

PLANNING AND BUDGETING UNDER THE FISCAL RESPONSIBILITY ACT

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THE CENTRAL ROLE OF BUDGET PLANNING & IMPLEMENTATION

- Budgets are about Service Delivery
- Budgets are about discipline
- Budgets are about needs
- Budgets are about projects, goods and services
- Budgets are about control

...MORE

THE CENTRAL ROLE OF BUDGET PLANNING & IMPLEMENTATION

- Budgets are the evidence of governance implementation
- Budgets give effect to governance
- Budgets are about Accountability
- Budgets are about Delegation

...MORE

THE CENTRAL ROLE OF BUDGET PLANNING & IMPLEMENTATION

- Budgets are about a social contract between the State and the citizens.
- Budgets are about unity of form
- Budgets are about participatory governance
- Budgets are about Intervention

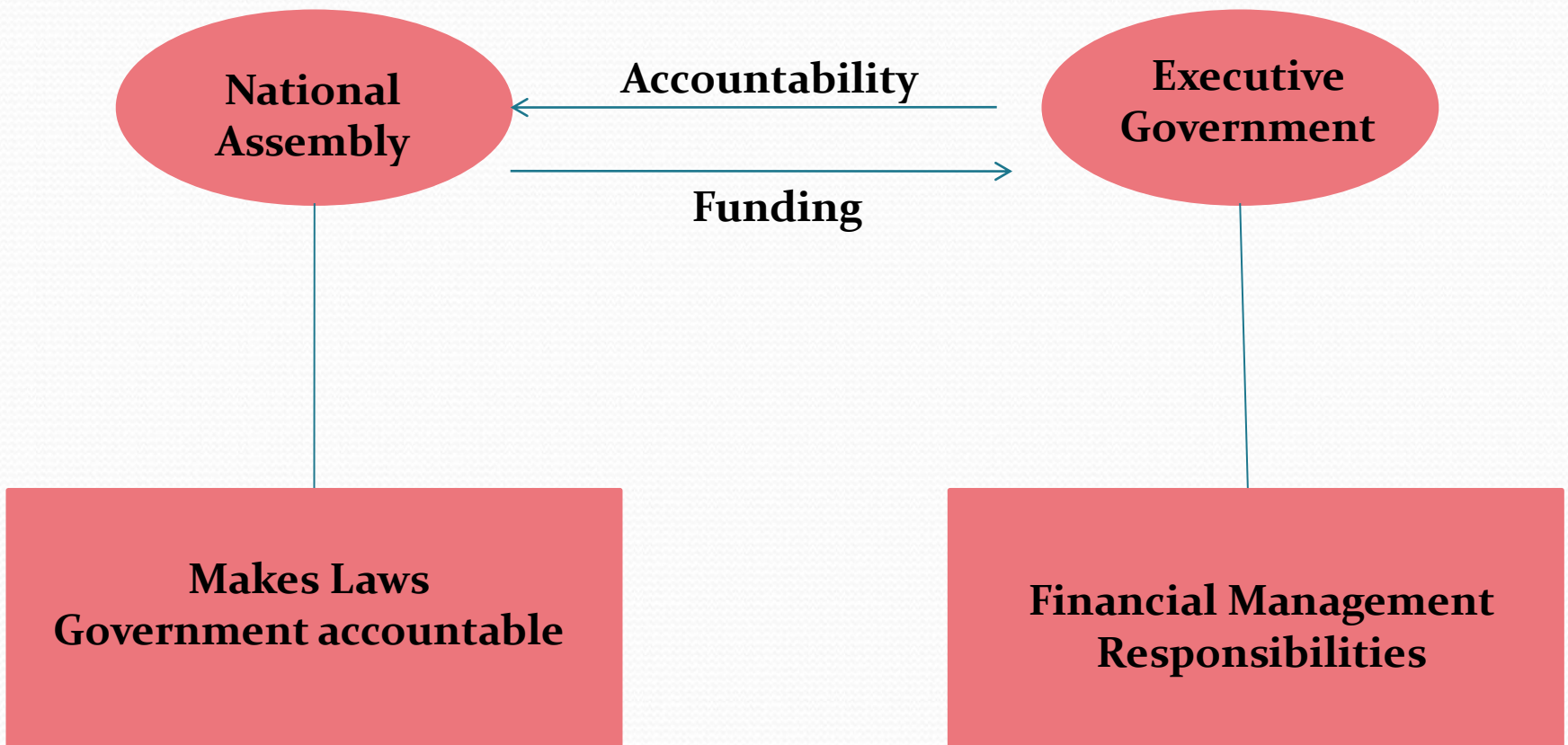
FINANCIAL FRAMEWORK

- What is Financial Management?
- Laws Controlling the Financial Framework

WHAT IS FINANCIAL MANAGEMENT?

- Setting a financial plan (budget) based on objectives
- Financial administration including control of revenue, expenditure, assets and liabilities
- Preparing financial statements and monitoring performance

LEGAL CONTROL OF FINANCIAL MANAGEMENT



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LEGAL CONTROL OF FINANCIAL MANAGEMENT

COUNSTITUTION/FINANCIAL RESPONSIBILITY ACT

- No public money of the Territory shall be issued, spent or invested except as authorised by Enactment

FINANCIAL RESPONSIBILITY ACT

- Budget management Financial reports CE responsibilities Banking, investment & borrowing Territory authorities reporting & governance

WHAT IS A BUDGET?

- Government's financial plan of the Government and its agencies:
- The financial resources available (revenue) and how resources will be used (expenses)
- The assets and liabilities
 - cash flows
 - output performance information
- Budget is specified for the next financial year, and three medium-term years

BUDGET FRAMEWORK

- Legislation
- Constitution
- Decisions Concerning Budget Process
- Budget office
- Measurement
- Documentation
- Agencies
- Whole of Government

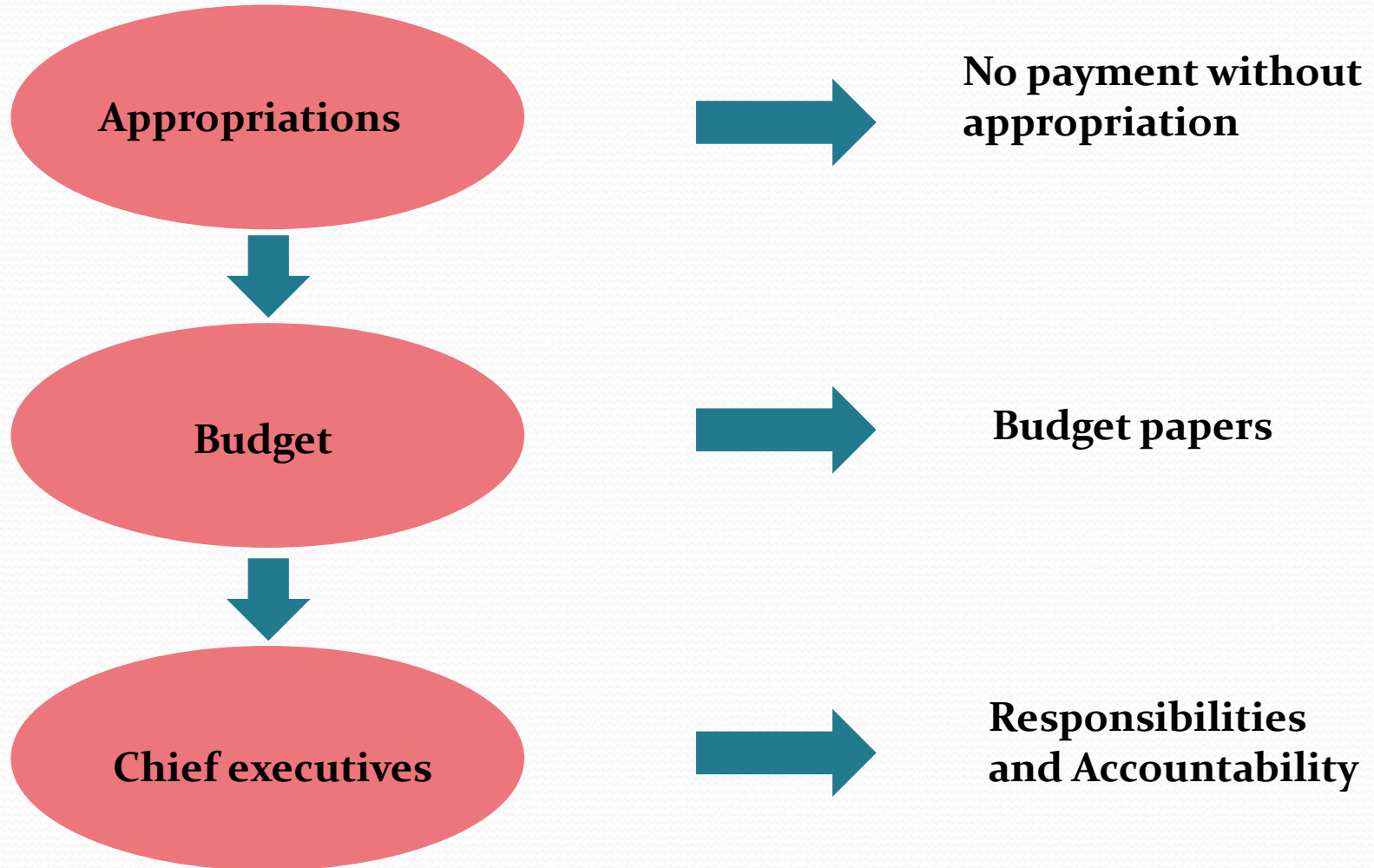
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BUDGET FRAMEWORK

- Budget = first Appropriation Bill of a year
- Money can only be spent in accordance with an appropriation
- Supplementary appropriations = any appropriation bill presented after the Budget
- “top up” for agencies
- Government can change priorities during the year

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BUDGET FRAMEWORK



ROLES

- Budget office
- Ministry of Finance
- Ministers (Agencies)
- Legislators
- AGF
- FRC

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ROLES

- Agencies - advise Ministers
- Recurrent initiatives
- Capital initiatives and projects
- Revenue initiatives
- Savings proposals or offsets
- Budget pressures

FINANCIAL RESPONSIBILITY DOCUMENTS

Annual budget

1. Underlying Revenue and Expenditure Profile (2yrs)
2. Analysis of Budgeted and Actual Expenditure over the last 18 months
3. Monthly Projected Revenues
4. Measures on Cost Evaluation
5. Fiscal Target Appendix
6. Fiscal Risk Appendix

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FINANCIAL RESPONSIBILITY DOCUMENTS

Medium-term expenditure framework

1. Macro-economic Framework
2. Fiscal Strategy Paper
3. Expenditure and Revenue Framework

BUDGET TIME TABLE

2ND Quarter – Schedule of Revenue and Expenditure for
next 3 years submitted by MDA to Minister

August – Annual budgets of MDAs to Minister

? – Annual budget to NASS

(Critique: Not comprehensive enough)

SUGGESTED TIME TABLE

1st ½ of 2nd Quarter – Consultations

2nd ½ of 2nd Quarter – MDAs submit

3rd Quarter – Minister to NASS

4th Quarter – Signed into law

FINANCIAL PLANNING AND BUDGETING

FINANCIAL PLANNING DEFINED

Financial planning is a process of selecting among alternatives. It starts with:

- Definition of goals and objectives.
- Planning establishing priorities among the goals and allocates resources among various alternatives to attain those goals.

THE ESSENCE OF BUDGETING

Budgeting takes the alternatives selected and the resources defined and prepares the detailed steps for accomplishing the alternatives.

Budgeting and Budgetary control involves looking into the futures, stating what the organization wants to happen, and then deciding how to achieve these aims.

At the stage of preparing the budget it is assumed that both the evaluation and prioritization of the alternatives have been done. It is now more of a detailed blueprint for accomplishing a specific task or set of tasks.

PLANNING & BUDGETING

Planning and budgeting are both extremely important for successful financial management. The relationship can be summarized as follows:

PLANNING & BUDGETING

A budget is also a plan of action expressing the organization's intentions in monetary terms.

(a). The operating budget for the year corresponds to the annual operational plan.

PLANNING & BUDGETING

(b). The budget provides a means of measuring progress, but it must be remembered that what it expresses is the amount of resources invested in a particular activity.

(c). The budget cannot tell about how effective the programme is for those supposed to be helped, i.e., quality of the outcome or the attainment of the desired impact

(d). Other evaluative tools must be used to make judgments relative to quality

BUDGETS & MANAGEMENT EFFECTIVENESS

Budgets can and should be used to measure management effectiveness, specifically, the degree to which programme intentions are carried out within fiscal constraints.

THE PLANNING PROCESS

- 1. Review of Organization's Mission and Vision**
- 2. Setting of Goals**
- 3. Setting Objectives**
- 4. Operational or Implementing**

REVIEW OF ORGANIZATION'S MISSION AND VISION

Good long range planning always includes a review of the organizations mission statement (usually found in the constitution) in light of changing community needs.

REVIEW OF ORGANIZATION'S MISSION AND VISION

(a). The mission statement is a broad philosophical description of the overall purpose of your organization. It describes the reason for your existence.

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(b). The mission statement should indicate:

- **What you want to achieve in the long run.**
- **Your target participant populations.**
- **The problems, concerns or opportunities to be addressed in serving your community and members.**

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(c). The General Secretary and the Board of Directors have the final responsibilities to carry out the mission of the organization effectively and efficiently through the programmes of the organization.

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(d). As part of the long range planning process, the mission is translated into a framework of goals, objectives and action steps.

SETTING GOALS

Goals are general statements of intention but provide a more specific sense of direction than the mission statement.

(a). Goals should:

- Be consistent with the mission statement.
- Be long range (3-5 years).

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- **Provide a framework for the rest of the planning process.**
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- **Inspire creativity and innovation.**
- **Be derived from internal and external data summaries, reflecting management operations.**

(b). The goals should be officially adopted by the Board.

SETTING OBJECTIVES

(a). Objectives and Goals must be set to be:

- **Specific**
- **Measurable**
- **Attainable, i.e., Feasible**
- **Realistic, Relevant & Results Oriented**
- **Time-bound**

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SETTING OBJECTIVES

(b). It is important to realize that those accountable for achieving the objectives should be involved in determining such objectives – including staff and lay members of the organization.

OPERATIONAL OR IMPLEMENTATION

Develop a yearly operational plan.

(a). It includes all of the objectives effective for that year.

(b). May be done on an ongoing basis in reviewing what programmes the Association will operate the next year.

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(c). Those responsible for achieving the objective should:

- **Specify who is responsible.**
- **Define what is to be done.**
- **Cover the year period.**
- **Specify when it is to be completed.**

THE BUDGET PROCESS

- 1. Conceive the budget as a working document meant to serve for all operational levels of the Association.**
- 2. Determine the current situation-- What programmes are going on, what needs to be done to advance them or complete them?**

THE BUDGET PROCESS

3. Establish some clear goals.
4. Once you have the goals, you can begin the task of working out what it will take to get the job done.
5. Programmes for fulfilling the objectives falling within their department.

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**(a). For a school, this could cover the
number of programmes class hours;
number of staff needed for day care
department, etc.**

(b). Other direct costs.

(c). Indirect costs.

THE BUDGET PROCESS

6. Appropriate or allocate staff/projects overhead and management cost.
7. Appropriate projects income and expenses based upon planned participants.

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- **Reflect projects based upon more than one year if possible.**
 - **Consider potential adjustment in costs.**

THE BUDGET PROCESS

8. Assigned staff summarizes all income.
9. Compare expected income to expenses.
 - If expenses exceed income, decisions should be made to reduce or cut out lower priority programmes.

THE BUDGET PROCESS

10. Submit budget to Board of Directors for approval.

- **Budget directly reflects organizational priorities, decisions which cannot be made at the staff level.**

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- **Staff can recommend but the Board must approve.**

11. Break budget into monthly segments based upon expected dates of income and expense.

USING THE BUDGET

As the budget gets implemented, it is necessary to continually review performance by comparing the actual with the budget. Variances should be studied and understood so that appropriate action can be taken.

WHY BUDGETS FAIL

- **Key Points:**

1. **Lack of commitment.**

2. **No responsibility centers/Poor delegation.**

3. **Lack of control procedures.**

4. **Too “tight” a budget. A budget is a blueprint.**

WHY BUDGETS FAIL

5. Failure to revise when needed.
6. Failure to report financial information on a timely basis.

To be an effective Financial Planning tool, the budget must:

1. Be well conceived and approved by the Board.
2. Be broken down into periods corresponding to the periodic financial statements.

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3. **Appear on the financial statements so a comparison with the actual income and expenditures can be made on a timely basis.**
 4. **Be used by the General Secretary and Board as a basis for action when there is a significant deviation.**

BUDGETING PRINCIPLES

There are five main basic principles:

- 1. Obligation**
- 2. Integration**
- 3. Target orientation**
- 4. Adaptability**
- 5. Motivational**

PRINCIPLE-BASED BUDGETING

This concept is not to be confused with Budget Principles in the preceding slide. It means looking at your circumstances and challenges before deciding on the main thrusts of your budget. Some specific concepts may deliberately underscore an organization's budget.

CONCEPTS, PRINCIPLES, THRUSTS THAT MAY UNDERSCORE A BUDGET

1. Transparency

2. Meeting Required Fund providers

3. Goal Attainment

4. Discipline

5. Focus

6. Delegation & Control

OTHER FORMS OF BUDGET PRINCIPLES

- 1. Well defined goals and objectives.**
- 2. Full participation management.**
- 3. Understanding that budgets need to be flexible.**
- 4. Timetable to ensure well thought-out budgets.**

OTHER FORMS OF BUDGET PRINCIPLES

- 5. Managers are responsible for specific activities and are responsible for budgetary planning.**
- 6. Open communication.**
- 7. Review of budget throughout the year to identify and address variances.**



THANK YOU