

TSWELOPELE LOCAL MUNICIPALITY

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TSWELOPELE LOCAL MUNICIPALITY

SERVICE DELIVERY BUDGET & IMPLEMENTATION PLAN FOR 2014/15 FINANCIAL YEAR



TSWELOPELE

LOCAL MUNICIPALITY
A MUNICIPALITY IN PROGRESS

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To: Mayor: Tswelopele Local Municipality
Cllr. M. Mathibe

From: Municipal Manager: Tswelopele Local Municipality
Mr. TL. Mkhwane

Re: **SUBMISSION OF THE 2014/15 SERVICE DELIVERY 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 2014/15 financial year on the 24 June 2014.

Therefore, I hereby submit the service delivery and budget implementation plan for the 2014/15 financial year, for implementation with effect from 01 July 2014. The MFMA state that the Mayor must take all reasonable steps to ensure that the plan is approved within 28 days after the approval of the annual budget. For this reason, the Mayor should consider approving this plan by at least 22 July 2014.

Kind regards,



Mr. TL. Mkhwane
Municipal Manager

08/07/2014
Date



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APPROVAL OF THE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN FOR THE 2014/15 FINANCIAL YEAR

I, Councillor Matso Mathibe, in my capacity as the Mayor of Tswelopele Local Municipality, hereby approve the Service Delivery and Budget Implementation Plan for the 2014/15 financial year in terms of section 53 (l) (c)(ii) of the Municipal Finance Management Act for implementation with effect from 01 July 2014.

The approved Service Delivery and Budget Implementation Plan will be made public on the municipality's website within 14 days from the signature date hereunder together with the performance agreements of the Municipal Manager and Managers appointed in terms of section 56 of the Municipal Systems Act (as amended).

Kind regards,

Cllr. M. Mathibe
Mayor: Tswelopele Local Municipality

10/07/2014
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 2014/15 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 2014/15 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 2014/15 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

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 includes 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 schedule, distribution of circulars and training workshops, are also reviewed during this phase.

3.2 Strategising

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 Organizational Development
2. Basic Service Delivery and Infrastructure Development
3. Local Economic Development
4. Municipal Financial Viability and Management
5. Good Governance and Public Participation

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

Details	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total
REVENUE	R 37 701 901.33	R 4 663 000.00	R 5 266 000.00	R 5 205 769.99	R 25 791 269.33	R 5 075 711.22	R 4 099 277.48	R 5 208 311.78	R 18 379 909.22	R 7 740 317.87	R 7 275 255.40	R 9 439 171.30	R 135 845 894.93
EXPENDITURE	R 10 413 359.00	R 8 526 582.00	R 7 522 239.00	R 6 800 849.00	R 8 967 729.00	R 7 875 364.00	R 10 302 484.00	R 9 753 659.00	R 8 959 044.00	R 9 450 934.00	R 11 184 852.00	R 13 764 576.30	R 113 521 671.30
SURPLUS /(DEFICIT)	R 27 288 542.33	R -3 863 582.00	R -2 256 239.00	R -1 595 079.01	R 16 823 540.33	R -2 799 652.78	R -6 203 206.52	R -4 545 347.22	R 9 420 865.22	R -1 710 616.13	R -3 909 596.60	R -4 325 405.00	R 22 324 223.62
CAPITAL EXPENDITURE	R 1 346 584.25	R 2 762 274.00	R 2 110 083.27	R 2 132 797.69	R 2 248 381.00	R 1 646 653.42	R 1 462 153.31	R 2 212 822.00	R 1 832 502.25	R 2 274 542.42	R 1 722 857.75	R 3 051 348.64	R 24 803 000.00

7 Operating Revenue Projections

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand															
R thousand															
Property rates	363	363	363	363	363	363	363	363	363	363	363	365	4 358	4 794	5 273
Property rates - penalties & collection charges												600	600	600	600
Service charges - electricity revenue	1 370	1 290	1 170	1 099	1 160	1 366	1 270	1 399	1 999	3 699	3 599	4 560	23 977	26 375	29 012
Service charges - water revenue	399	370	230	597	699	498	498	599	660	370	308	393	5 619	6 181	6 799
Service charges - sanitation revenue	457	687	988	670	270	560	126	270	396	266	399	394	5 480	6 028	6 631
Service charges - refuse revenue	258	126	270	237	127	430	265	240	199	327	269	348	3 095	3 405	3 745
Service charges - other															
Rental of facilities and equipment	57	51	50	26	24	26	58	60	66	159	60	53	688	694	111
Interest earned - external investments	106	50	60	43	99	24	43	28	190	59	48	12	760	811	862
Interest earned - outstanding debtors															
Dividends received															
Fines	27	15	24	13	37	87	3	25	66	13	46	50	100	100	100
Licences and permits												21	375	386	419
Agency services												0	0	0	0
Transfers recognised - operational	33 053	-	-	-	20 690	-	-	-	12 284	-	-	0	66 028	65 384	62 029
Other revenue	266	51	3	27	76	27	12	13	127	12	16	435	1 063	1 300	1 600
Gains on disposal of PPE															
Total Revenue (excluding capital transfers and contributions)	36 355	3 001	3 156	3 073	23 543	3 429	2 637	2 995	16 348	5 267	5 107	7 231	112 143	116 057	117 181

8 Operating revenue by vote

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year+1 2015/16	Budget Year+2 2016/17
Revenue by Vote															
Vote 1 - Executive and Council	4 318	-	-	-	-	-	-	-	-	-	-	250	4 568	3 210	3 332
Vote 2 - Budget and Treasury Office	4 137	0	-	-	983	300	-	-	983	-	-	633	7 036	7 527	8 410
Vote 3 - Community and Social Services	778	-	-	-	778	35	-	-	778	-	-	86	2 455	2 871	2 900
Vote 4 - Public Safety	598	-	-	27	598	-	-	-	598	-	-	214	2 035	2 152	2 314
Vote 5 - Sport and Recreation	86	153	344	425	497	354	476	200	199	445	326	-	3 504	2 561	3 357
Vote 6 - Waste Management	3 010	126	270	237	2 879	430	265	240	2 878	327	269	423	11 353	11 702	11 541
Vote 7 - Waste Water Management	7 132	2 263	2 945	2 459	6 416	1 710	1 227	2 409	4 416	2 601	1 992	2 546	38 115	23 409	19 717
Vote 8 - Road Transport	26	-	-	-	-	20	-	-	-	-	-	0	46	7 935	12 579
Vote 9 - Water	5 102	370	230	597	5 220	498	498	599	4 895	370	320	526	19 224	19 021	18 125
Vote 10 - Electricity	10 665	1 290	1 170	1 099	8 058	1 366	1 270	1 399	3 270	3 634	4 006	4 613	41 837	45 732	45 755
Vote 11 - Corporate Services	1 850	462	308	363	363	363	363	363	363	363	363	150	5 673	6 125	5 878
Total Revenue by Vote	37 702	4 663	5 266	5 206	25 791	5 076	4 099	5 208	18 380	7 740	7 275	9 439	135 846	132 243	133 907

9 Expenditure by vote

Description	Budget Year 2014/15														
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Expenditure by Vote to be appropriated</u>															
Vote 1 - Executive and Council	1062	809	753	705	809	753	1062	1690	1109	1427	3660	2077	15916	15427	16619
Vote 2 - Budget and Treasury Office	1890	1470	906	906	1470	906	1890	1470	2056	1470	899	1905	17236	18904	19915
Vote 3 - Community and Social Services	1060	924	924	918	924	924	1060	924	924	924	1060	145	10708	11544	12412
Vote 4 - Public Safety	570	570	570	-	-	-	-	-	-	-	-	325	2035	2152	2314
Vote 5 - Sport and Recreation	15	15	15	-	15	15	15	15	15	-	-	5	125	129	139
Vote 6 - Waste Management	1059	727	500	490	727	500	1059	727	327	303	300	405	7123	8022	8615
Vote 7 - Waste Water Management	959	959	925	770	986	925	959	586	500	986	237	(98)	8691	9988	10558
Vote 8 - Road Transport	800	216	216	742	570	786	800	570	570	570	800	3275	9913	10778	11580
Vote 9 - Water	564	564	664	549	564	664	564	564	564	564	564	2950	9338	10105	11002
Vote 10 - Electricity	1576	1899	1576	1376	2529	1876	2035	2529	2520	2529	2067	1001	23511	21596	26205
Vote 11 - Corporate Services	860	375	475	346	375	528	860	680	375	680	1599	1775	8926	9593	1057
Total	10413	8527	7522	6801	8968	7875	10302	9754	8959	9451	11185	13765	113522	118239	120416

Expenditure by type

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type															
Employee related costs	3 823	3 823	3 823	3 823	3 823	3 823	3 823	3 823	3 823	3 823	3 823	3 827	45 881	47 257	48 164
Remuneration of councillors	400	400	400	400	400	400	400	400	400	400	400	399	4 794	5 101	5 427
Debt impairment	-	-	-	-	-	-	-	-	-	-	-	2 501	2 501	2 571	2 648
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance charges	-	-	-	-	-	1 054	-	-	-	-	-	1 028	2 082	2 107	2 107
Bulk purchases	2 360	2 137	1 760	1 107	1 266	1 327	1 160	1 017	1 026	2 370	3 237	3 336	22 100	22 998	23 418
Other materials	233	13	214	215	214	13	1 260	2 360	50	160	600	540	5 870	6 777	6 958
Contracted services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	3 598	2 155	1 327	1 257	3 266	1 260	3 660	2 155	3 660	2 699	3 127	2 133	30 295	31 429	31 695
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	10 413	8 527	7 522	6 801	8 968	7 875	10 302	9 754	8 959	9 451	11 185	13 764	113 532	118 239	120 416