



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Treasury Guidelines

Preparation of Expenditure Estimates for the 2011 Medium Term Expenditure Framework

National Treasury

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

Contents

1. Introduction	1
Economic growth and public sector spending	1
Outcomes budgeting approach	1
Civil servant wage bill	2
What should be noted in the guidelines.....	3
Preparation of expenditure estimates.....	3
2. Budget process: national sphere of government	4
Critical dates in the 2010 Budget process.....	4
MTEC discussions	5
3. Reporting against past performance	5
4. Baseline assessment and reprioritisation	5
Identification of non-recurrent expenditure	6
Rescheduling of expenditure	6
Underperforming programmes.....	6
Savings on non-core service delivery items	6
Information to be submitted	7
5. Further instructions to departments	7
Budget structures	7
Official development assistance	7
Budgeting for accommodation	8
Budgeting for interdepartmental initiatives	8
Concurrent functions and provincial budget requests	8
Conditional grant funding	8
Public entities and state-owned entities	8
Constitutional institutions	9
6. Infrastructure and capital projects/programmes	9
Detailed funding motivation in respect of existing and new projects/programmes:	10
The project appraisal cycle	10
7. Provincial budgeting process	10
Linking the intergovernmental budgeting process with the outcomes approach.....	10
Provincial budget timelines	11
Provincial Infrastructure	11

1. Introduction

These guidelines apply to national and provincial departments, public entities, state-owned enterprises and constitutional institutions. They contain essential information for the preparation of expenditure estimates for the 2011 medium-term expenditure framework (MTEF), and are aimed at improving the cost-efficiency of current public spending in order to achieve the key outcomes targeted by government.

Although there have been signs that the economy is on the path to recovery from the global economic crisis, recent events in Europe have signalled the need for governments to take decisive measures in ensuring that similar financial turmoil is not encountered in the near future. The effects of the recession still prevail in South Africa with the budget deficit remaining large, revenue collections suppressed and economic growth slow. These conditions call for more efficient use of existing resources, while still ensuring that core service delivery outcome targets are met. More specifically, the 2010 budget process will be centred on realigning the current budget to the 12 identified outcomes across departments. Cost savings will continue to play an important role in the budget process, as government seeks reprioritised funding to address its key expenditure priorities.

Economic growth and public sector spending

Nationally and globally the economic environment remains challenging. Tax revenue collection remains low when compared to previous periods and the consolidated government budget deficit as a ratio of the gross domestic product remains high, as shown by the 6.7 per cent recorded in the 2009/10 financial year, significantly higher than the 1.0 per cent recorded in the 2008/09 financial year. In the current financial year, the economy is expected to grow but only at slower rate than we have become accustomed to. As a result, this year's budget will need to be compiled within the constraint of minimal fiscal space and the focus will be on 'doing more with what we already have'.

The MTEF allocations already provide for average growth of about 6.5 per cent in 2010/11, 6.4 per cent in 2011/12, and 6.1 per cent for 2012/13. The budget baseline allocations for all 3 years are currently only indicative and may change following rigorous examination of baselines. CPI inflation is projected to decline. Based on projections, the new outer year allocation for the 2011 MTEF (2013/14) has been calculated by removing non-recurrent items from the 2012/13 baseline and growing the remainder by 5.5 per cent.

Outcomes budgeting approach

In the period ahead, budgeting will take into account the new performance agreements of Ministers and place great on monitoring and measuring performance and progress against identified targets. The outcomes approach to budgeting encompasses a new approach to planning, budgeting and monitoring of service delivery in line departments. Through the identification of outcomes and the monitoring of the related chain of inputs-activities-outputs, government will focus on the end product of service delivery. The focal point of this new approach will be on sectors and achievement of their outcomes and the intergovernmental implications, as opposed to on individual department's activities. An outcome-orientated government is able to coordinate different plans, activities and budgets across spheres and departments to ensure that all these areas are aligned. Departments will notice that substantial changes have been made to the structure of the MTEF database to reflect the new budgeting approach. At the departmental level particular emphasis should be placed on indicating the outputs and their related activities and inputs, and the costing of these.

In the past, departments have only been expected to comply with legislation (Public Finance Management Act of 1999, the Public Service Act 103 of 1994 and the Public Service Amendment Act of 2007), but there has not been enough emphasis on accountability for service

delivery outputs. This is set to change. Ministers have signed performance agreements with the President on service delivery targets, and this process will help to increase accountability around the measurement, monitoring and achievement of targets, as well as to increase the clarity of purpose in budgeting. Strong focus will be given to progress against identified outcomes as well as other departmental and agency mandates. The Agreements of Ministers who contribute to the one or more of the 12 outcomes is based on agreed-upon high-level outputs and metrics for those outcomes. The Agreements of Ministers with limited contribution to the 12 outcomes is based upon the key outcomes, outputs and metrics in the department's strategic plans.

The outcomes identified in the new approach have been referred to as government's "change agenda", but the "sustained agenda", i.e. government's previously funded priorities, is still of importance. Departments must link their existing budget to both the change agenda and the sustained agenda; and areas outside of this should be considered as sources for reprioritisation. Delivery Agreements provide more focus in respect of desired outputs, targets, indicators and key activities and required inputs, and clarify roles and responsibilities of each key department or agency which contributes to the achievement of the outcome. The activities and outputs identified in the Delivery Agreements should drive departments' estimates of expenditure for the 2011 MTEF.

Over the medium term there are 12 targeted outcomes, which have been detailed in the Presidency's 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.

A discussion of funded public spending outcomes in the 2010 Budget may be found in Chapter 8 of the *Budget Review 2010* publication, available at [www.treasury.gov.za/budget2010]. Further information on the outcomes-oriented approach can be attained from the Department of Performance Monitoring and Evaluation (PME).

Civil servant wage bill

Other countries such as the United Kingdom, Greece, Portugal and Spain are curbing public servant wage increases and in some instances implementing cuts in a bid to affect savings and reduce budget deficits over the medium term. In South Africa we have budgeted for strong but moderating wage bill growth. Excessive increases would significantly reduce the amount of funding available to attain key government outcomes. Thus it is imperative that departments do not support excessive salary percentage increases. The fiscal space is not sufficient to accommodate both large salary increases and increasing personnel numbers in the pursuit of outcome achievement, so reaching a balance between the two is essential.

Any additional increases over and above compensation of employee provisions on the budget

baseline will have to be funded from other spending areas within the existing baseline. If departments and entities are unable to contain their personnel expenditure within the baseline, they will have to consider realigning the staff complement. This realignment could take the form of movements within and between divisions, or reductions in the overall staff complement. However, service delivery and outcome attainment need to be the primary consideration.

Departments that choose to fill unfunded posts or commit themselves to new unfunded agreements without first seeking funding assurances from the fiscus, will in the end fund these from their existing allocations.

When submitting MTEF personnel information, funding allocated to specific programmes needs to be coupled with the number of personnel posts at different levels associated with this funding. This will enable the calculation of the overall average remuneration and the average remuneration in respect of each of these categories and programmes. Bonus payments should be separately budgeted for. Funding budgeted for residential accommodation for employees should also be separately shown. Compensation of employees that provides for contract employees additional to the establishment should also be provided.

What should be noted in the guidelines

A number of important points should be noted in this year's guidelines:

- Departments, public entities, state-owned enterprises and constitutional institutions are required to submit their expenditure estimates and related performance measures to inform the determination of appropriation requirements.
- All budget submissions must be in the format of the approved programme structure of a department.
- Public entities must link their budget submissions to relevant departmental programmes, subprogrammes and outputs, wherever possible.
- The departmental and agency baseline examination should include the identification of savings on non-core service delivery items, underperforming programmes, rescheduling of expenditure and non-recurrent expenditure.
- Submissions should demonstrate an analysis of how departments have considered reprioritising these available funds towards the attainment of identified outcomes that may previously not have been funded.
- Performance against outputs stated in the latest Estimates of National Expenditure (ENE) including for previous years must be reported for all programmes except programme 1 (Administration).
- Where relevant, departmental submissions must identify expenditure estimates relating to provincial priorities and to interdepartmental initiatives.
- The 2011 expenditure estimates must be submitted by 28 July 2010.

Preparation of expenditure estimates

Departments are required to ensure that resources in their baseline allocations are effectively prioritised towards government's strategic priorities. In compiling expenditure estimates for the 2011 MTEF, departments, provinces, public agencies, entities and constitutional institutions need to align their budgets to identified outputs and activities in pursuit of outcomes.

Programme and subprogramme expenditure estimates, in respect of **existing** and **new** outputs, should include:

- Estimates of programme and subprogramme funding required in order to attain the targeted outputs
- Contribution to identified outcomes should be stated at subprogramme and programme level

- A note explaining a rigorous baseline assessment, including proposals on how funding is being reprioritised to fund the attainment of outcomes and where overall reductions have been effected
- Costing of outputs at the programme or subprogramme level as an annexure, where relevant and
- Alternative sources of funding considered and own revenue generation (where appropriate) in support of increasing the availability of funding from the fiscus.

2. Budget process: national sphere of government

In addition to observing normal practices related to planning, budgeting and reporting, the following key dates* in the 2011 Budget process should be noted. These dates are applicable to departments, public entities, state owned entities and constitutional institutions. A schedule of additional provincial budget process dates is provided in Section 7.

Critical dates in the 2010 Budget process

Departments receive Medium Term Expenditure Committee (MTEC) guidelines and database templates	June 2010
Information sessions on expenditure estimate guidelines	June 2010
Departments submit revised drawings after rollovers	July 2010
Submission of capital/infrastructure funding requests	7 July 2010
Cabinet Lekgotla to discuss policy priorities and Medium Term Strategic Framework	20 – 22 July 2010
Departments submit expenditure estimates and database	28 July 2010
MTEC starts	16 August 2010
Departments' final date for distribution of Treasury Committee memoranda for unforeseeable and unavoidable expenditure	25 August 2010
Departments submit Adjusted Estimate chapters, database and Adjustments Appropriation Bill	15 September 2010
MTEC ends	17 September 2010
Treasury Committee	28 September 2010
Departments submit final adjustments estimate inputs (database and chapter including expenditure until end of September and additional funds allocated, as well as Adjustments Appropriation Bill)	8 October 2010
Adjusted Estimate tabled in Parliament	27 October 2010
ENE guidelines to departments and entities	5 November 2010
ENE database to departments and entities	17 November 2010
Inputs from departments for revised drawings after Adjusted Estimate	5 November 2010
Allocation letter to departments	15 November 2010
Departments submit first draft of ENE chapter, database and Appropriation Bill	7 December 2010
Departments submit revised (2nd draft) ENE chapters, databases and Appropriation Bill	12 January 2011
Departments submit estimated under/overspending for 2009/10 financial year	7 December 2010
Budget Day – Budget tabled in Parliament	February 2011

**Dates are subject to change. Some dates for key meetings, such as the Ministers' Committee on the Budget and parliamentary hearings, are not yet finalised.*

MTEC discussions

As in the previous year, bilateral MTEC discussions will take place between departments and National Treasury budget analysts to discuss details of expenditure estimates. An internal process will be used to then convey the results of these deliberations to members of MTEC. The Capital Budgets Committee will make further recommendations to MTEC members. A limited number of extended MTEC meetings will be held to deliberate areas highlighted by the Ministers' Committee on the Budget. Details concerning the items to be discussed will be distributed to relevant parties prior to these sessions.

3. Reporting against past performance

Examination of past performance is a critical step in strategic planning and preparing expenditure estimates for the 2011 MTEF. The National Treasury will be thoroughly examining past expenditure results. This will be analysed together with the performance information contained in submissions to assess whether value for money has been obtained in respect of previous budget allocations. This will be considered in the determination of recommendations for the allocation of resources in the MTEF period ahead.

Reporting on performance information should be based on the service delivery targets set in the 2010 ENE. Additional indicators that are not listed in the 2010 ENE can be reported on per programme or subprogramme. In fact given the outcome approach many departments are likely to start measuring new indicators. Information should be provided for the past three financial years, the current financial year and the next three years. When reporting for the current financial year, a projection of expected progress for April to June 2010 against the 2010 ENE targets should be included. Programme 1, which is usually reserved for administrative functions, is exempt from this requirement.

Departments are advised to monitor their relevant entities and constitutional institutions and report on their progress against targets set in the 2010 ENE. In addition to statistical information provided in the ENE, public entities may report against outputs specified in the shareholder compact or service level agreements between the departments and public entities, and approved by the board of directors.

Performance information for provincial departments should be reported for the same period prescribed for national departments, based on targets set in the 2010 Budget Statements.

4. Baseline assessment and reprioritisation

Given tight fiscal space and in order to achieve government's mandate, the reprioritisation of funds towards identified outcomes needs to take place within and across departments. Departments are expected to align their current budgets to identified outcomes. Submissions should include expenditure estimates per programme and subprogramme that are required to achieve key expected activities, outputs and outcomes. Expenditure estimates should be linked to the 12 outcomes and to the core mandates of departments. The assessment of past performance and expenditure and baseline examination will inform any requests for an increase in estimates of expenditure.

Departments and National Treasury budget analysts will work together to conduct thorough baseline assessments to identify funds that need to be reprioritised. Targeted areas for reductions and subsequent reprioritisation include expenditure targeted at areas which are not aligned to the achievement of identified outcomes and mandates.

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

- Aims, objectives and identified outcomes
- Service deliverables and outputs that are needed to meet these outcomes
- Allocations to programmes that provide for these outputs
- Identification and costing of the key activities and outputs under programmes or subprogrammes.

In realigning MTEF baselines to stated outcomes, it may become necessary to realign the in-year 2010/11 allocations. Where legislation requires that the realignment of in-year budgets be approved by National Treasury or the legislature, requests will need to be included in Adjustments Budget submissions. The Adjustments Budget guidelines, to be issued in approximately two months time will contain further information in this regard.

Departments are required to compile a note explaining how reprioritisation enhances its aims, service delivery targets and outcomes. In addition, proper costing of services is an important component of the baseline examination and ancillary information such as unit costs that are not contained in the database may be provided with the expenditure estimates.

This detailed baseline exercise should highlight programmes and subprogrammes that have not delivered on expected outputs or cases of insufficient capacity to deliver services. The baseline exercise should include decisions to reprioritise capacity or resources, even temporarily, and reprioritise funding from lower-priority to higher-priority programmes. The determination of expenditure estimates should include an assessment of capacity and identification of skills shortages hampering service delivery.

The baseline realignment exercise must include the following steps to identify funding that can be reprioritised towards the attainment of identified outcomes:

Identification of non-recurrent expenditure

Amounts for projects that are once-off or involve spending over a defined period should be excluded upon termination. Non-recurrent expenditure should be identified by subprogramme.

Rescheduling of expenditure

The baseline examination exercise may result in decisions to restructure/delay the timing of service delivery in implementation plans.

Underperforming programmes

The baseline examination, supported by a realistic assessment of performance against actual outputs and outcomes, should identify possible areas of savings. This includes identifying programmes that are performing well but not actually contributing to the achievement of desired outputs or outcomes.

Savings on non-core service delivery items

This is intended to ensure that funds are directed on an ongoing basis to fund service delivery rather than to fund non-essential spending or frills. These savings can be achieved through reducing operating costs and non-service delivery activities (e.g. advertising, vehicle hire, travel, security, non-essential telecommunications, entertainment costs, consultant fees where relevant) and should be considered for all programmes. In order for this process to be effective, it is advised that departments review internal policies pertaining to official travel, entertainment and communications. Amendments of these policies could induce substantial cost-savings.

This requirement also applies to all public entities and constitutional institutions.

Information to be submitted

Expenditure estimates in respect of **existing** and **new** outputs compiled per programme and subprogramme should include:

- The completed MTEF database
- Detailed narrative information showing a rigorous baseline assessment and the reprioritisation of funds, including funding of outputs and outcomes which may have been previously unfunded. There should also be an explanation of why any new outputs to achieve desired outcomes could not be accommodated in the reprioritisation exercise
- Alternative funding mechanisms that were considered such as public private partnerships for infrastructure projects
- Identified output at subprogramme and programme level
- Detailed costing under programmes and subprogrammes, as ancillary information to the database
- Legislative plans, administrative and implementation plans
- A monitoring and evaluation plan to examine whether objectives / outcomes have been met
- Risk analysis, feasibility studies and implementation readiness
- Links to any other relevant programmes within the department or across departments
- Additional information, including templates that may be requested by budget analysts.

Submissions will not be considered unless the relevant information has been submitted.

It should also be recognised that attaining value for money and efficient resource allocation in public service delivery depends not only on spending programmes, but also on appropriately targeted revenue and cost-recovery measures. Tariffs and cost-recovery play an important part in narrowing the gap between expenditure on services and tax revenue availability, and can also contribute to channelling resources to their best use. Areas of revenue raising should be reviewed and appropriately utilised to increase the availability of resources in the fiscus.

5. Further instructions to departments

Budget structures

All budget submissions must be completed in terms of approved budget structures.

The newly released *Budget Programme Structure Guidelines* should be consulted when reviewing budget structures, available at [www.treasury.gov.za]. A department's budget structure is determined in consultation with the National Treasury. The design of programme budget structures is critical in giving effect to the strategic plan and in maximising performance and service delivery. Currently a process led by the National Treasury is underway to review the budget structures of all national government departments. Departments that have not yet been contacted in this regard, are invited to begin reviewing their budget structures and to make submissions to the National Treasury budget analysts in the Public Finance Division.

Once budget structures have been amended and approved through the formal process, they can be used in MTEF submissions and they should typically remain unchanged until the next electoral cycle unless there are formal changes to the department's mandate. The circumstances under which changes may be permitted are described in the last two pages of the *Budget Programme Structure Guidelines*.

Official development assistance

Official development assistance should be understood to include both cash and in-kind contributions. Reporting on official development assistance generally needs substantial further improvement. Each department or province is required to provide a schedule of **all** donor

funding by programme and economic classification over the MTEF period, together with a brief description of how the funds will be spent and the associated timelines. Where monetary value cannot be attached to in-kind contributions, a brief narrative description of the contribution must be provided. The information for in-kind contributions should be as accurate as possible; the information should be obtained from the relevant donors. Specific outputs per donation must also be identified on the donor funding sheets.

Budgeting for accommodation

For a number of years the Department of Public Works has determined the MTEF accommodation budgets for departments. From the 2011 MTEF, departments will have to estimate expenditure in respect of accommodation themselves. These costs should be based on department-specific user-asset management plans (in line with the provisions of the Government Immovable Asset Management Act). As such, accommodation budgets will in part have to depend on the contents of specific agreements entered into between a department and the Department of Public Works.

Budgeting for interdepartmental initiatives

In the case of interdepartmental programmes, participating departments are required to submit the relevant information in respect of the contribution they will make in the format required in these guidelines. Departmental covering letters should include reference to such programmes. Programmes should be signed off by the accounting officer. Relevant departments should communicate extensively with each-other during the preparation of estimates to improve the clarity and accuracy of individual submissions, which together should support the interdepartmental programme.

Concurrent functions and provincial budget requests

Departments responsible for concurrent functions must reach an agreement with their provincial counterparts of expenditure they plan to propose in the province in the 2011 MTEF, and include recommendations from meetings held by the national sector departments and nine provincial sector departments ("10 X 10" discussions). These national departments must have separate submissions, for the national department itself and for the provinces. Provincial performance, including activities, outputs and outcomes over the MTEF, must be included in the submission.

Conditional grant funding

Progress on the implementation of conditional grants should be reported on in the MTEF submission. Requests for approval of conditional grant funding for departments responsible for concurrent functions must be signed by the appropriate officer and provide all the information identified in the spreadsheet. Conditional grant funding must be identified in terms of the relevant departmental programme. Supplementary information can be provided for clarification.

Departments are expected to report on local and provincial government compliance with existing conditional grant conditions and provide inputs in connection with changes to grant formulas. The deadline for all conditional grant submissions is 23 July 2010 .

Public entities and state-owned entities

Departments are accountable and responsible for information from their respective entities, including the constitutional institutions. The expenditure estimates submissions of all entities, must be included in the submissions of the oversight departments.

Compliance in this regard will help to prevent late submission and enable a balanced assessment process.

- For entities, the appropriation requirements may be submitted as “budgets pending approval” or expenditure estimates over the MTEF
- Deviations from expenditure estimates may be submitted once the budget has been approved by the board of directors or the executive authority
- Accrual information must be presented. However, schedule 3A and 3C entities funded from appropriations may provide cash information only
- Both historic and projected budget figures must be provided in the appropriate annexure.

The National Treasury will consider and recommend the appropriation needs of a public entity prior to budget approval by the board of directors. Entities should also estimate own revenue where applicable.

Objectives refer to the entity’s cost centers or projects et cetera that an entity undertakes in its operations in achieving its outputs and outcomes. Expenditure information is required in this format and the total should balance to the total expenditure on the ‘Financial information’ table. The objectives should clearly identify the purpose for which the entity undertakes the activity and how much of the budget is allocated for each of these activities.

All entities are required to provide information on their borrowing plans over the MTEF period as part of their submissions. This will enable the National Treasury to consolidate government borrowing estimates.

Entities should also provide statements of their cash and cash equivalent balances over the past five years, as set out in balance sheets and cash-flow statements. An entity funding plan showing the gap between cash generated from operations and cash requirements should also be provided. Along with their submissions entities must submit their latest available audited annual reports.

The guidelines in their entirety are applicable to all entities; they contain specific information on how to complete various components of the submission such as the infrastructure table and performance indicators. **Entities are therefore advised to read the entire guideline and not just this section.**

Constitutional institutions

The requirements for preparing expenditure estimates for public entities also apply to constitutional institutions. Their estimates of expenditure must be submitted in the required format to the National Treasury.

6. Infrastructure and capital projects/programmes

Insufficient infrastructure capacity increases the costs of connecting households to public goods and services, and it increases the costs of production in the economy. Given the large infrastructure backlogs that exist in South Africa, the budget will focus on addressing infrastructure investment that provides the best value for money in the most cost effective manner.

To ensure that there is efficiency, cost effectiveness and better allocation of resources, the detailed guidelines on capital budgeting provide government institutions with the procedural framework for the appraisal of existing and new projects. They provide information regarding what is required when proposing funding towards capital projects and programmes, which includes detailing the operational implications of implementing such projects i.e. the lifecycle costs.

A more detailed guide on infrastructure and capital project submissions is available at [www.treasury.gov.za].

Detailed funding motivation in respect of existing and new projects/programmes:

New infrastructure projects and programmes: All new infrastructure projects and programmes should undergo a complete project appraisal.

Extension of existing infrastructure projects and programmes: Funding proposed should either be based on the need to complete or the need to extend an existing project or programme. Where many small projects with the same outputs exist, these may be grouped together and motivated as an infrastructure programme requiring extension. Ongoing infrastructure transfers to public agencies, entities and other spheres, for which further support is proposed, may also be motivated under this category.

The project appraisal cycle

The preparation of the estimates of expenditure for a project occurs in three logical steps: identification, prefeasibility and feasibility. This allows for a logical approach to project planning that will assist in the appraisal and evaluation of the project and provide the necessary information and rationale. Cognisance should be taken of where the project is in the appraisal cycle. The expectation is that departments and public entities do not reprioritise funds to the construction of projects that are at identification stage as the scope of the project is not well understood at this stage in the planning cycle.

Project identification

Centred on a needs analysis, the identification of the project should link to the government institution's strategic plan. The project note should provide further information.

Pre-feasibility

The pre-feasibility study is based on an options analysis, where alternative ways are identified to realise the objectives/outcomes of the project.

Feasibility

The feasibility study in a project provides detailed analysis of **all** the costs and benefits of the preferred option selected in the pre-feasibility study. The feasibility study includes a quantitative risk assessment that considers the uncertainty and volatility of key risk variables that could undermine the successful implementation of the project. Should the information requirements of a feasibility study not be met, this is an indication that the project is not ready for implementation and further planning is required.

Project funding estimates, including detailed supporting documentation should be submitted to the National Treasury, through the relevant Budget Analyst by 7 July 2010.

7. Provincial budgeting process

Linking the intergovernmental budgeting process with the outcomes approach

The majority of government's outcomes will only be achieved through careful coordination amongst all three spheres of government. Previous efforts across the spheres such as collaborative programmes and services have generally achieved low levels of success. The outcomes focus, coupled with service delivery agreements and improved monitoring and evaluation lay the foundation for more effective collaboration between the three spheres of government.

In addition to the information provided in the previous sections, provinces are expected to meet the requirements of their own provincial budget processes. This section highlights some of these additional requirements, which may vary across provinces. It should be read together with the Provincial Budget Process Schedule and Provincial Budget Formats Guide, found at [www.treasury.gov.za].

The timeline for key budget decisions in the policy review stage are outlined below.

Provincial budget timelines

EXCO considers spending priorities	May – September 2010
Provincial technical committees consider key spending pressures Policy discussions with line departments	May 2010
Revise macroeconomic framework and Annual Performance Plans (APPs)	July – September 2010
EXCO considers in-year pressures and policy priorities for upcoming MTEF	September 2010
Adjusted Estimate tabled in legislature	October/November 2010
Provinces prepare/ finalise budget and planning documentation	December 2010
Provincial budgets tabled	February 2011

Provincial departments must update their performance targets and include these as agreed upon per sector in their annual performance plans for the upcoming financial years. The final actual outputs of 2010/11 must serve as the estimated baseline targets for 2011/12. The first draft APPs must be submitted on the 31 August 2010. Any amendments to the Strategic Plan can be attached to the APP as an annexure. Delivery Agreements for departments (if available) can also be attached as an annexure to the APPs.

Provincial Infrastructure

Provincial departments must submit User Asset Management Plans to the relevant Treasury in compliance with the Government Immovable Asset Management Act and Division of Revenue Act of 2010. The Construction Industry Development Board (CIDB) toolkit will serve as the basis for infrastructure planning as this will be aligned to the relevant legislation. The toolkit is available on the CIDB website at www.cidb.org.za.

Provincial infrastructure budgets should include infrastructure planning, budgeting and project execution plans. Infrastructure departments must capture their infrastructure budgets (capital and maintenance costs) using the items provided in the Basic Accounting System standardised project segment. Provincial treasuries are requested to ensure that departments comply with the new structures. The infrastructure project segments are:

- New infrastructure (capital expenditure)
- Rehabilitation and replacement (capital expenditure)
- Renovation and refurbishment (capital expenditure)
- Upgrading and additions (capital expenditure)
- Maintenance and repairs of existing facilities (current expenditure).