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Department of Finance Office of the HOD

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Ref No : DOF 12/3/5/2/			

PROVINCIAL TREASURY CIRCULAR NO. 21 OF 2013

TO:-

THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (DR NONHLANHLA MKHIZE)
THE ACCOUNTING OFFICER (ACTING): VOTE 2: PROVINCIAL LEGISLATURE (MR BJ SILINDA)
THE ACCOUNTING OFFICER: VOTE 3: FINANCE (MS NZ NKAMBA)
THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR D MAHLOBO)
THE ACCOUNTING OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MS NL SITHOLE)
THE ACCOUNTING OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (DR DV DLAMINI)
THE ACCOUNTING OFFICER: VOTE 7: EDUCATION (MS MOC MHLABANE)
THE ACCOUNTING OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR KM MOHLASEDI)
THE ACCOUNTING OFFICER: VOTE 9: COMMUNITY SAFETY, SECURITY & LIAISON (MR ST SIBUYI)
THE ACCOUNTING OFFICER: VOTE 10: HEALTH (MR RM MNISI)
THE ACCOUNTING OFFICER: VOTE 11: CULTURE SPORT AND RECREATION (MS SP MJWARA)
THE ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS NL MLANGENI)
THE ACCOUNTING OFFICER: VOTE 13: HUMAN SETTLEMENTS (MR SM MTSWENI)

THE CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR T NKOJOANA)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR S SANYANE)
THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 3: FINANCE (MS L MLAMBO)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR MD SHIPALANA)
THE CHIEF FINANCIAL OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MR C. DLAMINI)
THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MS JP HLATSHWAYO)
THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION (MR CB MNISI)
THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR S SHONGWE)
THE CHIEF FINANCIAL OFFICER: VOTE 9: COMMUNITY SAFETY, SECURITY & LIAISON (MR BH NGOMA)
THE CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (MS B MOJAPELO)
THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE SPORT AND RECREATION (ACTING) (MS P KHOZA)
THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS P MORGAN)
THE CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENTS (MR SB MATSEBULA)

SUBMISSION OF FIRST DRAFT OF BUDGET DOCUMENTS (ESTIMATES OF PROVINCIAL REVENUE AND EXPENDITURE AND ANNUAL PERFORMANCE PLANS FOR 2014 MTEF PERIOD)

This circular is issued in line with Sections 6.1 and 6.2 of Treasury Regulations which requires that annual budget circulars be issued by Provincial Treasury for Accounting Officers of departments and other institutions to comply with the set budget guidelines and format as set by National Treasury.

Departments are required to submit the following budget documents to Provincial Treasury:

1. Database;
2. Estimates of Provincial Revenue & Expenditure;
3. Annual Performance Plan

Departments are required to provide documents that have clear assumptions on the allocated resources and to indicate in detail in the APP how the allocated resources would be economically, efficiently and effective utilised to achieve the planned outputs.

Furthermore the 2014 MTEF budget process should aim at achieving the 12 identified government outcomes. Department's cost savings will continue to play an important role in the budget process as government seeks reprioritised funding to address its key expenditure priorities.

The expenditure estimates for the 2013/14 MTEF period remains broadly unchanged. Departments and public entities are expected to plan ahead within the indicative forward estimates of the 2013 Budget. For the 2015/16 financial year, the baseline for recurrent allocations is a 4.6 per cent overall increase to the 2014/15 amount. Non-recurrent allocations must be removed from the baseline in the outer years of the MTEF where projects and activities have come to an end.

The following are the consumer price inflation assumptions for the 2014 MTEF planning process:

- 2014/15: 5.4 per cent
- 2015/16: 5.4 per cent
- 2016/17; 5.3 per cent

Compensation of Employees

Departments and entities are reminded that they are required to budget for the full costs of personnel, including increases in staff establishment, temporary or supplementary personnel, overtime allowances and other benefits, as well as the annual inflation-related adjustment. All aspects of compensation of employees funding must be provided for within the budget baseline.

For the MTEF period ahead, budgets for compensation of employees should be prepared on the basis of the following annual increases, which are calculated at the CPI projection plus 1 per cent:

- 2014/15: 6.4 per cent,

For 2015/16 and 2016/17 Institutions should budget CPI, Institutions are cautioned and should make allowance for possibility that the final wage agreement might be in excess of inflation, in order to ensure that a higher than inflation wage agreement can be afforded within the existing compensation of employee budget ceilings for 2015/16 and 2016/17

- 2015/16: 5.4 per cent, and
- 2016/17: 5.3 per cent.

Goods and services

In budgeting for goods and services, provision must be made for all inflation-related cost increases. The following CPI assumptions can be used for price increases for general goods and services for the MTEF period ahead:

- 2013/14: 5.4 per cent,
- 2014/15: 5.4 per cent, and
- 2015/16: 5.3 per cent

Transfers and subsidies

Budget projections for all categories of transfer payments must include provision for annual inflation-related adjustments. In the absence of more directly relevant indicators, the CPI projections for the period ahead may be used for this purpose.

Payments for capital assets

In keeping with standard project management practice, budgeting for capital projects should include appropriate allowances for inflation-related cost escalations and provision for contingencies. Maintenance and rehabilitation costs are estimated as part of goods and services expenditure.

Targeted areas for reduction and subsequent reprioritisation include expenditure targeted at areas which are not aligned to the achievement of identified department's outcomes and mandates.

You are advised that the CPIX projections might be revised by National treasury and you will be informed of those amendments.

For preparation of expenditure estimates each department should therefore thoroughly review its:

1. Aims , objective and identified outcomes;
2. Service deliverables and outputs that are needed to meet these outcomes;

3. Allocations to programmes that provide these outputs;
4. Identification and costing of the key activities and outputs under programmes or sub programmes.

Amounts for projects that are once off or involve spending over a defined period should be excluded upon termination. This should be identified by sub programme.

BUDGET STRUCTURES

All budget submissions must be completed in terms of approved Budget and Programme structure. The newly released Budget and Programme structure Guideline should be consulted.

PUBLIC ENTITIES

The budget estimates of all entities must be included in the submissions of the oversight departments.

ADDITIONAL BUDGET REQUIREMENTS

Departments are requested not to include new budget requirements in these documents. Additional budget requirements should be submitted separately, and these should be motivated and properly costed to determined estimated cost.

Attached here is the **2013 Provincial budget process schedule** indicated critical dates for submission of documents to Provincial Treasury as well as Provincial **2013 Medium Term Expenditure Guideline** for more information about the required budget documents.

ATTACHMENTS

Attached hereto is the Provincial Budget Schedule as well as the MTEF guidelines for your attention.

SUBMISSION DATES

All votes are requested to submit all budget documents (Annual Performance Plans, Database, Estimates of Provincial Revenue Expenditure chapters as well as cost per head) by **10th August 2013**.

Your co-operation will be highly appreciated.



MS NZ NKAMBA
HEAD OF DEPARTMENT

DATE: 10 / 7 / 2013