



Built **E**nvironment **P**erformance **P**lan Addendum **D** 2019/2020

Addendum D

Base Case Projected Financial Ratios

			2018	1 2019	2 2020	3 2021	4 2022	5 2023	6 2024	7 2025	8 2026	9 2027	10 2028
N.T. NORM													
FINANCIAL POSITION													
ASSET MANAGEMENT													
R29	Capital Expenditure / Total Expenditure	10% - 20%		10.8%	10.4%	10.3%	11.1%	11.1%	11.1%	10.9%	11.0%	10.9%	11.0%
R27	Repairs and Maintenance as % of PPE and Investment Property	8%	0.0%	3.8%	4.1%	4.5%	4.6%	4.9%	5.9%	6.3%	6.8%	7.8%	7.8%
DEBTORS MANAGEMENT													
R4	Gross Consumer Debtors Growth			7.0%	6.8%	6.7%	6.6%	6.7%	6.7%	6.8%	6.9%	7.0%	7.1%
R5	Payment Ratio / Collection Rate	95%		95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
	Net Debtors Days	30		63	58	55	52	49	46	43	40	37	34
LIQUIDITY MANAGEMENT													
R49	Cash Coverage Ratio (excl Working Capital)			11.5 : 1	12.9 : 1	17.6 : 1	22.3 : 1	23.4 : 1	27.3 : 1	30.7 : 1	30.7 : 1	32.9 : 1	32.2 : 1
R50	Cash Coverage Ratio (incl Working Capital)			0.6 : 1	0.6 : 1	0.8 : 1	1 : 1	1 : 1	1 : 1	1.1 : 1	1 : 1	1 : 1	0.9 : 1
R51	Cash Surplus / Shortfall on Minimum Liquidity Requirements			-R 3,287.8 m	-R 2,978.8 m	-R 1,469.4 m	-R 142.2 m	-R 315.2 m	R 502.0 m	R 1,085.2 m	R 228.1 m	R 122.5 m	-R 1,091.8 m
R1	Liquidity Ratio (Current Assets : Current Liabilities)	1.5 - 2.0 : 1	0.8 : 1	0.8 : 1	1 : 1	1.1 : 1	1.1 : 1	1.2 : 1	1.3 : 1	1.3 : 1	1.3 : 1	1.2 : 1	1.2 : 1
LIABILITY MANAGEMENT													

R45	Debt Service as % of Total Operating Expenditure	6% - 8%		7.8%	8.0%	5.4%	5.4%	9.0%	5.8%	6.4%	9.2%	6.6%	8.4%
R6	Total Debt (Borrowings) / Operating Revenue	45%	37.7%	35.0%	32.7%	32.4%	32.8%	30.7%	31.9%	32.9%	30.9%	31.6%	30.5%
R7	Repayment Capacity Ratio		4.26	2.67	3.16	2.75	2.86	2.95	3.36	3.88	3.66	4.09	4.17
R46	Debt Service Cover Ratio (Cash Generated by Operations / Debt Service)			2.1 : 1	1.7 : 1	2.8 : 1	2.8 : 1	1.5 : 1	2.2 : 1	1.8 : 1	1.3 : 1	1.6 : 1	1.3 : 1

SUSTAINABILITY

	Net Financial Liabilities Ratio	< 60%	55.3%	51.1%	46.8%	41.5%	37.5%	35.2%	34.0%	33.1%	33.0%	33.8%	34.7%
	Operating Surplus Ratio	0% - 10%	0.7%	-1.3%	0.2%	0.9%	0.9%	0.0%	-0.6%	-0.6%	-0.6%	-1.1%	-0.7%
	Asset Sustainability Ratio	> 90%		26.0%	32.0%	38.8%	43.4%	45.1%	46.4%	47.3%	48.0%	48.4%	48.5%

FINANCIAL PERFORMANCE

EFFICIENCY

R42	Net Operating Surplus / Total Operating Revenue	>= 0%		-1.3%	0.2%	0.9%	0.9%	0.0%	-0.6%	-0.6%	-0.6%	-1.1%	-0.7%
R43	Electricity Surplus / Total Electricity Revenue	0% - 15%		31.5%	31.3%	31.5%	32.1%	32.3%	32.6%	32.9%	33.2%	33.5%	33.8%
R44	Water Surplus / Total Water Revenue	>= 0%		25.9%	23.5%	24.7%	26.3%	27.8%	28.7%	29.0%	29.3%	29.6%	29.8%

REVENUE MANAGEMENT

R8	Increase in Billed Income p.a. (R'm)			R 2,064.3 m	R 1,436.0 m	R 1,443.7 m	R 1,780.0 m	R 2,133.4 m	R 2,400.6 m	R 2,679.9 m	R 2,969.4 m	R 3,267.1 m	R 3,568.8 m
R9	% Increase in Billed Income p.a.	CPI		8.7%	5.5%	5.3%	6.2%	7.0%	7.3%	7.6%	7.9%	8.0%	8.1%
R12	Operating Revenue Growth %	CPI		9.2%	4.9%	5.6%	6.3%	5.9%	7.2%	7.6%	7.8%	7.8%	8.0%
R14	Contribution per Income Source: Equitable Share			7.2%	7.6%	8.0%	8.0%	8.1%	8.1%	8.1%	8.0%	8.0%	8.0%

R15	Contribution per Income Source: Conditional Operating Grants			7.1%	6.2%	5.9%	5.9%	5.9%	5.8%	5.7%	5.6%	5.5%	5.4%
R16	Contribution per Income Source: Property Rates		22.3%	21.5%	21.4%	21.4%	21.5%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%
R17	Contribution per Income Source: Electricity Services		36.2%	36.6%	37.0%	36.9%	36.9%	37.4%	37.7%	37.9%	38.1%	38.4%	38.7%
R18	Contribution per Income Source: Water Services		10.6%	11.7%	11.8%	11.7%	11.6%	11.7%	11.6%	11.5%	11.4%	11.4%	11.3%
R19	Contribution per Income Source: Interest on Investments		0.7%	0.5%	0.7%	0.8%	1.0%	1.2%	1.2%	1.3%	1.4%	1.3%	1.4%
R20	Annual Increase per Income Source: Equitable Share			12.4%	10.2%	11.2%	5.5%	7.3%	7.4%	7.4%	7.5%	7.6%	7.7%
R21	Annual Increase per Income Source: Property Rates			5.1%	4.7%	5.5%	6.4%	6.8%	7.2%	7.4%	7.7%	7.8%	7.9%
R22	Annual Increase per Income Source: Electricity Services			10.5%	6.0%	5.4%	6.2%	7.4%	7.9%	8.2%	8.5%	8.6%	8.7%
R23	Annual Increase per Income Source: Water Services			20.0%	5.8%	4.7%	5.8%	6.4%	6.7%	6.9%	7.1%	7.2%	7.3%
R24	Annual Increase per Income Source: Interest on Investments			-26.7%	63.4%	12.1%	35.8%	27.6%	6.6%	19.4%	15.5%	2.8%	10.2%
R47	Cash Generated by Operations / Own Revenue			19.7%	16.1%	17.4%	17.1%	15.9%	14.7%	13.7%	13.7%	12.7%	12.3%
R48	Cash Generated by Operations / Total Operating Revenue			16.9%	13.9%	15.0%	14.7%	13.7%	12.7%	11.8%	11.9%	11.0%	10.7%
EXPENDITURE MANAGEMENT													
	Creditors Payment Period	30		247	248	244	231	223	211	201	195	189	184
R30	Contribution per Expenditure Item: Staff Cost (Salaries, Wages and Allowances)	25% - 40%		25.8%	26.7%	26.9%	27.3%	27.3%	26.9%	26.8%	26.5%	26.2%	26.1%

	Contribution per Expenditure Item: Contracted Services	2% - 5%		10.1%	9.7%	10.0%	9.8%	9.9%	9.9%	9.9%	9.9%	9.8%	9.8%
R31	Contribution per Expenditure Item: Electricity Services			22.1%	22.8%	22.9%	22.5%	22.5%	22.4%	22.5%	22.5%	22.5%	22.6%
R32	Contribution per Expenditure Item: Water Services			7.6%	8.1%	7.9%	7.7%	7.5%	7.3%	7.2%	7.2%	7.1%	7.0%
R33	Contribution per Expenditure Item: Repairs & Maintenance			4.4%	4.8%	5.2%	5.1%	5.4%	6.4%	6.8%	7.2%	8.0%	7.9%
R34	Contribution per Expenditure Item: Depreciation and Asset Impairment			6.1%	6.1%	6.0%	5.8%	5.7%	5.6%	5.5%	5.4%	5.3%	5.2%
R35	Contribution per Expenditure Item: External Interest Charged			3.3%	3.2%	2.9%	2.9%	2.9%	2.8%	3.0%	3.0%	2.9%	2.9%
R36	Annual Increase per Expenditure Item: Staff Cost (Salaries, Wages and Allowances)			17.0%	6.6%	5.5%	8.8%	6.5%	6.6%	6.7%	6.9%	7.1%	7.2%
R37	Annual Increase per Expenditure Item: Electricity Services			10.6%	6.4%	5.1%	5.3%	6.9%	7.4%	7.7%	8.0%	8.1%	8.2%
R38	Annual Increase per Expenditure Item: Water Services			22.7%	9.1%	3.1%	3.5%	4.2%	5.3%	6.5%	6.7%	6.8%	6.9%
R39	Annual Increase per Expenditure Item: Repairs & Maintenance			#DIV/0!	12.5%	14.8%	5.5%	12.6%	26.6%	14.2%	13.9%	21.1%	6.3%
R40	Annual Increase per Expenditure Item: Depreciation			11.3%	3.0%	4.0%	4.0%	5.1%	5.3%	5.5%	5.6%	5.9%	6.1%
R41	Annual Increase per Expenditure Item: External Interest Charged			-26.2%	-1.7%	-3.2%	7.1%	7.6%	4.0%	12.3%	10.0%	2.7%	10.6%
GRANT DEPENDENCY													
R10	Total Grants / Total Revenue		0	19.8%	19.2%	19.4%	19.3%	19.0%	18.6%	18.1%	17.6%	17.2%	16.8%

R11	Own Source Revenue to Total Operating Revenue		85.6%	85.7%	86.2%	86.1%	86.2%	86.1%	86.2%	86.3%	86.4%	86.5%	86.6%
	Capital Grants to Total Capital Expenditure			55.6%	57.7%	59.8%	54.6%	50.5%	46.1%	43.1%	39.1%	35.7%	32.4%

DEFINITIONS

Liquidity Ratios

Current Ratio	<i>Current Assets / Current Liabilities</i>
Quick Liquidity Ratio	<i>(Current Assets - Debtors > 30 days) / Current Liabilities</i>
Minimum Liquidity Level (or Cost Coverage)	<i>((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Gain and Loss on Disposal of Assets)</i>
Overdraft to Total Income	<i>Overdraft / Total Operating Revenue</i>

Operational Ratios

Accounting Surplus	<i>Total Operating Revenue + Conditional Grants - Total Operating Expenditure</i>
Cash Operating Surplus	<i>Total Operating Revenue - Total Operating Expenditure + Working Capital</i>
Cash from Operations as a % of own Revenue	<i>Operating Cash / Operating Revenue</i>
Repairs and Maintenance to PPE	<i>Total Repairs and Maintenance Expenditure / Carrying Value of PPE x 100</i>
Debtors Payment Ratio	<i>(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off) / Billed Revenue x 100</i>
Staff Costs	<i>Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x 100</i>

External Gearing Ratios

External Loan Liability Paid Coverage Ratio	<i>(Total Operating Revenue - Total Operating Expenditure (excluding non-cash items)) / Capital Cost (Interest Paid and Redemption)</i>
External Interest and Capital Paid to Total Expenditure	<i>Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100</i>
External Gearing Ratio (or Debt as a % of Own Revenue)	<i>(Overdraft + Current Finance Lease Obligation + Non Finance Lease Obligation + Short Term Borrowings + Long Term Borrowings) / Total Operating Revenue</i>

Other Ratios

Level of Grant Dependency	<i>(Total Grants) / (Total Operating Revenue)</i>
Operating Surplus Ratio	<i>(Operating Revenue - Operating Expenditure) / Operating Revenue</i>
Net Financial Liabilities Ratio	<i>(Total Liabilities - Current Assets) / Operating Revenue (excl Capital Grants)</i>
Asset Sustainability Ratio	<i>Capex for Replacement / Depreciation</i>