THE

CITIZENS' ADJUSTED BUDGET 2014/15

What is the Adjusted Budget?

Six months after the beginning of the financial year, an Adjusted Budget is tabled which shows how government is planning to change its spending plans to deal with any unexpected circumstances. Unused funds, including the money from its rainy day fund and money which departments do not think that they are going to spend, are moved or removed through the Adjusted Budget.

National Budget:

In February of each year, the Minister of Finance tables the National Budget, as well as the plan for how money will be divided between the national, provincial and local governments, in Parliament. The National Budget shows the government's spending, tax and borrowing plans.

Why the Adjusted Budget matters

The Adjusted Budget changes the National Budget passed by Parliament earlier in the financial year. It changes the amounts of money allocated to each department and programme. Some get more, some get less. It is important to ask whether these changes in the departments' budgets could affect their ability to provide goods and services to the public.

The six biggest changes in the Adjusted Budget

Savings — R6.2bn

Government says it will receive less in taxes this year because of the economic slowdown. To stay within budget, it is planning to spend R6.2 billion less by not using its rainy day fund ("unallocated reserve") as well as trying to make further savings during the rest of the financial year.

Digital Television — R620m

This money will pay for the Department of Communications process of shifting to a decoder system (digital broadcast migration programme).

Jobs Fund — R561m

Money for the Job Fund's employment creation projects that the National Treasury could not spend was returned to the National Revenue Fund.

International Relations — R350m

The weaker Rand has made the Department of International Relations and Cooperation's activities in other countries more expensive.

Pensions — R250m

After the Department of Social Development relaxed the means test for Old Age Pensions, fewer people applied than was anticipated. Fewer people than expected also applied for the Foster Care Grant.

Disaster Relief — R192m

This money will pay for repairs to disaster damaged infrastructure and emergency water and sanitation provision. In addition, R34.6 million was allocated to the Water and Sanitation Department for emergency water interventions.

Financial Year: The South African government's financial year runs from the 1st of April to the 31st of March the next year.

Important changes in pro-poor departments

Many of these changes are shifts between items in departmental budgets and mostly do not result in an increase or decrease of the relevant department's budget.

Health

R32.6 million was given to the Department of Health to respond to the Ebola outbreak.

R113 million of the money allocated for hospital upgrades through the National Health Grant was unspent and returned to the National Revenue Fund.

Another R226 million of National Health Grant funding was moved to pay for furniture for hospitals and clinics and various other things. A further R262 million of the unspent grant was moved to provinces to pay for hospital and clinic upgrades.

The effect of these shifts was that R43 million was taken away from the Eastern Cape and R315 million from Limpopo and R18 million given to the Free State, R200 million to KZN, R30 million to Northern Cape and R14 million to North West.

Education

Almost R400 million that the National Department of Basic Education could not spend on eradicating mud and other inappropriate schools, was given to the Western Cape Province for school building through the Education Infrastructure Grant.

An additional R9.7 million was given to KwaZulu-Natal for the HIV and AIDS Life Skills Education Grant which provides them with a total of almost R61 million to support HIV/AIDS prevention in schools.

Social Development

R34 million has been moved to Social Development to oversee the provision of services to children and people with disabilities.

R10.5 million that was unspent last year was given back to Social Development to provide for community nutrition programmes.

Rural Development and Land Reform

Various changes in the budget of the Department of Rural Development and Land Reform will result in the number of rural infrastructure projects being increased from 31 to 200 and the number of farms to be provided with start-up support being reduced from 719 to 303.

Snails and Springboks:

Who is spending slower or faster than last year?

The tables below show what share of their budgets departments have spent in the first halves of this year and last year. While there may be good reasons for slow or fast spending, these Snails and Springboks provide an indication of where departments might run the risk of under- or overspending.

National Departments

NATIONAL SNAILS	2013/14	2014/15
Rural Development and Land Reform	53.8%	47.2%
Science and Technology	65.1%	55.8%
Statistics South Africa	48.0%	38.9%
National Treasury	50.3%	41.8%
Government Communication and Information System	57.9%	50.6%
NATIONAL SPRINGBOKS		
Basic Education	48.6%	54.7%
Public Works	43.1%	49.2%
Home Affairs	47.1%	54.6%
Transport	44.2%	53.2%
Tourism	45.9%	59.8%
Communications	49.3%	54.7%

In the Provincial Departments table shown here, 'Other Departments' refers to all provincial departments outside of Education, Health and Social Development.

Provincial Departments

PROVINCIAL SNAILS	2013/14	2014/15
Free State Social Development	50.9%	47.1%
Gauteng Other Departments	44.9%	41.7%
North West Health	55.2%	52.2%
PROVINCIAL SPRINGBOKS		
Eastern Cape Other Departments	43.7%	46.7%
Mpumalanga Other Departments	43.8%	47.5%
KwaZulu-Natal Social Development	42.8%	46.6%
Limpopo Other Departments	35.9%	39.9%
Eastern Cape Social Development	43.9%	48.9%

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By law, government is only allowed to make the following types of changes to its spending plans in the Adjusted Budget:

- **Roll-overs:** Money can be moved from the previous to the current financial year when an activity which was supposed to be finished in the previous financial year can only be completed in the current financial year.
- **Unforeseeable and unavoidable expenditure:** This is spending that government did not expect was going to be necessary when the National Budget was tabled, for example spending to deal with flood damage.
- **Shifts between programmes and between sub-programmes in a department:** Within a department, unspent funds can be moved between programmes or between sub-programmes in the same main programme. Shifts of funds between main programmes are called virements and are guided by the Public Finance Management Act and National Treasury regulations.
- **Function Shifts:** This is when specific government functions are moved from one department to another or from one programme to another. The money to fund these functions is then shifted to the new department.
- **Unallocated amounts:** When he tables the National Budget, the Minister of Finance may set aside funds that are not allocated to any specific function. This money is then allocated later in the year and included in the Adjusted Budget.
- **Adjustments due to significant and unforeseeable economic and financial events:** Changes to the budget are sometimes necessary when unforeseeable economic and financial events affect the revenue and spending plans set out in the National Budget. An example is when inflation is higher than expected and departments find that they have to pay more than expected for goods and services.
- **Emergencies:** The Minister of Finance can approve the use of funds to deal with an emergency situation.
- **Self-financing expenditure:** If a department earns income from its activities, this money is paid into the National Revenue Fund. Such funds may be sent back to the department.
- **Declared unspent funds:** Departments can indicate that they will not spend a specific part of their budget as planned. These funds are returned to the National Revenue Fund.
- **Direct charges against the National Revenue Fund:** Certain additional expenditure does not need to be approved by Parliament, for example spending on state debt costs.
- **Any Gifts, donations and sponsorships of more than R100 000** by a Department have to be included in the Adjusted Budget.

National Revenue Fund

The National Revenue Fund is the government's 'purse'. All taxes and other income must be paid into it before being spent.

If you would like to comment on the 2014/15 Adjusted Budget, you can write to:
Mr Darrin Arends, the Secretary of the Standing Committee on Appropriations (**daarends@parliament.gov.za**)
or Mr Lubabalo Nodada, the Secretary of the Select Committee on Appropriations (**Lnodada@parliament.gov.za**)

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For more information on the Citizens' Adjusted Budget, please contact
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