



# Revenue Masterclass

## Linking the Budget to IDP



# INTRODUCTION

✦ The Integrated development Plan (IDP) is a strategic document that clearly outlines the city's development objectives and provides a policy framework that guides management in decision making related to budgeting and planning of the city.

✦ In terms of the eThekweni Municipality we have an eight-point plan within the IDP that is outcomes based :-

- Develop and sustain our spatial, natural and built environment
- Developing a prosperous, diverse economy and employment creation
- Creating a quality living environment
- Fostering a socially equitable environment
- Creating a platform for growth, empowerment and skills development
- Embracing our cultural diversity, arts and heritage
- Good governance and responsive local government
- Financially accountable and sustainable city

# INTRODUCTION

- ✦ Budgeting is a careful juggling/balancing act
- ✦ Input from all stakeholders considered and prioritisation
- ✦ In compliance with the Municipal Systems Act and MFMA the city's budget must be informed by and aligned to the IDP objectives
- ✦ The budgetary allocations for both capital and operating expenditure needs to be undertaken in a manner that will not only ensure that the IDP outcomes are achieved but also leads to the city's vision being realised
- ✦ This is an evolutionary process – capital easier than operating
- ✦ It is a process not an event and requires continuous improvement to the budget and IDP processes to ensure a seamless process eventually

## Our Sustainable Development City Planning Trajectory

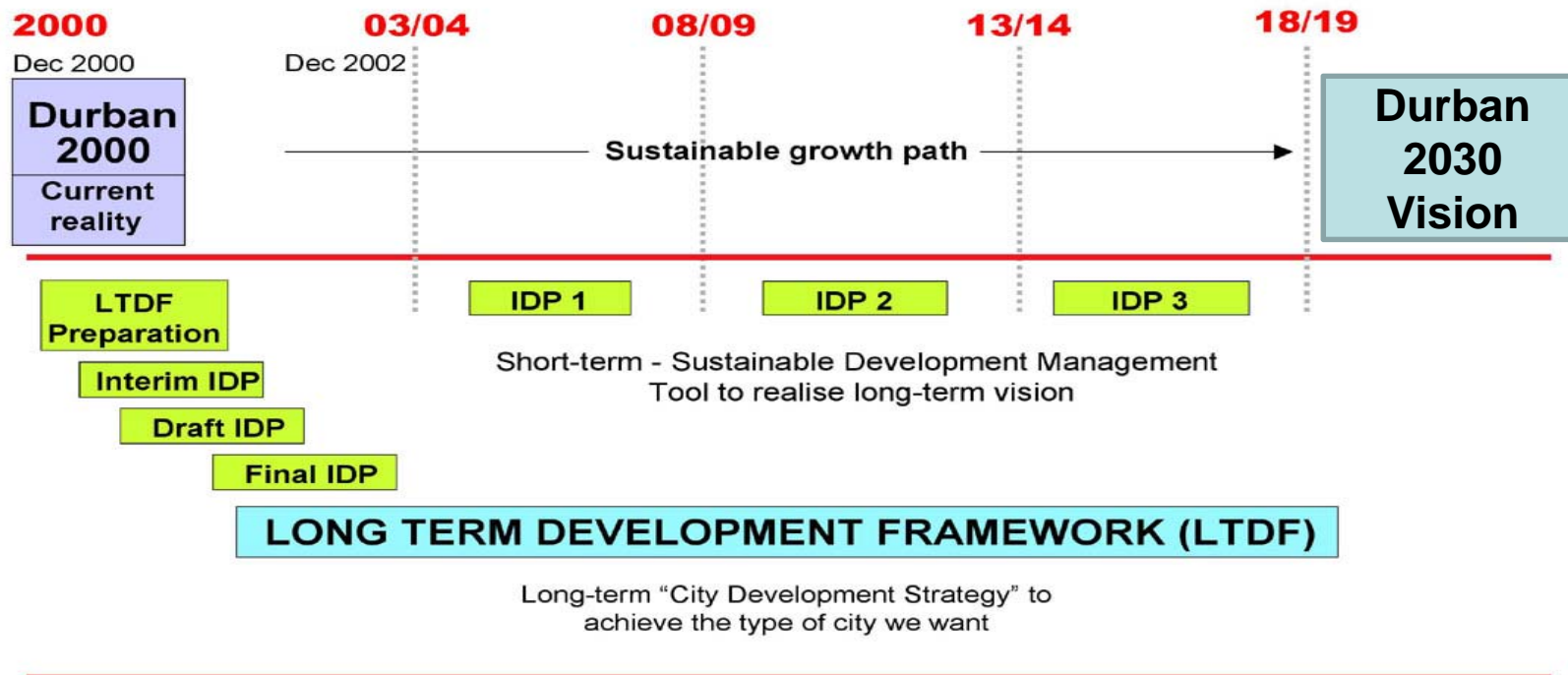
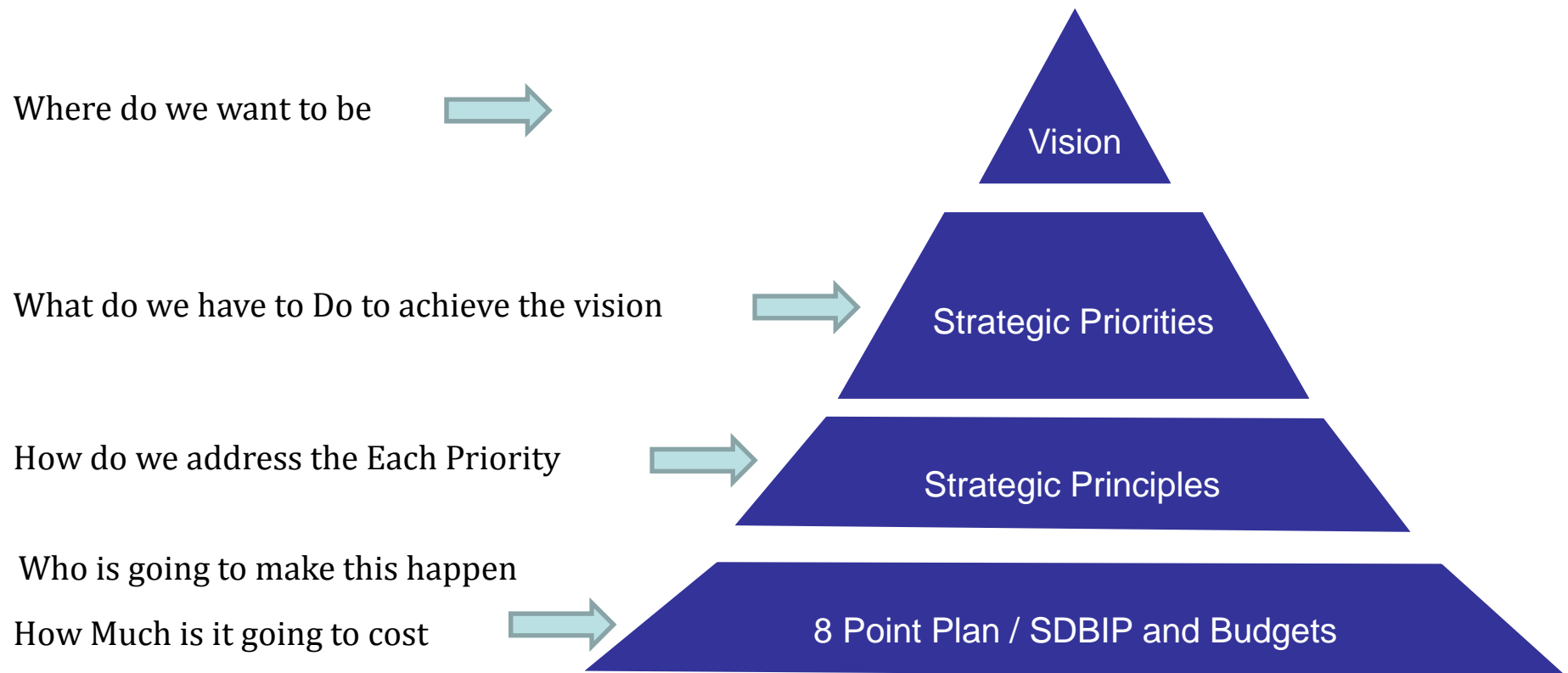


Figure 7

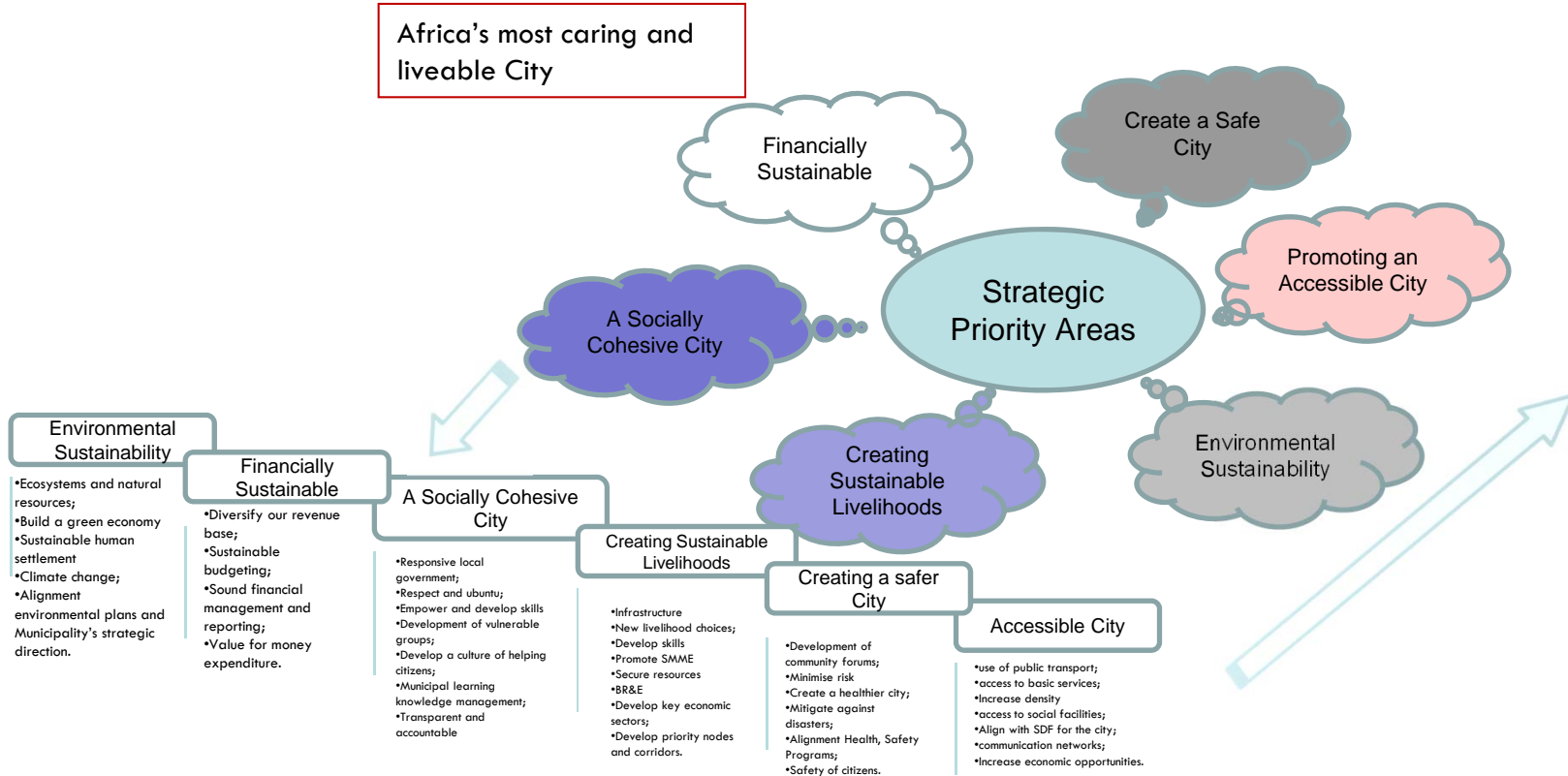
# Simplified IDP Process



# Our IDP

City's vision

Africa's most caring and liveable City

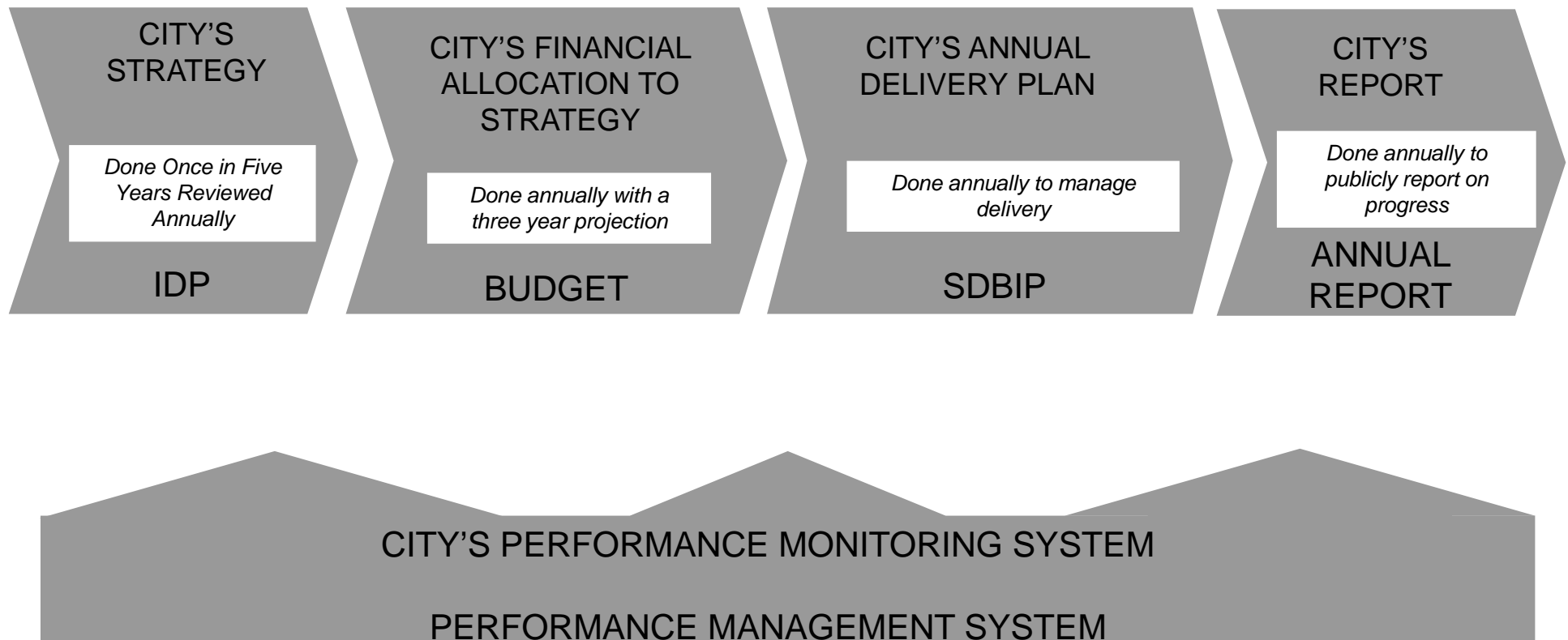


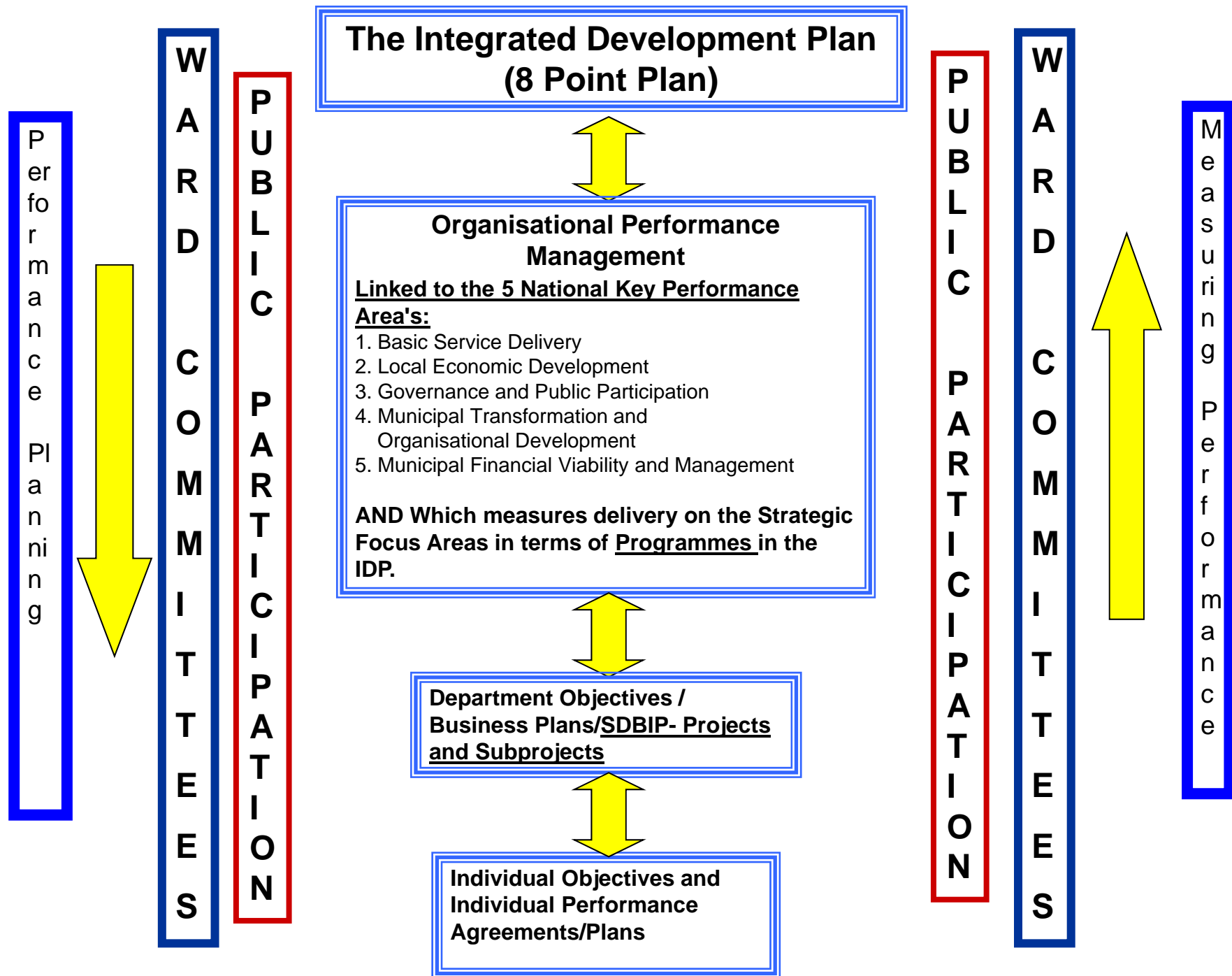
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# The IDP As A Strategic Driver

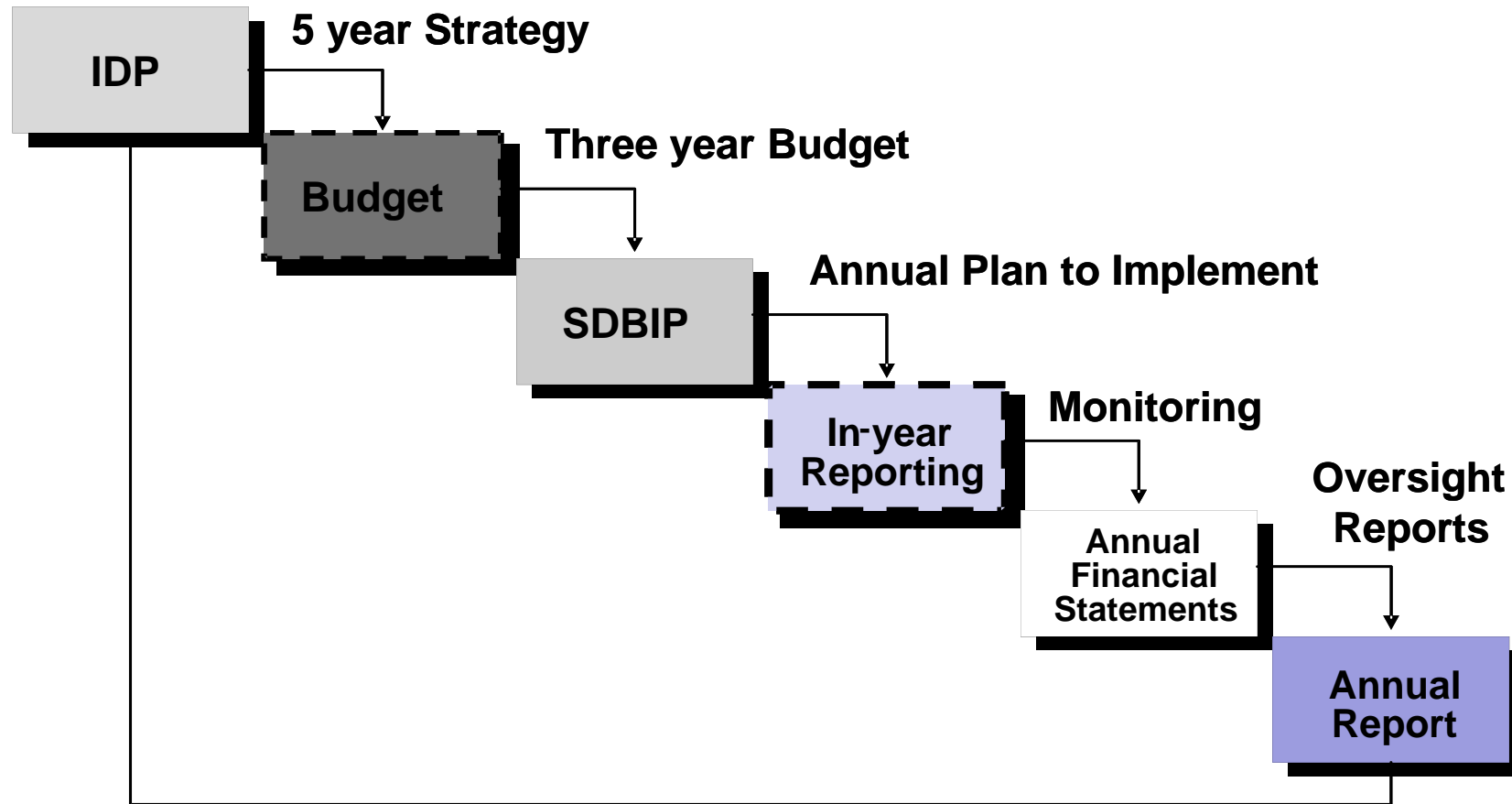
- Within the Long Term Planning framework, the IDP drives the way we **PRIORITISE DEVELOPMENT, BUDGET and MEASURE OUR PERFORMANCE**





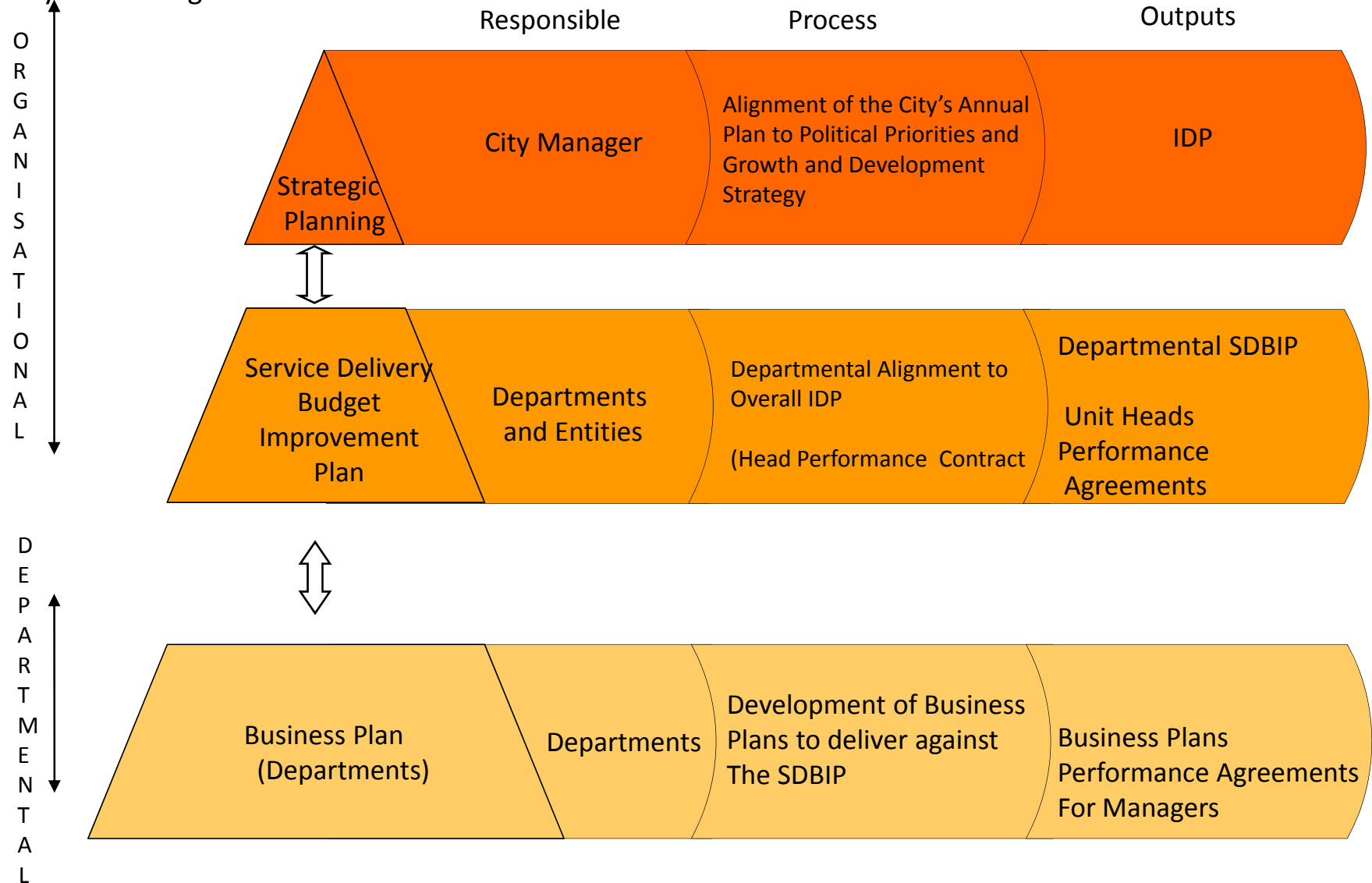


# MUNICIPAL ACCOUNTABILITY CYCLE

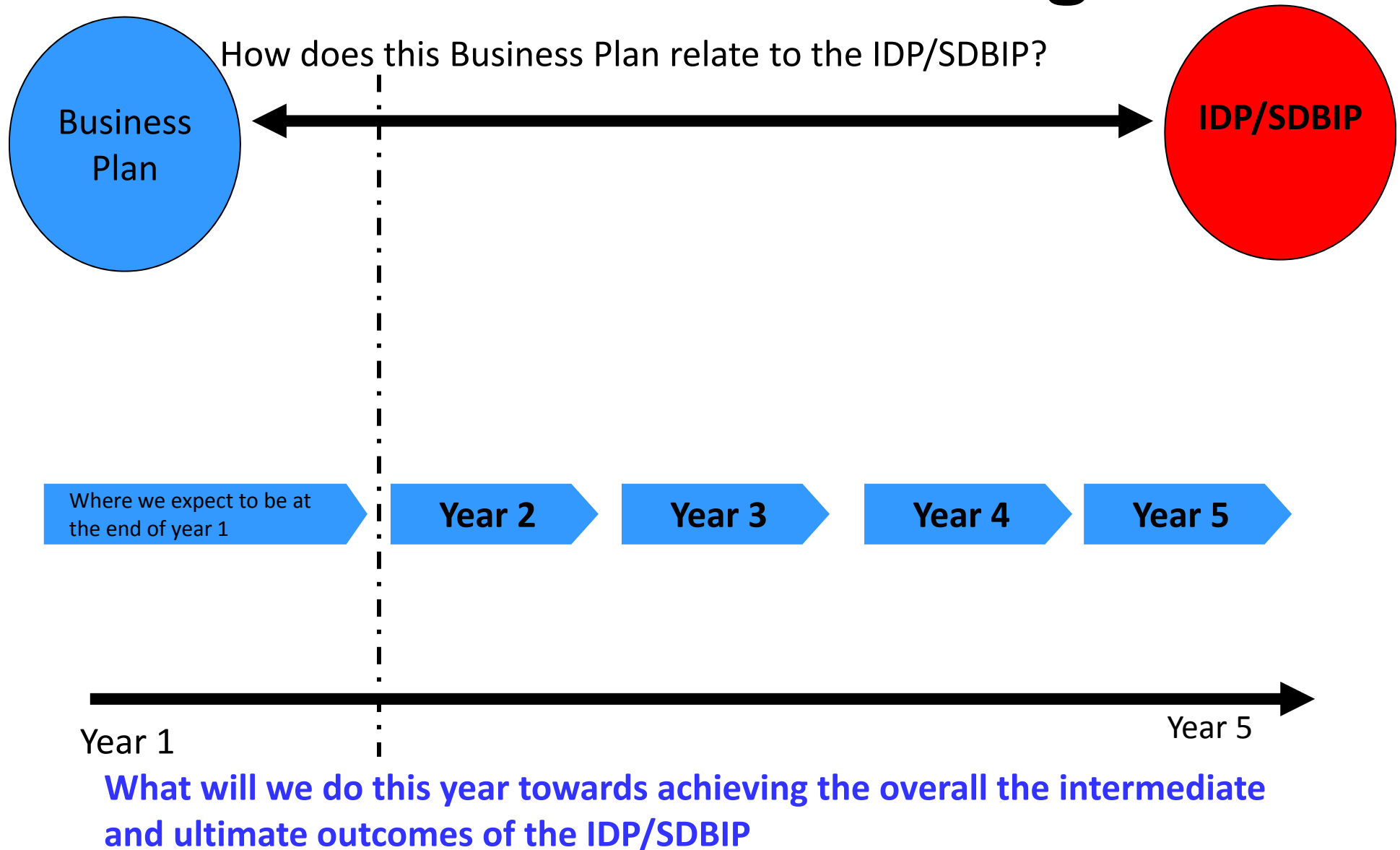


# The Various Levels of Planning within the City

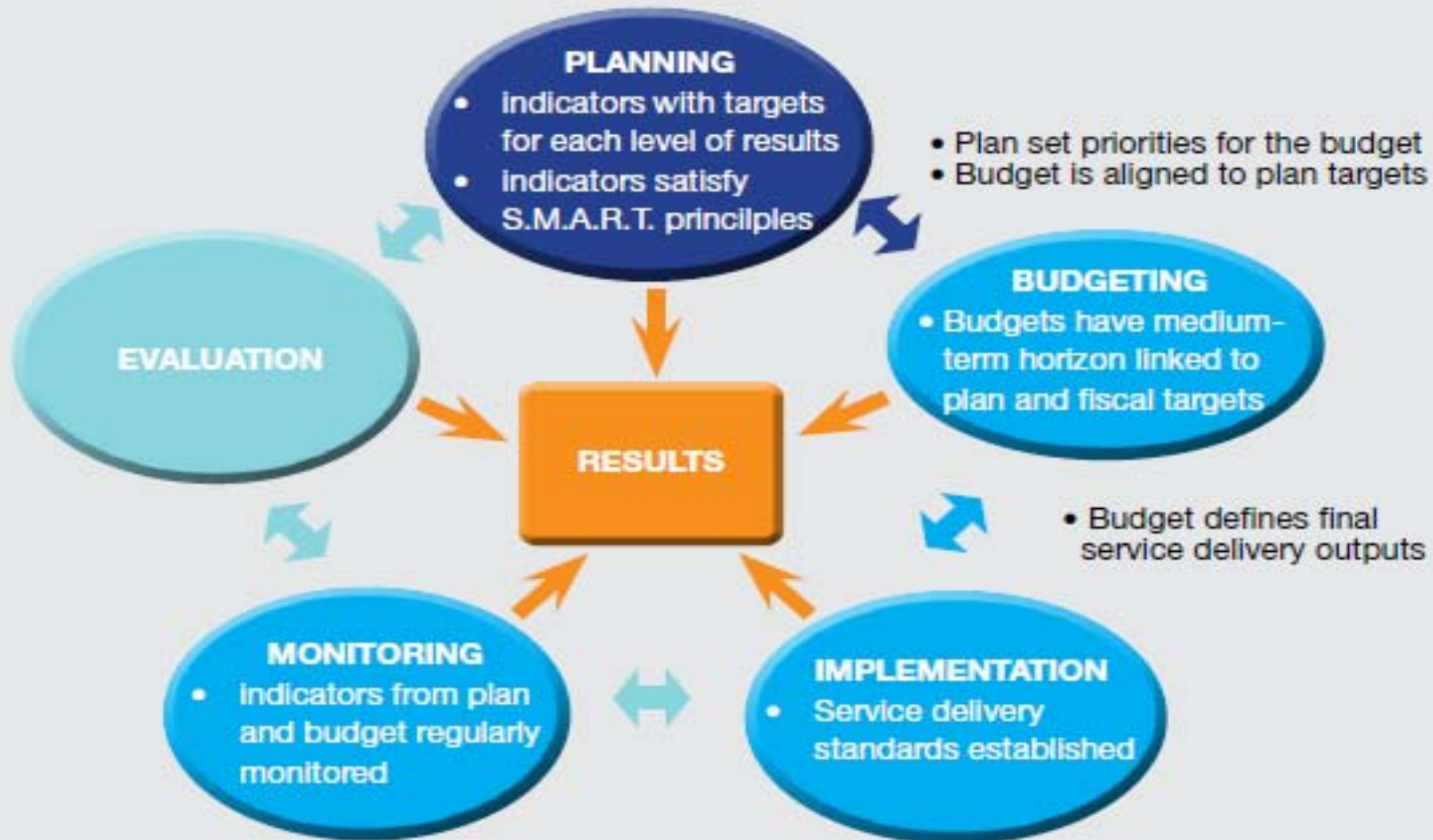
Each level of planning is distinguished by the nature of the process and output but is integrated through a clear system of alignment.



# Business Planning



# The planning to budget link...



\* S.M.A.R.T. indicators are Specific, Measurable, Achievable, Relevant, and Time-bound

● Strong

● Moderate

● Weak

# ALIGNMENT OF BUDGET TO IDP

- ✱ IDP derived from LTDF
- ✱ IDP – 8 point plan of action
- ✱ Aligned to budget via programmes and action plans
- ✱ Need to achieve flexibility in budgeting in terms of output units/votes being able to be aligned more easily

**“There go the people. I must follow them for I am their leader” – Alexandre Ledru-Rollin**

# PROCESS : BUDGET LINK TO IDP

Ward workshops

Big mama workshop

Other input (e.g. Sectors)

- IDP Approval & Budget Review



## STEP 1

- Assess previous year's spend
- Commitments
- Approve budget Principles (capital and operating), which provide guidance on how allocations are made and budgets are spent. Principles are drawn from intent of IDP.

**Responsibility : Senior Management**

## STEP 2

- Key projects prioritised as identified in the IDP and allocated budgets (if not previously budgeted as part of MTEF)

**Responsibility : Senior Management**

**Mostly capital, but also operating where it is project related**

# PROCESS : BUDGET LINK TO IDP

## STEP 3

- 8 Programme meetings led by **plan owners**
- ABM budgeting
- Community needs budgeting

## STEP 4

- Discussion on first draft capital budget
- Responsibility : Programme Owners**

## STEP 5

- Budget workshop with **politicians**

## STEP 6

- Budget Workshop
- input from all stakeholders (business, community based organisations, ward committees, etc)

**“The future depends on what we do in the present” – Mahathma Gandhi**

# PROCESS : BUDGET LINK TO IDP

## STEP 7

- Finalisation of budget process
- Review and prioritise all requests
- Finalise impact of tariff increases

## STEP 8

- Approval by Council
- Feedback/presentation to business, community based organisations and wards

## STEP 9

- Prepare SDBIP
- Quarterly monitoring

**“Happy are those who dream dreams and are ready to pay the price to make them come true” – Leon J. Suenes**



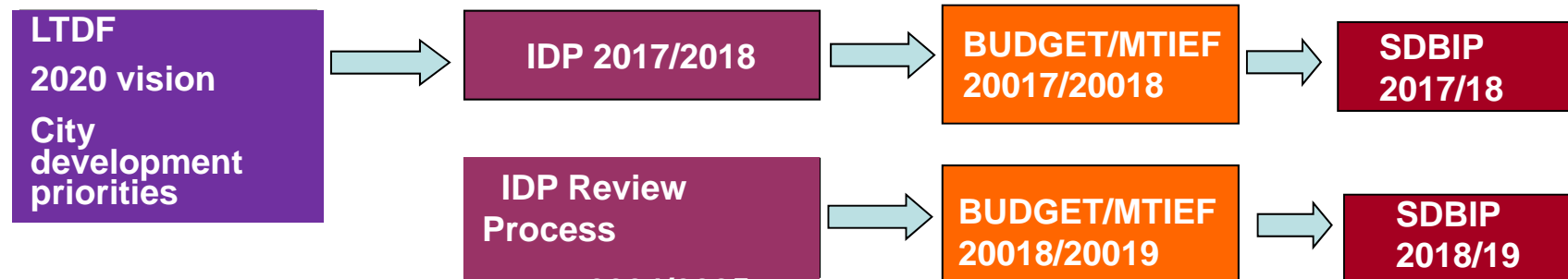
# BUDGET ALLOCATIONS PER IDP PLANS

IDP PLANS	2011/12 Rm		2012/13 Rm		2013/14 Rm	
	Operating Budget	Capital Budget	Operating Budget	Capital Budget	Operating Budget Year	Capital Budget
Develop and Sustain our Spatial, Natural and Built Environment	373,486	2,000	397,056	2,700	423,496	11,000
Developing a Prosperous , Diverse Economy and Employment Creation	551,891	581,339	579,699	628,303	608,456	916,000
Creating a Quality Living Environment	15,497,149	3,986,095	17,749,427	4,160,492	20,851,565	4,931,287
Fostering a Socially Equitable Environment	1,223,158	48,087	1,271,279	63,300	1,379,137	72,957
Creating a Platform for Growth, Empowerment and Skills Development	103,210	10,000	107,072	0	112,424	0
Embracing our cultural diversity, arts and heritage	400,370	1,700	429,360	2,057	455,447	6,500
Good Governance and Responsive Local Government	1,175,884	129,246	1,210,832	111,802	1,245,717	184,560
Financially Accountable and Sustainable City	1,894,265	324,129	2,096,983	234,906	2,215,730	343,518
	<b>21,219,412</b>	<b>5,082,596</b>	<b>23,841,707</b>	<b>5,203,560</b>	<b>27,291,970</b>	<b>6,465,822</b>

# SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (SDBIP)

- ✦ The MFMA requires municipalities to prepare a service delivery and budget implementation plan as a strategic financial management tool to ensure that budgetary decisions that are adopted by municipalities are aligned with the IDP strategy
- ✦ The SDBIP serves to provide an implementation plan that covers all functional areas of the municipality and focuses on actual implementation and delivery with mechanisms for regular review
- ✦ The primary objective of the SDBIP is to strengthen local accountability and governance and improve capital, as well as operational, planning, spending and service delivery
- ✦ To avoid issues related to budgets being underspent and not achieving the programme's desired outcomes an outline of quarterly projections of service delivery targets and performance indicators are also included

# SERVICE DELIVERY & BUDGET IMPLEMENTATION F/WORK



**“Every ceiling, when reached, becomes a floor, upon which one walks as a matter of course and prescriptive right” – Aldous Huxley**

# PERFORMANCE MANAGEMENT

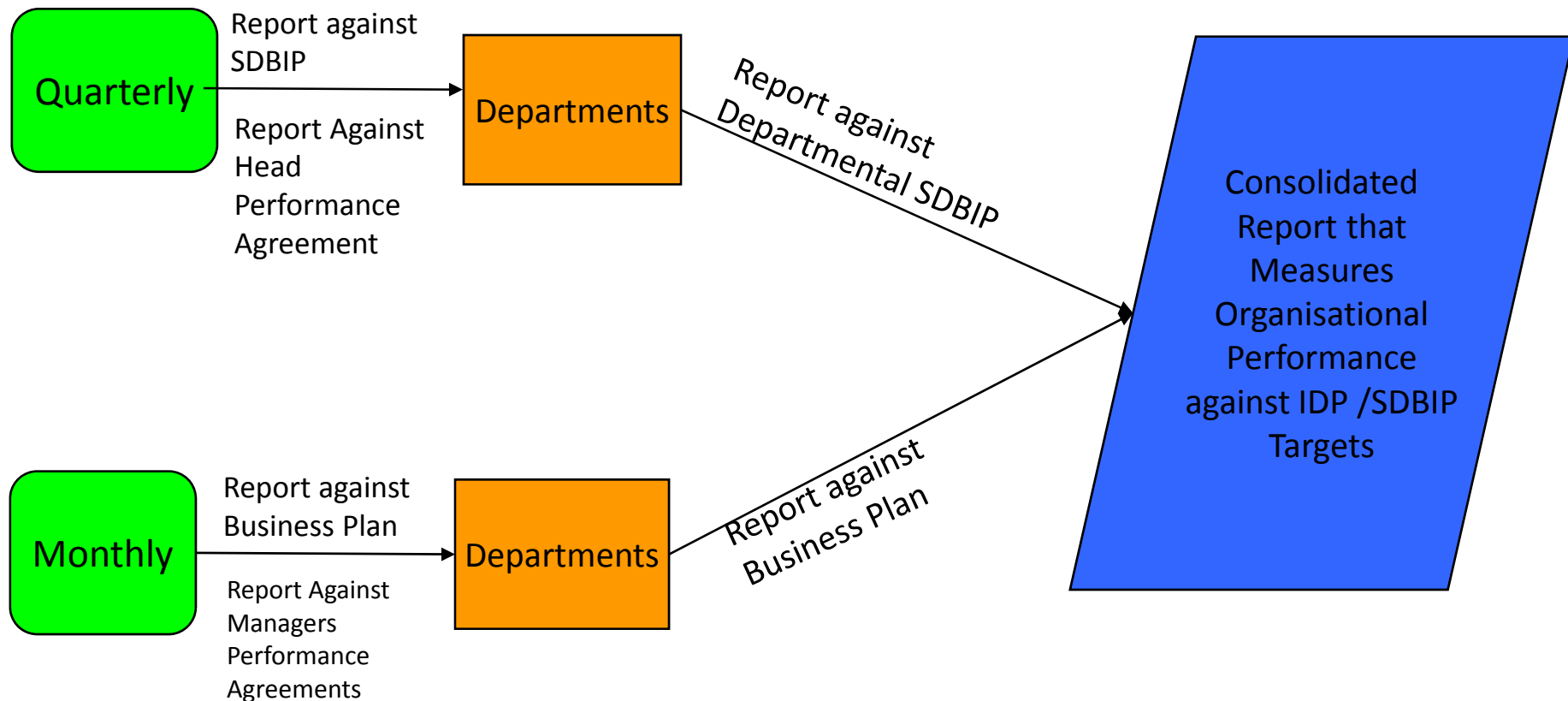
- ✦ s72 (A) of the MFMA requires the Accounting Officer to assess the performance of the municipality (with regard to budget and service delivery) which is submitted, inter alia, to National Treasury.
- ✦ The SDBIP also serves as the kernel of annual performance contracts for senior management and provides the foundation for the overall organisation performance



**“There is no happiness except in the realisation that we have accomplished something” – Henry Ford**

# Organisational Performance Monitoring

It is also necessary to establish processes to ensure all major organisational components of the city are integrated into an overall organisational monitoring and reporting framework.



# MONITORING & REPORTING

- ✦ SDBIP must ensure appropriate monitoring in the execution of the City's budget and processes
- ✦ Reporting and monitoring is very important in terms of ensuring that we achieve our goals and targets and thus our vision
- ✦ Quarterly reporting must be undertaken and consideration must be given to monthly reporting



**“If you can do a half-assed job of anything, you’re a one-eyed man in a kingdom of the blind” – Kurt Vonnegut Jnr**

# CONCLUSION

- ✦ We have made good progress but there is still some improvement required on the operating side
- ✦ Accordingly we need to continue to ensure that there is greater flexibility in the operating budgets in terms of staff costs. For example, we need to have the flexibility of moving staff from one Unit to another without Labour opposition (for example from Roads to Parks). This will ensure that we can better respond to challenges in the IDP
- ✦ The re-prioritisation will also be constrained by fixed costs that would have to be fully redeemed
- ✦ Aligning the budget to the IDP is a process of continuous improvement.

**“Persistence is the twin sister of excellence. One is a matter of quality; the other, a matter of time” – Marabel Morgan**

**d u r b a n**



**good things.**



**great city.**