



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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

National Treasury
August 2011

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

1. 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);
- to provide mid-year actual expenditure and performance achievements; and to relate this information to the information published in the 2011 Estimates of National Expenditure (ENE).

The format for the 2011 AENE publication is similar to previous years and the link with the 2011 ENE chapters will continue to be maintained in:

- selected performance indicators as published in the 2011 ENE, with actual achievements up to September 2011; and
- estimated departmental receipts with changes, and actual mid-year departmental receipts.

2. IMPORTANT TO NOTE FOR THE 2011 AENE

2.1 AENE database

A database will be provided to departments to complete. The “information sheet” in the database will provide guidance on how to complete the data.

2.2 AENE chapter contents

2.2.1 General

Section 4 of this guideline provides details on how chapters should be written. Departments should use the formatting style contained in these guidelines in order to compile their chapters.

If an adjustment to the budget impacts on the Division of Revenue Act, a short explanation should be provided. This information should be in an explanatory box.

2.2.2 Performance information

Performance indicators should be reported on against the targets reflected in the 2011 ENE. Indicators and targets should be revised **only** if outputs will be affected by the adjustment to the budget or a change in the budget programme structure.

2.2.3 Technical assistance

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

3. DEADLINES

Departments submit requests for additional funds due to unforeseeable and unavoidable ¹ expenditure	22 August 2011
Departments submit requests for National Treasury's approval for the shifting of funds to follow a function shift	1 September 2011
Departments submit AENE chapter and database: - including all requests for unforeseeable and unavoidable expenditure - excluding the expenditure and receipts database and text - excluding annual performance estimates for the first six months of 2011/12	15 September 2011
Departments submit a monthly expenditure report as at August 2011 (projections must include all adjustments) Deviations reflected in the monthly report must be equal to adjustments reflected in the AENE	15 September 2011
Allocation letters to departments	23 September 2011
Departments that requested additional unforeseeable and unavoidable funds submit final updates to AENE chapters and databases (including only approved additional funds)	28 September 2011
Departments submit expenditure and receipts in a separate database and the monthly expenditure report for September 2011 Departments submit annual performance estimates for first six months of 2011/12	10 October 2011
AENE tabled in Parliament	25 October 2011

¹ In accordance with Treasury Regulation 6.6.1, the following will not be considered for 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.

4. 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 the 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	2011/12			
	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 2011 ENE, or as recently approved if it has changed due to a budget 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, funds shifted within votes or between votes to follow a transfer of function, money already announced by the Minister of Finance in the main Budget, savings declared by departments as well as self-financing expenditure.

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

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

Changed purpose (P+B): [insert new purpose] (P)

Changed objectives and measures (P+B): [insert new objectives and measures] (P)

[Insert explanation for changes] (P)

Mid-year performance status (H2)

To link back to the voted budget and the 2011 ENE, performance information must be reported in the AENE. This should include:

- recording and explaining any changes to performance indicators and 2011/12 estimates as published in the 2011 ENE. The changes should be linked to adjustments made to the budget; 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 2011 ENE;
- the targets projected for the whole year for each indicator, as published in the 2011 ENE;
- indicators that were not published in the 2011 ENE but are now recognised as important;
- what has been achieved in the first six months of the financial year for each indicator; and
- any changes in original estimates of performance, due to adjustments to the budget.

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

Indicator	Programme	Annual performance		
		As published in the 2011 ENE	Projected for 2011/12 as published in the 2011 ENE	Achieved in the first six months of 2011/12 (April to September)
	Programme linked to the indicator			

Below this table:

- Explain any changes to indicators;
- Explain any changes to performance estimates;
- Discuss mid-year progress, relating this to departmental programmes and government’s outcomes where relevant;
- Explain how roll-over of funds, virements, unforeseeable and unavoidable expenditure, use of funds in emergency situations, 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, declared savings and self-financing expenditure impact on performance.

Adjusted Estimates of National Expenditure 2011 (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 2011*.

The adjustments appropriation consists of a variety of categories:

Roll-overs are funds appropriated in 2010/11 but not spent and are to be re-appropriated in 2011/12;

Unforeseeable and unavoidable expenditure is expenditure that could not be anticipated at the time of finalising the inputs for the *2011 Estimates of National Expenditure* for the main budget.

Virements are the utilisation of savings or underspending from amounts appropriated under one main division (programme) towards the defrayment of excess expenditure under another main division (programme) within the same vote.

Funds reallocated between programmes or subprogrammes or economic classification items within the 2011/12 financial year should be expressed as either a **virement** or a **shift**, and should be captured and explained in the table shown on page 9. An explanation of why funds are not used / spent in a particular programme or subprogramme or economic classification and what these funds will be used for in the programme or subprogramme or economic classification where they are shifted to should be provided.

Departments require approval before a virement can take place either from their Accounting Officer, the National Treasury or from Parliament. The level of approval depends on the nature of the virement. All virements that require approval from National Treasury include those that will:

- Increase the funds appropriated for compensation of employees;
- Increase the funds appropriated for transfers and subsidies to other institutions;
- Introduce a new transfer to other institutions;
- Result in utilising funds that were appropriated for transfers and subsidies to other institutions provided the expenditure will be utilised for the same purpose as that of the main division within the vote in which it was originally appropriated;
- Result in utilising funds that were earmarked by National Treasury in the allocation letter to an institution; and
- Result in utilising funds that were appropriated for payments for capital assets for other categories of expenditure other than for the compensation of employees.

Virements that will require approval from the legislature (as proposed in an adjustments appropriation bill) include those that will:

- Result in utilising funds appropriated for items specifically and exclusively earmarked in an appropriation act;
- Result in utilising funds that amount to more than 8 per cent of the amount appropriated for a programme;
- Result in utilising funds appropriated as transfers and subsidies that could not be approved by the National Treasury; and
- Result in utilising funds appropriated for payments for capital assets for the payment of current assets that could not be approved by the National Treasury.

Virement applications that require the approval of Parliament are tabled in the Adjustments Appropriation Bill and detailed in the Adjusted Estimates of National Expenditure publication with motivations provided.

Shifts are the utilisation of savings or underspending towards the defrayment of excess expenditure within a main division (programme) of a vote between different segments (sub-programme and economic classification) of the main division (programme). Shifts include the reallocation of funds incorrectly allocated during the 2011 ENE process.

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 table on adjusted expenditure for the vote will be created from the database].

Programme	2011/12						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							
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 tables for each programme will be created from the database].

Programme number: Programme name (Table header)

Subprogramme	2011/12						Adjusted appropriation
	Main appropriation	Adjustments appropriation				Total adjustments appropriation	
R thousand		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Other adjustments		
1. Subprogramme name							
2. Subprogramme name							
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 2011 (H2)

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

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

R00.000 million has been rolled over for [explain what the funds will be used for]. (P)

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

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

An additional R00.000 million is allocated for [explain what the funds will be used for]. (P)

Virements and shifts (H3)

- Each virement or shift must be motivated, in both the 'FROM' and 'TO' columns.
- In the "FROM" column specify what has been reduced. In the "TO" column, specify what the funds will be used for.
- If a shift occurs because items of less than R5 000 have increased in price and must be reclassified, explain that funds were shifted to capital payments due to price increases in the "FROM" column. In the "TO" column, explain that funds were shifted from current payments as items now cost more than R5 000.
- Mention incorrect classification of items in both the "FROM" and "TO" columns.
- All virements or shifts for which approval from National Treasury has been obtained, or those that will require the approval of the Legislature must be indicated by means of a footnote, as shown below the table.

[The table for virements and shifts will be extracted from the database].

Programmes					
Programme name					
Programme name					
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 in ...	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 ²	(130 000)	Goods and services	For shortfall in ...	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	Funds earmarked for HANIS Smart ID Card was reclassified earmarked for new passport system was reclassified ¹	(213 430)	Goods and services	HANIS Smart ID card	205 430
		(20 000)		New client contact centre	8 000
				New passport system	20 000
Percentage of programme budget		0.2%			
Total		(376 086)			376 086

1. In terms of the PFMA, only the legislature may approve this Virement.

2. National Treasury approval has been obtained.

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 announced is allocated to cover costs related to [explain what the funds will be used for]. (P)

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], and etc. (P)

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. (P)

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 (P)

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

Funds shifted within a vote to follow a function 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. (P)

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. (P)

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]. (P)

²Self-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.

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 adjustments as defined above. Follow the same sentence format as explained above.

Expenditure for 2010/11 and preliminary expenditure for 2011/12 (H2)

[This table will be created from the separately submitted expenditure reporting database. This database will be distributed in September 2011].

Programme	2010/11 Expenditure outcome				2011/12 Preliminary expenditure			
	Adjusted appropriation	Apr 10- Sep 10	Apr 10 - Sep 10 % of adjusted appropriation	Apr 10 - Mar 11	Apr 10 - Mar 11 % of adjusted appropriation	Adjusted appropriation	Apr 11 - Sep 11	Apr 11 - Sep 11 % of adjusted appropriation
R thousand								
1. Programme name								
2. Programme 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								

Main expenditure trends for the first half of 2011/12 (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 2011].

R thousand	Adjusted estimate	2010/11				2011/12			
		Audited outcome				Actual receipts			
		Apr 10 - Sep 10	Apr 10 - Sep 10 % of adjusted estimate	Apr 10 - Mar 11	Apr 10 - Mar 11 % of adjusted estimate	Budget estimate	Adjusted estimate	Apr 11 - Sep 11	Apr 11 - Sep 11 % of adjusted estimate
Departmental receipts									
Economic classification item									
Economic classification item									
Total									

Main departmental revenue trends for the first half of 2011/12 (H3)

A paragraph on deviations from the information published in the 2011 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)

R thousand	Main appropriation	2011/12					Total adjustments appropriation	Adjusted appropriation
		Adjustments appropriation						
		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Other adjustments			
Programme number. name								
Economic classification Current Item								
Programme number. name								
Economic classification Capital Item								

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

R thousand	Main appropriation	2011/12					Total adjustments appropriation	Adjusted appropriation
		Adjustments 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)

R thousand	Main appropriation	2011/12					Total adjustments appropriation	Adjusted appropriation
		Adjustments appropriation						
		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Other adjustments			
Programme number. name								
Conditional grant name								