

# **Annexure 1**

## **2007 ENE notes and template**

# Chapter notes and template for 2007

The votes are arranged according to the functional groupings:

- central government administration
- financial and administrative services
- social services
- justice and protection services
- economic services and infrastructure development.

These groupings facilitate the analysis of interdepartmental initiatives and service delivery. The functional groupings in the ENE are informal and not consistent with the more rigorous functional classification of expenditure reported in the *Budget Review*.

The chapters for each of the 34 votes contain the following information:

## Accountability information

	2007/08	2008/09	2009/10
Rand thousand	To be appropriated		
MTEF allocations			
<i>of which:</i>			
Current payments			
Transfers and subsidies			
Payments for capital assets			
Statutory amounts			
Executive authority			
Accounting officer			

The amount **to be appropriated** reflects the expenditure allocation for 2007/08 and corresponds with the 2007 Appropriation Bill. Estimates for the two outer years of the expenditure framework, **2008/09** and **2009/10**, are also included. The appropriated and estimated totals are disaggregated into **current payments, transfers and subsidies, and payments for capital assets**.

The **executive authority** and **accounting officer** are specified to improve accountability.

## Aim

The aim paragraph captures the social and economic outcomes that the department wishes to achieve, and corresponds with the Appropriation Bill.

## Programme purposes

Each programme is listed individually together with its purpose, as stated in the Appropriation Bill.

## Strategic overview and key policy developments: 2003/04 – 2009/10

This section describes the department's strategic direction over the period under review. It should commence with a discussion of the expected outcomes to be achieved. The outcomes that are included here should be framed within legislative and policy developments; service delivery improvement plans, and should also reveal ways in which outputs are leading to the desired outcomes.

The discussion on outcomes is then followed by a more descriptive discussion on policy developments and legislative changes that frame departmental spending plans. This section does not replace the strategic overview discussion.

## Expenditure estimates

The first table sets out expenditure first by **programme** and then by **economic classification**, showing:

- **audited outcomes** for 2003/04 to 2005/06;
- the **adjusted appropriation** and the **revised estimate** for 2006/07; and
- the **medium-term expenditure estimates** for 2007/08 to 2009/10.

**Audited outcomes** are presented as in the annual financial statements, with adjustments for structural changes.

**Adjusted appropriation** as presented to Parliament, shows the amendments made to the appropriation voted in the main budget for the year, with adjustments for structural changes.

The **revised estimate** for 2006/07 represents National Treasury's estimate, in consultation with departments, of estimated expenditure outcomes. This does not imply a change in the amount voted to the department in the 2006/07 adjusted appropriations.

The spending figures for **2007/08** make up the proposed appropriation that will form the basis for the main Appropriation Bill that has to be approved by Parliament to fund from the National Revenue Fund. The direct charge on the National Revenue Fund - statutory appropriations - are amounts appropriated to be spent in terms of statutes and not requiring appropriation by vote.

The **medium-term expenditure estimates** for 2008/09 and 2009/10 will form the basis for planning the 2008 Budget.

For comparability, where programme structures have been changed in recent years, expenditure has, where possible, been reallocated for all years according to the new programme structure.

## Expenditure trends

The main expenditure trends and programme structure changes in the vote over the seven-year period are described, giving effect to policy development and service delivery objectives.

Where appropriate, average annual growth rates are calculated. Unless indicated otherwise, these reflect nominal growth rates rather than real growth. Where real growth estimates are provided, the growth rate is deflated by CPIX.

Expenditure trends over the 7-year period should be summarised in this section and provide a detailed trend analysis for the period under review. The text provided must be aligned to the tables and explain significant increases or decreases in historical expenditure or over the medium-term in relation to policy developments and service delivery objectives.

A concise summary of the new allocations to the programme's baseline, as approved by Cabinet, is also provided.

Unless otherwise stated, the change in expenditure for a department over the MTEF period refers to the average annual growth rate between 2006/07 and 2009/10.

The example in the textbox illustrates a trend analysis in funding for provincial education. A similar narrative discussion should be included in the expenditure estimates table for the vote per programme.

**Example: Trends in funding of provincial education (Provincial Budgets and Expenditure Review 2002/03 – 2008/09)**

Provincial education spending has increased from R53,2 billion in 2002/03 to R72,0 billion in 2005/06 at an annual average nominal rate of 10,6 per cent, or 5,8 per cent per year in real terms. This trend is visible across all provinces especially Free State, Limpopo and Mpumalanga. These expenditure numbers reflect substantial additional real resources available to the education sector over the past three MTEF cycles.

**Table 2.7 Provincial education expenditure<sup>1</sup>, 2002/03 – 2008/09**

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	Outcome			Preliminary outcome	Medium-term estimates		
R million							
Eastern Cape	9 268	10 308	10 654	11 523	13 065	14 774	16 334
Free State	3 551	4 087	4 400	4 916	5 272	5 642	6 084
Gauteng	8 129	9 539	9 835	10 406	12 282	13 338	14 508
KwaZulu-Natal	10 432	12 022	13 033	15 006	16 209	17 983	19 385
Limpopo	7 450	8 264	9 610	10 362	11 067	12 268	13 614
Mpumalanga	3 922	4 529	4 871	5 780	6 218	6 910	7 548
Northern Cape	1 181	1 305	1 397	1 563	1 644	1 801	1 957
North West	4 416	4 896	5 179	5 951	6 305	6 698	7 223
Western Cape	4 802	5 305	5 691	6 449	6 988	7 593	8 212
<b>Total</b>	<b>53 151</b>	<b>60 255</b>	<b>64 670</b>	<b>71 957</b>	<b>79 051</b>	<b>87 008</b>	<b>94 865</b>
<b>Percentage of total provincial spending</b>							
Eastern Cape	49,6%	47,5%	49,3%	48,7%	48,7%	48,5%	48,2%
Free State	45,6%	45,8%	45,3%	46,0%	45,3%	43,6%	42,9%
Gauteng	38,5%	40,2%	39,7%	38,4%	35,6%	37,0%	37,6%
KwaZulu-Natal	46,5%	47,2%	46,5%	45,0%	43,6%	42,9%	41,2%
Limpopo	50,8%	50,0%	51,3%	49,5%	48,3%	48,1%	48,1%
Mpumalanga	49,6%	50,2%	48,6%	49,8%	48,6%	48,6%	48,8%
Northern Cape	44,2%	41,6%	42,1%	39,5%	37,4%	37,1%	38,0%
North West	48,3%	48,1%	46,6%	45,3%	43,8%	41,8%	40,9%
Western Cape	40,5%	40,3%	38,9%	38,5%	38,0%	38,2%	38,0%
<b>Total</b>	<b>45,7%</b>	<b>45,7%</b>	<b>45,6%</b>	<b>44,7%</b>	<b>43,2%</b>	<b>43,1%</b>	<b>42,8%</b>
<b>Percentage growth (average annual)</b>	<b>2002/03 – 2005/06</b>		<b>2005/06 – 2008/09</b>				
Eastern Cape	7,5%		12,3%				
Free State	11,5%		7,4%				
Gauteng	8,6%		11,7%				
KwaZulu-Natal	12,9%		8,9%				
Limpopo	11,6%		9,5%				
Mpumalanga	13,8%		9,3%				
Northern Cape	9,8%		7,8%				
North West	10,5%		6,7%				
Western Cape	10,3%		8,4%				
<b>Total</b>	<b>10,6%</b>		<b>9,7%</b>				

1. Includes National School Nutrition Programme.

Source: National Treasury provincial database

Over the 2006 MTEF, overall spending is projected to grow at a nominal rate of 9,7 per cent (or 4,9 per cent in real terms) per year and is spread across all provinces. Spending growth in Eastern Cape and Gauteng is projected to be more than 11 per cent per year over the MTEF. Part of this growth will be absorbed by educators to provide for enhanced performance related rewards and to retain scarce skills, funding for the recapitalisation of the FET college sector and the introduction of no-fee schools and general quality enhancement programmes.

## **Infrastructure spending**

This section is intended to discuss spending on fixed assets and should include a discussion on the mechanisms used to acquire fixed assets. Departments should disclose expenditure on acquisition of buildings and other fixed structures as well as the procurement mechanisms used i.e. own resources, Public-Private Partnership agreements or by making use of an implementing agent such as the Department of Public Works. This section should also highlight progress on construction of the De Hoop Dam, the Vaal River Augmentation Project, Gautrain, the Pebble Bed Modular Reactor (PBMR), Roads projects, King Shaka Airport and construction of 2010 Soccer World Cup TM Stadia. Departments should also include information on the number of facilities being constructed and/or upgraded in this section. Other information to be featured in this part should be concurred between the budget analysts and the Department.

## **Customised text box per vote**

Departmental programmes which relate to government's broad strategic priorities may be included here. These include spending on science and technology projects, land restitution claims, strategic arms package, savings on correctional services, devolution of accommodation, etc and should be discussed under appropriate tables featuring trends for the 7-year period. Information to be featured in this part should be concurred between the budget analysts and the Department. The customised box and tables should be limited to half a page to reduce the growth in size of the document.

## **Departmental receipts**

All departmental receipts for 2006/07 are described, as well as the anticipated revenue for the new MTEF period.

## **Information on each programme**

Each programme section opens with a brief description of the programme and subprogrammes, which delineates, for the purpose of the Public Finance Management Act, the activities and functions that may be accommodated within the approved programme structure.

Programme 1 is always *Administration*, which includes spending on the ministry, the director-general's office and central corporate services.

## **Expenditure estimates (per programme)**

Tables for each programme set out expenditure by **subprogramme** and **economic classification**. The table shows:

- **audited outcomes** for 2003/04 to 2005/06;
- the **adjusted appropriation** and **revised estimates** for 2006/07; and
- the **medium-term expenditure estimates** for 2007/08 to 2009/10.

## **Expenditure trends (per programme)**

Important expenditure trends for each programme are explained over the seven-year framework. Reprioritisation, reflected in changes in the division of expenditure between programmes, is highlighted where significant. A detailed summary of the changes to the programme's baseline, as approved by Cabinet, is also provided.

Unless otherwise stated, the change in expenditure for a programme or subprogramme over the MTEF period refers to the average annual growth rate between 2006/07 and 2009/10. The example provided in the section relating to expenditure trends for the vote should also be used to complete this section.

### Service delivery objectives and indicators

Measurable objectives are defined as quantifiable results that can be achieved within a foreseeable time.

Information about service delivery outputs and targets are presented in two parts:

- **Recent outputs** highlight the main outputs achieved by the programme in 2006 in relation to the service delivery targets specified by the department in previous years.
- **Selected medium-term output targets** sets out, for each subprogramme, the key service delivery outputs, with their measures and indicators, and their targets, over the medium term.

The section on *recent outputs* should feature outputs for 2005/06 and outputs achieved to date for 2006/07. The table on *selected medium term output targets* must be aligned with the strategic plan and cover the first year of the 2007 MTEF. As illustrated in diagram 1 above, the outputs should relate to the outcomes discussed in the opening section. This reform is intended to align the performance indicators to a department's strategic priorities and the performance results reported in the annual report.

The narrative description should not exceed three quarters of a page and must relate to last year's targets specified in the 2006 ENE.

### Public entities and agencies

As part of the 2007 Budget, the National Treasury would like to extend the coverage and reporting of the government account to also include departmental expenditure estimates, but also more information on the wider public sector accounts. This represents the continuation of an ongoing reform process with the ultimate aim of producing consolidated budgets for departments, including their financial data and that of associated entities. Public Entities receive in the order of approximately R35 billion in transfer payments from national departments, and are often the front-line providers of services. It is therefore important to understand the impact of these services on the community.

The information presented in the ENE on such bodies varies according to the type of service rendered by the entity and the resulting financial implications and impacts on fiscal policy. In general, more emphasis is given to entities that are primarily funded by tax revenue, where money is transferred from the National Revenue Fund via a department to for example, the Independent Electoral Commission (IEC) or to the Unemployment Insurance Fund (UIF).

In the 2007 ENE, national departments are required to provide detailed financial information for all public entities falling within the governing framework of the Department. It is imperative that data on all public entities is collected, as the National Treasury intends to prepare consolidated financial information on the whole of the general government sector. The inclusion of financial information of entities that was presented in the 2006 ENE chapter is mandatory for publication in the 2007 ENE.

The National Treasury has included in the Income Statement format detailed account classifications in the Use of Goods and Services section. This detail is required for expenditure analysis purposes as well as for ensuring standardisation across government. The collection of more detail information is necessary in order to assist the National Treasury in the compilation of cash information for consolidation purposes.

National Treasury in conjunction with the DPSA has concluded a governance framework review of all Schedule 3A and 3B public entities comprising four work streams namely:

- Corporate Status Review
- Corporate Governance Review
- Performance Management Review
- Legal Review

These processes are envisaged to support amendments to key legislative frameworks in the near future. The review will critically assess the suitability of existing public entities with the aim of developing robust Corporate Forms, Corporate Governance and Performance Management Frameworks to improve and promote better accountability and transparency within the public sector.

## **Annexures**

Standard detailed tables are included in the annexure to each vote. These include:

- Summary of expenditure trends and estimates per programme and economic classification
- Summary of personnel numbers and compensation of employees
- Summary of expenditure on training
- Summary of conditional grants to provinces and local government (municipalities)
- Summary of official development expenditure
- Summary of expenditure on infrastructure
- Summary of departmental public-private partnerships projects