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**TO ALL: ACCOUNTING OFFICERS**  
**ACCOUNTING AUTHORITIES**  
**CHIEF FINANCIAL OFFICERS**

## **PROVINCIAL INSTRUCTION NOTE 01 OF 2025/26**

### **PROVINCIAL COST CONTAINMENT MEASURES**

#### **PURPOSE**

1. The purpose of this Provincial Instruction Note is to prescribe provincial Cost Containment Measures, in addition to the Instruction Note No. 1 of 2024/25 issued by National Treasury, for accounting officers of the departments and constitutional institutions and accounting authorities of the public entities listed in Schedules 3C and 3D Public Entities in the Public Finance Management Act (PFMA), 1999 (Act No.1 of 1999).

#### **BACKGROUND**

2. Accounting Officers and Accounting Authorities are required to implement control measures to ensure that all expenditure in their respective institutions is necessary, appropriate, cost effective and is recorded and reported as prescribed by the relevant legislative framework.
3. 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.

## LEGISLATIVE FRAMEWORK

4. Section 18 (1) (b) of the Public Finance Management Act (PFMA) (Act 1 of 1999), requires Provincial Treasury to exercise control over the implementation of the provincial budget.
5. Section 18 (1) (c) of the PFMA requires Provincial Treasury to promote and enforce transparency and effective management of revenue, expenditure, assets and liabilities.
6. Section 18 (2) (a) of the PFMA empowers Provincial Treasury to issue instructions consistent with the PFMA.
7. Section 38 (1) (a) (iv) of the PFMA requires Accounting Officers of departments and constitutional institutions to have a system for properly evaluating all major capital projects prior to a final decision on the project.
8. 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 resources.
9. Section 38 (1) (c) (ii) of the PFMA requires Accounting Officers of departments and constitutional institutions to take effective and appropriate steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct.
10. Section 38 (1) (c) (iii) of the PFMA require the Accounting Officers of departments and constitutional institutions to take effective and appropriate steps to manage the available working capital of their respective institutions effectively and economically.
11. Section 39 of the PFMA requires the Accounting Officer to take effective and appropriate steps to prevent overspending of the vote or main division of the vote. The Accounting Officer must therefore have in place mechanisms to detect potential overspending of the budget in order to be able to prevent same from occurring. The Accounting Officer is required to comply



with any remedial measures imposed by Provincial Treasury to prevent the overspending of the vote or main division within the vote.

12. Section 41 of the PFMA directs that the Accounting Officers of departments and constitutional institutions must submit to the relevant treasury, such information, returns, documents, explanations and motivations as may be prescribed or required.
13. Section 51 (1) (a) (iv) of the PFMA requires the Accounting Authority of a public entity to have a system for properly evaluating all major capital projects prior to a final decision on the project.
14. Section 51 (1) (b) (ii) of the PFMA requires the Accounting Authority of a public entity to take effective and appropriate steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity.
15. Section 51(1) (b) (iii) of the PFMA requires the Accounting Authority of a public entity to take effective and appropriate steps to manage the available working capital effectively and economically.
16. Section 54 (1) of the PFMA directs that the Accounting Authority of a public entity must submit to the relevant treasury, such information, returns, documents, explanations and motivations as may be prescribed or required.

## **COST CONTAINMENT MEASURES EMANATING FROM NATIONAL TREASURY**

17. The National Treasury (NT) issued revised instruction notes on cost containment in 2017/18 and revised same in 2022/23, in line with the budget strategy over the medium term, and have now again revised these in 2024.



18. The Instruction currently applicable is Instruction Note 1 of 2024/25: Revised Cost Containment Measures.
19. The National Treasury issued instruction is a departure from the previous ones where there were allowable expenditure and limits imposed on various items including those that have been identified for reduction, in line with the fiscal stance.
20. Those considerations and responsibilities have now been given to the Accounting Officers and Accounting Authorities, where the National Treasury has directed that every Institution will now be subject to their own Travel Policy as there will be no overarching framework that they must comply with. Each Institution **must** develop their own Travel Policy and ensure that they implement it.
21. **Therefore, Attention is drawn to Para 4.3 from the NT Instruction which directs accounting officers and accounting authorities to develop their own Travel Policy as follows:**
- “PARA 4.3 COST CONTAINMENT MEASURE RELATED TO TRAVEL AND SUBSISTENCE*  
*4.3.1 An accounting officer and accounting authority must develop and implement a travel management policy-*  
*(a) considering the National Travel Guideline (NTG), attached as **Annexure A**, which is non-binding; and*  
*(b) which is in line with the institution’s operational requirements”*
22. **In order to standardize and ensure that no department or entity uses and pays different prices for the same accommodation, PT is issuing Maximum Allowable Rates for Domestic Accommodation and Meals as Annexure A1 to this Instruction Note. The Accounting Officers and Accounting Authorities are encouraged to adopt these rates as part of their travel policies and also ensure that if accommodation booked is above these rates, prior approval of the Accounting Officer or delegated official is granted and recorded for audit purposes.**



## **AREAS COVERED IN THE NATIONAL TREASURY INSTRUCTION NOTES WITH ADDITIONAL PROVINCIAL REQUIREMENTS**

### **Engagement of professional service providers (consultants)**

23. Consultants must not be hired to perform the administrative support functions, and the following are stated as examples:

- 23.1 Human Resource, Strategy and Operational Management (unless this is related to research work, for which universities and similar institutions should be engaged at negotiated rates),
- 23.2 Financial Management,
- 23.3 Supply Chain Management, and
- 23.4 Financial Information Systems.

24. Where it is unavoidable, departments and public entities must obtain Provincial Treasury approval to appoint consultants, for the functions outlined in para 23. The submission to Provincial Treasury requesting approval for appointment of consultants must be supported by a motivated business case setting out an analysis of the underlying skills gap and a diagnosis of requirements and specified deliverables as approved by the Accounting Officer or Accounting Authority.

25. Where the consultants are engaged for services relating to ICT or software development, the contract must stipulate that ownership of the data, source codes and other similar operational aspects revert to the department so that the department is not beholden to a particular contract arrangement for the services to continue.



26. All contracts of consultants must include a clause for mandatory transfer of skills to the existing employees and indicate the time frames in terms of transferring the skills. The transfer of skills must be monitored and enforced.
27. Period of the contract must be clearly stated. Any extension of contracts must follow the measures prescribed in National Treasury SCM Instruction Note 3 of 2021/22.
28. Consultancy contracts must specify whether the contract price is inclusive or exclusive of travel and subsistence disbursements. Such contract prices should preferably include travel and subsistence disbursements to avoid uncontrolled escalation in contract costs as a result of consultants quoting lower prices and utilising travel and subsistence disbursements to increase profit margins. Travel and subsistence disbursement to be in line with NT Instruction No. 1 of 2024/25 on Cost Containment Measures and the institutions own Travel Policy.
29. Accounting Officers and Accounting Authorities may approve alternative travel and subsistence arrangements for international consultants and expert advisors taking into consideration relevant cost-efficiency measures.
30. Accounting Officers and Accounting Authorities must ensure appropriate monitoring of consultants.

## Communication

31. Cell phone expenditure: Accounting Officers and Accounting Authorities must allocate cell phones by considering the job requirements of the post occupied by such officials and impose limits. The Accounting Officer or Accounting Authority shall have an internal policy in place to determine which officials are entitled to cell phones and the applicable limits.





32. Accounting Officers and Accounting Authorities may choose to participate in the transversal term contract (RT15) arranged by National Treasury for the acquisition of mobile communications services.
33. Land lines: Use of land lines must be limited to a prescribed amount per month. Accounting Officers and Accounting Authorities must ensure that the soft-locking option is applied to eliminate the possibility of officials exceeding this limit. Accounting Officers or Accounting Authorities shall have an internal policy in place to determine the limits imposed.

### **Branding, promotional materials and gifts**

34. Expenditure on corporate branded items of clothing or goods for personal use of employees must not be incurred (other than personal protective equipment such as uniforms, office supplies and tools of trade). A policy must be in place stipulating the guidelines on purchasing of uniforms, office supplies and tools of trade and frequency of issue in line with the working environment of the respective employees.
35. All gifts, donations and sponsorships to be granted by the department must comply with National Treasury Regulation 21.
36. Public Entities may only grant gifts, donations and sponsorships from the annual allocation or other movable property with the approval of the relevant Executive Authority and such gifts, donations and sponsorships must be reported to Provincial Treasury within 14 calendar days of the approval by the Executive Authority. This report should be forwarded to Provincial Treasury – Programme 2 – Public Entities and Governance Unit.



## PROVINCIAL SPECIFIC BUDGET/EXPENDITURE MANAGEMENT COST CONTAINMENT MEASURES

37. Departments and public entities must ensure that they spend within the allocated resources and therefore should put in the necessary controls to ensure that the budget is not overspent.

### Shifting and Virement of funds from Provincial Priorities (Core Budget/Expenditure) Items

38. The budget set aside for provincial priorities/adjustments as funded by equitable share allocation, cannot be decreased without the prior written approval of Provincial Treasury I as it has been earmarked to ensure service delivery.
39. The monitoring of budget shifting will be done by the Provincial Treasury Budget Office on Vulindlela/BAS and may lead to locking of the function.
40. Any decrease of these allocations without the required approval, will therefore be deemed non-compliant with these cost containment measures and must be disclosed and accounted for as such.

### Shifting and Virement of funds to Non-Core Items

41. Departments and public entities are required to comply with their budget ceilings and not to exceed the allocations as recorded in the Estimates of Provincial Revenue and Expenditure (Budget Book) for that respective financial year, with respect to the following non-core items:
  - 44.1. Administration Fees
  - 44.2. Advertising
  - 44.3. Catering: Provincial Activities
  - 44.4. Communication (G&S)
  - 44.5. Consultants and professional services: Business and advisory
  - 44.6. Entertainment





- 44.7. Consumable supplies
- 44.8. Travel and subsistence
- 44.9. Venues and facilities
- 44.10. Rental and hiring.

- 45. Departments and public entities must seek Provincial Treasury approval for shifting of funds between these non-core Goods and Services items. In cases where the department or public entity shifts funds resulting in an increase in allocation for any of the 10 non-core items, without prior approval from Treasury, the amount equal to that increase may be top-sliced from the department's / public entity's budget.
- 46. The top-slicing will be effected during the budget adjustments process and annual budget process.

### **Recruitment and Personnel Management**

- 47. There is a moratorium on monetary payment of overtime for all non-essential services staff where instead time-off in lieu of monetary payment is to be given by the department. Monetary overtime for essential services should be strictly managed by the department and not exceed the 30 per cent threshold.
- 48. The Compensation of Employees (CoE) budget is earmarked - and as such Provincial Treasury (PT) does not allow any shifting of funds or virement away from CoE excluding the shifting to transfers and subsidies for the payment of severance or exit packages during the Adjustments Budget unless prior approval is given by PT to the department. Furthermore, any shifting of funds or virement from CoE other than for the payment of severance or exit packages at the end of the financial year for the final appropriation will require prior approval from PT.



## Goods and Services and Capital Expenditure

49. Accounting Officers and Accounting Authorities must develop Cost – Containment Plans annually which set out specific measures undertaken to improve cost – efficiencies.
50. The Cost Containment Plan must demonstrate where the department or public entity is to realise savings. This includes the reduction of certain service delivery outreach and planning activities and where this will affect Annual Performance Plan targets, that must also be recorded.
51. PT is advising that departments and public entities may consult PT for all deviations above R 1 000 000 and all variations that are above 15% or R15 million whichever is the lesser value for Goods and Services and 20% or R20 million whichever is the lesser value for Capital Expenditure (Infrastructure contracts). This is to ensure that departments and public entities are actively monitored and advised; as an additional control; prior to incurring additional costs that could be avoided.
52. The department / public entity can employ departmental / public entity specific austerity measures that will complement the national and provincial ones, and these are some instances where this is possible:
  - 52.1 Implementing strategic sourcing which includes negotiating with bidders before the award of contracts as well as for further discounts post award of contracts,
  - 52.2 Travel that is still to be undertaken should be reviewed and the Accounting Officer or Accounting Authority is to look for reductions by moving meetings to virtual platforms or delaying travel where possible.
  - 52.3 S&T policy with a clear system of internal controls must be in place and must be communicated to all the officials and in line with the National Treasury Instruction No.1 of 2024/25 on Revised Cost Containment Measures and Travel Policy,



- 52.4 Catering is to be approved by only the Accounting Officer or delegated authority in respect of public entities and should only be considered where specific circumstances warrant it,
- 52.5 Where hiring of Venues is necessary due to lack of suitable government owned facilities, the venue should be within an 80km radius from the place of business to avoid excessive travel claims.

## **AUTHORITY**

53. This Instruction Note is issued in terms of section 18(2) (a) of the PFMA.

## **APPLICABILITY**

54. The Instruction Note applies to all Provincial Departments and Schedule 3C and 3D Public Entities.

## **REPEAL OF PROVINCIAL TREASURY INSTRUCTION**

55. Provincial Treasury Instruction No. 1 of 2023/2024 on Cost Containment Measure dated 13 October 2023 is hereby repealed.

## **EFFECTIVE DATE**

56. The Instruction Note takes effect from 01 April 2025.

## **DISSEMINATION OF INFORMATION**

57. Kindly ensure that all relevant officials receive copies of this Instruction Note with Annexure A1(Maximum Allowable Rates) and the enclosed National Treasury Instruction together with Annexure A: National Travel Guideline.
58. Should there be any enquiries regarding the contents of this Instruction Note and the enclosed National Treasury, please contact:



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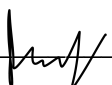
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*Ikhwezi Lomso greetings: Serving with Honesty, Humility and Integrity.*

  
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**MR D. MAJEKE**

**HEAD OF DEPARTMENT**

**EASTERN CAPE PROVINCIAL TREASURY**

31/03/2025

  
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**DATE**

