



**INCA**  
Portfolio Managers

# GEORGE LOCAL MUNICIPALITY

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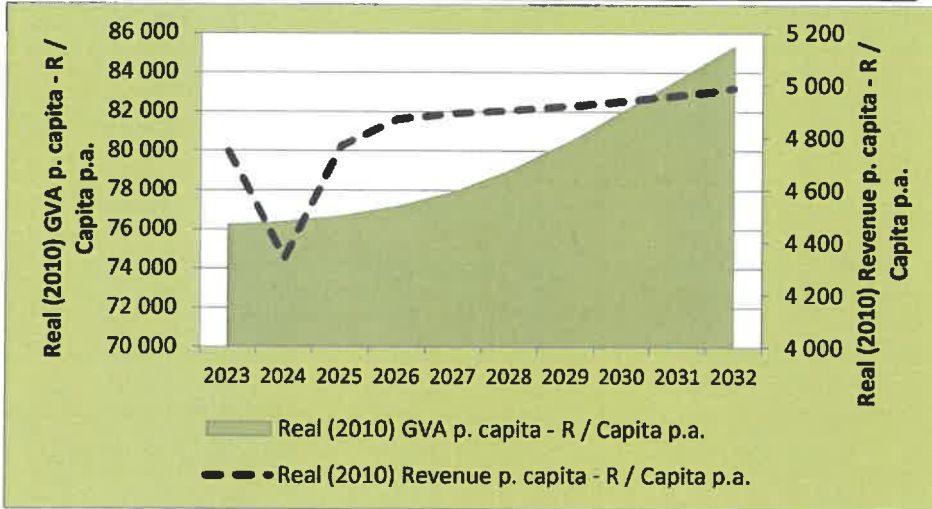
## Long Term Financial Plan – DRAFT 2023



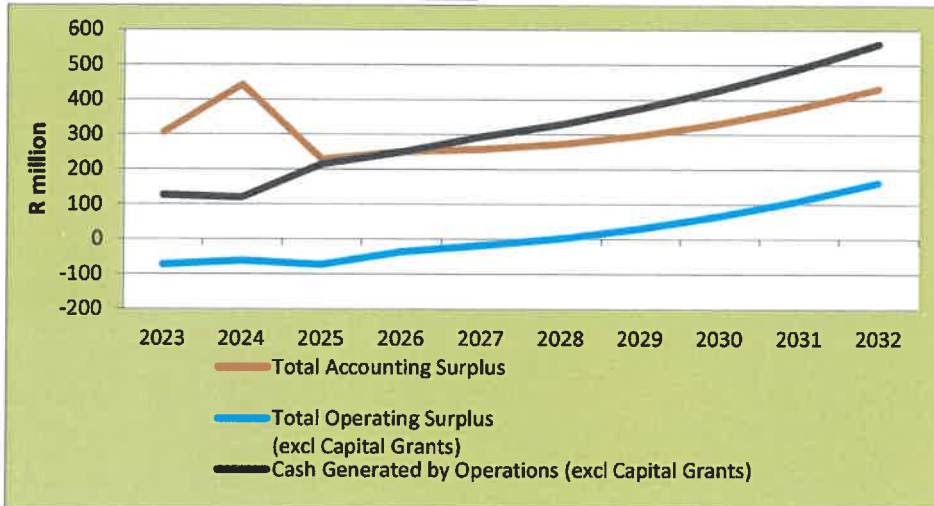
Prepared by  
INCA Portfolio Managers  
March 2023

## GEORGE LM LTFP – BASE CASE GRAPHS

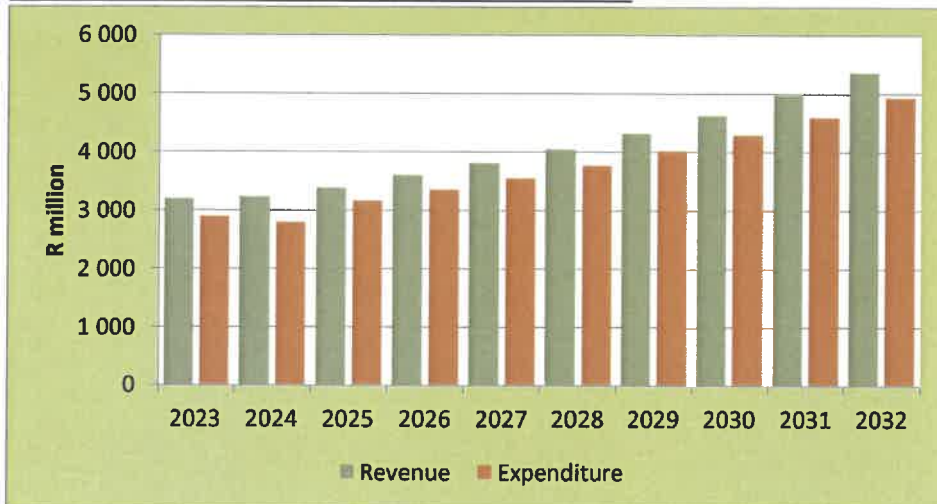
**GRAPH 1: BASE CASE: REAL REVENUE P.CAPITA AS A FUNCTION OF REAL GVA P.CAPITA**



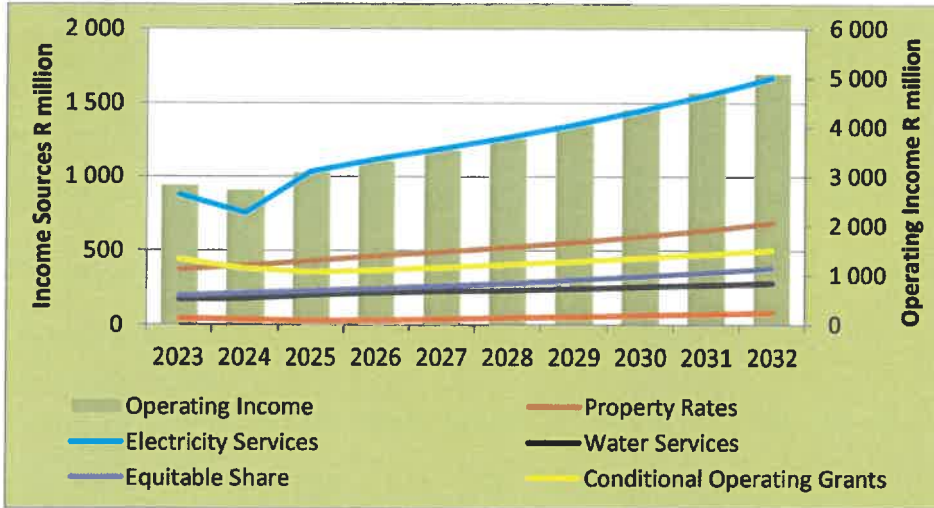
**GRAPH 2: BASE CASE: ANALYSIS OF SURPLUS**



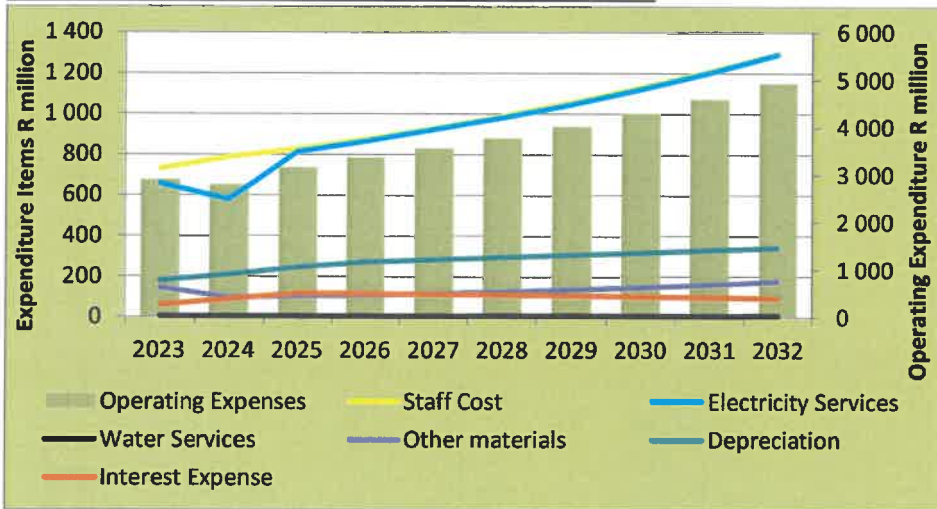
**GRAPH 3: BASE CASE: FUTURE REVENUE AND EXPENDITURE**



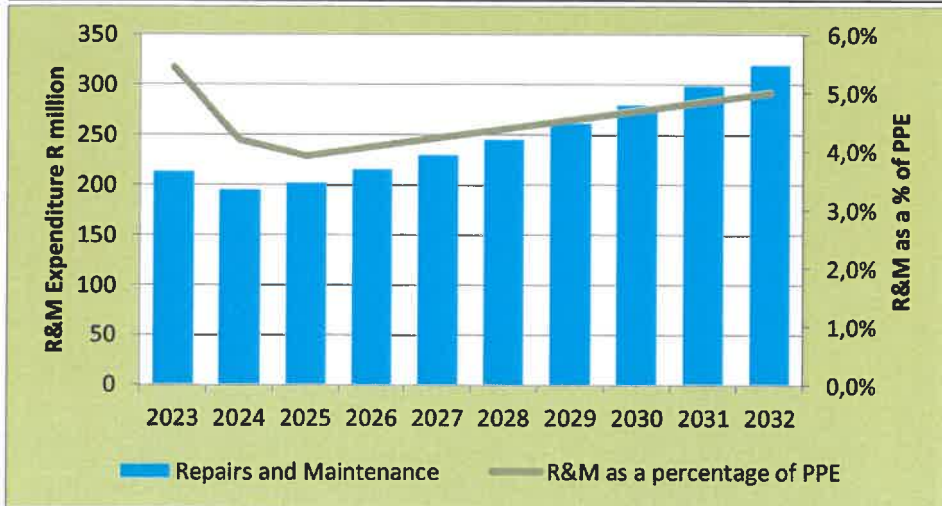
**GRAPH 4: BASE CASE: CONTRIBUTION PER INCOME SOURCE**



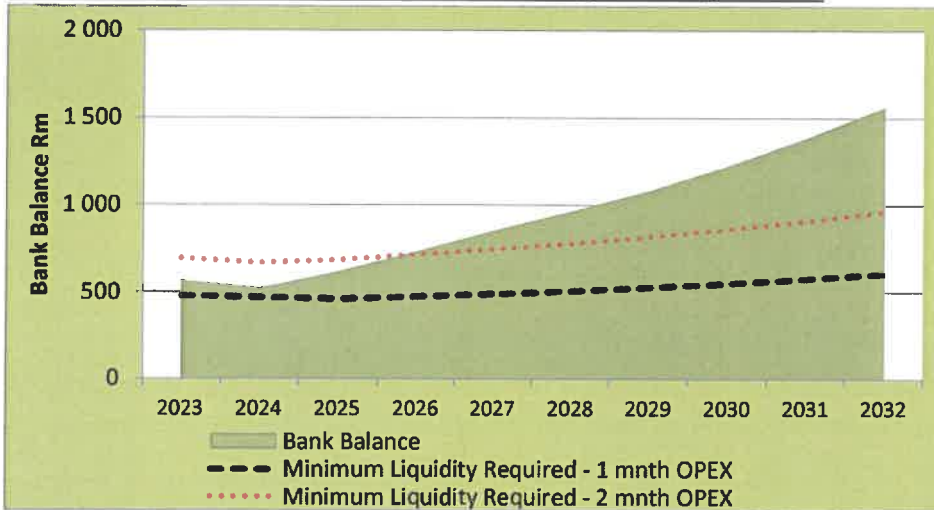
**GRAPH 5: BASE CASE: CONTRIBUTION PER EXPENDITURE ITEM**



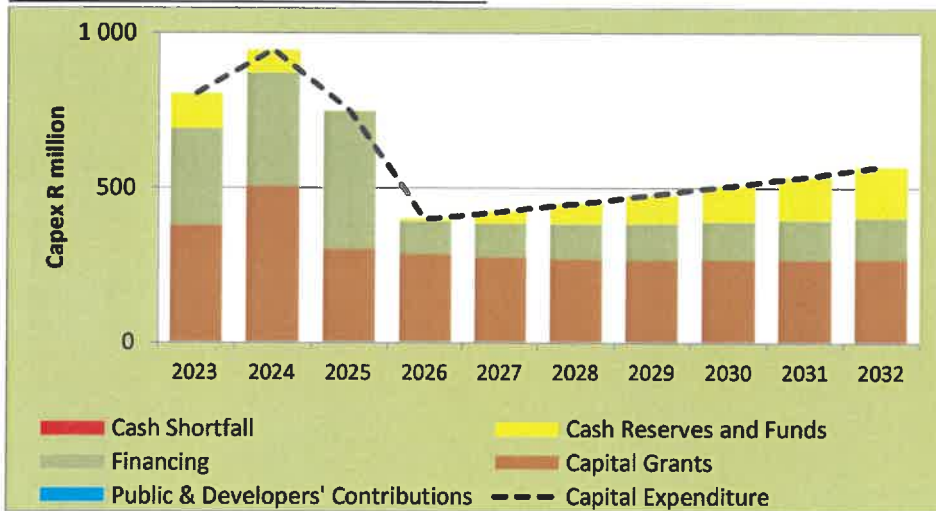
**GRAPH 6: BASE CASE: REPAIRS AND MAINTENANCE EXPENDITURE AS A PERCENTAGE OF PPE**



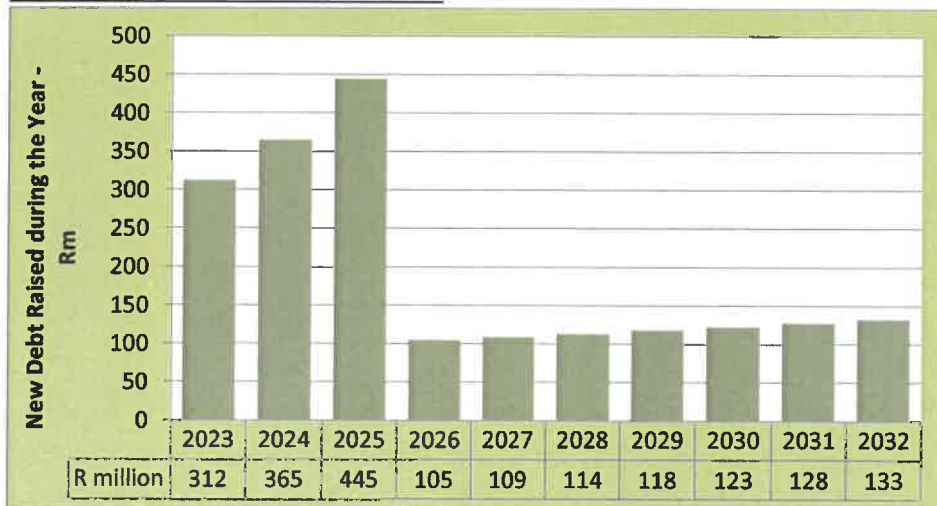
**GRAPH 7: BASE CASE: BANK BALANCE VS MINIMUM LIQUIDITY REQUIREMENT**



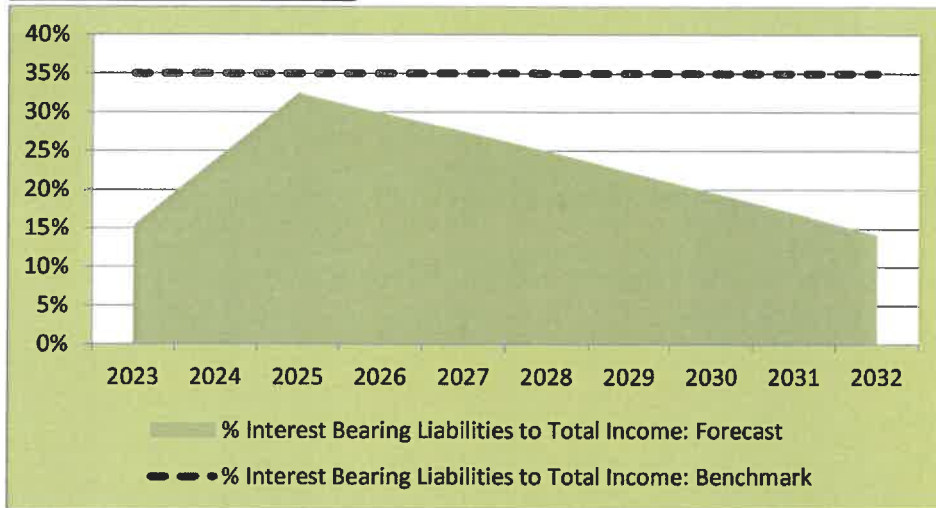
**GRAPH 8: BASE CASE: CAPITAL FUNDING MIX**



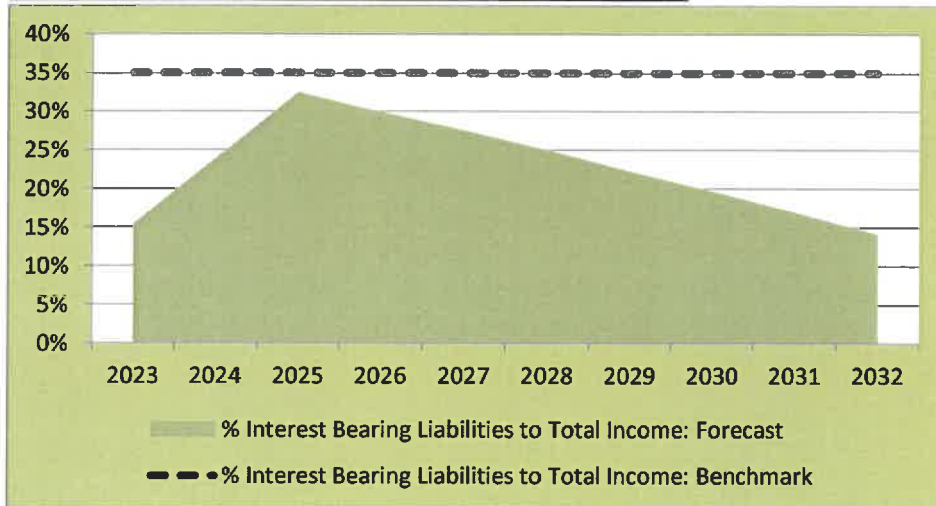
**GRAPH 9: BASE CASE: NEW DEBT RAISED**



**GRAPH 10: BASE CASE: GEARING**



**GRAPH 11: BASE CASE: DEBT SERVICING TO TOTAL EXPENDITURE**



## **GEORGE LM LTFF – BASE CASE TABLES**

**TABLE 1: ASSUMPTIONS OF BASE CASE VARIABLES**

<b><u>VARIABLE</u></b>	<b>BASE CASE AVERAGE FOR</b>
	<b>THE 10-YEAR PLANNING PERIOD</b>
RSA consumer inflation rate (CPI)	5,3%
Population Growth Rate (% p.a.)	1,7%
GVA Growth Rate (% p.a.)	2,8%
Short term investment rate (Margin above CPI)	0,0%
Electricity Price Elasticity of Demand	-0,4
Water Price Elasticity of Demand	-0,2
Employee related cost escalation (p.a.)	7,7%
Bulk electricity cost escalation	8,9%
Collection Rate of customer billings	95.2%

**TABLE 2: BASE CASE OUTCOMES**

<b>Outcome</b>	<b>10-Years up to 2032</b>
Average annual % increase in Revenue	7,4%
Average annual % increase in Expenditure	7,8%
Accounting Surplus accumulated during Planning Period (Rm)	R 3 190
Operating Surplus accumulated during Planning Period (Rm)	R 99
Cash generated by Operations during Planning Period (Rm)	R 3 182
Average annual increase in Gross Consumer Debtors	11,2%
Capital investment programme during Planning Period (Rm)	R 5 861
External Loan Financing during Planning Period (Rm)	R 1 952
Cash and Cash Equivalents at the end of the Planning Period (Rm)	R 1 558
No of Months Cash Cover at the end of the Planning Period (Rm)	4,4
Liquidity Ratio at the end of the Planning Period	2 : 1
Gearing at the end of the Planning Period	14,8%
Debt Service to Total Expense Ratio at the end of the Planning Period	6,3%

**TABLE 3: FUNDING AFFORDABLE FUTURE CAPITAL EXPENDITURE**

<b>Source of Funds</b>	<b>Amount Rm</b>	<b>%</b>
Public & Developers' Contributions	0	0%
Capital Grants	3 091	53%
Financing	1 952	33%
Cash Reserves and Funds	819	14%
Cash Shortfall	0	0%
<b>TOTAL</b>	<b>5 861</b>	<b>100%</b>

**TABLE 4: SELECTION OF RATIOS**

YEAR		1	3	5	7	9	10
<b>RATIOS</b>	<b>Norm</b>	<b>2022/23</b>	<b>2024/25</b>	<b>2026/27</b>	<b>2028/29</b>	<b>2030/31</b>	<b>2031/32</b>
Cash Generated by Operations / Own Revenue		23,0%	20,6%	19,7%	19,3%	19,5%	19,7%
Liquidity Ratio (Current Assets: Current Liabilities)	1:1.5 - 1:2.0	1.5 : 1	1.4 : 1	1.6 : 1	1.8 : 1	1.9 : 1	2 : 1
Cash Surplus / Shortfall on Minimum Liquidity Requirements		R 86 m	R 148 m	R 355 m	R 545 m	R 796 m	R 947 m
Capital Expenditure / Total Expenditure	10% - 20%	21,7%	19,1%	10,7%	10,6%	10,4%	10,3%
Gearing = Total Debt (Borrowings) / Operating Revenue	45%	17%	36%	30%	24%	18%	15%
Debt Service Cover Ratio (Cash Generated by Operations / Debt Service)	Min 1.3:1	4.2 : 1	2.2 : 1	2.3 : 1	2.3 : 1	2.6 : 1	2.7 : 1
Total Grants / Total Revenue		31,6%	26,0%	24,1%	22,9%	21,9%	21,4%

**TABLE 5: ESTIMATED 10-YEAR CAPITAL INVESTMENT & FUNDING**

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Public & Developers' Contributions	0	0	0	0	0	0	0	0	0	0
Capital Grants	379	505	302	287	276	270	267	267	268	270
Financing	312	365	445	105	109	114	118	123	128	133
Cash Reserves and Funds	113	75	1	9	39	66	92	116	141	166
<b>Capital Expenditure</b>	<b>804</b>	<b>946</b>	<b>748</b>	<b>401</b>	<b>424</b>	<b>450</b>	<b>477</b>	<b>506</b>	<b>536</b>	<b>568</b>

**Municipal Financial Model  
Statement of Financial Position**

Model year:  
Financial year (30 June)  
R thousands

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Non-current assets:</b>											
Property, plant and equipment	3,490,639	4,100,365	4,841,720	5,346,049	5,476,898	5,621,128	5,779,217	5,952,648	6,142,907	6,351,483	6,579,882
Intangible assets	3,290,066	3,915,401	4,650,477	5,152,956	5,283,409	5,427,163	5,584,673	5,757,422	5,946,892	6,154,571	6,381,967
Investment properties	1,249	3,369	5,018	6,123	6,519	6,995	7,574	8,256	9,045	9,942	10,945
Investments	144,073	141,624	145,601	146,346	146,346	146,346	146,346	146,346	146,346	146,346	146,346
Long-term receivables	-	-	-	-	-	-	-	-	-	-	-
Other non-current assets	50,476	36,387	36,387	36,387	36,387	36,387	36,387	36,387	36,387	36,387	36,387
	4,235	3,584	4,236	4,236	4,236	4,236	4,236	4,236	4,236	4,236	4,236

<b>Current assets:</b>											
Inventories	874,709	839,168	779,726	895,262	1,021,037	1,151,106	1,276,678	1,408,116	1,566,187	1,744,525	1,944,925
Trade and other receivables	118,866	155,567	141,434	150,489	170,287	181,144	193,765	206,264	224,724	243,263	263,975
Cash & Short term Investments	163,210	122,765	122,765	122,765	122,765	122,765	122,765	122,765	122,765	122,765	122,765
	592,633	560,735	515,526	612,007	727,974	847,197	960,148	1,077,087	1,218,658	1,376,497	1,558,185

**TOTAL ASSETS**      **4,365,348**      **4,939,533**      **5,621,446**      **6,231,311**      **6,487,935**      **6,772,234**      **7,055,895**      **7,360,765**      **7,709,064**      **8,096,008**      **8,524,807**

**Municipal Funds:**  
Housing development fund & Other Cash Backed Reserves  
Reserves (Net Cash Backed)  
Accumulated surplus

	3,408,698	3,714,017	4,155,813	4,363,642	4,533,612	4,890,864	5,162,633	5,459,351	5,791,359	6,167,539	6,598,465
	36,973	50,271	42,434	34,940	34,940	34,940	34,940	34,940	34,940	34,940	34,940
	85,684	165,805	230,805	295,805	295,805	295,805	295,805	295,805	295,805	295,805	295,805
	3,287,141	3,497,942	3,882,574	4,052,897	4,302,868	4,560,120	4,831,889	5,128,606	5,460,614	5,836,794	6,267,721

**Non-current liabilities:**  
Long-term liabilities (Interest Bearing)  
Non-current provisions

	189,947	650,657	891,621	1,203,334	1,186,147	1,160,536	1,127,150	1,097,723	1,068,223	1,001,190	975,870
	171	405,386	652,534	970,115	937,852	894,108	838,696	783,267	713,713	622,634	559,001
	189,776	245,271	239,087	233,219	248,295	266,427	288,454	314,456	344,510	378,556	416,869

**Current liabilities:**  
Consumer deposits  
Provisions  
Trade and other payables  
Bank overdraft  
Current portion of interest bearing liabilities

	766,703	574,859	574,012	644,335	678,176	720,834	766,111	803,691	859,512	927,280	950,472
	40,744	42,632	44,628	46,770	49,042	51,540	54,366	57,556	61,136	65,177	69,731
	153,442	85,121	92,474	100,005	100,005	100,005	100,005	100,005	100,005	100,005	100,005
	331,080	360,670	319,058	370,140	391,866	416,345	442,760	472,590	505,982	543,171	584,344
	-	-	-	-	-	-	-	-	-	-	-
	241,537	86,437	117,852	127,419	137,263	152,943	168,980	173,540	182,989	218,928	196,391

**TOTAL MUNICIPAL FUNDS AND LIABILITIES**      **4,365,348**      **4,939,533**      **5,621,446**      **6,231,311**      **6,487,935**      **6,772,234**      **7,055,895**      **7,360,765**      **7,709,064**      **8,096,008**      **8,524,807**

Check

0      0      0      0      0      0      0      0      0      0      0      0



**Municipal Financial Model**  
**Statement of Financial Performance**

Model year  
Financial year (30 June)  
R thousands

0 1 2 3 4 5 6 7 8 9 10  
2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032

Revenue	0	1	2	3	4	5	6	7	8	9	10
Property rates	347 220	370 046	398 423	429 224	462 700	488 777	519 268	554 246	593 758	637 910	686 724
Service Charges	1 221 984	1 304 658	1 213 300	1 547 433	1 679 984	1 789 348	1 902 925	2 031 527	2 175 839	2 336 946	2 515 750
Service charges - electricity	821 001	876 786	753 352	1 033 154	1 116 090	1 189 563	1 264 401	1 349 088	1 444 036	1 549 951	1 667 395
Service charges - water	166 795	168 540	172 840	186 376	211 886	221 744	230 812	241 137	252 718	265 558	279 652
Service charges - sanitation	129 151	143 018	158 335	175 318	194 126	209 483	224 846	243 371	264 207	287 564	313 630
Service charges - refuse	105 037	116 315	128 773	142 585	157 881	169 558	182 865	197 931	214 877	233 673	255 073
Service charges - other	-	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Rental of facilities and equipment	5 257	4 935	5 025	5 326	5 735	6 159	6 642	7 189	7 805	8 495	9 265
Interest earned - external investments	15 419	38 515	31 062	24 230	26 083	33 948	42 414	50 817	59 498	69 493	80 353
Interest earned - outstanding debtors	9 637	11 061	9 837	10 681	10 132	10 840	11 373	11 769	12 013	12 090	11 983
Dividends received	12 183	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	86 511	83 896	85 548	87 468	94 166	101 152	109 091	118 078	128 188	139 520	152 167
Licences and permits	1 622	3 863	4 094	4 339	4 687	5 088	5 561	6 120	6 769	7 510	8 346
Agency services	13 429	18 617	17 614	18 671	20 105	21 582	23 287	25 205	27 363	29 782	32 482
Transfers and subsidies (operating)	570 643	635 014	586 635	580 634	610 022	643 557	681 490	723 972	771 136	823 168	880 207
Other revenue	122 412	124 619	147 472	155 705	167 664	180 064	194 196	210 196	228 192	248 365	270 878
Gain on disposal of PPE	-	230 884	234 666	226 111	239 911	258 598	283 171	314 020	351 652	398 626	449 496
Revaluation of assets gain / (loss)	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue before Capital Grants</b>	<b>2 408 317</b>	<b>2 825 108</b>	<b>2 734 575</b>	<b>3 089 822</b>	<b>3 321 217</b>	<b>3 539 122</b>	<b>3 779 417</b>	<b>4 053 139</b>	<b>4 362 211</b>	<b>4 709 904</b>	<b>5 097 651</b>
Capital Grants	214 688	378 879	505 249	302 110	286 842	276 308	270 172	267 276	266 708	267 771	269 830
Public & developers contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue after Capital Grants</b>	<b>2 621 005</b>	<b>3 204 987</b>	<b>3 239 824</b>	<b>3 391 932</b>	<b>3 608 059</b>	<b>3 815 430</b>	<b>4 049 589</b>	<b>4 320 415</b>	<b>4 628 920</b>	<b>4 977 675</b>	<b>5 367 481</b>

Operating expenditure	599 156	701 455	758 167	797 823	843 793	895 799	954 083	1 018 890	1 090 457	1 168 994	1 254 670
Employee related costs	23 783	27 930	27 479	28 853	30 083	31 485	33 062	34 812	36 735	38 829	41 093
Remuneration of councillors	31 350	147 966	148 074	167 859	182 316	198 659	210 367	227 044	245 814	266 848	290 297
Debt impairment	168 335	178 465	209 906	244 807	269 547	280 246	291 930	303 658	315 521	327 811	340 011
Depreciation and asset impairment	36 701	58 105	87 262	117 217	114 056	111 279	108 180	104 316	99 412	95 651	90 576
Finance charges	612 348	654 344	576 573	812 647	863 773	920 655	978 596	1 044 162	1 117 674	1 189 676	1 290 606
Bulk purchases	88 752	143 224	96 989	103 041	106 683	113 695	122 332	132 689	144 827	158 826	174 741
Inventory Consumed	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	534 481	728 430	640 830	631 088	646 819	688 440	735 176	787 374	845 360	909 600	980 500
Contracted services	19 883	17 833	18 888	19 800	21 465	23 092	24 751	26 415	28 086	29 751	31 416
Transfers and subsidies	170 096	187 907	200 355	236 932	252 107	269 280	288 576	310 108	334 048	360 541	388 541
Other expenditure	-	46 389	46 031	42 600	45 200	48 721	53 350	58 162	65 252	74 726	84 666
Less on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>2 331 077</b>	<b>2 899 668</b>	<b>2 798 028</b>	<b>3 164 103</b>	<b>3 359 089</b>	<b>3 558 178</b>	<b>3 777 820</b>	<b>4 023 607</b>	<b>4 296 912</b>	<b>4 601 495</b>	<b>4 936 554</b>

**289 928**   **305 319**   **441 796**   **227 829**   **248 970**   **257 252**   **271 769**   **296 718**   **332 008**   **376 180**   **430 926**

Surplus/(Shortfall) for the year

**Municipal Financial Model  
Cash Flow Statement**

Modal Year	1	2	3	4	5	6	7	8	9	10	
Financial year (30 June)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	R thousands										
<b>Cash flows from Operating Activities</b>											
<b>Surplus/Deficit for the year including Capital Grants</b>	288 928	305 319	441 796	227 829	249 970	257 252	271 769	295 718	332 008	376 180	430 926
Surplus/Deficit for the year excluding Capital Grants & Contributions	(73 560)	(63 453)	(74 281)	(96 872)	(19 066)	1 897	28 442	65 300	108 409	161 066	
Capital Grants & Contributions	378 879	505 249	302 110	286 842	276 308	270 172	267 276	266 709	267 771	267 771	269 630
<b>Adjustments for non-cash items:</b>											
Depreciation, amortisation and impairment loss	166 335	178 465	208 906	244 807	269 547	280 246	291 930	303 658	315 521	327 611	340 011
Revaluation on investment property (gain) / loss	-	-	-	-	-	-	-	-	-	-	-
Increase / (Release from) current provisions & non-interest bearing liabilities	-	(63 221)	7 353	7 531	-	-	-	-	-	-	-
Increase / (Release from) other non-current provisions & non-interest bearing liabilities	-	55 495	(6 184)	(5 888)	15 077	18 132	22 027	26 002	30 054	34 146	38 213
(Increase) / (Release from non-current interest bearing assets)	-	-	-	-	-	-	-	-	-	-	-
Capitalised interest	-	-	-	-	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Operating surplus before working capital changes:</b>	456 263	471 058	651 871	474 299	534 564	555 630	585 725	626 377	677 583	737 937	809 151
<b>Change in W/C Investment</b>	-	33 334	(27 379)	42 028	1 916	13 634	13 794	15 331	16 932	18 650	20 461
(Increase)/decrease in inventories	-	(36 701)	14 233	(9 055)	(19 808)	(10 846)	(12 621)	(14 489)	(16 460)	(18 538)	(20 712)
(Increase)/decrease accounts receivable	-	49 445	0	0	(0)	0	0	0	(0)	(0)	0
Increase/(decrease) in trade payables	-	29 590	(41 612)	51 082	21 725	24 480	26 415	29 830	33 352	37 189	41 173
<b>Net cash flow from Operating activities</b>	456 263	504 382	624 492	516 327	536 510	569 264	599 519	641 708	694 515	756 586	829 612
<b>Cash flows from Investing Activities</b>											
Capital expenditure	-	(804 226)	(945 742)	(748 391)	(401 105)	(424 476)	(450 019)	(477 089)	(505 780)	(536 187)	(568 411)
Decrease/(increase) in non-current receivables	-	14 740	(652)	-	-	-	-	-	-	-	-
(Additions) / Disposals of investment property	-	1 295	(3 868)	(745)	709	-	-	-	-	-	-
<b>Net cash flow from Investing activities</b>	-	(788 191)	(950 261)	(749 136)	(400 396)	(424 476)	(450 019)	(477 089)	(505 780)	(536 187)	(568 411)
<b>Cash flows from Financing Activities</b>											
New loans raised	-	312 312	365 000	445 000	105 000	109 200	113 568	119 111	122 835	127 749	132 858
Loans repaid	-	(62 080)	(66 437)	(117 652)	(127 419)	(137 263)	(152 943)	(169 980)	(173 540)	(192 369)	(218 928)
(Decrease) / Increase in consumer deposits	-	1 603	1 996	2 142	2 272	2 468	2 826	3 189	3 580	4 041	4 555
<b>Net cash flow from Financing activities</b>	-	252 002	290 550	328 291	(20 146)	(25 585)	(36 549)	(47 680)	(47 124)	(60 800)	(81 514)
<b>Change in Cash</b>	456 263	(31 797)	(45 209)	96 481	115 967	119 222	112 951	116 939	141 611	159 800	179 697
<b>Cash/(Overdraft), Beginning</b>	592 533	560 735	515 526	612 007	727 974	847 197	960 148	1 077 087	1 216 698	1 378 497	1 556 105
<b>Cash/(Overdraft), Ending</b>	592 533	560 735	515 526	612 007	727 974	847 197	960 148	1 077 087	1 216 698	1 378 497	1 556 105