**Nkandla**

Local municipality in Uthungulu, KwaZulu-Natal

Population 114 415
1 830.1 square kilometres
62.5 people per square kilometre

**MAYOR/EXECUTIVE MAYOR**
Mr AT Ntuli
035 833 2002
atntuli@nkandla.org.za

**Secretary**
Ms Shezi k
035 833 2002
kshezi@nkandla.org.za

**MUNICIPAL MANAGER**
Mr LS Jili
035 833 2009
ljili@nkandla.org.za

**Secretary**
Ms Zinhle Mbatha
035 833 2007
zmbztha@nkandla.org.za

**CASH BALANCE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>R 501k</td>
</tr>
<tr>
<td>2016</td>
<td>R 482k</td>
</tr>
<tr>
<td>2017</td>
<td>R 807k</td>
</tr>
<tr>
<td>2018</td>
<td>R 1 513k</td>
</tr>
</tbody>
</table>

**DID YOU KNOW?**

A municipality’s cash balance refers to the money it has in the bank that it can access easily. If a municipality’s bank account is in overdraft it has a negative cash balance. Negative cash balances are a sign of serious financial management problems. A municipality should have enough cash on hand from month to month so that it can pay salaries, suppliers and so on.
Cash Coverage  July 2017 - June 2018

3 days 😞

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

Less than 10 percent of the coverage for similar municipalities in KwaZulu-Natal: 2.2 months

Less than 10 percent of the coverage for similar municipalities nationally: 1.6 months

| good | More than 3 months |
| average | Between 1 and 3 months |
| bad | Less than 1 month |

REFERENCE: State of Local Government Finances

FORMULA: = Cash available at year end / Operating Expenditure per month

If Cash available at year end is negative, we say Cash Coverage is zero months.

DID YOU KNOW?
Cash coverage measures the length of time, in months, that a municipality could manage to pay for its day-to-day expenses using just its cash reserves. So, if a municipality had to rely on its cash reserves to pay all short-term bills, how long could it last? Ideally, a municipality should have at least three months’ of cash cover.

Spending of Operating Budget  July 2017 - June 2018

9.0% overspent 😞

Difference between budgeted operating expenditure and what was actually spent.

More than double the underspending or overspending for similar municipalities in KwaZulu-Natal: 0.3%

More than double the underspending or overspending for similar municipalities nationally: 1.15%

| good | Up to 5% |
| average | Between 5% and 15% |
| bad | More than 15% |

REFERENCE: Over and under spending reports to parliament

FORMULA: = (Actual Operating Expenditure - Budget Operating Expenditure) / Budgeted 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.

Spending of Capital Budget  July 2017 - June 2018

27.69% underspent 😞

Difference between budgeted capital expenditure and what was actually spent.

About the same as similar municipalities in KwaZulu-Natal: -27.69%

About 1.4 times the underspending or overspending for similar municipalities nationally: -20.32%

| good | Up to 5% |
| average | Between 5% and 15% |
| bad | More than 15% |

REFERENCE: Over and under spending reports to parliament

FORMULA: = (Actual Capital Expenditure - Budgeted Capital Expenditure) / Budgeted Capital Expenditure

DID YOU KNOW?
Capital spending includes spending on infrastructure projects like new water pipes or building a library. Underspending 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 underspending may be due to underresourced 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.

Spending on Repairs and Maintenance  July 2017 - June 2018

3 days 😞

3 days

Less than 10 percent of the coverage for similar municipalities in KwaZulu-Natal: 2.2 months

Less than 10 percent of the coverage for similar municipalities nationally: 1.6 months

| good | More than 3 months |
| average | Between 1 and 3 months |
| bad | Less than 1 month |

REFERENCE: State of Local Government Finances

FORMULA: = Cash available at year end / Operating Expenditure per month

If Cash available at year end is negative, we say Cash Coverage is zero months.

DID YOU KNOW?
Cash coverage measures the length of time, in months, that a municipality could manage to pay for its day-to-day expenses using just its cash reserves. So, if a municipality had to rely on its cash reserves to pay all short-term bills, how long could it last? Ideally, a municipality should have at least three months’ of cash cover.
**Spending on Repairs and Maintenance as a percentage of Property, Plant and Equipment.**

More than the spending for similar municipalities in KwaZulu-Natal: 0.0%

More than double the spending for similar municipalities nationally: 0.13%**

**Circular 71**

FORMULA: \[ \text{Spending on Repairs and Maintenance} / (\text{Property, Plant and Equipment} + \text{Investment Property}) \]

- Capital Acquisition item code 4100, Audited Actual / Balance Sheet item code 1300, Audited Actual + Balance Sheet item code 1401, 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 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% of the value of property, plant and equipment.

**Fruitless and Wasteful Expenditure** July 2015 - June 2016

**Circular 71**

FORMULA: \[ \text{Unauthorised, Irregular, Fruitless and Wasteful Expenditure} / \text{Actual Operating Expenditure} \]

- 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.

**Current Ratio** July 2018 - June 2019 Quarter 4

**Circular 71**

FORMULA: \[ \text{Current Assets} / \text{Current Liabilities} \]

- Balance Sheet item code 2150, Monthly Actual / Balance Sheet item code 1600, Monthly Actual

NOTE: 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.
**Liquidity Ratio** July 2018 - June 2019 Quarter 4

0.15 😞

The municipality’s immediate ability to pay its current liabilities

About 10 percent of the ratio for similar municipalities in KwaZulu-Natal: 1.3

About 10 percent of the ratio for similar municipalities nationally: 1.26

<table>
<thead>
<tr>
<th></th>
<th>2018q4</th>
<th>2019q1</th>
<th>2019q2</th>
<th>2019q3</th>
<th>2019q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018q4</td>
<td>-0.1</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.1</td>
</tr>
</tbody>
</table>

**REFERENCE:** Municipal Budget and Reporting Regulations

**FORMULA:** \( \frac{(\text{Cash + Call Investment Deposits})}{\text{Current Liabilities}} \)

\( \frac{\text{Balance Sheet item codes: 1800, 2200, Monthly Actual}}{\text{Balance Sheet item code 1600, Monthly Actual}} \)

**NOTE:** 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.

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**Current Debtors Collection Rate** July 2018 - June 2019 Quarter 4

97.73% 😊

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

About 1.5 times the rate for similar municipalities in KwaZulu-Natal: 61.17%

About 1.5 times the rate for similar municipalities nationally: 63.05%

<table>
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<th>2019q3</th>
<th>2019q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018q4</td>
<td>176.2%</td>
<td>10.7%</td>
<td>73.3%</td>
<td>113.2%</td>
<td>97.7%</td>
</tr>
</tbody>
</table>

**REFERENCE:** Municipal Budget and Reporting Regulations

**FORMULA:** \( \frac{\text{Collected Revenue}}{\text{Billed Revenue}} \)

\( \frac{\text{Cash Flow item codes: 3010, 3020, 3030, 3040, 3050, 3060, 3070, 3100 Monthly Actual}}{\text{Income and Expenditure item code 0200, 0300, 0400, 1000 Monthly Actual}} \)

**NOTE:** 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.

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**INCOME**

Where does Nkandla get its money from?

1. **Money Generated Locally** July 2017 - June 2018

24.0%

From residents paying for water & electricity, rates, licenses & fines, and from interest and investments.

2. **Money from National Government** July 2017 - June 2018

76.0%

From the Equitable Share of taxes, and Grants from National Government.

**REFERENCE:** Local Government Equitable Share

**SOURCE:** Income & Expenditure Audited Actual

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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.

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Where money comes from
### Income & Expenditure

- **Audited Actual and Original Budget**

### SPENDING - How money is spent

### Staff Wages and Salaries July 2017 - June 2018

#### 31.18%

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:**

\[
\text{Staff Wages and Salaries} = \frac{\text{Wages & Salaries + Social Contributions}}{\text{Actual Operating Expenditure}}
\]

**Source:** Income & Expenditure Audited Actual and Original Budget

### Contractor Services July 2017 - June 2018

#### 6.06%

Costs of contractor services as a percentage of operating expenditure.

- **within norms**: up to 5%
- **outside norms**: more than 5%

**Formula:**

\[
\text{Contractor Services} = \frac{\text{Contracted Services}}{\text{Actual Operating Expenditure}}
\]

### What is Money Spent On?

- Property rates
- Service Charges
- Rental income
- Interest and investments
- Fines
- Licenses and Permits
- Agency services
  - Government Transfers for Operating Expenses
  - Government Transfers for Capital Expenses
  - Other
- **2019 budget**

**Note:**

- **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.
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)
- Open Budget Survey 2015 by International Budget Partnership (IBP)