



treasury
Department of
Treasury
FREE STATE PROVINCE

Medium Term Expenditure Framework Guidelines

Preparation of Expenditure Estimates for the 2014 Medium Term Expenditure Framework

Free State Provincial Treasury

June 2013

STATEMENT OF INTENT

Economic outlook

Fiscal policy has been an important contributor to the economy and at the same time has ensured that budgets are sustainably financed.

Owing to sound management of the fiscus when economic growth was strong, government was able to enter the 2008-2009 recession with healthy public finances and a comparatively low level of debt. This enabled a flexible response to deteriorating economic conditions. Spending growth reinforced the social security net during a period of exceptional hardship for many South Africans, and provided an economic stimulus through rising allocations towards infrastructure, and programmes aimed at business support and increasing employment.

The difficult circumstances that have confronted the South African economy over the past few years are expected to continue for the foreseeable future. Global economic conditions remain uncertain due to weak growth prospects in advanced economies and a potential slowing in activity in the major developing economies. Domestically, low levels of business confidence, slow growth in both consumption and investment spending, and disruptions to business activity through labour stoppages and electricity supply constraints present a challenging growth environment.

Within this context, a weak revenue performance has resulted in sustained and significant borrowing over the past 5 years. While necessary to ensure the continued expansion in public service delivery and support for the economy, these deficits are not sustainable over the longer term and must be resolved through a combination of disciplined growth in spending and economic recovery.

Budget 2014

Presenting a 2014 Budget that is consistent with these objectives requires a difficult balancing between spending restraint and ensuring that existing resources are efficiently and effectively allocated towards developmental priorities. The 2014 Budget will therefore continue to be informed by the fiscal policy framework that has served previous budgets. To this end, the objectives of the 2014 Budget will include:

- Maintaining support for the economy and public service delivery through disciplined growth in government spending;
- Stabilising public debt as a share of GDP by 2015/16 through a combination of revenue growth disciplined growth in spending; and
- Aligning the budget to the priorities of government including poverty reduction, housing development, investment in developmental infrastructure, job creation, and municipal support.

Budget 2013 did not add additional resources to the spending plans of 2012. Reductions to the contingency reserve in the 2013 Budget served to further constrain opportunities for adding to

existing spending envelopes. Given the objectives and context discussed above, the 2014 Budget will continue to be constrained with government facing an extremely tight budgetary environment.

With government facing a hard spending ceiling, opportunities for expanding and improving service delivery will need to be financed within existing allocations. The 2014 Budget will therefore continue to place significant emphasis on spending efficiency and effectiveness. In an effort to generate fiscal space within the budget, expenditure reviews and Medium Term Expenditure Committee engagements will continue to prioritise the identification of areas of low effectiveness or insufficient alignment with government priorities.

Budget Process

Achieving the difficult balances discussed above will require a different approach to the 2014 Budget. The 2014 Budget process will broadly be comprised of three phases.

- The **first phase** will seek to establish the 2014 Budget baselines for function groups. The Budget Guidelines anticipate that this will be completed by mid-July 2013.
- The **second phase** of the budget process will involve extensive engagements within function groups of issues pertaining to the suitability of the new budget baselines, spending pressures and priorities, opportunities for additional value for money, and potential savings from within the function. This phase will be led by the function group leader and will be based on an agenda developed between the function group leader and the other members of the function group.
- The **third phase** of the budget process will focus on the consolidation and analysis of the second phase to consider the urgency of spending pressures and opportunities for financing through reprioritisation of existing resources. The third phase will be led by the Ministers' Committee on the Budget and the central Medium Term Expenditure Committee.

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1. Overview of the 2014 Budget process

This section provides an overview of the 2014 Budget process, including timelines for different activities and decision making points, leading to the approval of budget allocations and tabling of the Budget. The technical requirements for the expenditure estimate submissions will be outlined in sections 2 to 4 of these guidelines.

The 2014 Budget process will be broadly comprised of *three* phases:

- The *first phase* will seek to establish the preliminary 2014 Budget baselines for institutions¹ and function groups, using the 2013 Budget baseline as a basis. A database will be sent to institutions to enable the initial engagement with Provincial and National Treasury budget analysts, to agree on the 2014 Budget baseline. This is expected to be completed by mid-July 2013;
- The *second phase* of the budget process will involve extensive engagements amongst institutions within function groups on issues pertaining to the suitability of the new budget baselines, spending pressures and priorities, and opportunities for their funding and for achieving value for money², from within the functions. This phase will be led by the function group leaders and will be based on an agenda developed between the function group leader and other members of the function group. The discussions will be guided by the legislative mandate as per the relevant acts that govern institutions' establishment and operations. This process is expected to be completed by the end of August 2013. The outcomes of the second phase will inform Cabinet, as a collective, on how resources can be reallocated between different policy objectives; and
- The *third phase* of the budget process will focus on the consolidation and the analysis of the second phase in considering the urgency of spending pressures and opportunities for financing through the reprioritisation of existing resources. The third phase will be led by the Ministers' Committee on the Budget and the main Medium Term Expenditure Committee (MTEC) based on recommendations from function MTECs. This process is expected to take place between August and September 2013.

Critical dates in respect of the budget process as set out below in table 1 should be taken into consideration by institutions when preparing 2014 expenditure estimates. **Dates are subject to change.**

Provincial departments and entities are to follow the specific requirements of their own treasuries and provincial budget processes. These guidelines should thus be read together with the **Provincial Budget Process Schedule and Guide for Provincial Budget Formats**, available on the National Treasury website at www.treasury.gov.za/publications/guidelines. Provincial treasuries must receive revised baseline estimates from provincial departments and entities by

¹ Institutions include departments, constitutional institutions and **all** schedule 3A and 3C public entities.

² Value for money can be assessed using the criteria of economy (reducing the cost of resources used for an activity and maintaining quality), efficiency (increasing output for a given input, or minimising input for a given output, and maintaining quality) and effectiveness (achieving the intended outcomes from the output/s).

05 July 2013, in order for consolidated provincial estimates to be prepared by **12 July 2013**.

Table 1: Critical dates for the 2014 national and provincial budget process

Departments, public entities and constitutional institutions receive Medium Term Expenditure Framework (MTEF) technical guidelines and databases	Early June 2013
Information sessions on MTEF technical guidelines and databases	June 2013
Departments submit proposals for budget programme structure revision to National Treasury	27 June 2013
Budget submission: narrative and database	12 July 2013
Medium Term Expenditure Committee (MTEC) process starts – phase 1	June 2013
MTEC process continues – phase 2	July-August 2013
MTEC process ends – phase 3	September 2013
Tabling of Medium Term Budget Policy Statement	23 October 2013
Estimates of National Expenditure (ENE) guidelines distributed to institutions	31 October 2013
Preliminary allocation letters issued	23 October 2013
First draft of ENE chapter submitted (Approved by the Accounting Officer of a department)	22 November 2013
Allocation letters (Cabinet approved allocations) issued	29 November 2013
Final revised (2 nd draft) ENE chapters submitted	13 December 2013
Budget tabled in Parliament	26 February 2014

2. Introduction to technical guidelines

These Medium Term Expenditure Framework (MTEF) guidelines provide institutions with the first requirements for their preparation of expenditure plans for the three-year period ahead. There may be subsequent requirements during the process.

South Africa continues to face economic and fiscal constraints and this requires government to be much more efficient and effective in its use of public resources in order to meet its service delivery objectives. Under the demanding economic and fiscal conditions, government is committed to stabilising the national debt, maintaining a moderate rate of expenditure growth, and maintaining the expenditure ceiling set by the 2013 Budget. The expenditure ceiling will remain unchanged at the aggregate level, however, at an institutional level the changes within and between programmes are essential elements. **The key first focus in the preparation of the 2014 Budget will therefore be on the activities of rigorous budget baseline analyses. Following this, later in the process, programme analyses will be undertaken to support the reprioritisation of baseline spending (to be finalised in phase three of the budget process).**

The principles outlined during the 2013 MTEF process are maintained for the 2014 MTEF process, namely that:

- Expenditure should be kept within the overall ceiling established by Budget 2013 as indicated in the 2013 MTEF allocation letters to departments;
- Spending pressures, strengthening of existing programmes, and new priorities must be evaluated from within the aggregate spending baseline;
- First focus will be on thorough baseline analysis. Thereafter, funds will be shifted across institutions within function groups and between function groups where appropriate. This process should be broadly informed by government's priorities, expressed in the objectives of the National Development Plan, the Medium Term Strategic Framework, New Growth Path, the expenditure reviews and programme evaluations undertaken, with the aim of identifying efficiency gains, among others; and
- The composition of spending must shift away from current consumption towards investment.

Key points regarding MTEF process compliance:

- Institutions should work collaboratively with Provincial Treasury budget analysts, through bilateral discussions, to prepare the 2014 MTEF baseline expenditure estimates submission, taking requirements of the guidelines into consideration.
- All the requirements outlined in these guidelines for preparing medium term expenditure estimates apply to all national and provincial departments, public entities (schedule 3A and 3C), and constitutional institutions. All estimates of expenditure must be submitted to the Provincial Treasury in the required format.
- Institutions will continue to work within function Medium Term Expenditure Committee (MTEC) structures (function groups and subgroups) in preparation of final budget allocations and estimates of expenditure (refer to section 3 of these guidelines).

- For institutions that have reviewed their budget programme structures and activity descriptions, **proposed revisions to programme structures should be discussed with the Provincial Treasury budget analysts before a submission requesting approval from National Treasury for this is made.** Provincial sector departments must finalise uniform agreed budget programme structures by **30 June** each year.
- Accordingly, only approved budget programme structures must be used to compile MTEF submissions. All historical information in the MTEF submissions must be aligned to the approved budget programme structure.
- **Public entities and constitutional institutions must reflect their spending and performance information in a programme/activity format in line with their core functions/mandates, preferably with the first programme/activity being Administration.** Guidelines on Budget Programmes are available on the National Treasury website at www.treasury.gov.za/publications/guidelines
- All institutions must consider their **key** performance indicators and targets that have been agreed upon with National Treasury and the Department of Performance Monitoring and Evaluation, when determining their 2014 MTEF budget baselines (refer to Box 2 of these guidelines).
- Prepopulated databases will be distributed to all departments, constitutional institutions and public entities. The databases should be fully completed in line with the requirements outlined in section 3.3.3 of these guidelines.
- The narrative budget submissions together with databases for departments, public entities (schedule 3A and 3C), and constitutional institutions are to be submitted to the Provincial Treasury on **12 July 2013**. The budget submission must be authorised by an endorsement letter signed by the Accounting Officer/Accounting Authority, which highlights important information taken into account in preparing the submission, confirms that the database has been fully completed and that **key** performance indicators for departments have been agreed to with National Treasury and the Department of Performance Monitoring and Evaluation. Importantly, this letter must also indicate that the relevant Minister has agreed to information contained in the budget submission.
- Capital Planning guidelines are available on the National Treasury website at www.treasury.gov.za/publications/guidelines and are aimed at setting out the requirements for rigorous evaluation and costing of infrastructure projects, improving project management, and ensuring that capital spending yields the intended outcomes and service delivery improvements on budget.
- Costing and Budgeting Guidelines for Compensation of Employees are provided as Annexure 1 of these guidelines and will be made available on the National Treasury website at www.treasury.gov.za/publications/guidelines. Institutions must refer to these guidelines for detailed guidance on how to properly cost and budget for personnel.

3. Budget Submission

3.1 Baseline Assessment

Box 1: Baseline assessment

Baseline determination serves the following purposes:

- To strengthen existing priority programmes;
- To accommodate spending pressures owing to input cost escalation; and
- Also to allow for the funding of new programmes, where that is appropriate.

The following factors should be considered when baselines are assessed:

- The **key** institutional performance indicators put forward by institutions and as agreed upon with National Treasury and the Department of Performance Monitoring and Evaluation.
- The provision for inflation-related cost adjustments. The following consumer price index (CPI) projections can be used to inform the provisions that institutions ultimately choose to make for price increases over the 2014 MTEF period:
 - 2013/14: 5.6 per cent
 - 2014/15: 5.4 per cent
 - 2015/16: 5.4 per cent
 - 2016/17: 5.3 per cent
- The discussion of baseline assessment proposals with National Treasury budget analysts in preparing the expenditure estimates submission. These must subsequently be agreed upon within the function MTEC process.

The following steps should be noted for baseline determination:

- Baseline detail should be provided at programme, subprogramme and economic classification level;
- Analysis of the 2012/13 expenditure outcomes should be undertaken;
- The 2016/17 budget baseline based on indicative allocation letters for 2014 MTEF should be determined;
- Analysis of important spending items should be undertaken;
- Analysis of important cost drivers should be undertaken; and
- Analysis should be undertaken of spending on capital projects to ensure that appropriate funding is provided for such projects, particularly in the outer year.

3.2 Performance information

Box 2: Selection of key performance indicators and reporting against performance

The **key** performance indicators, which must be agreed to by national departments, the Department of Performance Monitoring and Evaluation and National Treasury, will direct departmental and entity budget decision making and be used throughout the 2014 MTEF process. The selection of this subset of high level indicators, from among all other institutional indicators, must be done to reflect the following important perspectives:

- National Outcomes
- National Development Plan and the Medium Term Strategic Framework
- New Growth Path
- Ministerial delivery agreements
- Institutional plans, including provincial customised sector indicators in respect of concurrent function departments, and indicators specified in public entities' shareholder compact or service level agreements and approved by board of directors

Agreement on these indicators should be reached prior to the 12 July 2013 MTEF submission, and should guide the function MTEC baseline assessment process. In phases 2 and 3 of the budget process, the performance information contained in submissions will be analysed to assess whether value for money has been realised, among other things. This will be assessed over time in respect of previous budget allocations.

3.3 What must be included in budget submissions

Budget submissions must be in the form of an endorsement letter, a database and an explanatory narrative. Information must be provided by programme, subprogramme and by economic classification category in respect of budget baselines.

3.3.1. The explanatory narrative

The explanatory narrative should include the following, where relevant:

- Statutory authority for spending programmes and the institution's legislative mandate as per the relevant acts that govern its establishment and operations;
- A summary of the rationale underlying any significant change made in the 2014 MTEF baseline determination;
- Details of projects and expenditure per programme over the MTEF related to the National Development Plan, Medium Term Strategic Framework, the New Growth Path, and other institutional plans, where applicable;

- Progress on the implementation of conditional grants in the past financial year (2012/13) with the reasons for underspending and a description of measures taken to address this;
- Details of the Presidential Infrastructure Coordinating Commission (PICC) Strategic Integrated Projects (SIPs) planned and budgeted for the 2014 MTEF, where appropriate; and
- Other relevant information.

3.3.2. Reporting against performance

- Departments must highlight the agreed **key** performance indicators (refer to Box 2 of these guidelines); and
- Institutions must also indicate the effects of the baseline determination exercise on performance in terms of the **key** performance indicators.

3.3.3. Database

There will only be one database used throughout the entire budget process, the initial one for the MTEF decision making and the updated one for the Estimates of National Expenditure (ENE) process. It is therefore critical that databases are accurately completed to the detailed level in the required format by **12 July 2013**.

This includes:

- Estimates of recurrent expenditure by programme and subprogramme;
- Estimates of non-recurrent activities by programme and subprogramme;
- Baseline information on the performance indicators at programme and subprogramme level;
- Any changes proposed to **key** performance indicator targets in respect of the baseline assessment at programme level, where applicable;
- Details on infrastructure spending, including Presidential Infrastructure Coordinating Commission Strategic Integrated Projects, where applicable; and
- Donor assistance.

3.4 Compensation of employees

Given historic growth in compensation, government service delivery priorities, and the tight budgeting environment, institutions should consider the different ways of changing their personnel profile and the trade-offs involved, to achieve cost-effectiveness of staffing in support of programme service delivery.

The compensation of employees' budget must be a complete estimate of personnel-related costs, inclusive of all costs in relation to all persons employed. Institutions are expected to engage with their compensation of employees' budget baselines to ensure that all relevant obligations are funded.

In doing so, institutions should use the cost projection information below, which includes information about the current wage bill agreement by government, together with other information that they have in respect of their personnel profile and managing their budget programmes. Headcount growth, both the historical and future estimates, should also be explicitly stated in the database, as it is one of the key elements in determining personnel costs.

In addition to budgeting for cost of living adjustments, institutions must budget for applicable progression rates in each sector as well as personnel growth, if applicable. The current budget baseline does not provide for funding of new posts, except in cases where departments were specifically given funding to create new critical posts in the 2013 Budget. Institutions are expected to continue to budget for compensation of employees within their existing baselines.

Current projections for cost of living and other adjustments to payroll remuneration are:

1. Total Compensation of Employees' budget baseline ceiling

For 2014/15, the cost of living adjustment in terms of the current wage bill agreement is CPI inflation plus 1 per cent. For 2015/16 and 2016/17 institutions should budget for a cost of living increase of CPI inflation, in addition to the pay progression and other benefits and allowances that are stated in the current wage bill agreement, and which are already provided for in institutional budget baselines.

Importantly for budgeting purposes, institutions should implement the ceiling in the wage bill expenditure budget baseline, by only providing for funded posts that are in line with the 2013 Budget institutional spending trajectory.

Institutions are cautioned and should make allowance for the 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 in 2015/16 and 2016/17.

The annual totals for Compensation of Employees spending were provided for 2014/15 and 2015/16 within the 2013 MTEF baseline, and as such form part of the institution's indicative baseline ceiling for the 2014 MTEF. The total indicative budget for Compensation of Employees for 2016/17 for each institution will be provided with the indicative baseline allocation letter.

2. Long service recognition

20 years continuous service: a cash award of R7500

30 years continuous service: a cash award of R15000

40 years continuous service: a cash award of R20000

3. Night shift allowance

R4.00 per hour from 1 July 2014

4. Housing allowance

R900 per person per month

5. Improved qualifications

A once-off payment of 10 per cent of each employee salary notch, limited to notch 1 of Salary Level 8 with effect from 1 January 2013.

6. Progression

Qualifying period for first time participants is extended from 12 to 24 months from 1 July 2012. Thereafter, they will qualify for progression annually.

More detailed guidelines on cost of living adjustment computations are provided in Annexure 1 of these guidelines, and will be made available together with tools for assessing vacant funded posts and the calculation of cost of living adjustments on the National Treasury website at www.treasury.gov.za/publications/guidelines.

3.5 Public entities

Public entities are often important financial and service delivery agents and will be discussed in the relevant function MTEC processes. To do this effectively requires entities to improve expenditure information on programmes/activities and the link to performance indicators. During the year, in the function MTEC process, baseline determination and assessment, shifts between programmes across institutions, including entities, must also be considered - in addition to shifting of funds between programmes within an institution.

In order to enable consolidated expenditure estimates to be prepared, budget projections for public entities must be organised into programmes/activities (with the first programme/activity being Administration), as well as by main economic classification, and provided in this format. It is critical that the database be accurately completed for submission to Provincial Treasury by **12 July 2013**, as only one database will be used for both the MTEF and ENE processes. A database template will be sent to each entity for completion.

Further guidance on completing the template is included in the template itself and entities are advised to read these as well as the notes sheet before completing the template. The database template will be distributed with departmental databases and must be completed and submitted to Provincial Treasury. Public entities should read through the whole guideline to understand various requirements of the budget submission, as all requirements for departments are applicable to public entities as well.

4. Function MTEC process

4.1 Introduction to function budgeting

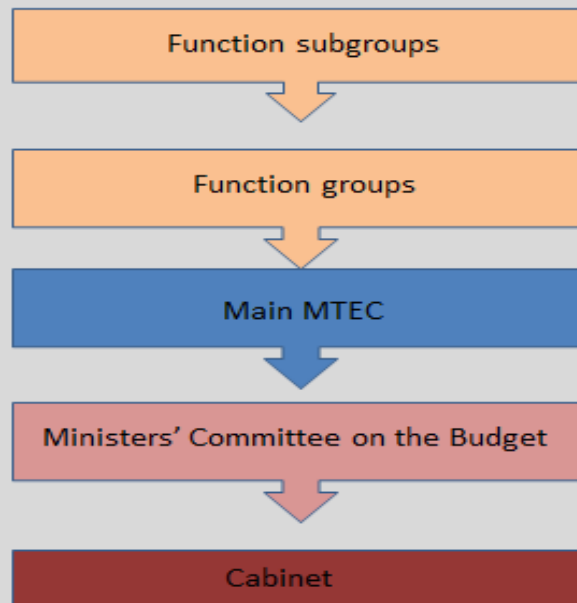
Box 3: Function budgeting and MTEC structures

Function budgeting, which was introduced in 2010, is a method of categorising expenditure based on government's objective(s) which the expenditure is intended to achieve. It classifies government activities according to function or purpose, such as health, education and defence.

The medium term expenditure planning processes are organised into function groups, with national and provincial departments and entities grouped together where they have corresponding responsibilities. The function approach allows MTEC discussions to go beyond the narrow focus of individual administrative units in isolation, recognising that policy outcomes require cooperation between complementary stakeholders. It provides more transparency and better coordination among government institutions in the budgeting process. The function groups are currently aligned to the national outcomes, which reflect government's strategic and policy priorities. These function groups, together with their associated outcomes, are provided in Annexure 2 of these guidelines.

Function MTECs have the responsibility of reviewing the MTEF budget submissions of all institutions within the function group in order to make recommendations to the main MTEC, which in turn makes recommendations to the Ministers' Committee on the Budget. Thereafter budget proposals are taken to Cabinet for approval.

Figure 1: MTEC structures



4.2 Guidance to activities of the function budgeting process

Particular focus in the 2014 MTEF process will be on thorough baseline analysis, which will support proper 2014 MTEF baseline determination (phase 1) and institutional analysis to identify areas for reprioritisation within and between functions (phase 2 and 3 of the budget process). This first process will be conducted through bilateral discussions between Provincial Treasury and institutions.

Going into phase 2, function MTEC hearings will be convened by the National Treasury, and will facilitate consultation amongst participating institutions as well as representatives of the coordinating departments such as the National Planning Commission, the Departments of Performance Monitoring and Evaluation, Public Service and Administration, Economic Development, and Cooperative Governance. Representatives from these departments will form part of the adjudication committee for function MTECs.

With respect to concurrent functions, and notwithstanding the provincial budgeting processes and the role of provincial treasuries, national departments must make recommendations in conjunction with their provincial counterparts about the sector-wide reprioritisation (phase 2) and how this may be accommodated within the baselines of the national department and each provincial department. This should ideally take place during July and August 2013. These recommendations on proposed provincial priorities must be taken from function MTEC discussions into other provincial budget forums for further deliberation. This process is facilitated by National Treasury, with the participation of national and provincial departments with concurrent functions and the provincial treasuries.

National departments should meet with their public entities and reach agreement about baseline determination (phase 1) and reprioritisation (phase 2) in response to spending pressure issues, and how these will be accommodated within function budget baselines.

Ultimately, the main MTEC and the Ministers' Committee on the Budget will need to be advised on the rationale behind the recommendations of the function MTECs, and details of recommendations for baseline determination and also for reprioritisation within the function budget baseline, with particular emphasis on the impact on performance.

Recommendations from the Ministers' Committee on the Budget will then be presented to Cabinet for approval. In preparing these recommendations, the function MTECs will need to:

- Discuss issues that were raised during bilateral engagements with institutions and further develop such issues, together with crosscutting ones, into a function MTEC agenda;
- Identify and review proposals for baseline determination and assessment (refer to Box 1 of these guidelines);
- Bring together key stakeholders and work collaboratively, with a view to seeking consensus on the 2014 MTEF baseline, based on the submissions from individual institutions;

- Ensure that implementation plans for programmes and projects are in place and have been correctly costed and sequenced;
- Later in the process, review institutions' programme plans, associated performance indicators and targets, and their links with government's agreed priority outcomes and requirements of the National Development Plan, Medium Term Strategic Framework, the New Growth Path, and other institutional plans;
- Identify risks to service delivery and the attainment of outcomes, and appropriate mitigation measures;
- Where necessary, negotiate and make the required agreements and trade-offs between participating institutions within function groups to achieve effective cooperation in pursuing relevant outcomes and efficient service delivery;
- Address cross-cutting issues within and across functions;
- Make proposals to MTEC and the Ministers' Committee on the Budget on reprioritisation options within function groups and any proposals for reprioritisation across function groups;
- Consider proposals for General Budget Support (GBS) funding (refer to GBS guidelines available at www.treasury.gov.za/publications/guidelines); and
- Assess revenue projections associated with specific programmes and entities, where relevant.

Annexure 1: Guidelines for costing and budgeting for Compensation of Employees

1. Introduction

In his 2012 Medium Term Budget Policy Statement (MTBPS) speech the Minister of Finance indicated that compensation of employees has grown faster than any other class of expenditure over the past four years. The Minister indicated that 'strong measures are being taken to ensure value for money in public spending, including more effective control over personnel expenditure'. Institutions in all sectors are requested to support the Minister's call to achieve value for money and control growth in personnel expenditure.

Major factors influencing the wage bill growth over the past five years were higher wage settlements coupled with faster increase in personnel numbers. Implementation of Occupational Specific Dispensation (OSD) has also led to faster increase in wage rates of relevant occupations coupled with increase in personnel numbers as people were attracted into the public service because of higher salaries.

Creating fiscal space to allow for growth in spending on service delivery priorities requires that personnel budgets grow at a moderate pace to allow departments to meet their personnel spending obligation while not crowding out other productive forms of spending. Achievement of this requires effective control measures to be put in place to control personnel expenditure. Government has succeeded in entering into a three year wage agreement, which covers the period 2012/13 to 2014/15, with labour unions. This agreement improves predictability of growth in the wage bill over the medium term. It gives government space to focus attention on implementing initiatives that will improve the quality of personnel spending including rationalising staff establishments, restraining growth in personnel numbers (especially, administrative-related posts) and better utilization of excess personnel in all sectors.

The first step towards more effective control of personnel expenditure is to ensure that institutions budget realistically for compensation of employees, refrain from filling unfunded posts and reallocating funds from personnel to other classes of expenditure in order to eliminate overspending of personnel budgets. These guidelines are aimed at providing guidance to institutions³ on costing and budgeting for compensation of employees (COE). Institutions that do not comply with these guidelines will be identified and direct intervention measures will be implemented to reverse instances of financial misconduct.

³ Institutions include all departments, constitutional institutions and all schedule 3A and 3C public entities.

2. Remuneration framework

The remuneration framework in the public service is complicated, which makes costing thereof even more so. Various components of the remuneration framework are determined separately leading to overall increases in remuneration that are not related to performance of public servants. Senior Management Service (SMS) and Middle Management Service (MMS) members receive total cost to employer packages while the rest of the employees in the public service are remunerated on the basis of basic salary and add-on benefits. Salary increases of SMS members not on OSD are determined through Ministerial Determinations or Directives issued by the Department of Public Service and Administration (DPSA) and are likely to be lower than those for non-SMS members. SMS members on OSD have their salary increases determined through a process of collective bargaining in the Public Service Coordinating Bargaining Council (PSCBC) together with those of non-SMS members. Again the rate of increase is likely to be different and higher than that applicable to the rest of the SMS members. All these peculiarities need to be taken into account when budgeting for COE.

3. Wage agreement

For 2014/15 the 2012 MTEF wage agreement provides for the following adjustments to individual items of COE:

1. Cost of living adjustments (applicable to non-SMS members and SMS members on OSD)

2014/15 – CPI plus 1 per cent with effect from 1 April 2014

2. Progression

Qualifying period for first time participants is extended from 12 to 24 months from 1 July 2012. Thereafter, they will qualify for progression annually.

3. Long service recognition

20 years continuous service: a cash award of R7500

30 years continuous service: a cash award of R15000

40 years continuous service: a cash award of R20000

4. Night shift allowance

R4.00 per hour from 1 July 2014

5. Housing allowance

R900 per person per month

6. Improved qualifications

A once off payment of 10 per cent of each employee salary notch, limited to notch 1 of Salary Level 8 with effect from 1 January 2013.

Each of the items above needs to be individually quantified over the 2014 MTEF period. For 2015/16 and 2016/17 all items above should be kept constant at their 2014/15 levels, except for the cost of living adjustment that should be set at CPI.

4. Salary adjustments for non-OSD SMS members

For SMS members not on OSD cost of living adjustments should be set at 5 per cent for 2014/15 and CPI for 2015/16 and 2016/17.

5. Assessing vacant funded posts

The assessment of funded vacant posts should be done based on data downloaded from Persal and baseline budgets contained in the budget statements. Persal/Persol indicates that 132,000 posts are vacant and funded in the public service (excluding the Department of Defence). To fill all these posts would cost approximately R28 billion per year (excluding the Department of Defence). It is highly likely that the current record of vacant funded posts is misstated, as on average, institutions in the public service do not have enough funds (as indicated by their budget statements) to fill all posts tagged as both vacant and funded. This means that posts that are found to have no matching funds available in the budgets should be considered to be unfunded and should not be filled. Filling unfunded posts will give rise to unauthorised expenditure. The following steps should be followed in assessing and identifying the number of posts that are effectively unfunded that should not be filled.

Step 1: Identify from Persal/Persol the number of posts per salary level that are tagged as both funded and vacant

Step 2: Multiply the number of posts tagged as vacant and funded per salary level by the relevant salary scales (notch 1 for each salary level) to arrive at the value of funded vacant posts – Salary level notches of Levels 1 to 10 are to be multiplied by a factor of 1.37 to approximate the benefits as they are not on total cost to employer (TCE) packages

Step 3: Add the result from Step 2 to the revised estimates for 2013/14 as at the end of each month. This operation yields the value of all 'funded' posts for the institution

Step 4: Subtract the result from Step 3 from the baseline budgets as published in the relevant budget statements or Estimates of Provincial Expenditure (EPRE). A positive result shows there are sufficient funds to fill all vacant posts and to create new critical posts while a negative result shows that there are insufficient funds to fill all vacant posts. In the latter case, a portion of vacant posts (depending on the size of the shortfall) should therefore be regarded as unfunded and should not be filled. In both cases, the funds available for vacant posts and the creation of new critical posts must be divided by the average value of the vacant posts to yield the average number of posts that can be filled with available funds. The rest of the posts that cannot be accommodated must NOT be filled.

The following table presents an example on assessment of vacant funded posts as at September 2012.

Table 1: Assessing vacant funded posts (as at end September 2012)

Item/Province/Department	Department of Labour
a) Value of vacant funded posts	117,561,980
b) Revised estimate (2012/13)	827,587,000
c) Total value of funded posts [a+b]	945,148,980
d) 2012/13 baseline budget (from the ENE or provincial budget statements)	883,331,000
e) Value of unfunded vacant posts [d-c]	(61,817,980)
f) Average value of a typical vacant post [a÷h]	228,276
g) Average number of posts that can(not) be filled (e÷f)	(271)
h) Number of vacant funded posts as per PERSAL	515
i) Average number of posts that can be filled [g+h]	244
j) Value of posts that can be filled [f*i]	55,699,344

In the example above, it is clear that of the 515 posts tagged as both funded and vacant by the department, 271 cannot be filled as there are no funds in the baseline budgets. As a result, only an average of 244 posts can be filled with the funds available in the baseline. The rest of the posts (271) should not be filled. During the year, the department must monitor the filling of posts to ensure that no more than 244 vacant posts are filled. The results of the table above will change on a monthly basis depending on the salary levels at which vacant posts are filled and the extent to which expenditure on filled posts increases. For instance, if the department progresses or promotes more people than is affordable, the available number of posts that can be filled can reduce below the 244 reflected on the table above. Therefore, decisions on progression and promotions should be taken within the context of total available budget within the baseline. Institutions should use the above table to reconcile their personnel information on a monthly basis to ensure that no unfunded posts are filled and to avoid exceeding the available budget when filling critical posts. Line managers, HR managers and Chief Financial Officers should work closely to facilitate the reconciliation process described above. Treasuries are also requested to utilise this process to actively monitor institutions' management of personnel budgets.

6. Costing procedures

In costing COE budgets it is required that data on filled posts in the public service be used. To cost personnel budgets for 2014/15, revised estimate figures on COE for the 2013/14 financial year as at September 2013 should be used. Revised estimate figures need to be generated per item of payments within the COE line item. These should be generated separately for SMS members not on OSD and the rest of public servants to allow for application of the different dispensations. For instance, the COE line item is composed of items of payments such as basic salary, pension, overtime, performance

bonus, medical allowances, etc. The revised estimate figures for 2013/14 financial year for each item of payments should be increased by the cost of living adjustment factors applicable for the 2014/15 financial year as detailed in the provisions of the wage agreement as summarised above. This operation should also take account of projected change in personnel headcount for the 2014 MTEF where such have been approved and are funded (especially critical posts). Personnel headcount growth has been set to a default rate of zero for the 2014 MTEF. To this end, employment of personnel over and above funded establishments should strictly only be considered in areas where critical skills are required, and only when properly motivated in terms of performance improvements. In most cases increases in personnel with critical skills will be funded through reprioritisation from less critical areas. It is important to note that each of the items of payments has its own dispensation and has to be adjusted by the applicable rate. This means that no one rate of increase can be applied across the board for COE adjustments.

7. Cost of living adjustments

To arrive at cost estimates associated with the agreed cost of living adjustments over the three year period, percentage rates prescribed in these budget guidelines should be used. In this case the revised estimate figures for 2013/14 are used and increased by cost of living adjustment factors, progression factors and personnel growth factors. The progression factors are contained in the remuneration policy for each of the key sectors. The following are progression rates applicable to each of the sectors:

- a) Education: 1 per cent every year;
- b) Correctional Services: 3 per cent every other year;
- c) Police: 4 per cent every three years;
- d) Defence: 4 per cent every two years; and
- e) All other sectors: 1.5 per cent every year.

For costing purposes these progression rates should be divided by the number of years applicable to yield averages per year so as to maintain continuity.

The following table shows progression rates to be applied to each item of payments per institution for each of the financial years over the 2014 MTEF. Please note that progression does not apply to housing and medical allowances or any of the other items related to bargaining chamber contributions and UIF contributions.

Table 2: Average progression rates per item of payments

	All other departments	Education	SAPS	Defence
Item of Payment (from Persal/Persol)	2014 MTEF	2014 MTEF	2014 MTEF	2014 MTEF
Basic salary	1.5%	1.0%	1.3%	2.0%
Housing allowance	0.0%	0.0%	0.0%	0.0%
Overtime	1.5%	1.0%	1.3%	2.0%
Employer contribution: Medical	0.0%	0.0%	0.0%	0.0%
Employer contribution: Pension	1.5%	1.0%	1.3%	2.0%
Performance bonus	1.5%	1.0%	1.3%	2.0%
All other*	1.5%	1.0%	1.3%	2.0%

*NOTE: Excluding UIF contributions plus any other items related to bargaining chamber contributions.

To generate budgets for the 2014/15 financial year, the following computational procedures must be followed:

Step 1: Take revised estimate for 2013/14 per item of payments as at 30 September 2013 (A)

Step 2: Multiply 2013/14 revised estimate per item of payments by cost of living adjustment rates from these guidelines for the current MTEF cycle as detailed in the table below for 2014/15 (B)

Step 3: Multiply (A)+(B) by progression rate applicable to your sector (C)

Step 4: Multiply (A)+(B)+(C) by personnel growth factor (currently set at 0 per cent) (D)

Step 5: Sum (A)+(B)+(C)+(D) to arrive at the 2014/15 budget (E)

The same procedure should be followed for years subsequent to 2014/15 in line with cost of living adjustment rates for the 2014 MTEF detailed in the table below. For instance, to generate the 2015/16 budget, step 2 should be applied to the 2014/15 budget generated in step 5 and so on. Use only rates for items that are applicable to your department, also taking account of the wage agreement provisions for items not specifically identified in the table below.

Table 3: Cost of living adjustment rates per item of payments

Item of payment (from Persal/Persol)	2014/15	2015/16	2016/17
Basic salary	6.4%	5.4%	5.3%
Housing allowance	0%	0%	0%
Overtime	6.4%	5.4%	5.3%
Employer contribution: Medical	6.4%	5.4%	5.3%
Employer contribution: Pension	6.4%	5.4%	5.3%
Performance bonus	6.4%	5.4%	5.3%
All other	6.4%	5.4%	5.3%

Note that the 2013 budget baselines had provisions for inflation projections. These have since increased for the 2014 MTEF as detailed in the table above. The application of the new inflation projections will lead to increased budget requirements for institutions. Institutions are reminded that such increased budget pressures should be accommodated within the 2013 budget baselines through a process of reprioritisation. This is with the exception of situations where the relevant treasury has made additional funds available for the creation of new critical posts. Costing of personnel budgets per item of payments means that institutions must be diligent in loading their budgets on the Basic Accounting System (BAS) so that no budget figures are missing.

Special attention needs to be paid to the number of people that are progressed to higher notches. Institutions will need to ensure that decisions relating to progression and promotions are taken within the context of available budgets in the baseline. If this is not the case, institutions' personnel costs are likely to rise at a faster rate than can be afforded

with available budgets. In other words, any performance management decisions should be taken within the context of available budgets. This requires a very close working relationship between Human Resource Managers, Chief Financial Officers and Line Managers of each institution.

8. Long service recognition

For long service recognition falling under the age cohorts prescribed by the wage agreement, costs should be calculated by taking the number of qualifying employees and multiplying them by the long service recognition monetary amount. This should be done for each of the years over the 2014 MTEF. For each year, the DPSA publishes relevant long term service recognition monetary amounts, adjusted by CPI. Institutions should consult the DPSA to ensure that correct amounts are used each year.

9. Night shift allowance

For night shift allowance, costs should be arrived at by multiplying amounts currently being paid for this allowance by the increase in percentage rate attributable to night shift allowance as derived from the differences in Rand amounts detailed in the wage agreement. For instance, the night shift allowance increases from R3.35 to R4.00 per hour by 1 July 2014 amounting to 19.4 per cent increase. Alternatively, the new night shift allowance rate of R4.00 can be multiplied by the number of people qualifying for such allowance in 2014/15. For 2015/16 and 2016/17, the 2014/15 value of R4.00 must be kept constant in arriving at costs associated with night shift allowance.

10. Housing allowance

Housing allowance remains at R900.00 per person per month for each of the years over the 2014 MTEF.

11. In-year management of personnel budgets

Institutions are required to engage in active management of personnel budgets during the year to ensure that there is no financial misconduct and therefore are:

- a) Prohibited from filling unfunded posts (departments are expected to have fully implemented the DPSA Circular 1 of 2012 which requires all unfunded posts to be removed from Persal);
- b) Discouraged from reallocating resources from personnel to other classes of expenditure within their budgets or augmenting their personnel budgets by reducing expenditure on capital payments and goods and services.

Institutions should review their staff establishments to ensure effective alignment with their mandates. Part of this exercise will be to identify deliverables that are considered to be continuous and permanent and those that are temporary in nature. There are situations where institutions had funded posts but these have become unfunded over time as money

allocated for them was either used to finance OSD, other projects or higher than anticipated cost of living adjustments in the past. These need to be carefully assessed in relation to the availability of the budget in the baseline. Where funds are not available in the baseline, these posts should not be filled until they are adequately funded by the relevant treasuries.

Annexure 2: Function groups and related outcomes

General Public Services (Outcomes 4, 11, 12)	
Executive and Legislative Organs	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • The Presidency [1] • Government Communication and Information System [9] • Parliament [2] • Performance Monitoring and Evaluation [6] • Cooperative Governance and Traditional Affairs [3] <ul style="list-style-type: none"> - Traditional Affairs <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • The Presidency <ul style="list-style-type: none"> - Brand South Africa • Government Communication and Information System <ul style="list-style-type: none"> - Development and Diversity Agency <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Office of the Premier • Provincial Legislature • Royal Household
Financial and Fiscal Affairs	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • National Treasury [10] (Programmes 1-5, 8, 9) • Public Enterprises [11] • Statistics South Africa [13] <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • National Treasury <ul style="list-style-type: none"> - Accounting Standards Board - Co-operative Banks Development Agency (CBDA) - Government Pensions Administration Agency (GPAA) - Independent Regulatory Board for Auditors - South African Revenue Service - The Financial and Fiscal Commission - Financial Services Board - Public Investment Corporation (PIC) - Ombudsman for Financial Service Providers - Pension Funds Adjudicator <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Finance
External Affairs and Foreign Aid	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • International Relations and Cooperation [5] <p>This function group will also focus on the Estimates for the South African Customs Union (SACU) included as negative revenue in the National Revenue Fund revenue calculation</p> <p><u>Affiliated programmes of other Departments</u></p> <ul style="list-style-type: none"> • National Treasury <ul style="list-style-type: none"> - Programme 6: International financial relations <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • International Relations and Cooperation <ul style="list-style-type: none"> - African Renaissance and International Co-operation Fund
General Services 1	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Public Works [7] (Programmes 1, 2, 4 and 5) • Public Service and Administration [12]

	<p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Public Service and Administration <ul style="list-style-type: none"> - Public Administration Leadership And Management Academy (including Trading Account) - Public Service Commission - State Information Technology Agency • Public Works <ul style="list-style-type: none"> - Property Management Trading Entity (PMTE) - Construction Industry Development Board - Council for Build Environment - Independent Development Trust <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Public Works
General Services 2	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Home Affairs [4] <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Home Affairs <ul style="list-style-type: none"> - Film and Publication Board - Government Printing Works - The Independent Electoral Commission
Science and Technology and Environmental Affairs (Outcomes 4, 5)	
Basic Research and Applied Research and Development	<p><u>National Department</u></p> <ul style="list-style-type: none"> • Science and Technology [34] • Environmental Affairs [30] <p><u>Science Councils</u></p> <ul style="list-style-type: none"> • Health <ul style="list-style-type: none"> - Medical Research Council of South Africa • Agriculture, Forestry and Fisheries <ul style="list-style-type: none"> - Agricultural Research Council • Mineral Resources <ul style="list-style-type: none"> - Council for Geoscience - Council for Mineral Technology (Mintek) • Science and Technology <ul style="list-style-type: none"> - Academy of Science of South Africa - Africa Institute of South Africa, Pretoria - Council for Scientific and Industrial Research (CSIR) - Human Sciences Research Council (HSRC) - National Research Foundation (NRF) - South African National Space Agency - Technology Innovation Agency • Water Affairs <ul style="list-style-type: none"> - Water Research Commission <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Environmental Affairs <ul style="list-style-type: none"> - South African Weather Service - iSimangaliso Wetlands - South African National Biodiversity Institute (SANBI) - South African National Parks
Defence, Public Order and Safety (Outcomes 3, 11)	
Defence and State Security	<p><u>National Department</u></p> <ul style="list-style-type: none"> • Defence [22] <ul style="list-style-type: none"> - Including Programme 6 Military Health Support

	<ul style="list-style-type: none"> • Military Veterans <p><u>Affiliated programmes in other Department</u></p> <ul style="list-style-type: none"> • National Treasury <ul style="list-style-type: none"> - Programme 10: Financial Intelligence Centre and State Security <p><u>Public Entity</u></p> <ul style="list-style-type: none"> • Defence and Military Veterans <ul style="list-style-type: none"> - Armaments Corporation of South Africa Limited - Castle Control Board • National Treasury <ul style="list-style-type: none"> - Financial Intelligence Centre
Police Services	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Independent Police Investigative Directorate [23] • Police [25] • Civilian Secretariat for Police <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Police <ul style="list-style-type: none"> - Private security Industry Regulator Authority <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Safety and Security
Law Courts	<p><u>National Department</u></p> <ul style="list-style-type: none"> • Justice and Constitutional Development [24] • Office of the Chief Justice <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Justice and Constitutional Development <ul style="list-style-type: none"> - Legal Aid South Africa - Special Investigating Unit - The South African Human Rights Commission - The Public Protector of South Africa
Prisons	<p><u>National Department</u></p> <ul style="list-style-type: none"> • Correctional Services [21]
Economic Services (Outcomes 4, 7, 10)	
General Economic and Commercial Affairs Mining, Manufacturing and Construction Other Industries	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Economic Development [28] • Mineral Resources [32] • Tourism [35] • Trade and Industry [36] <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Economic Development <ul style="list-style-type: none"> - Competition Commission and Competition Tribunal - International Trade Administrative Commission of South Africa • Mineral Resources <ul style="list-style-type: none"> - Mine Health and Safety Council - South African Diamond and Precious Metals Regulator - State Diamond Trader • Tourism <ul style="list-style-type: none"> - South African Tourism Board • Trade and Industry <ul style="list-style-type: none"> - Companies and Intellectual Property Commission - Companies Tribunal - National Consumer Tribunal

	<ul style="list-style-type: none"> - National Consumer Commission - National Credit Regulator - National Empowerment Fund - National Gambling Board of South Africa - National Lotteries Board - National Lottery Distribution Trust - National Metrology Institute of South Africa (NMISA) - National Regulator for Compulsory Specifications - South African Bureau of Standards (SABS) - South African National Accreditation System - Small Enterprise Development Agency <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Economic Development • Environmental Affairs • Nature Conservation • Tourism
<p>Agriculture, Forestry and Fisheries; Rural Development and Land Reform</p>	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Agriculture, Forestry and Fisheries [26] • Rural Development and Land Reform [33] <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Agriculture, Forestry and Fisheries <ul style="list-style-type: none"> - Marine Living Resources Fund - National Agricultural Marketing Council - Ncera Farms (Pty) Ltd - Onderstepoort Biological Products Limited - Perishable Products Export Control Board • Rural Development and Land Reform <ul style="list-style-type: none"> - Agricultural Land Holding Account - Ingonyama Trust Board - Registration of Deeds Trading Entity <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Agriculture • Land Administration • Rural Development
<p>Economic Infrastructure (Outcomes 4, 6)</p>	
<p>Fuel and Energy</p>	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Energy [29] • National Treasury <ul style="list-style-type: none"> - Programme 4: Eskom loan <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Energy <ul style="list-style-type: none"> - Electricity Distribution Industry Holdings (Pty) Ltd - National Energy Regulator of South Africa - National Nuclear Regulator - South African Nuclear Energy Corporation - South African National Energy Development Institute - The National Radioactive Waste Disposal Institute
<p>Transport</p>	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • National Treasury [10] <ul style="list-style-type: none"> - Technical support and development finance: Gautrain • Transport [37] <p><u>Departmental Public Entities</u></p>

	<ul style="list-style-type: none"> • Transport <ul style="list-style-type: none"> - Passenger Rail Agency of South Africa (PRASA) - Ports Regulator of South Africa - Railway Safety Regulator - Road Traffic Infringement Agency - Road Traffic Management Corporation - South African Civil Aviation Authority - South African Maritime Safety Authority (SAMSA) - South African National Roads Agency Limited - Driving Licences Card Account - Cross-Border Road Transport Agency <p>Provincial Departments</p> <ul style="list-style-type: none"> • Roads and Transport • Public Transport
Communication	<p>National Department</p> <ul style="list-style-type: none"> • Communications [27] <p>Public Entities</p> <ul style="list-style-type: none"> • Communications <ul style="list-style-type: none"> - National Electronic Media Institute of South Africa - Sentech Ltd - The Independent Communications Authority of South Africa - Universal Service and Access Fund - Universal Service and Access Agency of South Africa
Local Government, Housing and Community Amenities (Outcomes 7, 8, 9)	
Housing Development	<p>National Department</p> <ul style="list-style-type: none"> • Human Settlements [31] <p>Public Entities</p> <ul style="list-style-type: none"> • Human Settlements <ul style="list-style-type: none"> - Estate Agency Affairs Board - Housing Development Agency - National Urban Reconstruction and Housing Agency (NURCHA) - Social Housing Regulatory Authority - National Home Builders Registration Council - National Housing Finance Corporation Limited - Rural Housing Loan Fund <p>Provincial Departments</p> <ul style="list-style-type: none"> • Human Settlements • Housing
Local Government and Community Development (including transfers to municipalities)	<p>National Department</p> <ul style="list-style-type: none"> • Cooperative Governance [3] <p>Affiliated programmes in other Department</p> <ul style="list-style-type: none"> • National Treasury <ul style="list-style-type: none"> - Programme 8: Technical Support and Development Finance <ul style="list-style-type: none"> o Financial Management and Skills Development grants o Neighbourhood Development o Municipal Finance Improvement Programme <p>Public Entities</p> <ul style="list-style-type: none"> • Cooperative Governance and Traditional Affairs <ul style="list-style-type: none"> - The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities - South African Local Government Association (SALGA) - The Municipal Demarcation Board <p>Provincial Departments</p>

	<ul style="list-style-type: none"> • Local Government • Traditional Affairs
Water Supply	<p><u>National Department</u></p> <ul style="list-style-type: none"> • Water Affairs [38] <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Water Affairs <ul style="list-style-type: none"> - Breede-River Catchment Management Agency (BOCMA) - Inkomati Catchment Management Agency - The Water Services Trading Entity - Trans-Caledon Tunnel Authority - Water Boards
Education and Related functions (Outcomes 1, 4, 5, 12)	
Arts, Sport, Recreation and Culture	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Arts and Culture [14] • Sport and Recreation South Africa [20] <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Arts and Culture <ul style="list-style-type: none"> - Freedom Park Trust - National Arts Council of South Africa - National Film and Video Foundation of South Africa - National Heritage Council of South Africa - South African Heritage Resources Agency - The Pan South African Language Board - Arts Institutions (Consolidated) - Heritage Institutions (Consolidated) - Libraries (Consolidated) • Sport and Recreation South Africa <ul style="list-style-type: none"> - Boxing South Africa - South African Institute for Drug-free Sport <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Arts and Culture • Sport and Recreation
Pre-School, Primary and Secondary Education	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Basic Education [15] <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Basic Education <ul style="list-style-type: none"> - South African Council for Educators <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Education
Post-Secondary and Tertiary Education Adult Education	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Higher Education and Training [17] <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Basic Education <ul style="list-style-type: none"> - Education Labour Relations Council - uMalusi Council of Quality Assurance in General and Further Education and Training • Higher Education and Training <ul style="list-style-type: none"> - Council on Higher Education - National Skills Fund - National Student Financial Aid Scheme - South African Qualifications Authority - Sector Education and Training Authorities

	<ul style="list-style-type: none"> - Quality Council for Trades and Occupations <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Education (Further Education and Training and Adult Education Programmes)
Employment and Social Security (Outcome 4)	
Employment Programmes	<p><u>National Departments</u> All Expanded Public Works Programmes (EPWP) in other national departments</p> <p><u>Affiliated programmes in other Department</u></p> <ul style="list-style-type: none"> • Presidency <ul style="list-style-type: none"> - National Youth Development Agency • National Treasury [10] <ul style="list-style-type: none"> - Programme 8: Employment Creation Facilitation Fund <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • The Presidency <ul style="list-style-type: none"> - National Youth Development Agency <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Public Works • Roads • Transport (EPWP programmes)
Labour Affairs	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Labour [18] <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Labour <ul style="list-style-type: none"> - Commission for Conciliation, Mediation and Arbitration - National Economic Development and Labour Council - Productivity South Africa
Social Security	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • National Treasury [10] <ul style="list-style-type: none"> - Programme 7: Civil and Military Pensions <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Health <ul style="list-style-type: none"> - Compensation Commissioner for Occupational Diseases in Mines and Works • Transport <ul style="list-style-type: none"> - Road Accident Fund • Labour <ul style="list-style-type: none"> - Compensation Fund and Reserve Fund - Unemployment Insurance Fund
Health and Social Protection (Outcomes 2, 8, 12)	
Health	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Health [16] <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Health <ul style="list-style-type: none"> - Council for Medical Schemes - National Health Laboratory Service <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Health
Social Assistance	<p><u>National Department</u></p> <ul style="list-style-type: none"> • Social Development [19] (Programmes 2, 3) Including Social Security Policy and Administration

	<p><u>Public Entity</u></p> <ul style="list-style-type: none"> • Social Development <ul style="list-style-type: none"> - South African Social Security Agency (SASSA)
<p>Social Development and Welfare Services</p>	<p><u>National Departments</u></p> <ul style="list-style-type: none"> • Social Development [19] (Programmes 1, 4, 5) • Women, Children and People with Disabilities [8] <p><u>Public Entities</u></p> <ul style="list-style-type: none"> • Social Development <ul style="list-style-type: none"> - National Development Agency • Women, Children and People with Disabilities <ul style="list-style-type: none"> - The Commission on Gender Equality <p><u>Provincial Departments</u></p> <ul style="list-style-type: none"> • Social Development

5. Tables to accompany the Budget Submission

ANNEXURE 1: LINKAGE OF THE BUDGET WITH PRIORITY OUTCOMES										
Programme	Sub-programme	Outcome		Link to priority outcomes			Priority outcomes			
		Name	Total cost	Outputs	Activities	Programme	2012/13	2013/14	2014/15	2015/16
Total										

Annexure 2: Proposed MTEF Allocations

PROPOSED MTEF ALLOCATIONS																
VOTE :																
Descriptions	2013/14				2014/15				2015/16				2016/17			
	Appropriated				To be appropriated				Indicative allocations				Indicative allocations			
	Current Payments	Transfers and subsidies	Capital Payments	Total	Current Payments	Transfers and subsidies	Capital Payments	Total	Current Payments	Transfers and subsidies	Capital Payments	Total	Current Payments	Transfers and subsidies	Capital Payments	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Total appropriation																
<u>Aim:</u>																
1 Administration																
<u>Purpose:</u>																
2 Programme name																
<u>Purpose:</u>																
<u>Measurable objective:</u>																
<i>Of which</i>																
.-list transfers																
.-list transfers																
Conditional grants to provinces																
.-list conditional grants																
.-list conditional grants																
Conditional grants to Municipalities																
.- list conditional grants																
.-list conditional grants																
Specifically and exclusively appropriated																
list																

Changes to programme structure, purpose and measurable objectives - 2013/14

Current descriptions (according to Appropriation Act 2013)	Proposed descriptions (to be incorporated in Appropriation Bill 2014)	Reasons for proposed Changes
1	2	3
<p><u>Aim:</u></p>	<p><u>Aim:</u></p>	<p><u>Aim:</u></p>
<p>1 Administration <u>Purpose:</u></p> <p><u>Subprogramme:</u></p>	<p>1 Administration <u>Purpose:</u></p> <p><u>Subprogramme:</u></p>	<p>1 Administration <u>Purpose:</u></p> <p><u>Subprogramme:</u></p>
<p>2 Programme name <u>Purpose:</u></p> <p><u>Measurable objective:</u></p> <p><u>Subprogramme:</u></p>	<p>2 Programme name <u>Purpose:</u></p> <p><u>Measurable objective:</u></p> <p><u>Subprogramme:</u></p>	<p>2 Programme name <u>Purpose:</u></p> <p><u>Measurable objective:</u></p> <p><u>Subprogramme:</u></p>

Total Savings Identified

Annexure 4

Identified from R'000	Economic classification/ Item	Re-allocated to	Economic classification/ Item	Reason for reprioritisation	2014/15	2015/16	2016/17
Administration Programme Name	Entertainment						
Total Technical Savings					-	-	-

Name of department R' thousand	Current	Transfers	Payments	Total	Current	Transfers	Payments	Total	Change	Reprioritised	Current	Transfers	Payments	Total	Change	Reprioritised	Current	Transfers	Payments	Total	Change	Reprioritised
	Payments	and Subsidies	for Capital Assets	Baseline	Payments	and Subsidies	for Capital Assets	Baseline	to Baseline	Baseline	Payments	and Subsidies	for Capital Assets	Baseline	to Baseline	Baseline	Payments	and Subsidies	for Capital Assets	(Indicative Allocation)	Change to Baseline	Baseline
	2013/14				2014/15						2015/16						2016/17					
1. Administration				-				-		-				-		-				-		-
<i>Of which</i>																						
Compensation of Employees				-				-		-				-		-				-		-
Education, Training and Development Practice SETA (ETDP SETA)				-				-		-				-		-				-		-
2. Programme 2				-				-		-				-		-				-		-
<i>Of which</i>																						
Compensation of Employees				-				-		-				-		-				-		-
3. Programme				-				-		-				-		-				-		-
<i>Of which</i>																						
Compensation of Employees				-				-		-				-		-				-		-
Guidance, Counselling and Youth Development Centre for Africa: Malawi				-				-		-				-		-				-		-
<i>Conditional Grants to Provinces:</i>																						
HIV and Aids (Life Skills Education) Grant				-				-		-				-		-				-		-
4. Programme				-				-		-				-		-				-		-
<i>Of which</i>																						
Compensation of Employees				-				-		-				-		-				-		-
South African Qualifications Authority				-				-		-				-		-				-		-
Umalusi				-				-		-				-		-				-		-
<i>Conditional Grants to Provinces:</i>																						
Further Education and Training College Sector Recapitalisation Grant				-				-		-				-		-				-		-
5. Programme				-				-		-				-		-				-		-
<i>Of which</i>																						
Compensation of Employees				-				-		-				-		-				-		-
<i>Conditional Grants to Provinces:</i>																						
National School Nutrition Programme Grant				-				-		-				-		-				-		-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Annexure 5: continued

Programme	Medium-term expenditure estimates									
	MTEF Baseline EPE	MTEF Baseline EPE	Change to Baseline	Reprio- ritised Baseline	MTEF Baseline EPE	Change to Baseline	Reprio- ritised Baseline	MTEF Baseline	Change to Baseline	Reprio- ritised Baseline
1	2	3	4	5	6	7	8	9	10	11
R thousand	2013/14	2014/15			2015/16			2016/17		
1 Administration										
2 Programme name										
3 Programme name										
4 Programme name										
5 Programme name										
6 Programme name										
7 Programme name										
8 Programme name										
9 Programme name										
Subtotal	-	-	-	-	-	-	-	-	-	-
Direct charge on the Provincial Revenue Fund	-	-	-	-	-	-	-	-	-	-
Details of statutory amounts										
Details of statutory amounts										
Total	-	-	-	-	-	-	-	-	-	-

Annexure 5: continued

ECONOMIC CLASSIFICATION BUDGET	Medium-term expenditure estimates										
	MTEF Baseline EPE	MTEF Baseline EPE	Change to Baseline	Reprio- ritised Baseline	MTEF Baseline EPE	Change to Baseline	Reprio- ritised Baseline	MTEF Baseline	Change to Baseline	Reprio- ritised Baseline	
	1	2	3	4	5	6	7	8	9	10	11
R thousand	2013/14	2014/15			2015/16			2016/17			
Current payments	0	0	0	0	0	0	0	0	0	0	0
Compensation of employees											
Goods and services											
Interest and rent on land											
Transfers and subsidies to:	0	0	0	0	0	0	0	0	0	0	0
Provinces and municipalities											
Departmental agencies and accounts											
Higher education institutions											
Foreign governments & international organisations											
Public corporations & private enterprises											
Non-profit institutions											
Households											
Payments for capital assets	0	0	0	0	0	0	0	0	0	0	0
Buildings and other fixed structures											
Machinery and equipment											
Heritage assets											
Biological assets											
Land and subsoil assets											
Software and other intangible assets											
Payments for financial assets											
Total	0	0	0	0	0	0	0	0	0	0	0

Annexure 5: continued

CURRENT/ CAPITAL TRANSFERS AND SUBSIDIES	Medium-term expenditure estimates									
	MTEF Baseline EPE	MTEF Baseline EPE	Change to Baseline	Reprio- ritised Baseline	MTEF Baseline EPE	Change to Baseline	Reprio- ritised Baseline	MTEF Baseline	Change to Baseline	Reprio- ritised Baseline
	1	2	3	4	5	6	7	8	9	10
R thousand	2013/14	2014/15			2015/16			2016/17		
Transfers and subsidies to: (Current)	-	-	-	-	-	-	-	-	-	-
Provinces and municipalities										
Departmental agencies and accounts										
Higher education institutions										
Foreign governments & international organisations										
Public corporations & private enterprises										
Non-profit institutions										
Households										
Transfers and subsidies to: (Capital)	-	-	-	-	-	-	-	-	-	-
Provinces and municipalities										
Departmental agencies and accounts										
Higher education institutions										
Foreign governments & international organisations										
Public corporations & private enterprises										
Non-profit institutions										
Households										
Transfers and subsidies to: (Total)	-	-	-	-	-	-	-	-	-	-
Provinces and municipalities										
Departmental agencies and accounts										
Higher education institutions										
Foreign governments & international organisations										
Public corporations & private enterprises										
Non-profit institutions										
Households										

Annexure 6a: Summary of personnel numbers and compensation of employees¹

Personnel numbers	Actual				Anticipated posts to be filled ²			
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
1 Administration								
2 Programme Name								
3 Programme Name								
4 Programme Name								
5 Programme Name								
6 Programme Name								
7 Programme Name								
8 Programme Name								
9 Programme Name								
10 Programme Name								
Total	-		-	-	-	-	-	-
Total compensation of employees (R thousand)	-		-	-	-	-	-	-
Unit cost (R thousand)	-		-	-	-	-	-	-

1 Full-time equivalent

2 Not approved posts

Name of department

Annexure 7

Earmarked Funds R' thousand	Earmarked Amount	Earmarked Amount	Change to Amount	Reprioritised Amount	Earmarked Amount	Change to Amount	Reprioritised Amount	Proposed Amount
	2013/14	2014/15			2015/16			2016/17

Annexure 8: Infrastructure expenditure

Name of the project/ programme	Outcome			Current Estimate	Allocated Amount		
1	2			3	4		
R thousand	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Expenditure assessment of existing infrastructure projects/ programme							
Total				-	-	-	-

Annexure 10: Public- Private Partnerships projects

Project description	Total cost of project	Total cost of project	Total cost of project	Budgeted Expenditure	Medium-term expenditure estimates		
	Audited	Audited	Audited				
1	2	3	4	5	6		
R thousand	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Projects under implementation	-	-	-	-	-	-	-
PPP unitary charge							
Advisory fees							
Revenue generated							
Project monitoring cost							
New projects	-	-	-	-	-	-	-
PPP unitary charge							
Advisory fees							
Revenue generated							
Project monitoring cost							
Total	-	-	-	-	-	-	-