



Service Delivery Budget Implementation Plan

2014-15

TOKOLOGO LOCAL MUNICIPALITY

To: Mayor: Tokologo Local Municipality
Cllr. B.E. Seakge

From: Municipal Manager
Mr. KJ Motlhale

Re: Submission of the 2014/15 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.

I hereby submit the service delivery and budget implementation plan for the 2014/15 financial year.

Kind regards,

Mr. KJ Motlhale
Municipal Manager

Date

Approval of the Service Delivery and Budget Implementation Plan for the 2014/15 financial year

I, Councillor BE Seakge, in my capacity as the Mayor of Tokologo Local Municipality, hereby approve the Service Delivery and Budget Implementation Plan for the 2014/15 financial year in terms of section 53 (I) (c)(ii) of the Municipal Finance Management Act.

Kind regards,

Cllr. B.E. Seakge
Mayor: Tokologo Local Municipality

Date

Contents

1	Introduction	5
2	Service Delivery and Budget Implementation Plan	5
2.1	Monthly Projections of revenue to be collected for each source	6
2.2	Monthly projections of expenditure and revenue for each vote	7
2.3	Quarterly projections of service delivery targets and performance indicators for each vote.....	7
2.4	Information for expenditure and service delivery	7
2.5	Detailed capital budget 2014/2015	7
3	SDBIP cycle	7
3.1	Planning	7
3.2	Strategising.....	8
3.3	Tabling	8
3.4	Adoption / Approval.....	8
3.5	Publishing	8
3.6	Implementation and monitoring	9
4	Key Performance Areas (KPA's)	10
5	Monitoring of the implementation of the SDBIP	11
6	Budget summary	12
	The Municipality budgeted for a surplus of R 1000; this is an indication that the Municipality does not have enough cash reserves to initiate a project on its own without any assistance from other spheres of government	13
7	Service Delivery Targets and Performance Indicators	14
8	Information for expenditure and service delivery	15
9	Detailed capital budget for 2014/2015 financial year.....	16
	16
10	Revision of the SDBIP	17
11	Conclusion	18

1 Introduction

The purpose of this document is to present the Service Delivery and Budget Implementation Plan (SDBIP) of Tokologo 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)
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 Information for expenditure and service delivery

Under this component, the capital budget of the municipality will be depicted showing where capital projects will be undertaken. The municipality depends heavily on grant funding for capital expenditure purposes.

2.5 Detailed capital budget 2014/2015

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. 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 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 (KPA's) 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 2014/15 financial year; as well as the operating expenditure for the twelve months. The operating surplus (deficit) is calculated over the financial year. The table below shows the anticipated revenue by source:

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework			
	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
Revenue By Source																
Property rates	3,262	181	181	-	-	-	-	-	-	-	-	0	3,624	3,838	4,049	
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Service charges - electricity revenue	2,096	629	629	629	629	629	629	629	629	629	629	2,096	10,480	11,099	11,709	
Service charges - water revenue	290	290	290	290	290	290	290	290	290	290	290	290	3,476	3,681	3,884	
Service charges - sanitation revenue	265	265	265	265	265	265	265	265	265	265	265	265	3,178	3,366	3,551	
Service charges - refuse revenue	170	170	170	170	170	170	170	170	170	170	170	170	2,038	2,158	2,277	
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Rental of facilities and equipment	32	32	32	32	32	32	32	32	32	32	32	31	378	400	422	
Interest earned - external investments	37	37	37	37	37	37	37	37	37	37	37	37	449	475	501	
Interest earned - outstanding debtors	84	84	84	84	84	84	84	84	84	84	84	84	1,007	1,067	1,126	
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fines	8	8	8	8	8	8	8	8	8	8	8	8	93	99	104	
Licences and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers recognised - operational	22,012	-	-	-	14,485	-	-	-	10,974	-	-	(0)	47,471	50,272	53,037	
Other revenue	32	32	32	32	32	32	32	32	32	32	32	32	389	411	434	
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)	28,287	1,727	1,727	1,546	16,031	1,546	1,546	1,546	12,520	1,546	1,546	3,014	72,583	76,865	81,093	

The table below shows 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	2,240	2,240	2,240	2,240	2,240	4,063	2,240	2,240	2,240	2,240	2,240	2,240	28,706	30,399	32,071
Remuneration of councillors	174	174	174	174	174	174	174	174	174	174	174	173	2,082	2,228	2,384
Debt impairment	42	42	42	42	42	42	42	42	42	42	42	42	506	535	565
Depreciation & asset impairment	218	218	218	218	218	218	218	218	218	218	218	217	2,610	2,764	2,916
Finance charges	22	22	22	22	22	22	22	22	22	22	22	21	261	276	291
Bulk purchases	1,437	1,437	1,437	1,437	1,437	1,437	1,437	1,437	1,437	1,437	1,437	1,437	17,242	18,260	19,264
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	508	508	508	508	508	508	508	508	508	508	508	508	6,101	6,461	6,816
Transfers and grants	111	111	111	111	111	111	111	111	111	111	111	112	1,337	1,416	1,494
Other expenditure	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145	13,737	14,548	15,348
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	5,897	5,897	5,897	5,897	5,897	7,719	5,897	5,897	5,897	5,897	5,897	5,896	72,582	76,887	81,149

The Municipality budgeted for a surplus of R 1000; this is an indication that the Municipality does not have enough cash reserves to initiate a project on its own without any assistance from other spheres of government.

The table on the next page shows capital expenditure by type:

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Multi-year expenditure to be appropriated																
Vote 9 - WATER	1,667	-	1,667	-	1,667	-	1,667	-	1,667	-	-	1,667	10,000	10,590	11,172	
Vote 10 - WASTE WATER MANAGEMENT	1,474	-	1,474	-	1,474	-	1,474	-	1,474	-	-	1,474	8,841	9,363	9,878	
Capital multi-year expenditure sub-total	3,140	-	3,140	-	3,140	-	3,140	-	3,140	-	-	3,141	18,841	19,953	21,051	
Single-year expenditure to be appropriated																
Vote 7 - TECHNICAL SERVICES	553	-	553	-	553	-	553	-	553	-	-	553	3,319	3,515	3,709	
Vote 8 - ELECTRICITY	-	-	1,166	1,166	1,166	1,166	1,166	1,166	-	-	-	0	6,994	7,407	7,814	
Capital single-year expenditure sub-total	553	-	1,719	1,166	1,719	1,166	1,719	1,166	553	-	-	554	10,314	10,922	11,523	
Total Capital Expenditure	3,693	-	4,859	1,166	4,859	1,166	4,859	1,166	3,693	-	-	3,694	29,155	30,875	32,573	

The total capital budget of the Municipality is R 29 155 000 and this is entirely funded from Government Grants and Subsidies.

7 Service Delivery Targets and Performance Indicators

Each Department has provided quarterly targets so that performance can be monitored throughout the year. The Municipal Manager's and Director's performance contracts contain these targets. The targets cannot be changed during the year unless through the performance assessment. It is expected that the SDBIP will be reviewed when the mid-year assessment is performed.

Attached as annexure A is the annual performance plan for sections that fall under the Finance; Corporate Services; Office of the Municipal Manager and Technical Services.

8 Information for expenditure and service delivery

Tokologo Local Municipality depends on Grants for capital projects, 2014/2015 is entirely funded from Grants, and the following are the projects budgeted for:

- Installation of 691 households sanitation network
- Upgrading of Stadium
- Storm water Channels
- High Mast Lights

The above projects are funded from Municipal Infrastructure grant (MIG), below are the other projects that are funded from other grants

- Electrification of new section - funded from INEP and EPWP
- Regional Bulk water – funded by Department of water affairs

All plans pertaining to the above projects have been approved and there are no foreseeable delays which can have impact on the spending patterns / plans.

The details of the above are outlined in chapter section 9 below.

9 Detailed capital budget for 2014/2015 financial year

Ward	Vote	Capital Item	Start Date	End Date	PROJECTED EXPENDITURE												TOTALS		
					July	August	September	October	November	December	January	February	March	April	May	June	2014/2015	2015/2016	2016/2017
		Boshof/ Seretse																	
2	Waste Water Management	Connection of 691 households to Sanitation Network	01/07/2014	30/06/2015	R 736,786	R 736,786	R 736,786	R 736,786	R 736,786	R 736,786	R 736,786	R 736,786	R 736,786	R 736,786	R 736,786	R 736,786	R 8,841,437	R 9,363,082	R 9,878,051
		Hertzogville/Malebogo																	
3 & 4	Sports and Recreation	Upgrading of Stadium	01/07/2014	30/06/2015	R 216,794	R 216,794	R 216,794	R 216,794	R 216,794	R 216,794	R 216,794	R 216,794	R 216,794	R 216,794	R 216,794	R 216,794	R 2,601,532	R 3,319,329	R 3,515,169
		Boshof, Hertzogville and Dealesville																	
1, 2, 3 & 4	Storm water management	Upgrading of Stormwater Channels	01/07/2014	30/06/2015	R 59,816	R 59,816	R 59,816	R 59,816	R 59,816	R 59,816	R 59,816	R 59,816	R 59,816	R 59,816	R 59,816	R 59,816	R 717,797	R 0	R 0
		Boshof/ Seretse																	
2	Electricity	Highmast Lights	01/07/2014	30/06/2015	R 325,945	R 325,945	R 325,945	R 325,945	R 325,945	R 325,945	R 325,945	R 325,945	R 325,945	R 325,945	R 325,945	R 325,945	R 3,911,334	R 7,407,000	R 7,814,385
		Dikgalaope/ Seretse																	
2	Electricity	Electrification of new section	01/07/2014	30/06/2015	R 166,667	R 166,667	R 166,667	R 166,667	R 166,667	R 166,667	R 166,667	R 166,667	R 166,667	R 166,667	R 166,667	R 166,667	R 2,000,000	R 0	R 0
		Boshof, Hertzogville and Dealesville																	
1,2,3 & 4	Water Supply	Regional Bulk water Supply	01/07/2014	30/06/2015	R 833,333	R 833,333	R 833,333	R 833,333	R 833,333	R 833,333	R 833,333	R 833,333	R 833,333	R 833,333	R 833,333	R 833,333	R 10,000,000	R 10,736,000	R 11,305,450
		Dikgalaope/ Seretse																	
2	Electricity	Electrification of new section	01/07/2014	30/06/2015	R 90,250	R 90,250	R 90,250	R 90,250	R 90,250	R 90,250	R 90,250	R 90,250	R 90,250	R 90,250	R 90,250	R 90,250	R 1,083,000		
				Total	R 2,429,592	R 2,429,592	R 2,429,592	R 2,429,592	R 2,429,592	R 2,429,592	R 2,429,592	R 2,429,592	R 2,429,592	R 2,429,592	R 2,429,592	R 2,429,592	R 29,155,100.00	R 30,825,410.49	R 32,513,055.38

10 Revision of the SDBIP

The Mayor must decide on receipt of a section 71 or 72 budget monitoring report whether to amend the SDBIP in the light of the information received. The Mayor must solicit advice from the Municipal Manager before deciding whether to revise the SDBIP or not. Below are the steps that need to be followed to allow the Mayor's obligations under section 54 of the MFMA to be fulfilled.

1. Each department will provide the Municipal Manager with information as required under section 71 and/or 72 of the MFMA and this information will be submitted to the Mayor within 10 working days of each month.
2. For financial performance, the information will show a comparison of actual performance against the planned income and expenditure.
3. For capital projects, each variance of +/- 10% or R40, 000 whichever is the greater will be highlighted. The Director: Technical Services / Director responsible for the capital project will be required to provide a written report covering:
 - a. The reason for the variance
 - b. If necessary, what corrective measures have been put in place.
 - c. Whether the start and finish dates of the capital project need amending.
 - d. Whether the project specification will need to be amended.
 - e. Revised monthly estimates of expenditure for the project.
4. At the end of each quarter, Directors must supply the Municipal Manager with the actual performance against each of the performance indicator targets (non-financial 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 Finance Department.

5. If the actual performance on any indicator varies from the planned performance the Municipal Manager / Mayor 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.

6. The Municipal Manager will then review these reports and decide whether the SDBIP should be amended. A report will then be submitted to the Mayor, together with a motivation / advice whether is there a need for revision of the annual budget / SDBIP.

11 Conclusion

The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery target, set in the budget and IDP. It determines the performance agreements for the municipal manager and all top managers, whose performance can then be monitored through section 71 monthly reports, and evaluated through the annual report process.