



KWAZULU-NATAL PROVINCE

HEALTH
REPUBLIC OF SOUTH AFRICA

DIRECTORATE:

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Date: 07 January 2022	Circular No: <i>G01/2022</i>
To: Head Office Managers District Managers Chief Executive Officers Finance Managers Human Resource Managers CHC Managers and All departmental staff	From: Dr. SC Tshabalala Head of Department
RE: COST CONTAINMENT PLAN FOR 2021/22 DEPARTMENT OF HEALTH	

Dear All

1. PURPOSE

The purpose of this report is to:

- 1.1. Brief on the Department's financial situation and the 2021/22 projected year-end expenditure figures, the current Medium Term Expenditure Framework (MTEF) outlook, and
- 1.2. Inform on the measures taken (progressively so) to reverse the anticipated over expenditure.

2. BACKGROUND

- 2.1. As at the end of November 2021, the Department has a financial projected over-spending of R2,144 billion at year-end on the Vote as a whole. An additional allocation of R2,218 billion was received during the adjustment estimates, despite this, the December 2021 preliminary financial results still show projected budget pressures in excess of R1,181 billion, with more budget cuts anticipated over the current MTEF period.
- 2.2. The main pressure remains in Compensation of Employees, Laboratory Services, Medicines, Agency and Support, Medical Supplies, Property Payments, Other Transfers to Households, and Machinery & Equipment. The overspending cost elements are the main focus of the additional cost containment strategies discussed hereunder.
- 2.3. The resolution by the Provincial Executive Council, Provincial Treasury and relevant Portfolio Committees is that the Accounting Officer submits and implements a turnaround plan that will ensure the Department does not over-spend its budget allocation as envisaged in Section 39 (2)(a) of the Public Finance Management Act, 1999, as amended.

2.4. The Department has undertaken a budget performance review process with a view to identifying and implementing additional cost containment measures to ensure that it remains within its allocated budget for the remainder of the 2021/22 financial year as well as over the MTEF.

3. DISCUSSION

The following saving initiatives were identified in response to the areas with spending pressure, and various cost saving strategies will be progressively implemented by the Department at all levels, during the 2021/22 financial year, and over the MTEF:

3.1. HUMAN RESOURCE MANAGEMENT (ENQUIRIES MRS. N. MTHEMBU – 033 395 2001)

- i. As a cost containment plan regarding the spending on Compensation of Employees (CoE), the Department has taken a decision to place a **MORATORIUM** on the filling of all posts with immediate effect until further notice. This is a directive to all Responsibilities that they are not allowed fill posts.
- ii. Posts funded from conditional grants and statutory mandatory posts (**community service and Internship**) are excluded from this moratorium.
- iii. As at the date of this circular, posts which have already been advertised in which the ratification to fill such posts was granted, the recruitment and selection process can be finalised but NO appointment letter may be issued until further notice.

3.2. INFRASTRUCTURE MAINTENANCE (ENQUIRIES MR. B. GCABA – 033 394 2556)

The awarding of quotations for all Infrastructure Maintenance projects and activities must with immediate effect be deferred to the next financial year. Maintenance categories are affected as follows:

- i. Category A: All non-life threatening actions deferred to 2022/23 financial year.
- ii. Category B: All outstanding servicing of plant and equipment deferred to 2022/23 financial year.
- iii. Category C: All planned minor maintenance projects deferred to 2022/23 financial year.
- iv. Category D: All purchases of maintenance materials deferred to 2022/23 financial year.

3.3. REPLACEMENT AND MAINTENANCE OF MEDICAL

- i. Repair and Servicing of medical equipment: Continue as per the need
- ii. Purchase of new equipment: All new equipment purchases deferred to 2022/23 financial year

The above only applies to equipment that is funded by the equitable share NOT Conditional Grant. All special cases that may require exemption must be duly motivated and forwarded to the Chief Directors responsible for the budget/programme for consideration.

Thank you



DR. SC TSHABALALA
HEAD OF DEPARTMENT