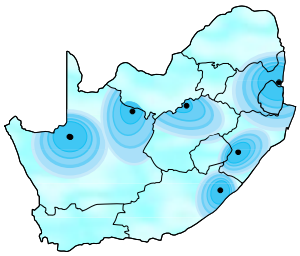
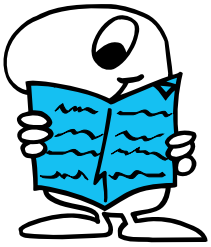


Initiative for Sub-District Support



Kwik-Skwiz #2

BUDGETING AS A DISTRICT MANAGEMENT TOOL

The issue

A key instrument in managing districts successfully is the skilful use of budgeting. For this to happen, authority to set budgets needs to be decentralised. This brief outlines the budgeting process in the Northern Cape, and describes the first steps required to start its decentralisation.

Northern Cape review

At present, budgeting in the Northern Cape is still carried out in a centralised and quite prescriptive manner:

- The province allocates a block grant to each region according to population. This is then divided up between local authorities, provincially aided hospitals, provincial hospitals, drug expenditure and the running costs of the regional offices.
- Facilities receive financing according to the number of people that they employ, plus an additional percentage for running costs.
- The number and grade of staff employed by different facilities has been recommended by a "right-sizing" process which bases staffing requirements on the population of an area and puts an emphasis on the shift towards primary health care.
- The drug budget for local authority clinics is managed by the regional office.

Strengths and weaknesses of the current system

Strengths

- Resource allocation is based on staffing levels plus an assessment of running costs. Given the adoption of population-based norms for staffing levels, this resource allocation has been described as "needs based". This may be overstating the case, but it is clearly a move in the right direction.
- Resource allocation is taking place within a framework, albeit a provisional one. Total health service delivery is planned and costed and it is attempted to allocate resources appropriately within this framework.

Weaknesses

- The present system is prescriptive from the provincial level.
- It is not clear how appropriate the staffing formula is (eg. Should existing patterns of utilisation be taken into account for a transitional period?)
- The addition of 12% and 16% of running costs to staff levels for local authorities and district councils appears arbitrary.
- There is no direct link between the budgeting process and planning at regional or local level. A cost-centred approach to management or budgeting is lacking.
- The interface with local government is problematic. Local authorities and district councils receive a large percentage of the regional budget without being obliged to follow any reporting mechanism to the region. No details of services rendered are provided.

The first steps towards a decentralised budgetary process

1. *Reporting mechanisms to the regional office should be improved.* This will strengthen the ability of regional managers to monitor and plan their expenditure. An objective for strengthened reporting mechanisms should be that explicit service delivery contracts be formulated between the regional office and local authorities.
2. *A consolidated review of expenditure is needed* to provide information on the cost of services delivered and facilities run. This information can form the basis of more rational planning and budgeting in future. This review should detail service activities of provincial and local government providers.
3. *Regional expenditure on drugs should be further examined* and an assessment made of whether efficiency can be improved in this area.
4. *Training workshops/ courses on basic planning and budgeting methods* should be held for regional and key facility personnel.

Plans for the Northern Cape

Whilst the budgeting process has still been quite prescriptive for the 1997/98 budget year, greater responsibility will lie with service delivery personnel to influence their own budget in future years. For instance, in Kakamas sub-district a Chief Professional Nurse is to be employed who will take responsibility for all facilities within Kakamas. Budgeting and planning will fall under this post. Support for such changes as outlined above will be needed. ■

This brief was prepared by Natasha Palmer, seconded to the Health Systems Trust for one year by the Department for International Development of the British Government (formerly ODA).

What is Kwik-Skwiz?

Kwik-Skwiz is a brief designed for busy health service managers and health workers. It aims to keep you informed of progress with the Initiative for Sub-District Support, and to share lessons and experiences from different sites across South Africa.

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