Cash Balance  July 2017 - June 2018

**R 4 280 688** 😊

Cash balance at the end of the financial year.

- **About 10 percent** of the cash balance for similar municipalities in KwaZulu-Natal: **R 3 341 888**
- **About 10 percent** of the cash balance for similar municipalities nationally: **R 3 628 447**

**SOURCE:** State of Local Government Finances

**FORMULA:** Cash available at year end

**REFERENCE:** Cash Flow item code 4200, Audited Actual

Cash Coverage  July 2017 - June 2018

**24 days** 😊

Months of operating expenses can be paid for with the cash available.

- **About one-third** of the coverage for similar municipalities in KwaZulu-Natal: **2.2 months**
- **About half** of the coverage for similar municipalities nationally: **1.6 months**

**SOURCE:** State of Local Government Finances

**FORMULA:** (Cash Flow item code 4200, Audited Actual) / (Income & Expenditure item code 4600, Annual Audited Actual / 12)

If cash available at year end is negative, we say Cash Coverage is zero months.
**Spending of Operating Budget**

July 2017 - June 2018

**19.7% overspent 😞**

Difference between budgeted operating expenditure and what was actually spent.

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>4.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>19.7%</td>
</tr>
</tbody>
</table>

**Did You Know?**

This indicator is about how much more a municipality spent on its operating expenses, than was planned and budgeted for. It is important that a municipality controls its day-to-day expenses in order to avoid cash shortages. If a municipality significantly overspends its operating budget this is a sign of poor operating control or something more sinister.

Overspending by up to 5 percent is usually condoned; overspending in excess of 15 percent is a sign of high risk.

**Reference:** Over and under spending reports to parliament

**Formula:** (Actual Operating Expenditure - Budget Operating Expenditure) / Budgeted Operating Expenditure

**Income & Expenditure item code 4600; Audited Actual**

**Income & Expenditure item code 4600; Adjusted Budget**

---

**Spending of Capital Budget**

July 2017 - June 2018

**25.22% underspent 😞**

Difference between budgeted capital expenditure and what was actually spent.

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>60.7%</td>
<td>21.2%</td>
<td>107.0%</td>
<td>25.2%</td>
</tr>
</tbody>
</table>

**Did You Know?**

Capital spending includes spending on infrastructure projects like new water pipes or building a library. Under spending on a capital budget can lead to an under-delivery of basic services. This indicator looks at the percentage by which actual spending falls short of the budget for capital expenses. Persistent under spending may be due to under resourced municipalities which cannot manage large projects on time.

Municipalities should aim to spend at least 95 percent of their capital budgets. Failure to spend at least 95 percent of their capital budgets. Over and under spending reports to parliament

**Reference:** Over and under spending reports to parliament

**Formula:** (Actual Capital Expenditure - Budgeted Capital Expenditure) / Budgeted Capital Expenditure

**Capital item code 4100; Total Assets; Audited Actual**

**Capital item code 4100; Total Assets; Adjusted Budget**

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**Spending on Repairs and Maintenance**

July 2017 - June 2018

**1.58% 🤔**

Spending on Repairs and Maintenance as a percentage of Property, Plant and Equipment.

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>0.0%</td>
<td>0.8%</td>
<td>0.4%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

**Did You Know?**

Infrastructure must be maintained so that service delivery is not affected. This indicator looks at how much money was budgeted for repairs and maintenance, as a percentage of total fixed assets (property, plant and equipment). For every R10 spent on building/ replacing infrastructure, R0.80 should be spent every year on repairs and maintenance.

This translates into a Repairs and Maintenance budget that should be 8 percent of the value of property, plant and equipment.

**Reference:** Circular 71

**Formula:** Repairs and maintenance expenditure / (Property, Plant and Equipment + Investment Property)

**Capital Acquisition item code 4100, Audited Actual**

**Balance Sheet item code 1300, Audited Actual**

**Balance Sheet item code 1401, Audited Actual**

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**Fruitless and Wasteful Expenditure**

July 2015 - June 2016

**0.08% 😳**

Unauthorised, Irregular, Fruitless and Wasteful Expenditure as a percentage of operating expenditure.

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>16.5%</td>
</tr>
</tbody>
</table>

**Did You Know?**

Unauthorised expenditure means any spending that was not budgeted for or that is unrelated to the municipal department’s function. An example is using municipal funds to pay for unbudgeted projects. Irregular expenditure is spending that goes against the relevant legislation, municipal policies or by-laws. An example is awarding a contract that did not go through tender procedures. Fruitless and wasteful expenditure concerns spending which was made in vain and would have been avoided had reasonable care been exercised. An example of such expenditure would include paying a deposit for a venue that cannot manage large projects on time.

**Reference:** Circular 71

**Formula:** Unauthorised, Irregular, Fruitless and Wasteful Expenditure / Actual Operating Expenditure

**Unauthorised, Irregular, Fruitless and Wasteful Expenditure item codes**

**Income & Expenditure item code 4600; Audited Actual**

**Note:** Since calling expenditures unauthorised, fruitless and wasteful or irregular can involve quite a lot of debate, the numbers used are the restated audited amounts 18 months after the financial year end - part of the Medium Term Revenue and Expenditure Framework.

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**Current Ratio**

July 2018 - June 2019 Quarter 4

**1.45 😅**

The value of a municipality’s short-term assets as a multiple of its short-term liabilities.

**About three-fifths of the ratio for similar municipalities in KwaZulu-Natal:**

2014: 8.275%

2015: 0.13%

2016: 0.0%

2017: 0.0%

2018: 0.0%

---
Liquidity Ratio July 2018 - June 2019 Quarter 4

The municipality's immediate ability to pay its current liabilities

Reference: Municipal Budget and Reporting Regulations
Formula: \( \frac{\text{Cash} + \text{Call Investment Deposits}}{\text{Current Liabilities}} \)

The quarterly summary looks at the state at the end of each quarter. If the monthly data is missing for the last month in the quarter, the previous month in that quarter. If all months are missing, that quarter is shown as blank.

Current Debtors Collection Rate July 2018 - June 2019 Quarter 4

The percentage of new revenue (generated within the financial year) that a municipality actually collects

Reference: Municipal Budget and Reporting Regulations
Formula: \( \frac{\text{Collected Revenue}}{\text{Billed Revenue}} \)

The quarterly summary looks at the state at the end of each quarter. If the monthly data is missing for the last month in the quarter, the previous month in that quarter. If all months are missing, that quarter is shown as blank.

Income

Where does Impendle get its money from?

1. Money Generated Locally
   July 2017 - June 2018
   \( 13.91\% \)
   From residents paying for water & electricity, rates, licenses & fines, and from interest and investments.

Reference: Local Government Equitable Share
Source: Income & Expenditure Audited Actual

2. Money from National Government
   July 2017 - June 2018
   \( 86.09\% \)
   From the Equitable Share of taxes, and Grants from National Government

Reference: Local Government Equitable Share
Source: Income & Expenditure Audited Actual

Where money comes from
Staff Wages and Salaries  July 2017 - June 2018

39.93%

Staff salaries and wages as a percentage of operating expenditure.

| within norms | 25% to 40% |
| outside norms | less than 25% or more than 40% |

**FORMULA:**

\[
\text{Wages & Salaries + Social Contributions / Actual Operating Expenditure} = \frac{\text{Income & Expenditure item codes 3000, 3100, Audited Actual}}{\text{Income & Expenditure item code 4600, Audited Actual}}
\]

Contractor Services  July 2017 - June 2018

9.06%

Costs of contractor services as a percentage of operating expenditure.

| within norms | up to 5% |
| outside norms | more than 5% |

**FORMULA:**

\[
\text{Contracted Services / Actual Operating Expenditure} = \frac{\text{Income & Expenditure item code 4200, Audited Actual}}{\text{Income & Expenditure item code 4600, Audited Actual}}
\]

Community & Social Services

Electricity

Governance, Administration, Planning and Development

Sport and Recreational Facilities

Waste Management

Road Transport

Municipalities spend money on providing services and maintaining facilities for their residents.

**DID YOU KNOW?**

Private contractors are sometimes needed for certain work, but they are usually more expensive than municipal staff. This measure is normally between 2 percent and 5 percent of total operating expenditure.
Understanding Municipal Finance

- Treasury's Municipal Finance website is filled with resources on municipal finance.
- Circular 71 explains many of the financial norms and indicators used to gauge the financial performance of Municipalities.
- MFMA Return Forms submitted by Municipalities to National Treasury. Understanding these forms can help you understand the information on Municipal Money.
- A Million Bags of a Million Rand - a video by the Auditor General's office which simplifies audit outcomes.
- Understanding the Standard Charter of Accounts - a video by the National Treasury on mSCOA.

Financial Reports

Read more about Local Government Finances and learn about how your money is spent.

- Annual Financial Statements of municipalities since 2002-2003. These include the Notes to the Annual Financial Statements where you can find explanations of specific accounting practises and calculations used by the municipality in its financial reporting and some decision making.
- State of Local Government Finances reports are published every year by National Treasury and describe in detail how Municipalities are performing.

Further Reading

Resources from the South African and international community.

- Local Government in South Africa – Part 5, Finances, 19 March 2014 by Corruption Watch
- Infographic: South Africa: Public Participation Mechanisms in Fiscal Matters, 01 July 2015 by Global Initiative for Fiscal Transparency (GIFT)
- Infographic: Open Budget Survey 2015 by International Budget Partnership (IBP)
- Open Budget Survey 2015 by International Budget Partnership (IBP)