



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# **Technical Guidelines for the Preparation of Adjusted Estimates of National Expenditure**

National Treasury

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# 1. INTRODUCTION

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

- provide detailed information on revised spending projections and revised performance projections for the current financial year, as provided for in section 30 of the Public Finance Management Act 1 of 1999 (PFMA);
- provide mid-year actual expenditure and performance achievements; and
- relate this information to the information published in the 2015 Estimates of National Expenditure (ENE).

The format for the 2015 AENE publication is similar to previous years and the link with the 2015 ENE chapters will be maintained in stating:

- selected performance indicators as published in the 2015 ENE, with actual achievements up to September 2015;
- estimated departmental receipts, with any changes and mid-year actual receipts; and
- estimated expenditure by programme and economic classification, with any changes and mid-year actual expenditure incurred.

## 2. IMPORTANT NOTES FOR THE 2015 AENE

### 2.1 General

Section 4 of this guideline provides details regarding how chapters should be written. A separate template for the preparation of the AENE chapter is provided. Departments must use the formatting style contained in the separate template in order to compile their chapters.

### 2.2 Technical Adjustment to the Annual Budget

The following are adjustments allowed in the AENE 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, money already announced by the Minister of Finance in the annual budget but not appropriated, self-financing expenditure as well as gifts, donations and sponsorships from the vote.

### 2.3 Performance information

In all AENE chapters, performance indicators should be reported on against the targets reflected in the 2015 ENE. Indicators and targets should be revised only if the outputs will be affected by: an adjustment to the budget, a change in the budget programme structure, or a function shift. Where a particular programme for a new department did not have published indicators in the 2015 ENE; new indicators relating to that programme should be included.

### 3 DEADLINES

**TABLE 1: CRITICAL DATES FOR THE 2015 AENE PROCESS**

ITEM	DATE
Departments submit Cabinet memoranda requesting funds due to unforeseeable and unavoidable expenditure	17 August 2015
Departments submit requests for funding shifts following the transfer of a function	Before 1 September 2015
Departments submit requests for self-financing expenditure	Before 1 September 2015
Departments submit monthly expenditure reports as at 31 August 2015 (with projections including all the adjustments proposed)	15 September 2015
Allocation letters issued to departments (excluding allocations in respect of unforeseeable and unavoidable expenditure)	11 September 2015
Departments submit AENE chapter and database: <ul style="list-style-type: none"> <li>- including expenditure and receipts data for 2014/15</li> <li>- excluding expenditure and receipts data for the first six months of 2015/16</li> <li>- excluding performance estimates for the first six months of 2015/16</li> </ul>	16 September 2015
Departments submit expenditure and receipts data for the first six months of 2015/16 Departments submit performance estimates for the first six months of 2015/16	7 October 2015
AENE tabled in Parliament	October 2015

### 4 HOW TO WRITE THE AENE CHAPTER

Use the instructions below to complete the department's Adjusted Estimates of National Expenditure chapter template.

#### **Numbers style**

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

Use a **space** to separate thousands.

Example: R75 000 (75 thousand rand) but R10.2 billion (10 billion and 200 million rand)

# Vote [insert vote number]

## [Insert department name]

### Adjusted budget summary

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

2015/16					
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					
Direct charge against the					
National Revenue Fund					
Executive authority					
Accounting officer					
Website address					

### Vote purpose

*[Write the departmental purpose exactly as it was published in the Appropriation Act (2015), or as recently approved if it has changed due to a significant policy or mandate change.]*

### Changes to programme names, purposes, and objectives

Changes to programme names, purposes, and objectives are published in the AENE to maintain the link between the departments' strategic plan, annual performance plan, main appropriation, special appropriation and the adjusted budget.

To complete this section, follow the instructions below for **each** programme on the vote, for which there has been a change:

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

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

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

[Insert explanation for changes]

### Mid-year performance status

Progress on the achievement of performance targets set in the 2015 ENE must be reported for the first six months of the financial year. Explanations of changes to performance indicators and their 2015/16 targets as published in the 2015 ENE must be provided. These changes must be confined to adjustments made relating to the budget.

In the table, list:

- all the performance indicators published in the 2015 ENE;
  - programme related to each indicator;
  - outcome related to each indicator, including the outcome number and name;
  - the targets projected for the whole year for each indicator, as published in the 2015 ENE;
  - what has been achieved in the first six months of the financial year for each indicator;
- any changes in the original target are confined to adjustments relating to the budget.

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

Indicator	Programme	Outcome	Annual performance		
			Projected for 2015/16 as published in the 2015 ENE	Achieved in the first six months of 2015/16 (April to September)	Changed target for 2015/16

**Below this table:**

- Explain any changes to indicators;
- Explain any changes to targets;
- Discuss mid-year progress, relating this to mid-year expenditure on departmental programmes and to outcomes where relevant;
- Explain the impact on performance due to:
  - the 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,
  - appropriation of expenditure earmarked in the 2015 Budget speech for future appropriations,
  - self-financing expenditure, and
  - gifts, donations and sponsorships from the vote.

## Adjusted Estimates of National Expenditure 2015

The adjusted estimates of national expenditure provide for categories of expenditure specified in section 30(2) of the PFMA, by programme and economic classification as follows:

- **Main appropriation:** the total amount voted per programme and by economic classification in the Appropriation Act (2015).
- **Special appropriation:** the total amount voted per programme and by economic classification in a special appropriation act, such as in the Eskom Special Appropriation Act (2015).
- **Adjustments appropriation consists of the following categories:**
  - **Roll-overs:** unspent funds from the preceding financial year that may be rolled over when activities planned to be completed by the end of that year have not been completed but are close to completion. Treasury Regulations 6.4 restrict roll overs as follows: compensation

of employees funding may not be rolled over; a maximum of 5 per cent of a department's budget for goods and services may be rolled over; transfers and subsidies funding may not be rolled over for any purpose other than what the funds were originally allocated for; and unspent funds on payment for capital assets may only be rolled over to finalise projects or assets acquisitions already in progress.

- **Unforeseeable and unavoidable expenditure:** expenditure that could not be anticipated at the time of the main Budget. Treasury Regulations 6.6 specify that the following may not be regarded as unforeseeable and unavoidable expenditure: spending that was known when the main Budget was being finalised but could not be accommodated in the allocations at the time; spending increases due to tariff adjustments and price increases; and spending to extend existing services or create new services that are not unforeseeable and unavoidable. Spending made necessary by adverse weather conditions is an example of unforeseeable and unavoidable expenditure.
- **Virements and shifts:**
  - **Virements:** the utilisation of unspent funds from amounts appropriated under one main division (programme) towards the defrayment of excess expenditure under another main division (programme) within the same vote. Section 43 of the PFMA sets parameters within which virements may take place.
  - **Shifts:** the utilisation of unspent funds towards the defrayment of increased expenditure within a main division (programme) of a vote by shifting funds between the different segments (sub-programme and economic classification) of the main division (programme). Shifts include the reallocation of funds incorrectly allocated during the 2015 ENE process.
  - Funds reallocated between programmes or subprogrammes or economic classification items within the 2015/16 financial year should be expressed as either a **virement** or a **shift**, and should be captured in the database. Explain why funds are not used / spent in a particular programme or subprogramme or economic classification item to which they were appropriated and what these funds will be used for in the programme or subprogramme or economic classification item where they are shifted to.
  - Departments require approval before a virement can take place from either their own Accounting Officer, the National Treasury, or from Parliament. The level of approval depends on the nature of the virement. For virements requiring Parliamentary approval National Treasury consensus should explicitly be obtained before such virements are included in the AENE database and chapter.

The following virements require approval from National Treasury, those which:

- increase the funds appropriated for compensation of employees;
- increase the funds appropriated for transfers and subsidies to other institutions;
- introduce a new transfer to other institutions;
- utilise funds appropriated for transfers and subsidies to specific institutions for payment to other institutions, provided that the purpose the funds are to be used for remains consistent with the programme purpose of the vote main division in which it was originally appropriated;
- utilise funds that were earmarked by the National Treasury in the allocation letter for a specific purpose; and
- utilise funds appropriated for payments for capital assets for the payment of current assets, other than for the compensation of employees.

The following virements can only be approved by the legislature, those which:

- utilise funds appropriated for items specifically and exclusively earmarked in an appropriation act;
- utilise funds totalling more than 8 per cent of the amount appropriated for a programme. (Shifts between different segments within a programme do not affect the overall amount appropriated for a programme, only virements from a programme effectively reduce the programme budget);
- utilise funds appropriated as transfers and subsidies, that could not be approved by the National Treasury; and
- utilise funds appropriated for payments for capital assets, that could not be approved by the National Treasury.

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

- **Declared unspent funds:** unspent amounts that departments explicitly indicate they will not require in the current financial year. Departments should ensure that the 2015 public sector wage agreement is adequately provided for in their budgets, prior to declaring unspent funds. It is also imperative that Departments utilise their budgets 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 2015/16 financial year in the 2015 Budget.
- **Other adjustments include:**
  - **Function shifts:** 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 and liabilities also need to be shifted. Such shifts can also happen between main divisions (programmes) within a vote.
  - **Appropriation of expenditure earmarked in the 2015 Budget speech for future allocation:** in certain instances, an amount to be allocated for a specific purpose will be announced by the Minister of Finance when the main Budget is tabled, although the details of the annual allocations is to be decided later. This is usually when plans have not been finalised in time to decide on the specific allocation amounts for the main Budget.
  - **Adjustments 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 Minister of Finance can approve the use of unappropriated funds for spending of an exceptional nature. This happens if postponing the spending to a future parliamentary appropriation would seriously prejudice the public interest. The Minister of 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 the National Revenue Fund. If self-financing expenditure is approved, these funds are allocated to the vote.

- **Gifts, donations and sponsorships:** are included in the adjustments budget if valued at more than R100 000 per transaction.
- **Direct charges against the National Revenue Fund:** amounts spent in terms of statutes and that do not require parliamentary approval, such as expenditure on state debt costs.
- **Total adjustments appropriation:** the sum of all expenditure adjustments 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.

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

Programme		2015/16							
R thousand	Main appropriation	Special Appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
			Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Declared unspent funds	Other adjustments		
Programme name									
Subtotal									
Direct charge against the National Revenue Fund									
Item									
Total									
Economic classification									
Current payments									
Economic classification item									
Transfers and subsidies									
Economic classification item									
Payments for capital assets									
Economic classification item									
Payments for financial assets									
Total									

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

**Programme number: Programme name**

Subprogramme			2015/16						
R thousand Subprogramme name	Main appropriation	Special Appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
			Roll- overs	Unforeseeable/ unavoidable	Virements and shifts	Declared unspent funds	Other adjustments		
<b>Total</b>									
<b>Economic classification Current payments</b>									
Economic classification item									
<b>Transfers and subsidies</b>									
Economic classification item									
<b>Payments for capital assets</b>									
Economic classification item									
<b>Payments for financial assets</b>									
<b>Total</b>									

## Special appropriation – [write full amount: R00.000 million]

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

R00.000 million has been appropriated in the [insert Act name] for [explain what the funds will be used for].

## Details of adjustments to Estimates of National Expenditure 2015

### 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 National Treasury or the Legislature must be indicated by means of the appropriate footnote, as shown below the table.

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

Programmes					
1. Programme name					
2. Programme name					
FROM:			TO:		
Programme by economic classification	Motivation	R thousand	Programme by economic classification	Motivation	R thousand
<b>Programme 1</b>		(12 656)	<b>Programme 1</b>		12 656
Compensation of employees	Non-critical posts at head office were not filled	(12 656)	Goods and services	Upgrading of computer equipment	12 545
			Machinery and equipment	Office equipment such as photocopiers	111
Shifts within the programme as a percentage of the programme budget		0.1%			
Virements to other programmes as a percentage of the programme budget		0%			
<b>Programme 2</b>		(130 000)	<b>Programme 2</b>		20 000
Machinery and equipment	Funds earmarked for the new passport system were reclassified <sup>1</sup>	(130 000)	Goods and services	Network infrastructure and hardware	20 000
			<b>Programme 3</b>		110 000
			Departmental agencies and accounts	Government Printing Works for new passport system	110 000
Shifts within the programme as a percentage of the programme budget		0.1%			
Virements to other programmes as a percentage of the programme budget		0.6%			
<b>Programme 3</b>		(1 233 430)	<b>Programme 2</b>		1 233 430
Software and other intangible assets	Funds earmarked for HANIS Smart ID Card were reclassified	(1 213 430)	Goods and services	Smart ID card	1 205 430
	Funds specifically and exclusively earmarked for new passport system were reclassified <sup>2</sup>	(20 000)		New client contact centre	8 000
				New passport system	20 000
Shifts within the programme as a percentage of the programme budget		0%			
Virements to other programmes as a percentage of the programme budget <sup>2</sup>		8.3%			
<b>Total</b>		<b>(1 376 086)</b>			<b>1 376 086</b>

1. National Treasury approval has been obtained.

2. Only the legislature may approve this virement in terms of the Public Finance Management Act, (Act 1 of 1999).

## **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 the Department of [insert department name] following the shift of the [insert shift name] for [explain what the funds will be used for].

### ***Funds shifted within a vote following a function shift***

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

R00.000 million has been transferred from 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 2015 Budget speech for future allocation***

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

R00.000 million was announced in the 2015 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].

### ***Adjustments 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]. **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].

### ***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 National Revenue Fund for [insert what funds will be used for].

### **Gifts, donations and sponsorships<sup>1</sup> – [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 National Revenue Fund – [write full amount: R00.000 million]**

#### ***[Insert category of adjustment] – [write full amount: R00.000 million]***

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

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<sup>1</sup> In terms of the Treasury Regulations, section 21, amounts exceeding R100 000 must be separately shown in appropriation legislation and voted on by Parliament.

## Expenditure outcome for 2014/15 and actual expenditure for 2015/16

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

Programme	2014/15					2015/16			
	Audited outcome					Actual expenditure			
	Adjusted appropriation	Apr 14 - Sep 14	Apr 14 - Sep 14 % of adjusted appropriation	Apr 14 - Mar 15	Apr 14 - Mar 15 % of adjusted appropriation	Adjusted appropriation	Adjusted appropriation/ Total (%)	Apr 15 - Sep 15	Apr 15 - Sep 15 % of adjusted appropriation
R thousand									
1. Programme name									
2. Programme name									
<b>Subtotal</b>									
<b>Direct charge against the National Revenue Fund</b>									
Item									
Item									
<b>Total</b>									
<b>Economic classification</b>									
<b>Current payments</b>									
Economic classification item									
Economic classification item									
<b>Transfers and subsidies</b>									
Economic classification item									
Economic classification item									
<b>Payments for capital assets</b>									
Economic classification item									
Economic classification item									
<b>Payments for financial assets</b>									
<b>Total</b>									

## Expenditure trends for the first half of 2015/16

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

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

	2014/15					2015/16				
	Audited outcome					Actual receipts				
	Adjusted estimate	Apr 14 - Sep 14	Apr 14 - Sep 14 % of adjusted estimate	Apr 14 - Mar 15	Apr 14 - Mar 15 % of adjusted estimate	Budget estimate	Adjusted estimate	Adjusted receipts estimate/ Total (%)	Apr 15 - Sep 15	Apr 15 - Sep 15 % of adjusted estimate
R thousand										
<b>Departmental receipts</b>										
Economic classification item										
Economic classification item										
<b>Total</b>										

## Revenue trends for the first half of 2015/16

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

## Changes to transfers and subsidies, including conditional grants

[These tables will be created from the database].

### Summary of changes to transfers and subsidies per programme

R thousand	2015/16								
	Main appropriation	Special Appropriation	Adjustments appropriation						Adjusted appropriation
			Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Declared unspent funds	Other adjustments	Total adjustments appropriation	
Programme name									
Economic sphere									
Current									
Economic classification item									
Programme name									
Economic sphere									
Capital									
Economic classification item									

### Summary of changes to conditional grants: Provinces

R thousand	2015/16								
	Main appropriation	Special Appropriation	Adjustments appropriation						Adjusted appropriation
			Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Declared unspent funds	Other adjustments	Total adjustments appropriation	
Programme name									
Conditional grant name									

### Summary of changes to conditional grants: Local government

R thousand	2015/16								
	Main appropriation	Special Appropriation	Adjustments appropriation						Adjusted appropriation
			Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Declared unspent funds	Other adjustments	Total adjustments appropriation	
Programme name									
Conditional grant name									