



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Technical Guidelines for the Preparation of 2016 Adjusted Estimates of National Expenditure

National Treasury

July 2016

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1. INTRODUCTION

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

- É provide detailed information on any technical adjustments tabled in an Adjustments Appropriation Bill. Adjustments tabled in an Adjustments Appropriation Bill are technical adjustments to the estimates of national expenditure contained in the Appropriation Act. An Appropriation Bill is tabled as part of the Main Budget, normally in February, and is accompanied by Estimates of National Expenditure (ENE) publications that contain detailed information. Technical adjustments contained in an Adjustments Appropriation Bill are provided for in section 30 of the Public Finance Management Act 1 of 1999 (PFMA). The information contained in the AENE includes revised spending projections as well as any revised performance projections emanating from technical financial amendments; and
- É provide actual receipt, expenditure and performance achievements for the first six months of the current financial year.

The format for the 2016 AENE publication is similar to previous years. The link with the 2016 ENE chapters is maintained:

- É actual achievements up to September 2016 are reported for the selected performance indicators published in the 2016 ENE;
- É mid-year actual receipts are reported, together with any revisions to estimated departmental receipts for the full financial year; and
- É mid-year actual expenditure is reported, together with any revisions to the estimated expenditure for the full financial year by programme and economic classification.

2. THE AENE PUBLICATION

2.1 Technical financial amendments to the Annual Budget

The following are technical financial amendments allowed in the AENE process: roll-over of funds, unforeseeable and unavoidable expenditure, virements and shifts within votes, declared unspent funds, funds shifted between votes, shifts within 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 2016 Budget speech for future appropriation(s), self-financing expenditure as well as gifts, donations and sponsorships from the vote.

2.2 AENE chapter contents

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 as contained in the separate template in order to compile their chapters.

2.3 AENE data workbook

A separate data workbook is provided to departments. Further guidance on completing this workbook is included in the workbook itself and should be read before completion thereof.

2.4 Performance information

In all AENE chapters, performance indicators should be reported on against the targets reflected in the 2016 ENE. Indicators and targets should be revised only if the outputs will be affected by a technical financial amendment to the budget, as detailed in paragraph 2.1 above.

3 DEADLINES

TABLE 1: CRITICAL DATES FOR THE 2016 AENE PROCESS

ITEM	DATE
Departments submit Cabinet memoranda if requesting funds due to unforeseeable and unavoidable expenditure	12 August 2016
Departments submit requests for funding shifts following the transfer of a function as well as for self-financing expenditure	26 August 2016
Allocation letters issued to departments (excluding allocations in respect of unforeseeable and unavoidable expenditure)	9 September 2016
Departments submit monthly expenditure reports as at 31 August 2016 (Projections are to include all of the adjustments proposed)	15 September 2016
Departments submit AENE chapter and data workbook, excluding: - actual expenditure, receipts and performance data for the first six months of 2016/17 - requests for unforeseeable and unavoidable expenditure allocations	16 September 2016
Updated allocation letters issued to departments that requested unforeseeable and unavoidable expenditure	19 September 2016
Departments that receive an allocation for unforeseeable and unavoidable expenditure: Submit updated AENE chapter and data workbook with changes to text and data pertaining to unforeseeable and unavoidable expenditure only	20 September 2016
Departments submit actual expenditure, receipts and performance data for the first six months of 2016/17	7 October 2016
AENE tabled in Parliament	26 October 2016

4 HOW TO WRITE THE AENE CHAPTER

Use the guidance below to complete the Adjusted Estimates of National Expenditure chapter template for the vote.

Numbering 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 the numbers at the end are a 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 data workbook].

	2016/17			
R thousand	Main appropriation	Adjusted appropriation	Decrease	Increase
Amount to be appropriated				
<i>of which:</i>				
Current payments				
Transfers and subsidies				
Payments for capital assets				
Payments for financial assets				
Direct charge against the National Revenue Fund				
Executive authority				
Accounting officer				
Website address				

Vote purpose

[Write the vote purpose exactly as it was published in the Appropriation Act (2016).]

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 department's strategic plan, annual performance plan, main appropriation, and the adjusted budget.

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

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

Changed purpose: [insert new purpose]

Changed objective/s: [insert new objectives]

[Insert explanation for changes]

Mid-year performance status

Progress on the achievement of performance targets set in the 2016 ENE must be reported for the first six months of the financial year. **Changes** to performance indicators and / or targets are **confined** to changes that may emanate from **technical financial amendments** made in terms of section 30 of the PFMA. The technical financial amendments permissible are detailed in these

Guidelines in the section that follows. However, it is rare that technical financial amendments lead to a change to performance indicators and / or targets.

In the table, list:

- all the performance indicators published in the 2016 ENE;
- the programme related to each indicator;
- the outcome related to each indicator, including the outcome number and name;
- for each indicator, the targets published in the 2016 ENE for the full financial year;
- what has been achieved in the first six months of the financial year for each indicator; and
- any changes in the original target. These changes are confined to those possibly accompanying any technical financial adjustments made in this adjustments budget, as detailed below.

[The following table will be created from the data workbook].

Indicator	Programme	Outcome	Annual performance		
			Projected for 2016/17 as published in the 2016 ENE	Achieved in the first six months of 2016/17 (April to September)	Changed target for 2016/17

Below this table:

- Explain any changes to **indicators**, and how they relate to the **technical financial amendments** made in the adjustments budget.
- Explain any changes to **targets**, and how they relate to the **technical financial amendments** made in the adjustments budget.
- That is, explain the impact on performance due to:
 - the roll-over of funds,
 - unforeseeable and unavoidable expenditure,
 - virements and shifts within votes,
 - declared unspent funds,
 - funds shifted between votes,
 - funds shifted within a vote following a function shift,
 - 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 2016 Budget speech for future appropriation(s),
 - function shifts,
 - self-financing expenditure, and
 - gifts, donations and sponsorships from the vote.
- Discuss mid-year progress towards the achievement of the department's targets, particularly where the achievement in the first six months seems to indicate that the department will overachieve its target or fail to achieve it, by year end.

Adjusted Estimates of National Expenditure 2016

The adjusted estimates of national expenditure provide for changes in the main appropriation owing to the 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 for the current financial year in the Appropriation Act (2016), in terms of the main Budget process.
- **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 Regulation 6.4 restricts 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 Regulation 6.6 specifies 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 within votes:**
 - **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 may include the reallocation of funds incorrectly allocated in the 2016 ENE process.
 - Funds reallocated between programmes or subprogrammes or economic classification items within the 2016/17 financial year should be expressed as either a **virement** or a **shift**, and should be captured in the data workbook. 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.

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

- increase the funds appropriated for transfers and subsidies to other institutions;
- introduce a new transfer to other institutions;
- utilise funds appropriated for the compensation of employees, provided that the funds are to be used for transfers and subsidies for the payment of severance or exit packages;

- utilise funds appropriated for transfers and subsidies to specific institutions for payment to other institutions, provided that the purpose for which the funds are to be used remains consistent with the programme purpose of the vote main division within which it was originally appropriated;
- utilise funds that were earmarked by the National Treasury in the allocation letter for a specific purpose for other purposes; 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, including the vote's compensation of employees allocation;
- 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);
- increase the funds appropriated for compensation of employees;
- utilise funds appropriated for compensation of employees, that cannot be approved by the National Treasury;
- utilise funds appropriated as transfers and subsidies, that cannot be approved by the National Treasury; and
- utilise funds appropriated for payments for capital assets, that cannot be approved by the National Treasury.

For virements requiring Parliamentary approval, National Treasury consensus must be explicitly obtained before such virements are included in the AENE data workbook and chapter. Such virement applications are tabled in the Adjustments Appropriation Bill and detailed in the AENE publication with accompanying motivations.

It should be noted that **Compensation of employees budget limits** were introduced in the Appropriation Bill, 2016, with compensation of employees vote allocations being specifically and exclusively earmarked. Departments need to manage their personnel establishments within these budget limits. In exceptional circumstances, where departments are still in the process of aligning expenditure to limits and require an interim expenditure adjustment, the National Treasury budget analyst should be approached before **25 August 2016**. Consensus must be obtained regarding whether proposed virements can be included in data workbooks to be submitted on 15 September 2016.

- **Declared unspent funds:** unspent amounts that departments explicitly indicate they will not require in the current financial year. It is imperative that Departments utilise their budgets as effectively and efficiently as possible, such that more is achieved with less funding. Departments must continually seek value-for-money. Funds no longer required as a result of this, must be declared as unspent funds. The declaration of funds released back to the fiscus assists Government in remaining within the 2016/17 financial year's expenditure ceiling, committed to in the 2016 Budget.
- **Other adjustments include:**
 - **Shifts between votes:** unspent funds can be shifted between votes, including when functions 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.

- **Funds shifted within a vote following a function shift:** Functions may also be shifted between main divisions (programmes) within a vote.
 - **Appropriation of expenditure earmarked in the main 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 are 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, if it is for spending of an exceptional and extraordinary 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 the 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 are not budgeted for in any programme in a particular vote, hence these amounts are shown as separate items on specific votes. An example is expenditure on debt-service 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 shifts.
 - **Adjusted appropriation:** the adjusted total amount that will be voted for the current financial year, which is the sum of the main appropriation at the time of tabling the annual budget, and the total adjustments appropriation.

[The table below will be created from the data workbook].

Programme		2016/17						
		Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
R thousand	Main 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 data workbook].

Programme number: Programme name

Subprogramme	2016/17							Adjusted appropriation
	Main appropriation	Adjustments appropriation					Total adjustments appropriation	
R thousand		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Declared unspent funds	Other adjustments		
Subprogramme name								
Subtotal								
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								

Details of adjustments to Estimates of National Expenditure 2016

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 within votes

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. Both virements to other programmes, as well as shifts within the same 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 funding reductions.
- **Motivation:** explain reasons for funding reductions or, conversely the reasons for funds being made available.
- All virements or shifts that require approval from National Treasury or the Legislature to be effected must be footnoted in this table. National Treasury approvals must be obtained prior to their inclusion in the AENE chapter.

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

Programmes					
1. Programme name					
2. Programme name					
FROM:			TO:		
Programme by economic classification	Motivation	R thousand	Programme by economic classification	Motivation	R thousand
Programme 1		(12 656)	Programme 1		12 656
Goods and services	Cost containment measures effected on venues and facilities	(12 656)	Machinery and equipment	Upgrading of computer equipment	4 980
			Software and other intangible assets	Computer software	7 676
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%			
Programme 2		(130 000)	Programme 2		20 000
Machinery and equipment	Funds earmarked for the new passport system were reclassified ¹	(130 000)	Goods and services	Network infrastructure and hardware	20 000
			Programme 3		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%			
Programme 3		(1 233 430)	Programme 2		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 ²	(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 ²		8.3%			
Total		(1 376 086)			1 376 086

1. National Treasury approval has been obtained.

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

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

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

R00.000 million in 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

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

R00.000 million has been transferred to the Department of [insert department name] for [explain what the funds will be used for]. **OR**

R00.000 million has been transferred from the Department of [insert department name] for [explain what the funds will be used for].

OR in the case of 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 2016 Budget speech for future allocation

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

R00.000 million is 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].

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 sponsorships¹ – [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].

¹ In terms of the Treasury Regulation 21, amounts exceeding R100 000 must be separately shown in appropriation legislation and voted on by Parliament.

Expenditure outcome for 2015/16 and actual expenditure for 2016/17

[The following table will be created from the data workbook].

Programme	2015/16 Audited outcome					2016/17 Actual expenditure			
	Adjusted appropriation	Apr 15 - Sep 15	Apr 15 - Sep 15 % of adjusted appropriation	Apr 15 - Mar 16	Apr 15 - Mar 16 % of adjusted appropriation	Adjusted appropriation	Adjusted appropriation/ Total (%)	Apr 16 - Sep 16	Apr 16 - Sep 16 % of adjusted appropriation
R thousand									
1. Programme name									
2. Programme name									
Subtotal									
Direct charge against the National Revenue Fund									
Item									
Item									
Total									
Economic classification									
Current payments									
Economic classification item									
Economic classification item									
Transfers and subsidies									
Economic classification item									
Economic classification item									
Payments for capital assets									
Economic classification item									
Economic classification item									
Payments for financial assets									
Total									

Expenditure trends for the first six months of 2016/17

This paragraph on expenditure trends, focuses on whether expenditure is in line with the budget. Mid-year actual expenditure for the current financial year is compared to mid-year expenditure for the previous year. Explanations must be given for significant changes in expenditure compared to the previous financial year. Also report progress on the actual expenditure in the current year against budgeted full year expenditure as tabled in the main budget. This paragraph will be compiled from the information captured in the data workbook.

Departmental receipts

[The following table will be created from the data workbook].

R thousand	2015/16					2016/17				
	Adjusted estimate	Audited outcome				Budget estimate	Adjusted estimate	Actual receipts		
		Apr 15 - Sep 15	Apr 15 - Sep 15 % of adjusted estimate	Apr 15 - Mar 16	Apr 15 - Mar 16 % of adjusted estimate			Adjusted receipts estimate/ Total (%)	Apr 16 - Sep 16	Apr 16 - Sep 16 % of adjusted estimate
Departmental receipts										
Economic classification item										
Economic classification item										
National Revenue Fund receipts										
Economic classification item										
Economic classification item										
Total										

Revenue trends for the first six months of 2016/17

This paragraph on revenue trends, focuses on whether revenue is in line with the budget. Mid-year actual revenue for the current financial year is compared to mid-year revenue for the previous year. Explanations must be given for significant changes in revenue compared to the previous financial year. Also report progress on the actual revenue in the current year against projected full year revenue as tabled in the main budget. This paragraph will be compiled from the information captured in the data workbook.

Changes to transfers and subsidies, including conditional grants

[These tables will be created from the data workbook].

Summary of changes to transfers and subsidies per programme

Programme	Main appropriation	2016/17						Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Declared unspent funds	Other adjustments	Total adjustments appropriation	
R thousand								
Programme name								
Economic sphere								
Current								
Economic classification item								
Capital								
Economic classification item								
Programme name								
Economic sphere								
Current								
Economic classification item								
Capital								
Economic classification item								

Summary of changes to conditional grants: Provinces

Programme	Main appropriation	2016/17						Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Declared unspent funds	Other adjustments	Total adjustments appropriation	
R thousand								
Programme name								
Conditional grant name								

Summary of changes to conditional grants: Local government

Programme	2016/17							Adjusted appropriation
	Main appropriation	Adjustments appropriation					Total adjustments appropriation	
		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Declared unspent funds	Other adjustments		
R thousand								
Programme name								
Conditional grant name								