

**ADJUSTED  
ESTIMATES  
OF NATIONAL EXPENDITURE**

**GUIDELINES  
2020**



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



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## **1. INTRODUCTION**

**1.1** The aim of the second Adjusted Estimates of National Expenditure guidelines is to set the parameters for the adjustments in line with the Public Finance Management Act (PFMA) of 1999. All adjustments that were not included in the Supplementary Budget in June 2020 are to be included in this Second Adjustment Budget to be tabled in October 2020.

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

- detailed information on technical adjustments tabled in the Second Adjustments Appropriation Bill for the 2020 Budget. An Appropriation Bill is tabled as part of the budget speech, and is accompanied by the Estimates of National Expenditure (ENE) publication that contain detailed information on allocations. Technical adjustments to the Appropriation Act, 2020 contained in any Adjustments Appropriation Bill, are provided for in Section 30 of the PFMA.
- detailed information on revised spending projections and any revised performance projections emanating from technical financial adjustments; and
- actual receipts, expenditure and performance achievements for the first six months of the current financial year.

The link with the 2020 ENE chapters must be retained, therefore the 2020 AENE publication reports on:

- actual achievements up to the end of September 2020 for the selected performance indicators published in the 2020 ENE;
- mid-year actual receipts, together with any revisions to estimated departmental receipts for the full financial year by economic classification; and
- mid-year actual expenditure, together with any revisions to the estimated expenditure for the full financial year by programme and economic classification
- changes emanating from the Supplementary Budget with explanations.

## 2. THE AENE PUBLICATION

### 2.1 Technical financial amendments to the Annual Budget

The adjusted estimates of national expenditure provide for changes in the appropriation owing to the categories of expenditure specified in Section 30(2) of the PFMA, by programme and economic classification.

**Appropriation:** The total amount voted per programme and by economic classification for the current financial year in the Appropriation Act (2020), in terms of the budget process.

**Special appropriation:** The total amount for the current financial year which is voted in a special appropriation act. The column appears in all of the tables of affected vote.

**Adjustments appropriation:** The total amount voted per programme and economic classification, and in aggregate for the current financial year in the Adjustments Appropriation Act, 2020 as tabled during the Supplementary Budget on 24 June 2020.

**Second adjustments appropriation:** The amounts of the adjustments for each type of expenditure adjustment, by programme and economic classification.

**Adjusted appropriation:** The adjusted total amount for the current financial year, which is the sum of the appropriation, any special appropriation, adjustments appropriation and the total second adjustments appropriation.

The following are technical financial amendments allowed in the AENE process:

- **Roll-overs:** Unspent funds from the previous financial year may be rolled over into the current financial year, when activities planned to be completed by the end of the previous 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; funding for transfers and subsidies may not be rolled over for any purpose other than what the funds were originally allocated for; and unspent funds on payments for capital assets may be rolled over only to finalise projects or the acquisition of assets already in progress. These rollovers are subject to approval by the National Treasury.
- **Unforeseeable and unavoidable expenditure:** This is expenditure that could not be anticipated at the time of the budget. Treasury Regulation 6.6 specifies that the

following may not be regarded as unforeseeable and unavoidable expenditure: spending that was known when the 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

○ **Virements and shifts within the vote/department:**

- **Virements:** The use of unspent funds from amounts appropriated under one main division (programme) to defray excess expenditure under another main division (programme) within the same vote/department. Section 43 of the PFMA read in conjunction with Treasury Regulation 6.3, and Section 5 of the Appropriation Act, 2020 and Adjustments Appropriation Act, 2020 set out the current parameters within which virements may take place. Modifications to parameters may also be tabled in an Adjustments Appropriation Bill. Section 43 of the PFMA requires that virements from a programme should not exceed 8 per cent of the **total** amount appropriated to that division in the main appropriation as well as in any other subsequent adjustments/special appropriations in that financial year. However, parliament can approve virements above 8 per cent.
- **Shifts:** Section 30 of the PFMA allows the shifting of funds within a vote/department. Shifts may include the reallocation of funds incorrectly allocated in the 2020 ENE process. Section 43 of the PFMA read in conjunction with Treasury Regulation 6.3, and Section 5 of the Appropriation Act, 2020 set out the current parameters within which shifts may take place. Modifications to parameters may also be tabled in an Adjustments Appropriation Bill.
- Before a virement or shift can take place, approval is required from either the Accounting Officer, the National Treasury, or from Parliament. The level of approval depends on the nature of the virement or shift. No retrospective approvals are permissible in terms of the PFMA meaning that prior approval must be obtained before the expenditure for which funds are shifted is incurred.

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

- increase the funds appropriated for transfers and subsidies to other institutions;
- introduce a new transfer and subsidy to another institution;
- increase compensation of employees provided that funds appropriated for transfers and subsidies and payment for capital assets may not be approved for use for compensation of employees in the same national department;
- use funds appropriated for compensation of employees for transfers and subsidies for the payment of severance or exit packages;
- use funds appropriated for transfers and subsidies to other institutions for something else within the same main division, except for compensation of employees;
- use funds that were earmarked by the National Treasury in the allocation letter for a specific purpose for other purposes; and
- use funds appropriated for payments for capital assets elsewhere in any main division of the same national department except for compensation of employees.

The following virements and shifts can only be approved by the parliament, those which:

- use funds appropriated for items specifically and exclusively earmarked in an Appropriation Act, that cannot be approved by the National Treasury;
- use funds totalling more than 8 per cent of the amount appropriated for a main division for a financial year (shifts between different segments within a programme do not affect the overall amount appropriated for a programme, only virements from a programme to another effectively reduce a programme budget);
- use funds appropriated for compensation of employees, that cannot be approved by the National Treasury;
- use funds appropriated as transfers and subsidies, that cannot be approved by the National Treasury; and
- use 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 obtained before** such virements are included in the AENE data workbook and chapter. Such virement applications will be tabled in the Second Adjustments Appropriation Bill and

detailed in the AENE publication with accompanying motivations.

**Compensation of employees** reductions announced in the 2020 Budget must be effected (see attached Annexure A). Departments are therefore, required to adjust their compensation of employees in the AENE workbook, under the heading, “Appropriation of expenditure earmarked in the budget speech for future allocation”. Departments need to manage their personnel establishments within applicable budget limits. Departments must ensure that public entities also effect these reductions and reduce transfers to public entities accordingly.

- **Shifts between votes:** The use of unspent funds to defray increased expenditure in another vote. Such shifts include transfers of funds from one vote for purposes of defraying increased expenditure in another vote, as well as functions being shifted to another vote in terms of legislation and/or following the reassignment of responsibility for the functions. The associated assets, including personnel, and the liabilities also need to be shifted.
- **Declared unspent funds:** Unspent amounts that departments explicitly indicate they will not require in the current financial year. It is imperative that Departments use their budgets as effectively and efficiently as possible, such that more is achieved with less funding. Departments must continually seek value-for-money.
- **Other adjustments include:**
  - **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 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 in the budget speech, with the details of the annual allocations to be decided later. This is usually when plans have not been finalised in time to decide on the specific allocation amounts for the budget. This includes downward reduction of compensation of employees.
  - **Adjustments due to significant and unforeseeable economic and financial events:** When unforeseeable economic and financial events affect the fiscal targets set by the budget, adjustments may need to be made.
  - **Section 16 of the PFMA:** The Minister of Finance may approve the use of unappropriated funds, if it is 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 and to the Auditor-General.

- **Self-financing expenditure:** Spending financed from the revenue derived from a vote's/department's specific activities. This revenue is paid into the National Revenue Fund. If self-financing expenditure is approved, these funds are allocated to the vote/department.
- **Gifts, donations and sponsorships<sup>1</sup>:** Cash amounts exceeding R100 000 per beneficiary must be included in the Second Adjustments Appropriation Bill.
- **Direct charges against the National Revenue Fund:** An amount spent in terms of a statute and that is not budgeted for in any programme in a particular vote. These amounts are shown as separate items, such as expenditure on debt-service costs.

## 2.2 AENE chapter contents

These technical guidelines provide 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 to compile their chapters.

## 2.3 AENE data workbook

A 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 2020 ENE. Indicators and targets can be revised **only if the outputs will be affected by a technical financial amendment to the budget**, as detailed in paragraph 2.1 above. Any change to an indicator or a target to realign with the department's 2020/2021 annual performance plan must be effected, replacing the original indicator or target presented in the 2020 ENE. Moreover, changes are permissible to align to the Adjustment Appropriation Act of 2020.

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



### 3. DEADLINES

**TABLE 1: CRITICAL DATES FOR THE 2020 AENE PROCESS**

ITEM	DATE
Departments submit Cabinet memoranda if requesting additional funds due to unforeseeable and unavoidable expenditure <sup>2</sup>	07 Aug 2020
Departments submit requests for other AENE adjustments (excluding those previously submitted) to the National Treasury <sup>3</sup>	02 Sep 2020
Allocation letters issued to departments (excluding allocations in respect of unforeseeable and unavoidable expenditure)	07 Sep 2020
Departments submit monthly expenditure reports as at 31 August 2020 (Projections are to include all of the adjustments proposed)	14 Sep 2020
Updated allocation letters issued to departments that requested unforeseeable and unavoidable expenditure	16 Sep 2020
Departmental first and final submission date for AENE chapter and data workbook, excluding the actual expenditure, receipts and performance data for the first six months of the 2020/21 financial year	21 Sep 2020
Departments submit expenditure, receipts and performance data for the first six months of the 2020/21 financial year	07 Oct 2020
AENE tabled in Parliament	Oct 2020

<sup>2</sup> Requests need to be submitted in line with the requirements stated in the Cabinet Secretariat letter entitled ‘Procedure to request funding for unforeseeable and unavoidable expenditure’, sent to all Administrative Secretaries of members of the Cabinet, Deputy Ministers and Directors-General, on 7 August 2020.

<sup>3</sup> Including requests for any funding shifts, expenditure which was earmarked in the 2020 budget speech for future appropriation, expenditure due to significant and unforeseeable economic and financial events, self-financing expenditure, as well as declared unspent funds.

## 4. HOW TO WRITE THE AENE CHAPTER

Use the guidance below to complete the AENE chapter template for the vote.

### **Numbering style:**

***For Mid-year performance status; Expenditure outcome for 2019/20 and actual expenditure for 2020/21; and Departmental receipts:***

- Use a **full stop** to separate a whole number from the decimal numbers denoting the fraction.
- Provide one number after the decimal point, unless the number at the end is a zero.
- Use a space to separate thousands
- Percentages must be expressed using the above numbering style.

Example:

R75 000 (75 thousand rand) but R10.3 billion (10 billion and 250 million rand)

***For Details of adjustments to the Estimates of National Expenditure 2020:***

- 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:

### **Roll-overs – R2.532 million**

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

R2.532 million has been rolled over for the finalisation of the [insert name] project.

# Vote [insert vote number]

[Insert department name]

## Adjusted budget summary

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

R thousand	Appropriation	Special appropriation	Adjustments Appropriation	2020/21		Adjusted appropriation
				Second adjustments appropriation		
				Decrease	Increase	
<b>Amount to be appropriated of which:</b>						
Current payments						
Transfers and subsidies						
Payments for capital assets						
Payments for financial assets						
<b>Direct charge against the National Revenue Fund</b>						
Executive authority						
Accounting officer						
Website address						

## Vote purpose

[Write the vote purpose exactly as it was published in the Appropriation Act, 2020.]

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 2020 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 the section that follows.

In the table, list:

- all the performance indicators published in the 2020 ENE;
- changes emanating from the Adjustment Appropriation Act of 2020
- the programme related to each indicator;

- the outcome number and name related to each indicator;
- for each indicator, the targets published in the 2020 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 to 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 AENE data workbook].

Indicator	Programme	MTSF priority	Annual performance		
			Projected for 2020/21	Achieved in the first six months of 2020/21 (April to September)	Changed target for 2020/21 (If permissible)

**Below this table:**

- Explain any changes to **indicators**, and how they relate to the **technical financial amendments** made in the adjustments budget.
- New Indicator/target as a result of changes to the Adjustment Appropriation Act of 2020 changes
- 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/departments,
  - declared unspent funds,
  - funds shifted between votes/departments, including following a function shift,
  - funds shifted within a vote/department following a function shift,
  - expenditure earmarked in the 2020 budget speech for future allocation,
  - adjustments due to significant and unforeseeable economic and financial events,
  - use of funds in terms of Section 16 of the PFMA,
  - self-financing expenditure, and
  - gifts, donations and sponsorships of more than R100 000 per beneficiary from the vote/department.
- Discuss mid-year progress towards the achievement of the department's targets.



## Direct charges against the National Revenue Fund

		2020/21									
		Second adjustments appropriation								Total	
R thousand	Appropriation	Special appropriation	Adjustments appropriation	Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Declared unspent funds	Other adjustments	Second adjustments appropriation	Adjusted appropriation	
Direct charge item											
<b>Total</b>											
<b>Economic classification</b>											
<b>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 – [only Vote 11 will have the following sentence]

Special Appropriation Act, 2019 (Act no 25 of 2019)

### Adjustments appropriation - [same sentence for all departments]

Adjustments Appropriation Act, 2020 (Act noXX of 2020)

### Details of adjustments to Estimates of National Expenditure 2020

#### 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 to the vote for [explain what the funds will be used for].

#### Virements and shifts within the vote/department

Funds reallocated between programmes or subprogrammes or economic classification items within the 2020/21 financial year should be expressed as either a virement or a shift, and should be captured in the AENE data workbook. Explain why funds are not used/spent in the 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. 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 and 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:** state the reasons for funding reductions, or conversely for funds being made available.
- All virements or shifts that require approval from National Treasury or the parliament 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 AENE data workbook]. Example:

#### Virements and shifts within the vote/department

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>		<b>(4 699)</b>	<b>Programme 1</b>		<b>4 699</b>
Goods and services	Advertising and travel and subsistence	(4 699)	Households	Leave gratuities	4 699
Shifts within the programme as a percentage of the programme budget		0.1%			
<b>Virements to other programmes as a percentage of the programme budget</b>		<b>0.0%</b>			
<b>Programme 2</b>		<b>(1 300)</b>	<b>Programme 2</b>		<b>1 300</b>
Machinery and equipment	Office furniture <sup>1</sup>	(1 300)	Goods and services	Network infrastructure and hardware	1 300
Shifts within the programme as a percentage of the programme budget		0.1%			
<b>Virements to other programmes as a percentage of the programme budget</b>		<b>0.6%</b>			
<b>Programme 3</b>		<b>(10 500)</b>	<b>Programme 2</b>		<b>10 500</b>
Departmental agencies and accounts	Transfer to the Railway Safety Regulator <sup>2</sup>	(10 000)	Goods and services	Oil pollution prevention	10 500
Public corporations and private enterprises	Capital transfer to Passenger Rail Agency <sup>1</sup>	(500)			
Shifts within the programme as a percentage of the programme budget		0%			
<b>Virements to other programmes as a percentage of the programme budget</b>		<b>8.3%<sup>2</sup></b>			
<b>Total</b>		<b>(16 499)</b>			<b>16 499</b>

1. National Treasury approval has been obtained.

2. Only the parliament may approve this virement.

#### Funds shifted between votes/departments

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].

**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 within a vote/department 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 2020 budget speech for future allocation***

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

An additional 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 [explain what the funds will be used for].

***Self-financing expenditure***

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

Revenue of R00.000 million has been generated from [insert source of funds].

**Gifts, donations and sponsorships – [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]**

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

## **Expenditure outcome for 2019/20 and actual expenditure for 2020/21**

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

Programme	2019/20					2020/21			
	Audited outcome					Actual expenditure			
		Apr 19 - Sep 19	Apr 19 - % of Sep 19	Apr 19 - Mar 20	Apr 19 - % of Mar 20	Adjusted appropriation	Adjusted appropriation/ Total (%)	Apr 20 - Sep 20	Apr 20 - % of Sep 20
R thousand	Adjusted appropriation	Apr 19 - Sep 19	adjusted appropriation	Apr 19 - Mar 20	adjusted appropriation	Adjusted appropriation	Total (%)	Apr 20 - Sep 20	adjusted appropriation
Programme name									
<b>Sub-total</b>									
<b>Direct charge against the National Revenue Fund</b>									
Item									
<b>Total</b>									
<b>Economic classification</b>									
<b>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>									

## **Expenditure trends for the first half of 2020/21**

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 budget speech. This paragraph will be compiled from the information captured in the AENE data workbook.

## Departmental receipts

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

	2019/20					2020/21				
	Adjusted estimate	Audited outcome				Budget estimate	Adjusted estimate	Actual receipts		
		Apr 19 - Sep 19	adjusted estimate	Apr 19 - Mar 20	adjusted estimate			Adjusted receipts estimate/ Total (%)	Apr 20 - Sep 20	adjusted estimate
R thousand										
<b>Departmental receipts</b>										
Economic classification item										
Economic classification item										
<b>National Revenue Fund receipts</b>										
Economic classification item										
Economic classification item										
<b>Total</b>										

## Revenue trends for the first half of 2020/21

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 budget speech. This paragraph will be compiled from the information captured in the AENE data workbook.



**ADJUSTED  
ESTIMATES  
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**GUIDELINES  
2020**

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