

06/11/07 *finance*

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national treasury  
Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

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## 2006 Adjustments Budget

Portfolio Committee on Finance

7 November 2006

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- Spending performance for 2006/07 (April – September)
- Components of the Adjustments Budget
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### Context of presentation

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- Presentation does not provide a comprehensive explanation of individual expenditure decisions – details provided in Adjusted Estimates of National Expenditure 2006
- Presentation examines the legal and procedural basis for expenditure included in Adjustments Budget

### 2005/06 Budget outcome

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- R230,4 billion available for spending in 2005/06
- In total 2,4% or R5,6 billion not spent
- Approximately R1 billion of unspent amount attributed to savings
- R800 million not transferred to provinces due to non-compliance with DoRA
- March 'spike' expenditure is a concern

R billions	2005/06	Under spending	Under spending %
Main Appropriation	221,4		
Adjustments Appropriation	4,3		
Additional Adjustments Appropriation	4,7		
Total Appropriated Funds	230,4	5,6	2,4%
Statutory payments	192,6	0,8	0,4%
Total available expenditure	422,9	6,4	1,5%

## Spending performance for 2006/07

R billions	Main Estimate	April - September	% Spending
Central Government..	42,2	12,9	30,6
Financial and Administration	22,2	7,8	35,1
Social Services	91,9	51,2	55,7
Justice and Protection Services	72,8	35,2	48,4
Economic Services and Infrastructure Development	44,4	18,3	41,2
<b>Total appropriation by vote</b>	<b>266,0<sup>1</sup></b>	<b>120,2</b>	<b>45,2</b>

1. Excluding declared savings

- On aggregate departments should be at 40% of budget
- Last year 48,1% of total budget had been spent at this point
- Too early to assess if March 'spike' expenditure will recur

## Components of the adjustments budget

- PFMA , section 30(2), states that adjustments budget may provide for:
  - Significant and unforeseeable economic and financial events affecting the fiscal targets ...
  - Unforeseeable and unavoidable expenditure recommended by the national executive or any committee of Cabinet ...
  - Any expenditure in terms of section 16 of the PFMA
  - Money to be appropriated for expenditure already announced by the Minister during tabling of annual budget
  - Roll-over of unspent funds from preceding financial year
  - The shifting of funds between and within votes .

## Unforeseeable and unavoidable expenditure <sup>7</sup>

- Definition:
  - Expenditure that was not foreseen at the time of the tabling of the budget and is now deemed to be unavoidable.
- The following cannot be considered as unforeseeable and unavoidable expenditure (Treasury Regulation 6.6.1):
  - Expenditure that, although known when finalising the estimates of expenditure, could not be accommodated within allocations;
  - Tariff adjustments and price increases
  - Extensions of existing services and the creation of new services that is not unforeseeable and unavoidable.

## Unforeseeable and unavoidable expenditure <sup>8</sup>

- Request for unforeseeable and unavoidable amounted to R7,3 billion
- Treasury Committee approved R1,7 billion of total requests
  - Flood related R 900 million
  - Changes to VAT R662 million
  - R138 million other

## PFMA section 16

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- **Definition:**
  - Expenditure of an exceptional nature which is currently not provided for and which cannot, without serious prejudice to the public interest, be postponed to a future parliamentary appropriation.
- **Emergency funding for disaster relief related to Taung floods**
- **Total funding of R110,546 million approved by Minister of Finance, as follows:**
  - Housing conditional grant of R84,014 million
  - Provincial roads R15,080 million
  - District roads R11,451million

## Amounts announced in 2006 Budget

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- Budget made provision for WC stadia, but not allocated to specific vote: R600 million to Sport and Recreation
- Budget announced that contingency reserve could be used for recapitalization of SOE's
- Several SOEs recapitalised:
  - PBMR: R462 million
  - Denel: R567 million
  - InfraCo: R627 million
  - Alexkor: R80 million
  - SARCC: R620 million



## Roll-Overs (TR 6.4)

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- Funds appropriated but not spent in previous financial year rolled over to a subsequent year subject to relevant treasury
  - Unspent funds on payments for capital assets may only be rolled over to finalise projects or assets acquisitions still in progress.
  - Savings on transfer payments and subsidies may not be rolled over for purposes other than what was originally voted for.
  - Savings on compensation of employees may not be rolled over. A maximum of five per cent of a department's payments for good and services (excluding compensation of employees) may be rolled over.
  - May not be rolled over for more than one financial year unless approved in advance by the National Treasury.

## Declared savings

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- Declared savings for 2006/07 total R2,1 billion, compared with R5 million in 2005/06
- Projected underspending for current year is R2,1 billion compared with projection of R2,5 billion in 2005/06
- Actual underspending in 2005/06 equals R5,6 billion
- Declared savings and projected underspending for 2006/07 total R4,2 billion

Declared savings		13
R millions		
<b>The Presidency</b>		3
Development Bank of South Africa - World Disabled Congress, which is no longer taking place		
<b>National Treasury</b>		
Maintenance and upgrade of transversal systems and delays in the (IFMS) project	130	
Medical aid benefits of retired civil servants	28	
<b>Labour</b>		
Reduced number of Learnerships	2	
Workshop building at Indlela	21	
<b>Correctional services</b>		
Rescheduling the recruitment of new staff and the alignment of performance assessment cycle	603	
Delays in capital works building programme	197	
<b>Land Affairs</b>		
Delay in settlement of restitution claims	1 122	
<b>Total</b>	<b>2 104</b>	

Format Appropriation Bill		14
<ul style="list-style-type: none"> <li>Funds appropriated per programme (main division of vote)</li> <li>Funds indicated as current, transfers or capital payments</li> <li>Format based on standardised classification aligned to international reporting requirements GFS &amp; IFAC &amp; SNA</li> <li>Excludes statutory amounts, e.g. <ul style="list-style-type: none"> <li>Members of parliament and judiciary salaries</li> <li>State debt costs</li> <li>Provincial equitable share</li> </ul> </li> </ul>		

## Adjusted National Budget 2006/07

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R millions	Main Appropriation	Additional Appropriation	Adjusted Appropriation
<b>Appropriation by vote</b>	<b>260 026</b>	<b>8 245</b>	<b>268 271</b>
Main appropriation	260 026	( 28 )	259 998
<b>Total adjustments</b>		<b>8 273</b>	<b>8 273</b>
Roll-overs		3 389	3 389
Unforeseeable and unavoidable		1 007	1 007
Unallocated		3 026	3 026
World Cup 2010 - Stadiums		600	600
GEMS		70	70
Recapitalisation - SCE		2 356	2 356
Emergency funds - PFMA Section 16		111	111
Self-financing		740	740
<b>Direct charges against the NRF</b>	<b>209 576</b>	<b>567</b>	<b>210 143</b>
<b>Subtotal</b>	<b>469 602</b>	<b>8 812</b>	<b>478 414</b>
Standing appropriations	23	-	23
Unallocated funds	600	( 600 )	-
Contingency reserve	2 500	( 2 500 )	-
Projected underspending and declared savings	-	( 4 207 )	( 4 207 )
<b>Total Estimated Expenditure</b>	<b>472 725</b>	<b>1 505</b>	<b>474 230</b>

## Conclusion

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- Total adjustments from national departments amount to R8,2 bn
- Adjustments are offset against contingency reserve, unallocated amounts, declared savings and projected under-spending
- Adjustments resulted in a increase in expenditure from R472,7 bn to R474,2 bn