

2009/10

# **SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS**



**TSWELOPELE**  
LOCAL MUNICIPALITY  
A MUNICIPALITY IN PROGRESS

**TABLE OF CONTENTS**

<b>CONTENT</b>	<b>PAGE NUMBER</b>
Executive Summary	3
Service Delivery Targets and Performance Indicators	3
Introduction	3
Components of SDBIP	3
The SDBIP Concept	4
Community Participation Process	5
MFMA requirement – implementation & monitoring	6
Revision of the SDBIP	6
Detailed SDBIP Components	8 – 15
Detailed Capital Works	16
Summary – 2009/10 Budget	16

## 1. EXECUTIVE SUMMARY

The Municipality is required to produce a Service Delivery and Budget Implementation Plan to show the following;

- Monthly projections of revenue and expenditure for the operating and capital budgets
- Quarterly service delivery targets and performance indicators.

Each month the Municipal Manager must present the Mayor with a report showing how income and spending is progressing against these projections.

Every quarter the Mayor must report to Council on the progress of the budget.

## 2. SERVICE DELIVERY TARGETS AND PERFORMANCE INDICATORS

Each department within the Municipality has to provide quarterly targets so that performance can be monitored throughout the year. The Municipal Manager and Executive Managers (Section 57 Managers) performance contracts must contain these targets.

The targets cannot be changed during the year unless Council approves the changes.

## 3. INTRODUCTION

Service delivery and budget implementation plan (SDBIP) is explained in chapter 1 of the Municipal Finance Management Act, act no. 56 of 2003 (MFMA) as a detailed plan approved by the mayor of a municipality in terms of section 53(1)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate—

(a) Projections for each month of—

(i) Revenue to be collected, by source; and

(ii) Operational and capital expenditure, by vote;

(b) Service delivery targets and performance indicators for each quarter; and

(c) Any other matters that may be prescribed,

and includes any revisions of such plan by the mayor in terms of section 54(1) (c); Essentially a business plan, the SDBIP is an integral part of the financial planning process. Although its approval is required after the budget, its preparation has occurred in tandem with the budget process. The SDBIP is the connection between the budget and management performance agreements, and it includes detailed information on how the budget will be implemented – by means of forecast cash flows – and service delivery targets and performance indicators.

## 4. COMPONENTS OF SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

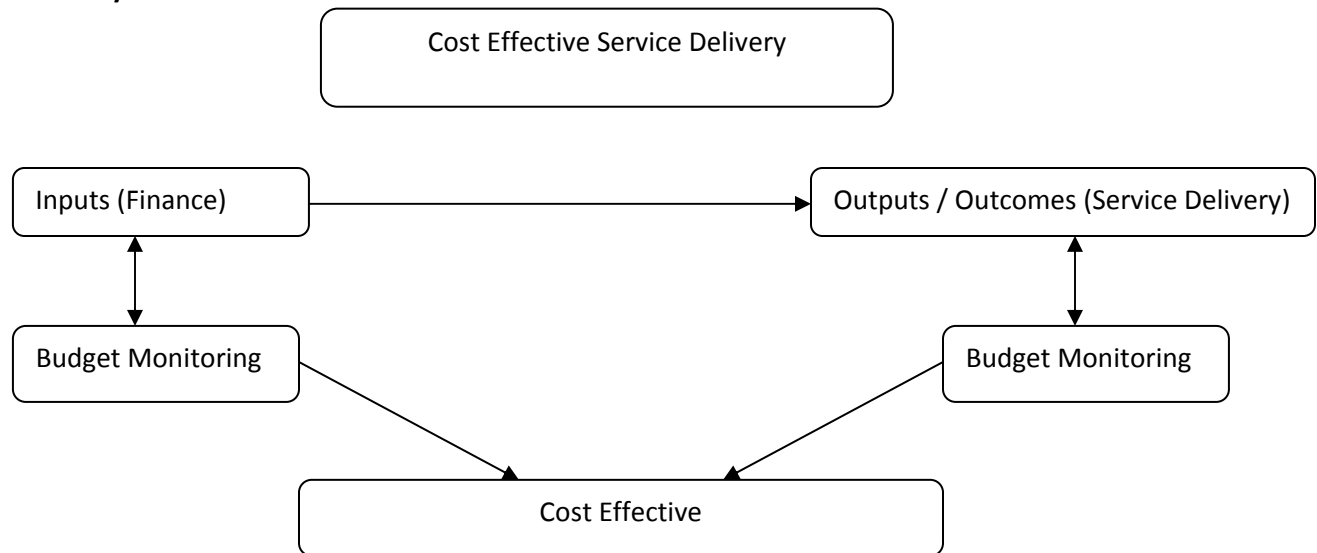
The five necessary components of a SDBIP are:

- Monthly projections of revenue to be collected for each source

- Monthly projections of expenditure (operating and capital) and revenue for each vote
- Quarterly projections of service delivery targets and performance indicators for each vote
- Ward information for expenditure and service delivery
- Capital works plans.

The SDBIP is the formal link between municipal performance and the budget. It also provides a means to measure cost effective service delivery by linking the inputs – the budget – to the service outputs and outcomes.

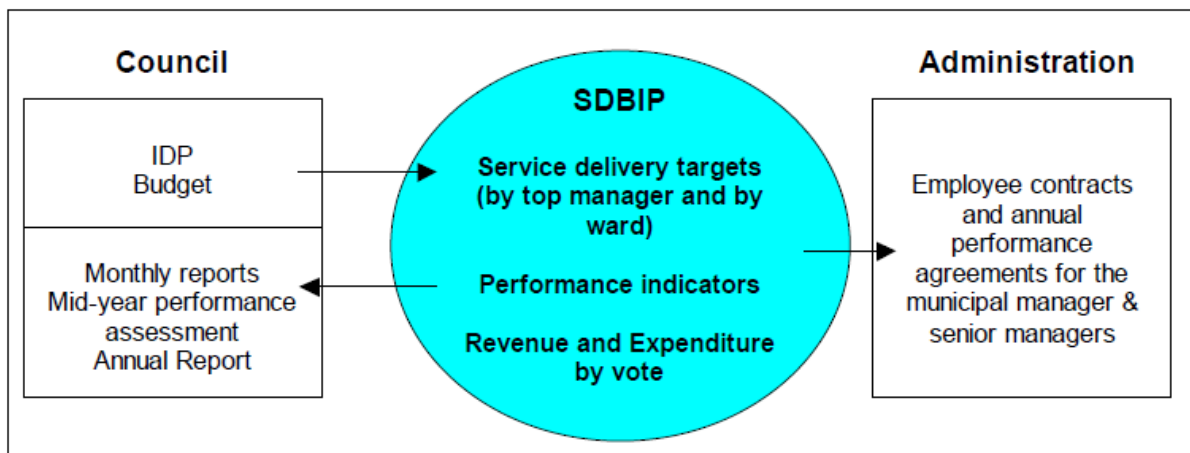
Budgetary control and performance monitoring combine to measure the **cost effectiveness of service delivery**.



## 5. THE SDBIP CONCEPT

National Treasury, in MFMA circular 13, outlined the concept of the SDBIP. It is seen as **a contract** between the administration, council and community expressing the goals and objectives set by the council as measurable outcomes that can be implemented by the administration over the next twelve months.

### SDBIP “contract”



SDBIP is a management, implementation and monitoring tool that will assist the Mayor, Councillors, Municipal Manager, Senior Managers and Community. It is also a performance monitoring tool that enables the Municipal Manager to monitor the performance of senior managers. The MFMA requires that the performance agreements of senior managers be linked to the measurable performance objectives in the SDBIP.

As a vital monitoring tool, the SDBIP should help enable the Mayor and Municipal Manager to be proactive and take remedial steps in the event of poor performance.

Being a management and implementation plan, the SDBIP is not required to be approved by the Council. Only the Mayor may approve the SDBIP as outlined in the MFMA section 53. Chapter 7 of the MFMA requires the Mayor to “take all reasonable steps” to ensure that the SDBIP is approved within 28 days after the approval of the budget and that the SDBIP is made public no later than 14 days after that.

Tswelopele Local Municipality’s SDBIP was developed along with Integrated Development Plan (IDP) and budget, the IDP and the budget were approved by Council on 29 May 2009, the SDBIP will be formally approved by the Mayor and it will thereafter be circulated to ward committee and general public

## 6. COMMUNITY PARTICIPATION PROCESS

### 1. COMMUNITY CONSULTATIONS

Section 22 of the MFMA requires that after tabling of the annual budget in Council, the municipality must make public the annual budget and also invite the local community to submit their inputs/comments thereon. The draft budget was tabled to council on the 31 March 2009. Copies of budget, both electronic and printed formats were submitted to Free State Provincial Treasury.

In addition to this, public hearings were held on the 12th May 2009 to the 21st May 2009. The communities of Tswelopele responded positively to these meetings.

### 2. SCHEDULE OF KEY DEADLINES RELATING TO BUDGET PROCESS

The objective of the budget timetable is to ensure integration between the development of the IDP and the budget and also that a balanced budget is tabled for consideration and approval, the time table for 2009/10 budget was approved on the 27 August 2008.

**The following is the extract of the key deadlines relating to the budget process:**

25 March 2009	Submission of draft budget to the full Council.	Mayor, CFO
01 April 2009	Facilitate draft budget with community [per ward]. Invitation of community participation.	Mayor, Ward Councilors, Ward Committee & Departmental Heads
01 April 2009	Advertise on notice board and calling for objections.	Managers - Admin & Finance
30 April 2009	Submission of objections and community’s request to Council.	Mayor, Managers - Admin & Finance

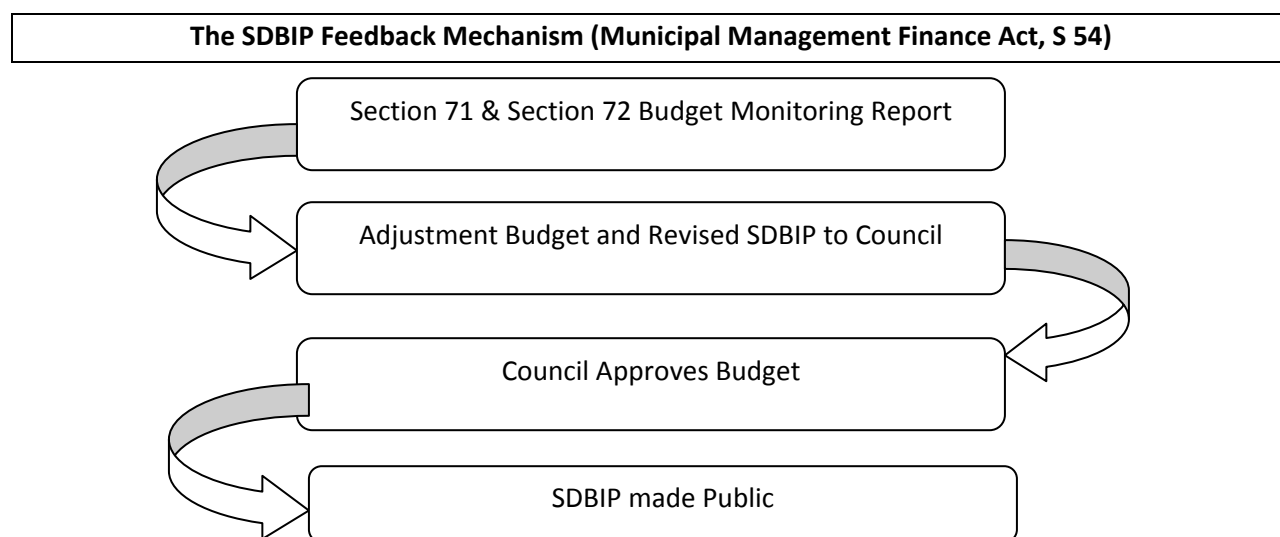
27 May 2009	Approval of budget by Council. [Special]	Managers - Finance & Admin
01 June 2009	Tariff & extracts of budget announcements and other statutory directives.	Managers - Finance & Admin

## 7. MFMA REQUIREMENT - IMPLEMENTATION & MONITORING

Section 54 sets out the responsibilities of the Mayor with regard to budgetary control and the early identification of financial problems.

When a budget monitoring report is received under section 71 (monthly budget statement) or 72 (Mid year assessment) of the MFMA, the Mayor must check whether the budget is being implemented in accordance with the SDBIP. If it is decided to amend the SDBIP, any revisions to the service delivery targets and performance indicators must be made with the approval of council following an adjustments budget. The Mayor must issue instructions to the accounting officer to ensure that the budget is implemented in terms of the SDBIP. The revised SDBIP must be promptly made available to the public.

The following diagram illustrates this process;



## 8. REVISION OF THE SDBIP

The Mayor must decide on receipt of a section 71 or 72 budget monitoring reports whether to amend the SDBIP in the light of the information received.

This protocol sets out the various steps that should be followed to allow the Mayor's obligations under section 54 of the MFMA to be fulfilled.

### Protocol

Financial department will provide the Municipal Manager with information as required under section 71 and 72 of the MFMA and this information will be submitted to the Mayor by the 10<sup>th</sup> working day of each month.

The information will show a comparison of actual performance against the planned income and expenditure included in the SDBIP.

For Capital projects; Mayor will ask the officials responsible for capital projects for a written report covering;

- The reason for the variance
- If necessary, what corrective measures have been put in place.
- Whether the start and finish dates of the capital project need amending.
- Whether the project specification will need to be amended.
- Revised monthly estimates of expenditure for the project.

The Officials must supply this information within 2 weeks of the request from the Mayor.

Following the receipt of these reports the Mayor will make one of the following decisions;

- Note the report of the Officials and keep the project under review.
- Request the Official to attend a Performance Review meeting with the Mayor, Municipal Manager and Chief Financial officer to examine the reasons for the variation, the potential for bringing the project back on track and the likely impact on service delivery. Following this meeting, the Mayor will then decide whether the SDBIP should be amended.

If it is decided to amend the capital programme and SDBIP, so as to maintain overall service delivery, Officials will be asked to put forward schemes currently scheduled for year 2 or 3 of the capital programme that can be implemented sooner. The financial implications of these suggestions will be assessed by the Chief Financial Officer and a recommendation made to the Mayor as to which ones would be possible to proceed with and an adjustments budget prepared.

For operating expenditure and revenue, the Mayor will review the variances in the monthly budget monitoring report and, notwithstanding the requirements for an adjustments budget, request from Officials an explanation of all variances of the monthly budget forecast. Officials will be asked to explain whether the service delivery targets included in the SDBIP can still be achieved. The Mayor will then decide whether the SDBIP should be amended in the light of these explanations.

At the end of each quarter, Officials must supply the Municipal Manager with the actual performance against each of the performance indicator targets. This information must be submitted to the Mayor by the 10<sup>th</sup> working day after each quarter along with the budget monitoring information for that quarter as provided by Finance Department.

If the actual performance on any indicator varies from the planned performance the Mayor can ask the responsible Official for a written report asking for an explanation of the variance and, if the performance is worse than projected, what measures have been put in place to ensure that the projected level of performance can be met in future.

The Mayor will then review these reports and decide whether the SDBIP should be amended.

## **9. SDBIP COMPONENTS**

**10. MONTHLY REVENUE PROJECTIONS BY SOURCE**  
**(JULY 2009 – DECEMBER 2009)**

<b>SOURCE</b>	<b>JULY 2009</b>	<b>AUG 2009</b>	<b>SEP 2009</b>	<b>OCT 2009</b>	<b>NOV 2009</b>	<b>DEC 2009</b>
Property rates	317,385	370,186	370,186	370,186	370,186	370,186
Property rates - Interest	52,109	50,000	50,000	50,000	50,000	50,000
Service charges - electricity revenue from tariff billings	772,889	772,889	772,889	772,889	772,889	772,889
Service charges - water revenue from tariff billings	355,517	355,517	355,517	355,517	355,517	355,517
Service charges - sanitation revenue from tariff billings	314,892	314,892	314,892	314,892	314,892	314,892
Service charges - refuse removal from tariff billings	175,200	175,200	175,200	175,200	175,200	175,200
Rental of facilities and equipment	62,417	62,417	62,417	62,417	62,417	62,417
Interest earned - external investments	71,667	71,667	71,667	71,667	71,667	71,667
Fines	19,267	19,267	19,267	19,267	19,267	19,267
Licenses and permits	83	83	83	83	83	83
Government grants and subsidies	14,265,000	0	0	0	12,780,000	0
Other Income	16,499	16,499	16,499	16,499	16,499	16,499
Special Contr - Councillors remuneration	57,833	57,833	57,833	57,833	57,833	57,833
Contribution Dept. of Health	1,500	1,500	1,500	1,500	1,500	1,500
Game Sold	0	0	0	0	0	0
Gravel	4,167	4,167	4,167	4,167	4,167	4,167
CFO: Rates Certificates	875	875	875	875	875	875
CFO: Group Insurance Commission	6,667	6,667	6,667	6,667	6,667	6,667

**REVENUE PROJECTIONS BY SOURCE**  
**JAN 2009 –JUNE 2010**

<b>SOURCE</b>	<b>JAN 2010</b>	<b>FEB 2010</b>	<b>MARC 2010</b>	<b>APRIL 2010</b>	<b>MAY 2010</b>	<b>JUNE 2010</b>	<b>FULL YEAR FORECAST</b>
Property rates	370,186	370,186	370,186	370,186	370,186	370,186	3,808,623
Property rates - Interest	50,000	50,000	50,000	50,000	50,000	50,000	600,000
Service charges - electricity revenue from tariff billings	772,889	772,889	772,889	772,889	772,889	772,889	9,274,670
Service charges - water revenue from tariff billings	355,517	355,517	355,517	355,517	355,517	355,517	4,266,200
Service charges - sanitation revenue from tariff billings	314,892	314,892	314,892	314,892	314,892	314,892	3,778,700
Service charges - refuse removal from tariff billings	175,200	175,200	175,200	175,200	175,200	175,200	2,102,400
Rental of facilities and equipment	62,417	62,417	62,417	62,417	62,417	62,417	749,000
Interest earned - external investments	71,667	71,667	71,667	71,667	71,667	71,667	860,000
Fines	19,267	19,267	19,267	19,267	19,267	19,267	231,200
Licenses and permits	83	83	83	83	83	83	1,000
Government grants and subsidies	0	12,780,000	0	0	0	0	39,535,500
Other Income	16,499	16,499	16,499	16,499	16,499	16,499	197,987
Special Contr - Councillors remuneration	57,833	57,833	57,833	57,833	57,833	57,833	694,000
Contribution Dept. of	1,500	1,500	1,500	1,500	1,500	1,500	

Health							18,000
Game Sold	50,000	0	0	0	0	0	150,000
Gravel	4,167	4,167	4,167	4,167	4,167	4,167	50,000
CFO: Rates Certificates	875	875	875	875	875	875	10,500
CFO: Group Insurance Commission	6,667	6,667	6,667	6,667	6,667	6,667	80,000

**11. OPERATIONAL AND CAPITAL EXPENDITURE BY SOURCE**  
**(JULY 2009 –DECEMBER 2009)**

<b>SOURCE</b>	<b>JULY 2009</b>	<b>AUG 2009</b>	<b>SEP 2009</b>	<b>OCT 2009</b>	<b>NOV 2009</b>	<b>DEC 2009</b>
Employee related costs	2,247,962	2,247,962	2,247,962	2,247,962	2,247,962	2,247,962
Remuneration of Councillors	319,381	319,381	319,381	319,381	319,381	319,381
Repairs and maintenance	357,682	357,682	357,682	357,682	357,682	357,682
Interest paid	154,067	154,067	154,067	154,067	154,067	154,067
Bulk purchases - Electricity	797,067	797,067	797,067	797,067	797,067	797,067
Bulk purchases - Water	66,667	66,667	66,667	66,667	66,667	66,667
General expenses	1,076,740	1,076,740	1,076,740	1,076,740	1,076,740	1,076,740
Capital Expenditure	1,554,083	1,554,083	1,554,083	1,554,083	1,554,083	1,554,083
Loans repaid	24,417	24,417	24,417	24,417	24,417	24,417

**(JAN 2010 – JUNE 2010)**

<b>SOURCE</b>	<b>JAN 2010</b>	<b>FEB 2010</b>	<b>MAR 2010</b>	<b>APR 2010</b>	<b>MAY 2010</b>	<b>JUNE 2010</b>
Employee related costs	2,247,962	2,247,962	2,247,962	2,247,962	2,247,962	2,247,962
Remuneration of Councillors	319,381	319,381	319,381	319,381	319,381	319,381
Repairs and maintenance	357,682	357,682	357,682	357,682	357,682	357,682
Interest paid	154,067	154,067	154,067	154,067	154,067	154,067
Bulk purchases - Electricity	797,067	797,067	797,067	797,067	797,067	797,067
Bulk purchases - Water	66,667	66,667	66,667	66,667	66,667	66,667
General expenses	1,076,740	1,076,740	1,076,740	1,076,740	1,076,740	1,076,740
Capital Expenditure	1,554,083	1,554,083	1,554,083	1,554,083	1,554,083	1,554,083
Loans repaid	24,417	24,417	24,417	24,417	24,417	24,417

	Unit of Measure	Annual	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
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## 12.SERVICE DELIVERY TARGETS BY VOTE

	Unit of Measure	Annual Target	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
<b>OFFICE OF THE MUNICIPAL MANAGER</b>						
Performance Management System Developed	% Developed	100%	100%	0	0	0
Performance Agreement Signed	# of Agreements signed on time	5	5	0	0	0
Annual Review of IDP	MSA and MFMA	1	0	0	1	0
Compilation of Annual Report	Annual Report Submitted to Council on Time	1	0	0	1	0
Development of Municipal Website	Municipal Website Developed	1	0	1	0	0

	Unit of Measure	Annual Target	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
<b>CFO Office</b>						
Appointment of Interns	MFMA Guidelines	5	5	0	0	0
Submission of AFS to AG	AFS submitted on time	1	1	0	1	0
Financial Reports	DORA and MFMA	60	15	15	15	15
Budget compilation	Budget complied on time	1	0	0	0	1
Percentage of debtors revenue collected	Total payment/ Total levies	80%	80%	80%	80%	80%
GRAP Compliant Fixed Asset Register	Fixed asset register complied on time	1	0	1	0	0
Update of Indigent Register	Register updated	1	0	0	1	0
Review of SCM Policy	SCM policy reviewed on time	1	0	0	1	0

	Unit of Measure	Annual Target	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
<b>Exc. Manager – Corporate Services</b>						
WSP implemented	% implemented	100%	100%	0	0	0
Management of employee relations	% Compliance to Applicable Legislation	100%	100%	100%	100%	100%

		Target	Quarter	Quarter	Quarter	Quarter
<b>Exc. Manager: Community Services</b>						
Determination of Housing Backlogs and community needs	Updated erf database	4	1	1	1	1
Update/ Review of SDF	SDF updated/ Reviewed on time	1	0	0	1	0
Approval of Building Plans	% Approved on time	100%	100%	100%	100%	100%
HIV Programmes and Awareness Campaigns	No. of Campaigns	4	1	1	1	1
Review of Waste Management Plan	Plan reviewed on time	1	0	0	0	1
Registration of Landfilled Sites	Sites Registered	1	1	0	0	0
Poverty Alleviation	Indigent Register	As per Indigent Register				
Pauper/ Indigent Burials	Number of Burials	200	50	50	50	50
OR Tambo Games	Number of Games Held	1	0	0	1	0
Development of Environmental Management Framework plan	Plan Developed on time	1	0	1	0	0
Review of IDP	IDP Reviewed on time	1	0	0	1	0
Establishment of Community Safety Forum	Safety forum established	1	1	0	0	0
Establishment of Pound	Pound established	1	0	1	0	0
Development of Land Use Management Scheme (LUMS)	Land Scheme Management Scheme	1	0	1	0	0
Development of Business Plan for Lotto Funding	Number of Business plans submitted on time	1	0	1	0	0

	Unit of Measure	Annual Target	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
<b>OFFICE OF THE COO</b>						
Development of LED Strategy	No. of strategy developed	1	0	1	0	0

	Unit of Measure	Annual Target	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
<b>Technical Officers</b>						
New Sewer Treatment plan	Plant Built	1	0	1	0	0
Number of HH receiving free basic water	Total Number of HH	10539	10539	10539	10539	10539
Number of HH receiving free basic electricity	Total number of HH	10539	10539	10539	10539	10539
Disposal of waste each Week	Number of HH	10539	10539	10539	10539	10539
Identification of Burial Sites	No. of Sites	1	0	0	1	0

### 13. DETAILED CAPITAL WORKS

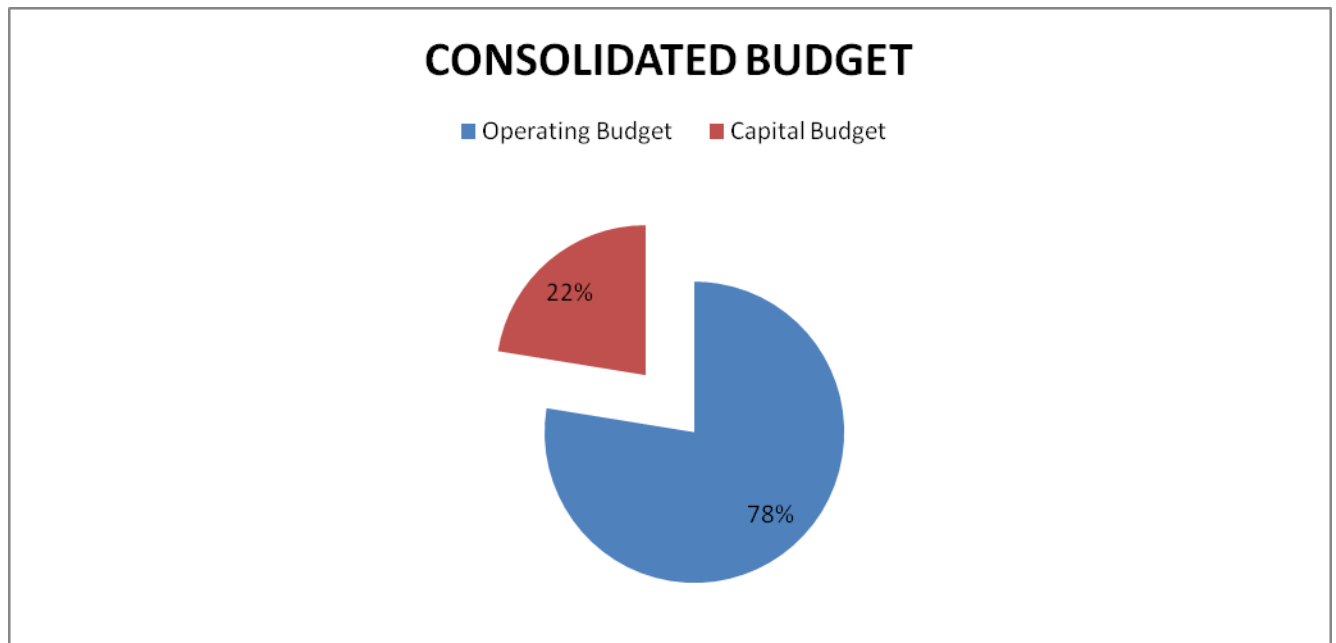
Because of financial constraints, Tswelopele Local Municipal will have only one project this fiscal year,

#### DETAILS OF THE PROJECTS

Project Name	: New Sewerage Treatment Plan
Location	: Phahameng
Value of the Project	: R 18 649 000
Funding	: Municipal Infrastructure Grant (MIG)

### 14. SUMMARY OF 2009/10 BUDGET

Operating Budget	: R 77 054 580
Capital Budget	: R 18 649 000



**Total Budget** : R 99 344 280