

**PROVINSIALE TESOURIE • PROVINCIAL TREASURY •
UNONDYEBO WEPHONDO**



Verwysing
Reference
Isalathiso PT 7/1/2

Navrae
Enquiries
Imibuzo A Phillips

TREASURY CIRCULAR, NO.10 /2006

THE PREMIER

THE MINISTER OF AGRICULTURE
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS, SPORT AND RECREATION
THE MINISTER OF EDUCATION
THE MINISTER OF ENVIRONMENT, PLANNING AND ECONOMIC DEVELOPMENT
THE MINISTER OF FINANCE AND TOURISM
THE MINISTER OF HEALTH
THE MINISTER OF LOCAL GOVERNMENT AND HOUSING
THE MINISTER OF SOCIAL SERVICES AND POVERTY ALLEVIATION
THE MINISTER OF TRANSPORT AND PUBLIC WORKS

} For information

THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1:	PREMIER (DR GA LAWRENCE)
THE ACCOUNTING OFFICER: VOTE 2:	PROVINCIAL PARLIAMENT (MR R HINDLEY) (ACTING)
THE ACCOUNTING OFFICER: VOTE 3:	PROVINCIAL TREASURY (DR JC STEGMANN)
THE ACCOUNTING OFFICER: VOTE 4:	COMMUNITY SAFETY (MR O VALLEY) (ACTING)
THE ACCOUNTING OFFICER: VOTE 5:	EDUCATION (MR RB SWARTZ)
THE ACCOUNTING OFFICER: VOTE 6:	HEALTH (PROF KG HOUSEHAM)
THE ACCOUNTING OFFICER: VOTE 7:	SOCIAL SERVICES AND POVERTY ALLEVIATION (MS VL PETERSEN)
THE ACCOUNTING OFFICER: VOTE 8:	LOCAL GOVERNMENT AND HOUSING (MS S MAJLET)
THE ACCOUNTING OFFICER: VOTE 9:	ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T TOLMAY)
THE ACCOUNTING OFFICER: VOTE 10:	TRANSPORT AND PUBLIC WORKS (MR T MANYATHI)
THE ACCOUNTING OFFICER: VOTE 11:	AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12:	ECONOMIC DEVELOPMENT AND TOURISM (MR B ROBERTS)
THE ACCOUNTING OFFICER: VOTE 13:	CULTURAL AFFAIRS AND SPORT (DR L PLATZKY) (ACTING)

THE CHIEF FINANCIAL OFFICER: VOTE 1:	PREMIER (MR H ARENDSE)
THE CHIEF FINANCIAL OFFICER: VOTE 2:	PROVINCIAL PARLIAMENT (MS A SMIT) (ACTING)
THE CHIEF FINANCIAL OFFICER: VOTE 3:	PROVINCIAL TREASURY (MR A GILDENHUYS)
THE CHIEF FINANCIAL OFFICER: VOTE 4:	COMMUNITY SAFETY (MR D ODENDAAL)
THE CHIEF FINANCIAL OFFICER: VOTE 5:	EDUCATION (MR L ELY)
THE CHIEF FINANCIAL OFFICER: VOTE 6:	HEALTH (MR A VAN NIEKERK)
THE CHIEF FINANCIAL OFFICER: VOTE 7:	SOCIAL SERVICES AND POVERTY ALLEVIATION (MR JO SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 8:	LOCAL GOVERNMENT AND HOUSING (MR PAE BREDEKAMP)
THE CHIEF FINANCIAL OFFICER: VOTE 9:	ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR AA GAFFOOR)
THE CHIEF FINANCIAL OFFICER: VOTE 10:	TRANSPORT AND PUBLIC WORKS (MR CR ISMAY)
THE CHIEF FINANCIAL OFFICER: VOTE 11:	AGRICULTURE (MR F HUYSAMER)
THE CHIEF FINANCIAL OFFICER: VOTE 12:	ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13:	CULTURAL AFFAIRS AND SPORT (MR A ASSIM)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)
THE HEAD: RESOURCE MANAGEMENT (MS SMA ROBINSON)
THE HEAD: ASSET MANAGEMENT (MR TD PILLAY)
THE HEAD: FINANCIAL GOVERNANCE (MR TC ARENDSE)
THE HEAD: PUBLIC FINANCE (MR H MALILA)
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)
THE SENIOR MANAGER: HUMAN RESOURCE MANAGEMENT (MS C PAUL)
THE SENIOR MANAGER: ACCOUNTING (MR A REDDY)
THE SENIOR MANAGER: NORMATIVE FINANCIAL MANAGEMENT (MS L MTUNZI)
THE SENIOR MANAGER: RISK MANAGEMENT AND GOVERNANCE SYSTEMS (MR L NENE)
THE CHIEF AUDIT EXECUTIVE (MS R JAFTHA)
THE SENIOR MANAGER: ECONOMIC ANALYSIS (MS B BOQWANA)
THE SENIOR MANAGER: FISCAL POLICY (MR A PHILLIPS)
THE SENIOR MANAGER: BUDGET OFFICE (MS AJ HICKEY) (ACTING)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MR DG BASSON)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (MR G PAULSE)
THE SENIOR MANAGER: PHYSICAL (FIXED) ASSETS AND PPPs (MR NB LANGENHOVEN)
THE SENIOR MANAGER: SUPPLY CHAIN MANAGEMENT (MR L MUNSAMY)
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
THE ACTING HEAD: OFFICE OF THE MINISTRY (MR G GESWINDT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

RETENTION OF OWN REVENUE

PURPOSE

1. This Circular affords Accounting Officers the opportunity to submit requests for the retention of own revenue collected above the 2005/06 adjusted appropriation. These requests, if approved, will be appropriated in the Adjustments Estimate 2006 and is subject to:
 - (a) The legal framework: Public Finance Management Act, 1999 (PFMA, Act 1 of 1999);
 - (b) The Provincial Treasury's revenue incentive policy;
 - (c) Evaluation criteria for the appropriation of requested funds;
 - (d) Formats to be completed and signed in support of requests; and
 - (e) Timeframes set for submissions, evaluation and notification.

BACKGROUND

2. The Provincial Budget is premised on allocative efficiency and is voted by the Provincial Legislature.
3. Allocation decisions are based on the priorities of Government, available resources and the ability of departments to spend in line with what had been voted.
4. Revenue to fund departmental expenditure is derived from three main sources (provincial equitable share, conditional grants and provincial own receipts). Overall receipts due to departments are fairly predictable, and is therefore taken into account when expenditure decisions and levels are made.
5. A revenue retention strategy, introduced and approved by Cabinet in 2003, creates incentives by giving departments, with the approval of the MEC responsible for Finance, permission to retain and utilise any extra funds collected over and above the adjusted appropriations.
6. Cabinet further agreed that increased expenditure levels, per vote from increased own revenue collected, must be entertained through upward baseline adjustments but on the other hand also carry the risk of identifying an equivalent saving on the expenditure side if collecting below target.
7. The approval is further subject to revenue budgets being credible and that retained revenue be used for once-off expenditure.

LEGAL FRAMEWORK

8. The Public Finance Management Act, 1999 (Act 1 of 1999), Section 31 (2) (a) places the responsibility for tabling an Adjustments Budget on the MEC of Finance. The Adjustments Budget makes provision for the appropriation of funds that have become available to the Province.
9. Treasury Regulations, Section 6.2.2 further requires that departmental requests for adjustments to their budgets be submitted to the relevant treasury (Provincial Treasury) on a date determined by the Treasury.

PRINCIPLES

10. The request to retain revenue relates to the collection of revenue, which the department had not anticipated prior to submitting the 2005/06 adjusted appropriations or in other instances where departments had implemented measures to more efficiently collect own revenue, special initiatives to increase own revenue, donations, etc.
11. The Provincial Treasury (PT) adopted principles to guide the approval of revenue retention, which may, in some instances be departmental specific, in other generic, whilst also linked to the Provincial roll-over process.
12. Informed decisions on retention are based on discounting once-off expenditure and the quality of information provided in support of a department's requests. To facilitate this, PT has included three Annexures (A, B and C).
13. The information provided will support analysis of receipts, retention trends and monitor the disbursement of funds.

FORMATS

14. Requests, in the attached formats, Annexures A, B and C, must be submitted to the Provincial Treasury on the date as per the programme below. The formats will also be provided to the Chief Financial Officers (CFOs) electronically.
15. **Annexure A:** Summary of retention requests 2005/06: This annexure provides a summary and the detail of the different sources on which were over/under collected.
Annexure B: Summary of additional funds collected: This annexure provides historical information on receipts collected and retained over the period 2003/04 to 2005/06.
Annexure C: Disbursement Schedule: The schedule provides the detail of the services/projects that will be funded by the receipts collected above the 2005/06 adjustments appropriations. Please note that provision for motivation of retention is provided on this annexure after each request. Departments further have the freedom to attach any supporting documentation hereto.

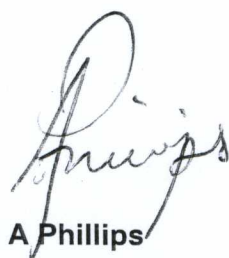
PROCESS

16. Departments should submit their requests for the appropriation of additional receipts collected to PT and be supported by the information provided in Annexure A, B and C attached hereto.
17. The Provincial Treasury will evaluate and submit these requests to the Minister of Finance and Tourism in her capacity as the Head of Treasury for consideration and will notify accounting officers of subsequent resolutions.
18. Funds approved will be appropriated in the 2006 Adjustments Estimate and thereafter disclosed in the in-year monitoring revenue and expenditure reports as at a date still to be communicated.
19. The programme for the request and approval of additional receipts collected is explained in the table below:

ACTION	DATE
Departments to submit their revenue retention requests (both electronic and signed hardcopy versions).	12 May 2006
Provincial Treasury to notify the Department of the outcome of their requests.	30 June 2006

ACTION REQUIRED

20. The completed annexures must be submitted electronically as in the format provided for attention: Mr. A Phillips: e-mail aphillips@pgwc.gov.za (Tel.: 021- 483 3082 and/or Ms. Nelia Orlandi: e-mail norlandi@pgwc.gov.za (Tel.: 021-483 6131).
21. In addition, Accounting Officers are requested to submit their signed requests (signed by both the Accounting Officer and the Chief Financial Officer) for consideration to the Head: Provincial Treasury by no later than 12 May 2006.


A Phillips**SENIOR MANAGER: RESOURCE AQUISITION****DATE: 18 April 2006**

SUMMARY OF REQUESTS FOR THE RETENTION OF ADDITIONAL OWN RECEIPTS COLLECTED IN 2005/06

Vote number and name:

	R'000
1. Revenue collected as at 31 March 2006 (+)	
2. Adjusted budget: 2006 (-)	
3. Additional revenue collected (+)/ Undercollected (-) 2005/06	
4. Requested by Department - additional revenue collected (+)	
5. Surrendered to the Provincial Revenue Fund	

DETAILS OF ADDITIONAL RECEIPTS COLLECTED ABOVE ADJUSTED BUDGET FOR 2005

Revenue source/Economic classification	Revenue collected	Adjusted appropriation 2005/06	Over/(under) collection	Main reasons for overcollection above Budget	Remedial steps taken to ensure future credibility of revenue budget estimates
	R'000	R'000	R'000		
Current Payment					
Compensation of employees					
Goods and Services					
Interest, dividends and rent on land					
Financial transactions in assets and liabilities					
Unauthorised expenditure					
Transfers and subsidies					
Provinces and municipalities					
Departmental agencies and accounts					
Universities and technikons					
Public corporations and private enterprises					
Foreign governments and international organisations					
Non-profit institutions					
Households					
Payments for capital assets					
Buildings and other fixed structures					
Machinery and equipment					
Cultivated assets					
Software and other intangible assets					
Land and subsoil assets					
TOTAL					

Note: The net total must correspond to the amount provided at point 3 above.

Note: Complete yellow cells

SUMMARY OF ADDITIONAL RECEIPTS COLLECTED OVER THE PERIOD 2003/04 TO 2005/06

Summary	2003/04			2004/05			2005/06	
	Actual collected	Amount requested	Amount approved	Actual collected	Amount requested	Amount approved	Actual collected	Amount requested
Economic Classification								
Current Payments								
Compensation of employees								
Goods and services								
Interest and rent on land								
Financial transactions in assets and liabilities								
Unauthorised expenditure								
Transfers and subsidies								
Provinces and municipalities								
Departmental agencies and accounts								
Universities and technicons								
Public corporations and private enterprises								
Foreign governments and international organisations								
Non-profit institutions								
Households								
Payments for capital assets								
Buildings and other fixed structures								
Machinery and equipment								
Cultivated assets								
Software and other intangible assets								
Land and subsoil assets								
Total								

Request no. 1	2003/04			2004/05			2005/06	
	Actual collected	Amount requested	Amount approved	Actual collected	Amount requested	Amount approved	Actual collected	Amount requested
Economic Classification								
Current Payments								
Compensation of employees								
Goods and services								
Interest and rent on land								
Financial transactions in assets and liabilities								
Unauthorised expenditure								
Transfers and subsidies								
Provinces and municipalities								
Departmental agencies and accounts								
Universities and technicons								
Public corporations and private enterprises								
Foreign governments and international organisations								
Non-profit institutions								
Households								
Payments for capital assets								
Buildings and other fixed structures								
Machinery and equipment								
Cultivated assets								
Software and other intangible assets								
Land and subsoil assets								
Total								

DISBURSEMENT SCHEDULE

DETAIL OF SERVICES/PROJECTS TO BE FUNDED IN 2006/07

Vote .. :	April '06	May '06	June '06	July '06	August '06	September '06	October '06	November '06	December '06	January '07	February '07	March '07	TOTAL
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Total Requests													
Compensation of employees													
Goods and services													
Interest and rent on land													
Financial transactions in assets and liabilities													
Unauthorised expenditure													
Transfers and subsidies													
Provinces and municipalities													
Departmental agencies and accounts													
Universities and technicians													
Public corporations and private enterprises													
Foreign governments and international organisations													
Non-profit institutions													
Households													
Payments for capital assets													
Buildings and other fixed structures													
Machinery and equipment													
Cultivated assets													
Software and other intangible assets													
Land and subsoil assets													
Total													
Request no 1:													
Current Payments													
Compensation of employees													
Goods and services													
Interest and rent on land													
Financial transactions in assets and liabilities													
Unauthorised expenditure													
Transfers and subsidies													
Provinces and municipalities													
Departmental agencies and accounts													
Universities and technicians													
Public corporations and private enterprises													
Foreign governments and international organisations													
Non-profit institutions													
Households													
Payments for capital assets													
Buildings and other fixed structures													
Machinery and equipment													
Cultivated assets													
Software and other intangible assets													
Land and subsoil assets													
Total request no 1:													
Motivation for request no 1:													