Built Environment Performance Plan

Section D: Catalytic Urban Development Programme Resourcing 2019/2020

Version: 1.00 Draft

15 March 2019

CITY OF TSHWANE
IGNITING EXCELLENCE

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Addendums

Abbreviations

BEPP	Built Environment Performance Plan
CAPEX	Capital Expenditure
CaPS	Tshwane's Capital Planning and Prioritisation System
CBD	Central Business District
CIF	Capital Investment Framework
CITP	Comprehensive Integrated Transport Plan
COT	City of Tshwane
DIPS	Development Intervention Portfolios
DORA	Division of Revenue Act (2 of 2013)
FDI	Foreign Direct Investment
GCR	Global City Region
GGMP	Gauteng Growth Management Perspective
GPG	Gauteng Provincial Government
GSDF	Gauteng Spatial Development Framework
ICDG	Integrated City Development Grant
IDP	Integrated Development Plan
IRPTN	Integrated Rapid Public Transport Network
LSDF	Local Spatial Development Framework
MCA	Multi-Criteria Analysis
MFMA	Municipal Financial and Management Act (56 of 2003)
MSA	Municipal Systems Act (32 of 2000)
MSDF	Metropolitan Spatial Development Framework
MTEF	Medium Term Expenditure Framework
MTREF	Medium Term Revenue and Expenditure Framework
NSDP	National Spatial Development Perspective
OPEX	Operational Expenditure
RSDF	Regional Spatial Development Framework
SAF	Strategic Area Framework
SDBIP	Service Delivery and Budget Implementation Plan
SIP	Strategic Infrastructure Project
SOCA	State of the City Address
SPLUMA	Spatial Planning and Land Use Management Act (13 of 2013)
TOD	Transit Oriented Development
TRT	Tshwane Rapid Transit System
UDF	Urban Development Framework
USDG	Urban Settlements Development Grant

D Catalytic Land Development Programme Resourcing

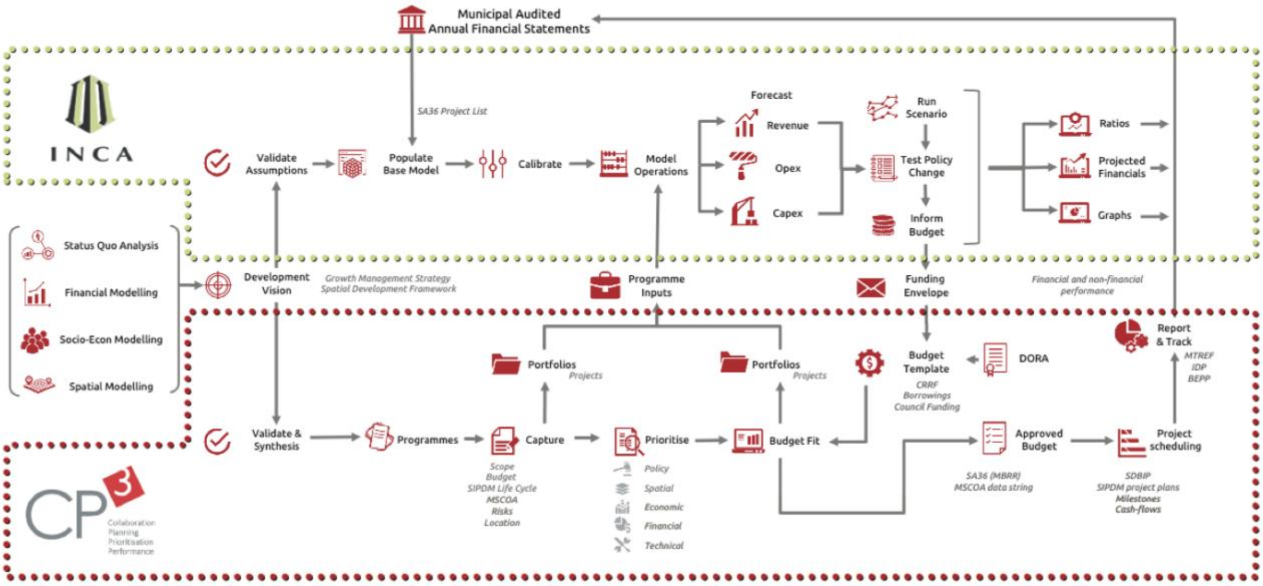


Figure D-1: Integration between the CaPS process and the National Treasury Long Term Financial Model (LTFM)

D.1 Contextualisation

Figure D-1 represents a portion of the CaPS process (refer to the Section A: Introduction). Prior to presenting resourcing of the Catalytic Land Development Programme, attention needs to be given to the processes leading up to the Resourcing plan. These processes as displayed in Figure D-1, include the prioritisation of projects, inclusive of the economic impact and spatial priorities amongst others, which is utilised in determining the Catalytic Land Development Programme as well as other capital expenditure projects which would contribute to the overall strategic objectives of the City of Tshwane. Please refer to Chapter C for the detailed Prioritisation results.

The consolidated and prioritised project book is then subjected to the budget fit process, at which time manual adjustments can be forced on the capital budget. Depending on the level of manual adjustment, the resultant budget would still be reflective of the strategic priorities of the City of Tshwane, inclusive of the Catalytic Land Development Programme. Please refer to section D3, for a detailed description of the budget fit process.

Concurrently to the project consolidation and prioritisation process and prior to the budget fit process, the Long Term Financial Model (LTFM) is populated and applied. The results of the model is used to assist in determining a sustainable long term financial strategy for the City of Tshwane, inclusive of an affordability envelope and associated optimal funding mix for capital expenditure over the long term. The affordability envelope and funding mix can then be incorporated in the Budget Fit process as the budget totals to which the demand is fitted.

Please note that at the time of this report, the City of Tshwane was still in consultation with regard to the use of the Long Term Financial Model affordability envelope amounts in the Budget Fit process. As such, indicative amounts as determined by the City of Tshwane Finance department were utilised in the Budget Fit process. The differences between the indicative amounts used and the Long Term Financial Model affordability envelope amounts are not significant. Please refer to subsection D.4.1.6 for an analysis in this regard.

D.1.1 The Long Term Financial Model process

On 14 March 2017, the World Bank Group offered a Short Term Consultancy Appointment to four consultants associated with INCA Portfolio Managers (“IPM”). The assignment entailed assistance with the preparation of long term financial strategies for metropolitan municipalities in South Africa - the Long-Term Financial Strategy Project (“LTFS”, or the “Project”), a project of the Cities Support Programme (“CSP”) of National Treasury (“NT”).

As part of the Project, a long-term financial model was developed to support metropolitan municipalities in managing its financial sustainability over the longer term. The City of Tshwane, being one of the pilot metropolitan municipalities in the Project, prioritised the operationalisation and institutionalisation of the Long Term Financial Model developed by INCA Portfolio Managers (Pty) Ltd. The Long Term Financial Model was successfully updated by city officials during February 2019. The model was updated with the latest available information, being the published MTREF 2018/19 – 2020/21 and the audited AFS for FY2018.

Inca Portfolio Managers has issued a report[1] based on its analysis of the City’s current external environment and the results obtained from its Long Term Financial Model, in order to provide the City of Tshwane and the users of the model with an overview of the main findings of the analysis. The findings of that report is included in this chapter.

Figure D-2 below depicts the basic steps and process in the preparation of the Long-Term Financial Model.

[1] City of Tshwane Metropolitan Municipality; Independent Financial Assessment and Outcomes of the Long Term Financial Model 2019 – 2028; Draft Report v1 February 2019; prepared by Inca Portfolio Managers

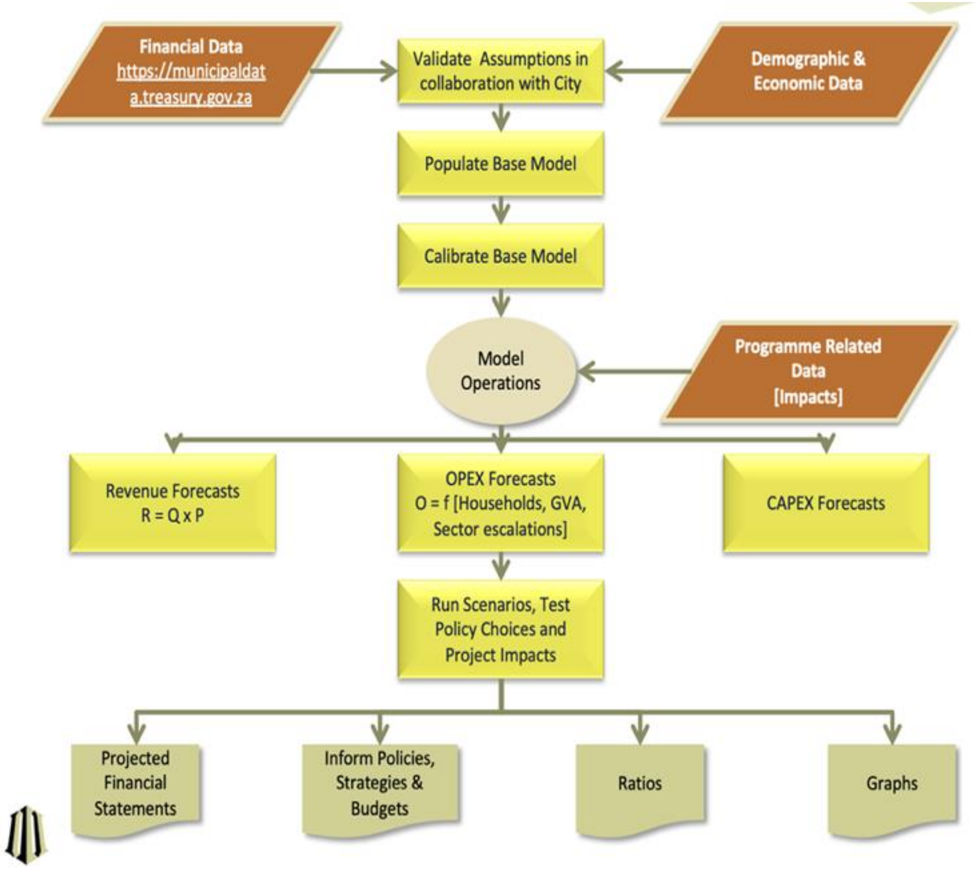


Figure D-2: Long Term Financial Model process

D.1.2 Focus of this chapter

Utilising the outputs from the processes and tools described above and graphically presented in Figure D-1 and Figure D-2, the following is presented in the sections of this chapter:

- D.2 – D.3: A draft long term financial strategy, based on the results of the Long Term Financial Model and the associated analysis presented in the report (refer to footnote 1 above). This is followed by the Budget Fit process D-7methodology as performed on CaPS.
- D.4:
  - A Resourcing plan is presented, based on the results of the Budget Fit process, taking into account the Long Term Financial Model results as well as the indicative budget amounts as determined by the Finance Department of the City of Tshwane. The resourcing plan is presented across both the Catalytic Land Development Programme as well as other capital projects.
  - The Spatial Budget Mix is presented based on the 2019/2020 draft MTREF Annexure A capital budget.
  - Current expenditure is presented per Integration Zone.
- D.5: The City of Tshwane's institutional arrangements in terms of the budget being informed and integrated with the strategic objectives of the metro, is presented.

D.2 Long Term Financial Sustainability

The objective of a Long Term Financial Plan Strategy is to recommend strategies and policies that will maximise the probability of the metro's financial sustainability into the future. This is achieved by forecasting future cash flows and affordable capital expenditure based on the metro's historic performance and the environment in which it operates.

The main outcome of the Long Term Financial Strategy, for the purposes of this report, is to determine the affordable future capital expenditure and proposed capital funding mix (affordability envelope) of the metro over the next 10 years. Section D.1 highlighted that the Long Term Financial Model plays a central role in this process.

As a basis, the Long Term Financial Model relies on the input of reliable data and reasonable assumptions. The data utilised and key assumptions in the model are mainly informed by an independent financial assessment, which entails:

- A historic demographic-, economic- and household infrastructure perspective, which is based on the latest available information as published by iHS Global Insight;
- A historic financial analysis updated with information from the City of Tshwane's audited annual financial statements at 30 June 2018;
- The 2018/19 to 2020/21 MTREF budget and associated worksheets data; and
- Information gathered from market research, other strategic documents of the City of Tshwane, sector related experience and other relevant sources.

The results of the independent financial assessment and the key assumptions made, are discussed in more detail in subsection D.2.1.

Subsection D.2.2 provides an overview of a selection of forecast outcomes from the Long Term Financial Model which are considered in the Long Term Financial Strategy of the City. These forecasts also inform and form part of the Resourcing Plan presented in section D.4.

D.2.1 Independent Financial Assessment

D.2.1.1 Demographic Perspective

D.2.1.1.1 Total Population

The City of Tshwane has the third lowest population (3 306 198) of the three metros within the Province, which represents 24% and 6% of the people living in the Gauteng Province and the Country respectively. The City's population growth rate makes it the 2nd highest growing metro in the Country. It is also higher than the Province's 2.0% p.a. and the Country's 1.5% p.a.

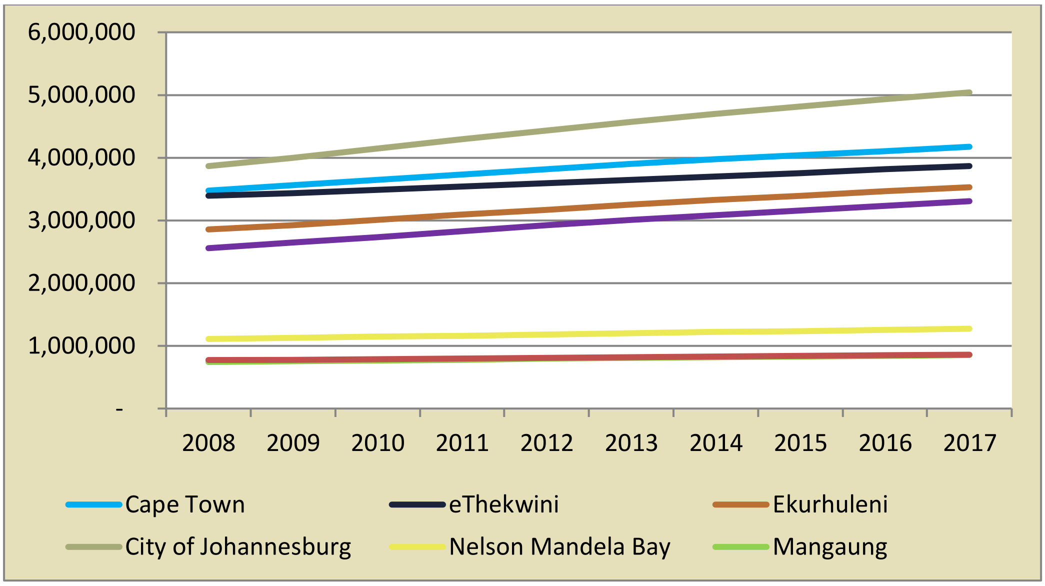


Figure D-3: Total Population

D.2.1.1.2 Household Income Distribution

13.2% of households in the City of Tshwane earn an annual economic income of below R30 000 p.a., and the highest concentration of households (9%) earn between R192 000 – 360 000 p.a.

The average household income for the City is R 298 242 p.a. (R 24 854 p.m.), which is the highest of all the metros in South Africa and higher than the national average of R 201 630 p.a.

The average annual per capita income in the City of Tshwane of R 94 769, is the highest of all the metros within the Country, followed by Cape Town: R 85 746; City of Johannesburg: R 84 327; Ekurhuleni: R 75 044; Mangaung: R 66 939; Nelson Mandela Bay: R 66 299; eThekwini: R 62 964 and Buffalo City : R 57 658

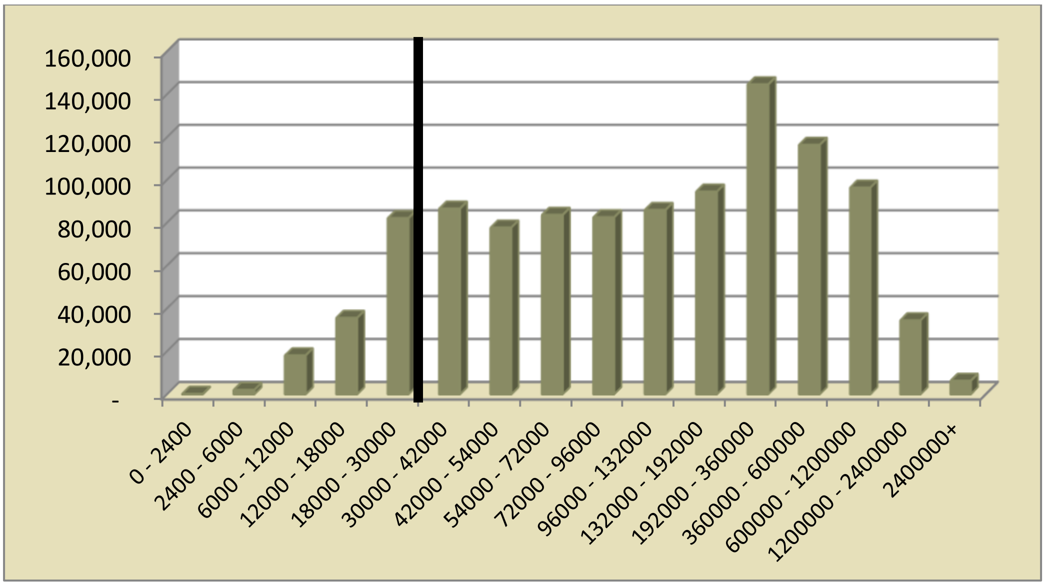


Figure D-4: Household Income Distribution - City of Tshwane

D.2.1.1.3 Population Age Profile

The Population Age Profile of the City of Tshwane reports the highest portion of the population (29%) within the 20 to 39 years of age category and a notable portion of the population in the younger age group between 00 to 14-years.

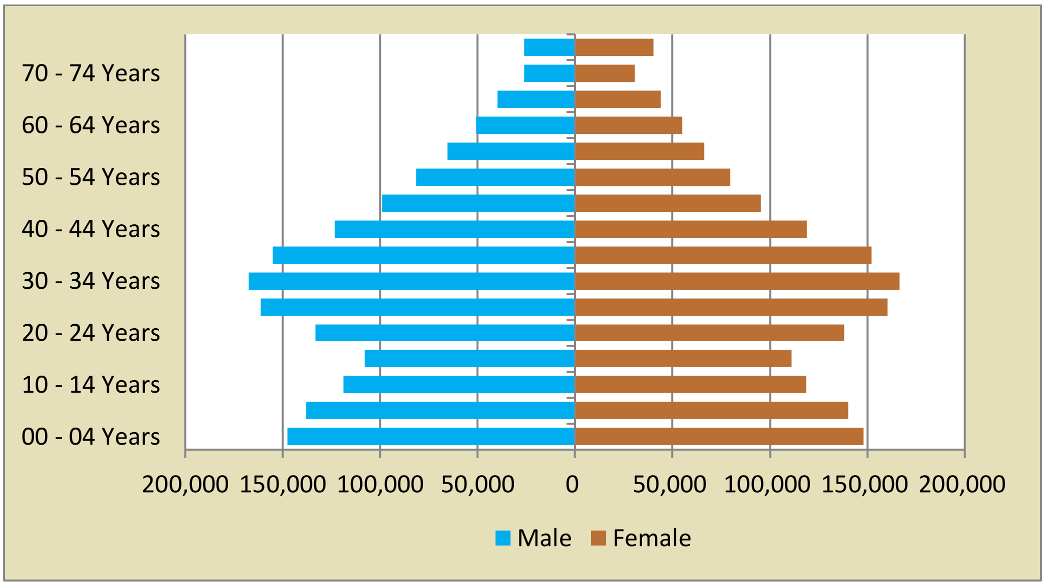


Figure D-5: Population Age Profile - City of Tshwane

D.2.1.1.4 Unemployment Rate

The official Unemployment Rate of the City of 23.3%, is 3.9 percentage points lower than the national average of 27.2% and ranks third lowest when compared to the other metros within the Country. However, this rate is at its highest point over the last 10 years.

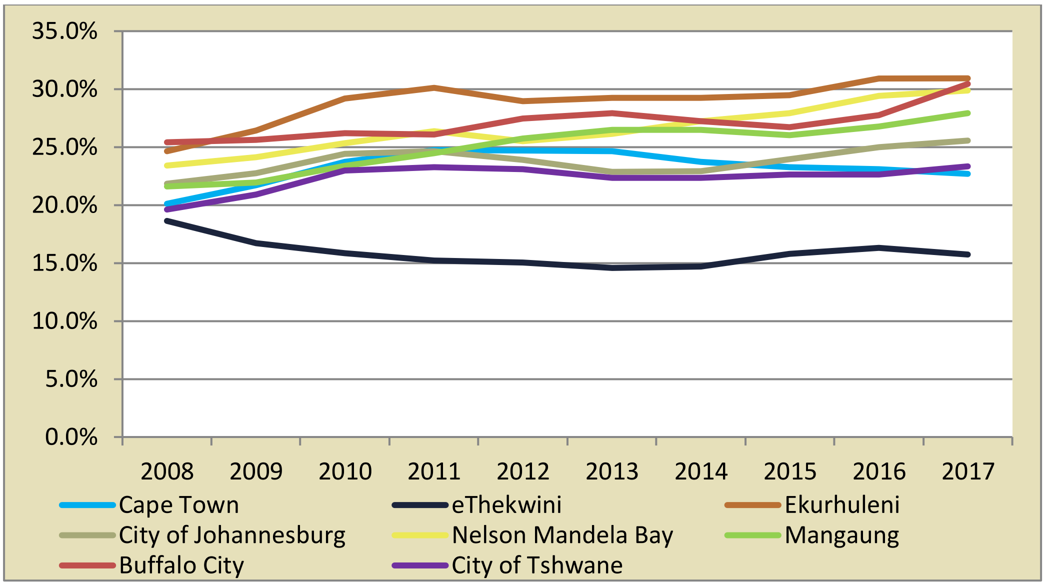


Figure D-6: Unemployment Rate

D.2.1.2 Economic Perspective

D.2.1.2.1 Economy

City of Tshwane's economy is relatively diversified. The community services-; finance-, trade-, manufacturing- and transport sectors jointly contribute 79% to local GVA. The proportional contribution of manufacturing showed the greatest decline over the period.

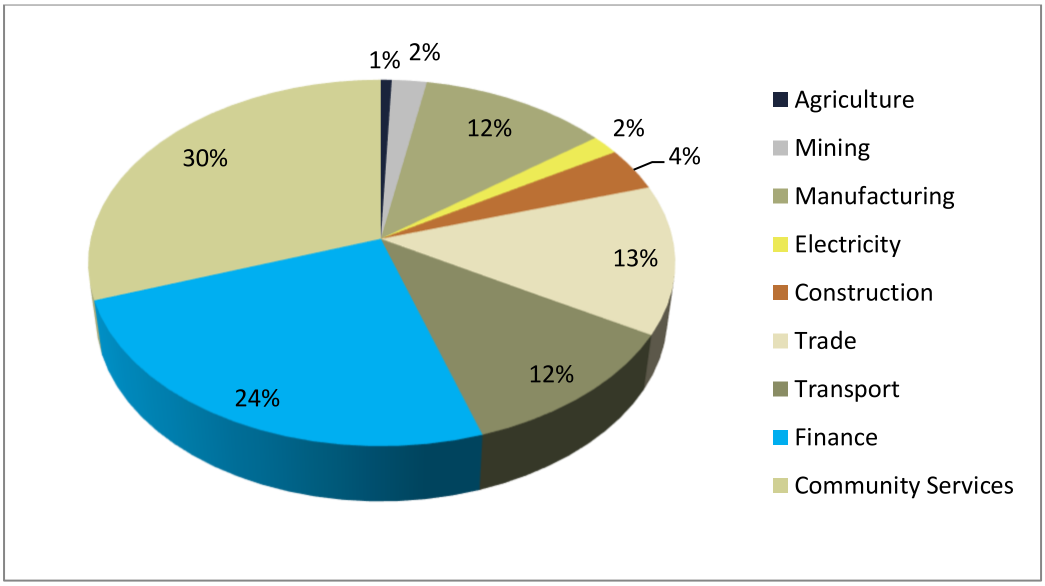


Figure D-7: Sector contribution to Total GVA - City of Tshwane

City of Tshwane's average annual GVA growth rate for the past 5 years at 2.2% p.a., is higher than that of the Province at 1.7% p.a. and the National rate at 1.5% p.a.

Proportional growth was experienced in the Finance and Community services sectors' contribution to GVA. All other sectors remained relatively stable, with the decline in Manufacturing as an indicator of a change in the economic structure.

Table D-1: Proportional Growth of Economic Sectors

Subsector	2008	2017
Agriculture	0.7%	0.7%
Mining	2.5%	2.2%
Manufacturing	14.2%	11.8%
Electricity	2.1%	1.8%
Construction	3.5%	3.8%
Trade	12.6%	13.1%
Transport	11.6%	11.7%
Finance	23.6%	24.7%
Community Services	29.4%	30.3%

D.2.1.2.2 Employment

The number of people formally employed in the City of Tshwane has increased by 24% since 2008. The annual GVA growth rate of 2.2% over the last five years, is in line with the population growth rate of 2.2% p.a. Community services, Finance, Trade and Manufacturing make a meaningful contribution to employment with each sector employing more than 100 000 people, as illustrated in Figure D-8 below.

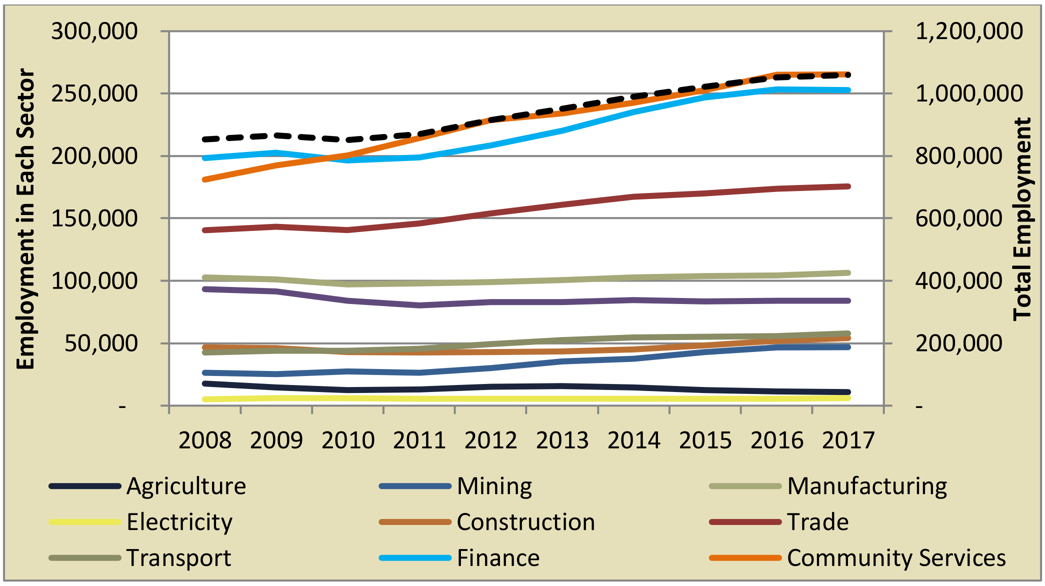


Figure D-8: Employment by Sector

D.2.1.2.3 Tourism Spend

Tourism is a key economic driver for the City of Tshwane and tourism spend has more than doubled since 2008. The number of visitors increased significantly by 76% over the same period. Tourism Spend in 2017 amounted to R 18.6 billion, which equates to 4.4% of GVA. Of the total tourism spend in the Country; about 6% was spent in the City of Tshwane.

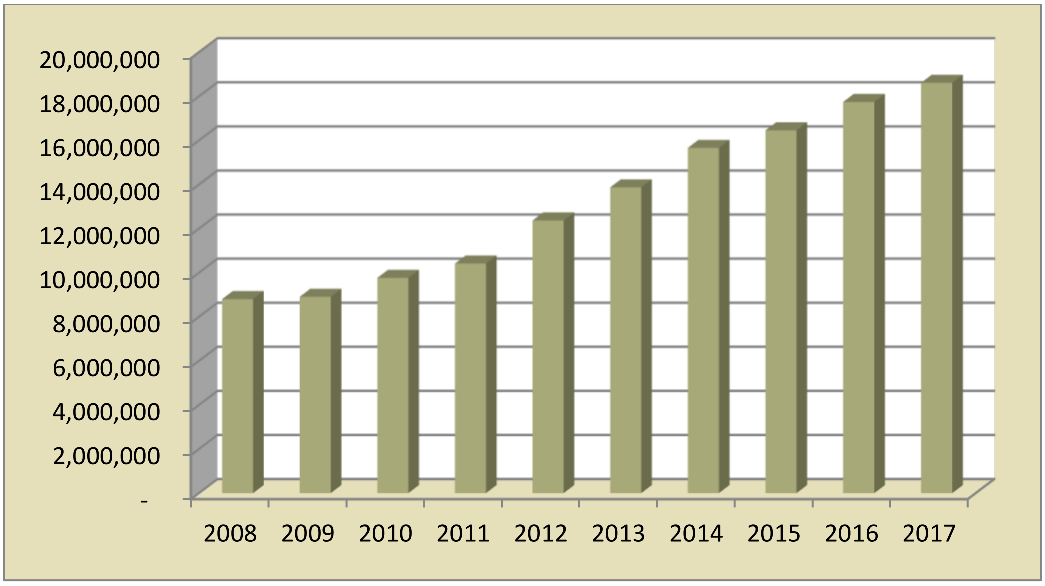


Figure D-9: Total Tourism Spend

D.2.1.3 Household Infrastructure Perspective

D.2.1.3.1 Infrastructure Index

The Infrastructure Index is a population-adjusted, access-to-service, weighted index which measures a region's overall access to household infrastructure. The average Infrastructure Index (2008-17) for the City of Tshwane is 0.86, compared to a Provincial and National index of 0.85 and 0.75 respectively. The City's service backlogs decreased during the period, however it remained relatively high with regards to sanitation and refuse removal services.

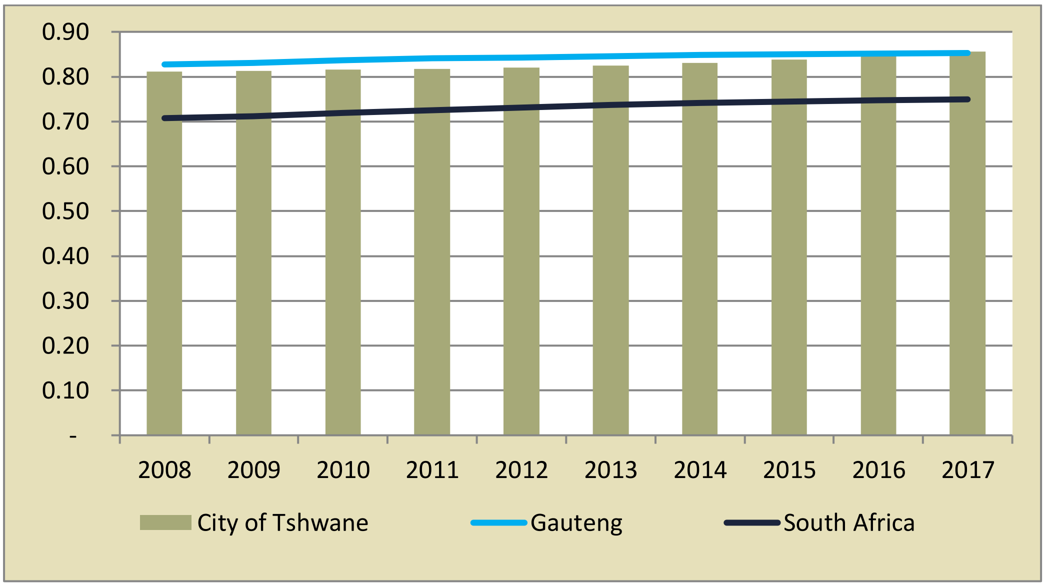


Figure D-10: Infrastructure Index

D.2.1.3.2 Household Formation

City of Tshwane experienced Household Formation of 32% between 2008 and 2017, which is both the highest of the metros in the Country as well as higher than the provincial and national average. In 2017 there were approx. 1 100 000 households in the City of Tshwane.

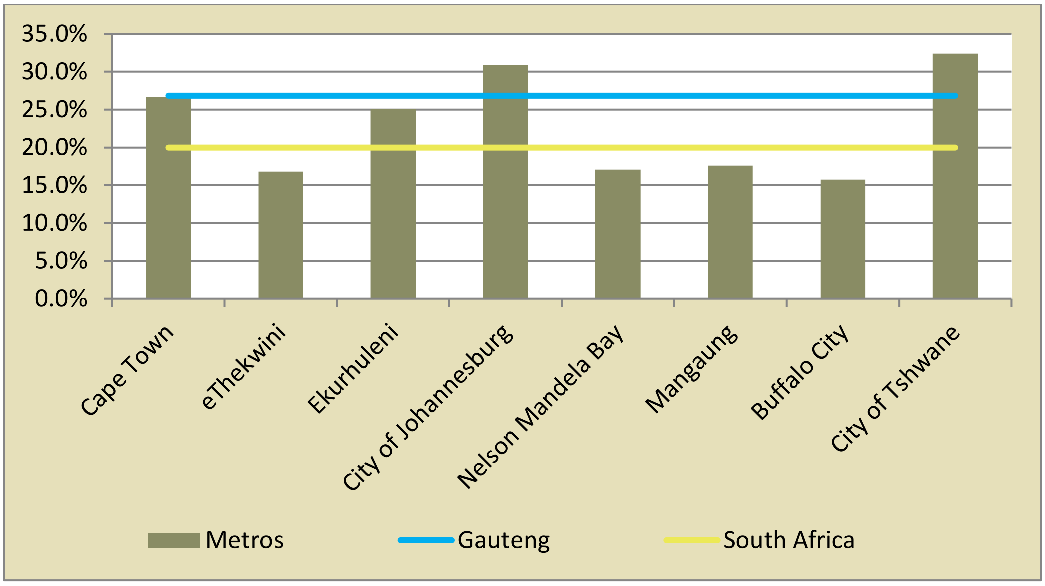


Figure D-11: Household Formation

D.2.1.3.3 Household Infrastructure Provision

By comparing backlogs of sanitation, water, electricity and refuse removal in urban as well as non-urban areas, one notes that City of Tshwane's infrastructure service delivery backlogs with regards to sanitation and refuse removal is high, while the infrastructure service delivery backlogs with regards to water and electricity is low.

Table D-2: Household Infrastructure Provision (2017)

Infrastructure	Gauteng		City of Tshwane	
Above RDP Level				
Sanitation	4,002,407	91.2%	883,412	84.1%
Water	4,320,391	98.5%	1,038,342	98.8%
Electricity	3,939,918	89.8%	978,135	93.1%
Refuse Removal	3,952,505	90.1%	896,117	85.3%
Below RDP or None				
Sanitation	385,691	8.8%	167,428	15.9%
Water	67,706	1.5%	12,497	1.2%
Electricity	448,180	10.2%	72,704	6.9%
Refuse Removal	435,592	9.9%	154,722	14.7%
Total Number of Households	**4,388,097**	**100.0%**	**1,050,839**	**100.0%**

D.2.1.4 Historic Financial Perspective

The financial position of City of Tshwane remained positive throughout the 8 years under assessment. As at 30 June 2018, its balance sheet reflected a total asset position of R 53.87 billion; increasing from R 21.64 billion at FYE2011.

The Debt (Total Borrowings)/ Total Operating Revenue ratio of 44% had reduced from 50% in FY2011. In conjunction with a positive debt cover ratio (cash generated from operations/debt service) of 1.06, it provides an indication that long term interest bearing liabilities levels are still affordable to the City. Total interest bearing liabilities was R 13.16 billion at FYE2018; increasing from R 7.41 billion in 2010/11.

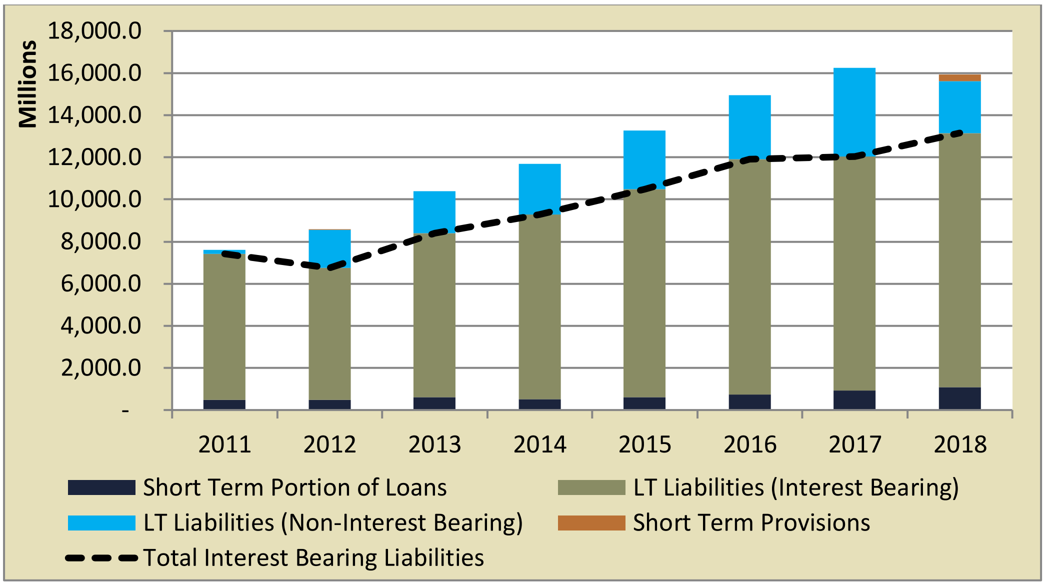


Figure D-12: Non-Interest Bearing vs Interest Bearing Liabilities

D.2.1.4.1 Current Liabilities

The trend analysis of current liabilities reflect gradual and consistent increases up to its highest value of R 10.89 billion in 2018, from R 4.92 billion at FYE2017. This was primarily due to the 8-year growth in creditors of R 5.82 billion to a balance of R 9.50 billion at FYE2018, which represents 79.9% of current liabilities.

Of concern is the increase in unspent conditional grants, particularly in the last two financial periods. Unspent Conditional grants increased to R 469.67 million at FYE2018.

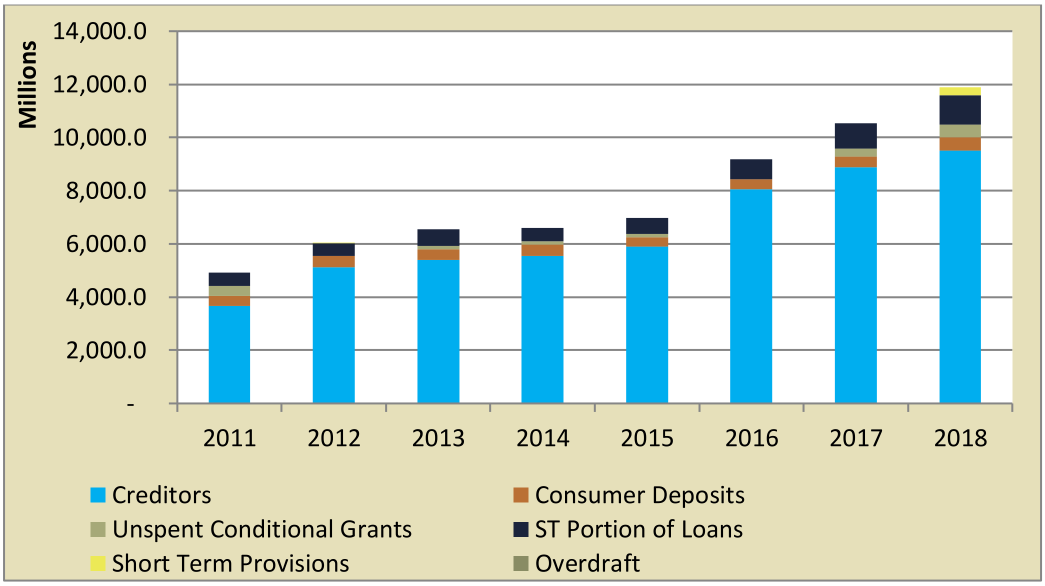


Figure D-13: Total Current Liabilities

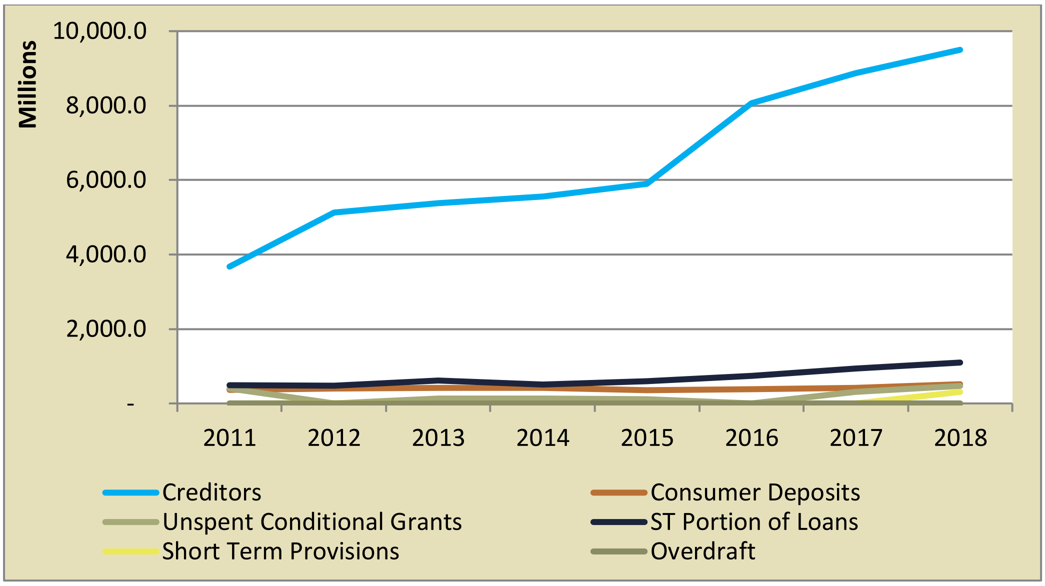


Figure D-14: Current Liabilities by Item

D.2.1.4.2 Current Assets

Current Assets peaked at R 12.31 billion during FY2018 from the lowest balance of R 4.47 billion at FYE2017. Total Current Assets is constituted mainly of Consumer debtors (55.2%), Cash and cash equivalents (23.1%), Other Debtors (13.0%), and Inventories (5.2%%).

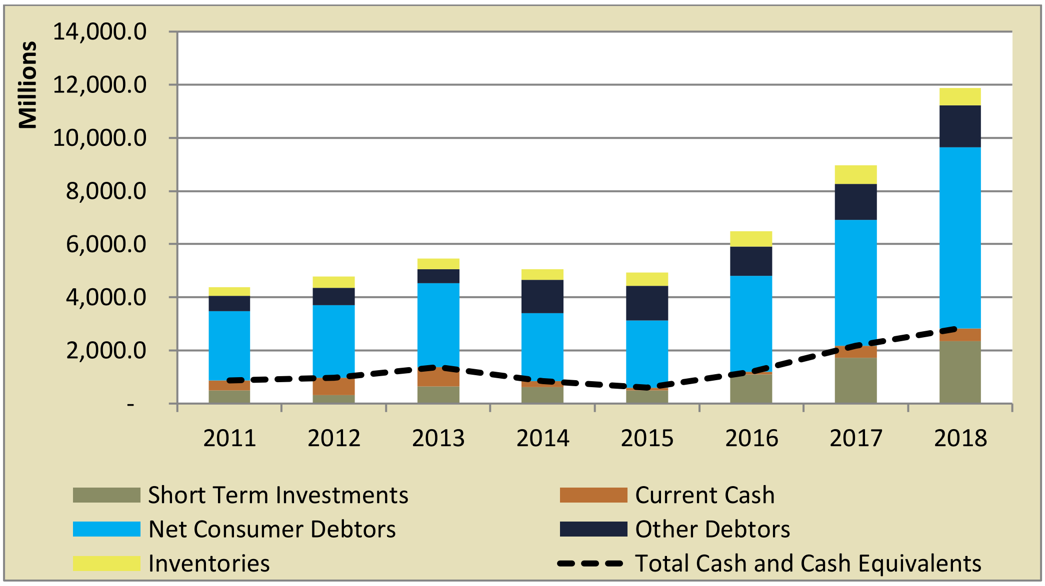


Figure D-15: Total Current Assets

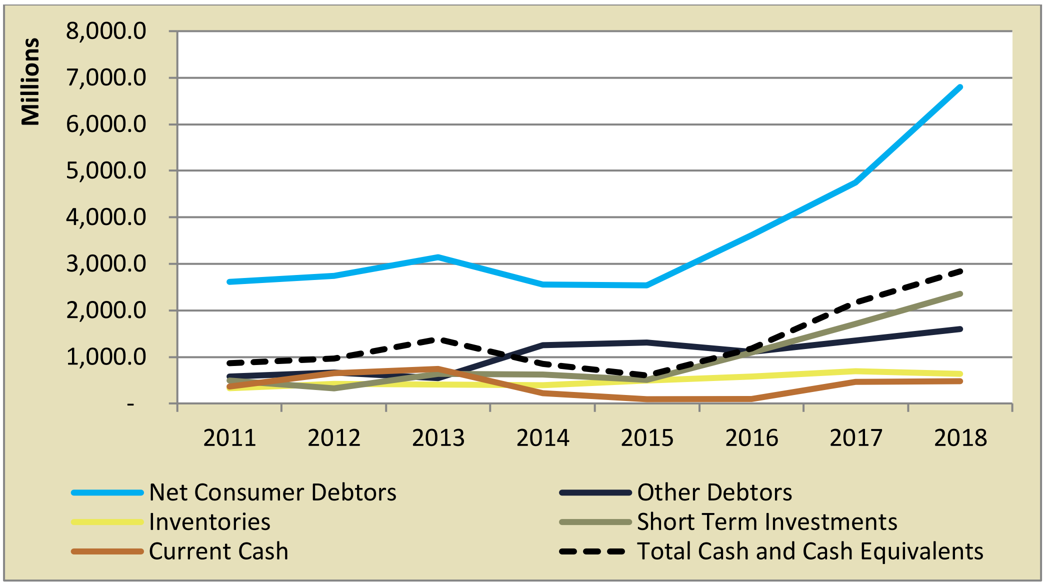


Figure D-16: Current Assets by Item

D.2.1.4.3 Liquidity Ratio

Coming from a very low base, the liquidity position of the City of Tshwane has gradually improved over the years under assessment. The liquidity ratio was at an acceptable 1.04:1 as at FYE2018 (0.85 as at FYE2017). Should debtors older than 30 days be excluded, the ratio drops to 0.67:1.

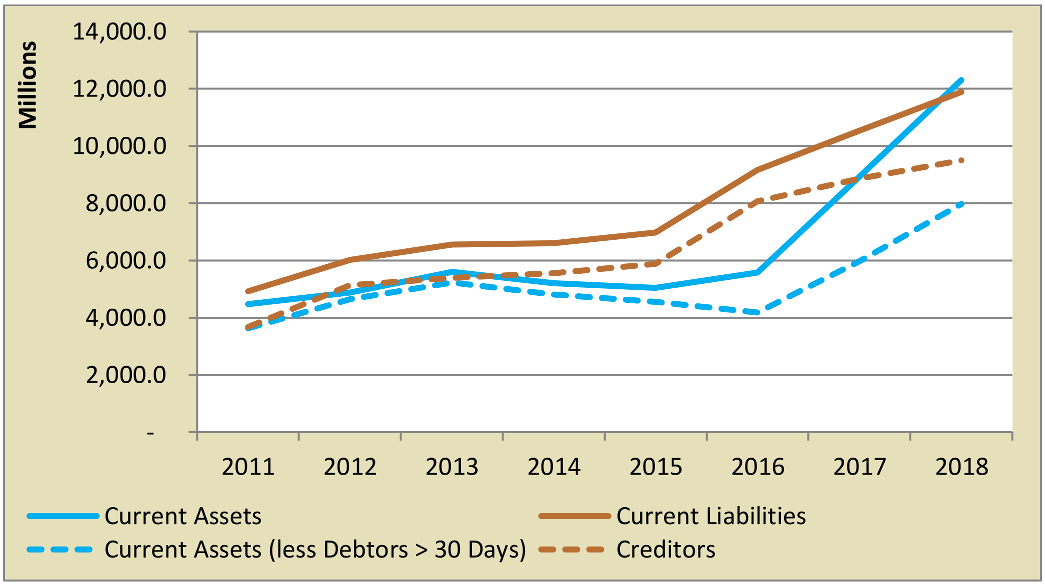


Figure D-17: Current Assets vs Current Liabilities

D.2.1.4.4 Net Consumer Debtors

Net Consumer Debtors have increased to R 6.80 billion in FY2018, due to growth in gross consumer debtors, while the provision for doubtful debts decreased to R 5.63 billion from the previous year.

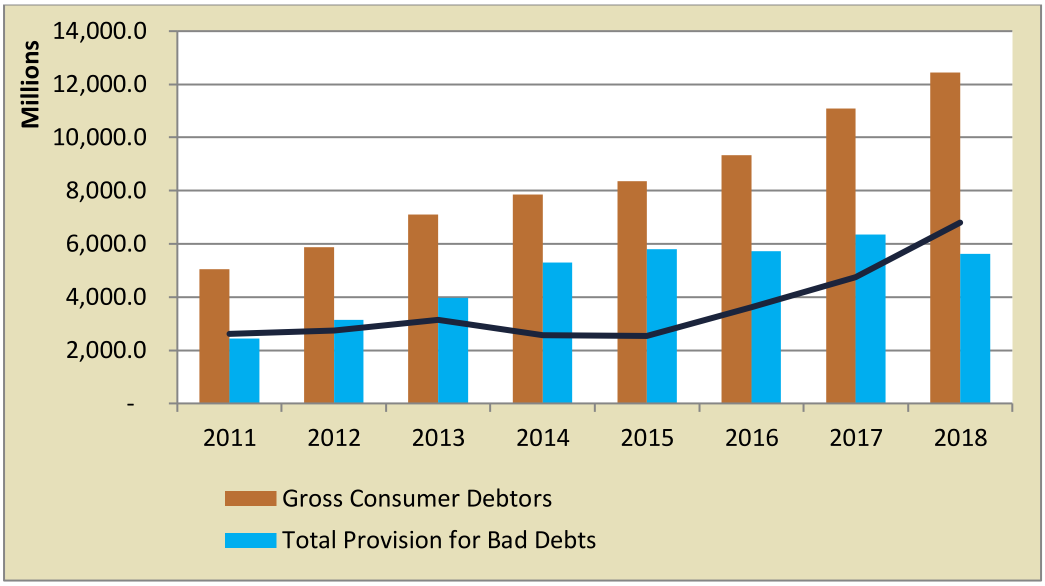


Figure D-18: Consumer Debtors

D.2.1.4.5 Debtors Age Profile

The Debtors Age Profile indicates an increasing rate of ageing over the trend with 75% of Gross Consumer Debtors being older than 90 days. The provision does not sufficiently cover debtors older than 90 days as prescribed by National Treasury. Current debtors represent only 19.8% of the debtors book.

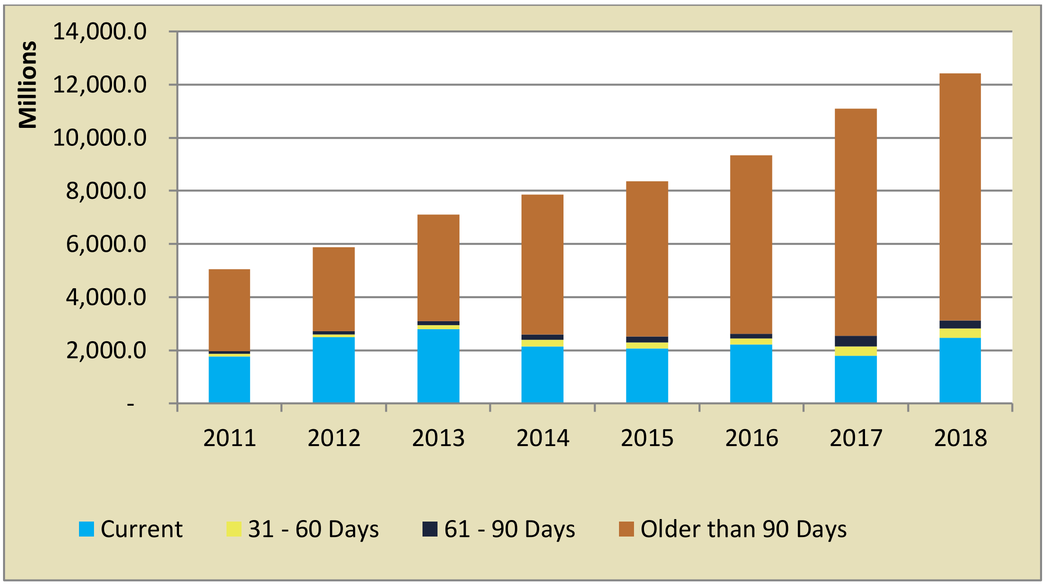


Figure D-19: Consumer Debtors Age Profile

D.2.1.4.6 Consumer Debtors by Type

A sharp increase in water debtors is evident from the 2015 financial year. At FYE2018, water debtors represent the majority (23%) of outstanding net consumer debtors followed by rates debtors at 21%. Electricity and refuse removal debtors also constitute significant portions. The collection ratio of 93% remained below the minimum acceptable benchmark of 95%.

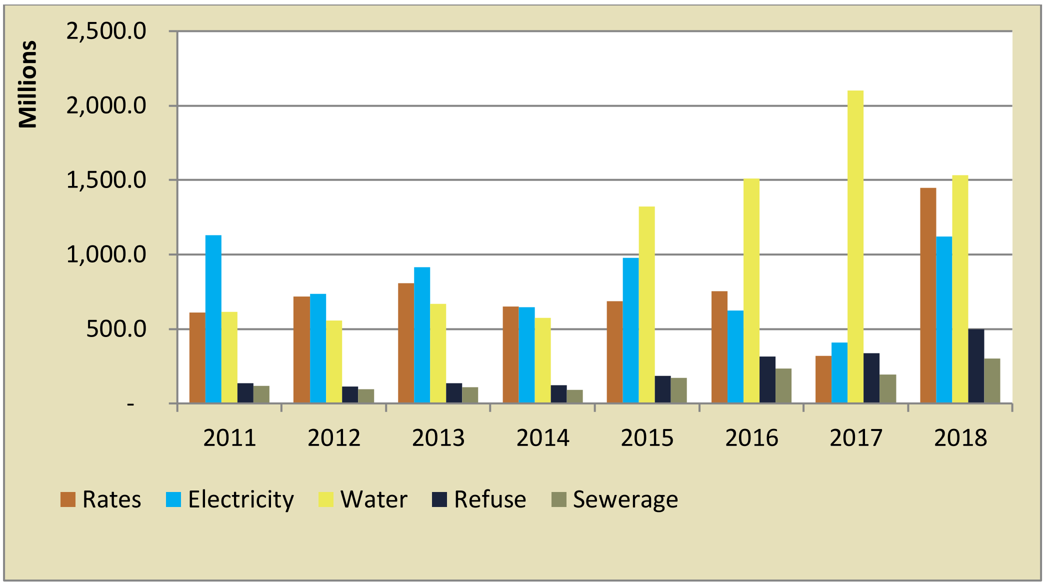


Figure D-20: Consumer Debtors by Type

D.2.1.5 Financial Performance

The City of Tshwane realised an Accounting Surplus of R 2 804.17 million in 2018, increasing from R 791.19 million at FYE2011. The R 2 012.98 million increase was mainly driven by a significant increase in total income of R 17 124.50 million (113%), against an increase in total operating expenditure of R 16 110.39 million (97%).

Excluding capital grants from total income, the metro remained in a Total Operating Surplus generating position which increased from R 294.70 million in FYE2011 to R 585.15 million in FYE2018.

Cash Generated from Operations (excluding capital grants) increased to R 2 576.45 million in FY2018 from its lowest point of R 273.45 million in FY2015.

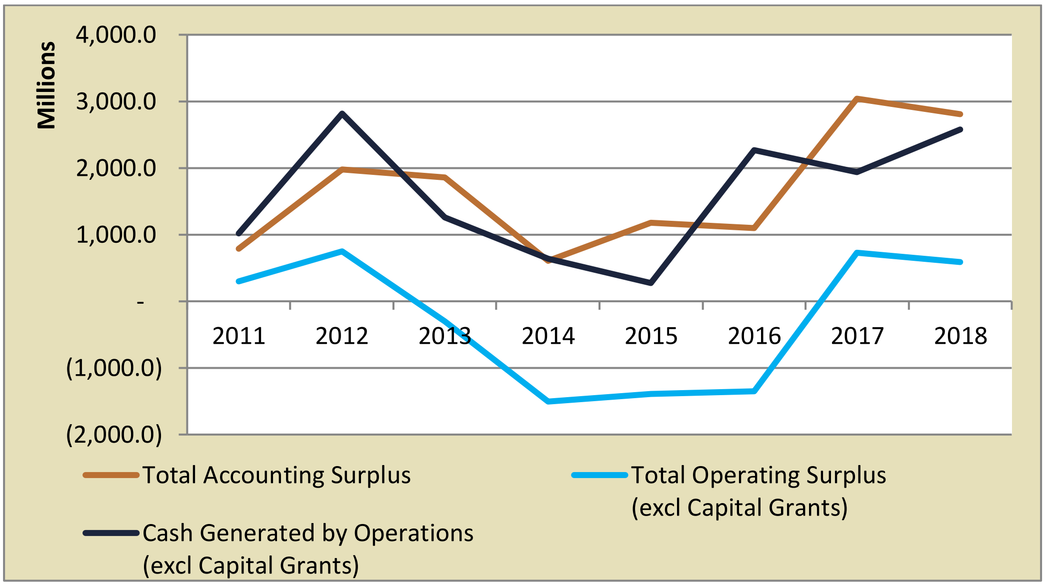


Figure D-21: Analysis of Surpluses or Deficits

Income from Electricity Services and Property Rates at 59% collectively, remain the biggest drivers of Total Operating Income. Income from Water Services and Equitable Share are also important contributors.

Property Rates is considered a more stable income source for the metro and has grown annually by an average of 13% between 2011 and 2018 to a total of R 6 731.7 million presently.

Equitable Share income increased from R 717.98 million to R 2 132.79 million in 2018. However, the total grants/revenue ratio was stable at 20% for the past 2 years.

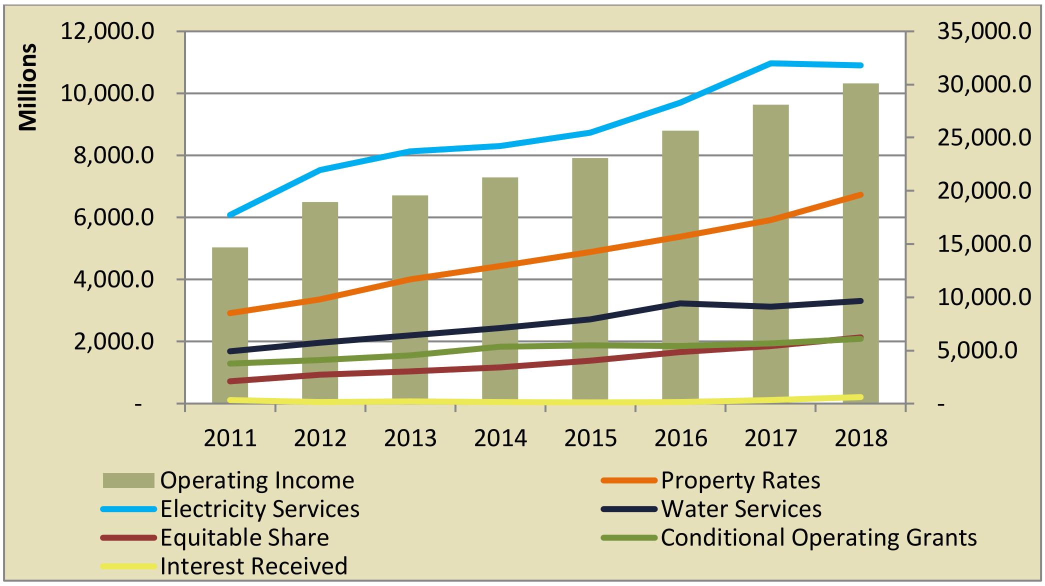


Figure D-22: Operating Income by Source

Staff Cost, Bulk Purchases and Depreciation collectively represent 62% of Total Operating Expenses. Staff costs has the largest contribution to Total Operating Expenditure, and the annual increases have been reduced to 7% and 2% in the last 2 years.

Electricity services as the second largest contributor to Total Operating Expenditure, has been relatively stable since 2017. Both Electricity services income and expenditure has decreased by 1%. The surplus margins from this service continually decreased from 40% in 2011 to 31% in 2018. Over the short term, expected steep increases in bulk electricity prices may narrow historic margins.

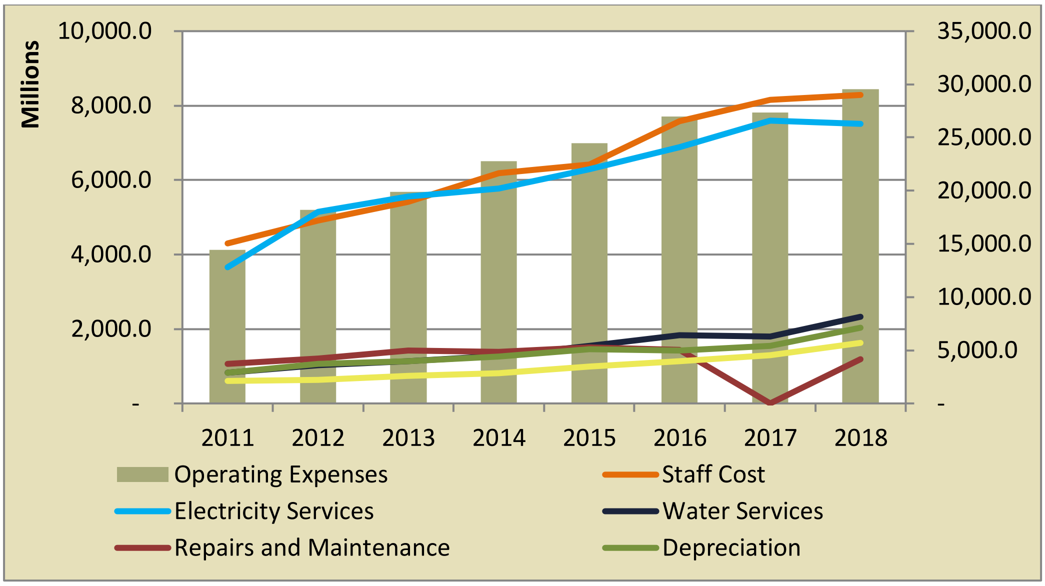


Figure D-23: Operating Expenditure by Item

Interest Paid on external borrowings exceeded Interest Received from external investments throughout the assessment period; resulting in R 1 415.92 million Net Interest outflow from Operational Income. The increase in Interest received in FYE2018 is attributable to a decrease in cash and cash equivalents. The Interest Paid to Total Expenditure ratio of 5% is reasonable, confirming the affordability of current debt levels.

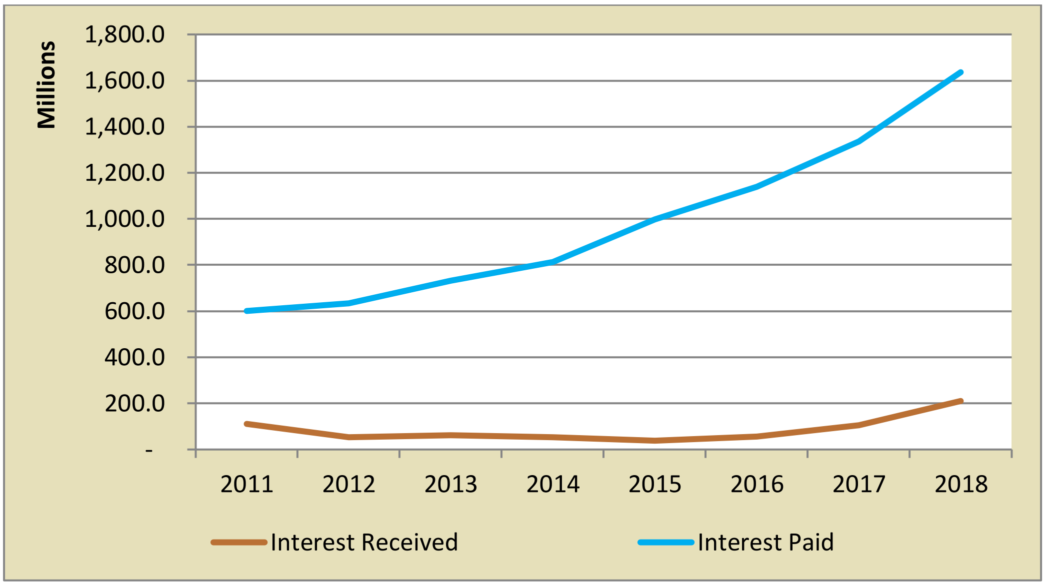


Figure D-24: Interest Received vs Interest Paid

City of Tshwane has recorded steady growth in both Total Income and Total Expenditure over the 8-year period under review. Total Operating Income increased to R 30.11 billion against Total Operating Expenditure of R 29.52 billion.

The gap between Total Income and Total Operating Expenditure has especially widened since FYE2017, with income and operating expenditure reflecting annual average growth rates of 12% and 11%. The metro has managed to contain spending activities within manageable levels as Total Income has mostly been higher than Operating Expenditure.

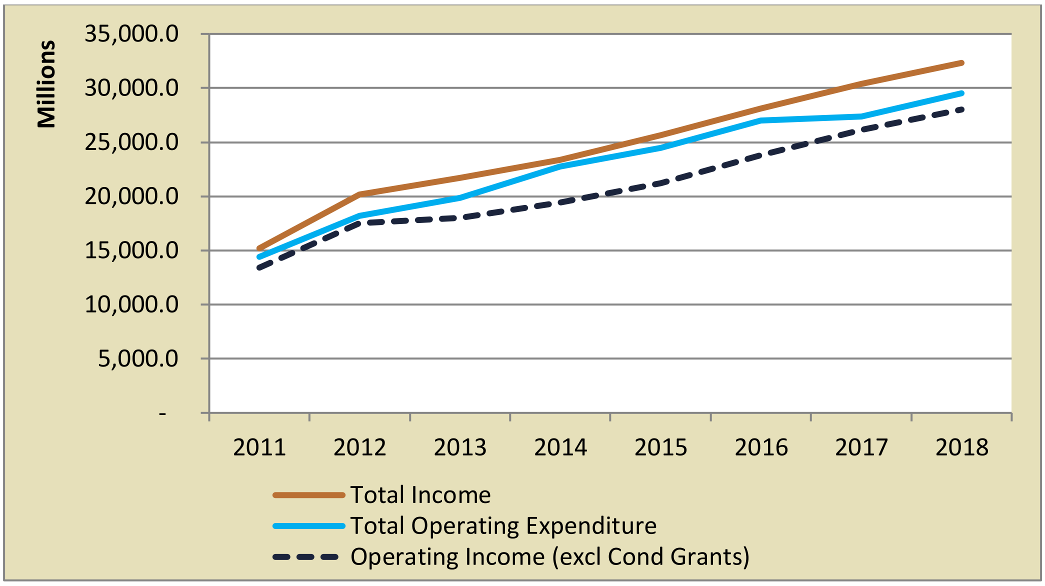


Figure D-25: Total Income vs Total Expenditure

Table D-3: Operating Income by Source

	2011	2012	2013	2014	2015	2016	2017	2018
Property Rates	2,915.6	3,357.7	3,999.4	4,432.3	4,891.9	5,383.8	5,912.6	6,731.7
Electricity Services	6,079.6	7,523.8	8,131.2	8,310.8	8,736.9	9,696.2	10,969.3	10,892.9
Water Services	1,685.1	1,955.0	2,189.9	2,438.9	2,708.4	3,224.2	3,132.3	3,308.3
Equitable Share	718.0	923.0	1,040.6	1,167.0	1,375.5	1,654.4	1,864.8	2,132.8
Conditional Operating Grants	1,289.2	1,399.8	1,551.8	1,843.6	1,884.3	1,862.7	1,948.3	2,087.9
Interest Received	110.1	52.9	62.8	52.4	38.1	57.3	105.9	210.3
Operating Income	**14,703.6**	**18,921.5**	**19,583.9**	**21,256.7**	**23,107.0**	**25,635.9**	**28,090.6**	**30,105.6**

Table D-4: Operating Expenditure by Item

	2011	2012	2013	2014	2015	2016	2017	2018
Staff Cost	4,298.7	4,906.7	5,419.1	6,187.1	6,425.6	7,584.8	8,153.2	8,286.4
Electricity Services	3,657.6	5,140.1	5,551.6	5,772.0	6,283.8	6,887.2	7,596.4	7,504.6
Water Services	826.1	1,032.1	1,141.1	1,284.6	1,543.7	1,841.3	1,805.5	2,327.5
Repairs and Maintenance	1,057.5	1,198.5	1,422.2	1,379.8	1,505.2	1,430.3	-	1,184.2
Depreciation	823.7	1,063.0	1,130.9	1,257.0	1,454.3	1,417.5	1,546.2	2,033.2
Interest Expense	604.1	633.2	731.9	813.8	997.5	1,138.0	1,298.1	1,626.2
Operating Expenses	**14,408.9**	**18,171.9**	**19,880.8**	**22,761.9**	**24,493.3**	**26,989.7**	**27,360.6**	**29,520.4**

D.2.1.6 Cash Flow

The positive financial performance and the R 2 576.45 million cash generated by City of Tshwane in FY2018, places the metro in a strong position to maintain and increase capital expenditure and timely investment in capital asset replacement.

Total Capital Expenditure for the past 8 years was R 32.54 billion. The Capital Funding Mix over the period under review consisted of Capital Grant Funding (49.1%), Borrowings (36.3%), Own Cash Reserves (15.8%) and Sale of Fixed Assets (0.6%). City of Tshwane refrained from taking up external loans during FY2018, which is evident in the reduction of annual capital expenditure from the highest level of R 5.07 billion in FY2016 to R 3.24 billion in FY2018.

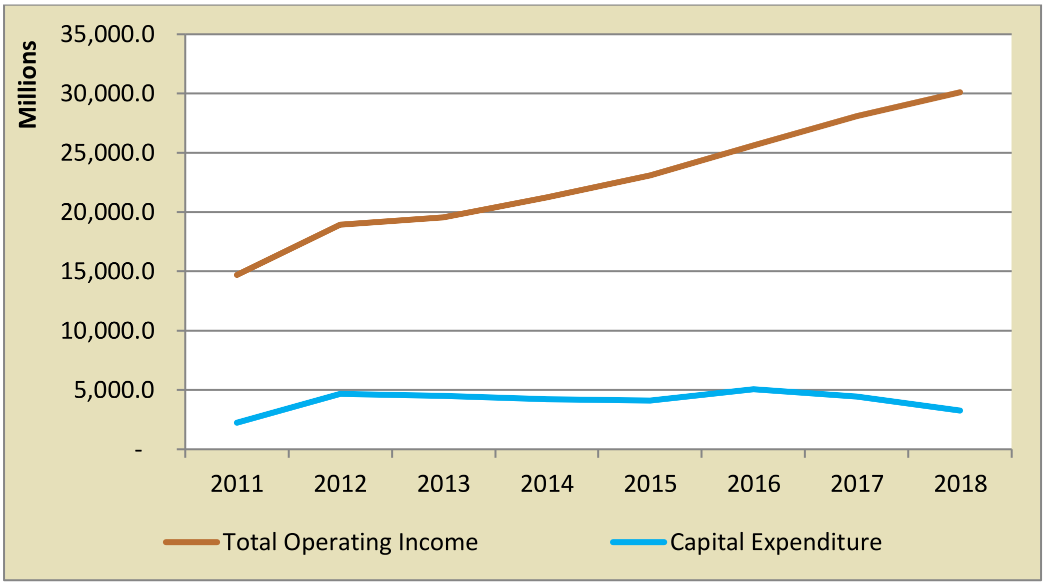


Figure D-26: Total Operating Income vs Capital Expenditure

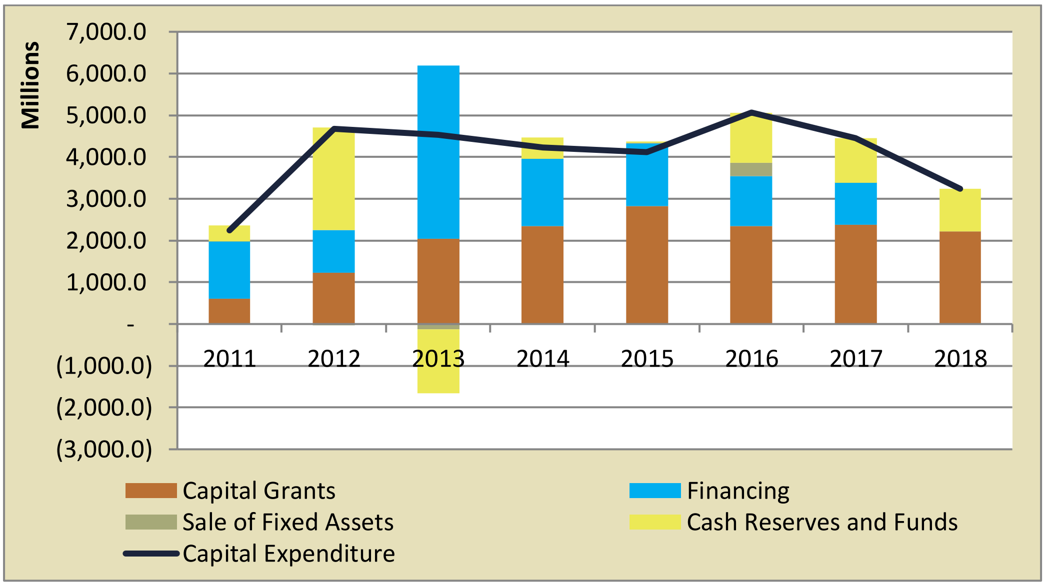


Figure D-27: Capital Funding Mix

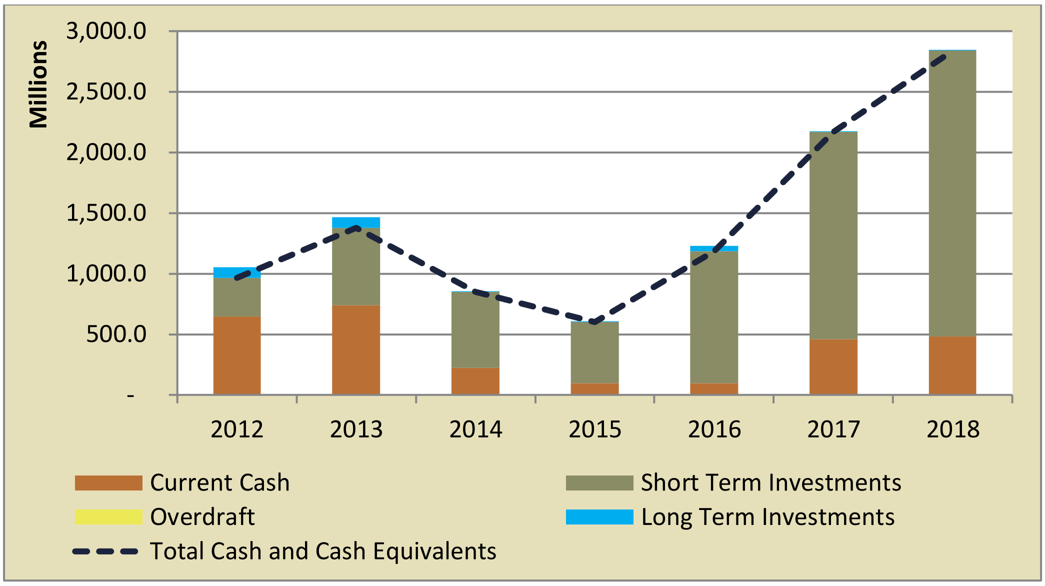


Figure D-28: Cash and Investments

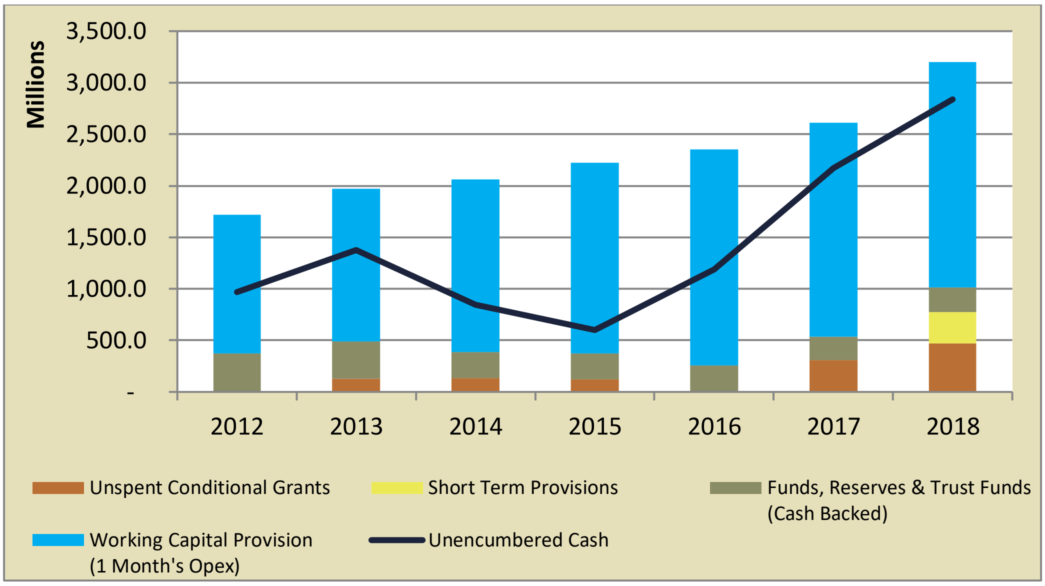


Figure D-29: Minimum Liquidity Requirements

Growth in cash and investment balances has been positive, particularly in the last 3 years. Unencumbered cash and investments increased from R 859.58 million in FY2011 to R 2 838.08 million at FYE2018. The minimum liquidity requirements include Short Term Provisions of R 307.2 million, Unspent Conditional Grants and Receipts of R 469.7 million, Working capital provision (including 1 month's opex) of R 2 180.9 million, and Cash Reserves and Funds of R 239.4 million. These requirements have however remained high and could not be sufficiently covered by the unencumbered cash. The cash shortfall was R 351.9 million at FYE2018, decreasing from the highest level of R 1 624.0 million at FYE2015.

The cash coverage ratio (including working capital) continued to strengthen but remains below 1 at 0.9 in FYE2018.

Table D-5: Minimum Liquidity Requirements

	2011	2012	2013	2014	2015	2016	2017	2018
Unspent Conditional Grants	396.2	-	126.5	134.9	122.1	-	305.9	469.7
Short Term Provisions	-	1.6	-	-	-	-	-	307.2
Funds, Reserves & Trust Funds (Cash Backed)	577.3	370.2	364.6	248.6	253.4	257.0	230.8	239.4
Total	**973.5**	**371.8**	**491.1**	**383.6**	**375.5**	**257.0**	**536.7**	**1,016.2**
Unencumbered Cash	859.6	967.8	1,377.0	847.8	600.5	1,186.0	2,169.3	2,838.1
Cash Coverage Ratio (excl Working Capital)	0.9	2.6	2.8	2.2	1.6	4.6	4.0	2.8
Working Capital Provision (1 Month's Opex)	1,078.8	1,350.4	1,483.2	1,680.5	1,849.0	2,093.9	2,077.0	2,180.9
Cash Coverage Ratio (incl Working Capital)	0.4	0.6	0.7	0.4	0.3	0.5	0.8	0.9
Minimum Liquidity Required	2,052.3	1,722.2	1,974.3	2,064.1	2,224.5	2,350.9	2,613.7	3,197.2
Cash Surplus/(Shortfall)	**(1,192.7)**	**(754.4)**	**(597.3)**	**(1,216.3)**	**(1,624.0)**	**(1,164.8)**	**(444.4)**	**(359.1)**

D.2.1.7 Outcome of the Independent Financial Assessment

The City of Tshwane Metro remained in a profitable position during the past 8 years under assessment. This is evidenced by an Accounting Surplus of R 2 804.17 million posted at FYE2018, which increased from R 791.19 million at FYE2011.

The metro generated an operating surplus of R 585.15 million compared to R 294.70 million in 2011, after the exclusion of capital grants.

The strong financial performance enabled the City of Tshwane to generate R 2.58 billion in cash from its operations (excluding capital grants). This is R 1.55 million higher than the cash generated from operations in FYE2011.

Over the past 8 years, the City spent R 32.54 billion on capital infrastructure programs utilising Capital Grants to the value of R 16.0 billion, Borrowings of R 11.8 billion, cash generated from operations of R 5.2 billion, and Sale of Fixed Assets of R 189.85 million. The annual capital expenditure has decreased from the highest level of R 5.1 billion in FY2016 to R 3.2 billion in FY2018.

In the absence of new external loans taken during FY2018, the Metro maintained an acceptable level of gearing at 44%, which is also the average level for the 8 years under assessment. The debt service cover ratio was 1.06 in 2018, indicating that the City of Tshwane generates sufficient cash from operations to service current debt levels. The 93% collection rate in FY2018 poses a threat to future revenue collection.

Current Assets exceeded Current Liabilities by R 419.2 million at FYE2018. The gap between Current Assets and Current Liabilities was negative in the first 7 out of 8 years under assessment. The City has, for the first time in the 8 years under assessment, achieved a positive Liquidity Ratio of 1.04:1. The ratio drops to 0.67:1 should debtors older than 30 days be excluded. A need for improvement in liquidity management is further demonstrated by the low cash coverage ratio (incl 1 month's working capital) of 0.9 as at FYE2018.

The unencumbered cash and investments balance of R 2 838.08 million (FYE2017: R 2 169.32 million) was insufficient to cover minimum liquidity required of R 3 197.16 million, comprising Short term provisions (R 307.2 million), unspent conditional grants (R 469.7 million), and 1 months' operational expenditure provision (R 2 180.9 million) resulting in a cash shortfall of R 359.1 million at year end (FYE2017: R 444.4 million).

D.2.1.8.1 Strengths

- Strong balance sheet & improved liquidity position
- Investment-grade credit rating
- Strong cash flows from own operations and limited reliance on transfers from national and provincial treasuries
- A positive increase in Cash and Cash Equivalents.
- Capacity to post Accounting and Operational Surpluses

D.2.1.8.2 Weaknesses

- The collection ratio of 93% remained below the minimum acceptable benchmark of 95%.
- Decreasing Annual Capital Expenditure since 2017, despite the current high service delivery backlogs

D.2.2 Outcome of the Long Term Financial Model forecast

The forecast outcomes from the Long Term Financial Model are considered in the Long Term Financial Strategy of the City. These forecasts also inform and form part of the Resourcing Plan presented in section D.4.

D.2.2.1 Other Key Assumptions

The following key assumptions were included in performing the base case 10 year forecast using the Long Term Financial Model:

Table D-6: Other Key Assumptions

	Base Case Average for a 10-Year Planning Period
RSA consumer inflation rate (CPI)	5,7%
Population Growth Rate	1,6%
GVA Growth Rate	3,1%
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	7,9%
Bulk electricity cost escalation	7,2%
Collection rate of customer billings	95%

D.2.2.2 Municipal Revenue Risk Indicator

The latest iHS Global Insight update of the City of Tshwane economy reveals that the average economic growth rate during the past 5 years of 2.21% p.a is the highest of all the metros. The Tress index is comparable to at least 5 of the other metros. Combining these 2 factors leads to an Economic Risk component of the MRRI (Municipal Revenue Risk Indicator) of "Medium to High". However, the size of the local economy and GVA growth rate which is higher than similar cities, help moderate the risk metric.

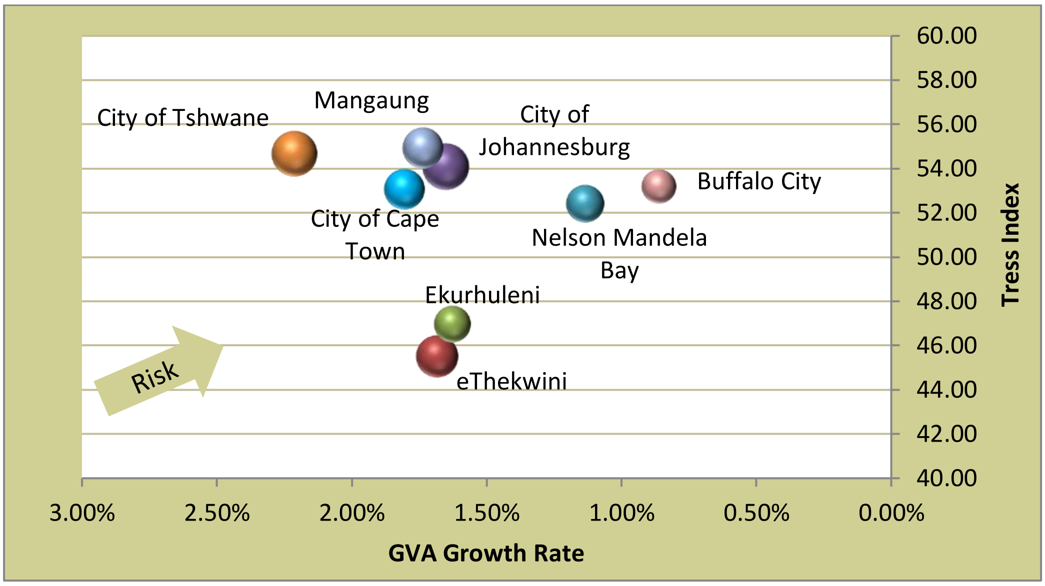


Figure D-30: MRRI - Economic Risk

Figure D-31 below indicates the non-payment risk by plotting the percentage of households earning less than R30 000 p.a and the unemployment rate. In comparison to other metros, both these factors are lower and in a very similar position to that of Cape Town.

The Household Ability to Pay Risk component of the MRRI is rated "Medium to High", **with the overall MRRI rated at "Medium"**.

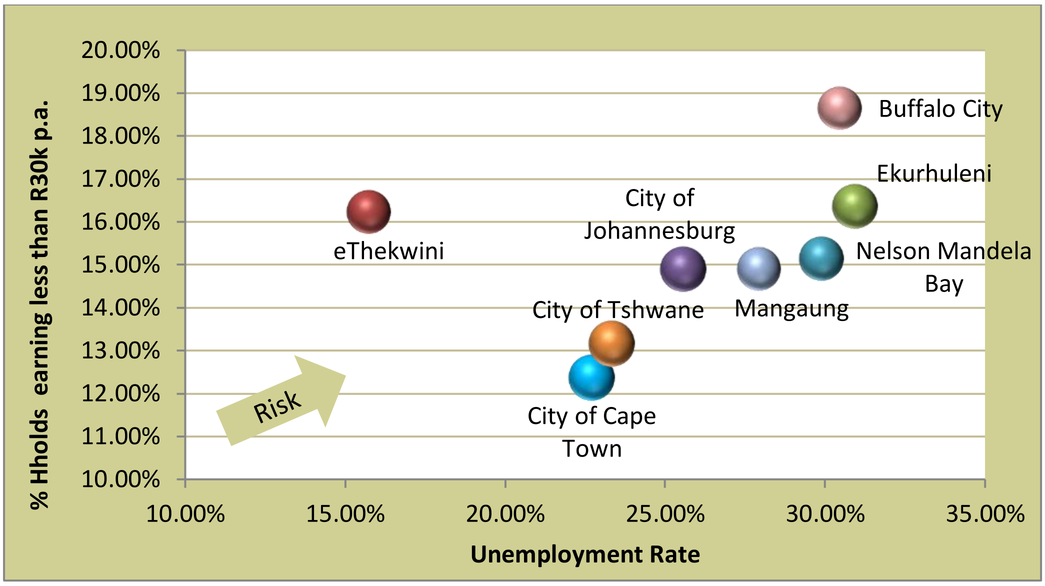


Figure D-31: MRRI - Household Ability to Pay Risk

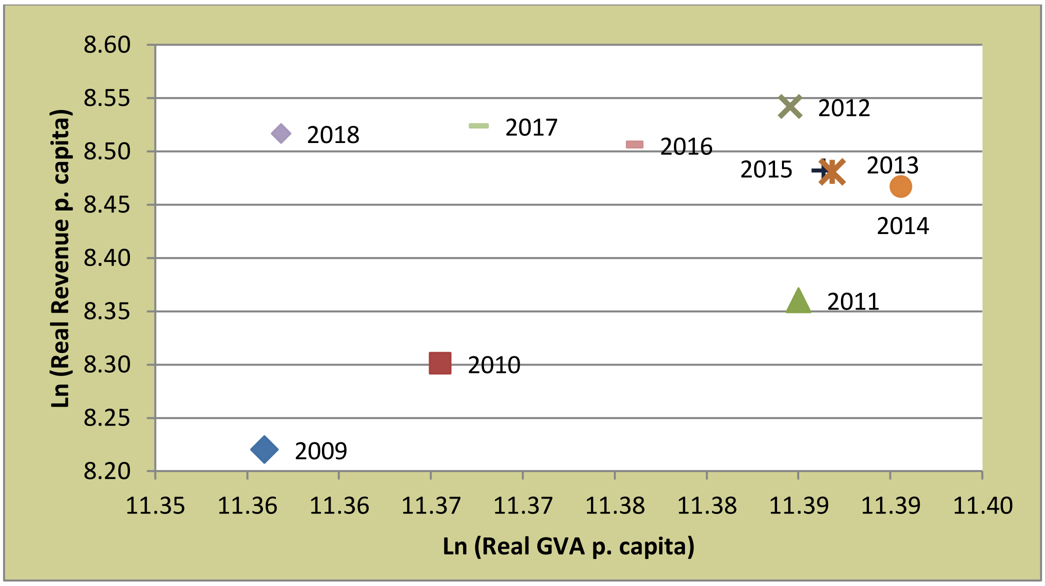


Figure D-32: Historic Real GVA per Capita vs Real Revenue per Capita

Despite the rate of increase in the Real Revenue per Capita, there has been a decline in the Real GVA per Capita since 2014. It is therefore unlikely that Real Revenues per Capita would increase significantly in future without a structural change in the economy and a return to economic growth rates which would contribute to creating fiscal space for tariff adjustments. This issue was dealt with in the recent State of City Finances Report (SACN 2018) which assessed the progressiveness of municipal bills and the impact this might have on tariffs. Such diverging trends place additional proportional financial pressure on households. The metro should specifically note this situation when determining the fixed-cost portion of the household municipal bill going forward.

D.2.2.3 Municipal Revenues and Expenditure

In 2018 the Real Revenue per Capita of R 4 997 p.a. exceeded the expected amount for the Real GVA per Capita as researched by Schoeman[2]. This provides comfort as the proportional growth in indigent households according to the Long Term Financial Model forecast, is in line with current data.

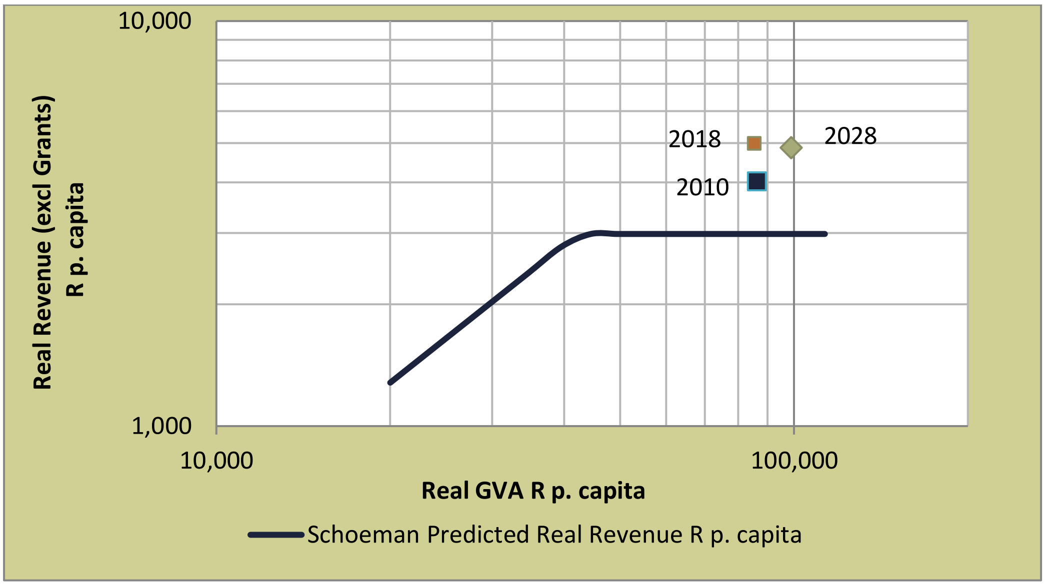


Figure D-33: Real Revenue per Capita vs Real GVA per Capita

Future Nominal Revenue (excluding Grants) is growing at an average rate of 6.7% p.a. Over the forecast period, the metro generates positive cash flow from operations and maintains a positive Accounting Surplus. The Total Operating Surplus (excluding grants) fluctuates between -R400m and R350m over the period but remains in deficit from 2024 to the end of the forecast period.

Improvements in revenue are ascribed to (i) tariff increases, (ii) increased sales, (iii) additional revenue sources and importantly, (iv) sustained revenue-collection rates of 95%. An improvement in Operating Surpluses is anticipated towards the end of the forecast period.

[2] Fiscal Performance of Local Government in South Africa - an Empirical Analysis; Niek Schoeman; UP 22 July 2011; https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=IIPF67&paper_id=40

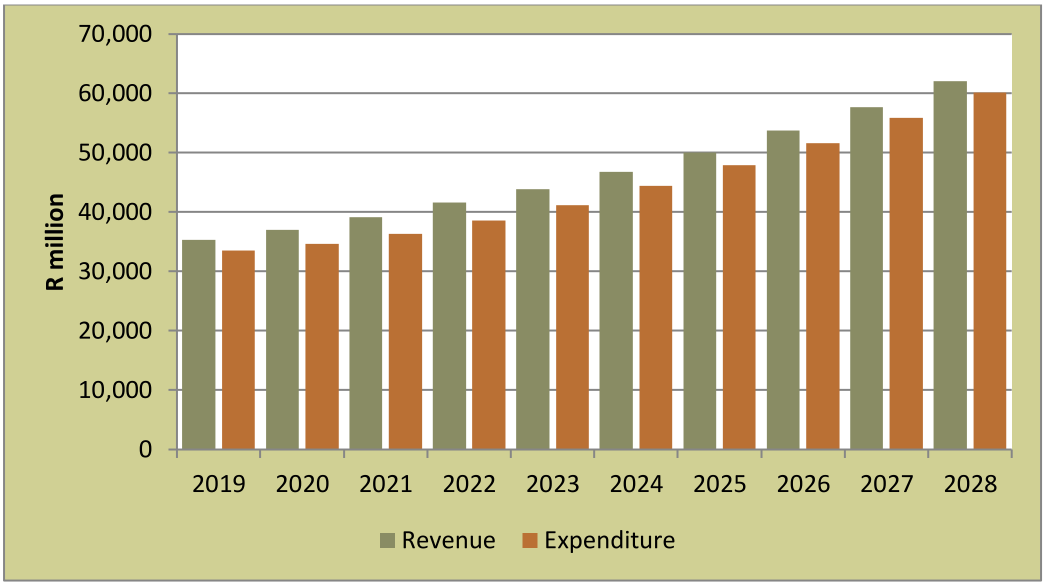


Figure D-34: Revenue and Expenditure

The City of Tshwane region is not immune to national and provincial socio-economic conditions. Figure D-35 indicates a forecast decline in the Real Revenue per Capita to 2023. This is largely attributable to the rate of increase in population growth being higher than the rate of increase in total revenue of the municipality. Both the Real GVA per Capita and the Real Revenue per Capita are expected to improve after 2022 and 2023 respectively. This would be due to a forecast economic growth rate in excess of the forecast population growth rate at that time, but it remains highly dependent on broader socio-economic conditions.

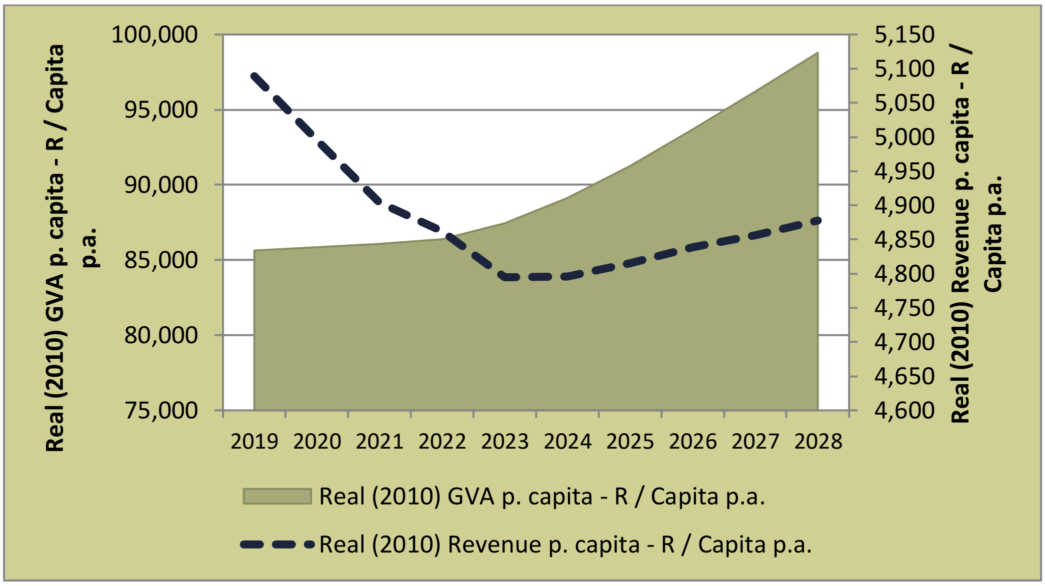


Figure D-35: Real Revenue per Capita as a function of Real GVA per Capita

D.2.2.4 Summarised Outcome of the Long Term Financial Model forecast

D.2.2.4.1 The Socio-economic base and Future Revenue

- The City of Tshwane has a strong economic base and diversified economy, but a rapid increase in migration to the metro is placing pressure on existing infrastructure;

- However, the impact of national economic conditions on the metro contributes to a moderate economic growth forecast over the forecast period;
- These factors highlight a key structural weakness: as economic growth rates slow, the metro approaches the limit to increasing tariffs. This will inhibit the ability to extract additional revenue required by the continued growth in demand for meeting the needs of poorer communities;
- An expansion in the economic base and accelerated job creation (particularly at entry-level), are essential and critical in order to pursue and sustain progressive / redistributive / pro-poor policies;
- There is still scope over the forecast period for increases in tariffs (broadly aligned with CPI) and for more progressive tariff structures.

D.2.2.4.2 Capital Investment and Resourcing of the Metro's Project Pipeline

This subsection provides a summary of the most significant forecast outcomes from the Long Term Financial Model in terms of the metro's ability to invest in capital over the long term. Section D4 includes the detail forecast outcomes as part of the metro's resourcing plan.

- As the population continues to increase, the metro would need to address historic settlement patterns to accommodate new migrants as well as improve access to and mobility within the metro;
- The City of Tshwane plans to accelerate its capital investment programme;
- It would not be able to do so utilising own cash resources;
- While capital expenditure and external financing remains at current levels over the MTREF period, both increase rapidly by 7% per year after the MTREF;
- Taking this rapid increase into account, both Debt Servicing and Gearing levels remain within National Treasury norms;
- Significant "high-impact projects" can be included individually in the Long Term Financial Model to determine the long term financial impact of such projects on the financial position of the metro.

D.3 Budget Fit

Chapter C outlined the Capital Prioritisation Model results, which consequently feeds into the budget fitting process.

Simultaneously, the 10 year affordable capital funding envelope as forecast by the Long Term Financial Model may be included in the budget fit process as the total amounts which are being fitted to. As indicated in section D.1, the City is in consultation with regard to the use of the Long Term Financial Model affordability envelope amounts in the Budget Fit process. As such, indicative amounts as determined by the City of Tshwane Finance department were utilised in the current Budget Fit process. The differences between the indicative amounts used and the Long Term Financial Model affordability envelope amounts are not significant. Please refer to subsection D.4.1.6 for an analysis in this regard.

The purpose of this section is to discuss the methodology, rule set and criteria used during the budget fit process as well as to demonstrate how different choices regarding the budget fit strategies will result in different capital budget results.

The budget fit methodology can be summarised in a schematic diagram shown in the figure below. Essentially the budget fit methodology is a systematic application of a set of rules and parameters, which will result in a project either being added to the draft budget or rejected from the draft budget portfolio.

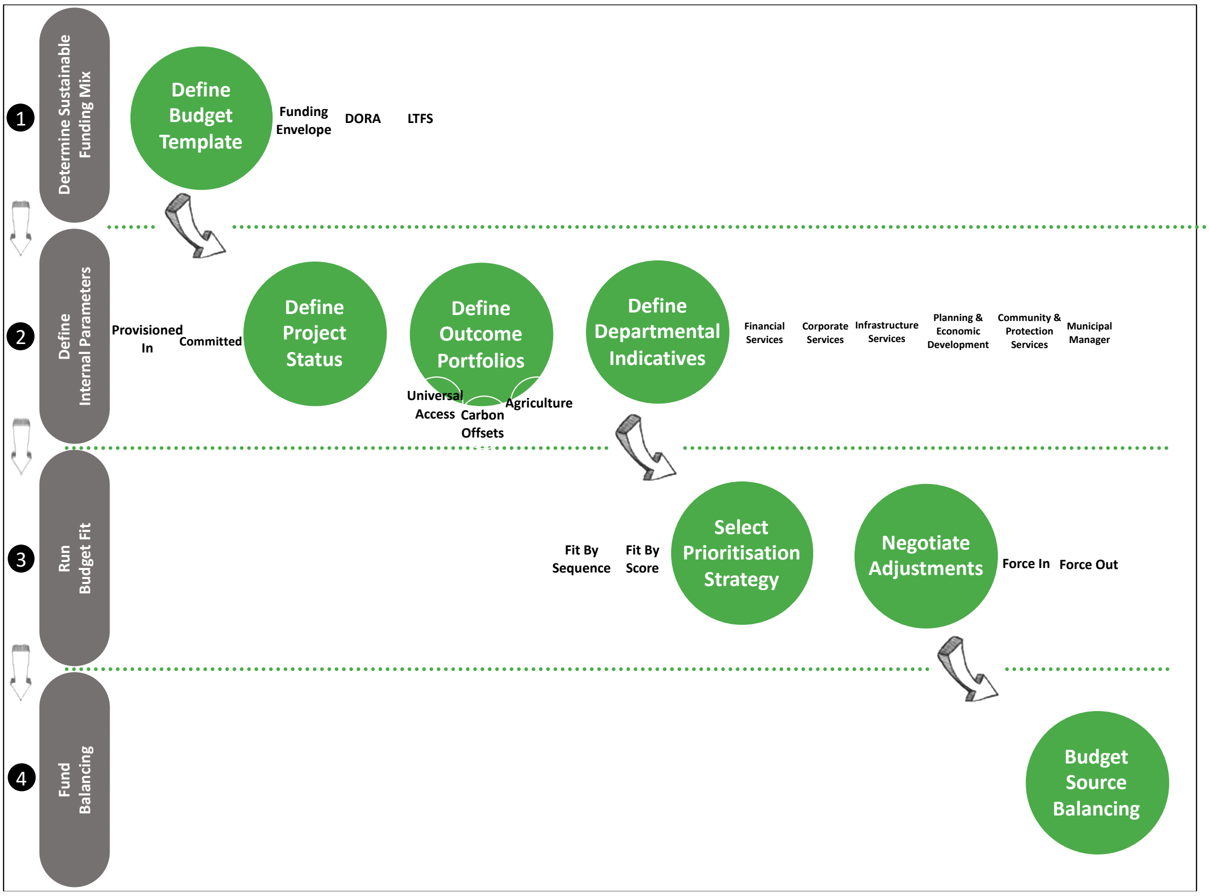


Figure D-36: Budget Fit Methodology

D.3.1 Budget Fit Parameters

The following parameters may be included in the budget fit process.

D.3.1.1 Affordability Envelope and Budget Fit Strategy

The affordability envelope as discussed in section D.2, is the sustainable and financially tested total budget that should be maintained by the metro. It is included as the total amounts which need to be fitted to during the budget fit process.

Different strategies may be followed in the application of the affordability envelope during the budget fit process. Based on the metro's strategic intent, the affordability envelope may be broken down in any of the following sub strategies, individually or in concert:

- Portfolios;
- Stages;
- Departments; and
- Total budget per year.

The combined budget fit strategy is determined by either only fitting to the Total Budget per year or a combination of any of the first three strategies with the Total Budget per year. The sequence in which these strategies are organised, also determine the outcome of the budget fit process. If no strategy applies, or if a strategy's budget is depleted, the total budget parameter per year is utilised. Once the affordability envelope has been depleted across the combined strategy, projects which did not fit within the affordability envelope will obtain a "No Fit" status.

D.3.1.2 Project Score

Project scores were determined according to the methodology and with the results as outlined in Chapter C. The purpose of a project score is to determine a relative ranking between all the projects with a capital demand. Projects with the highest score receives the highest priority in the allocation of the affordability envelope.

D.3.1.3 Project Status

For the purposes of the Budget Fit process, specific project statuses are included. A project's status is based on an assessment of its actual physical and financial progress at the time of performing the budget fit. The statuses available for allocation are:

- **Committed**- Committed status may be allocated to projects which formed part of either the approved capital budget (Annexure A) or the adjusted capital budget (Annexure B) of the metro for the previous financial year, and which are contractually committed as assets under construction. Termination of any committed projects will result in either legal or financial liability for the metro. Given commitments made on these projects by the metro, the budget fit methodology regards these projects as non-negotiable, irrespective of their Capital Prioritisation Model project score. Furthermore, projects which carry Committed status will be fitted to the affordability envelope in the financial year in which they request funds (no delays may be applied). Should the total of Committed projects exceed the affordability envelope for a given year, the budget fit will allow these projects to "overfit" the available amount for that particular year.
- **Provisioned In** – Provisioned In status may be allocated to projects which formed part of either the approved capital budget (Annexure A) or the adjusted capital budget (Annexure B) of the metro for the previous financial year, but which are not contractually committed as assets under construction. Termination of any provisioned projects will not result in either legal or financial liability for the municipality. The budget fit methodology regards these projects as having a higher priority than projects without any status in the list. This is due to the fact that they formed part of the previous MTREF approved capital project programme, although their implementation timeframes may still be negotiable. Projects with this status will be fitted to the affordability envelope in the financial year in which they request funds only to the extent that it does not exceed the available affordability envelope in a given year. If the requests exceed the affordability envelope at any sub strategy within the combined strategy, provisioned projects may be fitted with delay to a financial year with sufficient available affordability envelope. These projects will not be allowed to "overfit" the available amount for any particular year.

D.3.1.4 Year of Budget Request

Specific budget requests per project may be made in a specific year or over a number of years, depending on the planned implementation lifecycle of a project. During the budget fit process, requests may be fitted with delay i.e. in financial years later than the years in which the funds were requested. This allocation is based on the available affordability envelope per year, project statuses and project scores.

D.3.1.5 Project Budget Request

The project budget request is considered across the total lifecycle of the project. The City of Tshwane currently budgets across the MTREF. Consideration is being given to expanding it to the long term (10 years).

D.3.2 Budget Fit Process

The following process explains how the abovementioned parameters interact in order to compile a budget (refer to Figure D-36).

D.3.2.1 Step 1: Define a MTREF Budget Template

During the first step of the budget fit process, a budget template is compiled on CaPS which includes the affordability envelope and strategy selection, as explained in subsection D.3.1.1. This is a mandatory step required to determine total amount of available capital funding for the Medium-Term Revenue and Expenditure Framework (MTREF). It may be informed by a number of sources:

D.3.2.1.1 Division of Revenue Act (DORA)

The Division of Revenue Act is published on an annual basis with the purpose of documenting the equitable share and grant allocations to all levels of government. The exact publication dates of the DORA may differ from year to year. The DORA publication sets out available grant funding to the metro. Typical funding sources available to local government emanating from the DORA publication include:

- Public Transport Infrastructure Systems Grant (PTIS);
- Neighbourhood Development Partnership Grant (NDPG);
- Urban Settlements Development Grant (USDG);
- Integrated National Electrification Programme (INEP);
- Community Library Services (CLS);
- Social Infrastructure Grant (SIG);
- LG SETA Discretionary Allocation;
- Integrated City Development Grant (ICDG); and
- Housing Delft Grant.

D.3.2.1.2 Long Term Financial Strategy

Capital budget funding typically comprises the following funding sources:

- Own Funding: Funding generated from metro revenue (i.e. rates and taxes).
- Public Contributions and Donations: Donations and bulk services contributions for capital expenditure to provide additional bulk capacity to service new developmental demand.
- Capital Replacement Reserves (CRR): Savings by the metro for deferred capital expenditure to maintain the existing municipal asset base.
- Borrowings: External loans from the financial markets or bonds issued by the municipality to the financial markets.

The City of Tshwane Finance department currently determines the affordable funding mix and includes the indicative affordability envelope in the Budget Fit template. It may also utilise the affordable funding mix as forecast by the Long Term Financial Model in this regard.

D.3.2.2 Step 2: Define project Committed or Provisional Status

CaPS allows for two different project statuses during budget fit process in order to account for the multi-year budget effect of projects which were previously published as part of either the approved or adjusted municipal capital budget. Please refer to subsection D.3.1.3.

An assessment is done of the capital projects list which will be subjected to the budget fit process. Project statuses are included accordingly and in preparation for the budget fit process.

D.3.2.3 Step 3: Define Outcome Portfolios

This is an optional step and is performed when the metro has decided on a budget fit strategy which includes the use of Portfolios – please refer to subsection D.3.1.3 for an explanation.

Allocation of portions of the affordability envelope to Portfolios will ringfence these amounts to these portfolios. Only projects which are included in these portfolios may compete for the allocated budget amounts.

D.3.2.4 Step 4: Define Departmental Indicatives

This is an optional step and is performed when the metro has decided on a budget fit strategy which includes the use of Departmental budget splits – please refer to subsection D.3.1.3 for an explanation.

Allocation of portions of the affordability envelope to Departments will ringfence these amounts to these departments. When the budget fit is executed, projects which belong to the ringfenced departments will be fitted to the departmental budget cap in order of highest Capital Prioritisation Model score to lowest Capital Prioritisation Model score, until the budget cap for that department has been reached.

D.3.2.5 Step 5: Define Stages

This is an optional step and is performed when the metro has decided on a budget fit strategy which includes the use of Stage Gate budget splits – please refer to subsection D.3.1.3 for an explanation.

Allocation of portions of the affordability envelope to Stage Gates will ringfence these amounts to these stages. When the budget fit is executed, projects which belong to the ringfenced stages will be fitted to the stage gate budget cap in order of highest Capital Prioritisation Model score to lowest Capital Prioritisation Model score, until the budget cap for that stage has been reached.

D.3.2.6 Step 6: Select Prioritisation Model Run / Results

The selection of a prioritisation model and its associated results is a mandatory step in any budget fit process.

When the budget fit is executed, projects will be considered in order of highest Capital Prioritisation Model score to lowest Capital Prioritisation Model score until the affordability envelope amounts have been reached, depending on the strategy which has been specified in the budget fit template.

A visualisation of the budget fit result is shown below[3]. This shows the ranking of projects from highest Capital Prioritisation Model priority (on the right) to lowest Capital Prioritisation Model priority (on the left). Each project is shown as a stacked bar in bar graph format, where the sum of the MTREF financial year capital requests for the projects (total MTREF capital budget) is shown as the height of the bar.

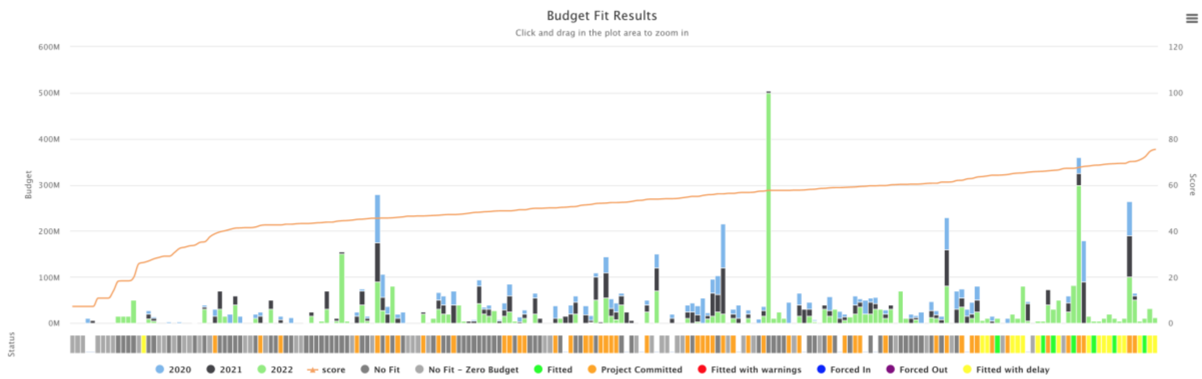


Figure D-37: Budget Fit results

The budget fit status of each project, after executing of the budget fit routine, is shown below the bar graph in colours. Each colour represents a different status. In the example provided, the orange projects represent committed projects, which means they were fitted irrespective of their Capital Prioritisation Model project score in the financial year in which they requested budget.

[3] The budget fit results graph is an interactive graph that can be accessed via the CaPS system used by the City. For representation purposes the graph has been filtered to only indicate projects within the Utility Services Unit.

Green projects represent projects which were fitted based on their Capital Prioritisation Model project score in the year which they requested funding, given that there was available capital budget available in that financial year. The yellow projects represent projects that were fitted with delay. These projects received high scores on the Capital Prioritisation Model but there was not sufficient budget available in the financial year in which they requested capital funding, therefore the budget fit routine fitted them to a financial year later than they requested budget, where sufficient available capital budget was available in the budget template.

Eligible statuses include:

- **Committed**: Committed projects are those projects which formed part of either the approved capital budget (Annexure A) or the adjusted capital budget (Annexure B) of the municipality for the previous financial year, and which are contractually committed as assets under construction. Termination of any committed projects will result in either legal or financial liability for the municipality.
- **Provisioned In**: Provisioned projects are those projects which formed part of either the approved capital budget (Annexure A) or the adjusted capital budget (Annexure B) of the municipality for the previous financial year, but which are not contractually committed as assets under construction. Termination of any provisioned projects will not result in either legal or financial liability for the municipality.
- **Provisioned in with delay**: Provisioned projects are those projects which formed part of either the approved capital budget (Annexure A) or the adjusted capital budget (Annexure B) of the municipality for the previous financial year, but which are not contractually committed as assets under construction. Termination of any provisioned projects will not result in either legal or financial liability for the municipality and are therefore delayed in the budget fit process. A project will then be delayed to a financial year where the budget cap total has not been exceeded.
- **Fit**: Projects that enjoy the status “fit” are projects that scores highest in relation to the remaining projects to be fit, with the provision that the budget cap total has not been exceeded.
- **Fit with Delay**: Projects that enjoy the status “fit with delay” are projects that scores highest in relation to the remaining projects to be fit, with the exception that the budget cap total for the year in which the project requests budget has been exceeded. A project will then be delayed to a financial year where the budget cap total has not been exceeded.
- **No Fit**: This status is assigned to projects that were not able to qualify for budget.
- **No Fit** – Zero Budget: This status is assigned to projects that do not request budget.

D.3.2.7 Step 7: Negotiated adjustments (Force-in / Force-out)

Once a draft capital budget has been developed using the budget fit process, the portfolio of projects which make up the draft capital budget needs to undergo a number of approvals.

A negotiated adjustment process is accommodated in the budget fit process whereby projects can be added or removed from the portfolio of capital projects based on motivations and representations made during budget discussion forums.

D.3.2.8 Step 8: Budget Source Balancing

The last step in the budget fit process is to ensure that all available funding sources documented in the Budget Fit Template have been utilised in full and that none of the funding sources are over-subscribed. The funding source balancing is also the last check to ensure that all projects which are linked to grant funding are eligible according to the funding definitions and rules as set out in the Division of Revenue Act (DORA).

D.3.3 Budget Fit Results

D.3.3.1 Budget Demand

This section deals with the City's capital expenditure projects. As a reference point to the results of the budget fit, please refer to the table below depicting the total three year capital demand(wish-list) as captured on CaPS, per unit.

Table D-7: Capital Expenditure Wish-list per Unit

Unit	Wishlist Budget 2019/2020	Wishlist Budget 2020/2021	Wishlist Budget 2021/2022
City Manager	R72 085 000	R125 450 000	R28 150 000
Community and Social Development Services	R158 300 000	R349 600 000	R382 000 000
Community Safety	R543 611 002	R606 770 000	R723 650 000
Customer Relation Management	R28 450 000	R0	R2 000 000
Economic Development and Spatial Planning	R473 841 681	R143 991 000	R84 700 000
Entities	R351 922 604	R519 855 303	R327 055 754
Environment and Agricultural Management	R160 950 000	R255 300 000	R299 400 000
Governance & Support Service	R465 450 000	R730 000 000	R536 100 000
Group Financial Services	R99 000 000	R50 500 000	R50 000 000
Group Human Capital Management	R19 300 000	R0	R0
Health Services	R227 337 500	R500 610 000	R460 840 200
Housing and Human Settlement	R2 783 162 689	R1 341 585 512	R607 303 945
Regional Operations & Coordination (ROC)	R94 149 999	R59 000 000	R17 700 000
Roads and Transport	R3 244 078 220	R3 741 737 259	R2 564 522 839
Utility Services: Electricity	R1 533 730 991	R1 623 033 333	R1 853 758 333
Utility Services: Water and Sanitation	R1 190 535 000	R1 180 023 982	R1 738 800 000
Grand Total	**R11 445 904 687**	**R11 227 456 389**	**R9 675 981 071**

D.3.3.2 Budget Fit Status

Table D-8: Fit Status

Fit Status	Wishlist 2019/20	%	Wishlist 2020/21	%	Wishlist 2021/22	%
Fitted	R0	0%	R0	0%	R335 075 000	4%
Fitted with delay	R0	0%	R0	0%	R646 518 390	7%
No Fit	R4 574 458 466	53%	R4 005 447 434	48%	R5 036 491 474	53%
No Fit - Zero Budget	R0	0%	R0	0%	R0	0%
Project Committed	R3 163 499 627	36%	R3 034 587 266	37%	R2 460 170 533	26%
Provisioned In - Fitted	R932 867 210	11%	R1 226 826 985	15%	R984 486 364	10%
Grand Total	**R8 670 825 303**	**100%**	**R8 266 861 685**	**100%**	**R9 462 741 761**	**100%**

The table above depicts the capital budget's demand after the budget fit process has been applied. It shows that for year 2020 and 2021 no budget was fitted or fitted with delay based on project scores. The budget fit allocation went to projects marked as committed or provisioned in, which uses the entire funding envelope available for the first 2 years of the MTREF. It is only within the 3rd and outer year of the MTREF (2022) where budget gets considered based on the results of the CPM, 4% of the budget has been fitted and 7% of the budget has been fitted with delay.

More or less 53% of capital demand (wish-list) has not been fit over the MTERF period. It is important to notice, that the following scenario would have realised if the funding envelope was bigger:

- The bigger the funding envelop, the less projects will be fit with delay, which means that capital demand will roll out as capital assets sooner, rather than later.
- The smaller the funding envelope, the less projects fit to the budget template.
- The bigger the funding envelope, the more projects will be fit to budget template.

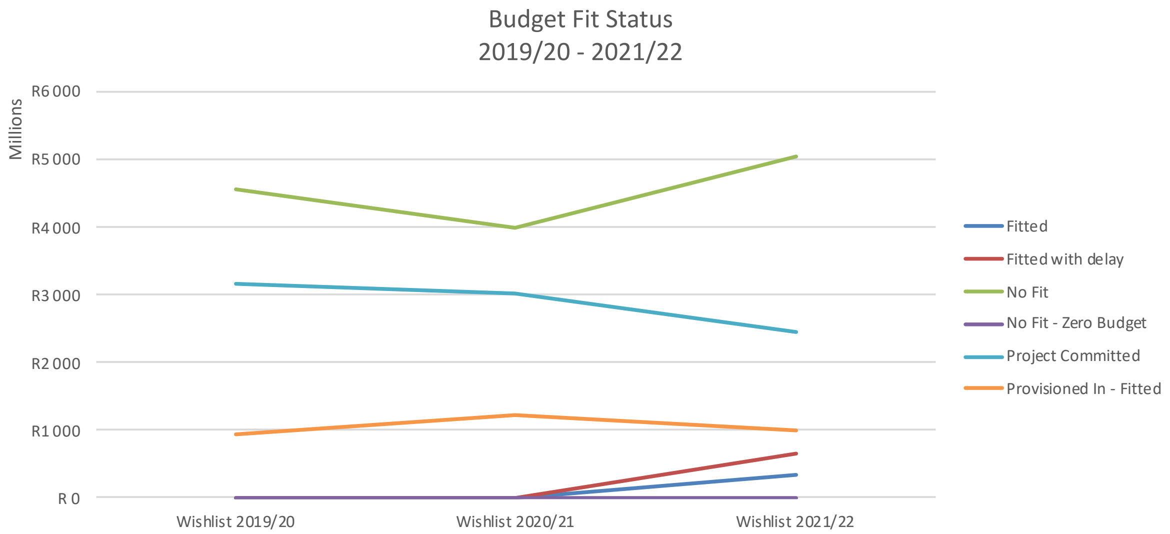


Figure D-38: Budget Fit Status per MTREF

The figure above represents the fit results as per the budget fit strategy applied. It can be interpreted as follow:

- **Committed**: In the first year, projects that are currently under construction, still has contractual commitments and cannot be fit at any other stage without having a negative impact on the City. These projects therefore are allocated budget in the first year, and not over the MTREF period. In the case of Tshwane, only projects marked as committed and provisioned-in were fitted in the first 2 years of the MTREF.
- **Provisioned in**: These projects receive the most budget in the first years as they are already declared on the MTREF. As time continues, these commitments decrease, and so does the capital requirement of these projects over time. In the case of Tshwane, only projects marked as committed and provisioned-in were fitted in the first 2 years of the MTREF.
- **Fitted**: Between the first and second financial year there is no capital demand fitted. This is because of the finalisation of projects with a committed or provisioned-in status. Once the commitments has been served, the funding envelope opens up capacity to fit new projects. In the case of Tshwane, this only occurs after the 3rd and outer year of the MTREF.
- **Fitted with delay**: Between the first and second financial year there is no capital demand fitted with delay. That is because there is no capacity within the first 2 years of the MTREF, and a Fit with Delay status can only be assigned to projects that are delayed. Fit with Delay budget gradually increase as the funding envelope opens up. In the case of Tshwane, this only occurs after the 3rd and outer year of the MTREF.
- **No Fit**: Projects that do not fit are projects with the lowest score. It should be noted that a large number of projects were not fitted due to the limited funding envelopes and the committed/provisioned-in status assigned. In the case of Tshwane, only projects marked as committed and provisioned-in were fitted in the first 2 years of the MTREF, which left very little room for budget fit in the outer year.

- **No Fit – Zero Budget**: Even though these projects do not ask for any capital demand, they have been conceptualised for capital demand in the near future. It is therefore important to have sight of these projects on one single platform, together with the rest of the project pipeline.

D.3.3.3 Budget Fit Results

Table D-9: MTREF – Budget Fit Results per Unit

Unit	MTREF 2019/2020	MTREF 2020/2021	MTREF 2021/2022
City Manager	R55 085 000	R95 450 000	R25 150 000
Community and Social Development Services	R64 300 000	R156 300 000	R205 000 000
Community Safety	R68 200 000	R53 950 000	R184 250 000
Customer Relation Management	R100 000	R100 000	R3 500 000
Economic Development and Spatial Planning	R169 633 400	R40 850 000	R81 200 000
Entities	R85 202 357	R101 912 671	R134 013 144
Environment and Agricultural Management	R63 000 000	R36 500 000	R68 500 000
Governance & Support Service	R122 900 000	R135 400 000	R151 100 000
Group Financial Services	R30 500 000	R500 000	R50 000 000
Health Services	R39 936 000	R20 000 000	R0
Housing and Human Settlement	R945 365 000	R960 000 000	R528 170 533
Regional Operations & Coordination (ROC)	R6 200 000	R6 200 000	R11 000 000
Roads and Transport	R1 052 686 429	R1 258 401 580	R1 250 326 610
Utility Services: Electricity	R647 026 071	R687 500 000	R977 540 000
Utility Services: Water and Sanitation	R746 232 580	R708 350 000	R756 500 000
Grand Total	**R4 096 366 837**	**R4 261 414 251**	**R4 426 250 287**

The MTREF Budget as displayed from the Budget Fit results will be referred to as the Draft 2019/20 Annexure A and will be analysed in Section D.5 below.

D.4 Resourcing the Metro's Project Pipeline / Spatial Budget Mix

D.4.1 Resourcing plan

This section should be read in conjunction with section D.2 Long Term Financial Strategy.

The resourcing plan includes the detail forecast outcomes of the Long Term Financial Model as well as the Budget Fit process. It addresses the funding requirements of the City's capital investment programme, inclusive of the Catalytic Land Development Programme.

D.4.1.1 Affordable Future Capital Investment

The total affordable capital expenditure for the 10 year planning period amounts to R54 330 million, as forecast by the Long Term Financial Model.

The City of Tshwane's MTREF budget for the periods 2018/19 to 2020/21, included a capital budget totalling R12,3 billion and funded as follows:

Table D-10: MTREF Capital Funding Mix

	Total (R'm)	*2018/19* (R'm)	*2019/20* (R'm)	*2020/21*(R'm)
Public & Developer Contributions	**28**	15	13	0
Loans	**4 100**	1 500	1 300	1 300
Cash	**1 071**	291	396	384
Grants	**7 090**	2 258	2 326	2 506
Total	**12 289**	4 064	4 035	4 190

The Long Term Financial Model base case calculation includes the increased borrowing of R4 100m, internally generated funding of R1 071 m and capital grants of R7 090m for the MTREF period of 3 years to 2020/21, and allowed the model to calculate the future funding mix. Important to note is the potential impact of the strong liquidity position on capital expenditure.

Following sustained increases in the capital expenditure after 2011 when capital expenditure doubled, it now stabilises over the MTREF-period to just over R4 billion per annum. To keep pace with anticipated population growth and ongoing investment in new infrastructure as well as upgrading and renewal projects, the capital expenditure increases on average by 7% per year from 2020/21 onwards over the planning period. The metro has both sufficient own resources and increased capacity to borrow, allowing it to accelerate capital investment. This is evident in both the Gearing and Debt Service levels which remain below National Treasury norms.

The capital expenditure budget of the metro is financially feasible. Due to healthy cash generation from operations, the budgeted capital expenditure is viable. Cash available is sufficient to cover the minimum recommended liquidity level (after the MTREF period), to cater for unspent conditional grants, short term provisions, and working capital. These findings are illustrated in the subsections below.

Notable is the metro's prudent use of own reserves to fund capital expenditure. The strong financial and cash generation capacity of the metro allows it to accelerate the capital investment programme through increased borrowing, as reflected by the outcomes of the Long Term Financial Model.

Please refer to Addendum B for the base case financial statements as projected by the Long Term Financial Model.

D.4.1.2 10 Year Capital Funding Mix

Due to prevailing national fiscal constraints, reliance on future grant funding is probably doubtful. The proportional amount of capital transfers in this latest estimate has declined when compared to previous estimates.

A balanced funding mix, incorporating a conservative level of external borrowing, will preserve the City of Tshwane's own cash resources and will improve long term financial sustainability. The Long Term Financial Model proposes the optimal funding mix in Figure D-39 for capital expenditure over the next 10 years. This level of external borrowing will not result in a material breach of gearing or debt service ratio benchmarks.

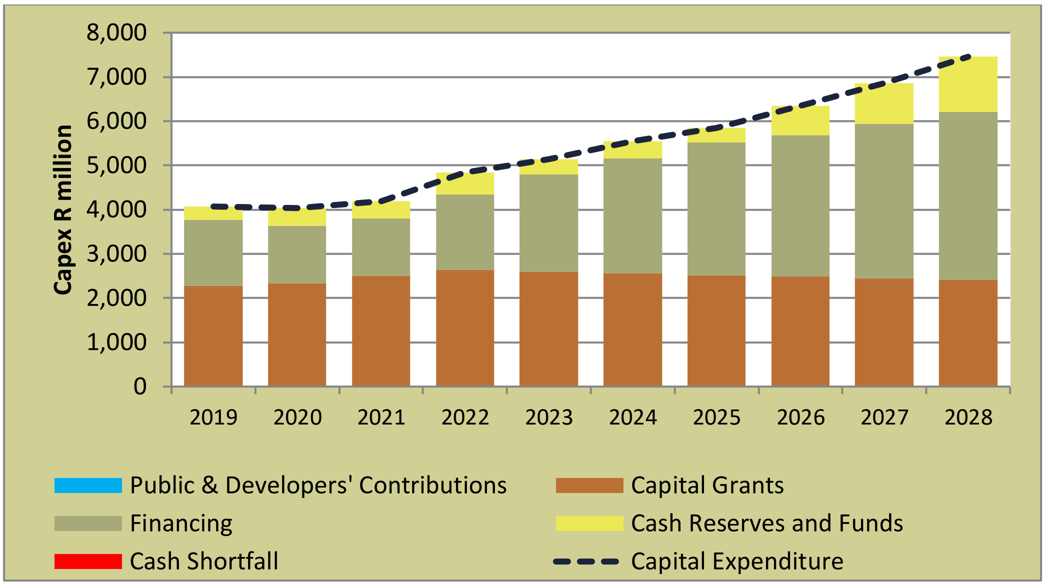
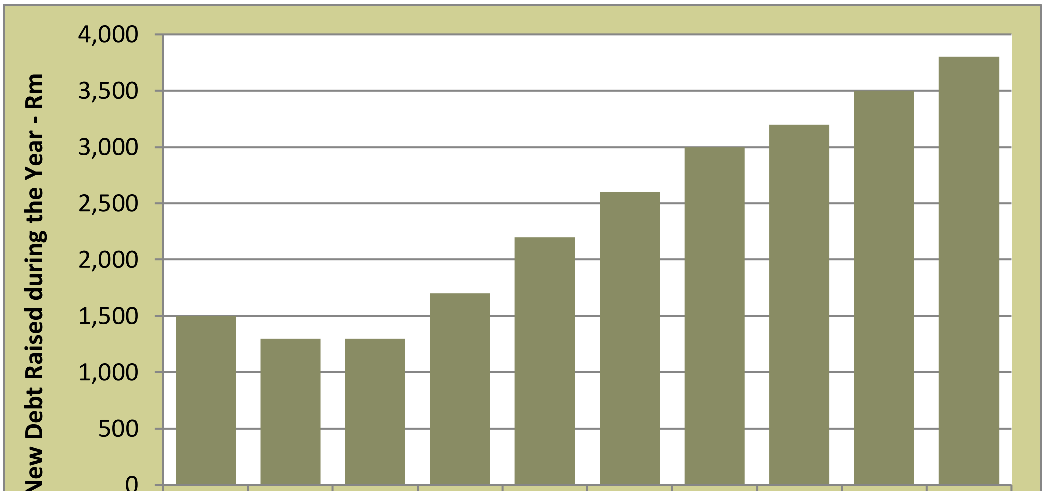


Figure D-39: Forecast Period - Capital Funding Mix

Inclusive of the forecast External Financing requirement, the Debt Service to Total Expense Ratio remains below the 9% benchmark except for two peaks in 2023 and 2027 when it reaches the 9%-level. After a period of marginal decline over the MTREF period, External Financing increases by about 12% per year. Annual External Financing is estimated to be taken up as per Figure D-40.



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
R million	1,500	1,300	1,300	1,700	2,200	2,600	3,000	3,200	3,500	3,800

Figure D-40: Forecast Period - New Debt Raised

D.4.1.3 Liquidity and Capital Replacement Reserve

For purposes of these forecasts, the required minimum liquidity level includes unspent conditional grants, reserves, short term provisions, consumer deposits and 2 months' working capital. The metro falls below the minimum liquidity requirements during the MTREF period. However, from 2022 to 2027 the metro exceeds the minimum liquidity requirement before dipping slightly below the level in 2028. Based on this forecast, the metro is able to contribute to a Capital Replacement Reserve from 2023-2027 when the cash position exceeds the Minimum Liquidity Requirement.

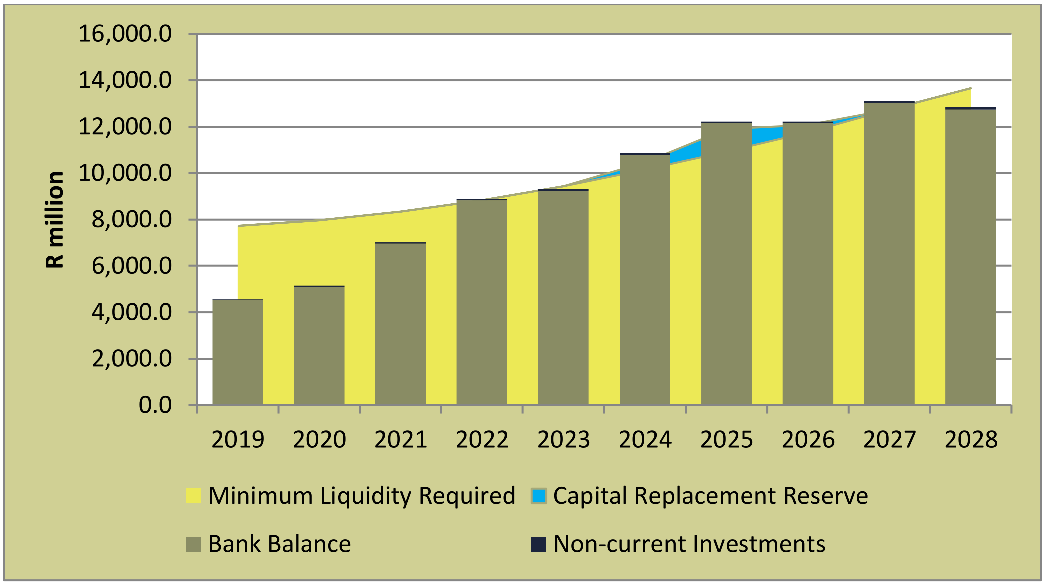


Figure D-41: Forecast Period - Cash vs Minimum Liquidity Levels

Current investments and cash & cash equivalents are expected to cover the minimum liquidity reserve between 2023 – 2027, leaving some provision for the CRR.

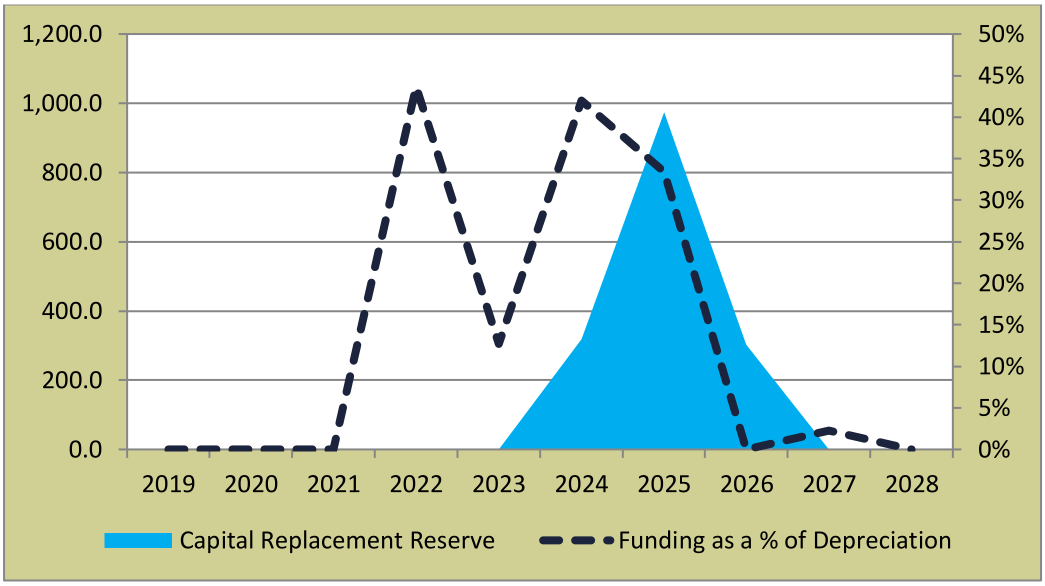


Figure D-42: Funding of a Capital Replacement Reserve

D.4.1.4 Gearing

The ratio of Long Term Interest Bearing Liabilities to Income is illustrated in Figure D-43. Considering the size of the City and its financial position, a maximum gearing ratio of 45% should be affordable. According to the Long Term Financial Model forecast, gearing remains relatively stable at around 30%. This is well within National Treasury guidelines.

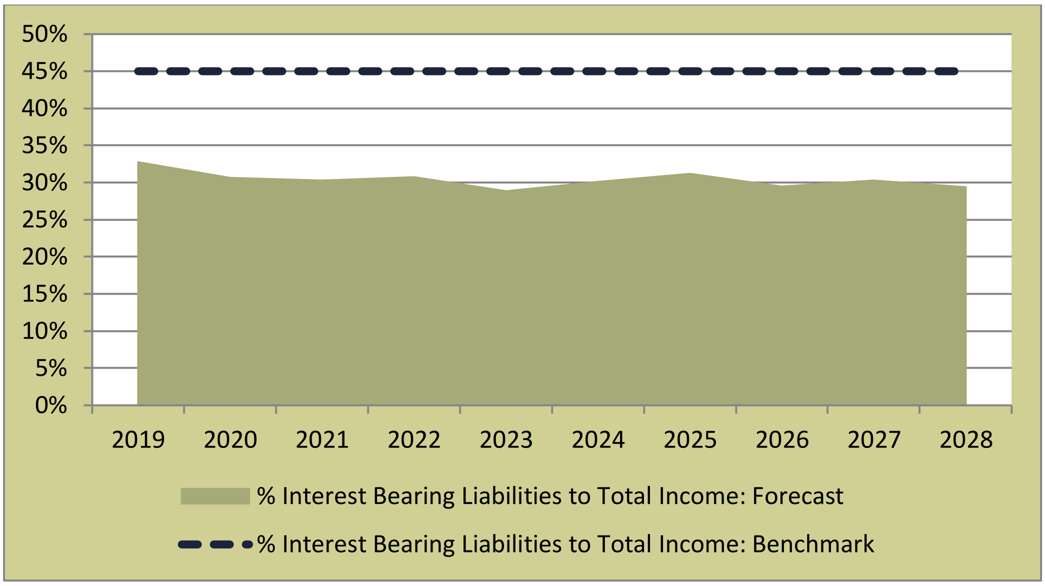


Figure D-43: Forecast Period – Gearing

D.4.1.5 Ratio Analysis

A summary of the base case forecast ratios are presented in Table D-11. Although the Long Term Financial Model is not programmed to measure the ratios as required by National Treasury in all instances, it does provide comfort that the metro is financially sustainable in future - on condition that it operates within the assumed benchmarks set in the financial plan.

Table D-11: Ratio Analysis - Summary

RATIO	NORM	1 2018/19	3 2020/21	5 2022/23	7 2024/25	9 2026/27	10 2027/28
Cash Generated by Operations / Own Revenue		19.7%	17.4%	15.9%	13.7%	12.7%	12.3%
Liquidity Ratio (Current Assets : Current Liabilities)	1:1.5 - 1:2.0	0.8 : 1	1.1 : 1	1.2 : 1	1.3 : 1	1.2 : 1	1.2 : 1
Cash Surplus / Shortfall on Minimum Liquidity Requirements		-R 3,288 m	-R 1,469 m	-R 315 m	R 1,085 m	R 122 m	-R 1,092 m
Capital Expenditure / Total Expenditure	10% - 20%	10.8%	10.3%	11.1%	10.9%	10.9%	11.0%
Total Debt (Borrowings) / Operating Revenue	45%	35%	32%	31%	33%	32%	31%
Debt Service Cover Ratio (Cash Generated by Operations / Debt Service)		2.1 : 1	2.8 : 1	1.5 : 1	1.8 : 1	1.6 : 1	1.3 : 1
Total Grants / Total Revenue		19.8%	19.4%	19.0%	18.1%	17.2%	16.8%

Please refer to Addendum C for a the complete ratio analysis as per the outcomes of the Long Term Financial Model.

D.4.1.6 Affordability envelope utilised in the Resourcing plan

As indicated in section D.1, the City is in consultation with regard to the use of the Long Term Financial Model affordability envelope amounts in the Budget Fit process. As such, indicative amounts as determined by the City of Tshwane Finance department were utilised in the current Budget Fit process. The differences between the indicative amounts used and the Long Term Financial Model affordability envelope amounts are not significant.

As the City currently budgets across the MTREF, the comparison between the Indicatives provided by the Finance Department and the Funding Envelope as forecast by the Long Term Financial Model is restricted to the MTREF period.

Table D-12: Affordability Envelope Source Comparison

Affordability envelope source	2020 (R'm)	2021 (R'm)	2022 (R'm)
Finance Department Indicatives	4 096	4 261	4 426
Long Term Financial Model funding envelope	4 035	4 189	4 842
Difference (R'm)	61	72	(416)
Difference (%)	2%	2%	-9%

D.4.1.7 Budget Fit Results

Table D-13: MTREF – Budget Fit Results per Unit

Unit	MTREF 2019/2020	MTREF 2020/2021	MTREF 2021/2022
City Manager	R55 085 000	R95 450 000	R25 150 000
Community and Social Development Services	R64 300 000	R156 300 000	R205 000 000
Community Safety	R68 200 000	R53 950 000	R184 250 000
Customer Relation Management	R100 000	R100 000	R3 500 000
Economic Development and Spatial Planning	R169 633 400	R40 850 000	R81 200 000
Entities	R85 202 357	R101 912 671	R134 013 144
Environment and Agricultural Management	R63 000 000	R36 500 000	R68 500 000
Governance & Support Service	R122 900 000	R135 400 000	R151 100 000
Group Financial Services	R30 500 000	R500 000	R50 000 000
Health Services	R39 936 000	R20 000 000	R0
Housing and Human Settlement	R945 365 000	R960 000 000	R528 170 533
Regional Operations & Coordination (ROC)	R6 200 000	R6 200 000	R11 000 000
Roads and Transport	R1 052 686 429	R1 258 401 580	R1 250 326 610
Utility Services: Electricity	R647 026 071	R687 500 000	R977 540 000
Utility Services: Water and Sanitation	R746 232 580	R708 350 000	R756 500 000
Grand Total	**R4 096 366 837**	**R4 261 414 251**	**R4 426 250 287**

The MTREF Budget as displayed from the Budget Fit results will be referred to as the Draft 2019/20 Annexure A and is analysed in Section D.4.2 below.

D.4.2 Spatial Budget Mix

D.4.2.1 Introduction

The total capital demand budget (wish-list) captured by departments, through one-on-one consultations in November 2018, has been outlined in Table D-7. Section D.3 and D.4 indicated the prioritisation and budget fit process which resulted in a Draft Capital Budget for the 2019/20 MTREF (Draft Annexure A). The process mentioned above was conducted in consultation with the Group Financial Services, Economic Development and Spatial Planning and City Strategy and Performance Management (IDP Office). The following section will outline the spatial budgeting mix based on the Draft Capital Budget for the 2019/20 MTREF as indicated in Table D-9.

The total number of projects which have been included in the 2019/20 Draft Annexure A amounts to only 296 projects within the CaPS system. The total number of projects on CaPS amounts to 1285, thus only 23% of projects have been allocated a budget within the 2019/20 Draft Annexure A. Figure D-44 below indicates the 2019/20 Draft Annexure A in relation to the capital demand (project wish-list) captured during November 2018.

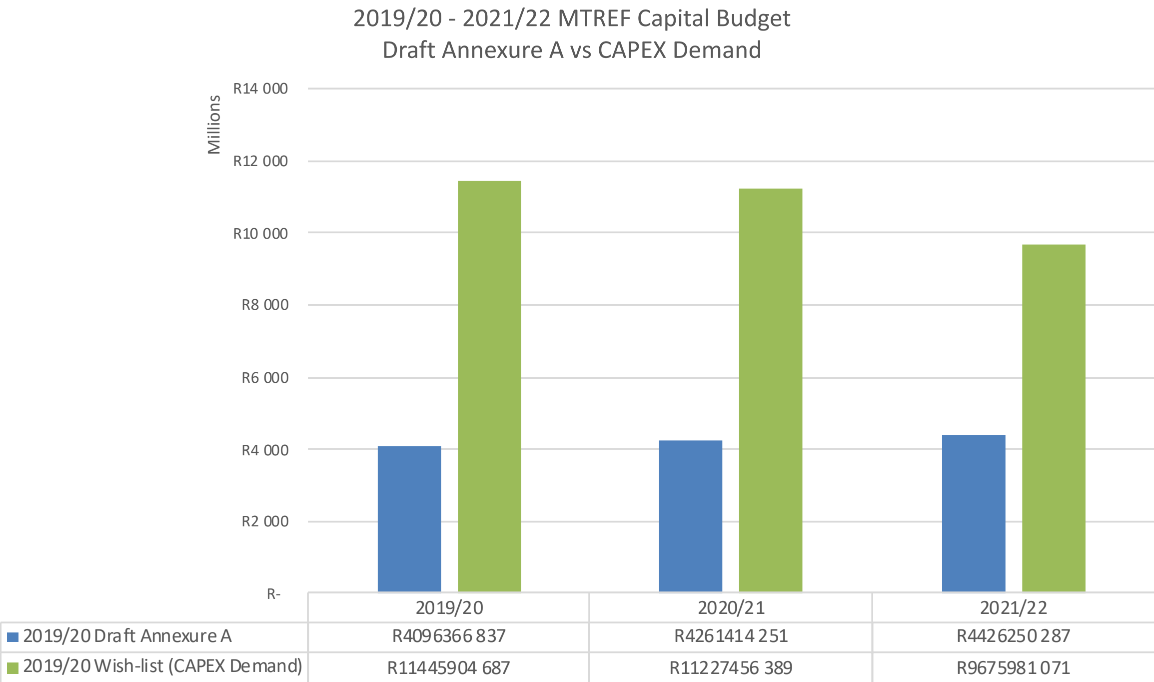


Figure D-44: 2019/20 Draft Annexure A vs 2019/20 Wish-list (CAPEX Demand)

Table D-20 below indicates the budget fit indicatives ranging from the 2017/18 Approved Annexure A – 2019/20 Draft Annexure A. There is a slight increase in terms of annual budget indicatives between the 2017/18 Approved Annexure A and the Adjustment Budget for 2018/19. The budget indicatives for the 2019/20 Draft Annexure A are based on the 2019/20 Adjustment Budget. A comparison between the demand budget for 2019/20 and the budget indicatives for 2019/20 indicates that the demand for 2019/20 is 279% more than the indicative.

Figure D-45: Historic Capital Budget Indicatives

Budget Description	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Approved 2017/18 Budget (Annex A)	R3 942 758 576	R3 824 753 510	R4 392 400 822		

Adjusted 2017/18 Budget (Annex B)	R3 723 200 044	R3 476 967 060	R3 973 164 480		
Approved 2018/19 Budget (Annex A)		R4 023 015 060	R3 990 285 387	R4 160 354 391	
Adjusted 2018/19 Budget (Annex B)		R4 033 887 866	R4 096 366 837	R4 261 414 251	
Draft 2019/20 Budget (Annex A)			R4 096 366 837	R4 261 414 251	R4 426 250 287
2019/20 MTREF Wish-list (Demand			R11 445 904 687	R11 227 456 389	R9 675 981 071
% Demand vs 2019/20 Indicative			**279%**	**263%**	**219%**

D.4.2.2 2019/20 MTREF Capital Budget (Annexure A) by MSCOA Expenditure Type

Table D-14 brings together the core elements of the capital budget and summarises the capital programme in terms of Capital, Operational and Default Transactions as per the mSCOA expenditure classification. The objective is to provide a complete picture of the municipality's expenditure based on the 2019/20 Draft Capital Budget.

Table D-14: 2019/20 MTREF Capital Budget by Expenditure Type

Expenditure Type	2018 / 2019	%	2019 / 2020	%	2020 / 2021	%
Capital	R4 096 366 837	100%	R4 261 414 251	100%	R 4 426 250 287	100%
Operational	R -	0%	R -	0%	R -	0%
Total Capital Budget	R4 096 366 837	**100%**	R4 261 414 251	**100%**	R 4 426 250 287	**100%**

From the above table, 100% of the capital budget has been allocated for capital projects/assets in 2019/20, 2020/21 and 2021/22.

D.4.2.3 2019/20 MTREF Capital Budget by Funding Source Indicatives

A comparison between the 2018/19 and the draft 2019/20 MTREF capital budget by funding source is shown below. The comparative analysis aims to identify an increase or decrease in terms of funding source indicatives, based on the information displayed in Table D-15 for 2018/19 and Table D-16 for 2019/20. Table D-17 combines information from both Table D-15 and Table D-16, and indicates a comparison between the funding source indicatives for 2018/19 and 2019/20.

Table D-15: 2018/19 MTREF Capital Budget by Funding Source

Funding Source Description	2018/19	%	2019/20	%	2020/21	%
001 Council Funding	R157 318 000	4%	R302 120 907	8%	R300 852 811	7%
002 PTIS- Public Transport, Infrastructure Systems Grant	R509 162 220	13%	R475 637 500	12%	R524 957 960	13%
003 NDPG- Neighbourhood	R7 105 000	0,20%	R19 635 000	0,50%	R55 000 000	1,30%

Funding Source Description	2018/19	%	2019/20	%	2020/21	%
Development Partnership Grant						
005 USDG - Urban Settlements Development Grant	R1 557 438 790	39%	R1 636 597 580	41%	R1 726 644 620	42%
006 INEP- Integrated National Electrification Programme	R40 000 000	1%	R38 000 000	1%	R32 000 000	1%
007 CRRF- Capital Replacement Reserve Fund	R5 000 000	0%	R5 000 000	0%	R5 000 000	0%
008 EEDSM- Energy Efficiency Demand Side Management	R10 000 000	0%	R15 000 000	0%	R15 000 000	0%
013 CLS - Community Library Services	R10 000 000	0%	R10 500 000	0%	R11 000 000	0%
015 Borrowings	R1 500 000 000	37%	R1 300 000 000	33%	R1 300 000 000	31%
016 Public Contributions and Donations	R150 000 000	4%	R150 000 000	4%	R150 000 000	4%
017 Social Infrastructure Grant	R30 730 000	1%	R0	0%	R0	0%
020 - LG SETA Allocation	R8 000 000	0%	R0	0%	R0	0%
021 ICDG - Integrated City Development Grant	R38 261 050	1%	R37 794 400	1%	R39 899 000	1%
Total Capital Budget	**R4 023 015 060**	**100%**	**R3 990 285 387**	**100%**	**R4 160 354 391**	**100%**

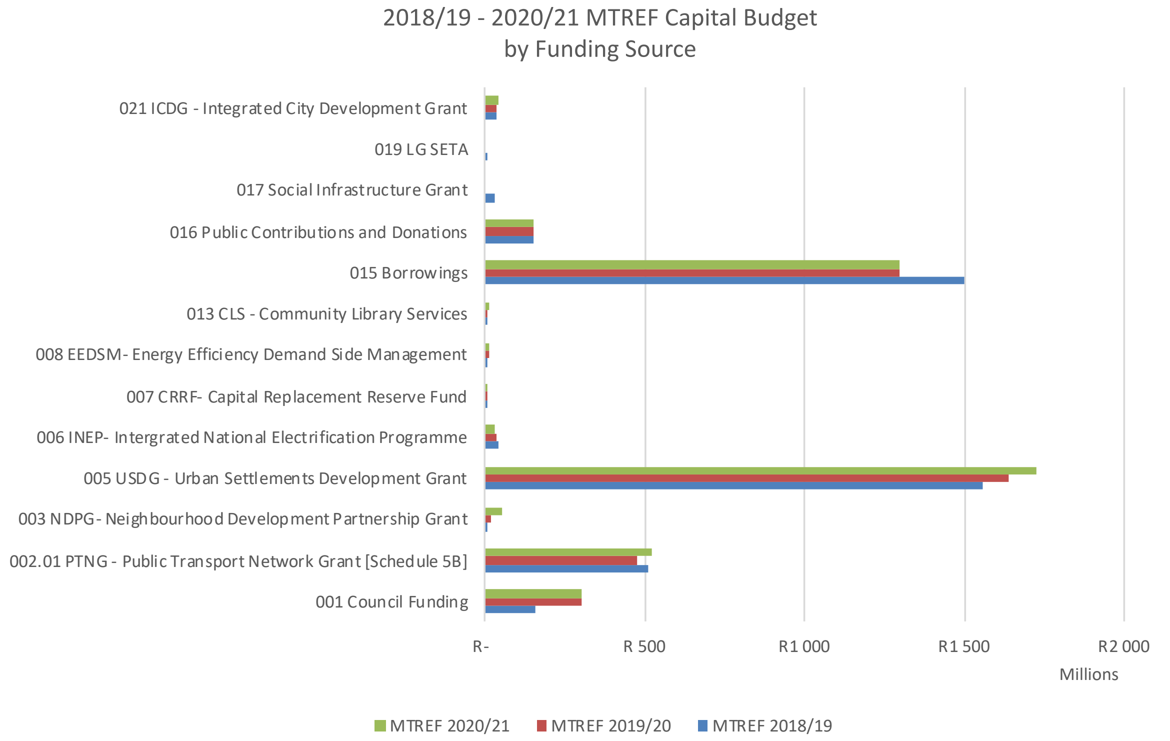


Figure D-46: 2018/19 MTREF Capital Budget by Funding Source

Table D-16: 2019/20 MTREF Capital Budget[4] Funding Source

Funding Source Description	2019/20	%	2020/21	%	2021/22	%
001 Council Funding	R325 620 907	8%	R311 852 811	7%	R1 200 959 754	27%
002.01 PTNG - Public Transport Network Grant [Schedule 5B]	R475 637 500	12%	R524 957 960	12%	R409 926 610	9%
003 NDPG- Neighbourhood Development Partnership Grant	R19 635 000	0%	R55 000 000	1%	R0	0%
005 USDG - Urban Settlements Development Grant	R1 636 597 580	40%	R1 726 644 620	41%	R1 285 823 923	29%
006 INEP- Integrated National Electrification Programme	R38 000 000	1%	R32 000 000	1%	R167 975 000	4%
007 CRRF- Capital Replacement Reserve Fund	R5 000 000	0%	R5 000 000	0%	R5 900 000	0%
008 EEDSM- Energy Efficiency Demand Side Management	R15 000 000	0%	R15 000 000	0%	R15 000	0%
015 Borrowings	R1 300 000 000	32%	R1 300 000 000	31%	R1 110 900 000	25%
016 Public Contributions and Donations	R150 000 000	4%	R150 000 000	4%	R59 500 000	1%
021 ICDG - Integrated City Development Grant	R37 794 400	1%	R39 899 000	1%	R0	0%
Unassigned	R93 081 450	2%	R101 059 860	2%	R185 250 000	4%
Total Capital Budget	**R4 096 366 837**	**100%**	**R4 261 414 251**	**100%**	**R4 426 250 287**	**100%**

[4] The budget indicatives by funding source for the 2019/20 MTREF is still in draft format. Thus figures might not reflect the final funding source indicatives. Funding source balancing still need to occur, which will then assign “unassigned” funding sources. The table which indicate the 2019/20 MTREF capital budget by funding source will be updated once the final Annexure A has been released.

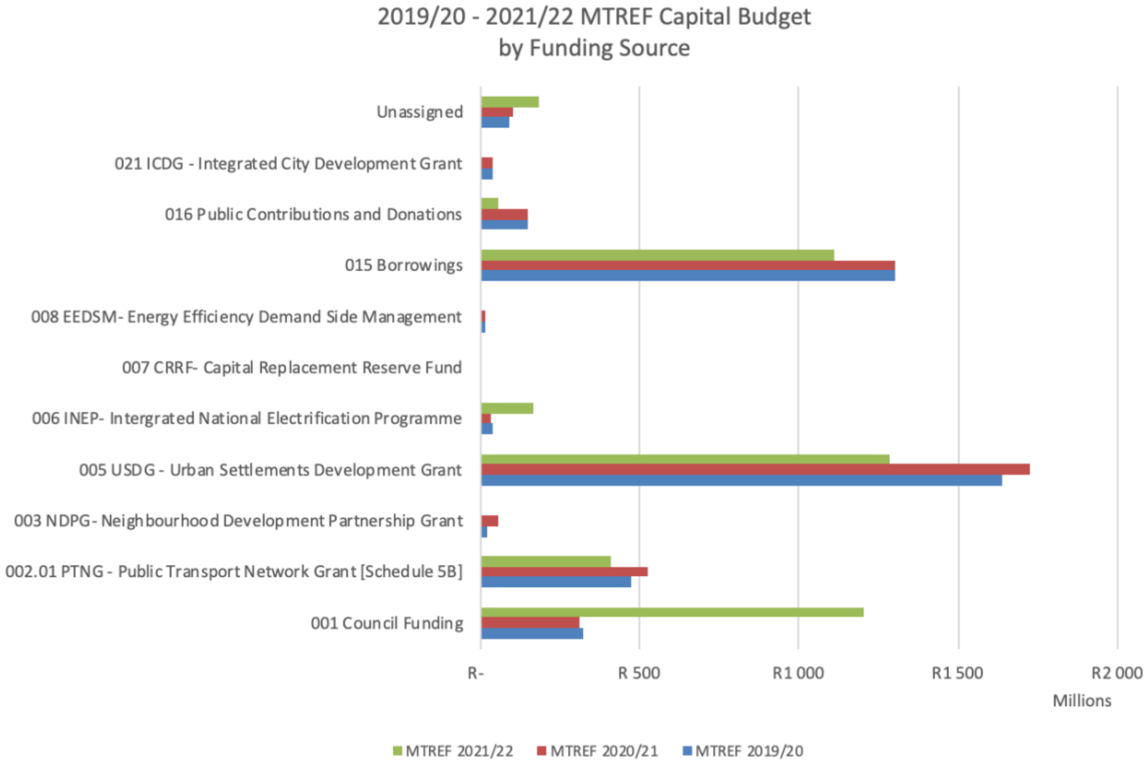


Figure D-47: 2019/20 MTREF Capital Budget by Funding Source

Table D-17: 2018/19 MTREF Capital Budget vs 2019/20 MTREF Capital Budget Funding Source Comparison

Funding Source Description	MTREF 2018/19	%	MTREF 2019/20	%
001 Council Funding	R157 318 000	4%	R325 620 907	8%
002.01 PTNG - Public Transport Network Grant [Schedule 5B]	R509 162 220	13%	R475 637 500	12%
003 NDPG- Neighbourhood Development Partnership Grant	R7 105 000	0%	R19 635 000	0%
005 USDG - Urban Settlements Development Grant	R1 557 438 790	39%	R1 636 597 580	40%
006 INEP- Integrated National Electrification Programme	R40 000 000	1%	R38 000 000	1%
007 CRRF- Capital Replacement Reserve Fund	R5 000 000	0%	R5 000 000	0%
008 EEDSM- Energy Efficiency Demand Side Management	R10 000 000	0%	R15 000 000	0%
013 CLS - Community Library Services	R10 000 000	0%	R0	0%
015 Borrowings	R1 500 000 000	37%	R1 300 000 000	32%
016 Public Contributions and Donations	R150 000 000	4%	R150 000 000	4%
017 Social Infrastructure Grant	R30 730 000	1%	R0	0%
019 LG SETA	R8 000 000	0%	R0	0%
021 ICDG - Integrated City Development Grant	R38 261 050	1%	R37 794 400	1%
Unassigned	R0	0%	R93 081 450	2%
Total Capital Budget	**R4 023 015 060**	**100%**	**R4 096 366 837**	**100%**

A comparative analysis between the 2018/19 MTREF and the 2019/20 MTREF capital budget funding source indicated that the capital budget funding source reliance on state and provincial grants have remained relatively the same. The following key observations can be made:

- Internally generated revenue (Council Funding) amounted to approximately R 157 million (4%) in 2018/19 which increased to R 325 million (8%) in 2019/20.
- Borrowings which amounted to R 1,5 billion (37%) in 2018/19, decreased to R1,3 billion (32%) in 2019/20.
- Grant funding amounted to R2,21 billion (55%) in 2018/19, which slightly increased to R 2,22 billion (54%) during 2019/20.

The following should be noted about these conditional grants:

- **Urban Settlements Development Grant (USDG):** The purpose of the USDG is to assist metropolitan municipalities to improve urban land production to the benefit of poor households, by supplementing the revenues of metropolitan municipalities to: reduce the real average cost of urban land, increase the supply of well-located land, enhance tenure security and quality of life in informal settlements, improve spatial densities and to subsidise the capital costs of acquiring land and providing basic services for poor households. The gazetted allocations in the MTREF 2019/20 amount to R 1,63 billion (40%) for 2019/20, R 1,72 billion (41%) for 2020/21 and R 1,82 billion (41%) for 2021/22. Allocation of the outer year to be gazetted with the approval of the MTREF 2019/20.
- **Public Transport, Infrastructure and Systems Grant:** The purpose of the grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport infrastructure and services. The gazetted allocations in the MTREF 2019/20 amount to R 475 million (12%) for 2019/20, R 524 million (12%) for 2020/21 and R 555 million (13%) for 2021/22. Allocation of the outer year to be gazetted with the approval of the MTREF 2019/20.
- **Neighbourhood Development Partnership Grant:** The purpose of this NDPG grant is to support neighbourhood development projects that provide community infrastructure and create the platform for other public and private sector development, towards improving the quality of life of residents in targeted underserviced neighbourhoods. The gazetted allocations in the MTREF 2019/20 amount to R 19 million (0,5%) for 2019/20, R 55 million (1,3%) for 2020/21 and R 58 million (1,3%) for 2021/22. Allocation of the outer year to be gazetted with the approval of the MTREF 2019/20.
- **Integrated National Electrification Programme:** The purpose of this grant is to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, clinics and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure to improve the quality of supply. The gazetted allocations in the MTREF 2019/20 amount to R 38 million (0,9%) for 2019/20, R 32 million (0,8%) for 2020/21 and R 33 million (0,8%) during 2021/22. Allocation of the outer year to be gazetted with the approval of the MTREF 2019/20.

D.4.2.4 2019/20 MTREF Capital Budget by Departmental Cluster

The 2019/20 MTREF capital budget as per the unit and departmental cluster is shown in Table D-18 below.

Table D-18: 2019/20 MTREF Capital Budget by Department

Unit/Department	MTREF 2019/20	MTREF 2020/21	MTREF 2021/22
City Manager	**R55 085 000**	**R95 450 000**	**R25 150 000**

Communications and Marketing	R200 000	R200 000	R0
Group Audit and Risk	R25 150 000	R25 150 000	R25 150 000
Office of the City Manager	R29 735 000	R70 100 000	R0
Community and Social Development Services	**R64 300 000**	**R156 300 000**	**R205 000 000**
Sports, Recreation & Infrastructure Development	R64 300 000	R156 300 000	R205 000 000
Community Safety	**R68 200 000**	**R53 950 000**	**R184 250 000**
Emergency Services	R44 700 000	R23 200 000	R55 250 000
Metro Police Services	R23 500 000	R30 750 000	R129 000 000
Customer Relation Management	**R100 000**	**R100 000**	**R3 500 000**
Customer Relations Management	R100 000	R100 000	R3 500 000
Economic Development and Spatial Planning	**R169 633 400**	**R40 850 000**	**R81 200 000**
Economic Development and Spatial Planning	R169 633 400	R40 850 000	R81 200 000
Entities	**R85 202 357**	**R101 912 671**	**R134 013 144**
Housing Company Tshwane	R83 581 450	R101 559 860	R134 013 144
Tshwane Economic Development Agency	R1 620 907	R352 811	R0
Environment and Agricultural Management	**R63 000 000**	**R36 500 000**	**R68 500 000**
Agriculture & Rural Development	R0	R5 000 000	R6 500 000
Environmental Management & Parks	R44 500 000	R22 500 000	R21 700 000
Waste Management Services	R18 500 000	R9 000 000	R40 300 000
Governance & Support Service	**R122 900 000**	**R135 400 000**	**R151 100 000**
Group Property Management	R4 700 000	R5 200 000	R10 100 000
ICT, Applications & Infrastructure	R118 000 000	R130 000 000	R141 000 000
Shared Services	R200 000	R200 000	R0
Group Financial Services	**R30 500 000**	**R500 000**	**R50 000 000**
Group Financial Services	R30 500 000	R500 000	R50 000 000
Health Services	**R39 936 000**	**R20 000 000**	**R0**
Health Services	R39 936 000	R20 000 000	R0
Housing and Human Settlement	**R945 365 000**	**R960 000 000**	**R528 170 533**
Housing and Human Settlement	R945 365 000	R960 000 000	R528 170 533
Regional Operations & Coordination (ROC)	**R6 200 000**	**R6 200 000**	**R11 000 000**
Regional Operations & Coordination (ROC)	R6 200 000	R6 200 000	R11 000 000
Roads and Transport	**R1 052 686 429**	**R1 258 401 580**	**R1 250 326 610**
Airport Services	R44 822 420	R35 000 000	R0
Integrated Rapid Public Transport Network	R460 637 500	R604 457 960	R413 926 610
Roads and Storm-water	R529 226 509	R553 018 602	R815 000 000
Tshwane Bus Services	R18 000 000	R65 925 018	R21 400 000
Utility Services	**R1 393 258 651**	**R1 395 850 000**	**R1 734 040 000**
Electricity	R647 026 071	R687 500 000	R977 540 000
Water and Sanitation	R746 232 580	R708 350 000	R756 500 000
Total Capital Budget	**R4 096 366 837**	**R4 261 414 251**	**R4 426 250 287**

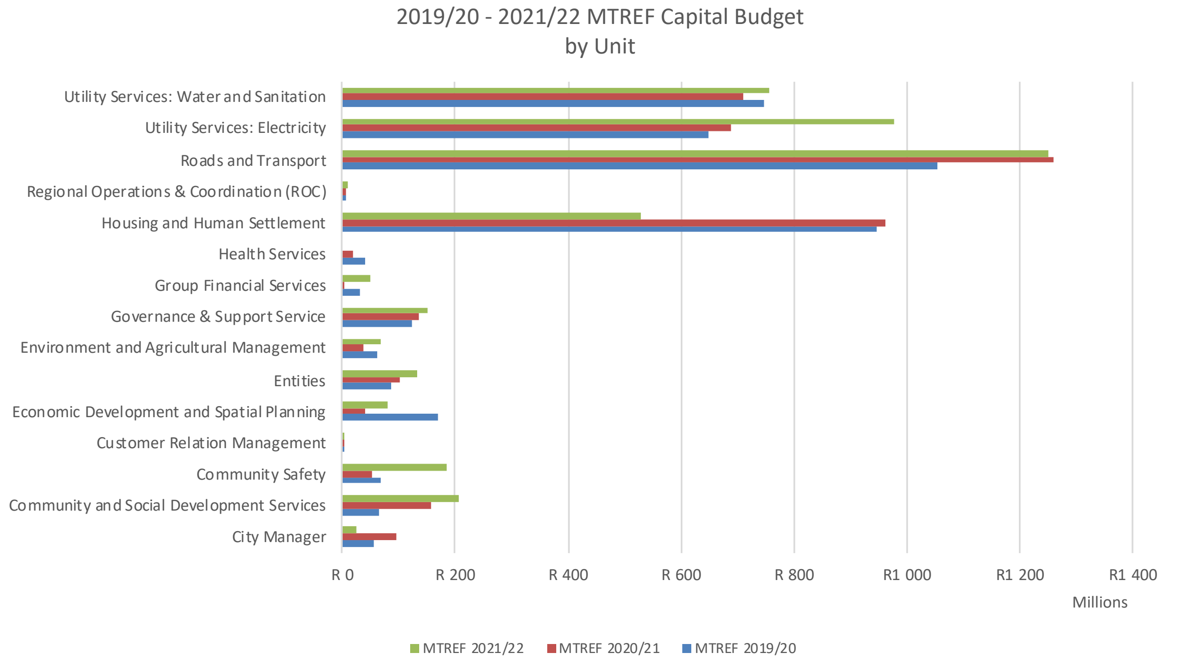


Figure D-48: 2019/20 MTREF Capital Budget by Unit

A large amount of the capital budget is allocated to several key infrastructure departments focused on creating economic infrastructure. The table above shows that Roads and Transport (comprising of Airports, Public Transport and Roads and Storm-water), Water and Sanitation, Electricity and Housing and Human Settlements account for 83% of the 2019/20 capital budget, 85% of the 2020/21 capital budget and 79% of the 2021/22 capital budget.

Table D-19: 2019/20 MTREF Capital Budget focused on Basic Service Delivery

Unit	MTREF 2019/20	%	MTREF 2020/21	%	MTREF 2021/22	%
Housing and Human Settlement	R945 365 000	23%	R960 000 000	23%	R528 170 533	12%
Roads and Transport	R1 052 686 429	26%	R1 258 401 580	30%	R1 250 326 610	28%
Utility Services: Electricity	R647 026 071	16%	R687 500 000	16%	R977 540 000	22%
Utility Services: Water and Sanitation	R746 232 580	18%	R708 350 000	17%	R756 500 000	17%
Total of Basic Services	**R3 391 310 080**	**83%**	**R3 614 251 580**	**85%**	**R3 512 537 143**	**79%**
Total Capital Budget	**R4 096 366 837**	**100%**	**R4 261 414 251**	**100%**	**R4 426 250 287**	**100%**

This capital budget distribution is indicative of a basic service delivery focussed budget where significant investment is being focussed on achieving a desirable built environment and urban form.

The next section will focus on analysing the 2019/20 MTREF Capital Budget (Draft Annexure A) in terms of the spatial transformation agenda of the city, particularly with regards to the Capital Investment Targeting areas (as described in Section B), as well as the spatial development focus areas highlighted in the Metropolitan Spatial Development Framework (MSDF).

D.4.2.5 2019/20 MTREF Capital Budget Spatial Analysis

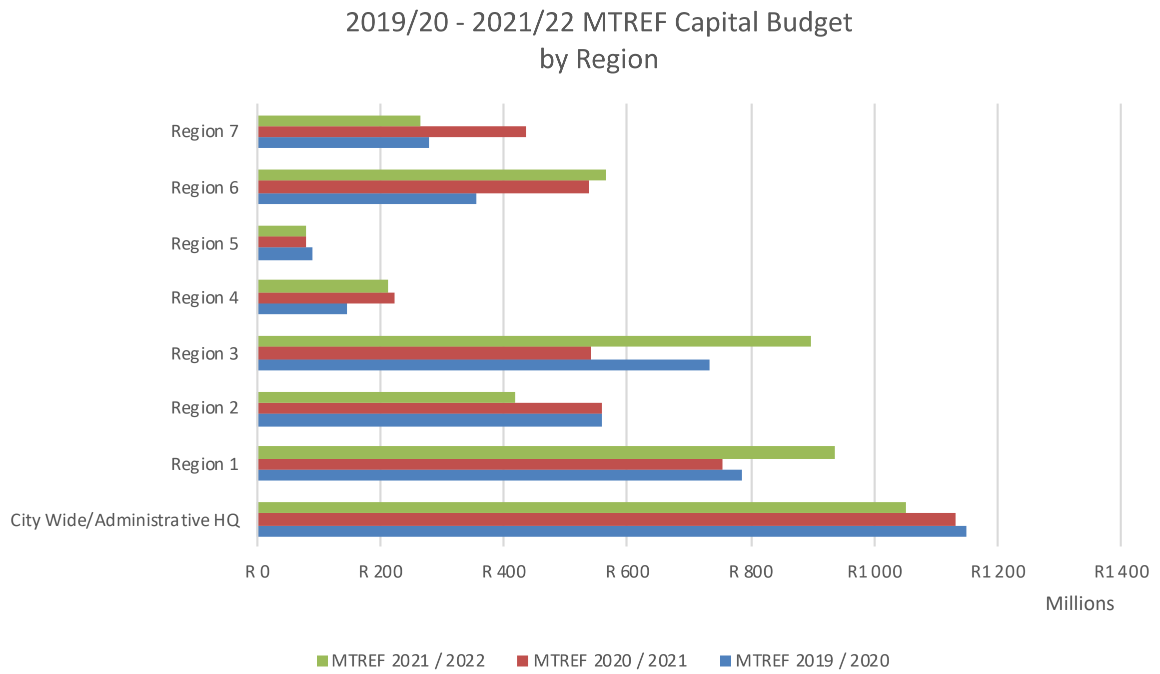
D.4.2.5.1 Value of Capital by Region

The regional capital analysis was undertaken by means of the Tshwane Capital Planning system (CaPS), which allows for the spatial referencing of capital projects. The CaPS system indicates that the 2019/20 MTREF capital budget comprises of 296, of which 216 (73%) are spatially reference.

The 2019/20 MTREF Capital Budget analysis indicates that R3,33 billion (26%) of the capital budget is City Wide/Administrative HQ, whereas the remainder of the budget is distributed over the various regions (refer to Table D-20). Region 1, 2, 3 and 6 receive most the capital budget, accounting for approximately 60% of the total MTREF capital budget. Region 1 has the highest total MTREF capital budget of 19%, followed by Region 3 at 17% and Region 2 at 12%.

Table D-20: 2019/20 MTREF Capital Budget Regional Analysis

Region	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
City Wide/ Administrative HQ[5]	R1 148 487 357	R1 130 683 758	R1 050 850 024	**R3 330 021 139**	**26%**
Region 1	R787 193 348	R754 899 000	R937 281 536	**R2 479 373 884**	**19%**
Region 2	R558 147 138	R559 166 438	R417 057 025	**R1 534 370 601**	**12%**
Region 3	R731 741 725	R540 910 598	R898 079 234	**R2 170 731 557**	**17%**
Region 4	R145 226 980	R224 095 497	R213 528 427	**R582 850 904**	**5%**
Region 5	R89 954 997	R80 201 000	R80 362 345	**R250 518 342**	**2%**
Region 6	R356 934 757	R536 057 960	R564 123 193	**R1 457 115 910**	**11%**
Region 7	R278 680 535	R435 400 000	R264 968 503	**R979 049 038**	**8%**
Total Capital Budget	**R4 096 366 837**	**R4 261 414 251**	**R4 426 250 287**	**R12 784 031 375**	**100%**



[5] City Wide/Administrative HQ includes projects which have no project locations and projects which have been marked as City Wide.

Figure D-49: 2019/20 MTREF Capital Budget Regional Analysis

D.4.2.5.2 Value of Capital by Ward level

The 2019/20 MTREF Capital Budget analysis indicates that Ward 58 receives R609 million (5%) of the total MTREF capital budget, whereas the remainder of the budget is distributed over the various wards (refer to Table D-21). Ward 58, 102, 55, 32, and 96 are the top 5 wards in the 2019/2020 MTREF capital budget.

Table D-21: 2019/20 MTREF Capital Budget by the Top 25 Wards

Ward	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
City Wide/ Administrative HQ	R1 148 487 359	R1 130 683 759	R1 050 850 026	R3 330 021 143	26%
Ward 58	R229 776 611	R64 038 207	R315 587 333	R609 402 151	5%
Ward 102	R232 084 309	R237 884 873	R97 573 268	R567 542 450	4%
Ward 55	R167 500 000	R152 500 000	R173 848 133	R493 848 133	4%
Ward 32	R64 600 000	R75 000 000	R300 000 000	R439 600 000	3%
Ward 96	R156 389 918	R183 500 000	R33 919 469	R373 809 387	3%
Ward 25	R203 326 509	R70 000 000	R80 000 000	R353 326 509	3%
Ward 46	R52 844 029	R137 169 313	R144 690 983	R334 704 324	3%
Ward 19	R80 000 000	R110 000 000	R100 000 000	R290 000 000	2%
Ward 49	R82 450 284	R96 941 307	R49 496 612	R228 888 204	2%
Ward 105	R46 596 228	R79 627 790	R97 395 238	R223 619 256	2%
Ward 75	R41 337 425	R41 875 788	R131 385 153	R214 598 366	2%
Ward 90	R80 165 919	R60 000 000	R67 824 270	R207 990 188	2%
Ward 21	R0	R100 000 000	R100 000 000	R200 000 000	2%
Ward 89	R72 000 000	R42 000 000	R75 000 000	R189 000 000	1%
Ward 77	R30 802 372	R76 082 626	R81 928 763	R188 813 761	1%
Ward 93	R90 000 000	R90 000 000	R5 386 784	R185 386 784	1%
Ward 36	R0	R150 000 000	R35 000 000	R185 000 000	1%
Ward 48	R57 098 205	R67 500 000	R59 160 641	R183 758 846	1%
Ward 50	R70 267 807	R112 647 835	R323 918	R183 239 560	1%
Ward 7	R40 000 000	R92 000 000	R40 500 000	R172 500 000	1%
Ward 53	R77 750 000	R80 000 000	R0	R157 750 000	1%
Ward 3	R62 102 204	R46 118 713	R45 405 553	R153 626 470	1%
Ward 76	R114 000 000	R22 018 602	R8 897 633	R144 916 235	1%
Ward 99	R50 319 017	R47 047 541	R42 330 274	R139 696 832	1%
Ward 38	R20 000 000	R55 000 000	R63 860 777	R138 860 777	1%
Top 25 Ward Total	**R3 269 898 193**	**R3 419 636 355**	**R3 200 364 827**	**R9 889 899 375**	**77%**
Total Capital Budget	**R4 096 366 844**	**R4 261 414 258**	**R4 426 250 308**	**R12 784 031 410**	**100%**

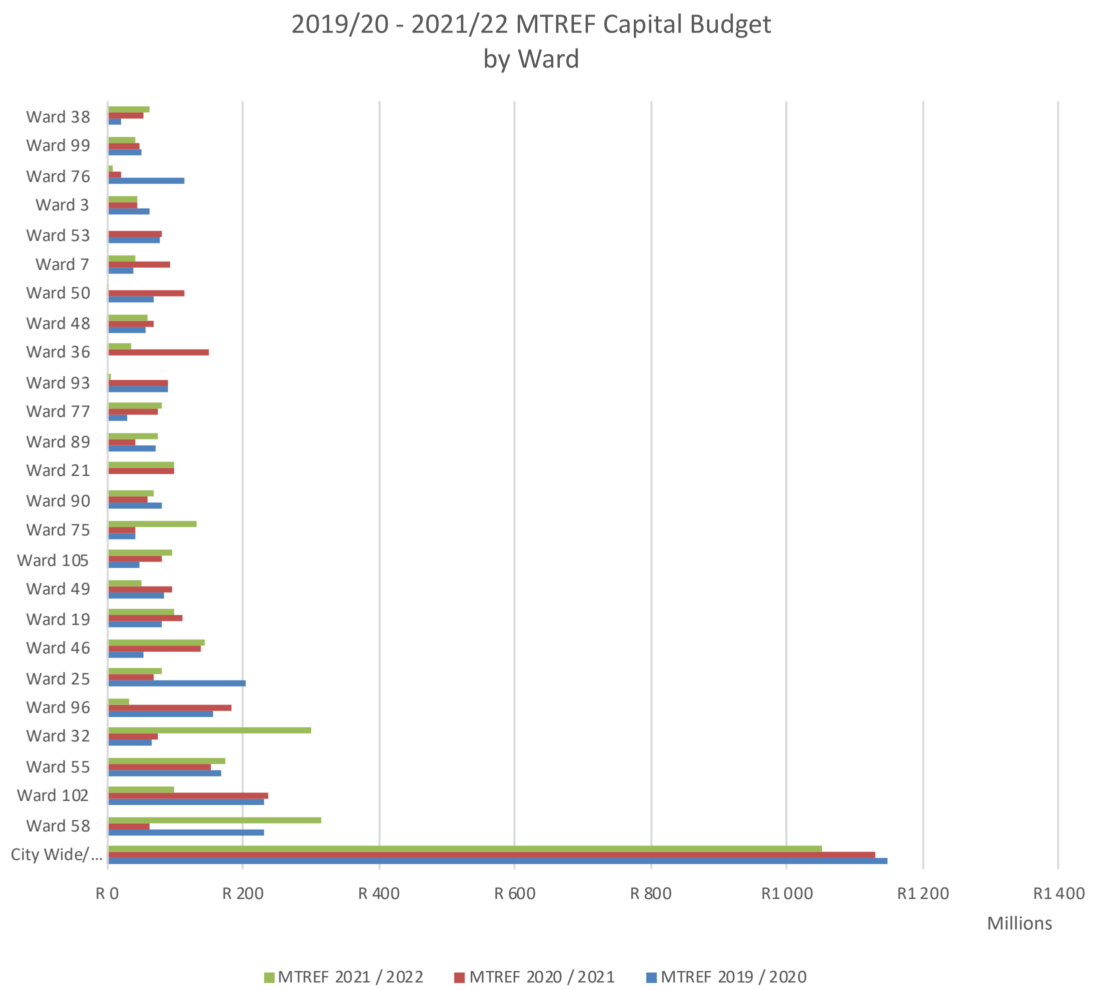


Figure D-50: 2019/20 MTREF Capital Budget by Top 25 Wards

D.4.2.5.3 Value of Capital Demand by Node Area

The MSDF nodes are defined as those underserved areas where high density of population resides and where significant infrastructure backlogs exist (refer to Figure D-51).

The MSDF node capital budget analysis was undertaken by means of the Tshwane Capital Planning system (CaPS), which allows for the spatial referencing of capital projects. The capital budget analysis of the 2019/20 MTREF Capital Budget by MSDF node area is shown in Table D-22.

Figure D-51: City of Tshwane MSDF Node Areas

Table D-22: 2019/20 MTREF Capital Budget by MSDF Node Areas

MSDF Node Area	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
City Wide/ Administrative HQ	R1 148 487 357	R1 130 301 811	R1 050 850 000	R3 329 639 168	26%
Atteridgeville	R9 162 108	R24 853 627	R16 177 353	R50 193 087	0%
Cullinan	R0	R201 000	R0	R201 000	0%
Ga-Rankuwa	R37 900 000	R28 000 000	R325 299 821	R391 199 821	3%
Mamelodi	R89 853 000	R136 000 000	R222 544 359	R448 397 359	4%
Olievenhoutbos	R1 765 629	R9 197 359	R1 059 377	R12 022 366	0%
Refilwe	R38 000 000	R50 000 000	R50 000 000	R138 000 000	1%
Soshanguve	R352 729 317	R306 021 235	R351 103 168	R1 009 853 720	8%
Winterveld	R110 000 000	R140 000 000	R100 000 000	R350 000 000	3%
MSDF Node Area sub-total	R639 410 054	R694 273 221	R1 066 184 078	R2 399 867 353	19%
Total Capital Budget	**R4 096 366 844**	**R4 261 414 258**	**R4 426 250 308**	**R12 784 031 410**	**100%**

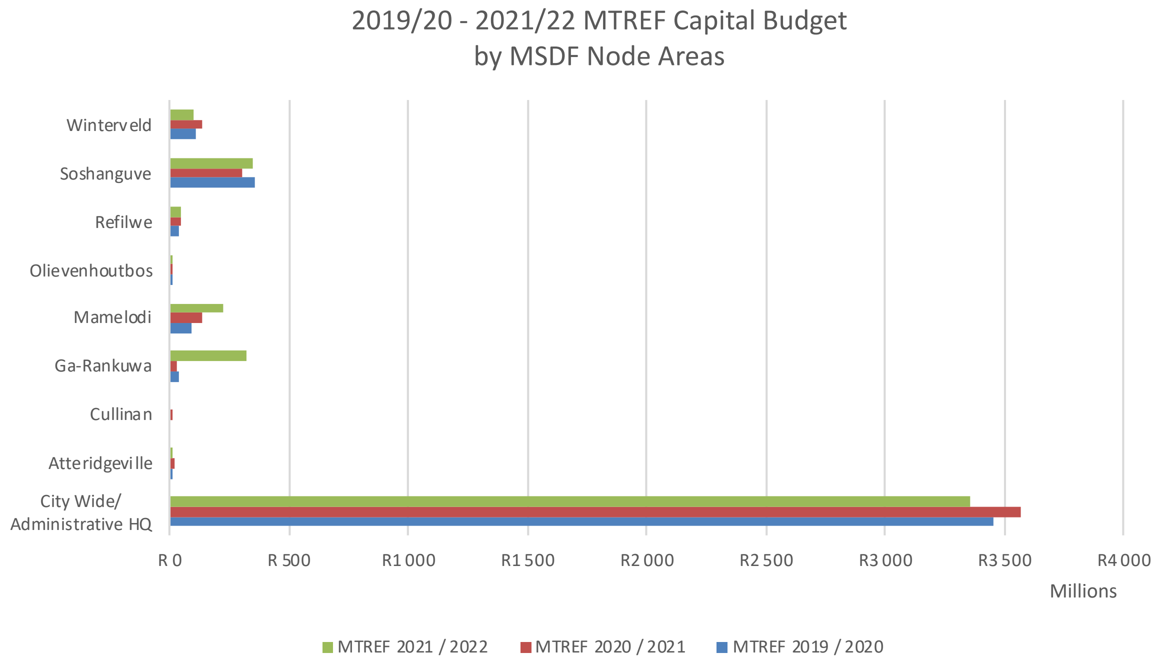


Figure D-52: 2019/20 MTREF Capital Budget by MSDF Node Areas

The analysis indicates that approximately R2,3 billion is assigned within Node areas for the total MTREF capital budget, which amounts to approximately 19%. The comparative budget analysis of the 2019/20 MTREF capital budget by Node area indicates that most of the budget has been allocated to Soshanguve at R1 billion (8%) followed by Mamelodi at R448 million (4%). Ga-Rankuwa requested the third highest at R391 million (3%) for the total MTREF.

D.4.2.5.4 Value of Capital by Industrial Nodes

The MSDF industrial node capital budget analysis was undertaken by means of the Tshwane Capital Planning system, which allows for the spatial referencing of capital projects. The capital budget analysis of the 2019/20 MTREF Capital Budget by MSDF industrial node area is shown in Table D-23.

Figure D-53: City of Tshwane MSDF Industrial Nodes

The analysis indicates that R198 million (2%) of the total MTREF is allocated within Industrial nodes. The analysis of the total 2019/20 MTREF capital budget by industrial node indicates that most of the budget is allocated within Babelegi at R80 million (1%), followed by RosCon at R68 million (1%).

Table D-23: 2019/20 MTREF Capital Budget by MSDF Industrial Nodes

MSDF Industrial Nodes	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
City Wide/ Administrative HQ	R1 148 487 357	R1 130 301 811	R1 050 850 000	R3 329 639 168	26%
Babelegi	R0	R0	R80 000 000	R80 000 000	1%
RosCon	R28 011 000	R39 899 000	R391 852	R68 301 852	1%
Sunderland Ridge	R5 000 000	R37 626 018	R7 641 979	R50 267 997	0%
MSDF Industrial Node sub-total	R33 011 000	R77 525 018	R88 033 831	R198 569 849	2%
Total Capital Budget	**R4 096 366 844**	**R4 261 414 258**	**R4 426 250 308**	**R12 784 031 410**	**100%**

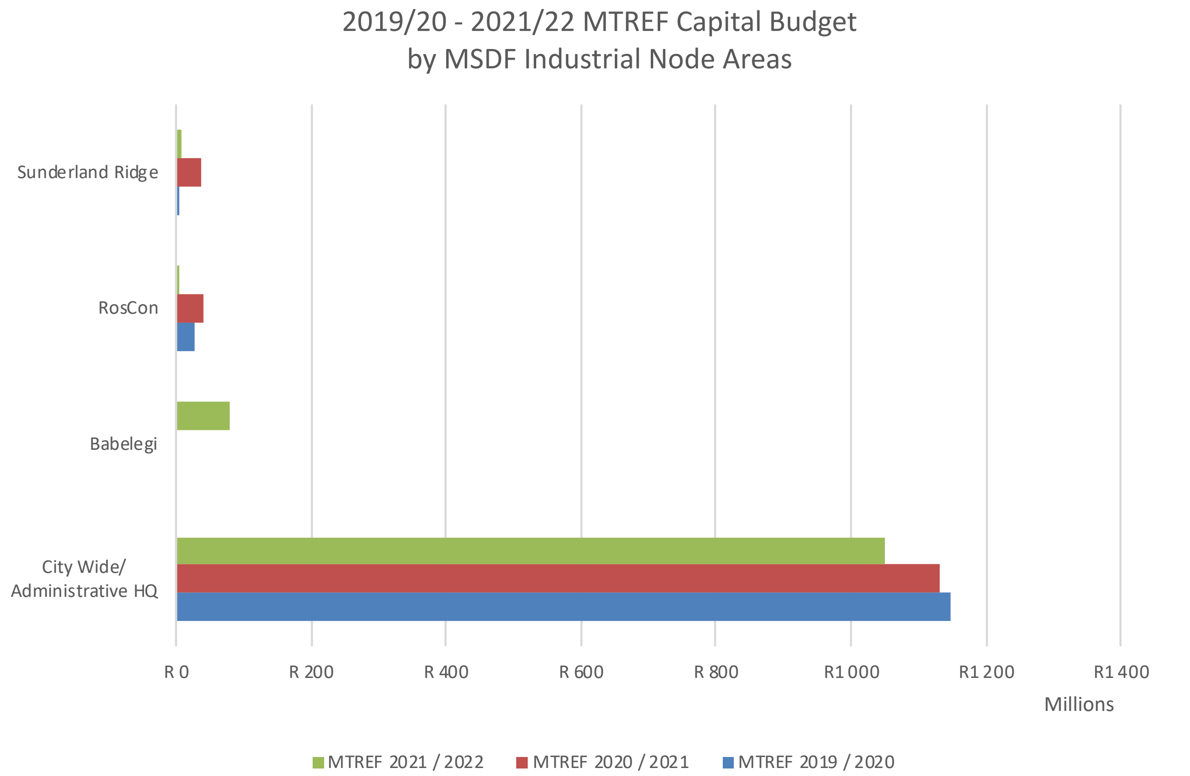


Figure D-54: 2019/20 MTREF Capital Budget by MSDF Industrial Nodes

D.4.2.5.5 Value of Capital in SDF Metropolitan Nodes

The MSDF metropolitan nodal capital analysis was undertaken by means of the Tshwane Capital Planning system (CaPS), which allows for the spatial referencing of capital projects. The capital budget analysis of the 2019/20 MTREF Capital Budget by MSDF Capital Core (Primary Node) area is shown in Table D-24. The analysis of budget allocation within the MSDF capital core indicates the capital budget per unit. The capital budget analysis of the MSDF metropolitan nodes (excluding the Capital Core (CBD)), is in Table D-25.

Figure D-55: City of Tshwane Metropolitan Nodes

Table D-24: 2019/20 MTREF Capital Budget within the Capital Core

Units within the Capital Core	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
Community and Social Development Services	R5 000 000	R0	R0	R5 000 000	0,04%
Community Safety	R0	R2 500 000	R95 108 263	R97 608 263	0,76%
Economic Development and Spatial Planning	R132 621 672	R350 000	R0	R132 971 672	1,04%
Entities	R0	R0	R5 225 000	R5 225 000	0,04%
Group Financial Services	R13 000 000	R0	R40 000 000	R53 000 000	0,41%
Roads and Transport	R3 679 025	R9 921 055	R46 946 759	R60 546 839	0,47%
Capital Core sub-total	R154 300 697	R12 771 055	R187 280 021	R354 351 773	2,77%
Total Capital Budget	**R4 096 366 844**	**R4 261 414 258**	**R4 426 250 308**	**R12 784 031 410**	**100,00%**

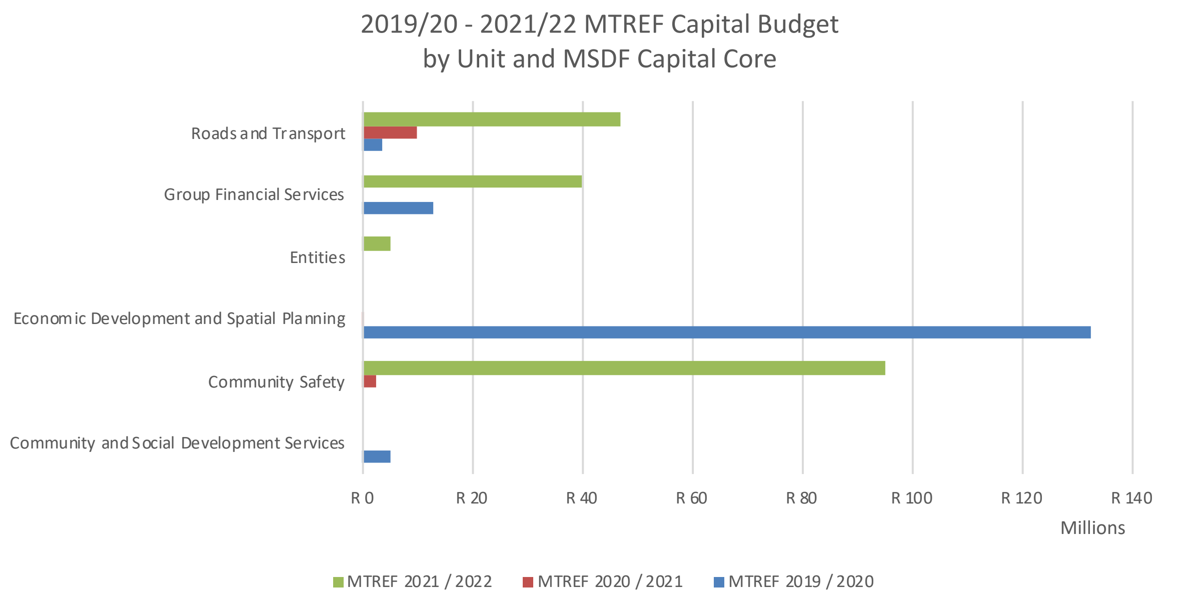


Figure D-56: 2019/20 MTREF Capital Budget within the Capital Core

Capital budget within the capital core of Tshwane amounts to approximately R354 million for the total MTREF period, which equates to approximately 2,7% of the total capital budget.

Table D-25: 2019/20 MTREF Capital Budget by MSDF Metropolitan Nodes

MSDF Metropolitan Nodes	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
City Wide/ Administrative HQ	R1 148 487 357	R1 130 301 811	R1 050 850 000	R3 329 639 168	26,05%
Bronkhorstspruit	R65 000 000	R35 400 000	R45 000 000	R145 400 000	1,14%
Centurion	R6 453 014	R0	R17 745 788	R24 198 802	0,19%
Hatfield	R487 900	R0	R0	R487 900	0,00%
Karenpark	R0	R0	R139 765	R139 765	0,00%
Menlyn	R7 037 934	R396 223	R8 081 675	R15 515 832	0,12%
Metropolitan Nodes sub-total	R78 978 849	R35 796 223	R70 967 228	R185 742 300	1,45%
Total Capital Budget	**R4 096 366 844**	**R4 261 414 258**	**R4 426 250 308**	**R12 784 031 410**	**100,00%**

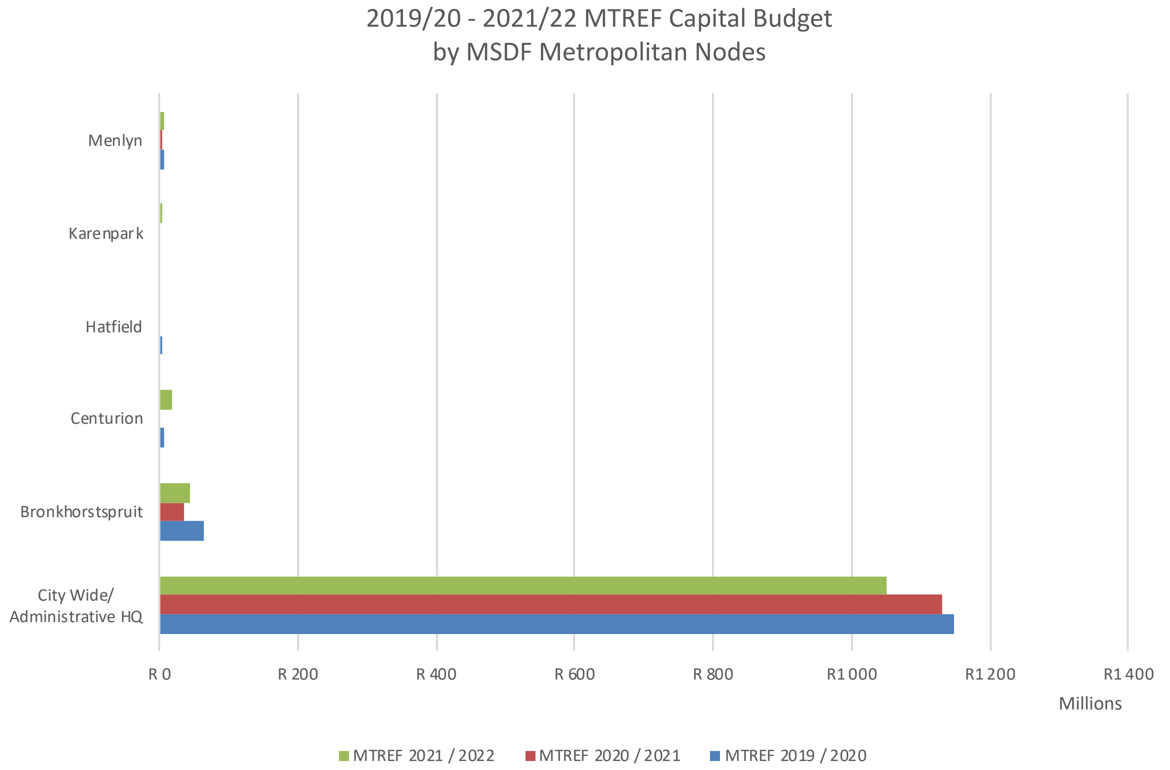


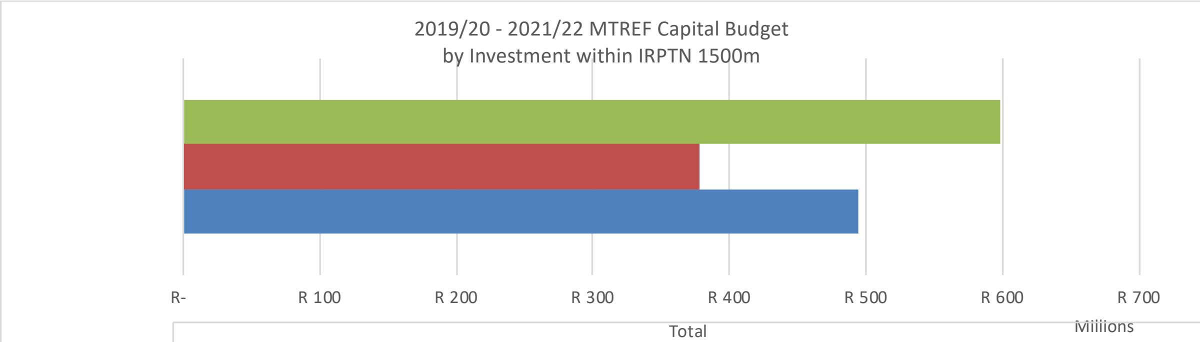
Figure D-57: 2019/20 MTREF Capital Budget by MSDF Metropolitan Nodes

D.4.2.5.6 Value of Capital in the IRPTN Phase 1 Development Catchment

The implementation of the IRPTN network, as a spatial transformative urban element, serves to catalyse development through the increase of land-use intensity and development density within a 1500m walkable development catchment, thereby bringing about land-value capture in terms of a potential rates base increase for the municipality. This 1500m development catchment around the IRPTN Phase 1 has been defined and an IRPTN Phase 1 development catchment budget analysis was undertaken by means of the Tshwane Capital Planning System (CAPS) (refer to Figure D-58). The capital budget analysis of the 2019/20 MTREF Capital Budget for the IRPTN 500m development catchment area is shown in Figure D-59.

From the analysis, it is evident that a significant amount of capital investment is occurring within the 1500m IRPTN Phase 1 Development Catchment area in support of the Tshwane Rapid Transit (TRT) system. For the 2019/20 financial year, approximately R494 million (12%) has been allocated within this corridor, together with R377 million (9%) in 2020/21 and R598 million (14%) in 2021/22.

Figure D-58: City of Tshwane IRPTN Phase 1 500m Development Catchment



	Total
MTREF 2021 / 2022	R598020 524
MTREF 2020 / 2021	R377612 003
MTREF 2019 / 2020	R494466 825

Figure D-59: 2019/20 MTREF Capital Budget within the IRPTN 1500m Development Catchment

D.4.2.6 Value of Capital in the Pro-Poor Areas

Capital expenditure in pro-poor areas is critical to redress service infrastructure backlogs and to eliminate barriers to social and economic development in these areas. A deprivation analysis was undertaken for the City of Tshwane using the StatsSA Census 2011 data on household income, dwelling type, household size, service backlogs and levels of service of various infrastructure services. A composite deprivation index was developed from these indicators by using a weighted average level of deprivation for each measurement criteria. The weightings of the contributing measurement criteria in relation to the composite deprivation index is available on request. The deprivation index can be expressed spatially as a heat map, where warmer colours (red) indicate greater levels of deprivation, whereas cooler colours (yellow) indicate lower levels of deprivation (refer to Figure D-60). Pro-poor areas were identified using the deprivation index for the City of Tshwane, as areas where

the relative level of deprivation exceeded 50% of the analysis zone. Pro-poor expenditure areas are shown in
Figure D-61.

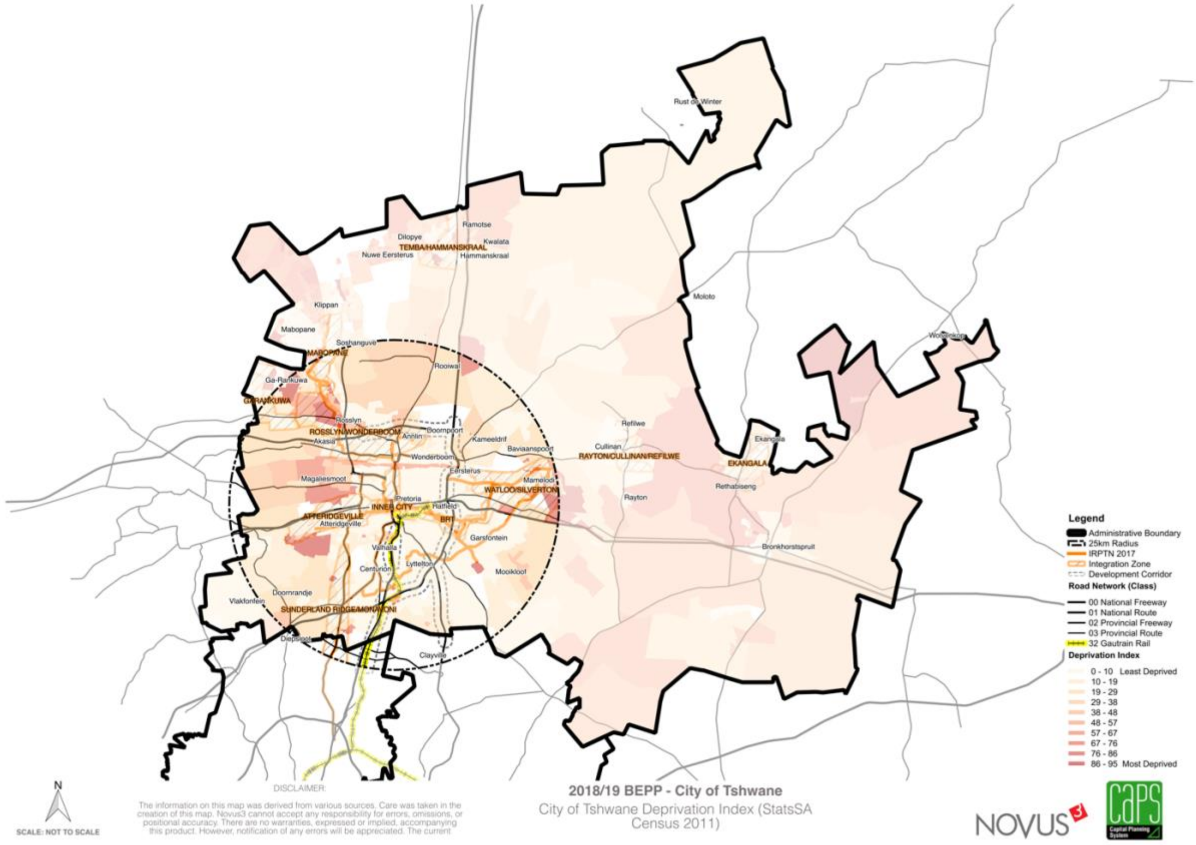


Figure D-60: City of Tshwane Deprivation Index (StatsSA Census 2011)

Figure D-61: City of Tshwane Pro-Poor Expenditure Areas

The analysis of the pro-poor areas, as a spatial transformative urban element, serves to redress backlogs and eliminate stumbling blocks to development. This pro-poor analysis was undertaken by means of the Tshwane Capital Planning System (CAPS). The capital budget analysis of the 2019/20 MTREF Capital Budget for pro-poor areas is shown in Table D-26, in terms of capital budget for each unit within these areas.

With respect to Pro-poor areas, a R655 million is allocated to these areas for 2019/20, which amounts to 16% of the total capital budget. The department with the highest capital budget “expenditure” within these areas are Housing and Human Settlement followed by Utility Services and Roads and Transport, highlighting the focus of the city towards Basic Service delivery.

Table D-26: 2019/20 MTREF Capital Budget by Pro-poor Areas

Units within Pro-Poor Areas	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
City Manager	R9 999 999	R0	R0	R9 999 999	0,08%
Community and Social Development Services	R10 000 000	R16 194 459	R39 291 688	R65 486 147	0,51%
Community Safety	R0	R0	R293 577	R293 577	0,00%
Economic Development and Spatial Planning	R36 511 000	R39 899 000	R0	R76 410 000	0,60%
Environment and Agricultural Management	R1 872 846	R2 701 141	R1 373 158	R5 947 144	0,05%
Health Services	R11 718 000	R0	R0	R11 718 000	0,09%
Housing and Human Settlement	R357 314 732	R420 743 545	R202 518 803	R980 577 080	7,67%
Roads and Transport	R66 011 985	R55 533 599	R43 182 628	R164 728 212	1,29%
Utility Services: Electricity	R69 600 000	R55 000 000	R379 107 258	R503 707 258	3,94%
Utility Services: Water and Sanitation	R92 479 638	R92 479 638	R23 826 945	R208 786 222	1,63%
Pro-Poor Areas sub-total	R655 508 200	R682 551 382	R689 594 057	R2 027 653 639	15,86%
Total Capital Budget	**R4 096 366 844**	**R4 261 414 258**	**R4 426 250 308**	**R12 784 031 410**	**100,00%**

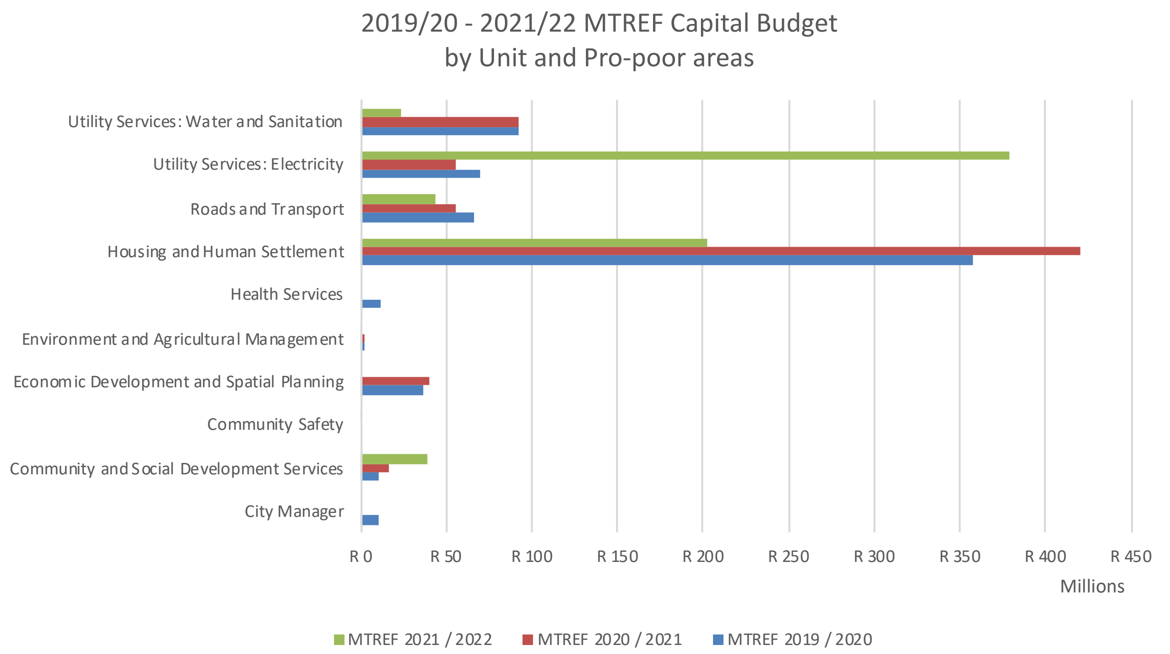


Figure D-62: 2019/20 MTREF Capital Budget by Pro-poor Areas

D.4.2.7 Value of Capital Demand in Economic Development Priority Quadrant Areas

During the Municipal Elections of 2016, the City of Tshwane came under new political leadership which was accompanied by refocussed strategies and objectives regarding the way in which the city will direct its expenditure. *The strategic planning areas as indicated in documents (i.e. MSDF, IDP etc.) of Tshwane will for the most, remain, for the simple reason that the realities of the City of Tshwane stay the same.* Impoverished areas are still where they are, and infrastructure backlog largely remains where they were during the submission of the 2016/17 capital budget. A strong focus on these realities will remain.

However, specific spatial strategic interventions have received attention by the new administration and a refocus on specific intervention areas identified in the MSDF were pronounced. These refocussed spatial priority intervention areas known as Priority Nodes & Corridors for Spatial Transformation are shown in Figure D-63. The BEPP Economic Development Priority Quadrant areas have been updated and includes the above mentioned Targeted Spatial Economic/Social Infrastructure Investment Areas, as outline in the Implementation of the outcomes of the Mayoral Strategic Planning Session Memorandum (1 December 2017).

Figure D-63: BEPP Economic Development Priority Quadrants

The Economic Development Priority Quadrant areas capex analysis was undertaken by means of the Tshwane Capital Planning system (CaPS), which allows for the spatial referencing of capital projects. The 2019/20 capital budget analysis is shown in Table D-27.

2019/20 MTREF Capital budget within the BEPP Economic Development Priority Quadrant areas of Tshwane amounts to approximately R1,1 billion for the 2019/20 financial year, which equates to approximately 29% of the total 2019/20 capital budget, capital budget allocation increases in 2020/21 to R1,6 billion (38%) and then increases slightly to R1,69 billion in 2020/21 (38%).

In terms of specific Economic Development Priority Quadrant areas, expenditure occur based on the following areas:

- Watloo/Silverton accounts for 7% of the total MTREF capital budget.
- Rosslyn/Wonderboom accounts for 2% of the total MTREF capital budget.
- Inner city (Capital Core) accounts for 5% of the total MTREF capital budget.
- The Integration Zone accounts for 7% of the total MTREF capital budget.

Table D-27: 2019/20 MTREF Capital Budget by BEPP Economic Development Priority Quadrant areas.

Economic Development Priority Quadrants	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
City Wide/ Administrative HQ	R1 148 487 357	R1 130 301 811	R1 050 850 000	R3 329 639 168	26%
Atteridgeville	R64 194 912	R130 803 369	R220 587 529	R415 585 810	3%
BRT	R267 041 469	R303 800 419	R330 551 091	R901 392 980	7%

Ekangala	R0	R132 000 000	R70 000 000	R202 000 000	2%
Garankuwa	R73 000 000	R73 000 000	R24 998 339	R170 998 339	1%
Inner city	R171 983 278	R50 560 808	R359 401 377	R581 945 462	5%
Mabopane	R157 539 444	R252 000 000	R163 676 452	R573 215 895	4%
Rayton/Cullinan/refilwe	R0	R201 000	R0	R201 000	0%
Rosslyn/Wonderboom	R125 951 006	R143 399 000	R31 857 262	R301 207 268	2%
Sunderland ridge/Monavoni	R45 455 054	R104 927 987	R64 031 295	R214 414 336	2%
Temba/Hammanskraal	R62 989 000	R124 000 000	R95 065 278	R282 054 278	2%
Watloo/Silverton	R213 100 360	R288 000 000	R339 479 264	R840 579 624	7%
Economic Development Priority Quadrants Sub-total	R1 181 254 521	R1 602 692 584	R1 699 647 886	R4 483 594 991	35%
Total Capital Budget	**R4 096 366 844**	**R4 261 414 258**	**R4 426 250 308**	**R12 784 031 410**	**100%**

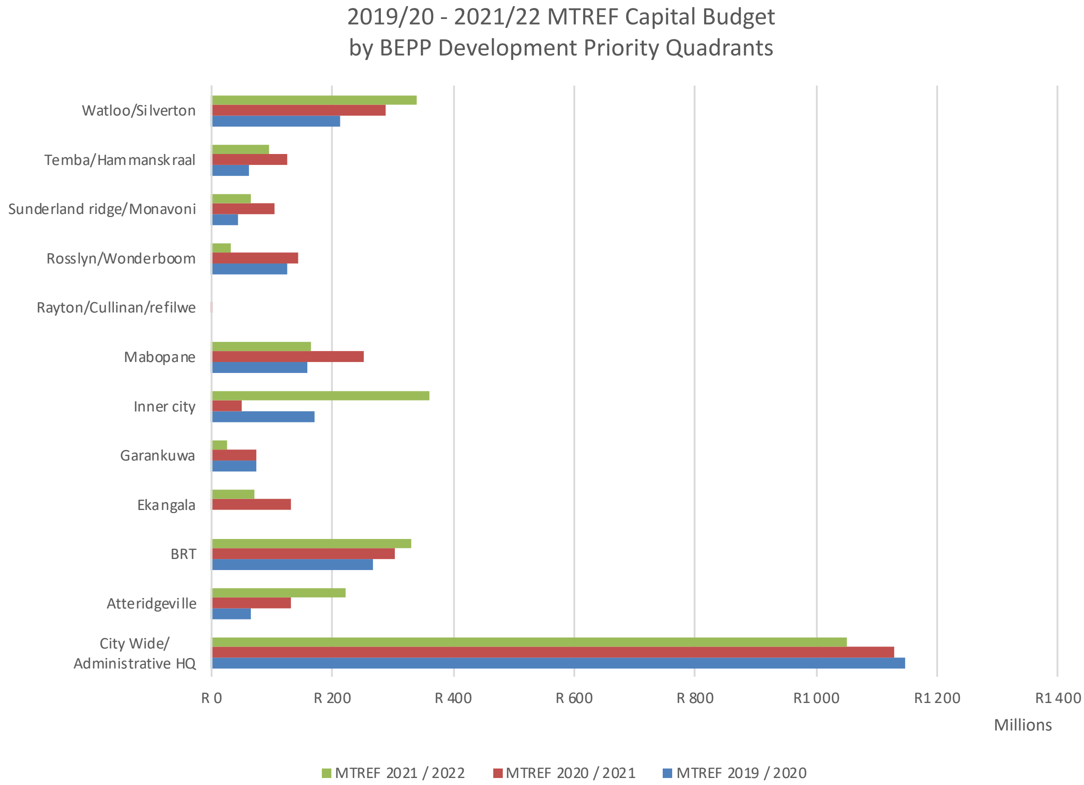


Figure D-64: 2019/20 MTREF Capital Budget by BEPP Economic Development Priority Quadrant areas.

D.4.2.8 2019/20 MTREF Capital Budget (Annexure A) Asset Management

This table brings together the core financial elements of asset management and summarises the capital programme in terms of new assets and the renewal of existing assets. The objective is to provide a complete picture of the municipality's asset management strategy, indicating the resources being deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

Table D-28: 2019/20 MTREF Capital Budget by MSCOA Action Classifications

Works Type	MTREF 2019/20	%	MTREF 2020/21	%	MTREF 2021/22	%
Existing	**R1 359 816 880**	**33%**	**R1 633 911 278**	**38%**	**R1 798 345 000**	**41%**
Renewal	R725 767 420	18%	R836 723 982	20%	R918 153 390	21%
Upgrading	R634 049 460	15%	R797 187 296	19%	R880 191 610	20%
Land	**R25 365 000**	**1%**	**R0**	**0%**	**R0**	**0%**
New	**R2 711 184 957**	**66%**	**R2 627 502 973**	**62%**	**R2 627 905 287**	**59%**
Grand Total	**R4 096 366 837**	**100%**	**R4 261 414 251**	**100%**	**R4 426 250 287**	**100%**

In terms of MFMA Circulars 55 and 66 at least 40% of the Capital Budget must be allocated towards renewal of existing assets. From the above table, it is evident that only approximately 18% of the budget has been allocated for the renewal of existing assets in the 2019/20 financial year, and approximately 20% of the budget has been allocated to renewal of existing assets in 2020/21 financial year.

D.5 Institutional Arrangements

In order to set out the principles of leadership, good governance and planning, and strategy led budgeting employed in the City of Tshwane, reference needs to be made to Section D.1 included at the start of section D.

Various processes lead up to the finalising of the capital budget which in turn, is integrated with the operational budget and analysed for optimal resourcing using the Long Term Financial Model.
During the processes for compilation of the capital budget, strategic objectives are included and considered in the prioritisation model and prioritisation process. This is an intricate and scientifically supported process and as such, renders highly dependable results in ensuring alignment between the capital budget and the strategic objectives of the City of Tshwane. Please refer to Chapter C for a detailed description of the methodology followed in the prioritisation process.

The budget fit process provides a further opportunity for inclusion/exclusion of particular projects based on their strategic value.

The utilisation of a Long Term Financial Model in the compilation of a Long Term Financial Strategy as set out in Chapter D, further supports strategic planning and alignment as well as analysis thereof. It can also be applied prior to the budget fit process in order to assist in determining the affordable funding envelope amounts to be fitted to, given the City's access to funding sources.

The implementation of the full process outlined above and throughout the rest of the BEPP, is at various levels of maturity.

The City of Tshwane has been utilising the outputs from all the tools indicated in Figure D-1, although it is still in consultation regarding the use of the Long Term Financial Model forecast funding envelope in setting its affordable funding envelope.

Alignment between the CaPS process and the City of Tshwane's current processes is ongoing. The establishment of the CaPS Committee is in support of the institutionalisation of integrated capital investment planning and implementation across the metro. The Committee will be driving the formalisation and implementation of the required processes in this regard.