



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Guidelines for the Preparation of Adjusted Estimates of Provincial Expenditure

Provincial Treasury

October 2015

1. INTRODUCTION

The aim of the Adjusted Estimates of Provincial Receipts and Expenditure (AEPRE) is to:

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

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

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

2. IMPORTANT NOTES FOR THE 2015 AEPRE

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

2.1. Technical Adjustment to the Annual Budget

The following are adjustments allowed in the AEPRE process: roll-over of funds, unforeseeable and unavoidable expenditure, virements and shifts, declared unspent

funds, funds shifted within votes or between votes to follow a transfer of function, adjustments due to significant and unforeseeable economic and financial events, use of funds in emergency situations in terms of Section 16 of the PFMA, money already announced by the Minister of Finance in the annual budget but not appropriated, self-financing expenditure as well as gifts, donations and sponsorships from the vote.

2.2. Performance information

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

3. HOW TO WRITE THE AEPRE CHAPTER

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

Numbers style

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

Use a space to separate thousands.

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

Vote (insert vote number)

Insert department name (h1)

Adjusted budget summary (H2)

R thousand	2013/14			
	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 departmental purpose exactly as it was published in the Appropriation Act (2015), or as recently approved if it has changed due to a significant policy or mandate change.]

Changes to programme names, purposes, and objectives

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

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

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

Changed purpose: [insert new purpose]

Changed objectives: [insert new objectives]

[Insert explanation for changes]

Mid-year performance status

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

In the table, list:

- all the performance indicators published in the 2015 EPRE;
- programme related to each indicator;
- outcome related to each indicator, including the outcome number and name;
- the targets projected for the whole year for each indicator, as published in the 2015 EPRE;
- what has been achieved in the first six months of the financial year for each indicator;

Any changes in the original target are confined to adjustments relating to the budget.

Below this table:

- Explain any changes to indicators;
- Explain any changes to targets;
- Discuss mid-year progress, relating this to mid-year expenditure on departmental programmes and to outcomes where relevant;
- Explain the impact on performance due to:
 - the roll-over of funds,
 - unforeseeable and unavoidable expenditure,
 - virements and shifts,
 - declared unspent funds,
 - funds shifted within votes or between votes to follow a transfer of function,

- adjustments due to significant and unforeseeable economic and financial events,
- use of funds in emergency situations in terms of Section 16 of the PFMA,
- appropriation of expenditure earmarked in the 2015 Budget speech for future appropriations,
- self-financing expenditure, and
- gifts, donations and sponsorships from the vote.

Adjusted Estimates of Provincial Receipts and Expenditure 2015

The Adjusted Estimates of Provincial Receipts and Expenditure provide for categories of expenditure specified in section 30(2) of the PFMA, by programme and economic classification as follows:

- **Main appropriation:** the total amount voted per programme and by economic classification in the Appropriation Act (2015).
- **Adjustments appropriation consists of the following categories:**
 - **Roll-overs:** unspent funds from the preceding financial year that may be rolled over when activities planned to be completed by the end of that year have not been completed but are close to completion. Treasury Regulations 6.4 restrict roll overs as follows: compensation of employees funding may not be rolled over; a maximum of 5 per cent of a department's budget for goods and services may be rolled over; transfers and subsidies funding may not be rolled over for any purpose other than what the funds were originally allocated for; and unspent funds on payment for capital assets may only be rolled over to finalise projects or assets acquisitions already in progress.
 - **Unforeseeable and unavoidable expenditure:** expenditure that could not be anticipated at the time of the main Budget. Treasury Regulations 6.6 specify that the following may not be regarded as unforeseeable and unavoidable expenditure: spending that was known when the main Budget was being finalised but could not be accommodated in the allocations at the time; spending increases due to tariff adjustments and price increases; and spending to extend existing services or create new services that are not unforeseeable

and unavoidable. Spending made necessary by adverse weather conditions is an example of unforeseeable and unavoidable expenditure.

○ **Virements and shifts:**

- **Virements:** the utilisation of unspent funds from amounts appropriated under one main division (programme) towards the defrayment of excess expenditure under another main division (programme) within the same vote. Section 43 of the PFMA sets parameters within which virements may take place.
- **Shifts:** the utilisation of unspent funds towards the defrayment of increased expenditure within a main division (programme) of a vote by shifting funds between the different segments (sub-programme and economic classification) of the main division (programme). Shifts include the reallocation of funds incorrectly allocated during the 2015 EPRE process.
- Funds reallocated between programmes or subprogrammes or economic classification items within the 2015/16 financial year should be expressed as either a **virement** or a **shift**, and should be captured in the database. Explain why funds are not used / spent in a particular programme or subprogramme or economic classification item to which they were appropriated and what these funds will be used for in the programme or subprogramme or economic classification item where they are shifted to.
- Departments require approval before a virement can take place from either their own Accounting Officer, the Provincial Treasury, or from Parliament. The level of approval depends on the nature of the virement. For virements requiring Parliamentary approval Provincial Treasury consensus should explicitly be obtained before such virements are included in the AEPRE database and chapter.

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

- increase the funds appropriated for compensation of employees;

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

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

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

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

- **Gifts, donations and sponsorships:** are included in the adjustments budget if valued at more than R100 000 per transaction.
 - **Direct charges against the Provincial Revenue Fund:** amounts spent in terms of statutes and that do not require parliamentary approval, such as expenditure on state debt costs.
- **Total adjustments appropriation:** the sum of all expenditure adjustments by programme and by economic classification. This number may be negative. In most instances this would be because of a virement of funds out of the programme or economic classification, or due to function shifts.
 - **Adjusted appropriation:** the adjusted total amount that will be voted, which is the sum of the main appropriation at the time of tabling the annual budget, and the total adjustments appropriation.

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

Adjusted estimates

R thousand	Main appropriation	2015/16 Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforseeable/unavoidable	Virement and shifts	Declared savings	Other adjustments		
Programme								
Subtotal								
Direct charge against the Provincial Revenue Fund								
Statutory								
Total								
Economic classification.								
Current Payments								
Compensation of employees								
Goods and services								
Interest and rent on land								
Transfer and subsidies to:								
Provinces and municipalities								
Departmental agencies and accounts								
Universities and technikons								
Public corporations & private enterprises								
Non-profit making institutions								
Households								
Payment for capital assets								
Buildings and other fixed structures								
Machinery and equipment								
Biological assets								
Software & other intangible assets								
Land and subsoil assets								
Payments for financial assets								
Total								

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

Adjusted estimates		2015/16						
Programme name		Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
R thousand	Main appropriation	Roll-overs	Unforeseeable/unavoidable	Virement and shifts	Declared savings	Other adjustments	Total adjustments appropriation	Adjusted appropriation
Subprogramme name								
Total								
Economic classification.								
Current Payments								
	Compensation of employees							
	Goods and services							
	Interest and rent on land							
Transfer and subsidies to:								
	Provinces and municipalities							
	Departmental agencies and accounts							
	Universities and technikons							
	Public corporations & private enterprises							
	Non-profit making institutions							
	Households							
Payment for capital assets								
	Buildings and other fixed structures							
	Machinery and equipment							
	Biological assets							
	Software & other intangible assets							
	Land and subsoil assets							
Payments for financial assets								
Total								

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

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

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

Details of adjustments to Estimates of Provincial Expenditure 2015

Roll-overs – [write full amount: R00.000 million]

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

R00.000 million has been rolled over for [explain what the funds will be used for].

Unforeseeable and unavoidable expenditure – [write full amount: R00.000 million]

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

An additional R00.000 million has been allocated for [explain what the funds will be used for].

Virements and shifts

Each virement or shift must be motivated, in both the FROM and TO columns.

- **FROM:** specify where funds have been reduced, by programme and economic classification item. Virements to other programmes as well as shifts within each programme, are shown as a percentage of the programme budget.
- **TO:** specify what the funds will be used for, by programme and economic classification item. These funds which increase expenditure, offset the funding reductions.
- **Motivation:** explain reasons for funding reductions as well as what the funds will then be used for.
- All virements or shifts that require approval from Provincial Treasury or the Legislature must be indicated by means of the appropriate footnote, as shown below the table.

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

Details on virements per programme and economic classification

From			To		
Programme / Economic classification	Motivation	R thousand	Programme / Economic classification	Motivation	R thousand
Total for vote			Total for vote		

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

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

R00.000 million of unspent funds has been declared on [insert area of reduction] due to [insert reason].

Other adjustments – [write full amount: R00.000 million]

Funds shifted between votes following a transfer of a function

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

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

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

Funds shifted within a vote following a function shift

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

R00.000 million has been transferred from the [insert other programme name] programme following the shift of the [insert name of function, e.g. information technology function] to the [insert subprogramme name] subprogramme in this programme.

Appropriation of expenditure earmarked in the 2015 Budget speech for future allocation

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

R00.000 million was announced in the 2015 Budget speech to [explain what funds were announced for]. An additional R00.000 million is now allocated for [explain what the funds will be used for].

Adjustments due to significant and unforeseeable economic and financial events

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

An additional R00.000 million has been allocated to cover costs related to [insert expenditure category]. **OR**

An additional R00.000 million has been allocated to the department to cover the costs of increases in personnel remuneration that were higher than provided for in the main Budget, as follows:

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

R00.000 million

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

R00.000 million

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

R00.000 million

Use of funds in emergency situations

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

An additional R00.000 million has been allocated for [explain what the funds will be used for].

Self-financing expenditure

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

R00.000 million in revenue EPRE rated from [insert source of funds] will be returned from the Provincial 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 Provincial 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].

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

[The following table will be created from the database

Expenditure trends								
R thousand	2014/15				2015/16			
	Adjusted appropriation	Expenditure outcome		Adjusted appropriation	Preliminary outcome		Adjusted appropriation	
Programme	Apr 2014-Sept 2014	Apr 14-Sept 14 % of adjusted appropriation	Apr 2014-Mar 2015	Apr 14-Mar 15 % of adjusted appropriation	Apr 2015-Sept 2015	Apr 15-Sept 15 % of adjusted appropriation		
Total								
Economic classification								
Current payments								
Compensation of employees								
Goods and services								
Interest and rent on land								
Transfer and subsidies to:								
Provinces and municipalities								
Departmental agencies and accounts								
Universities and technikons								
Public corporations and private enterprises								
Non-profit institutions								
Households								
Payments for capital assets								
Buildings and other fixed structures								
Machinery and equipments								
Biological assets								
Software & other intangible assets								
Land and subsoil assets								
Payments for financial assets								
Total								

Expenditure trends for the first half of 2015/16

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

Departmental receipts (H2)

R thousand	Adjusted estimate	2012/13				2013/14			
		Audited Outcome				Actual receipts			
		Apr 12 - Sep 12	Apr 12 - Sep 12 % of adjusted estimate	Apr 12 - Mar 13	Apr 12 - Mar 12 % of adjusted estimate	Budget estimate	Adjusted estimate	Apr 13 - Sep 13	Apr 13 - Sep 13 % of adjusted estimate
Departmental receipts									
Economic classification item									
Economic classification item									
Total									

Revenue trends for the first half of 2015/16

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

Changes to transfers and subsidies, including conditional grants

[These tables will be created from the database].

Changes to transfers and subsidies per programme.

R thousand	Main appropriation	2015/16						Adjusted appropriation
		Adjustments appropriation						
		Roll-overs	Unforseeable/unavoidable	Virement and shifts	Declared savings	Other adjustments	Total adjustments appropriation	
Programme name								
Economic classification item								
Programme name								
Economic classification item								
Programme name								
Total								

Summary of changes to conditional grants: provincial (Table header)

Changes to conditional grants

2015/16								
R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement and shifts	Declared savings	Other adjustments		
	Programme name							
	Economic classification item							
	Programme name							
	Economic classification item							
	Programme name							
	Total							