

# Hessequa

Local municipality in Eden, Western Cape

Population 52 642  
5 734.1 square kilometres  
9.2 people per square kilometre

☎ 028 713 8000  
🌐 <http://www.hessequa.gov.za>  
📍 Civic Centre  
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Riversdal  
6670

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Contact Details last updated: October 2018

## FINANCIAL PERFORMANCE

### Audit outcomes

Year	Audit Outcome	Action
2017	Unqualified - No findings	<a href="#">Read report</a>
2016	Unqualified - No findings	<a href="#">Read report</a>
2015	Unqualified - No findings	<a href="#">Read report</a>
2014	Unqualified - No findings	No report available

#### 📌 DID YOU KNOW?

There are 5 types of audit outcomes.

SOURCE: Municipal Audit Reports

Opinion Type	Description
<b>Unqualified Opinion No Findings</b>	The Auditor-General can state, without reservation, that the financial statements of the municipality fairly represent the financial position of the municipality and are in line with Generally Recognised Accounting Practices (GRAP).
<b>Unqualified Opinion Emphasis of Matter Items</b>	Same as an Unqualified Opinion with no findings, but the Auditor-General wants to bring something particular to the attention of the reader.
<b>Qualified Opinion</b>	The Auditor-General expresses reservations about the fair presentation of the financial statements. There is some departure from the Generally Recognised Accounting Practices (GRAP) but is not sufficiently serious as to warrant an adverse opinion or disclaimer of opinion.
<b>Adverse Opinion</b>	This is expressed when the auditor concludes that the annual financial statements do not present the municipality's financial position, results of operations and cash flows in line with Generally Recognised Accounting Practices (GRAP).
<b>Disclaimer of Opinion</b>	The Auditor-General does not have all of the underlying documentation needed to determine an opinion. For example, the lack of underlying documentation and the amounts in question may be so great so that it is impossible to give any opinion on all.
<b>An Outstanding Opinion</b>	Means that the Auditor General raised queries with the municipality and therefore has not submitted another opinion.

### Cash Balance July 2016 - June 2017

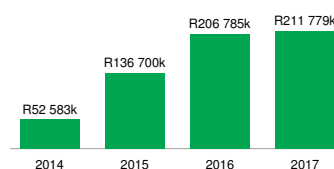
**R 211 779 091** 😊

Cash balance at the end of the financial year.

More than double the cash balance for similar municipalities in Western Cape: R 51 727 503

More than double the cash balance for similar municipalities nationally: R 6 176 846

good 😊 Positive balance  
bad 😞 Negative balance



#### 📌 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.

REFERENCE: State of Local Government Finances

FORMULA: Cash available at year end  
= Cash Flow item code 4200, Audited Actual

### Cash Coverage July 2016 - June 2017

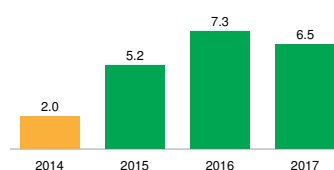
**6.5 months** 😊

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

More than double the coverage for similar municipalities in Western Cape: 1.8 months

More than double the coverage for similar municipalities nationally: 9 days

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



#### 📌 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.

REFERENCE: State of Local Government Finances

FORMULA: = Cash available at year end / Operating Expenditure per month  
= 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 2016 - June 2017

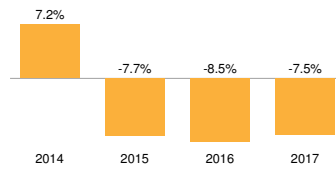
**7.5% underspent** 😞

Difference between budgeted operating expenditure and what was actually spent.

About 10 percent higher than similar municipalities in Western Cape: -6.7%

About double the underspending or overspending for similar municipalities nationally: 3.7%

good 🟢	Up to 5%
average 🟡	Between 5% and 15%
bad 🔴	More than 15%



### 📌 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.

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) / Income & Expenditure item code 4600, Adjusted Budget

## Spending of Capital Budget July 2016 - June 2017

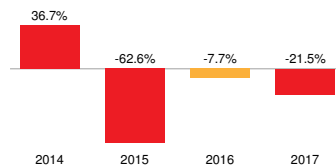
**21.53% underspent** 😞

Difference between budgeted capital expenditure and what was actually spent.

About double the underspending or overspending for similar municipalities in Western Cape: -10.62%

About double the underspending or overspending for similar municipalities nationally: -10.66%

good 🟢	Up to 5%
average 🟡	Between 5% and 15%
bad 🔴	More than 15%



### 📌 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.

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) / Capital item code 4100, Total Assets, Adjusted Budget

## Spending on Repairs and Maintenance July 2016 - June 2017

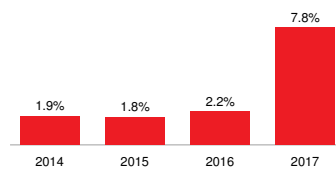
**7.79%** 😞

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

More than the spending for similar municipalities in Western Cape: 0.0%

More than double the spending for similar municipalities nationally: 0.49%

good 🟢	More than 8%
bad 🔴	Less than 8%



### 📌 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)

## Fruitless and Wasteful Expenditure July 2014 - June 2015

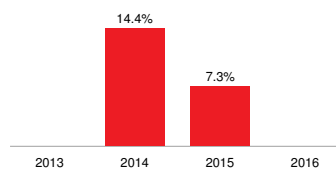
**7.34%** 😞

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

About double the expenditure for similar municipalities in Western Cape: 3.72%

About two-fifths of the expenditure for similar municipalities nationally: 19.53%

good 🟢	0%
bad 🔴	More than 0%



### 📌 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 and not using it and losing the deposit.

REFERENCE: [Circular 71](#)

FORMULA: = Unauthorised, Irregular, Fruitless and Wasteful Expenditure / Actual Operating Expenditure

= Unauthorised, Irregular, Fruitless and Wasteful Expenditure item code irregular, fruitless, unauthorised / 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 2017 - June 2018 Quarter 4

**3.09** 😊

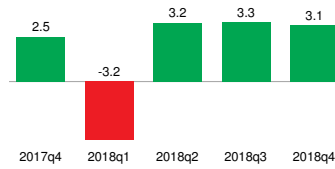
The value of a municipality's short-term assets as a multiple of its short-term liabilities.

More than 1.5 times the ratio for similar municipalities in Western

Cape: 1.91

More than double the ratio for similar municipalities nationally: 1.07

good 🟢 More than 1.5  
 average 🟡 Between 1 and 1.5  
 bad 🔴 Less than 1



**📌 DID YOU KNOW?**

The current ratio compares the value of a municipality's short-term assets (cash, bank deposits, etc) compared with its short-term liabilities (creditors, loans due and so on). The higher the ratio, the better. The normal range of the current ratio is 1.5 to 2 (the municipality has assets more than 1.5 to 2 times its current debts). Anything less than that and the municipality may struggle to keep up with its payments.

REFERENCE: Circular 71

FORMULA: = Current Assets / 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 2017 - June 2018 Quarter 4

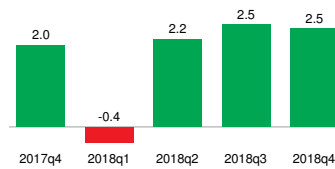
2.45 😊

The municipality's immediate ability to pay its current liabilities

More than double the ratio for similar municipalities in Western Cape: 0.82

More than double the ratio for similar municipalities nationally: 0.17

good 🟢 More than 1  
 bad 🔴 Less than 1



**📌 DID YOU KNOW?**

Liquidity ratios show the ability of a municipality to pay its current liabilities (monies it owes immediately such as rent and salaries) as they become due, and their long-term liabilities (such as loans) as they become current.

These ratios also show the level of cash the municipality has and / or the ability it has to turn other assets into cash to pay off liabilities and other current obligations.

REFERENCE: Municipal Budget and Reporting Regulations

FORMULA: = (Cash + Call Investment Deposits) / Current Liabilities  
 = Balance Sheet item codes 1800, 2200, 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.

### Current Debtors Collection Rate July 2017 - June 2018 Quarter 4

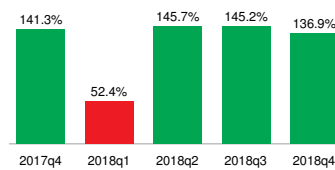
136.91% 😊

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

About 1.4 times the rate for similar municipalities in Western Cape: 98.37%

Nearly double the rate for similar municipalities nationally: 75.07%

good 🟢 95% or more  
 bad 🔴 Less than 95%



**📌 DID YOU KNOW?**

Municipalities don't manage to collect all of the money they earn through rates and service charges. This measure looks at the percentage of new revenue that a municipality collects. It is also referred to as the Current Debtors Collection Ratio.

REFERENCE: Municipal Budget and Reporting Regulations

FORMULA: = Collected Revenue / Billed Revenue  
 = Cash Flow item codes 3010, 3020, 3030, 3040, 3050, 3060, 3070, 3100, Monthly Actual / 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.

## 📌 INCOME

### Where does Hessequa get its money from?

#### 1. Money Generated Locally

July 2016 - June 2017

71.56%

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

+

#### 2. Money from National Government

July 2016 - June 2017

28.44%

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

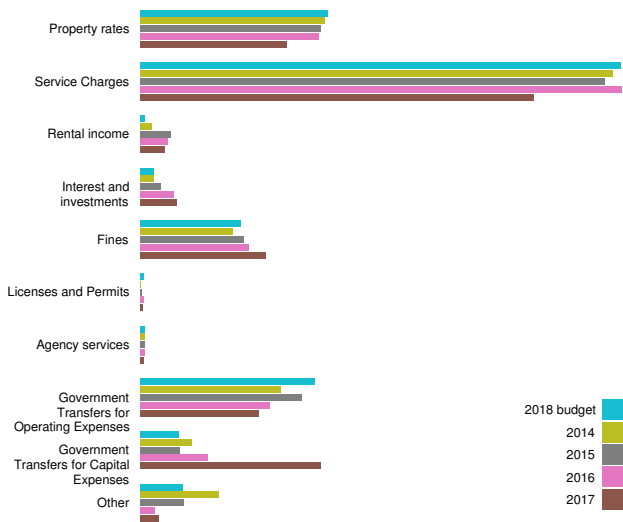
**📌 DID YOU KNOW?**

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.

REFERENCE: Local Government Equitable Share

SOURCE: **Income & Expenditure** Audited Actual

### Where money comes from



**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.

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

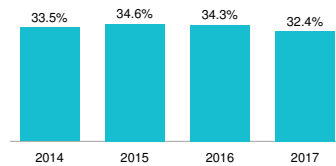
**SPENDING - How money is spent**

**Staff Wages and Salaries** July 2016 - June 2017

**32.4%**

Staff salaries and wages as a percentage of operating expenditure.

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



**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.

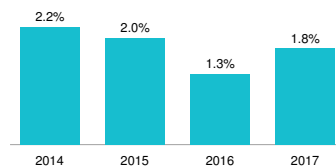
**FORMULA:** = Wages & Salaries + Social Contributions / Actual Operating Expenditure  
 = **Income & Expenditure item codes 3000, 3100, Audited Actual** / **Income & Expenditure item code 4600, Audited Actual**

**Contractor Services** July 2016 - June 2017

**1.82%**

Costs of contractor services as a percentage of operating expenditure.

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



**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.

**FORMULA:** = Contracted Services / Actual Operating Expenditure  
 = **Income & Expenditure item code 4200, Audited Actual** / **Income & Expenditure item code 4600, Audited Actual**

**What is Money Spent On?**



**DID YOU KNOW?**

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

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

## RESOURCES

### 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.
- [In-year Management, Monitoring and Evaluation of Municipal Finances](#) . Annual and quarterly PDF and Excel reports on Municipal finances since 2007.

### Further Reading

Resources from the South African and international community.

- [Local Government in South Africa – Part 5, Finances, 19 March 2014](#) by Corruption Watch
- [Engaging with Government Budgets. An Activist's Guide to South African Government Budgets at Local, Provincial and National Level](#) produced in 2012 by Ndifuna Ukwazi and the Social Justice Coalition
- [Infographic: South Africa: Public Participation Mechanisms in Fiscal Matters, 01 July 2015](#) by Global Initiative for Fiscal Transparency (GIFT)
- [Infographic: High Level Principles on Fiscal Transparency, 04 July 2015](#) by Global Initiative for Fiscal Transparency (GIFT)
- [A Guide to Conducting Social Audits in South Africa, November 2015](#) by International Budget Partnership (IBP)
- [Infographic: Open Budget Survey 2015](#) by International Budget Partnership (IBP)
- [Open Budget Survey 2015](#) by International Budget Partnership (IBP)

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A project by **National Treasury**

