

CHAPTER 4: FINANCIAL SUSTAINABILITY AND VIABILITY

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2008/09	ACTUAL 2008/09	EXPLANATION OF VARIANCE / COMMENTS
KPE 4.1 REVENUE ENHANCEMENT AND CUSTOMER CARE					
4.1.1	Implementation of new rates policy and system	N/A	Rates Policy to be implemented	Rates Policy implemented	
4.1.2	% revenue collection	99%	98%	91.7% before write-offs are taken into consideration, and 100.71% after write-offs have been taken into consideration	
4.1.3	Identification of and accessing additional financial resources to enhance service delivery	N/A	Additional funding to be received	Identification and application for funds	
4.1.4	% Traffic fine collection rate	N/A	60%	75%	
4.1.5	Existence of a functional Billing System	Billing system in place	Billing System to be in place	Billing System in place	Commercial negotiations are under way. The NMBM appointed a dedicated Project Manager and allocated senior staff members to assist with NBS requirements.

KEY PERFORMANCE INDICATOR (KPI)	BASELINE	TARGET 2008/09	ACTUAL 2008/09	EXPLANATION OF VARIANCE / COMMENTS
KPE 4.2 SUPPLY CHAIN AND BROAD-BASED ECONOMIC EMPOWERMENT				
4.2.1	Revision of the Supply Chain Management Policy to promote broad-based economic empowerment	Revised Policy in place	Policy to be reviewed	Policy reviewed
KPE 4.3 CASH AND RISK MANAGEMENT				
4.3.1	Turnaround time for bank reconciliations (30 days for ordinary accounts)	N/A	30 days	30 days
4.3.2	Turnaround time for bank reconciliations (45 Days for main account)	N/A	45 days for main account	45 days for main account
4.3.3	Revision of a Cash Management and Investment Policy	N/A	Cash Management and Investment Policy	Cash Management and Investment Policy
4.3.4	Improved or sustained credit rating	Credit rating in place	Improved credit rating in place	Improved credit rating in place
4.3.5	Insurance of all assets	N/A	All assets insured	All assets insured
KPE 4.4 BUDGETING AND FINANCIAL ACCOUNTING				
4.4.1	Preparation of a balanced budget	Approved budget in place	Budget to be approved	Budget approved

KEY PERFORMANCE INDICATOR (KPI)		BASELINE	TARGET 2008/09	ACTUAL 2008/09	EXPLANATION OF VARIANCE / COMMENTS
4.4.2	Preparation of a funding policy/ strategy to finance long-term capital expenditure	N/A	Funding policy to be prepared	Funding policy prepared	
4.4.3	Submission of financial statements that comply with MFMA and other accounting standards and practices	Financial statements submitted	Financial statements to be submitted	Financial statements submitted	
4.4.4	Implementation of the revised priority rating system	N/A	System to be implemented	Implementation of the system	
KPE 4.5 EXPENDITURE MANAGEMENT					
4.5.1	% Personnel cost	30,2%	34%	29,5%%	
4.5.2	Creditors days calculated from date of invoice to payment	27 days	30 days	29 days	
4.5.3	% expenditure - Capital (total)	98,67%	95%	99,6%	
4.5.4	% expenditure – MIG	98%	95%	110%	
4.5.5	% expenditure – Operating	99,8%	95%	97,6%	
4.5.6	% expenditure - Training/Skills Development Budget	N/A	95%	87%	Internal structures were enhanced to ensure improved monitoring and implementation during the 2009/10 financial year.

FINANCIAL SUSTAINABILITY AND VIABILITY
PERFORMANCE HIGHLIGHTS, CHALLENGES AND REMEDIAL ACTION

Financial management and viability in the Municipality is sound, as is evidenced by the favourable long-term credit rating of Aa3.za, as issued by Moody's Investor Services. Although the rating of Aa3.za has been maintained for the last three years, the following factors could negatively affect the rating in the near future:

- A high level of capital investment is required to eradicate infrastructural backlogs. However, a balance needs to be achieved between the eradication of infrastructural and maintenance backlogs.
- The current global economic conditions, which are contributing to unemployment and poverty, mean that the rates base of the Municipality is under threat, thereby diminishing its potential revenue.

The Municipality has performed exceptionally well in revenue collection and capital expenditure, as reflected in the tables below:

Revenue collection:

FINANCIAL YEAR	TARGET	ACTUAL
2007/08	98%	99%
2008/09	98%	91.7% before write-offs are taken into consideration, and 100.71% after write-offs have been taken into consideration

Capital expenditure:

FINANCIAL YEAR	TARGET	ACTUAL
2007/08	95%	98,67%
2008/09	95%	99,6%

AUDITED FINANCIAL STATEMENTS

The Audited Financial Statements of the Municipality are contained in Annexure "C".

BUDGET TO ACTUAL COMPARISON

Actual income for the year amounted to R5 317 215 888, compared to the budget of R5 308 887 320 (100.2%). Actual expenditure for the year amounted to R4 297 599 367, compared to the budget of R4 401 649 240 (97.6%).

GRANTS AND TRANSFERS' SPENDING

Information on grants and subsidies received by the Municipality over the review period is reflected in the table below.