

**Theewaterskloof Municipality**

**SDBIP SUBMISSION REPORT**

**2011/2012**



**Theewaterskloof**  
Municipality

## **INTRODUCTION AND OVERVIEW**

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### **1.1 Purpose of the report**

The purpose of this report is to provide an executive summary of the legislative framework that prescribes an SDBIP. It includes an overview of past performance, the process followed to compile the 2011/12 SDBIP and the monitoring of actual performance against targets set.

The 2011/12 SDBIP attached to this report is hereby submitted for approval. It indicates the planned performance targets of the Theewaterskloof Municipality for the period 1 July 2011 to 30 June 2012.

### **1.2 Legislative Framework and General Information Pertaining to the SDBIP**

The Municipal Finance Management Act No. 56 of 2003 (MFMA) and National Treasury MFMA Circular No. 13 requires that municipalities must prepare a service delivery budget implementation plan (SDBIP) indicating how the budget and the strategic objectives of Council will be implemented. The SDBIP is prepared in terms of Section 53(1)(c)(ii) of the Municipal Finance Management (MFMA), National Treasury MFMA Circular No. 13 and the Budgeting and Reporting Regulation.

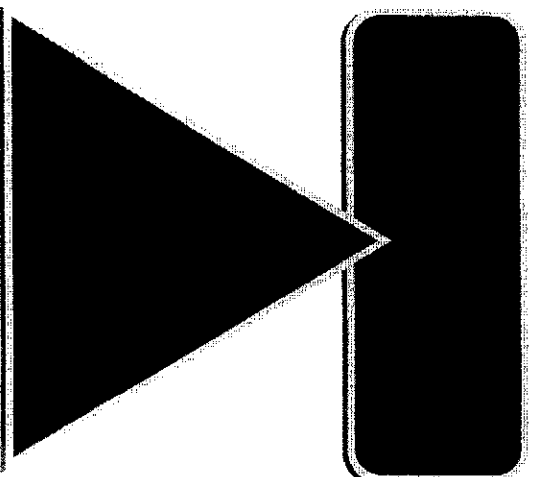
The SDBIP serves as a "contract" between the administration, council and community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration in the applicable financial year. It provides the link between the mayor, the council (executive) and the administration, and facilitates the process for holding management accountable for its performance. It is therefore a management, implementation and monitoring tool that will assist the mayor, councillors, municipal manager, senior managers and community to monitor the municipality's performance on a quarterly basis. The SDBIP will ensure that appropriate information is circulated internally and externally for purposes of monitoring the implementation of the budget, the execution of projects, the performance of senior management and the achievement of the strategic objectives set by council.

The SDBIP sets in-year information, such as quarterly service delivery and monthly budget targets, and links each service delivery output to the budget of the municipality, thus providing

credible management information and a detailed plan for how the municipality will provide such services with the inputs and financial resources that will be utilized. The SDBIP will determine the performance agreements of the municipal manager and senior managers, including the outputs and deadlines for which they will be held responsible. Expenditure information (for capital projects and services) per municipal ward is provided so that each output can be broken down per ward, where it is possible to support ward councillors to provide feedback to their communities on progress with service delivery.

As mentioned before, it is a vital monitoring tool for the mayor and council to monitor in-year performance of the municipal manager and for the municipal manager to monitor the performance of all managers in the municipality within the financial year. This enables the mayor and municipal manager to be pro-active and take remedial steps if necessary in the event of poor performance.

The SDBIP is a layered plan that consists of a top layer and a supporting layer namely the departmental SDBIP.



**a) Top Level SDBIP (Municipal Scorecard)**

Circular 13, as well as the municipal budget and reporting regulations prescribe the submission of a Top Level SDBIP, which is focused on outcomes, to the Mayor with the draft budget. The Top Layer SDBIP contains the consolidated service delivery targets and in-year deadlines, and links such targets to top management. Only the Top Layer SDBIP will be made public and tabled before the council. The Top Layer SDBIP should also include per ward information, particularly for key expenditure items on capital projects and service delivery. This will enable each ward councilor and ward committee to oversee service delivery in their particular ward. The Top Layer SDBIP and its targets cannot be revised without notifying the council, and if there is to be changes made in service delivery targets and performance indicators, this must be with the approval of the council, following approval of an adjustments budget (section 54(1)(c) of MFMA). Council approval is necessary to ensure that the mayor or municipal manager do not revise service delivery targets downwards in the event where there is poor performance.

The Top Layer of the SDBIP is made up of the following components:

- One year detailed plan, with a three-year capital plan
- The 5 necessary components includes:
  - ⇒ Monthly projection of revenue to be collected for each Source (*Expected Revenue to be collected*)
  - ⇒ Monthly projects of expenditure (operating and capital) and revenue for each vote (*S71 format*)
  - ⇒ Quarterly projects of Services Delivery Targets and performance indicators for each vote. (*Non financial measurable performance objectives in the form of targets and indicators. Level and standard of service being provided to the community*)
  - ⇒ Ward information of expenditure and Service Delivery
  - ⇒ Detailed capital works plan broken down by ward over three year

The Top Layer of the SDBIP must be submitted for approval to the Mayor within 14 days after the approval of the budget.

**b) Departmental SDBIP**

A detailed departmental SDBIP, which is focused on operational performance, must be prepared for each municipal department. This SDBIP provides more detail on each output for

which top management is responsible and it serves as the portfolio of evidence for the Top Layer SDBIP. The Top Layer SDBIP is therefore the summary of all the departmental SDBIP's.

Departmental SDBIPs is based on initial revenue and expenditure projections provided by the budget office of the municipality. Initial revenue and expenditure projections are prepared taking into account; the strategic direction and priorities as set through the IDP (and its annual review); initial tariff modeling and any other external influences such as, sectoral department strategic plans and budgets; national and provincial strategic plans and allocations. Reference can also be made to current year and mid-year reports and the previous year's annual report to develop the SDBIP. The departmental SDBIP should be compiled by senior managers for his/her department.

The Departmental SDBIP must provide the following information:

- Purpose (outcomes)
- Service Delivery description
- Measurable Performance objectives
- List of capital projects per Ward
- A review of past performance
- Resources utilized (inputs):
  - ⇒ Expenditure by GFS function and Major type
  - ⇒ Budget revenue by vote and source
  - ⇒ Types of staffing number and R-value

The SDBIP must be approved by the Mayor within 28 days after the budget has been approved to ensure compliance with the above-mentioned legislation and the Top Level SDBIP should be published on the municipal website.

### **2010/2011 Performance Highlights**

Some performances highlights achieved in the 2010/2011 financial year area as follows:

- P3 Partnership (Data cleansing and Tariff reengineering)- Elf partnership
- Launched the Cape Country Meander
- Approval of 2030 Strategy
- Election of Junior Council
- Won Housing Project and Project Manager of the year award
- Allocated municipal infrastructure for opening of Two ECD centres in Grabouw and Caledon (Eluxholweni and Sinobuntu)
- Allocated municipal land for the establishment/development of a Home for children living with HIV/AIDS
  - 2030 projection study
  - Backward and forward linkage study
  - Green economy opportunities study
  - Completed reservoir in Botrivier
  - Upgrading of roads in all towns budgeted for
  - Obtained EIA for Grabouw
  - EIA received for Caledon Waste water Works (Blue Crane)
  - EIA flood Attenuation measures for Scholtz River
  - Job creation (CWP and EPW) full time equivalent = 350
  - New job created through private tourism initiatives= 128
  - R 500 000 leveraged from Dutch government for ELF for Home based care Programme
  - Two new cycling routes and a cultural routes
- Beehive incubation centre reopened.

## SDBIP 2011/12

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### 2.1 Overview of the 2011/12 process

The IDP is considered as the 5-year strategic plan for the municipality and therefore provides an outline of the Theewaterskloof Municipality's vision, mission, objectives and operational and service delivery indicators that are realistic and attainable.

The strategic goal for the 3<sup>rd</sup> Generation IDP is to:

- MANAGE EXPECTATIONS DOWN TO A REALIST, AFFORDABLE AND REASONABLE LEVEL
- OPTIMISATION OF MANAGEMENT CAPACITY
- LONGER TERM PLANNING
- IMPROVE SERVICE LEVELS

The 2011/2012 SDBIP process commenced with the tabling of the 2011/2012 IDP and Budget. These documents were first tabled on 03 March 2011. The Top Layer SDBIP was drafted through one on one consultation with the Municipal Manager and all the directors and tabled together with the draft IDP and Budget before council. The Budget and IDP was adopted on 05 May 2011 and the Top Layer SDBIP was approved on **2<sup>nd</sup> June 2011**.

One on one session was held with the heads of Departments to discuss and draft the Departmental SDBIP which would serve as the portfolio of evidence for the TOP Layer SDBIP. The departmental SDBIP is scheduled to be submitted to the Mayor within the 28 day period indicated for the final approval of the SDBIP, this being the **2<sup>nd</sup> June 2011**.

The following were considered during the development of the SDBIP:

- Alignment with the IDP
- Alignment with the budget
- The performance audit committee report
- The risks identified by the Internal Auditor during the municipal risk analysis
- Areas to be addressed and root causes of the Auditor-General management letter COMAFS as well as the risks identified during the audit
- Local Government Turnaround Strategy

2.2 IDP Objectives

The SDBIP should as indicated above, address the IDP priorities and objectives which include the following:

KPA	Strategic Objectives	Departmental Objectives
Service delivery and human settlements	To ensure effective infrastructure and bulk upgrades, replacements and expansions in order to address infrastructure and bulk services backlogs and make provision for development: To address the housing backlog in the thewaterskloof area: Establish a healthy "social fabric"	To effect all spending of capital funds as per approved cashflow program Improve complaints system for purposes of infrastructural repairs and maintenance Increase the number of low cost housing Role out of UISP as per plan adopted by development Portfolio committee Provide developmental programmes and events that impact positively on the social fabric of communities Achieve day to day service delivery standards in towns as per agreements with local communities and per corporate requirements
FINANCIAL VIABILITY AND MANAGEMENT	To ensure sustainable Financial Management of the Theewaterskloof Municipality and execute legislative requirements	Improve Debt Collection Rate Expand the revenue base through effective data processing and management Re-engineer the tariff structure as well as the budget and reporting model Enable efficient business operations (i.e. promote good budget and fiscal management/expenditure reduction)
Local economic development	Create an enabling environment for a developing Theewaterskloof economy	SMME development in accordance with a market analyses and market creation intervention facilitated and managed by the TWK in terms of a formal strategy and action plan. Implementation of Tourism strategy, special focus should be placed on the transformation of the tourism sector within the municipal area and to make specific provision for the creation of a sustainable informal tourism sector special effort to be made for the optimum utilization of the Tourism



		potential the Koegeberg Biosphere may hold and to in the process enter into appropriate partnerships
Municipal transformation and organizational development	Refine and improve the institutional capacity of the municipality	Develop and introduce a professional fleet management programme and strategy that will inter alia address matters like maintenance, incident management, replacement and fleet and driver performance monitoring Re-engineer and refinement of critical processes as per project plan Establish a level of human capital productivity and develop a remedial strategy Upgrade and maintain council facilities Optimum utilization of the PMS in order to ensure that the continuous performance improvement process of the TWK is diagnostically addressed and analyzed Improve turn around time of Town planning applications
Good governance	To improve administration in general, in towns and also between officials and councillors.	Improve the Management of key financial and Governance areas and officials Improve interdepartmental communication between headoffice and town offices. Improve council and committee monitoring and implementation of council resolutions Facilitate the establishment of Governance forums Plan and implement the restructuring, establishment, induction, training and institutionalization of council and ward committees Establish a strategy to which law enforcement can be improved Implementation of the GSID Programme
	Foster a safe and secure environment.	

### 2.3 Key focus areas for the year

The tables below outline the Strategic focus areas of Theewaterskloof Municipality for the 2010/2011 Financial Year.

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SERVICE DELIVERY IMPROVEMENT  
INFRA STRUCTURE AND BULK SERVICE UPGRADES AND EXPANSIONS  
IT AND HUMAN RESOURCES DEVELOPMENT  
LOCAL ECONOMIC DEVELOPMENT  
FINANCIAL VIABILITY/IMPROVEMENT  
GOOD GOVERNANCE

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### 2.4 Risk Management

10 major risks were identified that are linked to the strategic objectives. There is a direct Correlation between risks and objectives.

Risks manifest as negative impacts on goals and objectives or as missed opportunities to enhance institutional performance. Stakeholders expect Municipalities to anticipate and manage risks in order to eliminate waste and inefficiency, reduce shocks and crises and to continuously improve capacity for delivering on their institutionalized mandates. Risk is therefore an event, potential or real, that could have an impact on the institution achieving its objectives. It is also apparent that risk is measured in terms of the impact that it would have on the achievement of objectives and the likelihood of the risk materializing.

The following Risk are accepted as the critical risks facing the organisation and are to be captured in the official risk register:

#### a) Strategic Risks:

- Political stability (Election / New Councillors)
- Cost of Regulation & Compliance requirements
- Outdated Bylaws and Corporate Policies
- Excessive Expectations in relation to Institutional Capacity
- Influx of Unemployed, Unskilled and Homeless people
- Backlog in Infrastructure
- Narrow Rate Base
- Potential Low or No Productivity
- Managing Talent (Recruiting & Retaining Staff)
- No Available High Level Expertise (Can existing staff take TWK to the next level)
- Poor or No Economical Competitiveness

Red Tape (External in context of Provincial Departments)

**b) Operational Risks:**

- Lack of Accurate Data / Accuracy and Completeness of Bill
- Poor or No Interdepartmental Relations
- Improper or No Project Management
- Distribution Losses
- Absence of anti-corruption program
- Resolutions not implemented
- Slow or No Recovery of Potential Revenue
- Disasters (Floods / Fire)
- Incorrect Budgeting (Activity Based Costing / Zero Based Budgeting)

**2.5 Financial planning**

**2.5.1 Capital projects (attached annexure)**

**2.5.2 Revenue (attached annexure)**

**2.5.3 Cashflow (attached annexure)**

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**MONITORING AND REPORTING PROCESSES**

**3. Monitoring and reporting processes**

The Municipal Systems Act, 2000 and the Municipal Financial Management Act, 2003 requires from municipalities to establish a performance management system. The performance management systems should enable the municipality to collect, process, organise, analyse, audit and report on performance information. In terms of the monitoring and reporting requirement for performance management Theewaterskloof Municipality utilises the different governance structures established in terms of applicable legislation and reports in term of national guidelines.

**3.1 Monthly and Quarterly Reporting to Portfolio Committees and Council:**

Theewaterskloof Municipality has 25 Councillors of which 13 are directly elected ward councillors, and 12 are proportional representative councillors. Theewaterskloof Council and

Executive Mayoral Committee meet on a monthly basis. The municipality has four Section 79 Portfolio Committees namely:

- Financial Services
- Corporate Services
- Development Services
- Technical/Operational Services

The Portfolio Committees perform an oversight role by monitoring the delivery and outputs of the executive and they are entitled to request departments to account for their functions. The Portfolio Committees do not have any delegated decision-making powers and their functions include the following:

- Review, monitor and evaluate departmental policies
- Review plans and budgets
- Consider monthly quarterly and annual departmental reports
- Monitor the implementation of plans

Each department submits a quarterly departmental performance report to the applicable portfolio Committee. The portfolio committee will make recommendation to be considered by the Executive Mayoral Committee and Council.

The Executive and Council will review and report in the following manner:

<b>Review</b>	<b>Report</b>
Reviewing of the IDP, including the review of key performance indicators and performance targets	Receives performance reports quarterly from the IDP Manager.
Review annual performance measures of the municipality as part of the new municipal strategic scorecard.	Receives performance reports twice a year from the Performance Audit Committee.
Review priorities, objectives, key performance indicators and performance targets of the municipality.	Receives quarterly reports from the Municipal Manager on the performance of Directors

Review	Report
<p>Quarterly evaluates the performance of the municipality against adopted KPI's and targets.</p>	<p>Reports to Council on the performance of the municipality twice a year.</p>
<p>Quarterly reviews the performance of departments to improve the economy, efficiency and effectiveness of the municipality.</p>	<p>Reports to Council on the recommendations for the improvement of the performance management system.</p>
<p>Quarterly and annually evaluates the performance of the Municipal Manager.</p>	<p>Annually reports on the performance of the Municipal Manager and Directors</p>

### 3.2 Internal Auditing of Performance Information

Municipalities must develop and implement mechanisms, processes and systems for auditing the results of performance measurements and information as part of the internal auditing processes. This will ensure that performance information collected by the municipality is verifiable, reliable and correct. The internal audit function responsibilities include:

- Review the functionality of key performance indicators and targets
- Assesses Compliance with the Systems Act
- Evaluates reliability of targets
- On a continuous basis measure cost, resources and time to produce outputs in accordance with inputs
- Access the extent to which activities and processes produced output in accordance with output indicators
- Detect early indications of underperformance
- Submit Quarterly Report to Municipal Manager and Performance Audit Committee

The Internal Audit function will review and report in the following manner:

Review	Report
<p>Measures the performance of departments according to KPIs and performance targets set in the municipal scorecard and departmental performance plans</p>	<p>Submit quarterly reports to the Municipal Manager.</p>

<b>Review</b>	<b>Report</b>
Assess the functionality of the PMS.	
Ensures that the system complies with the Act.	Submit quarterly reports to the Performance Audit Committee.
Audit the performance measures in the municipal scorecard and performance plans	

### **3.3. Quarterly reporting to Performance Audit Committee**

Theewaterskloof have a functional Performance Committee that meets quarterly. The roles and responsibilities of the Committee are the following:

- Review the quarterly reports submitted to it by internal-audit
- Review the municipality's performance management system and make recommendations in this regard to the council of that municipality
- In its review of the system, focus on economy, efficiency, effectiveness and impact of the KPI's and targets set
- Submit an audit report to the municipal council twice during a financial year

### **3.4 Quarterly reporting to Service Level Agreement forums**

A quarterly review of the SLA's is done with the Service Level Agreement Advisory Forum (SLAAF) and the results are reported on a quarterly basis to the Ward committees.

### **3.5 Monthly section 71 Reporting to Mayor and Provincial Treasury**

Section 71 of the Municipal Finance Management Act requires monthly budget statements to be submitted to the Mayor and relevant provincial treasury department. These reports are submitted on a monthly basis to the Financial Services Portfolio Committee and to the Executive Mayoral Committee for notice and approval. The monthly report is also circulated to all Directorates to inform them on the financial results. The purpose of the Section 71 report is:

- To monitor and report to Council the actual budget performance of Directorates for a specific month

- To identify possible problem areas and to take timeously remedial action when and where necessary.

### **3.6 Section 72- Mid Year Budget and Performance assessment by 25<sup>th</sup> January.**

In terms of section 72 (1) (a) of the MFMA, 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 the following:

- The monthly statements referred to in section 71 of the first half of the year
- The municipalities service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators as set in the SDBIP
- The past year's annual report, and progress on resolving problems identified in the annual report

The report must be submitted to the Mayor, National Treasury as well as Provincial Treasury. As with all other reports this is a crucial report for the Council to consider mid-year performance and what adjustments should be made, if necessary. If needed the SDBIP will be adjusted if an adjustment budget is tabled and actual revenue or expenditure amounts are different from the projections contained in the budget or the SDBIP.

### **3.7 Performance - and Annual Report**

#### **a) Performance report**

Section 46 of the Municipal Systems Act states that a municipality must prepare for each financial year, a performance report that reflects the following:

- The performance of the municipality and of each external service provided during that financial year;
- A comparison of the performances targets set for and performances in the previous financial year; and
- Measures to be taken to improve on the performance

The performance report must be submitted at the end of the financial year and will be made public as part of the annual report in terms of chapter 12 of the MFMA. The publication thereof will also afford the public the opportunity to judge the performance of the municipality against the targets set in the various planning instruments.

**b) Annual Report**

Municipalities are in accordance with the Municipal Systems Act and the Municipal Finance Management Act required to report on the performance of the municipality and must submit a draft Annual Report to Council annually by latest 25 January. The annual report must consist of the following main sections:

- The municipal performance report - Section 46 of the Municipal Systems Act.
- The annual financial statements.
- The reports of the Auditor-General – on both the financial statements of the municipality, as well as the performance of the municipality.
- Minutes of the meeting of the Audit Committee during which the annual report was discussed.
- The oversight report of the council on the annual report of the municipality. The oversight report must include the decisions taken on the performance of the municipality as reported, as well as remedial actions on the issues as indicated in the reports of the Auditor-General.
- If the municipality has any municipal entities, the information must be included in all the sections of the annual report.

*It is with pleasure that I, Executive Mayor, hereby approve in terms of section 53 (1)(c)(ii) of the MFMA the Service Delivery and Budget Implementation Plan for 2011/2012 as set out below.*



**ALDERMAN C.BPUNT  
EXECUTIVE MAYOR**

*2/6/2011.*