

# **Thewaterskloof Municipality**

## **SDBIP SUBMISSION REPORT**

**2012/2013**



**Thewaterskloof**  
Municipality

## **INTRODUCTION AND OVERVIEW**

---

### **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 provides an overview of the process followed to compile the 2012/13 SDBIP and the monitoring of actual performance against targets set.

The 2012/13 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 2012 to 30 June 2013.

### **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.

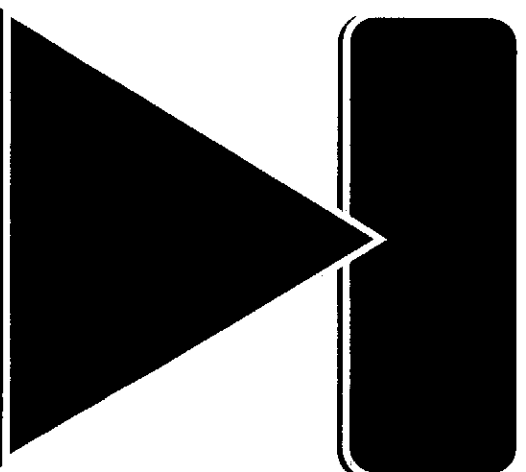
The SDBIP serves as a “contract” between the administration, council and community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration in the applicable financial year. It provides the link between the mayor, the council (executive) 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, councilors, 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 councillor 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.

### 1.3 2011/2012 Performance Highlights

Some performances highlights achieved in the 2011/2012 financial year are as follows:

- P3 Partnership (Data cleansing and Tariff reengineering and estimated R 4 205 169 possible income) - Elf partnership
- The Data Cleansing initiative has identified and corrected an amount of R 4 205 169 with respect to under chargers.
- Voted Best Performing Municipality in Local Economic Development in the Western Cape
- 1 of 10 Municipalities to be voted as 110% Green as a Provincial Programme to reduce Waste and Carbon Foot print
- Voted Best Practice in Tourism Development
- Annual SMME open day Indaba. Hosted 550 Potential entrepreneurs.
- Job creation (Opportunities created-EPWP) = 855
- Regional Bulk Infrastructure Grant received for the Upgrade of the Grabouw Waste Water Treatment Plant upgrading
  - Sale of Victoria Hall for the establishment of a Business Centre
  - Sale of industrial erven for the establishment of industries in Caledon, Grabouw
  - Sale of Church erven (RSE and Caledon)
  - Sale of Residential erven (Grabouw, RSE, Caledon)
- Installed an estimated 1894 prepaid electricity meters and an estimated 1983 prepaid water meters with the aim of curbing water and electricity wastage and decreasing bad debts.

## SDBIP 2012/13

---

### 2.1 Overview of the 2012/13 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 5 year strategic goal and Focus Areas for the 3<sup>rd</sup> Generation IDP is:

---

#### GOAL

- ⬇ Manage Expectations Down to a Realistic, Affordable And Reasonable Level
  - ⬇ Optimisation of Management Capacity
  - ⬇ Longer Term Planning
  - ⬇ Improve Service Levels
- 

The Strategic Focus Areas and Strategic Objectives developed by Theewaterskloof are as follows:

Strategic Focus Area	SO#	Strategic Objective
Financial Viability	SO1	Municipal Financial Sustainability
Good Governance	SO2	Good Governance and Clean Audit
Institutional	SO3	Institutional Capacity Development
Basic Service Delivery	SO4	Healthy and Secure Social Fabric
	SO/5	Basic Service Delivery
Infrastructure & Growth	SO6	Infrastructure Upgrades & Growth Planning
	SO7	Sustainable Housing Programme
	SO8	Environmental Sustainability
Local	Economic SO9	Local Economic Development

The 2012/2013 SDBIP process commenced with the tabling of the 2012/2013 IDP and Budget. These documents were first tabled on 29 March 2012. 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 24 May 2012. The Top Layer SDBIP

was reviewed by Management on 6<sup>th</sup> June 2012 and approved by the executive Mayor on 21<sup>st</sup> June 2012.

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 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
- Oversight Report

## 2.2 IDP Objectives

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

<p><b>Strategic Objective:</b></p>	<p><b>SO1</b>                  MUNICIPAL FINANCIAL SUSTAINABILITY</p>
<p><b>Full Description:</b></p>	<p><b>Improve the financial sustainability of the Municipality</b></p> <p>Improve the financial sustainability of the Municipality as per the objectives adopted by the financial sustainability steering committee</p> <ul style="list-style-type: none"> <li>➤ Debt Collection and reducing unrecoverable Debt</li> <li>➤ Land Disposal Strategy "making our assets sweat for us" (must address land Audit, Commonage other developments in Caledon and Prestige Clothing, Ext 12 and current developments must be expedited, Meeting with government sectors to streamline developments and cutting red tape)</li> <li>➤ <u>Productivity improvement and reducing input costs (sharing smaller property work with Operations)</u></li> <li>➤ <u>Registration of Cost Saving Projects (ABC critical)</u></li> <li>➤ <u>Alternative sources of revenue/fairtr structure (Sin taxes, auctioning of scrap and the possibility of levying )</u></li> <li>➤ <u>Investor-Friendliness</u></li> <li>➤ <u>Secondary processing and fully utilizing opportunities (E.g., cheese factory and Philipp Fresh produce)</u></li> <li>➤ <u>Business Climate Assessment (what are the stumbling blocks to local businesses/external business sector, Targeting marketing and talking to Cape Town. Money scouting and branding the Municipality as a keen and able partner, SMME and Tourism)</u></li> </ul>
<p><b>Departmental Objectives:</b></p>	<p>Address the Financial sustainability threat faced by the Municipality</p>



<b>Strategic Objective:</b>	<b>SO2</b> GOOD GOVERNANCE AND CLEAN AUDIT
<b>Full Description:</b>	<b>Good Governance and Improve the auditing status of the Municipality</b>
<b>Departmental Objectives:</b>	Introduce and implement an action plan with the aim of obtaining a clean audit report

<b>Strategic Objective:</b>	<b>SO3</b> INSTITUTIONAL CAPACITY DEVELOPMENT
<b>Full Description:</b>	<b>Refine and Improve the Institutional capacity of the Municipality</b>
<b>Departmental Objectives:</b>	Launch a productivity improvement plan based on the outcome of a productivity assessment

<b>Strategic Objective:</b>	<b>SO4</b> HEALTHY AND SECURE SOCIAL FABRIC
<b>Full Description:</b>	<b>Establish a healthy, safe and secure "social fabric"</b>
<b>Departmental Objectives:</b>	<ol style="list-style-type: none"> <li>1. Improve law enforcement and Traffic policing from a current undesired to the defined desired standard.</li> <li>2. Facilitate the establishment of partnerships that will result in the improved social conditions of certain communities</li> <li>3. Implement youth development programs</li> </ol>

<b>Strategic Objective:</b>	<b>SO5</b> BASIC SERVICE DELIVERY
<b>Full Description:</b>	<b>Achieve day-to-day service delivery standards in towns as per agreements with local communities and per corporate requirements</b>
<b>Departmental Objectives:</b>	<ol style="list-style-type: none"> <li>1. Review the need for current or new SLA's with the respective communities</li> <li>2. Achieve at least a satisfactory rating in respect of all such reviewed SLA's</li> <li>3. Access to affordable and reliable Municipal Services</li> </ol>

<b>Strategic Objective:</b>	<b>S06</b> <b>INFRASTRUCTURE UPGRADES AND GROWTH PLANNING</b>
<b>Full Description:</b>	<b>To ensure effective infrastructure and bulk upgrades, replacements and expansions in order to address infrastructure and bulk services backlogs, make provision for developmental strategies and ensure sustainability in the process</b>
<b>Departmental Objectives:</b>	<ul style="list-style-type: none"> <li>➤ Obtain approval from Council for a three year infrastructure and basic services upgrade, expansion and replacement program which address:</li> <li>➤ Ageing infrastructure</li> <li>➤ Population growth</li> <li>➤ LED Developmental strategies</li> <li>➤ Improved accessibility to basic services of all communities</li> </ul>

<b>Strategic Objective:</b>	<b>S07</b> <b>SUSTAINABLE HOUSING PROGRAMME</b>
<b>Full Description:</b>	To address the housing demand within the Theewaterskloof Area
<b>Departmental Objectives:</b>	<ul style="list-style-type: none"> <li>➤ Obtain approval from Council for a three year housing program that inter alia takes the following into consideration:</li> <li>➤ Current backlogs</li> <li>➤ The migration phenomenon</li> <li>➤ Capacity of the Municipality to address the impact of infrastructure and basic services capacity</li> <li>➤ The plight of the farm worker</li> </ul>

<b>Strategic Objective:</b>	<b>S08</b> <b>ENVIRONMENT SUSTAINABILITY</b>
<b>Full Description:</b>	<b>Conserve the Municipality's Natural Resources</b>
<b>Departmental Objectives:</b>	<ol style="list-style-type: none"> <li>1. Mitigate the risk of potential disasters (flooding/fires)</li> <li>2. Conserve the natural environment and improve the quality of our living environment</li> </ol>

### 2.3 Risk Management

20 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:

<b>Risk Description</b>
Influx of Unemployed, skilled and Homeless people
Cost of Regulation and Compliance Requirements
Slow or No Recovery of Potential Revenue
Lack of Accurate Data/ Accuracy of Bill)
Incorrect Budgeting (Activity Based Costing / Zero Based Budgeting)
Managing Talent (Recruiting & Retaining staff)
Potential Low or No Productivity
Outdated Bylaws & Corporate Policies
No Available High Level Expertise ( Can existing staff take TWK to the next level)
Influx of unemployment, unskilled and homeless people
Poor or No Economic Competitiveness
Backlog in Infrastructure
Disasters (Floods / Fires)
Distribution losses
Excessive Expectations in relation to Institutional capacity
Red Tape (External in context of provincial Departments)
Resolutions not Implemented
Improper or No Project Management
Crises that TWK step in a reactive mode
Poor or No Interdepartmental Relations

## **2.4 Financial planning**

### **2.4.1 Capital projects (attached annexure)**

### **2.4.2 Revenue (attached annexure)**

### **2.5.3 Cashflow (attached annexure)**

## **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 five Section 79 Portfolio Committees namely:

- Financial Services
- Corporate Services
- Development Services
- Technical Services
- 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
Quarterly evaluates the performance of the municipality against adopted KPI's and targets.	Reports to Council on the performance of the municipality twice a year.
Quarterly reviews the performance of departments to improve the economy, efficiency and effectiveness of the municipality.	Reports to Council on the recommendations for the improvement of the performance management system.
Quarterly and annually evaluates the performance of the Municipal Manager.	Annually reports on the performance of the Municipal Manager and Directors

### 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:

<b>Review</b>	<b>Report</b>
Measures the performance of departments according to KPIs and performance targets set in the municipal scorecard and departmental performance plans	Submit quarterly reports to the Municipal Manager.
Assess the functionality of the PMS.	Submit quarterly reports to the Performance Audit Committee.
Ensures that the system complies with the Act.	
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 2012/2013 as set out below.*

  
\_\_\_\_\_ (21 June 2012)

**ALDERMAN C.BPUNT  
EXECUTIVE MAYOR**