

Kwa Sani Municipality



Service Delivery & Budget Implementation Plan (SDBIP)

For 2010/2011 Financial Year

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ABBREVIATIONS

IDP – Integrated Development Plan

MFMA – Municipal Finance Management Act of 2003

MSA – Municipal Systems Act of 2000

SDBIP – Service Delivery and Budget Implementation Plan

Statement of Approval By The Mayor

Consistent with the powers and duties vested in the Mayor in terms of the Municipal Finance Management Act, it is an honour to approve the Service Delivery and Budget Implementation Plan (SDBIP) of KwaSani Municipality for the 2010/2011 Financial Year. The SDBIP present us with an opportunity to understand in very precise terms our expectations for service delivery for the new financial year and projection in terms of income and expenditure that the municipality can anticipate on a monthly basis and by each vote or department. For this reason, the SDBIP becomes an important instrument at our disposal to monitor and evaluate progress relative to the speed with which we are delivering services to our people and how effectively we are managing the financial resources of the municipality.

Our commitment to improve the quality of life of our people remains the cornerstone of our work as the leadership and staff of KwaSani Municipality. We dare not fail this historical obligation and trust and confidence placed on our shoulders by the people we represent. All our energies must be expended towards to the noblest cause of all, which is the liberation of our people from the yoke of poverty, unemployment and lack of access to basic services.

Accordingly, in terms of section 53 of the Municipal Finance Act of 2003, I approve the 2010/2011 Service Delivery and Budget Implementation Plan for Kwa Sani Municipality.

Approved on.....

Signature:-.....

By:-.....

Capacity:-.....

1. INTRODUCTION

The modernisation of local government's systems of financial management through the Municipal Finance Management Act, has led to the introduction of a concept of Service Delivery and Budget Implementation Plan (SDBIP). The SDBIP can be conceptualised as essentially the management and implementation tool. It sets in-year information, such as quarterly service delivery and monthly budget targets, and links each service delivery output to the budget of the municipality, thus providing credible management information and a detailed plan for how the municipality will provide such services and the inputs and financial resources to be used. The SDBIP indicates the responsibilities and outputs for each of the senior managers in the top management team, the inputs to be used, and the time deadlines for each output. The SDBIP will therefore determine the performance agreements of the municipal manager and senior managers, including the outputs and deadlines for which they will be held responsible. The SDBIP should also provide all expenditure information (for capital projects and services) by area.

For KwaSani Municipality, this is the second year that the SDBIP is being developed. This indicates that the maturity level of SDBIP experience within the municipality is still an infant stage and still evolving as a management tool. The SDBIP has the following components:

- Organisational Performance Scorecard for 2010/2011;
- Monthly projections of revenue to be collected for each source;
- Monthly projections of expenditure (operating and Capital) for each vote;
- Quarterly projections of service delivery targets and Performance indicators;
- Detailed capital works plan broken down by area; and
- Three Capital Budget Plan.

For easy reading and to capture the main points covered by this document, Table 1 explains the different sections of this document.

Table 1: WHAT IS ENTAILED IN THE REPORT BY SECTION

SECTION	WHAT IS ADDRESSED
Section 1	This introduces the concept of SDBIP as a management tool.
Section 2	In this section the legal rationale of SDBIP is presented.
Section 3	Here, a reader is provided a picture of why SDBIP needs to be informed by and aligned with the IDP, Budget and Performance Management System.
Section 4	Organisational Performance Scorecard for the year is presented and details the targets to be met and the person accountable for those targets.
Section 5	Monthly projection of revenue by source is dealt with.
Section 6	Expenditure by vote
Section 7	Projected expenditure by vote is captured
Section 8	Quarterly service delivery targets and performance information are presented.
Section 9	Capital budget is broken by area
Section 10	Three Year rolling Capital Budget Plan
Section 11	Summarises the salient features of the overall report

2. LEGAL CONTEXT

All South African municipalities obliged by law to develop Service Delivery and Budget Implementation Plans. This obligation is informed by the provisions of the Municipal Finance Management Act (MFMA) of 2003 which makes it compulsory for municipalities to prepare Service Delivery and Budget Implementation Plans to ensure that their annual budgets are strategically aligned to and integrated with the IDP performance targets and delivery expectations. According to Section 53 (1) (c) (ii) and (iii) of the MFMA, the Mayor of a municipality must take all reasonable steps to ensure:

- that the municipality's SDBIP is approved by the Mayor within 28 days after the approval of the budget
- That performance management contracts for the municipal manager and all senior managers comply with the act in order to promote sound financial management and are linked to the measurable performance objectives approved with the budget and to the SDBIP and are concluded in accordance with section 57(2) of the Municipal Systems Act.

SDBIP is defined as a detailed plan approved by the Mayor of a municipality for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate the following:

- (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 prescribed

According to Section 53 of the MFMA, the Mayor is entrusted with specific roles in relation to SDBIP. These roles related to:

- Provision of general political guidance over the budget process and the priorities that guide the budget process (Section 53(1));
- Ensuring that Council approves the annual budget before the start of the financial year;
- Overseeing the Accounting Officer and CFO;
- Ensuring adherence to the time schedule for budget;
- Ensuring that the SDBIP is approved (by the Mayor) within 28 days after the approval of the budget;
- Ensuring that annual performance agreements for the Municipal Manager and senior managers are linked with measurable performance objectives in the IDP and the SDBIP; and
- Making the SDBIP public no later than 14 days after its approval.

Budget implementation

69. (1) The accounting officer of a municipality is responsible for implementing the municipality's approved budget, including taking all reasonable steps to ensure—

(a) that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the service delivery and budget implementation plan; and

(b) that revenue and expenditure are properly monitored.

(2) When necessary, the accounting officer must prepare an adjustments budget and submit it to the mayor for consideration and tabling in the municipal council.

(3) The accounting officer must no later than 14 days after the approval of an annual budget submit to the mayor—

(a) a draft service delivery and budget implementation plan for the budget year; and

(b) drafts of the annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act for the municipal manager and all senior managers.

Similarly, in terms of sections 68 and 69 of the MFMA (see extract of MFMA below), the Municipal Manager, as an accounting officer, bears certain responsibilities pertaining to the SDBIP, which are summarised as follows:

- Assist the Mayor to perform budgetary functions and provide the Mayor with administration support, information and resources;
- Implement the budget;
- Spending in accordance with budget and ensure that it is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the SDBIP;

- Ensure that revenue and expenditure is properly monitored;
- Prepare adjustments budget when necessary; and
- Submit draft SDBIP and drafts annual performance agreements for the Municipal Manager and all senior managers.

According to MFMA Circular No. 13, issued by National Treasury, the SDBIP “serves as a ‘contract’ between the administration, council and community expressing the goals and objectives set by the council as quantifiable

outcomes that can be implemented by the administration over the next twelve months.” It also “provides the basis for measuring performance in service delivery against end of-year targets and implementing the budget.” MFMA Circular No. 13 further states that the requirement for SDBIP applies from the 2007/2008 financial year in respect of low capacity municipalities like KwaSani Municipality.

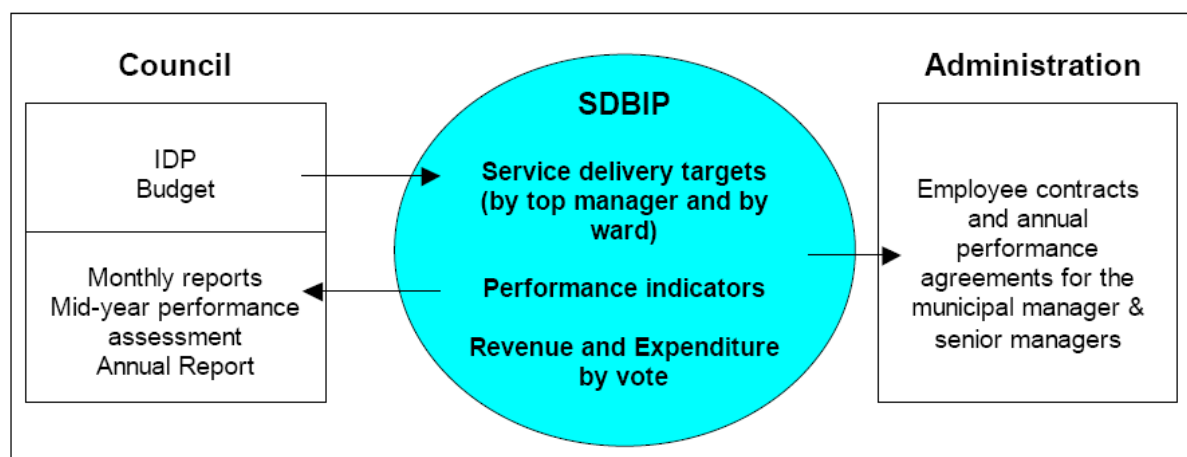
MFMA Circular No.13 does not generally prescribe what the SDBIP must contain. However, it does highlight the five components of SDBIP on the basis that “Municipal managers and mayors are free to add on to these components and also to develop the lower layers of the SDBIP to the extent they believe will be useful.” The five necessary components 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; and
- Capital works plan broken down by ward over three years.

3. ALIGNMENT AND INTEGRATION OF IDP, BUDGET, PMS AND SDBIP

The local government system operates as one whole system. It is like a chain of whose strength is determined its different links. For this reason, the SDBIP must not be understood and treated as just another appendage of service delivery requirement and with a silo effect. But must be viewed as vital component which needs to be aligned with the IDP, Budget and Performance Management System. In essence, the Integrated Development Plan (IDP) outlines how the challenges of sustainable development in a municipality are to be met through strategic intervention and optimum service delivery over a five year period. The IDP is developed by a municipality in conjunction with its community. However, for the IDP to be credible, it must be supported by a realistic and sound budget. The actual implementation of the IDP over a single financial year is given effect through the performance contracts of the municipal manager and the senior managers. An effective performance management system monitors actual performance against contractual obligations. Effective service delivery relies upon the IDP, the budget and the performance management system being closely integrated. The Service Delivery Budget Implementation Plan (SDBIP) is a dynamic tool that facilitates this integration. Thus, SDBIP must be informed by the budget, the IDP and the performance agreements of senior management. It thus facilitates oversight over financial and nonfinancial performance of the municipality.

Figure 1: SDBIP ALIGNMENT WITH IDP, BUDGET & PMS



Source: MFMA Circular 13, page 1

This relationship is pictorially captured in **Figure 1**. SDBIP in the middle serves as an important “contract” between the Council of the Municipality and the Administration of the Municipality. Council has the responsibility to adopt and approve the IDP aligned to the Budget based on the inputs of different stakeholders. The SDBIP therefore provides how the IDP and the budget are to be implemented by senior managers and this creates the basis for a contractual relationship with and annual performance agreements for the Municipal Manager and Senior Managers. In turn, the Council can monitor progress in respect of IDP Implementation. This is achieved through in-year report information, which culminate into Mid-Year Performance Assessment and Annual Report. The entire process is open to scrutiny by the public. Furthermore, Provincial Treasury and the Department of Corporate Governance and Traditional Affairs are able to monitor this process.

4. REPORTING REQUIREMENTS ON SDBIP

SD&BIP forms a vital link in streamlining the oversight and monitoring of the operations of the municipal administration. The MFMA prescribes a set of reporting requirements, which allows Councillors to monitor progress in relation to the implementation of the IDP and its programmes on service

delivery. In particular, four reporting requirements critical to municipal governance are:

- Monthly reporting;
- Quarterly reporting;
- Mid-term performance assessment; and
- Annual reporting.

These requirements are explained below.

4.1 Monthly Reporting

Section 71 of the MFMA stipulates that reporting on actual revenue targets and spending against the budget should occur on a monthly basis. This reporting must be conducted by the accounting officer of a municipality no later than 10 working days, after the end of each month.

Reporting must include the following:

- Actual revenue, per source;
- Actual borrowings;
- Actual expenditure, per vote;
- Actual capital expenditure, per vote; and
- The amount of any allocations received.

If necessary, explanation of the following must be included in the monthly reports:

- Any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
- Any material variances from the service delivery and budget implementation plan and;
- Any remedial or corrective steps taken or to be taken to ensure that the projected revenue and expenditure remain within the municipalities approved budget.

4.2 Quarterly Reporting

Section 52 (d) of the MFMA compels the Mayor to submit a report to the council on the implementation of the budget and the financial state of affairs of

the municipality within 30 days of the end of each quarter. The quarterly performance projections captured in the SD&BIP form the basis for the mayor's quarterly report.

4.3 Mid-year Performance Assessment Reporting

Section 72 (1) (a) of the MFMA outlines the requirements for mid year reporting. The accounting officer is required by the 25th January of each year to assess the performance of the municipality during the first half of the year taking into account –

- (i) the monthly statements referred to in section 71 of the first half of the year
- (ii) the municipalities service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
- (iii) the past year's annual report, and progress on resolving problems identified in the annual report; and
- (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities.

Based on the outcomes of the mid-year budget and performance assessment report, an adjustments budget may be tabled if actual revenue or expenditure amounts are materially different from the projections contained in the budget or the SD&BIP. Because the SD&BIP is also a living document, it may be modified based on the mid-year performance review.

4.4 Annual Reporting

Section 121 of MFMA states that every municipality and every municipal entity must for each financial year prepare an annual report and the council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control. The purpose of an annual report is to:

- Provide a record of the activities of the municipality or municipal entity

- during the financial year to which the report relates;
- Provide a report on performance against the budget of the municipality or
- municipal entity for that financial year; and
- Promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

The annual report of a municipality must include the annual financial statements of the municipality as submitted to the Auditor-General for audit purposes.

It is therefore clear from the above requirements that SD&BIP occupies a very important place in ensuring that municipalities are accountable to their stakeholders and the communities they serve. Thus, the performance of the administration against approved performance targets and indicators is an integral part of litmus tests for gauging the whole performance and viability of the municipality in its entirety.

5. 2010/2011 ORGANISATIONAL SCORECARD

Though not stated as one of the components of SDBIP, it is submitted that the Organisational Performance Management Scorecard is vital window through which the whole import of SDBIP must be viewed. For it is the Organisational Scorecard that sets the tone and appetite for delivery in a given financial year for each municipality. The budgets and how it is to be expended seeks to achieve the scorecard. For this reason, the initial starting point for preparing the SDBIP has been the development of the Organisational Performance Scorecard for 2010/2011 Financial Year (see **Appendix A** for details). This scorecard is based on the Integrated Development Plan and is informed by provincial and national IDP Guidelines. It specifies the targets to be met and the time frames within which to meet them. The main champion is the Municipal Manager and certain targets are implemented via staff reporting directly to the Municipal Manager. The municipality is in a unique situation in

that none of the staff reporting to the Municipal Manager are on five year contract in terms of section 57 of the Municipal Systems Act. However, this does not mean performance contracting is not applicable to them, though the issue of incentives for non-section 57 staff still needs to be clarified.

6. MONTHLY REVENUE PROJECTION BY SOURCE

In terms of the Division of Revenue Act of 2010, KwaSani Municipality has been allocated the following Grants:

Equitable Share:	R8,754,000
Financial Management Grant:	R1,500,000
MIG:	R6,557,000
Integrated National Electrification Programme EP:	R7,488,000
TOTAL	<u>R24,299,000</u>

These Grants excluding Integrated NEP, amount R16,811,000. As depicted in **Table 2** below the total revenue projection for the year is R29,978,651. Of this total revenue, 56% is made of Grants followed by Property Rates at R8,520,020, which is 28%. What this reveals is that like most municipalities of its size and rurally-based, KwaSani is depended on Grants. Hence, the municipality has identified the need to develop a Revenue Enhancement Strategy as a cornerstone of its Turn-Around Strategy.

TABLE 2: TOTAL REVENUE PROJECTION FOR 2010/2011

SOURCE	TOTAL	PERCENTAGE
Grants	16,811,000	56%
Charge-outs	537,740	2%
Property Rates	8,520,020	28%
Tariff Charges	1,704,500	6%
Other	1,253, 121	4%
Interest	400,000	1%
Penalty Interest	519,540	2%
Rentals	207,730	1%
Fines	25,000	-
TOTAL	29,978,651	100%

The monthly revenue projections are expected to be at an average of R2,320,408 as in Appendix B. The period of July, November and March are exceptions. This can be explained by the fact that on these months the municipality is expected to receive its three transfers of Equitable Share. The Equitable Share for July will amount to R3,647,375 whilst for November and March will amount to R2,917,900 and R2,188,424, respectively. Similarly, revenue from Property Rates does not flow in until September as bills are issued over a period of ten months.

7. MONTHLY EXPENDITURE BY VOTE

Expenditure Projection for the Year by Vote is presented in **Appendix C**. This is followed by a detailed account of monthly expenditure is provided in **Appendix D**. Generally, there is an even spread of expenditure per month. Expenditure appears to be below available income (see **Appendix B**).

8. QUARTERLY PROJECTIONS OF SERVICE DELIVERY TARGETS AND PERFORMANCE INDICATORS BY VOTE

The quarterly projections of service delivery targets by vote are presented in **Appendix E**. The aim of these targets is to reflect the performance expectations for all departments of the municipality. Employees reporting directly to the Municipal Manager are the champions for implementing these targets. Furthermore, these targets form the basis for concluding Performance Agreements, which are monitored every quarter.

9. CAPITAL BUDGET BREAKDOWN BY AREA

The municipality's capital budget breakdown per area is contained in **Appendix F**. The most concerning aspect of this budget is that the municipality's ability to address the service delivery backlogs is very much in doubt due to limited resources. That is the reason why in terms of corporate score card, the municipality has committed itself to develop a strategic framework that addresses how the municipality can develop strategies to redress inequities in service delivery in the different area to meet the Millennium Development Goals.

10. CAPITAL WORKS PLAN FOR THREE YEARS

Appendix G provides picture of the capital investment projected for the Medium-Term Expenditure Framework. This is an aspect that the municipality needs to improve on to facilitate medium term planning and expenditure.

11. CONCLUSION

This is the second year that the first SDBIP has been prepared by the Kwa Sani Municipality. It is obvious that for the utilisation of this instrument to mature fully, a commitment to reporting on SDBIP must be reinforced by the Municipality. Furthermore, Council needs to formulate an oversight view of what is happening to implement targets and to call for remedial action where performance is deemed to be inadequate. What this means is that all the actions and day-to-day activities of management and staff at lower levels must be driven by targets set in the IDP and operationalised in the SDBIP, if management service delivery is to be improved. Mostly, critically, the aspect of the Turn-around Strategy incorporated in the IDP and SDBIP will also need to be monitored carefully and be reported on as well.

Like the IDP, the SDBIP will not be worth the paper it is written on unless there is conscious effort to ensure that it guides the action of all staff and councillors and influence the service delivery reporting structure to all stakeholders. It is also critical that the SDBIP be reviewed on quarterly basis and adjustment be made in the medium-term performance review. This review is critical to ensuring that Kwa Sani Municipality must also constantly look for opportunities to improve its SDBIP to accord with its realities on one hand, and to set stretch targets where necessary, on the other. Seizing and exploring opportunities must remain central to service delivery improvement.