**f. Subsidized/Private Transport for Officials –**

- i. Official kilometers for all officials participating on both schemes A and B and Private will be as follows:
  - ❖ SMS members will be allowed to claim a maximum of 2500 kilometers per month. Approval to exceed the above mentioned limit will only be granted by the Accounting Officer.
  - ❖ All other officials will be allowed to claim a maximum of 2000 kilometers per month;
  - ❖ Invitation and/or other supporting documents need to be attached with the travelling claims to prove the authenticity of the trip.



- ❖ The purpose of the trips should be in line with the core objectives of the programmes.
- ii. Only under exceptional cases new subsidized vehicles will be approved after thorough consideration of the nature of the services to be delivered.
- iii. Officials on level 11 and above must make use of the transport schemes A and B as part of the MMS/SMS package.

**g. Maximize passenger capacity per vehicle for all trips –**

- i. Employees are encouraged to share trips in the private and white fleet vehicles. It is important to note that the departmental risk policy should be followed.

**h. Accommodation –**

- i. Departments must prioritize all travel needs and identify only necessary officials and parties required to travel.
- ii. The following new limits on accommodation must be implemented:
  - ❖ MEC to be guided by Ministerial Handbook
  - ❖ Accounting Officer - 4 star hotels/guesthouses
  - ❖ All other employees - 4 star guesthouses and 3 star hotels
- iii. No accommodation may be booked if the place of the meeting is less than 330 kilometers (one way) from the work place and if:
  - ❖ the meeting starts at 10H00 or later and
  - ❖ the meeting ends at 15H00.
- iv. The Agenda of the Meeting should be attached to all accommodation requests.
- v. All accommodation request/submissions must be approved by the immediate supervisor.

**i. Venues and Facilities**

- i. The option of using government facilities should always be explored first before considering the use of external venues.
- ii. Departments must define circumstances under which external accommodation/venues will be considered or approved by the relevant Accounting Officer.
- iii. The choice for hiring a venue should not be based on what is most expensive or least expensive but cost efficient.
- iv. A list of available government facilities must be provided by Department of Public Works, Roads and Transport to all departments;

**j. Catering services –**

- i. No catering will be provided for normal departmental meetings. Catering for strategic meetings and workshops e.g. Strategic planning sessions needs to be approved by the Accounting Officer. If the approval is given the maximum amount should not exceed R80 per day per person (Lunch Only).
- ii. Government employees may claim incidental expenses in line with the DPSA Policy

**k. Purchasing of furniture –**

- i. The functionality of equipment should be kept at optimal level by routinely maintaining equipment
- ii. An up to date asset register must be kept to ensure that the departments are aware of what they need
- iii. Departments are discouraged from replacing equipment that is still in good working condition.
- iv. Written motivation to purchase furniture must be submitted to CFO and approved by Accounting Officer.

- v. The approved furniture should be procured from the “furniture transversal contract” approved by the Department of Public Works, Roads and Transport.

**l. Efficient utilization of office resources –**

- i. Lease agreements to be reviewed for the purpose of rationalization of office equipments such as, Printers, Fax and Photocopy machines.
- ii. Energy savings measures to be implemented e.g. switch off lights during the night and use energy saving bulbs.
- iii. Limit distribution of printed documentation rather utilize electronic facility.
- iv. All officials need to make use of the departmental intranet for distribution of information.

**m. Printing and Promotional material –**

- i. Printing should be limited to official Government printed documents such as Road to Health card, TB register, Disease notification books and documentation which require a registered PR and ISBN number.
- ii. No corporate gifts should be purchased unless approved by the Accounting Officer.
- iii. A moratorium is placed on all promotional items such as, T-shirts, Bags, Diaries, and Calendars etc. for events.

**n. Advertisements**

- i. Advertisement of posts, tenders etc to newspapers for the North West Provincial Government must be centralized.
- ii. The use of intermediaries is forbidden.

**o. Functions and Events –**

- i. All functions must be relevant to the departmental programmes and form part of the approved Annual Performance Plans.
- ii. Donations for functions and events should be in compliance with PFMA and Treasury regulations.
- iii. National Commemoration day's events should be handled by those departments that this function has been delegated to i.e. Office of the Premier, SACR.

**p. Workshops, conferences, symposiums, seminars and meetings outside the province –**

- i. All international conferences beyond the borders of South Africa must be approved by the MEC or the Premier.
- ii. All officials attending workshops, conferences, symposiums, seminars and meetings outside the province can only do so after prior approval from the Supervisor.
- iii. The number of officials attending one of the above should be limited to two or maximum three officials per department.

**q. Training –**

- i. Training should be limited to training indicated on the approved performance development plans of individuals.
- ii. All training should be organized and co-ordinated through the Human Resource Development Directorate.
- iii. Training should be conducted internally in the province, where this is not possible it must be approved by the Accounting Officer.
- iv. Departments must move towards providing in house training rather than allowing officials to attend training in other areas in instances where quite a number has identified the same training need. This will minimize travelling and accommodation costs as well as maximizes the number of officials that can be trained.

**r. Groceries –**

- i. SMS groceries must be limited to the following:
  - MEC R2500
  - Accounting Officer R2000
  - Deputy Director General R1000
  - Chief Director R800
  - Director R300

**s. Public Private Partnership –**

- i. The department should explore options for Public Private Partnership where cost containment can be realized.
- ii. This must be done in consultation with the Provincial Treasury and National Treasury

**t. Lease Payments**

- i. Departments will not lease any office space without approval from the department of Public Works, Roads and Transport and counter signed by the Provincial Treasury.
- ii. Approval for the leasing of the office space will be based on the needs analysis and the availability of the budget.

**u. Rental Of Cars**

- i. Staff below the DDG are allowed to rent a car with a maximum engine capacity of 1600 cc
- ii. DDG and above are allowed to rent a car with a maximum engine capacity of 2000 cc

**4.3. CAPITAL EXPENDITURE**

**a. Infrastructure-**

- I. Escalations on infrastructure projects must be approved by the Accounting Officer after consultation with the Provincial Treasury prior to bidding for funding.
- II. Infrastructure expenditure from conditional grants provided by national departments are excluded from this arrangement.
- III. The project plan must inform and link to the available budget based on cost norms and standards set by National departments or the National/Provincial Treasury
- IV. Departments will not conduct conditional assessments of facilities without approval from the department of Public Works, Roads and Transport and counter signed by the Provincial Treasury

**b. Variation Orders-**

- I. Officials to be personally liable for any variation orders where it can be proved that the variation orders are as a result of negligence.
- II. Contracts may be expanded or varied by not more than 20% or R20 million (including all applicable taxes) for construction related goods, works and/or services and 15% or R 15 million (including all applicable taxes) for all other goods and/or services of the original value of the contract, whichever is the lower amount. Departments are advised to limit the variation orders to a minimum.
- III. Any deviation in excess of these thresholds will only be allowed subject to the prior written approval of the Provincial Treasury, where good reasons exist.

**c. Consultant fees –**

- I. Departments are discouraged to heavily rely on external capacity (consultants and service providers) to perform work that could in most cases be easily done by existing staff.

- II. Departments must have capacity to manage consultants and service providers who are providing technical expertise and ensure that there is value for money.
- III. Departments must ensure that skills transfer takes place when consultants and service providers are utilized.
- IV. Appointment of consultants must be approved by the Accounting Officer.
- V. All appointments of Project Management Units must be approved by Treasury.
- VI. Consultant tariffs must be guided by the DPSA guide on consultants obtainable from [www.dpsa.gov.za](http://www.dpsa.gov.za)

**d. Capital Assets –**


- I. All officials will only have one computer allocated, either a laptop or a desktop computer.

**5. POLICY REVIEW**

This policy will be revised on an ad-hoc basis as and when this may be required.

**6. APPROVAL AND EFFECTIVE DATE**

This policy will become effective from 1 April 2012.



**LOUSA LORATO MABE (MPL)**  
**MEC FOR FINANCE**

23/03/2012

**DATE**