



# 2022 ADJUSTED ESTIMATES OF NATIONAL EXPENDITURE

## Technical Guidelines



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



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## **TABLE OF CONTENTS**

<b>1. INTRODUCTION.....</b>	<b>3</b>
<b>2. THE AENE PUBLICATION.....</b>	<b>3</b>
<b>3. DEADLINES.....</b>	<b>9</b>
<b>4. HOW TO WRITE THE AENE CHAPTER.....</b>	<b>10</b>

# 1. INTRODUCTION

1.1 The purpose of the Adjusted Estimates of National Expenditure (AENE) technical guidelines is to set the parameters for the adjustments in line with Section 30(2) of the Public Finance Management Act 1 of 1999 (PFMA).

1.2 **The aim of the AENE publication is to provide:**

- detailed information on technical adjustments tabled in the Adjustments Appropriation Bill. 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. Adjustments to the Appropriation Act No. 7, 2022, are provided for in Section 30(2) of the PFMA.

The link with the 2022 ENE chapters in terms of performance indicators, receipts and expenditure must be retained, therefore the 2022 AENE publication reports on:

- actual achievements up to the end of September 2022 for the selected performance indicators published in the 2022 ENE, and where permissible changes to performance targets;
- mid-year actual receipts, together with any revisions to the 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.

## 2. THE AENE PUBLICATION

2.1 **Technical financial amendments to the Annual Budget**

The AENE provides for changes in the appropriation resulting from the categories of expenditure specified in Section 30(2) of the PFMA, by programme and economic classification.

Definitions:

**Appropriation:** The total amount voted per programme and by economic classification for the current financial year in the Appropriation Act (No. 7 of 2022).

**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 votes.

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

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

- **Roll-overs:** Unspent funds from the previous financial year may be rolled over into the current financial year. Treasury Regulation 6.4 sets out parameters within which roll-overs may take place:
  - 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 roll-overs 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 6.6.1 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 a 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 (No. 7 of 2022) set out the current parameters within which virements may take place. Modifications to the 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 main 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(2)(e) of the PFMA allows the shifting of funds within a main division/programme of a vote/department. Shifts may include the reallocation of funds incorrectly allocated in the 2022 ENE process. Section 5 of the Appropriation Act (No. 7 of 2022) sets out the current parameters within which shifts may take place. Modifications to the parameters may also be tabled in an Adjustments Appropriation Bill.
  - Before a virement or shift can be implemented, 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. In the case where parliamentary approval is required, expenditure can only incur after the Adjustments Appropriation Act has been published in a gazette.

The following virements or shifts require approval from National Treasury:

- increasing the funds appropriated for transfers and subsidies to other institutions;
- introducing a new transfer and subsidy to another institution;
- using funds appropriated for compensation of employees for transfers and subsidies for the payment of severance or exit packages;
- using funds appropriated for goods and services for compensation of employees within the same vote;
- using funds appropriated for transfers and subsidies to other institutions for something else within the same main division, except for compensation of employees;
- using funds that were earmarked by the National Treasury in the allocation letter for a specific purpose; and
- using 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 Parliament:

- using funds appropriated for items specifically and exclusively earmarked in an appropriation act, that cannot be approved by the National Treasury;
- using 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);
- using funds appropriated for compensation of employees, that cannot be approved by the National Treasury;
- using funds appropriated as transfers and subsidies, that cannot be approved by the National Treasury; and
- using 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 through a written letter before** such virements are included in the AENE data workbook and chapter. Such virement applications will be tabled in the Adjustments Appropriation Bill and detailed in the AENE publication with accompanying motivations.
- All virements approved by the 15<sup>th</sup> of September 2022 must be reflected in the AENE workbooks and chapter tables.
- **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 amounts for the budget.
- **Declared unspent funds:** These are 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.
  - **Shifts between votes:** These refer to 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.
  - **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. An example of such an event is inflation that is lower than anticipated in the budget estimates projected for the MTEF period.

- **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 if such expenditure is approved.
- **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 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

Data workbooks are provided to departments by the National Treasury. Further guidance on completing the workbook is included in the workbook itself and should be read before completion.

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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.



## 2.4 Performance information

In all AENE chapters, performance indicators should be reported on against the targets reflected in the 2022 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 revised annual performance plan must be effected, replacing the original indicator or target presented in the 2022 ENE.

## 3. DEADLINES

**TABLE 1: CRITICAL DATES FOR THE 2022 AENE PROCESS**

ITEM	DATE
Departments submit Cabinet memoranda if requesting additional funds due to unforeseeable and unavoidable expenditure <sup>2</sup>	10 August 2022
Departments submit requests for other AENE adjustments (excluding those previously submitted) to the National Treasury <sup>3</sup>	24 August 2022
Allocation letters issued to departments	19 September 2022
Departments submit monthly expenditure reports as at 31 August 2022 (Projections are to include all of the adjustments proposed)	15 September 2022
Departmental first submission date for AENE chapter and data workbook, with all budget adjustments and final virements <sup>4</sup>	23 September 2022
Second submission - actual expenditure, receipts and performance data for the first six months of the 2022/23 financial year	11 October 2022
AENE tabled in Parliament	October 2022

<sup>2</sup> Requests need to be submitted in line with the requirements stated in the Cabinet Secretariat letter entitled 'Minister's Committee on the Budget (MINCOMBUD): Deadline for submissions for requests of unforeseeable and unavoidable expenditure', sent to all Administrative Secretaries of members of the Cabinet, Deputy Ministers and Directors-General, on 24 June 2022.

<sup>3</sup> Including requests for any funding shifts, expenditure which was earmarked in the 2022 Budget Speech for future appropriation, expenditure due to significant and unforeseeable economic and financial events, self-financing expenditure, as well as declared unspent funds.

<sup>4</sup> All virements approved by the 15<sup>th</sup> of September 2022 must be reflected in the AENE workbooks and chapter tables.

## 4. COMPLETING 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 2021/22, actual expenditure for 2022/23; 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 2022:**

- 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].

	Appropriation	Special appropriation	2022/23 Adjustments appropriation		Adjusted appropriation
			Decrease	Increase	
R thousand					
<b>Amount to be appropriated of which:</b>					
Current payments					
Transfers and subsidies					
Payments for capital assets					
Payments for financial asset:					
<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 (No 7. 2022)].

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 2022 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 2022 ENE;

- the programme related to each indicator;
- the outcome number and name related to each indicator;
- for each indicator, the targets published in the 2022 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 2022/23	Achieved in the first six months of 2022/23 (April to September)	Changed target for 2022/23 (If permissible)

**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,
  - expenditure earmarked in the 2022 Budget Speech for future allocation,
  - 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,
  - 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

		2022/23								
		Adjustments appropriation								
R thousand	Appropriation	Special appropriation	Roll-overs	Unforeseeable and unavoidable	Virements and shifts	Amount announced in the budget	Declared unspent funds	Other adjustments	Total 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 financial assets</b>									
	<b>Total</b>									

## Details of adjustments to Estimates of National Expenditure 2022

### 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 2022/23 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,

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 Parliament 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 classificatio	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>

2. National Treasury approval has been obtained.

3. Only Parliament may approve this virement.

### Appropriation of expenditure earmarked in the 2022 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].

### 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 function, e.g. information technology function] to the [insert subprogramme name] subprogramme in this programme.

***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].

***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 2021/22 and mid-year expenditure for 2022/23**

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

Programme	2021/22					2022/23		
	Adjusted appropriation	Outcome		Apr 21 - Mar 22	Adjusted appropriation	Adjusted appropriation/ Total (%)	Actual expenditure	
Apr 21 - Sep 21		adjusted % of	Apr 21 - Mar 22				Adjusted % of	Apr 22- Sep 22
R thousand	Apr 21 - Sep 21	adjusted appropriation	Apr 21- Mar 22	Adjusted appropriation	Adjusted appropriation	Adjusted appropriation/ Total (%)	Apr 22- Sep 22	adjusted appropriation
1. Programme name								
<b>Subtotal</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 2022/23**

This paragraph on expenditure trends focuses on whether expenditure is in line with the 2022 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].

	2021/22					2022/23		
	Adjusted estimate	Outcome		Budget estimate	Adjusted estimate	Adjusted receipts estimate/ Total (%)	Actual receipts	
		Apr 21 - Sep 21	Adjusted estimate				Apr 21 - Mar 22	Adjusted estimate
R thousand								
<b>Departmental receipts</b>								
Economic classification item								
Economic classification item								
<b>Total</b>								

## Revenue trends for the first half of 2022/23

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.



# **2022 ADJUSTED ESTIMATES OF NATIONAL EXPENDITURE**

## **Technical Guidelines**

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