South African Budget Process

24 October 2011
Overview of the budget

• The budget is a process through which choices have to be made about competing priorities

• Allocative efficiency, fiscal stability and service delivery are key in budgeting

• Budgeting is a political exercise that starts with political choices about priorities and ends with political choices about which programmes and projects get funded

• The three interrelated spheres of government should cooperate in delivering concurrent functions

• The vertical division of revenue shows resources allocated to the three spheres

• South Africa uses a three-year rolling budget system, informed by key government priorities, strategic plans of departments and the fiscal stance

• The Constitution provides Parliament with powers to amend the budget – realised through the Money Bills Amendment Procedure and Related Matters Act, 2009
• Government’s outcomes approach provides a framework for results-driven performance
• South Africa’s budget process is undergoing reform, shaped in part by the outcomes approach and by the Money Bills Amendment Procedure and Related Matters Act, 2009
• For budgeting purposes, votes and their entities have been organised by function across the three spheres, allowing for a more effective comparison of allocations with service delivery trends
• For the budget to meet it’s objectives, it must be as comprehensive in covering the public sector as possible
  - This includes:
    • Public entities and state owned enterprises
    • Departments in the three spheres
    • Donor receipts (both cash and in-kind)
• This new functional approach allows for proper resources allocation in line with this
The medium term expenditure framework

Changes to baseline
- Revised macroeconomic and fiscal framework
- 3\textsuperscript{rd} year = forecast inflationary increase on 2\textsuperscript{nd} year
- Reduction in respect of once-off items and to effect savings and reprioritisation
Role-players in the budget process

- Cabinet
- Ministers’ Committee on the Budget
- Budget Council (Minister and provincial MECs for Finance)
- Budget Forum (Budget Council plus local government)
- Intergovernmental technical forums
- Departments
- Relevant Entities and Donors
- Financial and Fiscal Commission
- Legislatures
Budget cycle

- Departments submitted their estimates of expenditure for the 2012 Medium Term Expenditure Framework – within the 2011 Budget baseline and then with proposals for increasing estimates
- The medium term expenditure committee (MTEC), an interdepartmental committee, considers the allocation of funds in respect of each functional grouping
- MTEC makes recommendations to Ministers’ Committee on the Budget
- Then recommendations are taken to Cabinet
- Medium Term Budget Policy Statement tabled in October, including the vertical division of revenue proposal for the 2012 MTEF
- Adjustments estimates process is based on Section 30 (1) and (2) of the PFMA and is also tabled in October
- Allocation letters for the 2012 MTEF are sent out in November, including the provision for earmarking certain amounts or set conditions
- Budget documents are then prepared
Money Bills Amendment Act

- The Money Bills Amendment Procedure and Related Matters Act, 2009 puts in place the procedure to amend money bills, as per Sec 77(3) of the Constitution. It defines the processes and procedures that will be undertaken to pass the Budget.
- The process starts in the year prior to the tabling of the Budget, when each parliamentary committee tables a Budget Review and Recommendation Report (BRRR).
- These reports evaluate the performance of each government department and must be referred to the Minister of Finance and the relevant Minister by Parliament.
- The recommendations in these reports act as an ‘early warning system’ regarding the issues that Parliament is concerned about.
- When the Finance Minister tables the Budget he must table a report indicating how the Division of Revenue and the Budget gives effect to the recommendations made in the reports.
- If the Minister’s explanation does not address Parliament’s concerns, they can amend the Budget in order to give effect to their proposals.
Budget cycle key milestones

Policy review

April
- Review, evaluate and decide on new major policy proposals

June

July
- Propose fiscal and budget framework, and division of resources

August
- Executive/s consider frameworks and division of resources

September
- Table Medium Term Budget Policy Statement

Departmental planning and budgeting

April
- Departments prepare budget, including detailed spending plans for new proposals

June

July
- Intergovernmental and technical forums

August

September
- Sector and focused budget hearings

Parliament

April
- Division of Revenue Act passed

June

July
- Appropriation Bill and Revenue Bills passed

August

September

October
Budget cycle key milestones cont.

Policy review

- Nov: Cabinet approves new MTEF allocations
- Dec
- Jan
- Feb: National Budget tabled (includes response to BRRR)
- March: Provincial budgets are tabled (14 days after National budget is tabled)

Departmental planning and budgeting

- Departments revise medium term plans and finalise budget inputs

Parliament

- Portfolio committees submit BRRR reports, adopt fiscal framework, pass Money Bills
- Adoption of fiscal framework
• THANK YOU
• Introduction
  • The annual budget process and adjustments
  • Summary of adjustments for the financial year
  • Summary tables
    • 2011/12 adjusted national budget
    • Adjusted appropriations per vote and adjusted estimates of direct charges against the National Revenue Fund
    • Adjusted appropriations per economic classification
    • Roll-overs
    • Unforeseeable and unavoidable expenditure
    • Adjustments due to significant and unforeseeable economic and financial events
    • Self-financing expenditure
    • Declared savings and projected underspending
    • Expenditure outcome 2010/11 and preliminary expenditure 2011/12
    • Adjusted departmental receipts
• Information in each chapter
AENE layout

- One chapter per vote
- 38 votes
- Votes arranged according to functional groupings
- Functional groupings:
  - Central Government Administration
  - Financial and Administrative Services
  - Social Services
  - Justice, Crime Prevention and Security
  - Economic Services and Infrastructure
Information contained in each chapter

- Adjusted budget summary

<table>
<thead>
<tr>
<th>R thousand</th>
<th>Main appropriation</th>
<th>Adjusted appropriation</th>
<th>Decrease</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount to be appropriated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers and subsidies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for capital assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Direct charge against the</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>National Revenue Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive authority</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Website address</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Adjusted budget summary

- **Main appropriation**: total amount voted in the main budget
- **Adjusted appropriation**: adjusted total amount to be voted i.e. effect of the main appropriation and the adjustment
- **Decrease/ Increase**: amount of the adjustment itself
- **Disaggregated into**:
  - **Current payments**: payments made for operational requirements
  - **Transfers and subsidies**: payments made for which the department does not directly receive anything in return
  - **Payments for capital assets**: payments for an asset that can be used for more than one year and from which future economic benefits or service potential are expected to flow
  - **Payments for financial assets**: mainly consist of payments made by departments as loans to public corporations or as equity investments in public corporations
- **Direct charge against the National Revenue Fund**: an amount spent in terms of statutes, direct charges do not require parliamentary approval
- **Accountability information**: the vote’s executive authority, accounting officer and website address
Aim and programme changes

• **Aim:** department’s mandate, strategic objectives or administrative functions

• **Changes to programme purposes, objectives and measures:** are shown to maintain the link between a department’s strategic and annual performance plan, its voted budget and its adjusted budget
Mid-year performance status

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Programme</th>
<th>Annual performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>As published in the 2011 ENE</td>
<td>Programme linked to the indicator</td>
<td>Projected for 2011/12 as published in the 2011 ENE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Indicator**: numerical measure that tracks a department’s progress towards its goal, it may measure inputs, activities, outputs, outcomes or in certain instances explanatory information relating to the internal or external environment
- **Programme**: links the indicator to the vote programme associated with it
- **Projected for 2011/12 as published in the 2011 ENE**: states what the department projected it would achieve
• **Achieved in the first six months of 2011/12:** What the department has actually achieved

• **Changed estimate for 2011/12:** Changed from the estimate originally published. Estimates will typically change in cases where the funding provided for a particular programme has been amended in the Adjustments Appropriation Bill – owing to changes in mandate / policy / budget programme structure or to expenditure adjustments

• Changes to indicators and targets published in the 2011 ENE: significant deviations from specific performance estimates are explained below the table, as well as any changes to the indicators themselves

• **Mid-year progress:** discussion on the department’s progress towards achieving the targets that were set
## Vote AENE

<table>
<thead>
<tr>
<th>Programme Name</th>
<th>Subtotal</th>
<th>Direct Charge against the National Revenue Fund</th>
<th>Total</th>
<th>Economic Classification</th>
<th>Items</th>
<th>Payments for Capital Assets</th>
<th>Payments for Financial Assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R thousand</td>
<td>Main appropriation</td>
<td>Roll-overs</td>
<td>Unforeseeable/ Unavoidable</td>
<td>Virements and Shifts</td>
<td>Other adjustments</td>
<td>Total adjustments appropriation</td>
<td>Adjusted appropriation</td>
<td></td>
</tr>
<tr>
<td>Programme name</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Classification</td>
<td>Current payments</td>
<td>Transfers and Subsidies</td>
<td>Payments for Capital Assets</td>
<td>Payments for Financial Assets</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Vote AENE cont.

- Adjusted estimates of expenditure set out by the type of expenditure adjustment, and by vote programme and by economic classification
- **Main appropriation**: total amount voted in the main budget
- **Adjustments appropriation**: amounts of the adjustment for each of the types of expenditure adjustment by programme and economic classification
- **Roll-overs**: unspent funds from the preceding financial year reallocated to the current financial year to finalise activities close to completion
- **Unforeseeable/unavoidable**: spending that could not be anticipated at the time of finalising the main budget
- **Virements**: utilisation of savings or underspending from amounts appropriated under one main division (programme) towards the defrayment of increased expenditure under another main division within the same vote
Vote AENE cont.

- **Shifts**: utilisation of savings or underspending towards the defrayment of increased expenditure within a main division (programme) of a vote, between different segments of the main division (subprogrammes and economic classifications). Shifts include the reallocation of any funds which may have been incorrectly allocated in the ENE process.

- **Other adjustments**: include function shifts; unallocated amounts announced in the main budget; adjustments due to significant and unforeseeable economic and financial events; emergencies funding; self-financing expenditure; and declared savings.

- **Total adjustments appropriation**: sum of all the expenditure adjustments by programme and economic classification.

- **Adjusted appropriation**: the adjusted total amount to be voted for the current financial year.

- **Similar tables are then shown for each programme which has adjustments to appropriations by subprogramme and economic classification.**
Details of adjustments

- Explanations by programme for:
  - Roll-overs
  - Unforeseeable and unavoidable expenditure
  - Other adjustments
  - Gifts, donations and sponsorships
  - Direct charges against the National Revenue Fund
  - Virements and shifts

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Programme name</td>
<td>2. Programme name</td>
</tr>
<tr>
<td>FROM:</td>
<td>TO:</td>
</tr>
<tr>
<td>Programme by economic classification</td>
<td>Programme by economic classification</td>
</tr>
<tr>
<td>Programme number</td>
<td>Programme number</td>
</tr>
<tr>
<td>Economic classification item</td>
<td>Economic classification item</td>
</tr>
<tr>
<td>Percentage of programme budget</td>
<td>per cent</td>
</tr>
<tr>
<td>Programme number</td>
<td>Programme number</td>
</tr>
<tr>
<td>Economic classification item</td>
<td>Economic classification item</td>
</tr>
<tr>
<td>Percentage of programme budget</td>
<td>per cent</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>
**Virements and shifts cont.**

- **FROM:** where funding reductions have been effected, by programme and by economic classification item
- Percentage by which the programme budget is being changed
- Where funds shift within the same programme, the percentage by which the programme budget is effectively reduced is less than the percentage indicated
- **TO:** where increased spending has been offset by these reductions, by programme and per economic classification item
- **Motivation:** how the funding reductions occurred on the one hand, and on the other what they will be spent on
- Certain types of virements and shifts require either legislative approval or approval from the National Treasury before they can be effected
  - Governed in terms of Section 43 of the PFMA, Section 6.3 of the Treasury Regulations, and Section 5 of the Appropriation Act (2011)
  - All virements and shifts which have National Treasury’s approval or which can only be approved by the legislature are footnoted
Virements and shifts cont.

• The following require approval from National Treasury:
  • Virements and shifts which increase the funds appropriated for compensation of employees
  • Virements and shifts which increase the funds appropriated for transfers and subsidies to other institutions
  • Virements and shifts which introduce a new transfer to an institution
  • Virements and shifts which utilise savings of funds appropriated as transfers and subsidies for payment to another institution
  • Virements and shifts which utilise funds that were treasury earmarked for a specific purpose
  • Virements and shifts which utilise funds appropriated for payments for capital assets for the payment of current assets

• The following can only be approved by the Legislature:
  • Virements and shifts that utilise savings on funds appropriated for items specifically and exclusively earmarked in an Appropriation Act
  • Virements that utilise savings of more than 8 per cent of the amount appropriated for that 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
## Expenditure 2010/11 and preliminary expenditure 2011/12

<table>
<thead>
<tr>
<th>Programme name</th>
<th>Programme name</th>
<th>Subtotal</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>R thousand</th>
<th>2010/11</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenditure outcome</td>
<td>Preliminary expenditure</td>
</tr>
<tr>
<td></td>
<td>Apr 10 - Sep 10</td>
<td>Apr 10 - Mar 11</td>
</tr>
<tr>
<td></td>
<td>% of adjusted appropriation</td>
<td>% of adjusted appropriation</td>
</tr>
<tr>
<td></td>
<td>Adjusted appropriation</td>
<td>Adjusted appropriation</td>
</tr>
</tbody>
</table>

### Economic classification

- **Current payments**
  - Economic classification item
  - Economic classification item

- **Transfers and subsidies**
  - Economic classification item
  - Economic classification item

- ** Payments for capital assets**
  - Economic classification item
  - Economic classification item

- **Payments for financial assets**

### Total
Expenditure 2010/11 and preliminary expenditure 2011/12 cont.

- Expenditure outcome for the last financial year and preliminary expenditure for the first six months of the current financial year, by programme and economic classification

- **2010/11 Expenditure outcome**: outcome for the previous financial year
  - **Adjusted appropriation**: adjusted total amount voted for the previous financial year
  - **Apr 10 to Sep 10**: expenditure outcome for the first six months of the previous financial year
  - **Apr 10 to Sep 10 % of adjusted appropriation**: expenditure outcome for the first six months of the previous financial year as a percentage of the adjusted appropriation for that year
  - **Apr 10 to Mar 11**: expenditure outcome for the whole of the previous financial year
  - **Apr 10 to Mar 11 % of adjusted appropriation**: expenditure outcome for the whole of the previous financial year as a percentage of the adjusted appropriation for that year
Expenditure 2010/11 and preliminary expenditure 2011/12 cont.

- **2011/12 Preliminary expenditure**: preliminary expenditure for the current financial year
  - **Adjusted appropriation**: the adjusted total amount to be voted for the current financial year
  - **Apr 11 to Sep 11**: the preliminary expenditure for the first six months of the current financial year
  - **Apr 11 to Sep 11 % of adjusted appropriation**: the preliminary expenditure for the first six months of the current financial year as a percentage of the adjusted appropriation for the year

- **Main expenditure trends for the first half of 2011/12**
  - Expenditure trends show whether actual expenditure is in line with the budget
  - Mid-year preliminary expenditure for the current financial year is compared to mid-year expenditure for the previous year and explanations given for significant changes in expenditure compared to the previous financial year
  - Where functions have shifted between votes or new votes have been created subsequent to the publication of the 2010 AENE, the information in this publication may not be strictly comparable with that published last year
# Departmental receipts

<table>
<thead>
<tr>
<th>Economic classification item</th>
<th>2010/11</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Audited outcome</td>
<td>Actual receipts</td>
</tr>
<tr>
<td></td>
<td>Apr 10 - Sep 10 % of adjusted estimate</td>
<td>Apr 10 - Mar 11 % of adjusted estimate</td>
</tr>
<tr>
<td>R thousand</td>
<td>Adjusted estimate</td>
<td>Apr 10 - Sep 10</td>
</tr>
</tbody>
</table>

- **Departmental receipts outcome for the last financial year and preliminary receipts for the first six months of the current financial year by economic classification**
- **2010/11 Audited outcome**: departmental receipts outcome for previous financial year
  - **Adjusted estimate**: adjusted total amount of receipts anticipated in the previous year’s adjustments budget
  - **Apr 10 to Sep 10**: receipts outcome for the first six months of the previous financial year
  - **Apr 10 to Sep 10 % of adjusted estimate**: receipts outcome for the first six months of the previous financial year as a percentage of the adjusted estimate for that year
• **Apr 10 to Mar 11**: receipts outcome for the whole of the previous financial year

• **Apr 10 to Mar 11 % of adjusted estimate**: receipts outcome for the whole of the previous financial year as a percentage of the adjusted estimate for that year

• **2011/12 Actual receipts**: preliminary receipts outcome for the current financial year

• **Budget estimate**: total amount of receipts anticipated for the current financial year in the main budget

• **Adjusted estimate**: adjusted total amount of receipts anticipated in the adjustments budget for the current financial year

• **Apr 11 to Sep 11**: the preliminary receipts outcome for the first six months of the current financial year

• **Apr 11 to Sep 11 % of adjusted estimate**: the preliminary receipts outcome for the first six months of the current financial year as a percentage of the adjusted estimate for the year

• **Main departmental revenue trends for the first half of 2011/12**
  • Any differences from the information published in the ENE for the current financial year are explained
### Changes to transfers and subsidies, including conditional grants

- Tables showing changes to transfers and subsidies and to conditional grants included therein (for provinces and local government), by programme and per economic classification item

<table>
<thead>
<tr>
<th>Programme name</th>
<th>Economic sphere</th>
<th>Current</th>
<th>Economic classification item</th>
<th>Program name</th>
<th>Economic sphere</th>
<th>Capital</th>
<th>Economic classification item</th>
<th>Programme name</th>
<th>Economic sphere</th>
<th>Current</th>
<th>Economic classification item</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2011/12</th>
<th>Adjustments appropriation</th>
<th>Total adjustments appropriation</th>
<th>Adjusted appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>R thousand</td>
<td>Main</td>
<td>Roll-overs</td>
<td>Unforeseeable/</td>
</tr>
<tr>
<td></td>
<td>appropriation</td>
<td>unavailable</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programme name</th>
<th>Economic sphere</th>
<th>Current</th>
<th>Economic classification item</th>
<th>Program name</th>
<th>Economic sphere</th>
<th>Capital</th>
<th>Economic classification item</th>
<th>Programme name</th>
<th>Economic sphere</th>
<th>Current</th>
<th>Economic classification item</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2011/12</th>
<th>Adjustments appropriation</th>
<th>Total adjustments appropriation</th>
<th>Adjusted appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>R thousand</td>
<td>Main</td>
<td>Roll-overs</td>
<td>Unforeseeable/</td>
</tr>
<tr>
<td></td>
<td>appropriation</td>
<td>unavailable</td>
<td></td>
</tr>
</tbody>
</table>
Bill provides for the appropriation of money from the National Revenue Fund in terms of section 213 of the Constitution and section 30 of the PFMA.

Bill sets out adjustments to allocations by vote and main division within a vote.

Spending is subject to the PFMA and provisions of the Adjustments Appropriation Bill.

Key tool for oversight and management.

Division of Revenue Amendment Bill also tabled, sets out how the adjustments affect the Division of Revenue Act.
Structure of the Bill

- Bill is divided by vote and by main division within a vote (programme)
- An aim is set out for each vote
- Adjustments to allocations are divided into:
  - Current payments
  - Transfers and subsidies
  - Payments for capital assets
  - Payments for financial assets
- Headings group some listed items
- Allocations marked with an * refer to specifically and exclusively appropriated amounts
- Conditional grants are specifically and exclusively appropriated
Thank you
Components of an Adjustments Budget

- Public Finance Management Act, Act 1 of 1999 (PFMA), section 30(2), states that the adjustments budget may provide for:
  - Significant and unforeseeable economic and financial events affecting the fiscal targets
  - Unforeseeable and unavoidable expenditure recommended by a committee of Cabinet
  - Any expenditure in terms of section 16, which governs the use of funds in emergency situations
  - Money to be appropriated for expenditure already announced by the Minister during the tabling of the annual budget. In certain instances, an amount to be allocated for the three years of the MTEF period for a specific purpose will be announced by the Minister when the main budget is tabled, but the details of the annual allocations are only decided later on. For example in the 2011 Budget, the Minister announced that R800 million has been set aside over the next years for ‘green economy’ initiatives
  - The shifting of funds between and within votes
  - Utilisation of savings under a main division of a vote to be used to defray over-expenditure on another main division in terms of section 43, which governs the use of virements
  - Roll-over of unspent funds from the preceding financial year
Virements process

- Governed by section 30(2)(f) and section 43 of the PFMA, Treasury Regulation 6.3 and section 5 of the Appropriation Act, 2010
- In cases where virements require the approval of the National Treasury, a submission is made to the relevant Public Finance Budget Analyst, which then considers the request according to applicable legislation and general practice
- A recommendation is then made to the Deputy Director General: Public Finance for approval
- Virement applications that require the approval of Parliament are tabled, together with other virements, in the Adjustments Appropriation Bill and detailed in the Adjusted Estimates of National Expenditure publication
Section 43 of the PFMA

• Section 43 of the PFMA legislates the following regarding virement between main divisions within votes:
  – (1) An accounting officer for a department may utilise a saving in the amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division within the same vote, unless the relevant treasury directs otherwise
  – (2) The amount of a saving under a main division of a vote that may be utilised in terms of subsection (1), may not exceed eight per cent of the amount appropriated under that main division
  – (3) An accounting officer must within seven days submit a report containing the prescribed particulars concerning the utilisation of a saving in terms of subsection (1), to the executive authority responsible for the department and to the relevant treasury
Section 43 of the PFMA cont.

– (4) This section does not authorise the utilisation of a saving in—
   (a) an amount specifically and exclusively appropriated for a purpose mentioned under a main division within a vote
   (b) an amount appropriated for transfer to another institution
   (c) an amount appropriated for capital expenditure in order to defray current expenditure.
– (5) A utilisation of a saving in terms of subsection (1) is a direct charge against the relevant Revenue Fund
– (6) The National Treasury may by regulation or instruction in terms of section 76 regulate the application of this section
Section 6.3.1 of the Treasury Regulations

- Section 6.3.1 of the Treasury Regulations states that for purposes of section 43(1) of the PFMA –
  - (a) compensation of employees and transfers and subsidies to other institutions, excluding transfers and subsidies to other levels of government for purposes of paying levies and taxes imposed by legislation, may not be increased without approval of the relevant treasury
  - (b) new transfers and subsidies to other institutions may not be introduced without the approval of the relevant treasury
  - (c) allocations earmarked by the relevant treasury for a specific purpose (excluding compensation of employees) may not be used for other purposes, except with its approval
  - (d) virement of funds from compensation of employees to transfers and subsidies for the payment of severance/exit packages are excluded from the provisions of (a) and (b)
Section 5 of the Appropriation Act, 2011

Section 5 of the Appropriation Bill 2011 states:

Notwithstanding section 43(4)(b) and (c) of the Public Finance Management Act, the National Treasury may, in order to expedite service delivery, approve the utilisation of a saving in -

(a) an amount appropriated for transfer to another organ of state or to an organisation or body outside of government, provided that the expenditure will be utilised for the same purpose as that of the main division within the vote in which it was originally appropriated;

(b) an amount appropriated for payments for capital assets, if the saving is to be utilised in the same vote for other categories of expenditure, other than for the compensation of employees.

The approval of the utilisation of savings must be reported in the next quarterly expenditure report to both the Standing and Select Committees on Appropriations.