

APPENDIX B

Financial Ratios
in terms of
National Treasury
MFMA Circular No. 71



NATIONAL TREASURY
MFMA Circular No 71
Municipal Finance Management Act No. 56 of 2003

Annexure 2

Interpretation of results

The green colour indicates that the result is within the norm and is acceptable
The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
Data should be captured in the blue colour cell to calculate a ratio.
In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced

Template for Calculation of Uniform Financial Ratios and Norms 2019/20 Projected

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS (#)	
1. FINANCIAL POSITION							
A. Asset Management/Utilisation							
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports, IDP and AR	10% - 20%		14%	Result = 14%
					Total Operating Expenditure	909 472 977	
					Taxation Expense	-	
					Total Capital Expenditure	148 666 139	
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/(Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100	Statement of Financial Position, Notes to the AFS and AR	0%		0%	Result = 0%
					PPE, Investment Property and Intangible Impairment	-	
					PPE at carrying value	1 240 538 391	
					Investment at carrying value	68 819 577	
					Intangible Assets at carrying value	117 270	
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure/ Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-Year Reports	8%		5%	Result = 5%
					Total Repairs and Maintenance Expenditure	65 661 452	
					PPE at carrying value	1 240 538 391	
					Investment Property at Carrying value	68 819 577	

B. Debtors Management

1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget , In-Year Reports, IDP and AR	95%		92%	Result = 92%
					Gross Debtors closing balance	267 125 451	
					Gross Debtors opening balance	271 641 797	
					Bad debts written Off	47 531 752	
					Billed Revenue	524 414 178	

2	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off/Provision for Bad debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		32%	Result = 32%
					Consumer Debtors Bad debts written off	47 531 752	
					Consumer Debtors Current bad debt Provision	146 892 317	

3	Net Debtors Days	((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue)) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 days		84 days	Result = 84 days
					Gross debtors	267 125 451	
					Bad debts Provision	146 892 317	
					Billed Revenue	524 414 178	

C. Liquidity Management

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In year Reports and AR	1 - 3 Months		1 Month	Result = 1 Month
					Cash and cash equivalents	65 521 927	
					Unspent Conditional Grants	8 839 801	
					Overdraft	-	
					Short Term Investments	13 771 697	
					Total Annual Operational Expenditure	800 430 364	

2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		1,19	Result = 1,19
					Current Assets	282 828 805	
					Current Liabilities	237 227 452	

D. Liability Management

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost(Interest Paid and Redemption) / Total Operating Expenditure x 00	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%		5%	Result = 5%
					Interest Paid	18 700 416	
					Redemption	27 379 359	
					Total Operating Expenditure	909 472 977	
					Taxation Expense	-	

2	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non current Finance Lease Obligation + Short Term Borrowings + Long term borrowing) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		33%	Result = 33%
					Total Debt	255 168 211	
					Total Operating Revenue	941 869 744	
					Operational Conditional Grants	167 011 675	

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank overdraft + Short Term Investment + Long Term Investment - Unspent grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		179%	Result = 179%
					Cash and cash Equivalents	65 521 927	
					Bank Overdraft	-	
					Short Term Investment	13 771 697	
					Long Term Investment	10 814 218	
					Unspent Grants	8 839 801	
					Net Assets	1 056 028 021	
					Share Premium	-	
					Share Capital	-	
					Revaluation Reserve	-	
					Fair Value Adjustment Reserve	-	
Accumulated Surplus	1 010 528 021						

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure)/Total Operating Revenue	Statement of Financial Performance, Budget, In-Year reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Asset	= or > 0%		3%	Result = 3%
					Total Operating Revenue	941 869 744	
					Depreciation - Revalued Portion <i>(Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value)</i>	-	
					Total Operating Expenditure	909 472 977	
					Taxation Expense	-	
2	Net Surplus /Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure/Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	0% - 15%		15%	Result = 15%
					Total Electricity Revenue	275 818 027	
					Total Electricity Expenditure	233 846 429	
3	Net Surplus /Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%		37%	Result = 37%
					Total Water Revenue	115 696 509	
					Total Water Expenditure	72 949 021	
4	Net Surplus /Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%		5%	Result = 5%
					Total Refuse Revenue	44 659 883	
					Total Refuse Expenditure	42 585 543	
5	Net Surplus /Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= or > 0%		31%	Result = 31%
					Total Sanitation and Water Waste Revenue	57 914 831	
					Total Sanitation and Water Waste Expenditure	40 190 068	

B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	(Number of Electricity Units Purchased and/or Generated - Number of units sold) / Number of Electricity Units Purchased and/or generated) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%		9%	Result = 9%
					Number of units purchased and/or generated	172 495	
					Number of units sold	156 827	

2	Water Distribution Losses (Percentage)	(Number of Kilotres Water Purchased or Purified - Number of Kilotres Water Sold) / Number of Kilotres Water Purchased or Purified x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%		20%	Result = 20%
					Number of kilolitres purchased and/or purified	4 057	
					Number of kilolitres sold	3 250	

C. Revenue Management

1	Growth in Number of Active Consumer Accounts	(Period under review's number of Active Debtor Accounts - previous period's number of Active Debtor Accounts)/ previous number of Active Debtor Accounts x 100	Debtors System	None		9%	Result = 9%
					Number of Active Debtors Accounts (Previous)	21 819	
					Number of Active Debtors Accounts (Current)	23 775	

2	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue)/ previous period's Total Revenue) x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= CPI		1%	Result = 1%
					CPI	2,2%	
					Total Revenue (Previous)	934 935 123	
					Total Revenue (Current)	941 869 744	

3	Revenue Growth (%) - Excluding capital grants	(Period under review's Total Revenue Excluding capital grants- previous period's Total Revenue excluding capital grants)/ previous period's Total Revenue excluding capital grants) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-Year reports and AR	= CPI		-1%	Result = -1%
					CPI	2,2%	
					Total Revenue Exl.Capital (Previous)	885 078 396	
					Total Revenue Exl.Capital (Current)	879 984 612	

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) × 365	Statement of Financial Performance, Notes to AFS, Budget, In-Year reports and AR	30 days		53 days	Result = 53 days
					Trade Creditors	90 933 195	
					Contracted Services	188 538 530	
					Repairs and Maintenance	65 661 452	
					General expenses	37 292 717	
					Bulk Purchases	188 257 343	
					Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)	148 666 139	
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure ×100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		5%	Result = 5%
					Irregular, Fruitless and Wasteful and Unauthorised Expenditure	46 674 505	
					Total Operating Expenditure	909 472 977	
					Taxation Expense	-	
3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure ×100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	25% - 40%		30%	Result = 30%
					Employee/personnel related cost	263 423 300	
					Councillors Remuneration	8 108 340	
					Total Operating Expenditure	909 472 977	
					Taxation Expense	-	
4	Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure ×100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	2% - 5%		21%	Result = 21%
					Contracted Services	188 538 530	
					Total Operating Expenditure	909 472 977	
					Taxation Expense	-	

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	Own funded Capital Expenditure (Internally generated funds + Borrowings) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-Year reports and AR	None		61%	Result = 61%
					Internally generated funds	40 875 758	
					Borrowings	49 359 247	
					Total Capital Expenditure	148 666 139	

2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information) Budget, IDP, In-Year reports and AR	None		27%	Result = 27%
					Internally generated funds	40 875 758	
					Total Capital Expenditure	148 666 139	

3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	Own Source Revenue (Total revenue - Government grants and Subsidies - Public Contributions and Donations)/ Total Operating Revenue (including agency services) x 100	Statement Financial Performance, Budget, IDP, In-Year reports and AR	None		81%	Result = 81%
					Total Revenue	941 869 744	
					Government grant and subsidies	228 896 808	
					Public contributions and Donations	131 328	
Capital Grants	61 885 132						

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	Actual capital Expenditure / Budget Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, In-Year reports and AR	95% - 100%		80%	Result = 80%
					Actual Capital Expenditure	148 666 139	
					Budget Capital Expenditure	186 889 048	

2	Operating Expenditure Budget Implementation Indicator	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		95%	Result = 95%
					Actual Operating Expenditure	909 472 977	
					Budget Operating Expenditure	960 642 618	

3	Operating Revenue Budget Implementation Indicator	Actual Operating Revenue / Budget Operating Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		89%	Result = 89%
					Actual Operating Revenue	941 869 744	
					Budget Operating Revenue	1 055 838 065	

4	Service Charges and Property Rates Revenue Budget Implementation Indicator	Actual Service Charges and Property Rates Revenue / Budget Service Charges and Property Rates Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%		89%	Result = 89%
					Actual Service Charges and Property Rates Revenue	585 828 201	
					Budget Service Charges and Property Rates Revenue	656 940 973	