

2010/11

# SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN



**TSWELOPELE**  
LOCAL MUNICIPALITY  
A MUNICIPALITY IN PROGRESS

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## 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.

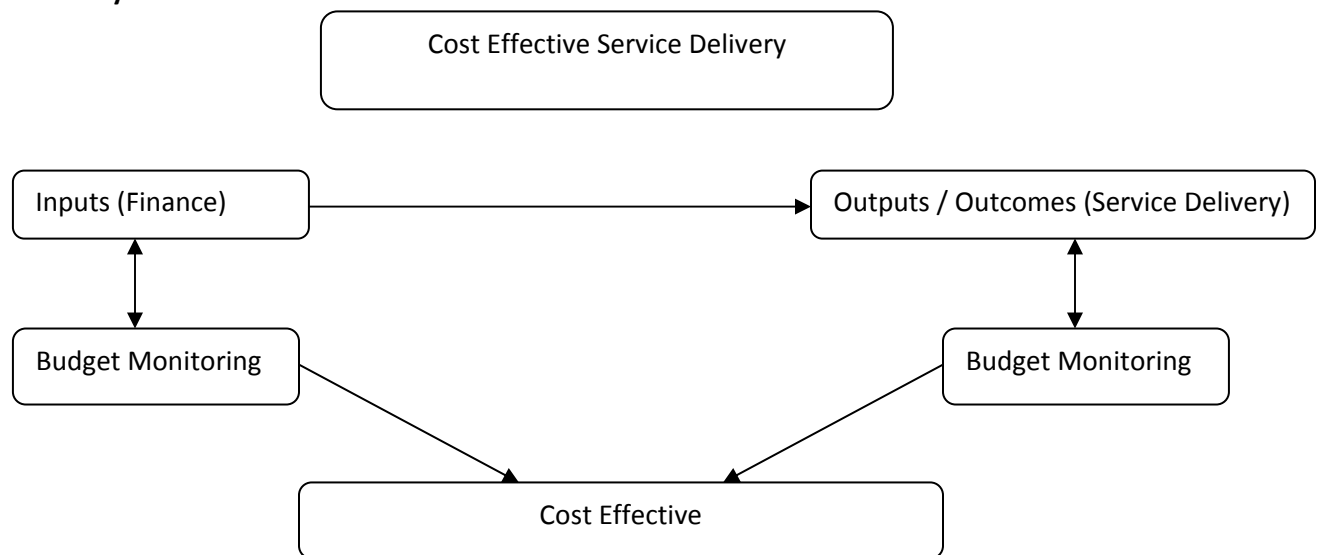
## 4. Components of Service Delivery and Budget implementation plan

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

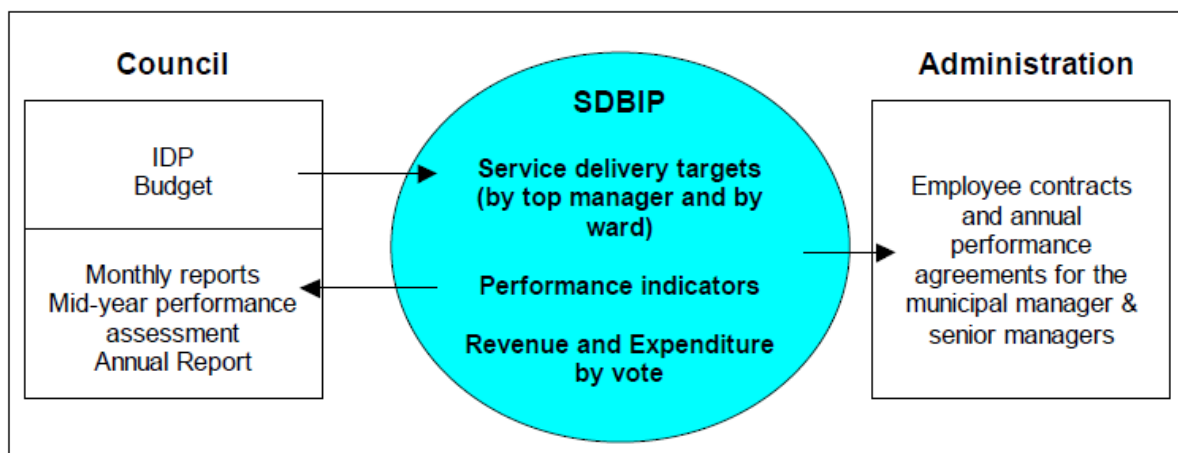
The SDBIP is the formal link between municipal performance and the budget. It also provides a means to measure cost effective service delivery by linking the inputs – the budget – to the service outputs and outcomes.

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 31 May 2010, 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 2010. Copies of budget, both electronic and printed formats were submitted to Free State Provincial Treasury.

In addition to this, public hearings meetings were disrupted by the communities and they were postponed to the 23 April 2010, they were never held again in Bultfontein but in Hoopstad they were held successfully on the 25 - 27 of May 2010.

## 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 timelines for 2010/2011 budget was approved on August 2009 by council.

During September all departmental heads were asked to submit their inputs before the end of November 2009

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

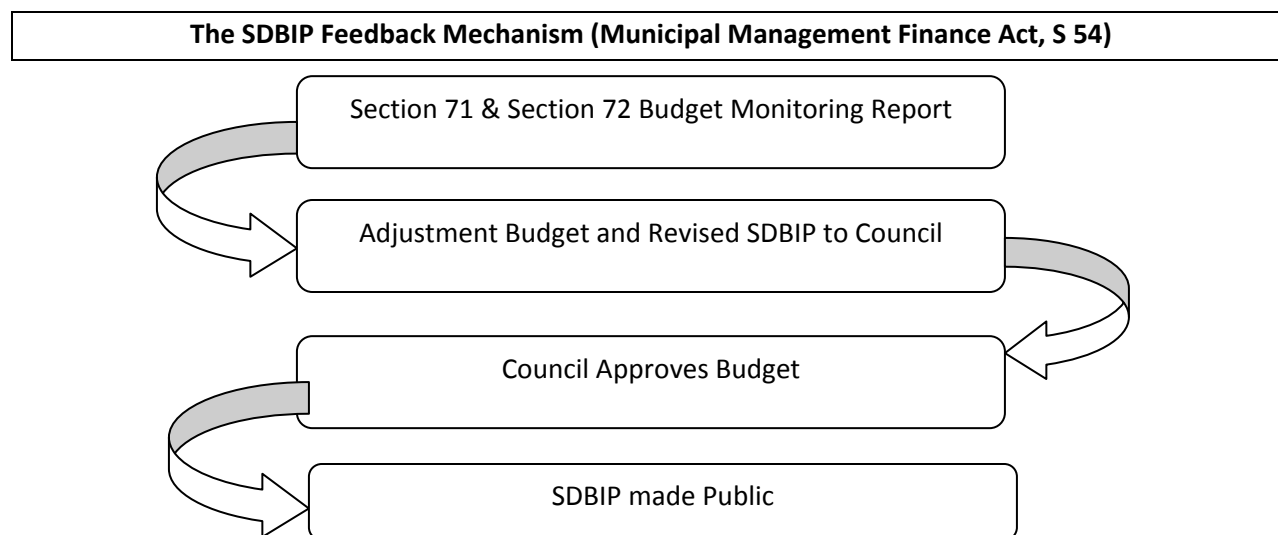
26 March 2010	Tabling of draft budget to the full Council.	Mayor, CFO
01 April 2010	Facilitate draft budget with community (per ward ). Invitation of community participation.	Mayor, Ward Councillors, Ward committees, and Departmental heads
01 April 2010	Advertise on notice board and calling for objections.	Managers - Admin & Finance
30 April 2010	Submission of objections and community's request to Council.	Mayor, Managers - Admin & Finance
27 May 2010	Approval of budget by Council. [Special]	Managers - Finance & Admin
01 June 2010	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.



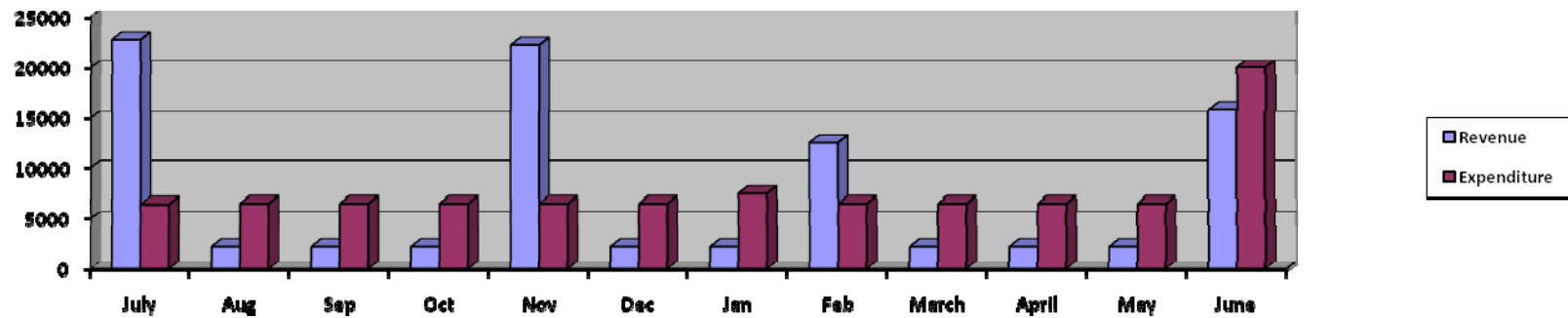
## **9. SDBIP COMPONENTS**

## 10. Monthly revenue projections

Revenue Type	July 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	March 2011	April 2011	May 2011	June 2011	Total Revenue
Property Rates	317	317	317	317	317	317	317	317	317	317	317	317	3809
Prop Rates – Penalties	50	50	50	50	50	50	50	50	50	50	50	50	600
Electricity	1008	1008	1008	1008	1008	1008	1008	1008	1008	1008	1008	1008	12098
Water	356	356	356	356	356	356	356	356	356	356	356	356	4266
Sanitation	315	315	315	315	315	315	315	315	315	315	315	315	3779
Refuse	175	175	175	175	175	175	175	175	175	175	175	175	2102
Rental	55	55	55	55	55	55	55	55	55	55	55	55	654
Interest Earned	26	26	26	26	26	26	26	26	26	26	26	26	316
Fines	19	19	19	19	19	19	19	19	19	19	19	19	231
Licenses/Permits	0	0	0	0	0	0	0	0	0	0	0	0	1
Agency Services	7	7	7	7	7	7	7	7	7	7	7	7	80
Transfers Recognized – Operational	20 503	0	0	0	20 000	0		10 000				1 156	51 659
Other Revenue	16	16	16	16	16	16	16	16	16	16	16	12501	12681
Gains on disposal of PPE	0	0	0	0	0	0	0	0	150	0	0	0	150
Total Revenue	22 847	2 344	2 344	2 344	22 344	2 344	12 494	2 344	2 344	2 344	2 344	15 986	92 427

## 11. Monthly Expenditure projections

Revenue Type	July 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	March 2011	April 2011	May 2011	June 2011	Total Expenditure
Employee Costs	2 930	2 930	2 930	2 930	2 930	2 930	2 930	2 930	2 930	2 930	2 930	2 930	35 164
Debt Impairment												2 400	2 400
Finance charges						924						924	1 849
Bulk Purchases	1 194	1 275	1 275	1 275	1 275	1 275	1 275	1 275	1 275	1 275	1 275	380	14 327
Transfers/ Grants												2 728	2 728
Other Expenditure	2 302	2 302	2 302	2 302	2 302	2 302	2 302	2 302	2 302	2 302	2 302	10 632	35 959
Total Expenditure	6 427	6 508	6 508	6 508	6 508	7 432	6 508	6 508	6 508	6 508	6 508	19 995	92 427

*Graphical Explanations*

## 12. Capital Budget

Because of financial constraints, the municipality has budgeted for only one project, i.e. Sewerage network in Phahameng, Bultfontein, the project is fully funded by municipal infrastructure grant, (MIG), the project value is R 20 799 000. Capital budget includes also office equipment, the value budgeted is R 492 000, below mentioned is the planned expenditure of the capital budget.

Expenditure by Vote	July 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	March 2011	April 2011	May 2011	June 2011	Total Expenditure
Exec and Council			30										30
Budget and Treasury Office				135									135
Community and Social Services							49						49
Public Safety		114											114
Waste Water management	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	1 692	2 192	20 799
Corporate Services	165												165
Total Expenditure	1857	1806	1722	1827	1692	1692	1740	1692	1692	1692	1692	2192	21 291

## Quarterly service delivery indicators

## 13.1 Office of the MM

	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

## 13.2. Chief Operating Officer

	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>						
To develop an economic development plan/strategy for the municipality that is linked to the IDP, and agricultural extension programme	(a) Evidence to be provided of public participation in developing the plan. (b) Plan developed and approved by Council.	1	0	1	0	0
Promote the involvement of SMMEs in projects	Reports indicating number of assignments awarded to SMMEs		Ongoing	Ongoing	Ongoing	Ongoing
Build consensus with stakeholders	Quarterly reports to Council	4	1	1	1	1

around an economic development strategy for the municipality with an orientation to maximizing growth, employment, empowerment and poverty reduction impacts	on meetings with key local economic development stakeholders and interactions with relevant Provincial and National economic development stakeholders					
To develop, implement and maintain a system for regularly assessing community satisfaction with municipal services	Community satisfaction surveys conducted	2	0	1	0	1
To conduct regular corporate performance reviews together with departmental heads and report there on to the Municipal Manager	Quarterly performance review reports submitted to the Council	4	1	1	1	1

## 13.3. Chief Financial Officer

	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>						
Submission of AFS to AG	AFS submitted on time	1	1	0	1	0
Financial Reports	DORA and MFMA	120	30	30	30	30
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

Trade creditors are paid within 30 days of receipt of invoice	Percentage of Creditors Paid on time	100%	100%	100%	100%	100%
Debtor invoices and property rates accounts are distributed at least 14 days before the due date	Number of invoices send on time	144 000	36 000	36 000	36 000	36 000
Update suppliers database	Database updated	1	0	0	1	0

## 13.4. Community Services

	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: 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
Establish Community safety forum	Safety forum established	1	1	0	0	0
Development of Land Use	Land Scheme Management	1	0	1	0	0

Management Scheme (LUMS)	Scheme					
Development of Business Plan for Lotto Funding	Number of Business plans submitted on time	1	0	1	0	0

## 13.5. Corporate Services

	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%
Newly appointed employees are effectively inducted	Induction programmes are conducted as and when required	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
The Municipality has a report reflecting on staff perceptions and satisfaction	Report on a comprehensive staff perception and satisfaction survey submitted to the Council	1	0	0	1	0
The Municipality's delegation system and delegated powers are reviewed and updated	Proposed amendments to the delegation system submitted to the Council	1	0	0	1	0
The Municipality complies with the <i>Employment Equity Act 1998</i> (Act No 55 of 1998)	Employment equity report submitted to the Department of Labour	1	0	0	1	0
Draft minutes of council and committee meetings are submitted to the Municipal	Minutes of meetings	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing



Manager within 4 working days of a meeting closing						
Documentation for council and committee meetings distributed at least 48 hours before the commencement of the meeting to which they relate	Register containing evidence of delivery	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing

### 13.6. Technical Department

	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	0	0	1
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	1	0	0