6.1 Allocating limited resources

The estimated budget is the estimated expenditure required for implementing service plans. The allocated budget, however, is usually less than the estimated amount. This is because the funds appropriated to the Department / Municipality are usually less than what is requested. For this reason the DMT has to be very creative in order to allocate or distribute the limited resources according to the priorities of the district. A well-applied medium term expenditure framework provides a guideline for future allocations, limiting the need to work with reduced budgets.

As in the case of budgeting, resource allocation requires the involvement of managers at all levels in the district.

6.1.1 Possible approaches to allocating reduced amounts of money

- Review the service plan

The management team needs to revisit the service plan and realise that some tough decisions need to be made. Some new projects may have to be shelved or scaled down. The way that services have been offered in the past may need to be adjusted e.g. home visits by professional nurses may be scaled down in most areas to ensure a more efficient use of this important resource. Some key posts will not be filled and some staff may need to be utilised differently.
- Review existing programmes and services

The management team must review health programmes and services in order to consider altered ways of offering certain services. Some options might be to outsource, postpone and even terminate certain services. New services could be implemented on a smaller scale for later rolling out.

- Allocate the reduced amount of money according to priorities

If the allocated budget is less than what was estimated, two processes could be followed to allocate the reduced amount:

1. **Protecting priorities** - the estimated amount per cost centre and per service is adjusted by taking into account past trends, future needs and policy priorities. Certain services are protected. This needs to be a very participative process based on sound information.

2. **Incremental reduction** - take the percentage difference that the allocated budget is to the estimated budget and adjust all the cost centres by the same percentage difference. This is not the preferred route as priority services cannot be properly protected.

**Table 3: Allocating the budget**

In the following example, the budget received is 3,22% less than the estimated amount. When applied equally to all services, some services may find it very difficult to cope. A reduction of 3,22% from a large budget could be a manageable decrease, but from a small budget such as environmental health services, the implications are more critical.
<table>
<thead>
<tr>
<th>Service / Cost centre</th>
<th>Service priority</th>
<th>Expenditure of previous financial year (a)</th>
<th>Expenditure budget for new financial year (b)</th>
<th>Appropriated (allocated) budget (c)</th>
<th>Budget skewing (Step 1 - determine possible savings) (d)</th>
<th>Budget skewing (Step 2 - allocate (d) according to priorities) (e)</th>
<th>Re-aligned budget for new financial year (c-d+e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Office (DO)</td>
<td>Medium</td>
<td>450 000</td>
<td>500 000</td>
<td>490 000</td>
<td>-80 000</td>
<td>-</td>
<td>410 000</td>
</tr>
<tr>
<td>District Hospital A</td>
<td>High</td>
<td>22 500 000</td>
<td>23 000 000</td>
<td>22 800 000</td>
<td>-500 000</td>
<td>-</td>
<td>22 300 000</td>
</tr>
<tr>
<td>District Hospital B</td>
<td>Very high</td>
<td>24 800 000</td>
<td>26 000 000</td>
<td>25 000 000</td>
<td>+190 000</td>
<td>25 190 000</td>
<td></td>
</tr>
<tr>
<td>Clinic 1</td>
<td>Very high</td>
<td>800 000</td>
<td>900 000</td>
<td>750 000</td>
<td>+150 000</td>
<td>900 000</td>
<td></td>
</tr>
<tr>
<td>Clinic 2</td>
<td>Very high</td>
<td>800 000</td>
<td>950 000</td>
<td>810 000</td>
<td>+130 000</td>
<td>940 000</td>
<td></td>
</tr>
<tr>
<td>Clinic 3</td>
<td>High</td>
<td>900 000</td>
<td>10 000 000</td>
<td>850 000</td>
<td>+70 000</td>
<td>920 000</td>
<td></td>
</tr>
<tr>
<td>Environmental Health Services</td>
<td>Very high</td>
<td>320 000</td>
<td>450 000</td>
<td>400 000</td>
<td>+40 000</td>
<td>440 000</td>
<td></td>
</tr>
<tr>
<td>TOTAL / average</td>
<td></td>
<td>50 570 000</td>
<td>52 800 000</td>
<td>51 100 000</td>
<td>-580 000</td>
<td>580 000</td>
<td>51 100 000</td>
</tr>
</tbody>
</table>

Remember that further allocation of resources happens within cost centres. In a district hospital, for example, funds are further divided into the various units (e.g. pharmacy, maintenance sections) and other line items.
Good performance in this phase

The following measures would indicate good performance in this phase:

✔ Key services such as PHC are protected and fairly funded.

✔ Resources are allocated within the district according to the resource allocation principles and priorities of that district.
Addendum 2

Components of a budget for Personnel

(The figures and formulas could change over time. This is a demonstration.)

Basic salary costs: Basic (carry through) plus increase equivalent to inflation from 1 July each year

Service bonus: Notch/12 x 0.93

Pension: Notch x 0.18

District Council levy: Notch x 0.032

Homeowners allowance: As per latest policy. At the time of publication it was up to a maximum of R566. This increases with the interest rate.

Medical aid: As per employee requirements and according to the policy. This increases at the Medical Inflation Index

Committed overtime: Notch x hrs / 30
(Currently applies only to medical officers)

Overtime pay: As per the Basic Conditions of Employment Act of 1997.

Motor Finance schemes or car allowance: Where applicable

Other allowances: Such as camping allowance, clothing allowance