



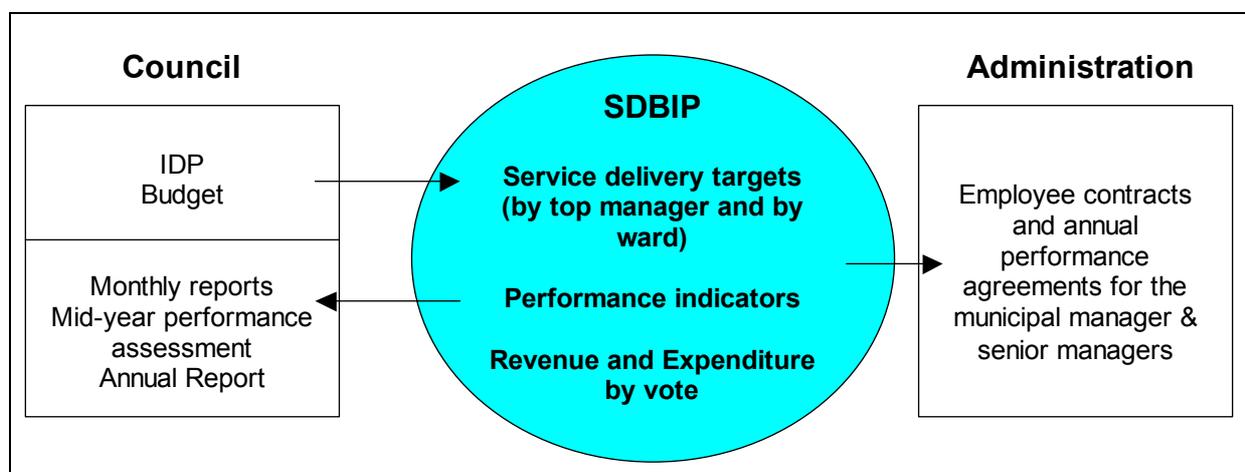
## Service Delivery and Budget Implementation Plan

### Introduction

This circular provides guidance and assistance to municipalities in the preparation of the Service Delivery and Budget Implementation Plan (SDBIP) as required by the Municipal Finance Management Act (MFMA). The SDBIP gives effect to the Integrated Development Plan (IDP) and budget of the municipality and will be possible if the IDP and budget are fully aligned with each other, as required by the MFMA.

The budget gives effect to the strategic priorities of the municipality and is not a management or implementation plan. The SDBIP therefore 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 over the next twelve months. This provides the basis for measuring performance in service delivery against end-of-year targets and implementing the budget. (see Diagram 1).

**Diagram 1**  
**SDBIP “contract”**



High capacity municipalities will be required to prepare a SDBIP for the 2005/06 budget and should be adapting their processes and procedures to meet this timeline. Medium and low capacity municipalities will need to adopt a SDBIP for the 2006/07 and the 2007/08 budgets respectively, although earlier compliance is encouraged for all municipalities.

This circular provides more information on:

- A definition of the “SDBIP” and each component;
- A methodology for preparation of the SDBIP;
- Formats for projections required in the SDBIP.

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## Service Delivery and Budget Implementation Plan

The SDBIP provides the vital link between the mayor, council (executive) and the administration, and facilitates the process for holding management accountable for its performance. The SDBIP is a management, implementation and monitoring tool that will assist the mayor, councillors, municipal manager, senior managers and community. A properly formulated SDBIP will ensure that appropriate information is circulated internally and externally for purposes of monitoring the execution of the budget, performance of senior management and achievement of the strategic objectives set by council. It 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. The SDBIP should therefore determine (and be consistent with) the performance agreements between the mayor and the municipal manager and the municipal manager and senior managers determined at the start of every financial year and approved by the mayor. It must also be consistent with outsourced service delivery agreements such as municipal entities, public-private partnerships, service contracts and the like.

### The SDBIP concept

Municipal managers are encouraged to develop the SDBIP concept further so that it is meaningful and useful to managers. Many municipal managers will already have some form of management plan and the challenge is to develop such management plans as a SDBIP.

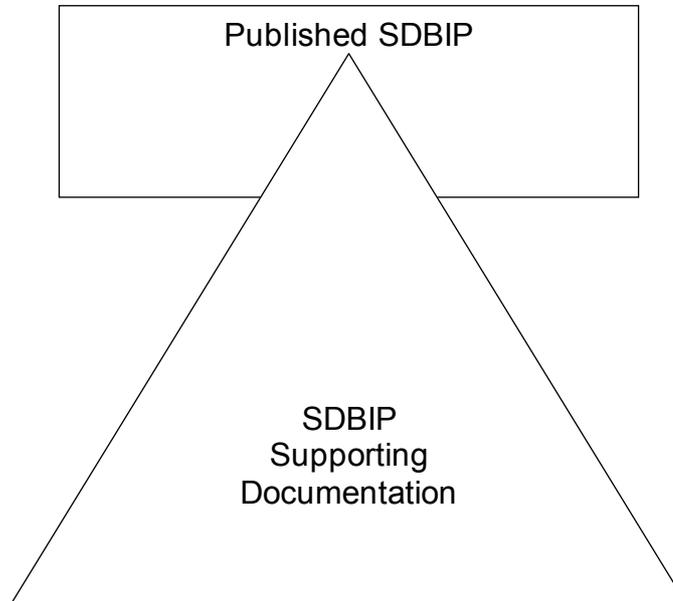
Whilst the budget sets yearly service delivery and budget targets (revenue and expenditure per vote), it is imperative that in-year mechanisms are able to measure performance and progress on a continuous basis. Hence, the end-of-year targets must be based on quarterly and monthly targets, and the municipal manager must ensure that the budget is built around quarterly and monthly information. Being a start-of-year planning and target tool, the SDBIP gives meaning to both in-year reporting in terms of section 71 (monthly reporting), section 72 (mid-year report) and end-of-year annual reports.

The SDBIP is essentially 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, thus providing credible management information and a detailed plan for how the municipality will provide such services and the inputs and financial resources to be used. The SDBIP indicates the responsibilities and outputs for each of the senior managers in the top management team, the inputs to be used, and the time deadlines for each output. The SDBIP will therefore determine the performance agreements of the municipal manager and senior managers, including the outputs and deadlines for which they will be held responsible. The SDBIP should also provide all expenditure information (for capital projects and services) per municipal ward, so that each output can be broken down per ward, where this is possible, to support ward councillors in service delivery information.

The SDBIP is also 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 in the event of poor performance. The SDBIP aims to ensure that managers are problem-solvers, who routinely look out for unanticipated problems and resolve them as soon as possible. The SDBIP also enables the council to monitor the performance of the municipality against quarterly targets on service delivery.

The SDBIP is a layered plan, with the top layer of the plan dealing with consolidated service delivery targets and in-year deadlines, and linking such targets to top management. Diagram 2 shows how only the tip of the pyramid is published as the SDBIP.

**Diagram 2**  
**Published SDBIP is the top-layer**



Once the top-layer targets are set, 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 junior manager. Much of this lower layer detail will not be made public nor tabled in council – whilst the municipal manager has access to such lower layer detail of the SDBIP, it will largely only be the senior manager in charge who will be using such detail to hold middle-level and junior-level managers responsible for various components of the service delivery plan and targets of the municipality. Only the highest layer of information of the SDBIP will be made public or tabled in the council. Such high-level information 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 ward.

Being a management and implementation plan (and not a policy proposal), the SDBIP is not required to be approved by the council – it is however tabled before council and made public for information and for purposes of monitoring. The SDBIP should be seen as a dynamic document that may (at lower layers of the plan) be continually revised by the municipal manager and other top managers, as actual performance after each month or quarter is taken into account. However, the top-layer of the SDBIP and its targets cannot be revised without notifying the council, and if there is to be changes 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). This 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 municipal manager is responsible for the preparation of the SDBIP, which must be legally submitted to the mayor for approval once the budget has been approved by the council (around end-May or early-June). However, the municipal manager should start the process to prepare the top-layer of the SDBIP no later than the tabling of the budget (around

1 March or earlier) and preferably submit a draft SDBIP to the mayor by 1 May (for initial approval). Once the budget is approved by the Council, the municipal manager should merely revise the approved draft SDBIP, and submit for final approval within 14 days of the approval of the budget. Draft performance agreements should also be submitted with the draft SDBIP by 1 May, and then submitted for approval with the revised SDBIP within 14 days after the approval of the budget. The mayor should therefore approve the final SDBIP and performance agreements simultaneously, and then make the SDBIP and performance agreement of the municipal manager public within 14 days, preferably before 1 July. Note that it is only the top layer (of high-level) detail of the SDBIP that is required to be made public.

It is the output and goals made public in the SDBIP that will be used to measure performance on a quarterly basis during the financial year. Note that such in-year monitoring is meant to be a light form of monitoring. The council should reserve its oversight role over performance at the end of the financial year, when the mayor tables the annual report of the municipality. The in-year monitoring is designed to pick up major problems only, and aimed at ensuring that the mayor and municipal manager are taking corrective steps when any unanticipated problems arise. The SDBIP serves a critical role to focus both the administration and council on outputs by providing clarity of service delivery expectations, expenditure and revenue requirements, service delivery targets and performance indicators.

## Components of the top-layer of the SDBIP

Section 1 of the MFMA defines the SDBIP as:

- “a detailed plan approved by the mayor of a municipality in terms of section 53(1)(c)(ii) for implementing the municipality’s delivery of services and the execution of 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”.*

The top-layer must include the above information, which is the basic information required for the municipal manager to ensure performance. The information required on revenue, for example, is necessary, as if the municipality is clearly not collecting as much revenue as anticipated in the first or second quarter (for example), it should be taking steps to ensure that it lowers its expenditure targets (through an adjustments budget) or improve its revenue-collection performance. Similarly, if expenditure is occurring more slowly than expected (eg through under spending), the municipality needs to improve its capacity to deliver services or ensure that it is making its payments sooner and on time. The information required on revenue and expenditure will allow the mayor to assess budget performance of the municipality in terms of section 54 of the MFMA, using the monthly and mid-year reports submitted by the municipal manager in terms of sections 71 and 72.

Determining the service delivery targets is much harder and occurs with a lag of at least 2 to 3 months (as compared to financial information, which should be available within 10 days after the end of each month). It is even harder to determine the appropriate and objective performance indicators and measures for service delivery (for water, electricity, recreational facilities etc), and to measure the quality of such delivery. This is an art that will require managers to be more creative and innovative. Service delivery information should also be provided per municipal ward, where this is possible.

The SDBIP must also provide a mechanism to project and monitor inputs, outputs and outcomes for each senior manager (department) by vote (and GFS sub-function – see

MFMA Circular No 12). Service delivery levels and standards for each ward or designated area must also be shown.

Whilst the SDBIP is largely a one-year detailed plan, it should include a three-year capital plan. Municipalities are encouraged to also include three-year (by quarter) service delivery targets, to the extent this is possible and feasible. The municipality may also want to include past and current year information, in order to facilitate comparisons and outline the remedial steps it is taking in terms of past problems.

This circular attempts to develop an initial set of such service delivery targets and performance indicators. Note that though MFMA allows for other service delivery information and targets to be prescribed, the approach taken by the National Treasury at this stage is not to prescribe, but rely on voluntary participation in the interests of good governance and better accountability. The discussion below focuses on the top-layer of the SDBIP that must be made public, and focuses on five components. Municipal managers and mayors are free to add on to these components and also to develop the lower layers of the SDBIP to the extent they believe will be useful. The five necessary components are:

- 1. Monthly projections of revenue to be collected for each source**
- 2. Monthly projections of expenditure (operating and capital) and revenue for each vote**
- 3. Quarterly projections of service delivery targets and performance indicators for each vote**
- 4. Ward information for expenditure and service delivery**
- 5. Detailed capital works plan broken down by ward over three years**

Each of these will now be discussed, followed by the suggested approach for timing and a methodology for preparing the SDBIP.

### **Component 1 - Monthly projections of revenue to be collected for each source**

One of the most important and basic priorities for any municipality is to collect all its revenue as budgeted for – the failure to collect all such revenue will undermine the ability of the municipality to deliver on services. The municipality MUST ensure that it has instituted measures to achieve monthly revenue targets for each revenue source. The revenue projections relate to actual cash expected to be collected and should reconcile to the cash flow statement approved with the budget documentation. The reason for specifying actual revenue collected rather than accrued (billed) revenue is to ensure that expenditure does not exceed actual income.

The SDBIP information on revenue will be monitored and reported monthly by the municipal manager in terms of section 71(1)(a) and (e). For example, if there is lower than anticipated revenue and an overall cash shortage in a particular month the municipality may have to revise its spending downwards to ensure that it does not borrow more than anticipated. More importantly, such information requires the municipality to take urgent remedial steps to ensure it improves on its revenue-collection capacity if the municipality wants to maintain its levels of service delivery and expenditure.

While these projections would be most useful as cash flow projections, it is also critical to understand the relationship between revenue billed and the amount actually collected in the context of tariff, credit control and indigent policies and any other relevant policies. Comprehensive, coherent revenue policies that take into account appropriate service delivery levels, standards, ability to pay and collection efforts will ensure realistic revenue projections and ultimately balanced budgets.

Sources of revenue for the purposes of the SDBIP defined by National Treasury as national norms and standards are:

- regional levies
- property rates
- property rates - penalties imposed and collection charges
- electricity revenue from tariff billings
- water revenue from tariff billings
- sanitation revenue from tariff billings
- refuse removal from tariff billings
- grants
- interest & investment income
- rent of facilities and equipment
- interest earned outstanding debtors
- traffic fines
- fines for late payment
- licenses and permits
- income from agency services
- other

Definitions for revenue sources can be found in the document “11 - Detailed Form Explanations”. See [www.treasury.gov.za/local\\_gov/finance\\_grant/available\\_doc/default.htm](http://www.treasury.gov.za/local_gov/finance_grant/available_doc/default.htm). The use of “other” should be minimised. Municipalities should consult with the National Treasury if they are having difficulty in classifying revenue in line with the above.

Municipalities who are unable to report in line with the revenue source definitions (for example, due to consolidated billing software) are required to put plans into place to ensure they have clear processes and systems for allocating monies received against specific sources.

Projections for revenue by source should also include performance measures in relation to collection rates (amounts collected / amounts billed) to enable monitoring of the effectiveness of credit control policies and procedures. Diagram 3 shows a suggested format for monthly projections for revenue by source.

**Diagram 3**  
**Monthly Projections of Revenue by Source**

Monthly Projections of Revenue by Source	July	August
	Rev R'000	Rev R'000
Regional Levies	x	x
Property Rates	x	x
Property Rates - Penalties Imposed & Collection Charges	x	x
Electricity Revenue from Tariff Billings	x	x
Water Revenue from Tariff Billings	x	x
Sanitation Revenue from Tariff Billings	x	x
Refuse Removal from Tariff Billings	x	x
Grants	x	x
Interest & Investment Income	x	x
Rent of Facilities and Equipment	x	x
Interest Earned Outstanding Debtors	x	x
Fines	x	x
Licenses and Permits	x	x
Income from Agency Services	x	x
Other	x	x
<b>Total Revenue By Source (Balanced to Cash Flow)</b>	x	x

## Component 2 - Monthly projections of expenditure (operating and capital) and revenue for each vote

These projections relate to cash paid and should reconcile to the cash flow statement adopted with the budget documentation.

Each key GFS function is a “vote” and must have associated with it as appropriate: operating expenditure; revenue; capital expenditure; and measurable performance objectives. Measurable performance objectives include service delivery targets and other financial and non-financial indicators. See MFMA circular No. 12 on the definition of the “vote”.

The SDBIP should show monthly projections of revenue by vote in addition to revenue by source. When reviewing budget projections against actual, it would be useful to consider revenue and expenditure by vote in order to gain a more complete picture than provided by reviewing expenditure only. The section 71(1) (c), (d) and (f) MFMA monthly report requires reporting against such monthly projections in the SDBIP. Diagram 4 is an example of the format for the monthly projections for revenue and expenditure by vote.

**Diagram 4**  
**Monthly Projections of Revenue and Expenditure by Vote**

	July			August		
	Opex R'000	Capex R'000	Rev R'000	Opex R'000	Capex R'000	Rev R'000
<b><u>Expenditure and Revenue by Vote</u></b>						
<b>Department - Municipal Managers Office</b>						
Vote: Executive and Council	x	x	x	x	x	x
<b>Department - Chief Finance Officer</b>						
Vote: Finance & Administration (Finance)	x	x	x	x	x	x
<b>Department - Corporate Services</b>						
Vote: Finance & Administration (HR, IT, etc)	x	x	x	x	x	x
<b>Department - Planning &amp; Development</b>						
Vote: Planning and Development	x	x	x	x	x	x
Vote: Environmental Protection	x	x	x	x	x	x
<b>Department - Community Services</b>						
Vote: Community & Social Services	x	x	x	x	x	x
Vote: Sport & Recreation	x	x	x	x	x	x
Vote: Housing	x	x	x	x	x	x
Vote: Public Safety	x	x	x	x	x	x
Vote: Health	x	x	x	x	x	x
Vote: Refuse Removal	x	x	x	x	x	x
<b>Department - Water &amp; Sanitation</b>						
Vote: Water	x	x	x	x	x	x
Vote: Waste Water Management	x	x	x	x	x	x
<b>Department - Electricity</b>						
Vote: Electricity (Electricity Distribution)	x	x	x	x	x	x
<b>Department - Roads</b>						
Vote: Road Transport	x	x	x	x	x	x
Vote: Electricity (Street Lighting)						
<b>Total By Vote</b>	x	x	x	x	x	x

Note: This example shows projections for two months whilst the SDBIP will show twelve months of projections.

### Component 3 - Quarterly projections of service delivery targets and performance indicators for each vote

While components 1 and 2 require projections of budgeted amounts for revenue and expenditure, component 3 requires non-financial measurable performance objectives in the form of service delivery targets and other performance indicators. The focus here should be on outputs, and not inputs or internal management objectives.

Service delivery targets relate to the level and standard of service being provided to the community and include targets for the reductions in backlogs of basic services. The requirement for service delivery targets is consistent with national government policy requiring the public sector to be able to measure service delivery outputs and outcomes in addition to inputs (expenditure). For example, a service delivery target could be the number of households receiving the defined minimum basic level of clean water.

The public information should deal with service delivery, rather than on how a municipality organises itself to do so. Such information must relate to output information on service delivery, for example, expansion and regularity of refuse removal services or provision of water will be the primary service delivery objective.

Another category of indicators are outcome indicators, which tend to be measured over the long-term (eg no of houses with or without access to water). Such information also tends to be published after a few years.

Internal or management performance indicators, suitable to manage lower-layer managers, should generally not be made public. The development of appropriate service delivery and performance targets and indicators may differ from municipality to municipality depending on their priorities and challenges and will require further development.

#### These targets and indicators must be:

1. **Approved in the budget** as an annual indicator with projections for at least two outer years based on the strategic priorities.

The budget resolution must approve measurable performance objectives for each vote (and for key sub-functions as may be prescribed) including service delivery targets and other performance indicators so that council can be judged on service delivery as well as revenue and expenditure.

2. **Split into quarterly projections** for the forthcoming budget in the SDBIP

The SDBIP would then break the annual targets and indicators into quarterly projections to assist with implementation. Quarterly reviews would compare targets with actual and revise future targets as necessary.

3. **Contained in annual performance agreements** of the municipal manager and senior managers

The quarterly projections in the SDBIP must be consistent with the annual performance agreements of the municipal manager and senior managers so that they can be held accountable for performance in line with the SDBIP, budget and IDP.

4. **Reported on** for in-year reporting (quarterly and mid-year) and the annual report

The annual report must include an assessment by the accounting officer of performance against the measurable performance objectives approved in the budget (and contained in the SDBIP and annual performance agreements) including service delivery targets and other performance indicators.

The excel spreadsheet called “Chapter 5 – Functional Service Delivery Report” accompanying MFMA Circular No 11 (prepared in consultation with dplg, SALGA and National Treasury) provides examples of service measures and indicators for each function and can be enhanced with additional local indicators. Actual targets and performance results are to be inserted by each municipality. The spreadsheet is available on the website at <http://www.treasury.gov.za/mfma> located under MFMA Circular No 11 on the annual report.

Diagram 5 is an example of a format for quarterly projections to be included in the SDBIP. As in the previous example, the level of the vote is the GFS function. This is an example only and municipalities should review the excel spreadsheet referred to above and include their own indicators for measuring performance ensuring that these are measurable and tied to the annual performance agreements of the senior managers.

It is important to draw a distinction between a particular service delivery target and the current standard of service being provided. For example, in relation to the provision of water, piped water to each dwelling would be considered as a high level of service whereas a communal standpipe greater than 200m from the dwelling would be considered a relatively lower level of service. If the piped water to the dwelling was in poor repair and could not actually deliver 6kl of clean water per month, the standard would be considered as poor. Diagram 5 shows one possible way of measuring the standard of service provided (e.g. “percentage of HH that meet agreed service standards”). For example, the level and standard of electricity provision could be shown as the percentage of households that meet agreed service levels and the percentage of households that meet agreed service standards.

**Diagram 5**  
**Quarterly Projections for Service Delivery Targets and other Performance Indicators**

Vote / Indicator	Unit of Measurement	Annual Target	Revised Target	Quarterly Targets								Explanation of Variance	
				Qtr Ending 30 Sept		Qtr Ending 31 Dec		Qtr Ending 31 March		Qtr Ending 30 June			
				Proj	Act	Proj	Act	Proj	Act	Proj	Act		
Department - Municipal Managers Office													
Vote: Executive and Council													
Budget consultation meetings held	No. of meetings	12				2		8		2			
Produce municipal booklet	Booklet produced in Sept	1		1									
Performance agreements and contracts signed	No. of contracts signed on time	6		6									
General ward meetings per ward	No. of meetings	4		1		1		1		1			
etc													
Department - Corporate Services													
Vote: Finance & Administration													
Employee reward system developed	Completed in November	1				1							
Job descriptions developed for all staff	Completed in September	1		1									
etc													
Department - Planning and Development													
Vote: Planning & Development													
City plan reviewed and published	Completed in October	1				1							
Building inspections conducted	No. of building inspections	500		100		150		150		100			
etc													
Department - Community Services													
Vote: Community & Social Services													
New libraries built	No. of new libraries built	1				1							
etc													
Department - Technical Services													
Vote: Electricity													
New Electricity connections	No. of new electricity connections	4000		1000		1000		1000		1000			
Percentage of HH that meet agreed service levels	HH achieving agreed levels / total	95%		90%		92%		94%		95%			
Percentage of HH that meet agreed service standards	HH achieving agreed stds / total	100%		80%		90%		95%		100%			
Percentage of electricity losses	KW billed / KW used by muni	15		20		20		17		15			
Employment through job creation schemes	No. temporary jobs created	200						100		100			
Employment through job creation schemes	No. permanent jobs created	50				25		25					
Vote: Water													
New Water connections	No. of new water connections	2000		500		500		500		500			
Percentage of water losses	KL Billed / KL used by muni	20		35		30		25		20			
Percentage of HH that meet agreed service levels	HH achieving agreed levels / total	95%		90%		92%		94%		95%			
Percentage of HH that meet agreed service standards	HH achieving agreed stds / total	100%		80%		90%		95%		100%			
Vote: Road Transport													
km of new road for prev unserved areas	No. of kilometers	400		100		100		100		100			
etc													
Vote: Waster Management													
Percentage of HH with no rubbish disposal	No. of HH without / total HH	15%		20%		20%		18%		15%			
Vote: Waste Water management													
Percentage of HH with no toilet provision	No. of HH without / total HH	12%		16%		12%		12%		12%			
Department - Chief Finance Officer													
Vote: Finance & Administration													
Percentage of property valuations disputed	No. disputed / total No.	10%		na		na		na		na			
Percentage of creditors payments on time	No. Paid on Time / total No.	100%		100%		100%		100%		100%			
etc													

## Component 4 – Ward information for expenditure and service delivery

The information in the formats shown in Diagrams 3, 4, and 5 will support effective management and accountability. However, it is important to recognise that councillors and the community will also benefit greatly from a further break down of information on services into municipal wards. This may be achieved by incorporating under each GFS sub-function the various ward data, for example:

### **Director Technical Services**

#### *Electricity Distribution*

##### *New electricity connections (overall)*

- *Ward 1 connections*
- *Ward 2 connections*
- *Ward 3 etc*

Alternatively, a preferred option may be to provide councillors with a separate quarterly report showing service delivery information per ward.

## Component 5 – Detailed capital works plan broken down by ward over three years

A detailed three year capital works plan is required to ensure sufficient detail to measure and monitor delivery of infrastructure projects on a ward by ward basis, including: project number; name; short description of what the project will deliver; planned start date; actual start date; planned completion date; actual completion date; capital costs timed per month; reasons for variances including if the project was completed but did not deliver to specification; and the responsible senior manager.

In addition, a summary of capital projects for each responsible manager, by vote, must be provided showing quarterly projections for performance in relation to implementing capital projects. The quarterly review of service delivery targets and other performance indicators must include: percentage of projects started on time; percentage of projects completed on time; percentage of projects completed within budget and percentage of projects completed that achieved the specifications of the project. Again this is consistent with the move to measure performance in relation to outputs and outcomes rather than just revenue and expenditure.

An efficient supply chain process is an important component to effective and timely infrastructure / capital service delivery. Appropriate indicators and targets need to be included in the supply chain process to enable the municipality to monitor performance in a manner that suits municipal circumstances.

## Methodology

### Timing and Methodology for Preparation of the SDBIP

Section 69(3)(a) of the MFMA requires the accounting officer to submit a draft SDBIP to the mayor no later than 14 days after the approval of the budget and drafts of the performance agreement as required in terms of the section 57 (1) (b) of the Municipal Systems Act. The mayor must subsequently approve the SDBIP no later than 28 days after the approval of the budget in accordance with section 53(1)(c)(ii) of the MFMA.

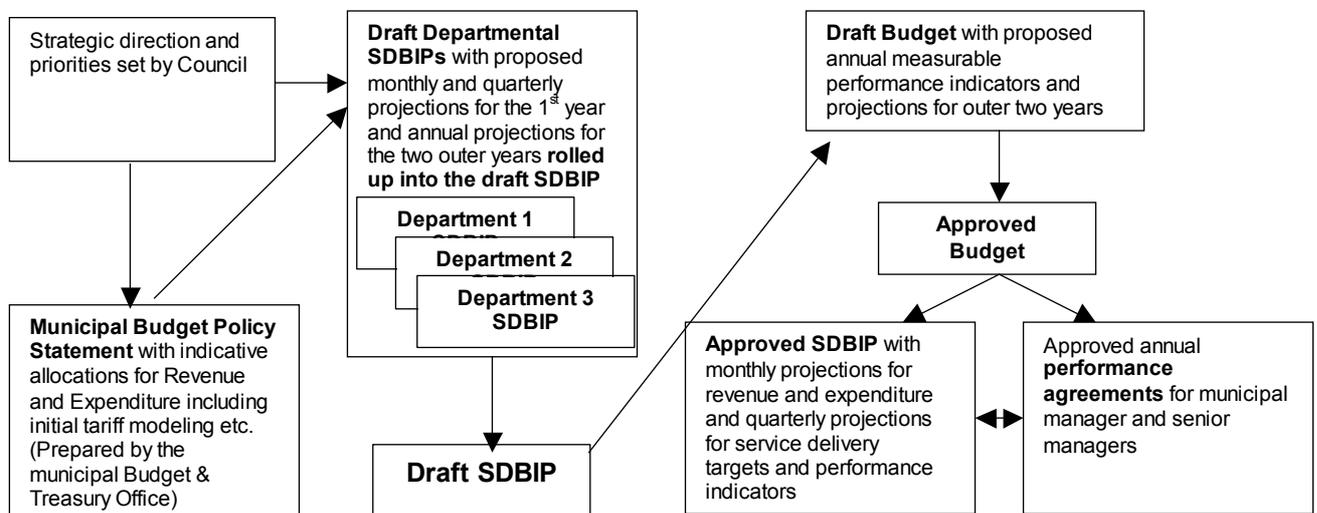
These are the legal requirements and deadline limits to assist a municipality to comply with the law – however, best practice suggests that this be done earlier by municipalities, starting with senior managers to draw up their second layer departmental SDBIPs in the early stages of the planning and budget preparation process in line with the strategic direction set in the IDP. The mayor and municipal manager should lead this process.

The municipality should ideally publish its draft SDBIP with its draft budget, or soon after as supporting documentation to assist its budget hearings process normally held at the end of March or in April. As noted above, the SDBIP should be submitted to the mayor by 1 May at the latest. If the draft SDBIP is to be provided for the budget hearings, the municipality may want to bring this date forward, or provide departmental SDBIPs as supporting information to the relevant committee around the end of March. In this case, the mayor will need to approve such departmental or draft SDBIP by mid-March. It should be noted that it is up to the municipality to determine extra detail, and whether they wish to bring forward their deadlines for submission and approval. A municipality could also opt to have a high level SDBIP complete with ward break-downs for tabling and publication, but may also in addition make available lower layer departmental SDBIPs and other information as requested by council.

With careful planning of the budget process it may be possible for the mayor to approve the SDBIP in less than 7 days after the council approves the budget. Legally, to take account of possible revisions to the budget, the Act allows for this to occur not later than 28 days after budget approval.

Diagram 6 shows the process for approving the SDBIP including how the departmental SDBIPs roll up into the draft SDBIP.

**Diagram 6**  
**Process for preparing and approving the SDBIP**



**Format of Departmental SDBIPs**

Departmental SDBIPs will be 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 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; and indications for changes in prices. Senior managers will also refer to current year and mid-year reports and the previous year annual report to develop next years SDBIP.

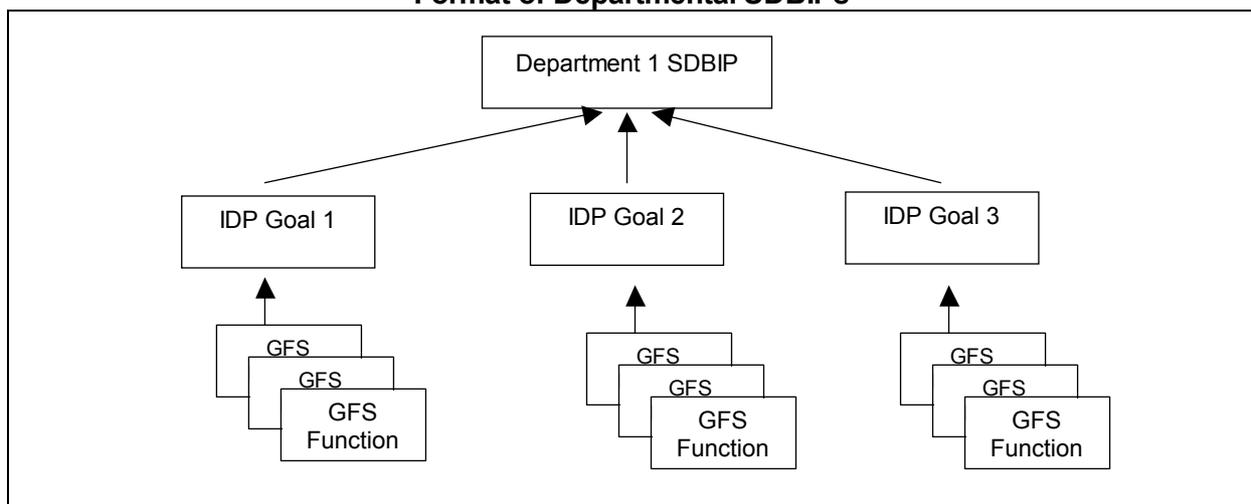
A review of any existing impediments or risks to achieving service delivery outcomes is a useful analysis when commencing the preparation of these plans, as this will prompt solutions to those impediments.

Given that the SDBIP is a summary of all of the departmental SDBIPs, it is important that they set out the required information, although they may show more detail than the final SDBIP approved by council.

Each departmental SDBIP should be divided into sections and sub sections. There should be a section for each IDP goal and subsections for each GFS sub function. For example, say the municipality has six main IDP goals and a particular department (senior manager) contributes to three. As illustrated in Diagram 7, this departmental SDBIP will be divided into three sections with subsections for each GFS function under that IDP goal.

In this way, the municipality will be able to show inputs and outputs complete with projections of expenditure, revenue, service delivery targets and other performance indicators for each of the main goals in the IDP. This provides the link between the IDP and budget and if this process is followed, completion of the return form "Muncde\_SP\_ccyy\_y.xls" to National Treasury, which reconciles the IDP and budget, will be simplified.

**Diagram 7**  
**Format of Departmental SDBIPs**



It is probable, and possible, for more than one senior manager to contribute to the same IDP goal. If an activity seems to contribute to more than one goal, a decision needs to be made if it needs to be split or simply allocated to one of the IDP goals.

The headings and points below cover the basic information that should be included under each IDP goal and GFS function in a departmental SDBIP. Each departmental SDBIP must provide information in a format that will roll up into the municipality's SDBIP.

**1. Purpose (outcomes)**

- Define the service/s
- Define the customer/s
- Show how the service is linked to the IDP (outcomes)

**2. Service delivery description (outputs)**

- Define the level of service planned for each customer group (outputs).
- Describe the improvements in service levels and standards planned over the medium term.

- List measurable performance objectives for the current year, budget year, and at least two future years. Include quarterly projections of service delivery targets and other performance indicators in the same format as required for the municipality's SDBIP. Senior managers will refer to current year mid-year reports and the previous year annual report to develop next years SDBIP.
- A list of capital projects per ward to be implemented in the budget year in the same format as required for the municipality's SDBIP including: project number; name; short description of what the project will deliver; planned start date; and planned completion date. Include quarterly performance targets for percentage of projects to be completed on time, within budget and to specification.
- A review of past performance and how this impacts on future plans.

### 3. Resources utilised (inputs)

- Budgeted expenditure by vote (GFS function) and major type (employee related costs, repairs and maintenance etc) for the current year, budget year, and at least two future years. Include monthly projections of expenditure in the same format as required for the municipality's SDBIP.
- Comment on discretionary and non-discretionary expenditure. Non-discretionary are considered to be costs that must be incurred.
- Highlight major features of expenditure (i.e. highly mechanised or highly labour reliant etc).
- Type of staffing (professionals, technical, clerical etc) number and Rand value.
- Budgeted revenue by vote and source for the current year, budget year, and at least two future years. Include monthly projections of revenue in the same format as required for the municipality's SDBIP including additional performance measures for revenue targets and collection levels.
- Comment on revenue dependencies, expected major shifts in revenue patterns and possible alternative sources of revenue for investigation.

## 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 report process.

All municipalities and municipal entities are encouraged to introduce a SDBIP as soon as possible. High capacity municipalities and entities who have not already commenced this process will need to do so urgently to ensure the necessary systems and procedures are in place during the 2005/06 budget preparation cycle. Medium and low capacity municipalities have between one and two years respectively to develop appropriate systems but should still aim to approve a simplified SDBIP for the 2005/06 budget, which can evolve to comply the following year.

The recommended methodology and formats contained in this circular have been developed to provide a clear and practical link between the strategic directions set by council and the services provided to the community. It is critical that mayors and municipal managers adopt an innovative and creative approach to develop the SDBIP tool so that it assists them in managing and monitoring performance. The biggest challenge is to develop meaningful non-financial service delivery targets and indicators, in addition to the budget indicators.

Requests for further information on the SDBIP should be sent to the dedicated MFMA email address or facsimile number listed below.

## Contact



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