



## 2.3 Measurable Performance Objectives and Indicators

The City is committed to developing a comprehensive system that allows for the management of the performance of the City. This system must form the basis for managing the performance of Core Departments as well as Municipal Entities.

City wide performance management is, therefore, the process of strategic planning through which performance objectives for the City of Johannesburg Group are identified, based on the Growth and Development Strategy and the Integrated Development Plan, and then monitored and measured via the City Scorecard (the SDBIP). Performance management takes place within the context of a broader cooperative governance framework and ,as such is informed by national planning (at the level of national Government) and by regional planning (at the level of the Provincial Government).

The corporate governance framework for the city integrates both political as well as administrative accountability for performance of the City.

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table SA8: Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12		2012/13 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Borrowing Management</b>									
Credit Rating		AA-	AA-	AA-	AA-	AA-			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	7.3%	12.6%	6.6%	6.5%	6.4%	9.7%	5.8%	6.2%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	9.2%	15.3%	8.0%	7.4%	7.4%	10.7%	6.3%	6.8%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	51.4%	99.5%	66.2%	96.0%	60.1%	98.3%	98.7%	78.3%
<b>Liquidity</b>									
Current Ratio	Current assets/current liabilities	0.7	0.6	0.8	0.9	0.9	1.2	1.5	1.6
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.7	0.6	0.8	0.8	0.9	1.2	1.5	1.6
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.0	0.1	0.2	0.1	0.4	0.6	0.7
<b>Revenue Management</b>									
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		96.7%	102.6%	99.8%	92.4%	93.1%	92.5%	92.8%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			97.0%	98.3%	99.8%	92.5%	93.1%	92.5%	92.9%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	26.6%	19.4%	21.7%	21.3%	24.1%	20.1%	19.3%	19.9%
<b>Creditors Management</b>									
Creditors to Cash and Investments		929.9%	2200.2%	1143.8%	443.0%	691.1%	263.8%	152.5%	126.3%
<b>Other Indicators</b>									
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	12.5%	12.4%	19.3%	12.1%	12.0%	12.0%	12.0%	12.0%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source	36.6%	36.6%	39.4%	33.0%	33.0%	34.0%	34.0%	34.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	26.5%	25.7%	23.7%	23.4%	23.4%	22.7%	21.0%	19.9%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	27.1%	26.0%	24.3%	23.7%	23.7%	23.1%	21.4%	20.3%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.0%	4.4%	6.5%	6.6%	6.4%	5.7%	5.3%	5.3%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	10.6%	12.5%	11.0%	10.6%	10.3%	10.4%	9.8%	9.5%
<b>IDP regulation financial viability indicators</b>									
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	9.3	32.1	42.0	42.7	42.7	37.3	30.1	33.8
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	37.9%	26.1%	28.8%	26.6%	31.2%	25.1%	23.4%	23.9%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.5	0.2	0.4	0.8	0.5	1.4	2.0	2.2

## 2.3.1 Performance indicators and benchmarks

### 2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its credit worthiness and financial position. As with all other municipalities, CoJ's borrowing strategy is primarily informed by the affordability of debt repayments. Debt to revenue is at 40%.

Capital charges to operating expenditure is a measure of the cost of borrowing in relation to the operating expenditure. This increase can be attributed to bonds repayments. It is estimated that the cost of borrowing as a percentage of the operating expenditure will continue to decline, reaching 6.4% in 2011/12 before rising sharply again to 9.7% in 2012. For the rest of the MTB period, however, this indicator will be on a downward trajectory. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward.

### 2.3.1.2. Liquidity

Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the City has set a limit of 1:1, hence at no point in time should this ratio be less than 1:1. For the 2012/13 MTB the current ratio is 1.17 in the 2012/13 financial year and 1.5 for the two outer years of the MTB. Going forward it will be necessary to maintain these levels.

### 2.3.1.3. Revenue Management

As part of the financial sustainability strategy, the City has developed a Revenue Step Change Project. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

### 2.3.1.4. Creditors Management

The City has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100% compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the City, which is expected to benefit the City in the form of more competitive pricing of tenders, as suppliers compete for the City's business.

## 2.3.2 Free Basic Services: Basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the City's ESP Policy. There are currently about 120 000 households registered for free services and the figure is expected to increase to about 200 000 over the medium term.

The ESP offers differentiated subsidies dependant on scores on the CoJ Poverty Index, as follows:

- Band 3 (70- 100 poverty score): Free 50 litres of water per person per day, up to 15 kl per month per household; 30 kWh of electricity per person per month, up to 150 kWh per household; a 100 percent rebate on owner-charged rates and services; 100 percent rebate on refuse; a transport subsidy of 15 percent; and up to R1 500 in rental subsidy.

- Band 2 (35- 69 poverty score): Free 35 litres of water per person per day, up to 12 kl per household; 20 kWh of electricity per person per month, up to 100 kWh per household; a 100 percent rebate on owner-charged rates and services; 100 percent rebate on refuse; 15 percent transport subsidy; and up to R1 000 in rental subsidy.
- Band 1 (1- 34 poverty score): Free 25 litres of water per person per day, up to 10 kl per household; 10 kWh of electricity per person per month, up to 50 kWh per household; 70 percent rebate on owner- charged rates and services; 70 percent rebate on refuse; and up to R750 in rental subsidy.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in MBRR Table A10 (Basic Service Delivery Measurement).

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

### **2.3.3 Providing clean water and managing waste water**

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

In the 2009 and 2010 assessments, City of Johannesburg and its water service provider, Johannesburg Water (Pty) Ltd (JW) attained 100% and 99% rating respectively and were accordingly awarded Blue Drop status, indicating that the City's drinking water is of exceptional quality. The Blue Drop status was again achieved in 2011, placing the City at the number one spot provincially, as well as country-wide.

The City of Johannesburg and its water service provider JW have been awarded the Green Drop certification respectively for 2009, with a rating of 94%, indicating that the City's waste water treatment works meet waste treatment standards of exceptional quality. For 2011 the Green Drop status was achieved for Northern, Goudkoppies, Olifantsvlei and Ennerdale Works. Driefontein and Bushkoppies failed to attain the Green Drop status, but the City has lodged a dispute against this with DWA. The City is still number one in the province and fifth country wide with regard to waste water treatment works.

JW has a Water Safety Plan in place and the plan was independently assessed by the International Water Association (IWA) against an international assessment model. There were no high-risk problems identified. There are no problems experienced in the management of drinking water and the water continuously complies with the *Drinking Water Standard: SANS 241*.

About R416 million has been provided for in the 2012/13 budget for a programme to comply with waste water effluent quality to protect the environment.