



**MAKANA**

MUNICIPALITY | EASTERN CAPE

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# MAKANA LOCAL MUNICIPALITY

Service Delivery Budget  
Implementation Plan

2013/14

## 1. EXECUTIVE SUMMARY

Our Service Delivery and Budget Implementation Plan (SDBIP) commit Makana Local Municipality to ensure that the Municipality actually delivers on its Integrated Development Plan (IDP), Budget (both Capital and Operational) spending and service delivery targets during the 2013/14 financial year. It is a continued commitment on how we will on a quarterly basis implement and report on the objectives set out in our IDP. The SDBIP gives operational expression to the developmental local government and the IDP.

The IDP is a strategic development plan which represents the driving force for making the Municipality more strategic, inclusive, responsive, and performance driven in character. The IDP therefore serves as a contract between the Municipality and its residents in which it guides and informs all planning, budgeting, investment, development, management and implementation in the medium-term decision-making. It is a plan for the entire municipal area and not just for specific areas.

It is in this context that our IDP, Budget and SDBIP would assist the Municipality to be rebuilt in a way that the livelihoods of our community will improve and therefore contribute meaningfully in our open and transparent planning and implementation systems.

It is envisaged that the SDBIP will be used as a tool to:

1. Improve oversight by the political arm of the Municipality;
2. Improve on Operational and Capital Expenditure;
3. Improve Monitoring and Evaluation;
4. Prioritization of Activities;
5. Improve allocation of funds; and
6. Improve Alignment between IDP and Budget.

**STATEMENT FROM MUNICIPAL MANAGER**

I hereby present to the Executive Mayor the Honourable Councillor Zamuxolo J.Peter, the Service Delivery Budget Implementation Plan 2013-2014.

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**DR PRAVINE NAIDOO  
MUNICIPAL MANAGER**

**Date: ...../...../.....**

**Approved by the Executive Mayor**

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**HONOURABLE COUNCILLOR ZAMUXOLO J. PETER  
EXECUTIVE MAYOR**

**Date: ...../..... / .....**

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### **3. INTRODUCTION**

#### **3.1 LEGISLATIVE FRAMEWORK IN TERMS OF MFMA**

Section 1 of the Municipal Finance Management Act (MFMA) no 56 of 2003 defines the “service delivery and budget implementation plan” as the detailed plan approved by the by the Mayor of the municipality in terms of section 53 (1) ( c ) (ii) for implementing the municipality’s delivery of municipal services and its annual budget and which must include the following :-

- a) Projections of each month of –
  - (i) Revenue to be collected by source and
  - (ii) Operational and Capital expenditure by vote
- b) Service Delivery targets and performance indicators for each quarter and
- c) Any other matters that may be prescribed and includes any revisions of such plan by the mayor in terms of section 54(i) ( c ).

The MFMA requires that municipalities develop a Service Delivery and Budget Implementation Plan as a strategic financial management tool to ensure that budgetary decisions that are adopted by the municipalities for the financial year are aligned with their Integrated Development Plan Strategy.

In terms of section 53 (i) ( c ) (ii) o the MFMA the SDBIP must be approved by the Mayor of a municipality within 28 days of the approval of the budget.

#### **3.2 OVERVIEW OF THE SDBIP**

The strategic direction that the Makana Municipality is undertaking is set out in its Integrated Development Plan (IDP). The Plan has been reviewed for the 2013/14 financial year in conjunction with the stakeholders and community and the implementation of the Makana IDP is supported by the Medium Term Revenue and Expenditure Framework (MTREF) budget. The services that the Municipality provides and the investment in infrastructure will make the Municipality safe and attractive to live, work and invest in. Investment supports and drives the development path and brings the opportunities of job creation that will ultimately improve social and economic livelihoods of the residents of Makana. The development of Service Delivery and Budget Implementation Plans (SDBIPs) is a requirement under the Municipal Finance Management Act (MFMA) and gives effect to the municipality’s Integrated Development Plan (IDP) and annual budget.

The SDBIP is an expression of the objectives of the Municipality, in quantifiable outcomes that will be implemented by the administration for the financial period from 1 July 2013 to 30 June 2014.

The SDBIP includes the service delivery targets and performance indicators for each quarter that should be linked to the performance agreements of senior management. These are integral to the implementation and entrenchment of our performance management system. The SDBIP facilitates accountability and transparency of the municipal administration and managers to the Council and Councillors to the community. It also fosters the management, implementation and monitoring of the budget, the performance of top management and the achievement of the strategic objectives as laid out in the IDP. The SDBIP enables the Municipal Manager to monitor the performance of senior managers; the mayor to monitor the performance of the municipal manager and for the community to monitor the performance of the municipality as each activity contains outputs, outcomes and timeframes. The SDBIP is compiled on an annual basis and includes a 3 year capital budget programme. The SDBIP is yet another step forward to increasing the principle of democratic and accountable (local) government as enshrined in Section 152(a) of the Constitution. The Municipality agreed with on six development strategic priority areas which are aligned to Five National Key Performance Areas. This will be cascaded to Directorates and Sub-directorates.

Development objectives will be measured through key performance indicators at every level, and continuously monitored throughout the year. The SDBIP is in essence the management and implementation tool which 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. It further indicates the responsibilities and outputs for each of the senior managers and the top management team, the resources to be used and the deadlines set for the relevant activities.

The SDBIP is a layered plan, with the top layer dealing with consolidated service delivery targets, and linking such targets to top management (National Treasury MFMA Circular No. 13 of the Municipal Finance Management Act No. 56 of 2003). This is high-level and strategic in nature and is required to be tabled in Council. The strategic SDBIP is intended for the use by the general public and Councillors. Only this top layer of the SDBIP is published as the institutional SDBIP.

Such high-level information should also include ward information, particularly for key expenditure items on capital projects and service delivery which will enable each Ward Councilor and Ward Committee to oversee service delivery in their ward.

The top management is then expected to develop the next (lower) layer of detail of the SDBIP, by providing more detail on each output for which they are responsible for, and breaking up such outputs into smaller outputs and linking these to each middle-level and senior administrator.

#### 4. COMPONENTS OF TOP-LAYER OF THE SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

##### 4.1 MEDIUM TERM REVENUE EXPENDITURE FRAMEWORK

| Description   | 2013/14 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|---|------------------------|------------------------|
|   | Budget Year 2013/14                                 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| R thousand  |   |                        |                        |
| <b>EXPENDITURE:</b>   |   |                        |                        |
| <u>Operating expenditure of Transfers and Grants</u>        |   |                        |                        |
| <b>National Government:</b>                                 | 72 484  | 74 708                 | 78 284                 |
| Local Government Equitable Share                            | 69 044  | 72 174                 | 75 667                 |
| Water Services Operating Subsidy                            | -   | -                      | -                      |
| Finance Management  | 1 550   | 1 600                  | 1 650                  |
| Municipal Systems Improvement                               | 890   | 934                    | 967                    |
| Electricity Demand Side Management                          | -   | -                      | -                      |
| EPWP Incentive  | 1 000   | -                      | -                      |
| Other transfers/grants [insert description]                 | -   | -                      | -                      |
| <b>Provincial Government:</b>                               | 3 985   | 3 985                  | 3 985                  |
| Sport and Recreation  | 3 985   | 3 985                  | 3 985                  |
| <b>Total operating expenditure of Transfers and Grants:</b> | <b>76 469</b>                                       | <b>78 693</b>          | <b>82 269</b>          |
| <u>Capital expenditure of Transfers and Grants</u>          |   |                        |                        |
| <b>National Government:</b>                                 | 50 214  | 28 309                 | 34 365                 |
| Municipal Infrastructure Grant (MIG)                        | 27 998  | 23 309                 | 24 365                 |
| Neighbourhood Development Partnership                       | 20 491  | -                      | -                      |
| Regional Bulk Infrastructure                                | 1 625   | 5 000                  | 10 000                 |
| Neighbourhood Development Partnership                       | 100   | -                      | -                      |
| Integrated National Electrification Grant(Eskom)            | -   | -                      | -                      |
| <b>Provincial Government:</b>                               | -   | -                      | -                      |
| <b>Total capital expenditure of Transfers and Grants</b>    | <b>50 214</b>                                       | <b>28 309</b>          | <b>34 365</b>          |
| <b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>            | <b>126 683</b>                                      | <b>107 002</b>         | <b>116 634</b>         |

##### 4.2 MONTHLY PROJECTIONS OF REVENUE AND EXPENDITURE FOR EACH VOTE

(The failure to collect its revenue as budgeted will severely impact on the Municipality ability to provide services to 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 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.



**Projection of Revenue & Expenditure Budget**

| Description                                   | Budget Year 2013/14 |               |               |               |               |               |               |               |               |               |               |               |
|---|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | July                | August        | Sept.         | October       | November      | December      | January       | February      | March         | April         | May           | June          |
| <b>R thousand</b>                             |                     |               |               |               |               |               |               |               |               |               |               |               |
| <b>Revenue by Vote</b>                        |                     |               |               |               |               |               |               |               |               |               |               |               |
| Vote 1 - Technical & Infrastructure           | 3 275               | 3 275         | 3 275         | 3 275         | 3 275         | 3 275         | 3 275         | 3 275         | 3 275         | 3 275         | 3 275         | 9 678         |
| Vote 2 - Corporate Services                   | 66                  | 66            | 66            | 66            | 66            | 66            | 66            | 66            | 66            | 66            | 66            | 66            |
| Vote 3 - Financial Services                   | 6 916               | 6 916         | 6 916         | 6 916         | 6 916         | 6 916         | 6 916         | 6 916         | 6 916         | 6 916         | 6 916         | 10 500        |
| Vote 4 - Community & Social Services          | -                   | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | 35 465        |
| Vote 5 - Executive Mayor                      | 33                  | 33            | 33            | 33            | 33            | 33            | 33            | 33            | 33            | 33            | 33            | 33            |
| Vote 6 - Municipal Manager                    | 204                 | 204           | 204           | 204           | 204           | 204           | 204           | 204           | 204           | 204           | 204           | 204           |
| Vote 7 - Local Economic Development           | -                   | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Vote 8 - Housing                              | -                   | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Vote 9 - Electricity                          | 10 769              | 10 769        | 10 769        | 10 769        | 10 769        | 10 769        | 10 769        | 10 769        | 10 769        | 10 769        | 10 769        | 12 769        |
| Vote 10 - Water                               | 6 959               | 6 959         | 6 959         | 6 959         | 6 959         | 6 959         | 6 959         | 6 959         | 6 959         | 6 959         | 6 959         | 6 958         |
| Vote 11 - Dog Tax                             | 0                   | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Vote 12 - Parking Meters                      | 4                   | 4             | 4             | 4             | 4             | 4             | 4             | 4             | 4             | 4             | 4             | 4             |
| Vote 13 - Speakers Office                     | 267                 | 267           | 267           | 267           | 267           | 267           | 267           | 267           | 267           | 267           | 267           | 267           |
| <b>Total Revenue by Vote</b>                  | <b>28 493</b>       | <b>28 493</b> | <b>28 493</b> | <b>28 493</b> | <b>28 493</b> | <b>28 493</b> | <b>28 493</b> | <b>28 493</b> | <b>28 493</b> | <b>28 493</b> | <b>28 493</b> | <b>75 945</b> |
| <b>Expenditure by Vote to be appropriated</b> |                     |               |               |               |               |               |               |               |               |               |               |               |
| Vote 1 - Technical & Infrastructure           | 4 352               | 4 352         | 4 352         | 4 352         | 4 352         | 4 352         | 4 352         | 4 352         | 4 352         | 4 352         | 4 352         | 4 352         |
| Vote 2 - Corporate Services                   | 1 877               | 1 877         | 1 877         | 1 877         | 1 877         | 1 877         | 1 877         | 1 877         | 1 877         | 1 877         | 1 877         | 1 877         |
| Vote 3 - Financial Services                   | 2 667               | 2 667         | 2 667         | 2 667         | 2 667         | 2 667         | 2 667         | 2 667         | 2 667         | 2 667         | 2 667         | 2 667         |
| Vote 4 - Community & Social Services          | 4 959               | 4 959         | 4 959         | 4 959         | 4 959         | 4 959         | 4 959         | 4 959         | 4 959         | 4 959         | 4 959         | 4 959         |
| Vote 5 - Executive Mayor                      | 180                 | 180           | 180           | 180           | 180           | 180           | 180           | 180           | 180           | 180           | 180           | 180           |
| Vote 6 - Municipal Manager                    | 1 143               | 1 143         | 1 143         | 1 143         | 1 143         | 1 143         | 1 143         | 1 143         | 1 143         | 1 143         | 1 143         | 1 143         |
| Vote 7 - Local Economic Development           | 890                 | 890           | 890           | 890           | 890           | 890           | 890           | 890           | 890           | 890           | 890           | 890           |
| Vote 8 - Housing                              | 4                   | 4             | 4             | 4             | 4             | 4             | 4             | 4             | 4             | 4             | 4             | 4             |
| Vote 9 - Electricity                          | 8 020               | 8 020         | 8 020         | 8 020         | 8 020         | 8 020         | 8 020         | 8 020         | 8 020         | 8 020         | 8 020         | 8 020         |
| Vote 10 - Water                               | 3 714               | 3 714         | 3 714         | 3 714         | 3 714         | 3 714         | 3 714         | 3 714         | 3 714         | 3 714         | 3 714         | 3 714         |
| Vote 11 - Dog Tax                             |                     | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Vote 12 - Parking Meters                      |                     |               |               |               |               |               |               |               |               |               |               | -             |
| Vote 13 - Speakers Office                     | 914                 | 914           | 914           | 914           | 914           | 914           | 914           | 914           | 914           | 914           | 914           | 914           |
| <b>Total Expenditure by Vote</b>              | <b>28 720</b>       | <b>28 720</b> | <b>28 720</b> | <b>28 720</b> | <b>28 720</b> | <b>28 720</b> | <b>28 720</b> | <b>28 720</b> | <b>28 720</b> | <b>28 720</b> | <b>28 720</b> | <b>28 720</b> |

### **4.3 SERVICE DELIVERY TARGETS AND PERFORMANCE INDICATORS FOR EACH KEY PERFORMANCE AREAS (INSTITUTIONAL SCORECARDS)**

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. The approach encouraged by National treasury's MFMA Circular No. 13 is the utilization of scorecards to monitor service delivery.

#### **4.3.1 MUNICIPAL SCORECARDS**

Development priorities are aligned in five key performance areas, broken down into corporate objectives of the Municipality and each corporate objective is further broken down into strategies and key focus areas, key performance indicators, programmes/projects and targets. There are two Municipal Scorecards the Institutional Scorecard which forms part of the Top Layer of the SDBIP and Directorate Scorecard which will form part of the Director's Performance Agreement as follows

- A. Institutional Scorecard (Annexure A)
- B. Directorate Scorecard (Annexure in the Directors Performance Agreements)

### **5. MONITORING AND REPORTING OF SDBIP**

#### **5.1 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:

- (i) actual revenue, per source;
- (ii) actual borrowings;
- (iii) actual expenditure, per vote;
- (iv) actual capital expenditure, per vote;
- (iv) the amount of any allocations received

If necessary, an explanation of the following must be included in the monthly reports: (a) any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote (b) any material variances from the service delivery and budget implementation plan and; (c) any remedial or corrective steps taken or to be taken to ensure that the projected revenue and expenditure remain within the municipalities approved budget.

## **5.2 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 SDBIP form the basis for the mayor's quarterly report.

## **5.3 Mid-year 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, 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 SDBIP. The SDBIP is also a living document and may be modified based on the mid-year performance review. Thus the SDBIP remains a kind of contract that holds the Makana Municipality accountable to the community.

## **5.4 Annual Performance Report**

Section 121(3) (c) of the MFMA outlines the requirements for Annual performance reporting that must be prepared in terms section 46 of Municipal Systems Act. The requires that,

1. The Municipality must prepare for each financial year a performance report reflecting-
  - (i) the performance of the municipality and each of external service provider during that financial year;

- (ii) comparison of the performance referred to in paragraph (a) with target set for and performance in the previous financial year; and
  - (iii) measures taken to improve performance
2. An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act.

## **6. Conclusion**

The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, 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 performance evaluation.