



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

**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**

RATIO		FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION	MUNICIPAL COMMENTS (#)
						* R 000 *		
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%		9%	Please refer to page 2 of MFMA Circular No. 71	
					Total Operating Expenditure	2 418 728		
					Taxation Expense	87 661		
					Total Capital Expenditure	236 170		
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%	Please refer to page 3 of MFMA Circular No. 71	
					PPE, Investment Property and Intangible Impairment	-		
					PPE at carrying value	7 687 877		
					Investment at carrying value	87 661		
	Intangible Assets at carrying value	144 482						
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%		6%	Please refer to page 4 of MFMA Circular No. 71	
					Total Repairs and Maintenance Expenditure	462 198		
					PPE at carrying value	7 687 877		
					Investment Property at Carrying value	87 661		
B. Debtors Management								
1	Collection Rate	(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing 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%		98%	Please refer to page 5 of MFMA Circular No. 71	
					Gross Debtors closing balance	894 885		
					Gross Debtors opening balance	846 732		
					Bad debts written Off	4 468		
					Billed Revenue	3 459 415		
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%		2%	Please refer to page 5 of MFMA Circular No. 71	
					Consumer Debtors Bad debts written off	4 468		
					Consumer Debtors Current bad debt Provision	257 932		
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		67 days	Please refer to page 6 of MFMA Circular No. 71	
					Gross debtors	894 885		
					Bad debts Provision	257 932		
					Billed Revenue	3 459 415		
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	Please refer to page 7 of MFMA Circular No. 71	
					Cash and cash equivalents	459 343		
					Unspent Conditional Grants	32 036		
					Overdraft	-		
					Short Term Investments	-		
	Total Annual Operational Expenditure	3 892 968						
2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		1.34	Please refer to page 7 of MFMA Circular No. 71	
					Current Assets	1 328 234		
					Current Liabilities	992 331		
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%		3%	Please refer to page 8 of MFMA Circular No. 71	
					Interest Paid	79 006		
					Redemption	-		
					Total Operating Expenditure	2 418 728		
	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%		43%	Please refer to page 9 of MFMA Circular No. 71	
					Total Debt	1 862 708		
					Total Operating Revenue	4 620 332		
					Operational Conditional Grants	247 014		

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%	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	2125% 459 343 - - - 32 036 6 304 638 - - - - 6 284 527	Please refer to page 9 of MFMA Circular No. 71	
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%	Total Operating Revenue Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial Performance is Taxation Expense)	-6% 2 287 227 - 2 418 728 -	Please refer to page 10 of MFMA Circular No. 71	
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%	Total Electricity Revenue Total Electricity Expenditure	-1% 1 039 186 1 050 756	Please refer to page 10 of MFMA Circular No. 71	
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%	Total Water Revenue Total Water Expenditure	-4% 568 756 593 177	Please refer to page 11 of MFMA Circular No. 71	
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%	Total Refuse Revenue Total Refuse Expenditure	16% 97 726 81 720	Please refer to page 12 of MFMA Circular No. 71	
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%	Total Sanitation and Water Waste Revenue Total Sanitation and Water Waste Expenditure	-41% 110 414 155 639	Please refer to page 12 of MFMA Circular No. 71	
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%	Number of units purchased and/or generated Number of units sold	8% 927 720 857 873	Please refer to page 13 of MFMA Circular No. 71	
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	59% 60 112 27 286	Please refer to page 13 of MFMA Circular No. 71	
C. Revenue Management								
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)	40 days 328 741 416 050 236 170 311 865 1 576 038 490 751	Please refer to page 16 of MFMA Circular No. 71	
3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) /Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	25% - 40%	Employee/personnel related cost Councillors Remuneration Total Operating Expenditure Taxation Expense	20% 468 820 14 159 2 418 728 -	Please refer to page 17 of MFMA Circular No. 71	
4	Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	2% - 5%	Contracted Services Total Operating Expenditure Taxation Expense	9% 217 802 2 418 728 -	Please refer to page 17 of MFMA Circular No. 71	
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	Internally generated funds Borrowings Total Capital Expenditure	57% 110 135 555 236 170	Please refer to page 18 of MFMA Circular No. 71	

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	Internally generated funds	0%	Please refer to page 18 of MFMA Circular No. 71	
						110		
					Total Capital Expenditure	236 170		
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		94%	Please refer to page 18 of MFMA Circular No. 71	
					Total Revenue	2 287 227		
					Government grant and subsidies	247 014		
					Public contributions and Donations	-		
					Capital Grants	110 254		
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	82%	Please refer to page 19 of MFMA Circular No. 71	
					Budget Capital Expenditure	236 170 289 751		
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	117%	Please refer to page 20 of MFMA Circular No. 71	
					Budget Operating Expenditure	2 418 728 2 065 714		
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	99%	Please refer to page 20 of MFMA Circular No. 71	
					Budget Operating Revenue	2 287 227 2 413 382		
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	30%	Please refer to page 21 of MFMA Circular No. 71	
					Budget Service Charges and Property Rates Revenue	1 702 236 1 828 584		