FORMULA:

Cash Coverage = Cash available at year end / Operating Expenditure per month

REFERENCE:
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

**1.7% overspent 😊**
Difference between budgeted operating expenditure and what was actually spent.

- More than double the underspending or overspending for similar municipalities in KwaZulu-Natal: 27.69%
- Less than double the underspending or overspending for similar municipalities nationally: 1.15%

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>6.3%</td>
<td>5.0%</td>
<td>0.0%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

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

**FORMULA:**
$$ \text{Unauthorised, Irregular, Fruitless and Wasteful Expenditure} = \text{Unauthorised, Irregular, Fruitless and Wasteful Expenditure item codes} / \text{Actual Operating Expenditure} $$

**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 controls 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.

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Spending of Capital Budget  
July 2017 - June 2018

**50.17% underspent 😞**
Difference between budgeted capital expenditure and what was actually spent.

- More than double the underspending or overspending for similar municipalities in KwaZulu-Natal: 27.69%
- Less than double the underspending or overspending for similar municipalities nationally: 20.32%

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>64.0%</td>
<td>-16.8%</td>
<td>-38.4%</td>
<td>-50.2%</td>
</tr>
</tbody>
</table>

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

**FORMULA:**
$$ \text{Spending on Repairs and Maintenance} = \text{Balance Sheet item code 1401, Audited Actual} / \text{Capital item code 4100, Total Assets, Adjusted Budget} $$

**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 even 85 percent is a clear warning sign.

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Spending on Repairs and Maintenance  
July 2017 - June 2018

**0.0% 😞**
Spending on Repairs and Maintenance as a percentage of Property, Plant and Equipment.

- Less than 10 percent of the spending for similar municipalities nationally: 0.15%
- More than 8 percent of the spending for similar municipalities: 50.0%

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>1.7%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

**REFERENCE:** Circular 71

**FORMULA:**
$$ \text{Capital Acquisition item code 4100, Audited Actual} / \text{Balance Sheet item code 1300, Audited Actual} $$

**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 R100 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.

---

Fruitless and Wasteful Expenditure  
July 2015 - June 2016

**3.32% 😞**
Unauthorised, Irregular, Fruitless and Wasteful Expenditure as a percentage of operating expenditure.

- More than one-quarter of the expenditure for similar municipalities in KwaZulu-Natal: 5.09%
- More than three-fifths of the expenditure for similar municipalities in KwaZulu-Natal: 13.23%

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>15.7%</td>
<td>3.3%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

**REFERENCE:** Circular 71

**FORMULA:**
$$ \text{Unauthorised, Irregular, Fruitless and Wasteful Expenditure item codes} / \text{Actual Operating Expenditure} $$

**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 un budgeted 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 and not using it and losing the deposit.

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Current Ratio  
July 2018 - June 2019 Quarter 4

**2.18 😊**
The value of a municipality’s short-term assets as a multiple of its short-term liabilities.

- More than one-quarter of the ratio for similar municipalities in KwaZulu-Natal: 8.88%
- More than one-fifth of the ratio for similar municipalities in KwaZulu-Natal: 38.88%

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

**FORMULA:**
$$ \text{Current Ratio} = \text{Income & Expenditure item code 4600, Audited Actual} / \text{Income & Expenditure item code 4600, Adjusted Budget} $$

**Did You Know?**
The value of a municipality’s short-term assets as a multiple of its short-term liabilities.
Where money comes from

**1. Money Generated Locally**

- **July 2017 - June 2018**
  - **47.31%**
  - From residents paying for water & electricity, rates, licenses & fines, and from interest and investments.

**2. Money from National Government**

- **July 2017 - June 2018**
  - **52.69%**
  - From the Equitable Share of taxes, and Grants from National Government.

**DID YOU KNOW?**

The more a municipality is able to generate its own income, the more self-sufficient it is. Municipalities should not be too reliant on transfers and grants from other spheres of government.

**REFERENCES:**

- Local Government Equitable Share
- Income & Expenditure Audited Actual
SPENDING - How money is spent

Staff Wages and Salaries  July 2017 - June 2018

32.98%
Staff salaries and wages as a percentage of operating expenditure.

<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>26.5%</td>
<td>29.0%</td>
<td>33.0%</td>
<td></td>
</tr>
</tbody>
</table>

Within norms: 25% to 40%
Outside norms: less than 25% or more than 40%

FORMULA:  \( \frac{\text{Wages & Salaries} + \text{Social Contributions}}{\text{Actual Operating Expenditure}} \)

Contractor Services  July 2017 - June 2018

17.52%
Costs of contractor services as a percentage of operating expenditure.

<table>
<thead>
<tr>
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<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13.4%</td>
<td>16.4%</td>
<td>17.5%</td>
<td></td>
</tr>
</tbody>
</table>

Within norms: up to 5%
Outside norms: more than 5%

FORMULA:  \( \frac{\text{Contracted Services}}{\text{Actual Operating Expenditure}} \)

What is Money Spent On?

Community & Social Services
Electricity
Governance, Administration, Planning and Development
Road Transport
Waste Management

SOURCE: Income & Expenditure Audited Actual and Original Budget

DID YOU KNOW?
This shows how much of a municipality's income it is able to generate itself (through property rates, service charges, etc), compared with how much it receives as transfers and grants from national government. The more a municipality is able to generate its own income, the more self-sufficient it is.

DID YOU KNOW?
Employee-related costs are typically the largest portion of operating expenditure, but they should not grow so large that they threaten the sustainability of the operating budget. The normal range for this indicator is between 25% - 40% of total operating expenditure. Municipalities must guard against spending too much on staff while also making sure they have the people they need to deliver services effectively.

DID YOU KNOW?
Private contractors are sometimes needed for certain work, but they are usually more expensive than municipal staff. This should be kept to a minimum and efforts should be made to provide services in-house, where possible. This measure is normally between 2 percent and 5 percent of total operating expenditure.

DID YOU KNOW?
Municipalities spend money on providing services and maintaining facilities for their residents.
Circular 71 explains many of the financial norms and indicators used to gauge the financial performance of Municipalities.

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Resources from the South African and international community.

- 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 practices 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.
- **In-year Management, Monitoring and Evaluation of Municipal Finances**. Annual and quarterly PDF and Excel reports on Municipal finances since 2007.

About Municipal Money

Find Your Municipality

Frequently Asked Questions

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Contribute on GitHub

Email us at feedback@municipalmoney.gov.za

A project by National Treasury