



treasury

Department of  
Treasury  
FREE STATE PROVINCE

## **TREASURY GUIDELINES**

### **Preparation of Adjusted Estimates of Provincial Revenue and Expenditure 2018**

## 1. INTRODUCTION

The aim of the Adjusted Estimates of Provincial Revenue and Expenditure (AEPRE) 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 2018 Estimates of Provincial Revenue and Expenditure (EPRE).

The format for the 2018 AEPRE publication is similar to previous years and the link with the 2018 EPRE chapters will continue to be maintained in:

- Selected performance indicators as published in the 2018 EPRE with actual achievements up to September 2018;
- Changes in estimated departmental receipts and actual mid-year departmental receipts; and
- Estimated expenditure by programme and economic classification, with any changes and mid-year actual expenditure incurred.

## 2. IMPORTANT TO NOTE FOR THE 2018 AEPRE

### 2.1 Technical Adjustment to the Annual Budget

The following are adjustments allowed in the AEPRE process: roll-over of funds, unforeseeable and unavoidable expenditure, virements and shifts, declared unspent funds, funds shifted within votes or between votes to follow a transfer of function, adjustments due to significant and unforeseeable economic and financial events, use of funds in emergency situations in terms of Section 16 of the PFMA, expenditure earmarked in the 2018 Budget speech for future appropriation(s), self-financing expenditure as well as gifts, donations and sponsorships from the vote.

### 2.2 AEPRE chapter contents

Section 5 of this guideline provides details regarding how chapters should be written. A separate template for the preparation of the AEPRE chapter is provided. Departments must use the formatting style contained in the separate template in order to compile their chapters.

### 2.3 Transfer of functions

In terms of Section 33 of the PFMA, as functions are transferred between departments, so are the associated funds. Treasury Regulation 6.5.1 stipulates that where a function is to be transferred between votes, the relevant treasury must be consulted in advance and that in the absence of an agreement between the affected departments on the amount of funds to be transferred, the relevant treasury will determine the funds to be shifted. When the transfer of functions involves a change to the vote budget programme structure, a separate submission needs to be made in this regard to the Provincial Treasury.

In order to transfer funds following a function/s shift/s, the department relinquishing the function/s must submit a formal request to the Provincial Treasury. The request should include an explanatory memorandum motivating the function(s) shift(s); the approval from the Department of the Premier for the transfer of the function/s between the relevant departments; a copy of the agreement between the transferring department and the recipient department which indicates that the departments are in agreement with the proposed function/s shift/s and quantum of funds being transferred; as well as the financial data (including carry through costs) pertaining to the shifting of funds.

## 2.4 Performance information

Performance indicators should be reported against the targets reflected in the 2018 EPRE. Indicators and targets should be **revised only** if the outputs will be affected by a technical financial amendment to the budget or a change in the budget programme structure or function/policy shift.

## 3. TECHNICAL ASSISTANCE

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

## 4. HOW TO WRITE THE AEPRE CHAPTER

Use the instructions below to compile the department's AEPRE

### 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: R0.075 million (75 thousand rand) but R10.2 billion (10 billion and 200 million rand)

### Other technical requirements

**Font:** Arial

**Vote number:** Arial 22

**Name of department:** *heading 1* font size 14

Headings such as “**adjusted budget summary**”: *heading 2* font size 13

Sub-headings such as “**aim, changes to programme purposes, objectives and measures, etc**”: *heading 3* font size 12

Subsequent headings thereafter: normal + Arial 11

Paragraphs: normal + Arial 11

**Table numbering should be according to the Vote number e.g tables for the Department of Premier will start with 1.1, 1.2, 1.3 whilst the tables for the Legislature will start with 2.1, 2.2, 2.3 etc.**

Table numbering from 2.1: Arial narrow 10 (also annexures)

Tables inside: Arial narrow 9 (also annexures)

The AEPRE format is attached as Annexure A below

## **ANNEXURE A**

**Vote #****Department of** [Insert department name]**Adjusted budget summary**

		2017/18			
R thousand		Main Appropriation	Special appropriation	Adjusted appropriation	
					Decrease
					Increase
Amount to be appropriated of which:		-		-	-
Current payments					-
Transfers and subsidies					-
Payments for capital assets					-
Payments for financial assets					-
Revenue Fund		-		-	-
Executive Authority	MEC for				
Accounting Officer	Director General :				
Website address	www.				

Note: Description of AO: Except for Department of Premier and Legislature all other Departments will be Head of Department

**Vote Purpose**

[Insert purpose of the department] [As published in the Appropriation Act (2018)]

**Changes to programme purposes, objectives and measures**

Changes to programme purposes, objectives and measures are published in the Adjustment Estimates of Provincial Revenue & Expenditure (AEPRE) to maintain the link between the departments' Strategic and Annual Performance Plan, the voted budget and the adjusted budget.

The following are changes allowed in the AEPRE process: roll-over of funds, virements, unforeseeable and unavoidable expenditure, use of funds emergency situations in terms of section 16 of the PFMA, funds shifted within votes to follow a transfer of function and money already announced by the MEC for Finance in the main budget.

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

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

**Changed purpose:** [insert new purpose]

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

[Insert explanation for changes]

## Adjusted Estimates of Provincial Revenue & Expenditure 2018

The **main appropriation**: the total amount voted per programme and by economic classification for the current financial year in the Appropriation Act (2018), in terms of the main Budget process.

**Special appropriation**: the total amount voted per programme and by economic classification in a special appropriation act.

**Adjustment appropriation consists of the following variety of categories:**

- **Roll-overs** are funds appropriated in 2017/18 but not spent and re-appropriated in 2018/19;
- **Unforeseeable and unavoidable expenditure** is expenditure that could not be anticipated at the time of finalising the inputs for the 2018 Estimate of Provincial Revenue & Expenditure for the main budget;

### Virements and Shifts

- **Virement** is the concept of utilising savings or underspending from amounts appropriated under one main division towards the defrayment of excess expenditure under another main division within the same vote; and
- **Shifts** are the concept of utilising savings or underspending towards the defrayment of excess expenditure within a main division between different segments (subprogramme and economic classification) of the main division. Shifts include the reallocation of funds incorrectly allocated during the 2018 Estimate of Provincial Revenue & Expenditure process.

**Compensation of employees budget limits** are contained in the Appropriation Act (2018), with compensation of employees vote allocations having been specifically and exclusively appropriated. Departments need to manage their personnel establishments within these budget limits.

- **Declared unspent funds**: unspent amounts that departments explicitly indicate they will not require in the current financial year. Departments should ensure that the 2018 public sector wage agreement is adequately provided for in their budgets, prior to declaring unspent funds. It is also imperative that departments utilise their budget as effectively and efficiently as possible, such that more is done with less funding. Departments must undertake a value-for-money exercise. Funds no longer required as a result of this exercise must be declared as unspent funds. This declaration of funds back to the fiscus will enable Government to broadly remain within the expenditure ceiling announced for the 2018/19 financial year in the 2018 Budget.

### Other adjustments include:

- **Shifts between votes**: functions which are shifted to another vote or institution in terms of legislation and/or following the reassignment of responsibility for the functions. The associated assets including personnel, and liabilities also need to be shifted. Such shifts can also happen between main divisions (programme) within a vote.
- **Appropriation of expenditure earmarked in the 2018 Budget speech for future allocation**: in certain instances, an amount to be allocated for a specific purpose will be announced by the MEC for Finance when the main budget is tabled, although the details of the annual allocations is to be decided later. This is usually when the plans have not been finalised in time to decide on the specific allocation amounts for the main budget.
- **Adjustment due to significant and unforeseeable economic and financial events**: when unforeseeable economic and financial events affect the fiscal targets set by the main Budget,

adjustments may need to be made. Significantly higher inflation than anticipated in budget projections over the MTEF period is an example of such an event.

- **Use of funds in an emergency situation:** the MEC for Finance can approve the use unappropriated funds for spending of an exceptional nature. This happens if postponing the spending of an exceptional nature. This happens if postponing the spending to a future parliamentary appropriation would seriously prejudice the public interest. The MEC for Finance must subsequently provide a report to Parliament.
- **Self-financing expenditure:** spending financed from revenue derived from a vote's specific activities. The revenue is paid into Provincial Revenue Fund. If self-financing expenditure is approved, these funds are allocated to the vote.
- **Gifts, donations and sponsorship received (cash):** are included in the adjustment budget. The name of the organisation / individual and nature of gift, donation or sponsorship must be indicated.

**Total adjustments appropriation:** the sum of all expenditure by programme and by economic classification. This number may be negative. In most instances this would be because of a virement of funds out of the programme or economic classification, or due to function shifts.

**Adjusted appropriation:** the adjusted total amount that will be voted, which is the sum of the main appropriation at the time of tabling the annual budget, and the total adjustments appropriation.

Table X1: Adjusted Estimates

2018/19									
Programme			Adjustment appropriation						
R'thousand	Main appropriation	Special appropriation	Unforeseeable /unavoidable	Virements and shifts	Declared unspent funds	Other adjustments	Total adjustment appropriation	Adjusted appropriation	
1. Programme name									
2. Programme name									
3. Programme name									
4. Programme name									
Subtotal									
Direct charge against the Provincial Revenue Fund									
Item									

## Economic classification

Table 3.1(b): Adjusted Estimates by economic classification

Economic classification		Adjustments Appropriation						Total adjustment appropriation	Adjusted appropriation
		Main appropriation	Special appropriation	Unforeseeable/ Roll-overs	Virements unavoidable and shifts	Declared unspent funds	Other adjustments		
R'thousand									
<b>Current payments</b>									
Compensation of employees									
Goods and Services									
Interest and rent on land									
<b>Transfers and subsidies to</b>									
Provinces and municipalities									
Departmental agencies and accounts									
Universities and technikons									
Public corporations and private enterprises									
Foreign governments and international organisations									
Non-profit institutions									
Households									
<b>Payments for capital assets</b>									
Buildings and other fixed structures									
Machinery and equipment									
Cultivated assets									
Software and other intangible assets									
Land and subsoil assets									
Heritage assets									
<b>Payments for financial assets</b>									
<b>Total</b>									



## Programme Number: Name

Subprogramme		2018/19							
R'thousand	Main appropriation	Special Appropriation	Adjustments Appropriation						Adjusted appropriation
			Roll-overs	Unforeseeable / unavoidable	Virements and shifts	Declared unspent funds	Other adjustments	Total adjustment appropriation	
1.Office of the MEC									
2.Corporate Services									
3.Subprogramme name									
<b>Total</b>	-		-	-	-		-	-	-
<b>Economic classification</b>									
<b>Current payments</b>	-		-	-	-		-	-	-
Compensation of employees									
Goods and Services									
Interest and rent on land									
<b>Transfers and subsidies to;</b>	-		-	-	-		-	-	-
Provinces and municipalities									
Departmental agencies and account									
Universities and technikons									
Public corporations and private enterprises									
Foreign governments and international organisations									
Non-profit institutions									
Households									
<b>Payments for capital assets</b>	-		-	-	-		-	-	-
Buildings and other fixed structures									
Machinery and equipment									
Cultivated assets									
Software and other intangible assets									
Land and subsoil assets									
Heritage assets									
Specialised military assets									
<b>Payments for financial assets</b>									
<b>Total</b>	-		-	-	-		-	-	-

## Details of adjustments to Estimates of Provincial Revenue &amp; Expenditure 2018

## Roll-overs – [write full amount: R00.000 million]

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

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

## Unforeseeable and unavoidable expenditure – [write full amount: R00.000 million]

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

An additional R00.000 million has been allocated for [explain what the funds will be used for].

**Virements and shifts**

Each virement or shift must be motivated, in both the FROM and to columns.

- **FROM:** specify where funds have been reduced, by programme and economic classification item. Virements to other programmes as well as shifts within each programme, are shown as a percentage of the programme budget.
- **TO:** specify what the funds will be used for, by programme and economic classification item. These funds which increase expenditure, offset the funding reductions.
- **Motivation:** explain reasons for funding reductions as well as what the funds will then be used for.
- All virements or shifts that require approval from Provincial Treasury or the Legislature must be indicated by means of the appropriated footnote

**Details on virements and shifts within a department**

Programmes Summary			R' thousand		
1. Programme name		(2 000)	1. Programme name		500
2. Programme name			2. Programme name		1 500
3. Programme name			3. Programme name		
<b>TOTAL</b>		<b>(2 000)</b>	<b>TOTAL</b>		<b>2 000</b>
<b>FROM:</b>			<b>TO:</b>		
Programme by Economic classification	Motivation	R' thousand	Programme by Economic classification	Motivation	R' thousand
Programme 1		(2 000)	Programme 1		500
Compensation of employees	Non-critical posts at head office were not filled	(2 000)	Goods and services Machinery and equipment	For shortfall, For office equipment such as photocopiesrs	500
Percentage of programme budget		1%			
Programme 2			Programme 2		1 500
Machinery and equipment	Funds earmarked for new passport system were reclassified		Goods and services	For shortfall	1 500
			Programme 3		-
			Deartmental agencies and accounts	Government printing works for new passport system	
Percentage of programme budget		%			
Programme 3			Programme 2		-
software and other intangible assets	Earmarked for HANIS smart ID card was reclassified		Good and services	HANIS Smart ID card	
Percentage of programme budget		%			
<b>Total</b>		<b>(2 000)</b>			<b>2 000</b>

**Declared unspent funds – [write full amount: R00.000 million]**

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

R00.000 million of unspent funds has been declared on [insert area of reduction] due to [insert reason].

**Other adjustments – [write full amount: R00.000 million]****Funds shifted between votes following a transfer of a function**

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

R00.000 million has been transferred to the Department of [insert department name] following the shift of the [insert shift name e.g. research function] for [explain what the funds will be used for].

**OR**

R00.000 million has been transferred from Department of [insert department name] following the shift of the [insert shift name e.g. research function] for [explain what the funds will be used for].

**Funds shifted within a vote following a transfer of a function/within a vote following function shift.**

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

R00.000 million has been transferred to the [insert other programme name] programme following the shift of the [insert name of function e.g. information technology function] to the [insert subprogramme name] .subprogramme in this programme.

**Appropriation of expenditure earmarked in the 2018 Budget speech for future allocation**

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

R00.000 million was announced in the 2018 Budget speech to [explain what funds were announced for]. An additional R00.000 million is now allocated for [explain what the funds will be used for].

**Adjustment due to significant and unforeseeable economic and financial events**

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

An additional R00.000 million has been allocated to cover costs related to [insert expenditure category] following the shift of the [insert shift name e.g. research function] for [explain what the funds will be used for]. **OR**

An additional R00.000 million has been allocated to the department to cover the costs of increases in personnel remuneration that were higher than provided for in the main Budget, as follows:

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

R00.000 million

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

R00.000 million

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

R00.000 million

**Use of funds in emergency situations**

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

An additional R00.000 million has been allocated for [explain what the funds will be used for]. In terms of section 16 of the PFMA.

**Self-financing expenditure**

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

R00.000 million in revenue generated from [insert source of funds] will be returned from the Provincial Revenue Fund for [insert what funds will be used for].

**Gifts, donations and sponsorship – [write full amount: R00.000 million]**

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

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

**Direct charges against the Provincial Revenue Fund – [write full amount: R00.000 million]****[Insert category of adjustment] – [write full amount: R00.000 million]**

An amount of R00.000 million had been allocated to [insert name of direct charge] for [explain what the funds will be used for].

**Expenditure outcome for 2017/18 and actual expenditure for 2018/19****Expenditure trends**

	2017/18 Audited outcome				2018/19 Actual expenditure			
	Adjusted appropriation	Apr 2017 - Mar 2018	Apr 2017 - Sep 2017 % adjusted appropriation	Apr 2017 - Mar 2018	Adjusted appropriation	Adjusted appropriation/Total (%)	Apr 2018 - Sep 2018	Apr 18 - Sep 18 % of adjusted appropriation
R thousand								
1. Programme								
2. Programme name								
3. Programme name								
4. Programme name								
<b>Subtotal</b>	-	-	#DIV/0!	-	-		-	#DIV/0!
<b>Direct charge against the Provincial Revenue Fund</b>	-	-	#DIV/0!	-	-		-	#DIV/0!
<b>Total</b>	-	-	#DIV/0!	-	-		-	#DIV/0!
<b>Current payments</b>	-	-	#DIV/0!	-	-		-	#DIV/0!
Compensation of employees								
Goods and services								
Interest and rent on land								
<b>Transfers and subsidies</b>	-	-	#DIV/0!	-	-		-	#DIV/0!
Provinces and municipalities								
Departmental agencies and accounts								
Universities and technikons								
Public corporations & private enterprises								
Non-profit institutions								
Households								
<b>Payments for capital assets</b>	-	-	#DIV/0!	-	-		-	#DIV/0!
Buildings and other fixed structures								
Machinery and equipment								
Specialised military assets								
Cultivated assets								
Software and other intangible assets								
Land and subsoil assets								
<b>Payments for financial assets</b>	-	-	#DIV/0!	-	-		-	#DIV/0!
<b>Total</b>	-	-	#DIV/0!	-	-		-	#DIV/0!

## 2018 Adjusted Estimates of Provincial Revenue &amp; Expenditure

**Expenditure trends for the first six months of the 2018/19**

A paragraph on expenditure trends, focusing on the major changes in expenditure and explanations of these, will be compiled from the information captured in the database.

**Departmental receipts**

		2017/18 Audited outcome		2018/19 Actual Receipts			
R thousand	Adjusted estimate	Apr 2017 - Sep 2017 % of adjusted appropriation	Apr 2017 - Mar 2018 % of adjusted estimate	Budget estimate	Adjusted estimate	Adjusted receipts estimate/Total (%)	Apr 2018 - Sep 2018 % of adjusted estimate
<b>Departmental receipts</b>	-	-	-	-	-	-	-
Tax receipts							
Sales of goods and services other than							
Transfers received							
Fines, penalties and forfeits							
Interest, dividends and rent on land							
Sales of capital assets							
Financial transactions in assets and liabilities							
<b>Provincial Revenue Fund receipts (non-departmental receipts)</b>	-	-	-	-	-	-	-
Restructuring proceeds from SASRIA							
Structured levy account from SARB							
<b>Total</b>	-	-	-	-	-	-	-

**Revenue trends for the first six months of 2018/19**

A paragraph on expenditure trends, focusing on the major changes in receipts and explanations of these, will be compiled from the information captured in the receipt database.

**Changes to transfers and subsidies, including conditional grants**

Summary of changes to transfers and subsidies per programme

		2018/19						
		Adjustment appropriation						
R thousand		Main appropriation	Special Appropriation	Roll-overs	Unforeseeable / unavoidable	Virement and shifts	Devclared unspent funds	Other adjustments
<b>Programme number. name</b>	-							
<b>Economic sphere</b>								
<b>Current</b>								
Economic classification item								
Item name								
<b>Programme number. name</b>	-							
<b>Economic sphere</b>								
<b>Capital</b>								
Economic classification item								
<b>Total transfers and subsidies</b>	-			-	-	-	-	-

## 2018 Adjusted Estimates of Provincial Revenue &amp; Expenditure

## Summary of changes to conditional grants

2018/19									
R thousand	Adjustment appropriation							Total adjustments appropriation	Adjusted appropriation
	Main appropriation	Special appropriation	Roll-overs	Unforeseeable / unavoidable	Virement and shifts	Devclared unspent funds	Other adjustments		
2. Programme number, name	-								-
Economic sphere									-
Capital									-
Conditional grant name									-
									-
Total Provincial Conditional grants	-	-	-	-	-	-	-	-	-

## Revised Infrastructure project list

The table below should cater for amendments on infrastructure projects (including those on retention) for the current financial year as well as projects which were not included/ were omitted in the Estimate of Provincial Revenue and Expenditure for 2018/19 Revised Infrastructure project list.

Table 1.7: Revised infrastructure project list

No.	Project name	Type of infrastructure	District municipality	Local Municipality	Town	Source of funding	Mechanism (Individual project or package)	Project duration		Programme	Total project cost	Main budget 2018/19	Adjustments 2018/19		Adjusted Appropriation 2018/19
								Date: Start	Date: Finish				Total budget 2018/19 (TO)	Total budget 2018/19 (FROM)	
1. New infrastructure assets (R thousand)															
1	Ruang Tsebo	Small Primary School	Thabo Mofutsanyana	Maluti a Phofung	Clocolan	Equitable share		6 Jun 2013	31 Oct 2017	6	49 442	3 437		(2 850)	587
2															-
3															-
Total new infrastructure assets												3 437	-	(2 850)	587
2. Maintenance and repair (R thousand)															
1															-
2															-
3															-
Total maintenance and repair												-	-	-	-
3. Upgrades and additions (R thousand)															
1	Botshabelo project		Mangaung	Mangaung	Botshabelo project	Equitable share	Library	2008/04	2010/06	3	5 000	2 000	1 000		3 000
2															-
3															-
Total upgrades and additions												2 000	1 000	-	3 000
4. Refurbishment and rehabilitation (R thousand)															
1															-
2															-
Total refurbishment and rehabilitation												-	-		-
TOTAL INFRASTRUCTURE												5 437	1 000		6 437
5. Non-Infrastructure (R thousand)															
1															-
2															-
3															-
TOTAL NON-INFRASTRUCTURE												-	-		-
TOTAL INFRASTRUCTURE AND NON-INFRASTRUCTURE.											-	5 437	1 000		6 437

The table below illustrates the summary of infrastructure adjustment according to infrastructure categories.

**Table 3.8: Summary of adjusted infrastructure appropriation**

2018/19			
Infrastructure	Main Appropriation	Increase/ Decrease	Adjusted Appropriation
<b>Existing infrastructure assets</b>			
Maintenance and repair			
Upgrades and additions			
Refurbishment and rehabilitation			
<b>New infrastructure assets</b>			
<b>Infrastructure transfers</b>			
Current			
Capital			
<b>Infrastructure: Payments for financial assets</b>			
<b>Infrastructure: Leases</b>			
<b>Total Infrastructure</b>			
<i>Capital infrastructure</i>			
<i>Current infrastructure</i>			
<b>Economic classification</b>			
<b>Current payments</b>			
Compensation of employees			
Goods and Services			
Interest and rent on land			
<b>Transfers and subsidies to</b>			
Provinces and municipalities			
Departmental agencies and accounts			
Universities and technikons			
Public corporations and private enterprises			
Foreign governments and international organisations			
Non-profit institutions			
Households			
<b>Payments for capital assets</b>			
Buildings and other fixed structures			
Machinery and equipment			
Cultivated assets			
Software and other intangible assets			
Land and subsoil assets			
Heritage assets			
<b>Payments for financial assets</b>			
<b>Total</b>			