

TSWELOPELE LOCAL MUNICIPALITY

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Service Delivery Budget Implementation Plan

2017 - 18



TSWELOPELE

LOCAL MUNICIPALITY
A MUNICIPALITY IN PROGRESS

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To: Mayor: Tswelopele Local Municipality
Cllr. Matsholo

From: Municipal Manager
MRE Mogopodi

Re: Submission of the 2017/18 Service Deliver Budget
Implementation Plan

The Honourable Mayor;

In terms of the Municipal Finance Management, the Accounting Officer must submit a service delivery and budget implementation plan to the Mayor within 14 days after the approval of the annual budget. The Municipal Council of Tswelopele Local Municipality approved the annual budget for the 2017/18 financial year on the 28 June 2016.

Therefore, I hereby submit the draft service delivery and budget implementation plan for the 2017/18 financial year.

Kind regards,

MRE Mogopodi
Municipal Manager

Date



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Approval of the Service Delivery and Budget Implementation Plan for the 2017/18 financial year

I, Councillor Frans Matsholo, in my capacity as the Mayor of Tswelopele Local Municipality, hereby approve the draft Service Delivery and Budget Implementation Plan for the 2017/18 financial year in terms of section 53 (1) (c)(ii) of the Municipal Finance Management Act.

Kind regards,

Cllr. Frans Matsholo
Mayor: Tswelopele Local Municipality

Date

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1 Introduction

The purpose of this document is to present the Service Delivery and Budget Implementation Plan (SDBIP) of Tswelopele Local Municipality for the 2017/18 financial year. The development, implementation and monitoring of a Service Delivery and Budget Implementation Plan (SDBIP) is a requirement of the Municipal Finance Management Act. In terms of the Municipal Finance Management Act (MFMA) No. 56 of 2003, the service delivery and budget implementation plan is defined as a detailed plan approved by the Mayor of the municipality for implementing the municipality's delivery of municipal services and its annual budget and which must include (as part of the top-layer) 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”.
- 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).

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. The SDBIP for 2017/18 will not only ensure appropriate monitoring in the execution of the municipality's budget and processes involved in the allocations of budgets to achieve key strategic priorities as set out in the Integrated Development Plan (IDP), but will also serve as the kernel of annual performance contracts for senior management and provide a foundation for the overall annual and quarterly organization performance for the 2017/18 financial year. The SDBIP also assists the executive, council and the community in their respective oversight responsibilities since it serves as an implementation and monitoring tool.

2 Service Delivery and Budget Implementation Plan

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 quantifiable outcomes that can be implemented by the Administration over the next twelve months. It 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 pro-active and take remedial steps in the event of poor performance. The SDBIP is considered as a layered plan. Whilst only the top layer is made public, the budget and performance targets should be broken down into smaller targets and cascaded to middle-level and junior managers. Directorates should be producing their own SDBIP's which roll up into the municipality's SDBIP.

The SDBIP consists of the five main components which are:

1. Monthly projections of revenue to be collected for each source
2. Monthly projections of expenditure (operating and capital) and revenue for each vote
3. Quarterly projections of service delivery targets and performance indicators for each vote
4. Ward information for expenditure and service delivery
5. Detailed capital works plan broken down by ward over three years

Each of these components will be discussed in detailed in the latter part of the document. The MFMA requires that municipalities develop a Service Delivery and Budget Implementation Plan (SDBIP) as a strategic financial management tool to ensure that budgetary decisions that are adopted by municipalities for the financial year are aligned with their Integrated Development Plan Strategy. In terms of Section 53 (1)(c)(ii) of the MFMA, the SDBIP must be approved by the Mayor of a municipality within 28 days of the approval of the budget.

2.1 Monthly Projections of revenue to be collected for each source

The failure to collect its revenue as budgeted will severely impact on the municipality's ability to provide services to the community. The municipality therefore has to institute measures to achieve its monthly revenue targets for each source. These measures will enable the municipality to assess its cash flow on a monthly basis with a view to undertaking contingency plans should there be a cash flow shortage or alternatively invest surplus cash. Furthermore, the effectiveness of credit control policies and procedures can be monitored with appropriate action taken if considered necessary.

2.2 Monthly projections of expenditure and revenue for each vote

The monthly projection of revenue and expenditure per vote relate to the cash paid and reconciles with the cash flow statement adopted with the budget. The focus under this component is a monthly projection per vote in addition to projections by source. When reviewing budget projections against actual, it is useful to consider revenue and expenditure per vote in order to gain a more complete picture of budget projections against actuals.

2.3 Quarterly projections of service delivery targets and performance indicators for each vote

This component of the SDBIP requires non-financial measurable performance objectives in the form of service delivery targets and other indicators of performance. The focus is on outputs rather than inputs. Service delivery targets relate to the level and standard of service being provided to the community and include the addressing of backlogs in basic services.

2.4 Ward information for expenditure and service delivery

Under this component, the capital budget of the municipality will be depicted showing all wards where capital projects will be undertaken. The municipality depends heavily on grant funding for capital expenditure purposes, as such not all wards are covered (i.e. not in all wards there will be capital projects being undertaken).

2.5 Detailed capital budget over three years

Information detailing infrastructural projects containing project description and anticipated capital costs over the three year period. A summary of capital projects per the IDP plan is available on Council's website. The procurement process is an important component to ensure effective and timely infrastructure / capital service delivery.

3 SDBIP cycle

The SDBIP process comprises the following stages, which forms part of a cycle of the entire municipal planning:

3.1 Planning

During this phase the SDBIP process Plan is developed, to be tabled with the IDP Process Plan. SDBIP related processes e.g. workshop schedules, distribution of circulars and training workshops, are also reviewed during this phase.

3.2 Strategizing

During this phase the IDP is reviewed and subsequent SDBIP programmes and projects for the next 5 years based on local, provincial and national issues, previous year's performance and current economic and demographic trends etc.

3.3 Tabling

The SDBIP is tabled with the draft IDP and budget before Council. Consultation with the community and stakeholders of the IDP on the SDBIP is done through budget hearings and formal local, provincial and national inputs or responses are also considered in developing the final document.

3.4 Adoption / Approval

Under the MFMA the process for approval of the SDBIP is covered under Chapter 7: Responsibilities of Mayors and Chapter 8: Responsibilities of municipal officials. Under chapter 8 the Accounting Officer must submit a draft of the SDBIP to the Mayor within 14 days of the budget being approved as well as drafts of the annual performance agreements required in terms of the Municipal Systems Act.

Chapter 7 of the MFMA requires the Mayor to "take all reasonable steps" to ensure that the SDBIP is approved by the Mayor within 28 days after the approval of the budget and that the SDBIP is made public no later than 14 days after that. It is clear in terms of the MFMA that the responsibility for approval of the SDBIP is vested with the Mayor and not Council. National Treasury' MFMA Circular 55 requires that municipalities should submit and table a draft SDBIP together with the draft Budget and IDP.

3.5 Publishing

The adopted SDBIP is made public and is published on Council's website. In addition to the publication of the SDBIP, performance agreements of the Municipal Manager and Managers appointed in terms of section 56 of the Municipal Systems Act (as amended) will also be made public. Actual performance will also be made public through MFMA section 71 & 72 reports.

3.6 Implementation and monitoring

Section 54 of the MFMA 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 and/or 72 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 section 71 and 72 budget monitoring reports required under the MFMA should provide a consolidated analysis of the Municipality's financial position including year-end projections. As detailed earlier, the Mayor must consider these reports under section 54 of the MFMA and then make a decision as to whether the SDBIP should be amended.

The Adjustments Budget concept is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the municipality's finances. In simple terms, funds can be transferred within a vote but any movements between votes can only be agreed by an adjustments budget.

At the end of each quarter, Directors 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 10th working day after each quarter along with the budget monitoring information for that quarter as provided by Budget & Treasury Office.

If the actual performance on any indicator varies from the planned performance the Municipal Manager can ask the responsible Director 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 the future. The Municipal Manager will then review the report and decide whether the SDBIP should be amended and advise the Mayor accordingly.

4 Key Performance Areas (KPA's)

The following Key Performance Areas (KPAs) as outlined in the Local Government: Municipal Planning and Performance Management Regulations (2001) informed the strategic objectives as listed in the Integrated Development Plan.

1. Municipal transformation and institutional development
2. Service delivery and infrastructure development
3. Municipal financial viability and management
4. Good governance and public participation
5. Local economic development

Therefore, the above key performance areas have been considered during the compilation of the SDBIP, to ensure that each IDP priority / objective addresses these key performance areas. Furthermore, these key performance areas have been included in the IDP.

The Local Government Municipal Systems Act 32 of 2000, and Local Government Municipal Planning and Performance Regulations, requires Local Government to:

1. Develop performance management system;
2. Set targets, monitor and review performance based on indicators linked to the IDP ;
3. Publish an annual report on performance management for the Councillors, staff, the public and other spheres of government;
4. Incorporate and report on a set of general indicators prescribed nationally by the Minister responsible for Local Government;
5. Conduct an internal audit on performance before tabling the report;

6. Have the annual performance report audited by the Auditor-General; and
7. Involve the community in setting indicators and targets and reviewing municipal performance.

5 Monitoring of the implementation of the SDBIP

Progress against the objectives/targets set out in the SDBIP will be reported on a monthly, quarterly, mid-year and annual basis as set out in the MFMA. A series of reporting requirements are outlined in the MFMA as follows:

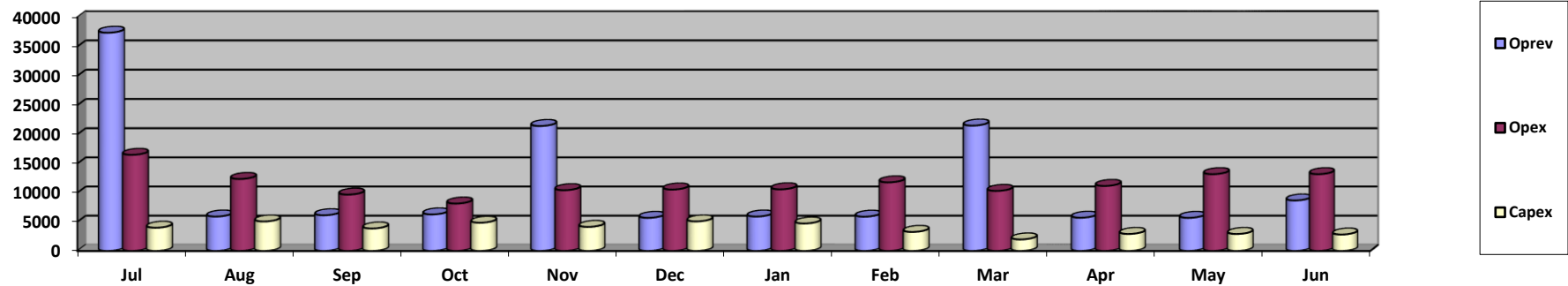
1. Monthly budget statements (Section 71)
2. Quarterly reports (Section 52)
3. Mid-year budget and performance assessment (Section 72)
4. Annual report (Section 121)

6 Budget summary

The table below shows the expected revenue of the municipality over the twelve months of the 2017/18 financial year; as well as the operating expenditure for the twelve months. The operating surplus (deficit) is calculated over the financial year. The table further shows the anticipated capital expenditure of the financial year.

Details	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Operating revenue	39 589 500	5 898 000	6 125 650	6 269 500	24 985 620	5 675 500	5 899 850	5 875 040	21 500 100	5 695 000	5 675 500	8 207 979	141 397 239
Operating expenditure	19 856 900	12 659 850	11 265 980	11 235 900	13 659 000	12 563 300	12 567 950	13 897 500	12 012 650	11 147 977	15 148 790	20 608 203	166 624 000
Surplus (deficit)	19 732 600	-6 761 850	-5 140 330	-4 966 400	11 326 620	-6 887 800	-6 668 100	-8 022 460	9 487 450	-5 452 977	-9 473 290	-12 400 224	-25 226 761
Capital expenditure	4 330 333	4 397 000	4 330 333	4 330 333	4 330 333	4 330 333	4 330 333	4 330 333	4 330 333	4 330 333	4 330 333	4 263 667	51 964 000

Below is the graphical presentation of the operating revenue; operating expenditure and capital expenditure of the financial year.



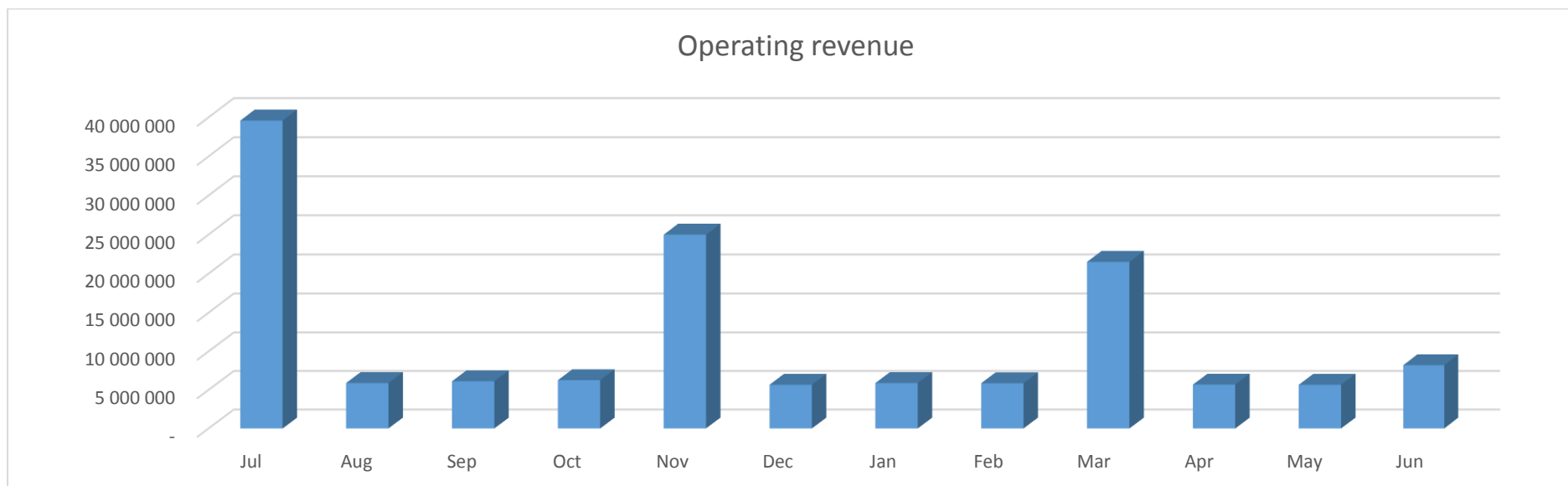
The graph above shows more income during July; November and March. This is the period when grants from national departments are being transferred to the municipality. The expenditure patterns are more or less constant other than during June where a series of payments will be made with the view of reducing creditors by year-end.

7 Operating revenue projections

The following table shows how the Municipality's revenue is expected to accrue over the financial year as well as the expected monthly expenditure. The estimates are based on previous performance and assumption that no major internal / external factors can actually change the figures drastically. The expected revenue of R141 397 239 is after taking into account all revenue sources.

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	17 000	18 700	20 570
Service charges - electricity revenue	2	-	-	-	-	-	-	-	34 241	37 666	41 432
Service charges - water revenue	2	-	-	-	-	-	-	-	8 155	9 129	10 210
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	6 631	7 295	8 024
Service charges - refuse revenue	2	-	-	-	-	-	-	-	4 200	4 620	5 083
Service charges - other					-	-	-	-	-	-	-
Rental of facilities and equipment									512	563	620
Interest earned - external investments									500	550	605
Interest earned - outstanding debtors									1 000	1 100	1 210
Dividends received									50	55	61
Fines, penalties and forfeits									40	44	48
Licences and permits									60	66	73
Agency services									-	-	-
Transfers and subsidies									62 602	68 935	74 318
Other revenue	2	-	-	-	-	-	-	-	2 155	2 370	2 607
Gains on disposal of PPE									4 250		
Total Revenue (excluding capital transfers and contributions)		-	-	-	-	-	-	-	141 397	151 093	164 859

The graphical representation of the revenue by source is depicted below. It is clear from the graph below that there is a high dependency on grant funding as the revenue increase drastically when grants from the national government are transferred to the municipality.



8 Operating expenditure projections

The table below shows how the Municipality's operating budget is planned over the financial year.

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Expenditure By Type										
Employee related costs	–	–	–	–	–	–	–	59 122	65 035	71 538
Remuneration of councillors	–	–	–	–	–	–	–	6 135	6 749	7 424
Debt impairment	–	–	–	–	–	–	–	5 641	5 641	5 641
Depreciation & asset impairment	–	–	–	–	–	–	–	19 669	19 669	19 669
Finance charges	–	–	–	–	–	–	–	2 178	2 396	2 635
Bulk purchases	–	–	–	–	–	–	–	31 916	35 108	38 618
Other materials	–	–	–	–	–	–	–	8 324	9 156	10 071
Contracted services	–	–	–	–	–	–	–	1 000	1 100	1 210
Transfers and subsidies	–	–	–	–	–	–	–	–	–	–
Other expenditure	–	–	–	–	–	–	–	32 640	30 791	25 508
Loss on disposal of PPE	–	–	–	–	–	–	–	–	–	–
Total Expenditure	–	–	–	–	–	–	–	166 624	175 644	182 315

9. Capital Expenditure projections

The table below shows how the Municipality's capital budget is planned over the financial year.

Vote Description	2017/18 Medium Term Revenue & Expenditure Framework		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand			
<u>Capital expenditure - Vote</u>			
<u>Multi-year expenditure to be appropriated</u>			
Vote 5 - Sport and Recreation	–	–	500
Vote 7 - Waste Water Management	6 642	10 758	–
Vote 8 - Road Transport	6 430	5 000	500
Capital multi-year expenditure sub-total	13 072	15 758	1 000
<u>Single-year expenditure to be appropriated</u>			
Vote 1 - Executive and Council	90	1 400	210
Vote 4 - Public Safety	–	800	–
Vote 5 - Sport and Recreation	552	–	–
Vote 7 - Waste Water Management	3 180	–	–
Vote 8 - Road Transport	–	–	–
Vote 9 - Water	25 020	20 000	18 195
Vote 10 - Electricity	10 000	–	–
Vote 11 - Corporate Services	50	–	–
Capital single-year expenditure sub-total	38 892	22 200	18 405
Total Capital Expenditure - Vote	51 964	37 958	19 405

Total capital Expenditure over MTREF is R 109 327 000