



Annexure B

Interpretation of results

The green color indicates that the result is in the acceptable range.
The red color indicates that the result is not acceptable.
The blue color indicates that the result is in the acceptable range.
The red color indicates that the result is not acceptable.

Template for Calculation of Uniform Financial Ratios and Norms

RATIO	FORMULA	DATA SOURCE	NORM RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION	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%	Total Operating Expenditure Taxation Expense Total Capital Expenditure	4% 370,935 15,675	This Ratio is used to assess the level of Capital Expenditure to Total Expenditure, which indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services.	No infrastructure projects requires a lower than average level of capital spend.
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%	PPE, Investment Property and Intangible Impairment PPE at carrying value Investment at carrying value Intangible Assets at carrying value	0% 151,954 1,636	Asset impairment refers to the loss in future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.	The purpose of the Ratio is to indicate the percentage of Impairments compared to the Carrying Value of the Assets; a ratio above 0% reflects a risk in service delivery and therefore corrective measures should be implemented.
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%	Total Repairs and Maintenance Expenditure PPE at carrying value Investment Property at Carrying value	3% 4,108 151,954	The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to prevent breakdowns and interruptions to service delivery. Repairs and maintenance of municipal assets is required to ensure the continued provision of services.	A ratio below the norm is a reflection that insufficient monies are being spent on repairs and maintenance to the extent that it could increase impairment of useful assets.

RATIO	FORMULA	DATA SOURCE	NORM RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION	MUNICIPAL COMMENTS (#)
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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%	Gross Debtors closing balance	12,626	The Ratio indicates the collection rate; i.e. level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. In addition, in order to determine the real collection rate bad debts written-off is taken into consideration.	The ratio gives a skewed perception as the municipality does not render basic services and hence raising of consumer debtors.
					Gross Debtors opening balance	9,980		
					Bad debts written Off	2,012		
					Billed Revenue	2,416		
						93%		

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%	Consumer Debtors Bad debts written off	#DIV/0!	The Ratio compares the value of Bad Debts Written-off on Consumer Debtors to Bad Debts Provided for Consumer Debtors to ensure that the Provision for Bad Debts is sufficient.	Municipality should only write-off Bad Debts already provided for and, if the results are less than 100%, it should be ideally due to the recoverability of debtors. When 100% is exceeded, it indicates that the Municipality had not previously identified the Debtor/s as having the potential for defaults.
					Consumer Debtors Current bad debt Provision			

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	Gross debtors	12,626	This ratio reflects the collection period. Net Debtor Days refers to the average number of days required for a Municipality or Municipal Entity to receive payment from its Consumers for bills/invoices issued to them for services.	The ratio gives a skewed perception as the municipality does not render basic services and hence raising of consumer debtors.
					Bad debts Provision	41		
					Billed Revenue	2,416		
						1,901 days		

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	Cash and cash equivalents	10,415	The Ratio indicates the Municipality's or Municipal Entity's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, during that month.	A ratio below the norm it would be vulnerable and at a higher risk in the event of financial "shocks/set-backs" and its ability to meet its obligations to provide basic services or its financial commitment is compromised.
					Unspent Conditional Grants	19,972		
					Overdraft	2,000		
					Short Term Investments	3,000		
					Total Annual Operational Expenditure	370,935		

						0.29	
					Current Assets	27,365	

RATIO	FORMULA	DATA SOURCE	NORM RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION	MUNICIPAL COMMENTS (#)
2 Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1	Current Liabilities	92,997	The Ratio is used to assess the Municipality's or Municipal Entity's ability to pay back its Short-term Liabilities (Debt and Payables) with its Short-term Assets (Cash, Inventory, Receivables).	A financial ratio under 1 suggests that the Municipality would be unable to pay all its current or short-term obligations if they fall due at any specific point. If current liabilities exceed current assets, it highlights serious financial challenges and likely liquidity problems i.e. insufficient cash to meet short-term financial obligations. Current assets must therefore be increased to appropriately cover current liabilities otherwise there is a risk that non-current assets will need to be liquidated to settle current liabilities.

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 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%	Interest Paid Redemption Total Operating Expenditure Taxation Expense	0% 16 370,935 -	The Ratio indicates the cost required to service the borrowing. It assesses the Borrowing or Payment obligation expressed as a percentage of Total Operating Expenditure.	Municipality has no borrowings.
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%	Total Debt Total Operating Revenue Operational Conditional Grants	27% 92,997 364,773 20,938	The purpose of the Ratio is to provide assurance that sufficient Revenue will be generated to repay Liabilities. Alternatively stated, the Ratio indicates the affordability of the Total Borrowings.	Municipality has no borrowings, only current liabilities.

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%	#DIV/0! Cash and cash Equivalents Bank Overdraft Short Term Investment Long Term Investment Unspent Grants Net Assets Share Premium Share Capital Revaluation Reserve Fair Value Adjustment Reserve Accumulated Surplus	10,414 - - - 19,972 92,422 - - - - 92,422	The Ratio measures the extent to which the Other Reserves, which are required to be cash backed are actually backed by Cash Reserves.	Having less than 100% Cash Reserves could negatively impact the Municipality's ability to comply with the conditions for creating the Reserves and on its ability to fund current and future operations.
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2. FINANCIAL PERFORMANCE

RATIO	FORMULA	DATA SOURCE	NORM RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION	MUNICIPAL COMMENTS (#)
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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%		6%	The Ratio assesses the extent to which the Municipality generates Operating Surpluses	A ratio which is greater than 0% will enable the municipality to generate a surplus which will assist to contribute towards its capital funding requirements.
					Total Operating Revenue	364,773		
					Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value)	28,503		
					Total Operating Expenditure	370,935		
					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%		#DIV/0!	Not applicable	Not applicable
					Total Electricity Revenue			
					Total Electricity Expenditure			

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%		#DIV/0!	Not applicable	Not applicable
					Total Water Revenue			
					Total Water Expenditure			

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%		#DIV/0!	Not applicable	Not applicable
					Total Refuse Revenue			
					Total Refuse Expenditure			

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%		#DIV/0!	Not applicable	Not applicable
					Total Sanitation and Water Waste Revenue			
					Total Sanitation and Water Waste Expenditure			

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%		#DIV/0!	Not applicable	Not applicable
					Number of units purchased and/or generated			
					Number of units sold			

RATIO	FORMULA	DATA SOURCE	NORM RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION	MUNICIPAL COMMENTS (#)
2	Water Distribution Losses (Percentage)	(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%	Number of kilolitres purchased and/or purified Number of kilolitres sold	#DIV/0! Not applicable	Not applicable

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	Number of Active Debtors Accounts (Previous) Number of Active Debtors Accounts (Current)	#DIV/0! Not applicable	Not applicable	
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	CPI Total Revenue (Previous) Total Revenue (Current)	11% 5% 327,381 364,773	The ratio measures the actual growth in the Revenue base of the Municipality brought about by an increase in the Consumer base rather than tariff increases.	No consumer debtors skews the ratio
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	CPI Total Revenue Excl.Capital (Previous) Total Revenue Excl.Capital (Current)	6% 5% 327,381 346,421	This Ratio measures the overall Revenue Growth adjusted for Capital Grants. In addition, this ratio will assist in determining if the increase in Expenditure will be funded by the increased Revenue Base or by some other means.	No consumer debtors skews the ratio

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-Year reports and AR	30 days	Trade Creditors Contracted Services Repairs and Maintenance General expenses Bulk Purchases Capital Credit Purchases (Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment)	24 days 7,679 35,948 4,109 62,081 15,676	This ratio indicates the average number of days taken for Trade Creditors to be paid.	No bulk service trade creditors' distorts the ratio. Creditors are paid within 30 days.
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RATIO	FORMULA	DATA SOURCE	NORM RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION	MUNICIPAL COMMENTS (#)
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2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x 100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		0%	The ratio measures the extent to which the Municipality has incurred Irregular, Fruitless and Wasteful and Unauthorised Expenditure.	The municipality has investigated and acted upon all reports of V/F/W/U expenditure.
					Irregular, Fruitless and Wasteful and Unauthorised Expenditure	143		
					Total Operating Expenditure	370,935		
					Taxation Expense			

3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	25% - 40%		60%	The ratio measures the extent of Remuneration to Total Operating Expenditure.	Various factors need to be considered when scrutinising this ratio, such as the powers and functions performed by the municipality, as this distorts the outcomes.
					Employee/personnel related cost	209,350		
					Councillors Remuneration	11,481		
					Total Operating Expenditure	370,935		
Taxation Expense	-							

4	Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	2% - 5%		10%	This ratio measures the extent to which the municipality's resources are committed towards contracted services to perform Municipal related functions.	A ratio in excess of the Norm indicates that many functions are being outsourced to Consultants, or that Contracted Services are not effectively utilised.
					Contracted Services	35,948		
					Total Operating Expenditure	370,935		
					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		100%	The Ratio measures the extent to which the municipality's Total Capital Expenditure is funded through Internally Generated Funds and Borrowings.	No borrowings taken to fund capital expenditure
					Internally generated funds	15,675		
					Borrowings			
					Total Capital Expenditure	15,675		

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		100%	The Ratio measures the extent to which Total Capital Expenditure of the Municipality is funded through Internally Generated Funds.	No borrowings taken to fund capital expenditure
					Internally generated funds	15,675		
					Total Capital Expenditure	15,675		

3	Own Source Revenue to Total Operating Revenue (Including	Own Source Revenue (Total revenue - Government grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including	Statement Financial Performance, Budget, IDP, In-Year reports and AR	None		29%	The Ratio assesses the extent of Own Source Revenue to Total Operating Revenue, including	Indicates the relyancy of the municipality on grants
					Total Revenue	364,773		
					Government grant and subsidies	260,478		

RATIO	FORMULA	DATA SOURCE	NORM RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION	MUNICIPAL COMMENTS (#)
(Agency Revenue)	Consumers/ Total Operating Revenue (including agency services) x 100			Public contributions and Donations Capital Grants		Agency Revenue hence self-sufficiency.	

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%	Actual Capital Expenditure Budget Capital Expenditure	94% 15,675 16,608	This ratio measures the extent to which Budgeted Capital Expenditure has been spent during the financial year, under review. Further, this ratio measures the municipality's ability to implement capital projects and monitor the risks associated with non-implementation. The ratio also assess whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget.	Variance indicates discrepancies in planning and budgeting, capacity challenges to implement projects and/or Supply Chain Management process failures, which should be investigated and corrective measures implemented.
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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%	Actual Operating Expenditure Budget Operating Expenditure	98% 370,935 379,751	This ratio measures the extent to which Budgeted Operating Expenditure has been spent during the financial year, under review. The ratio also assess whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget.	Any variance from 100% indicates either challenge in capacity to implement, issues of financial controls and management and/or poor budgeting.
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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%	Actual Operating Revenue Budget Operating Revenue	96% 364,773 379,743	This ratio measures the extent of Actual Operating Revenue (Excl. Capital Grant Revenue) received in relation to Budgeted Operating Revenue during the financial year, under review.	Ratio is distorted due to no consumer debtors raised.
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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%	Actual Service Charges and Property Rates Revenue Budget Service Charges and Property Rates Revenue	#DIV/0!	The ratio measures the extent of Actual Service Charges and Property Rates Revenue received in relation to Budgeted Service Charges and Property Rates Revenue during the financial year, under review.	Not applicable
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