



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Treasury Guidelines
**Preparation of Adjusted Estimates of
National Expenditure**

National Treasury
July 2010

The document is available on the internet at: www.treasury.gov.za/publications/treasuryguidelines

INTRODUCTION

The aim of the Adjusted Estimates of National Expenditure (AENE) is:

- to provide detailed information on revised spending projections and revised performance projections for the current financial year, as provided for in section 30 of the Public Finance Management Act 1 of 1999 (PFMA), as well as mid-year actual expenditure and performance achievements; and
- to relate this information to the information published in the 2010 Estimates of National Expenditure (ENE).

The format for the 2010 AENE publication is similar to previous years and the link with the 2010 ENE chapters will continue to be maintained in:

- selected performance indicators as published in the 2010 ENE with actual achievements up to September 2010; and
- changes in estimated departmental receipts and actual mid-year departmental receipts.

What the departments need for the 2010 AENE

The **AENE database**, including information sheets with guidelines on how to complete the database.

No separate template for compiling the AENE chapter is attached. Departments should use the formatting style contained in these guidelines in order to compile their chapters.

Performance information

Performance indicators should be reported on against the targets reflected in the 2010 ENE and where a particular programme for a new department did not have published indicators in the 2010 ENE; new indicators relating to that programme should be included.

Over the medium term there are 12 targeted outcomes, which have been detailed in the 2010 *Measurable Performance and Accountable Delivery* document. These outcomes are to:

- Improve the quality of basic education
- Create decent employment through inclusive economic growth
- Develop a skilled and capable workforce
- Improve healthcare and life expectancy among all South Africans
- Build a safer country
- Support an efficient, competitive and responsive economic infrastructure network
- Develop vibrant, equitable and sustainable rural communities that contribute to adequate food supply
- Protect our environment and natural resources
- Create sustainable human settlements and improved quality of household life
- Build a responsive, accountable, effective and efficient local government system
- Create a better South Africa, a better Africa and a better world
- Generate an efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship.

In order to reflect government's shift to the outcomes approach to budgeting, the performance information table has been modified slightly. Departments must link performance indicators to the 12 outcomes announced by the Department of Performance Monitoring and Evaluation. Departments may also link performance indicators to other outcomes that relate to departmental strategic plans.

Deadlines

Departments submit requests for additional funds due to unforeseeable and unavoidable ¹ expenditure	25 August 2010
Departments submit requests for National Treasury approval for the shifting of funds to follow a function shift	1 September 2010
Departments submit AENE chapter and database: - including requests for unforeseeable and unavoidable expenditure - excluding the expenditure and receipts database and text - excluding annual performance estimates for the first six months of 2010/11	15 September 2010
Departments submit monthly expenditure report as at August 2010 (projections must include all adjustments) Deviations reflected in the monthly report must be equal to adjustments reflected in the AENE	15 September 2010
Allocation letters to departments	4 October 2010
Departments that requested additional unforeseeable and unavoidable funds submit final updates to AENE chapters and databases (including only approved additional funds)	8 October 2010
Departments submit expenditure and receipts in separate database and the monthly expenditure report for September 2010 Departments submit annual performance estimates for first six months of 2010/11	8 October 2010
AENE tabled in Parliament	27 October 2010

Technical Assistance

For **department specific queries**, contact the National Treasury Budget Analyst responsible for your department.

¹ In accordance with Treasury Regulation 6.6.1, the following will not be considered unforeseeable and unavoidable expenditure – (a) expenditure that, although known when finalising the estimates of expenditure, could not be accommodated within allocations; (b) tariff adjustments and price increases; and (c) extensions of existing services and the creation of new services that are not unforeseeable and unavoidable.

HOW TO WRITE THE AENE CHAPTER

Use the formatting style of the instructions below in order to compile the department's Adjusted Estimates of National Expenditure chapter. Follow the step by step instructions given here. Replace these instructions with the content for chapter submission.

Numbers style

Use a full stop to separate a number from the decimal numbers denoting the fraction of the number. Provide three numbers after the decimal point, unless any of these are zero.

Use a space to separate thousands. Example: R75 000 (75 thousand rand) but R10.2 billion (10 billion and 200 million rand)

Vote [insert vote number] [insert department name] (H1)

Adjusted budget summary (H2)

[The following table will be created from the database.]

R thousand	2010/11			
	Main appropriation	Adjusted appropriation	Decrease	Increase
Amount to be appropriated				
<i>of which:</i>				
Current payments				
Transfers and subsidies				
Payments for capital assets				
Payments for financial assets				
Direct charge against the				
National Revenue Fund				
Executive authority				
Accounting officer				
Website address				

Aim (H2)

[Write the aim of the department exactly as it was published in the 2010 ENE, or as recently approved if it has changed due to a programme structure change.]

Changes to programme purposes, objectives and measures (H2)

Changes to programme purposes, objectives and measures are published in the AENE to maintain the link between the departments' strategic plan, the voted budget and the adjusted budget.

The following are changes allowed in the AENE process: roll-over of funds, virements, unforeseeable and unavoidable expenditure, use of funds in emergency situations in terms of Section 16 of the PFMA, funds shifted within votes or between votes to follow a transfer of function and money already announced by the Minister of Finance in the main Budget.

To complete this section, follow the instructions below for **each** programme on the vote:

Programme [insert programme number]: [insert programme name]

Changed purpose: [insert new purpose]

Changed objectives and measures: [insert new objectives and measures]

[Insert explanation for changes]

Mid-year performance status (H2)

To link back to the voted budget and the 2010 ENE, performance information is also to be found in the AENE. This should include:

- recording and explaining any changes to performance indicators and estimates as published in the 2010 ENE;
- the link between performance indicators and the 12 outcomes that comprise government's strategic agenda as well as other outcomes that comprise government's purpose for on-going programmes; and
- reporting on the progress in the first six months of the financial year.

In the table, list:

- all the performance indicators published in the 2010 ENE;
- the targets projected for the whole year for each indicator, as published in the 2010 ENE;
- indicators that were not published in the 2010 ENE but are now recognised as important;
- the outcomes to which performance indicators relate where relevant;
- what has been achieved in the first six months of the financial year for each indicator; and
- any changes in original estimates of performance.

[The table below is not in the database. Use the template below to provide the information].

Indicator As published in the 2010 ENE	Programme Programme linked to the indicator	Outcome Outcome the indicator is linked to (if relevant)	Annual performance		
			Projected for 2010/11 as published in the 2010 ENE	Achieved in the first six months of 2010/11 (April to September)	Changed estimate for 2010/11

Below this table:

- Explain any changes to indicators;
- Explain any changes to performance estimates;
- Discuss mid-year progress, relating this to outcomes where relevant;
- Explain how roll-over of funds, virements, unforeseeable and unavoidable expenditure, use of funds in emergency situations in terms of Section 16 of the PFMA, funds shifted within votes or between votes to follow a transfer of function and money already announced by the Minister of Finance in the main Budget, impact on performance.

Adjusted Estimates of National Expenditure 2010 (H2)

A table on adjusted expenditure is set out in accordance with the categories of expenditure specified in section 30(2) of the PFMA by programme and economic classification.

The main appropriation shows the total amount appropriated per programme in the Appropriation Act (2010).

The adjustments appropriation consists of a variety of categories:

Roll-overs are funds appropriated in 2009/10 but not spent and are to be reappropriated in 2010/11;

Unforeseeable and unavoidable expenditure is expenditure that could not be anticipated at the time of finalising the inputs for the *2010 Estimates of National Expenditure* for the main budget;

Virements and Shifts

Virements is the utilisation of savings or underspending from amounts appropriated under one main division towards the defrayment of excess expenditure under another main division within the same vote; and

Shifts is the utilisation of savings or underspending towards the defrayment of excess expenditure within a main division of a vote between different segments (subprogramme and economic classification) of the main division. Shifts include the reallocation of funds incorrectly allocated during the 2010 ENE process.

Given the constrained fiscal circumstances currently being experienced, it is possible that a department may be realigning their budget in order to fund outcomes in line with government's strategic agenda. Any realignment that is to be affected within the 2010/11 financial year should be expressed as either a **virement** or a **shift**.

Other adjustments include: expenditure already announced in the budget speech of the Minister of Finance but not allocated at that stage; adjustments due to significant and unforeseeable economic and financial events; use of funds in emergency situations; funds shifted between or within votes to follow the transfer of functions; declared savings and; self-financing expenditure, which refers to expenditure financed from unforeseen revenue paid into the National Revenue Fund.

The total adjustments appropriation is the sum of all the additional funds to be appropriated.

The adjusted appropriation is the total funds available to departments after the adjustments have been appropriated.

The following table will be created from the database.

Programme	2010/11						Adjusted appropriation
	Main appropriation	Adjustments appropriation				Total adjustments appropriation	
R thousand		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Other adjustments		
1. Programme name							
2. Programme name							
Subtotal							
Direct charge against the National Revenue Fund							
Item							
Total							
Economic classification							
Current payments							
Economic classification item							
Economic classification item							
Transfers and subsidies							
Economic classification item							
Economic classification item							
Payments for capital assets							
Economic classification item							
Economic classification item							
Payments for financial assets							
Total							

The following tables for each programme will be created from the database.

Programme number: Programme name (Table header)

Subprogramme		2010/11						
R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation	
		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Other adjustments			
1. Subprogramme name								
2. Subprogramme name								
Subtotal								
Direct charge against the National Revenue Fund Item								
Item								
Total								
Economic classification								
Current payments								
Economic classification item								
Economic classification item								
Transfers and subsidies								
Economic classification item								
Economic classification item								
Payments for capital assets								
Economic classification item								
Economic classification item								
Payments for financial assets								
Total								

Details of adjustments to Estimates of National Expenditure 2010 (H2)

Roll-overs – [write full amount: R00.000 million] (H3)

- For each programme, explain what the roll-over of funds will be used for.
- There is no need to explain why the roll-over of funds was approved.

Unforeseeable and unavoidable expenditure – [write full amount: R00.000 million] (H3)

- For each programme, explain what the unforeseeable and unavoidable expenditure will be used for.

Virements and shifts within a department (H3)

This table will be created from the database. The table below is an example.

Programmes					
1. Programme name					
2. Programme name					
3. Programme name					
FROM:			TO:		
Programme by economic classification	Motivation	R thousand	Programme by economic classification	Motivation	R thousand
Programme 1		(12 656)	Programme 1		12 656
Compensation of employees	Non-critical posts at head office were not filled	(12 656)	Goods and services	For shortfall	12 545
			Machinery and equipment	For office equipment such as photocopiers	111
Percentage of programme budget		0.1%			
Programme 2		(130 000)	Programme 2		20 000
Machinery and equipment	Funds earmarked for the new passport system were reclassified	(130 000)	Goods and services	For shortfall	20 000
			Programme 3		110 000
			Departmental agencies and accounts	Government printing works for new passport system	110 000
Percentage of programme budget		0.1%			
Programme 3		(233 430)	Programme 2		233 430
Software and other intangible assets	Earmarked for HANIS Smart ID Card was reclassified	(213 430)	Goods and services	HANIS Smart ID card	205 430
	Earmarked for new passport system was reclassified	(20 000)		New client contact centre	8 000
				New passport system	20 000
Percentage of programme budget		0.2%			
Total		(376 086)			376 086

Other adjustments – [write full amount: R00.000 million] (H3)

Expenditure already announced in the main Budget speech of the Minister of Finance but not allocated at that stage (H4)

Programme [insert programme number]: [insert programme name] (H5)

Additional funding of R00.000 million has been allocated to cover costs related to [explain what the funds will be used for].

Adjustments due to significant and unforeseeable economic and financial events (H4)

Programme [insert programme number]: [insert programme name] (H5)

Additional funding of R00.000 million has been allocated to cover costs related to [insert expenditure category], R00.000 million for [insert expenditure category], etc.

Use of funds in emergency situations in terms of section 16 of the PFMA (H4)

Programme [insert programme number]: [insert programme name] (H5)

R00.000 million will be used for [insert what the funds will be used for].

Self-financing expenditure² (H4)

Programme [insert programme number]: [insert programme name] (H5)

R00.000 million has been realised from [insert source of funds] and will be used for [insert what funds will be used for]. The funds have been surrendered into the National Revenue Fund.

Function shifts (H4)

Funds shifted between votes to follow the transfer of functions in terms of section 42 of the PFMA and Treasury Regulation 6.5:

Programme [insert programme number]: [insert programme name] (H5)

R00.000 million will be transferred to the Department of [insert department name] for [explain what the funds will be used for]. Or

R00.000 million will be received from the Department of [insert department name] for [explain what the funds will be used for].

Funds shifted within a vote to follow a functions shift within the same vote: (H4)

Programme [insert programme number]: [insert programme name] (H5)

R00.000 million will be received from programme [insert other programme number] following the shift of the [insert name of function, e.g. monitoring, research, IT, etc.] function.

Declared savings (H4)

Programme [insert programme number]: [insert programme name] (H5)

Savings of R00.000 million due to [insert reason for saving] have been declared.

Gifts, donations and sponsorships³ – [write full amount: R00.000 million] (H3)

The department will make a donation of R00.000 million to [insert name of institution] for [insert what donation will be used for].

Amounts forming a direct charge against the National Revenue Fund – [write full amount: R00.000 million] (H3)

Include amounts for roll-over of funds, unforeseeable and unavoidable expenditure, virements, and all other adjustment as defined above. Follow the same format as explained above.

Expenditure for 2009/10 and preliminary expenditure for 2010/11 (H2)

This table will be created from the separately submitted expenditure reporting database. This database will be distributed in September 2010.

Programme	2009/10 Expenditure outcome					2010/11 Preliminary expenditure		
	Adjusted appropriation	Apr 09 - Sep 09	Apr 09 - Sep 09 % of adjusted appropriation	Apr 09 - Mar 10	Apr 09 - Mar 10 % of adjusted appropriation	Adjusted appropriation	Apr 10 - Sep 10	Apr 10 - Sep 10 % of adjusted appropriation
R thousand								
1. Programme name								
2. Programme name								
Subtotal								
Direct charge against the National Revenue Fund								
Item								
Item								
Total								

² Self-financing expenditure is spending financed from revenue derived from a department's specific activities. This revenue is deposited into the National Revenue Fund.

³ In terms of the Treasury Regulations, section 21, for amounts exceeding R100 000 funds must be approved by Treasury and voted by Parliament.

R thousand	2009/10					2010/11		
	Expenditure outcome					Preliminary expenditure		
	Adjusted appropriation	Apr 09 - Sep 09	Apr 09 - Sep 09 % of adjusted appropriation	Apr 09 - Mar 10	Apr 09 - Mar 10 % of adjusted appropriation	Adjusted appropriation	Apr 10 - Sep 10	Apr 10 - Sep 10 % of adjusted appropriation
Economic classification								
Current payments								
Economic classification item								
Economic classification item								
Transfers and subsidies								
Economic classification item								
Economic classification item								
Payments for capital assets								
Economic classification item								
Economic classification item								
Payments for financial assets								
Total								

Main expenditure trends for the first half of 2010/11 (H3)

A paragraph on expenditure trends will be compiled from the information captured in the expenditure database.

Departmental receipts (H2)

This table will be created from the database. This database for receipts will be distributed separately in September 2010.

R thousand	2009/10					2010/11			
	Adjusted estimate	Audited outcome				Actual receipts			
		Apr 09 - Sep 09	Apr 09 - Sep 09 % of adjusted estimate	Apr 09 - Mar 10	Apr 09 - Mar 10 % of adjusted estimate	Budget estimate	Adjusted estimate	Apr 10 - Sep 10	Apr 10 - Sep 10 % of adjusted estimate
Departmental receipts									
Economic classification item									
Economic classification item									
Total									

Main departmental revenue trends for the first half of 2010/11(H3)

A paragraph on deviations from the information published in the 2010 ENE will be compiled from the information captured in the receipts database.

Changes to transfers and subsidies, including conditional grants (H2)

These tables will be created from the database.

Summary of changes to transfers and subsidies per programme (Table header)

		2010/11					
		Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
R thousand	Main appropriation	Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Other adjustments		
Programme number. name							
Economic sphere							
Current							
Economic classification item							
Programme number. name							
Economic sphere							
Capital							
Economic classification item							

Summary of changes to conditional grants: Provinces (Table header)

		2010/11					
		Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
R thousand	Main appropriation	Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Other adjustments		
Programme number. name							
Conditional grant name							

Summary of changes to conditional grants: Local government (Table header)

		2010/11					
		Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
R thousand	Main appropriation	Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Other adjustments		
Programme number. name							
Conditional grant name							