



Municipal
Early Warning Financial Dashboard

What It Is

A Municipal Early Warning Financial Dashboard is a simple tool that should be used by Councillors, oversight committees, civil society organisations, and ratepayer associations to quickly detect financial stress in a municipality before it becomes a crisis.

The dashboard focuses on a small number of critical indicators that signal declining financial sustainability.

Early Warning Financial Dashboard – Important Ratios

Indicator	Healthy	Warning	Critical	What it Tells You
Cash Coverage (months of operating cash)	> 3 months	1–3 months	< 1 month	Ability to pay suppliers and salaries
Debt Collection Rate	> 95%	85–95%	< 85%	Strength of revenue collection
Debtors Collection Period	< 60 days	60–90 days	> 90 days	Efficiency of billing and revenue management
Creditor Payment Period	30–60 days	60–90 days	> 90 days	Cash flow stress
Operating Surplus Ratio	Surplus	Break-even	Persistent deficit	Structural financial sustainability
Employee Cost Ratio	25–35%	35–40%	> 40%	Employee cost pressure
Repairs & Maintenance Ratio	8–10% of asset value	5–8%	< 5%	Infrastructure sustainability
Capital Investment Ratio	> 15%	10–15%	< 10%	Investment in future infrastructure
Grant Dependency Ratio	< 30%	30–50%	> 50%	Financial independence
Irregular / Wasteful Expenditure	Minimal	Increasing	High or recurring	Governance risk

Early Warning Triggers

A municipality is likely entering financial distress when:

- Cash coverage falls below 2 months
- Debt collection drops below 90%
- Creditors remain unpaid for more than 90 days
- Operating deficits occur for multiple years
- Maintenance spending declines

These patterns often appear 2 to 4 years before full financial collapse.

Simple Dashboard Score

Each indicator can be scored:

- Green = 3 points
- Orange = 2 points
- Red = 1 point

Score	Interpretation
25 – 30	Financially stable
18 – 24	Moderate financial Risk
12 – 17	High Financial Risk
Below 12	Municipality approaching financial crisis

Where to Find the Data

The data for this dashboard usually comes from:

- Monthly Section 71 financial reports
- Annual Financial Statements
- Audit outcomes
- Budget and Mid-Year Budget & Performance Assessment

These are submitted to National Treasury in terms of the Municipal Finance Management Act.

The most revealing three indicators to monitor monthly are:

- Cash on hand
- Debt collection rate
- Creditor payment period

If all three deteriorate simultaneously, it usually signals imminent financial stress.

Source: This fact sheet draws on commonly used municipal financial oversight indicators derived from South African municipal finance frameworks, National Treasury reporting standards, and recognised public sector financial management practices used to monitor municipal financial sustainability and early warning signs of fiscal distress.

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