



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

LIMPOPO PROVINCIAL TREASURY

**PROVINCIAL OWN REVENUE ENHANCEMENT
STRATEGY**

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PROVINCIAL OWN REVENUE ENHANCEMENT STRATEGY

1. Introduction

Government plays an important role in the economy in generating and allocating scarce resources and ensuring efficient utilization of the available resources. This happens duly because of the economic problem "scarcity factor". On account of scarcity of resources it has become increasingly important for government to improve own revenue collection and ensure its sustainability. In order to address this challenge, the Limpopo Provincial Government has identified the need to develop an effective Own Revenue Enhancement Strategy

Limpopo Provincial Own Revenue Enhancement Strategy shall provide a strategic framework that efficiently and effectively deal with issues of own revenue collection. The strategy serves as a turnaround plan to maximize provincial own revenue. With the introduction of Provincial Own Revenue Enhancement Strategy, the Province intends to increase its own revenue target to "**R1 Billion mark**" by 2017/18 financial year.

2. Legislative Mandates

- The Constitution of the Republic of South Africa
- The Public Finance Management Act 1999 (Act 1 of 1999, as amended)
- Provincial Tax Regulation Process Act, 2001 (Act No. 53 of 2001)
- Annual Division of Revenue Act
- Intergovernmental Relation Framework Act (Act no 13 of 2005)
- Treasury Regulations (issued in terms of PFMA of 1999)

3. Background

The Limpopo Province's proportionate share of own revenue to equitable share is the lowest at 1.4 per cent compared to the national average of 4 per cent. The Provincial Own Revenue baseline in 2008/09 financial year was R523.0 million and declined to R509.9 million in 2012/13 financial year. Furthermore, in 2011/12 financial year, the Limpopo

Province experienced a cash flow crisis. In an attempt to correct the financial distress of the Province, one of the recovery strategies put in place is the enhancement of provincial own revenue generation. The Provincial Own Revenue Enhancement Strategy is therefore developed to improve the collection of existing revenue sources and create initiative ways for new revenue streams. In the development of Limpopo Provincial Own Revenue Enhancement Strategy, among other things, benchmarking was conducted with other provinces for learning and sharing best practices.

3.1. Current status analysis / Situational analysis

The Limpopo government has 13 provincial Votes out of which 12 departments (excluding Provincial Legislature) are collection agencies for state own revenue on behalf of Provincial Treasury. Revenue collected by collection agencies must be deposited into the Provincial Revenue Fund on monthly basis in line with PFMA and Treasury Regulations. Provincial Legislature and Public Entities are exempted from depositing into Provincial Revenue Fund on condition that, draft legislations that exclude money from payment into a Provincial Revenue Fund are introduced in Parliament after the Minister has been consulted on the reasonableness of the exclusion and has consented to the exclusion. It was identified that Schedule 3C Public entities in Limpopo Province are not depositing revenue collected and surpluses into Provincial Revenue Fund despite the grants/transfers received from equitable share.

Provincial receipts comprises of Equitable Share, Conditional Grants and Own Revenue sources. Provincial Own Revenue is mainly generated from Tax receipts such as Motor vehicle licenses, Casino and horse racing taxes. The other sources are Sale of goods and services other than capital assets; Transfers received; Fines, penalties and forfeits; Interest, dividends and rent on land; Sale of capital assets; and Financial Transactions in assets and liabilities.

3.2. Problem Identification

Revenue budget estimates are determined by departments and submitted to Provincial Treasury for analysis and tabling in the Provincial Legislature. During the allocation processes, departments are allocated projected own revenue for spending. Consequently, departments should ensure that the projected own revenue target is

attained and maximized to avoid budget deficit. Despite numerous policies and plans that were developed and discussed with departments to enhance revenue collection, limited success has been achieved. Some of the reasons for this attribute to the following challenges:

- Ineffective and non-integrated systems in departments
 - ✓ Billing systems
 - ✓ Patient administration / verification systems
 - ✓ Debt Management Systems
 - ✓ Electronic Data Interchange
- Insufficient budgets for own revenue enhancement projects in departments
- Lack of appointed departmental designated revenue officers
- Conservative revenue projections by departments
- Absence of proper revenue collection processes and procedures in some departments
- Departments and Entities concluding service level agreements with collecting agencies without Provincial Treasury approval
- Lack of research in the identification of untapped revenue sources and revision of revenue tariffs.
- Departments not structured to manage own revenue effectively
- Inadequate support, monitoring and evaluation in departments and entities.
- Non surrender of unspent funds / surpluses by Schedule 3C public entities.

4. Strategy development

The Provincial Own Revenue Enhancement Strategy aims to ensure maximization and sustainability of provincial own revenue. The strategy will ensure that the future provincial revenue base is not at risk, but viable as matter of choice and not chance. The annual fiscal allocations (Equitable share and Conditional Grant) are not sufficient for the competing needs and service delivery backlogs for people in the Limpopo Province. This strategy is an instrument to enhance own revenue, strengthen existing control processes and create innovative ways for new revenue streams. It aims to fulfil the following seven objectives:

- a) Promote “high road” forecasting of own revenue;
- b) Provide capacity, support and guidance to departments and entities in their revenue generating endeavours;

- c) Improve revenue management information systems in consultation with departments and public entities;
- d) Ring fence funding to support the identified revenue enhancement projects in the Province;
- e) Monitor the transfer of own revenue and surrendering of surpluses by Schedule 3C Public Entities into the Provincial Revenue Fund;
- f) Monitor the development and review of revenue collection Service Level Agreements between Departments/Entities and Agencies; and
- g) Conduct research on alternative revenue streams.

The introduction of revenue collection incentives (ring fencing of funds), would ensure that Limpopo Province invest into revenue related projects to enhance and maximize own revenue collection. The revenue collection incentive is intended to assist Limpopo Provincial Departments and Entities with the funding of revenue related projects or systems, and it does not take away responsibility from departments and entities to budget and prioritize revenue related projects.

5. Strategy implementation

5.1. Revenue Enhancement Projects

Starting from 2013/14 financial year the Limpopo Provincial Government will have a new allocation on the expenditure budget; this allocation will be called “**Revenue Enhancement Allocation.**” The purpose of the Revenue Enhancement Allocation is to ring-fence allocations for spending on revenue related projects and systems. All Limpopo Provincial Government departments qualify for Revenue Enhancement Allocation funding. Public Entities will also qualify provided all revenue collected is transferred into Provincial Revenue Fund. To qualify for Revenue Enhancement Allocations, Departments and Entities should provide their Revenue Enhancement Strategies with the following information/motivation:

- Type of project and plan for implementation
- Amount needed for funding (costed)
- Revenue anticipated should the request be approved or any other benefits that will be derived from this funding

- The Revenue Enhancement Allocation shall follow the same process that the departmental expenditure budget follows for monitoring and approval.
- Requests for Revenue Enhancement Funding should be done during the Provincial Medium Term Expenditure Committee meetings (PMTEC) following Revenue Enhancement Bilateral discussions.

5.2. Provincial Treasury's role

Limpopo Provincial Treasury (LPT) shall encourage "high road" revenue forecasting, advocating that departments and entities should set realistic and achievable own revenue targets. The Limpopo Provincial Treasury (LPT) shall provide capacity, support and guidance to departments and entities in their revenue generation endeavours. LPT shall conduct research on alternative revenue streams as well as reasonable and fair revision of tariffs. Benchmarking with other provinces and public sector institutions shall be conducted for learning of best practices to ensure continuous enhancement of Provincial own revenue. Furthermore, LPT shall provide an oversight role to ensure that the Provincial Own Revenue Enhancement Strategy is implemented by both departments and Schedule 3C Public Entities. Departments and Entities are thus required to develop and implement own revenue enhancement strategies.

Schedule 3C Public Entities shall be closely monitored to ensure that all own revenue and surpluses are surrendered and transferred into the Provincial Revenue Fund in line with Treasury Instruction Notes issued from time to time.

5.3. Departments / Public Entities' roles

Departments and Public Entities are responsible for the identification, collection, recording, reconciliation and safeguarding of provincial own revenue as well as enhancement of provincial own revenue. It is required that departments and Public Entities should develop own revenue collection strategies within the framework of the Provincial Own Revenue Enhancement Strategy and relevant prescripts. Departments and Public Entities should identify and implement revenue enhancement projects. This could be done through benchmarking with other counterparts and consultative departmental revenue committee meetings. In the case where departments / entities does

not have sufficient funding for revenue enhancement projects, Revenue Enhancement Allocation could be applied for.

Departments and Public Entities should appoint in writing, the designated Revenue Officers who will be responsible for the departmental own revenue matters and advice Provincial Treasury. Designated Revenue Officers are appointed to assist the Accounting Officer / Accounting Authority with regard to revenue management of an institution and the appointment does not acquit the Accounting Officer / Accounting Authority from his/her accountability. The designated Revenue Officer shall represent the Department at revenue budget planning and implementation forums. The responsibilities of the designated Revenue Officer shall be guided by the Provincial Treasury.

Departments and Public Entities are also required to establish own revenue committees to discuss issues which include annual revision of tariffs, determination of own revenue "high road" targets, identification of revenue enhancement projects and the revenue enhancement progress thereof. In the case where departments / entities make use of agencies to provide services which yield provincial own revenue generation, Service Level Agreements should be entered into with the collecting agency and Provincial Treasury should be consulted prior to the finalization of the Service Level Agreement (SLA) and during the period of SLA review.

5.4. Provincial Revenue Forum's roles

Provincial Revenue Forum is established for learning and sharing of best practices among departments and public entities on revenue management and enhancement. The Forum is coordinated by Provincial Treasury and is constituted by Provincial Treasury, appointed dedicated departmental revenue officials and relevant revenue officials. Matters relating to revenue budget planning, implementation and revenue enhancement strategies are discussed, and significant decisions are therefore taken. Provincial Treasury also provide feedback on the analysis of revenue budget plans and performance and the Forum is engaged for further advices and additional information.

6. Applicability

The Accounting Officer / authority of the department or entity are responsible for the implementation of Provincial Own Revenue Enhancement Strategy.

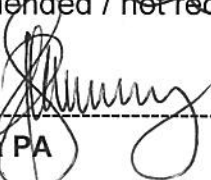
7. Implementation date

This strategy comes into effect on the date of approval.



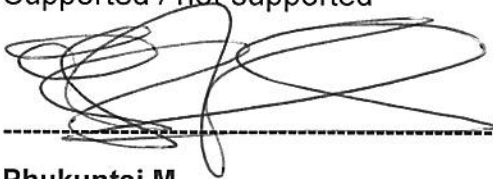
Masekoameng RC
Senior Manager: Fiscal Development

Recommended / ~~not recommended~~



Semanya PA
General Manager: Fiscal Policy

Supported / not supported



Phukuntsi M
Senior General Manager: Sustainable Resource Management

Supported / ~~not supported~~



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Head of Department
Limpopo Provincial Treasury
Date: 10/1/2014

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Date: 31 January 2014

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PROVINCIAL OWN REVENUE ENHANCEMENT STRATEGY

Executive Council Decision No. 60 of 2013/14

60.1 The Executive Council approved the Provincial Own Revenue Enhancement Strategy as presented,

Kind regards



EXCO Support Services

OFFICE OF THE DIRECTOR-GENERAL