CITY OF TSHWANE
IGNITING EXCELLENCE

Built Environment Performance Plan

Section D: Catalytic Urban Development Programme Resourcing 2019/2020

Version: 3.00 Final Draft

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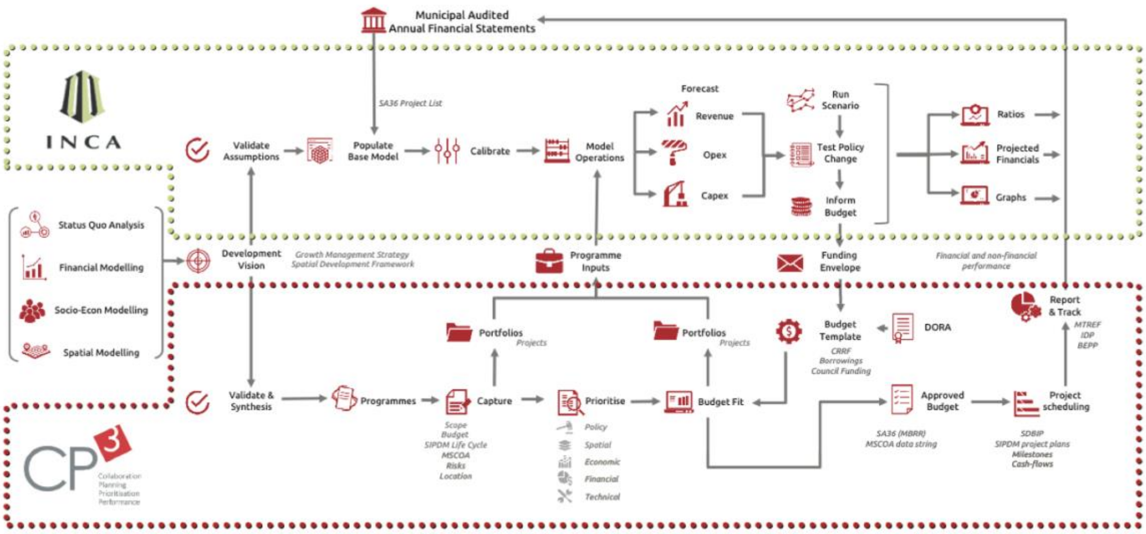
Addendums

Abbreviations

AFS	Annual Financial Statements
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
CPM	Capital Prioritisation Model
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
GVA	Gross Value Added
ICDG	Integrated City Development Grant
IDP	Integrated Development Plan
IPM	Inca Portfolio Managers
IRPTN	Integrated Rapid Public Transport Network
LSDF	Local Spatial Development Framework
LTFM	Long-term Financial Model
LTFS	Long-term Financial Strategy
MCA	Multi-Criteria Analysis
MFMA	Municipal Financial and Management Act (56 of 2003)
MRRI	Municipal Revenue Risk Indicator
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

The processes shown in Figure D-1 , as formerly discussed in Section A of this document, represents a portion of the CaPS process inclusive of the prioritisation of projects. The prioritisation process inter alia considers the economic impact and spatial priorities of Tshwane. The outcomes of this prioritisation process is used to determine which projects align best with the objectives of 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. Refer to Chapter C for detail stemming from the prioritisation outcomes.

A considered version of the of the prioritised portfolio of projects is subsequently subjected to a rule-based budgeting process. In this process, provision is made for manual intervention and adjustments to the capital budget. Depending on the extent of the adjustments made, the final recommended budget-book would be responsive to the strategic priorities of the City, inclusive of the Catalytic Land Development Programme. Refer to section D.3 Budget Fit, for a detailed description of the budgeting process and results.

In a concurrent process, the City's long-term financial model (LTFM) is developed, refined and applied making use of the City's financial history, its funding position, economic outlook and a number of other considerations. One of the functions of the LTFM is to determine a sustainable long-term financial strategy for the City of Tshwane. This strategy serves as a financial roadmap and includes an affordability envelope and the associated optimal funding mix for capital expenditure over the long-term. The affordability envelope and funding mix are then incorporated into the budgeting process as the budget totals (target values) to which the demand is fitted.

Note that at the time of the compilation of this report, the City of Tshwane was still considering the outputs from the LTFM analysis. As such, the values from the LTFM was not used yet and the indicative amounts as determined by the City's Finance department were used instead. The differences between these indicative amounts from the Finance Department and the amounts from the LTFM affordability envelope amounts are fortunately, 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 City is fortunate to have the full benefit of both the CaPS system (commercially known as the CP3 system) and the LTFM. These two process were designed to feed into each other and Tshwane is actually the pioneer in spearheading the complete and legislatively compliant process.

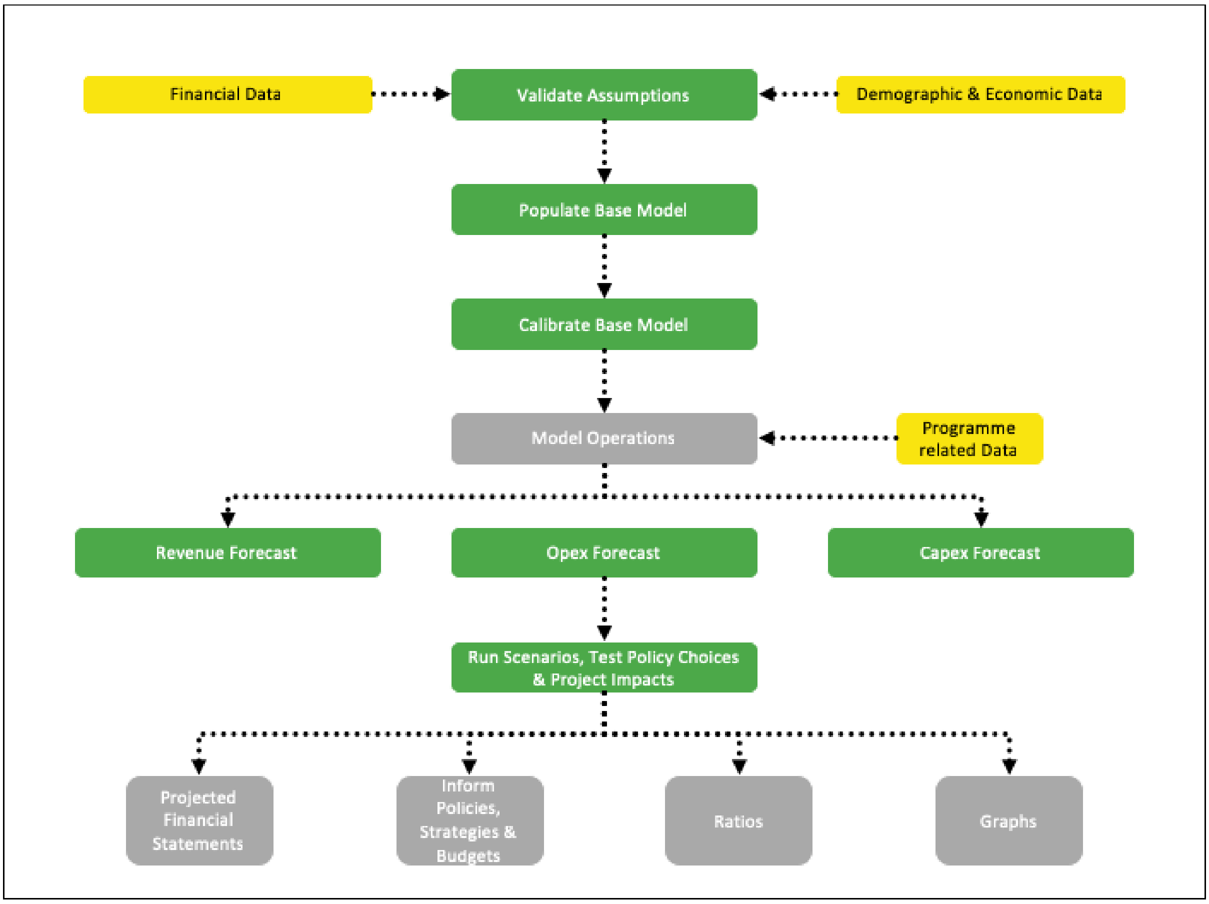
The LTFM was successfully updated by city officials during February 2019 with the latest available information - being the published MTREF 2018/19 – 2020/21 and the audited AFS for FY2018.

IPM has issued a report[1] based on its analysis of the City's current external environment using the context and findings obtained from its long-term financial model. The key findings from that report is included in this chapter.

Figure D-2 shows the basic 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 presented in Figure D-1 and Figure D-2, the following is included in this chapter:

- D.2 – D.3: Draft long-term financial strategy based on the results of the LTFM, followed by the Budget Fit process methodology as performed on CaPS.
- D.4:
    - A resourcing plan, based on the results of the budgeting process, taking into account the LTFM 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 provided based on the 2019/2020 draft MTREF Annexure A capital budget.
- 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 (LTFS) is to recommend strategies and policies that will maximise the probability of the City's financial sustainability into the future. This is achieved by forecasting future cash flows and affordable capital expenditure based on the City's historic performance, its current financial position, its backlogs and its current capital demand.

The outputs from the LTFS is used in this BEPP report to determine the affordability of future capital expenditure and to propose the most sustainable capital funding mix (affordability envelope) for the City over the next 10 years.

The accuracy of the LTFM is reliant on the accuracy and quality of the input data as well as on the reasonableness of the assumptions that are made in the model. 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 budgets 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 LTFM which are considered in the LTFS of the City. These forecasts also inform and form part of the resourcing plan presented in section D.4.

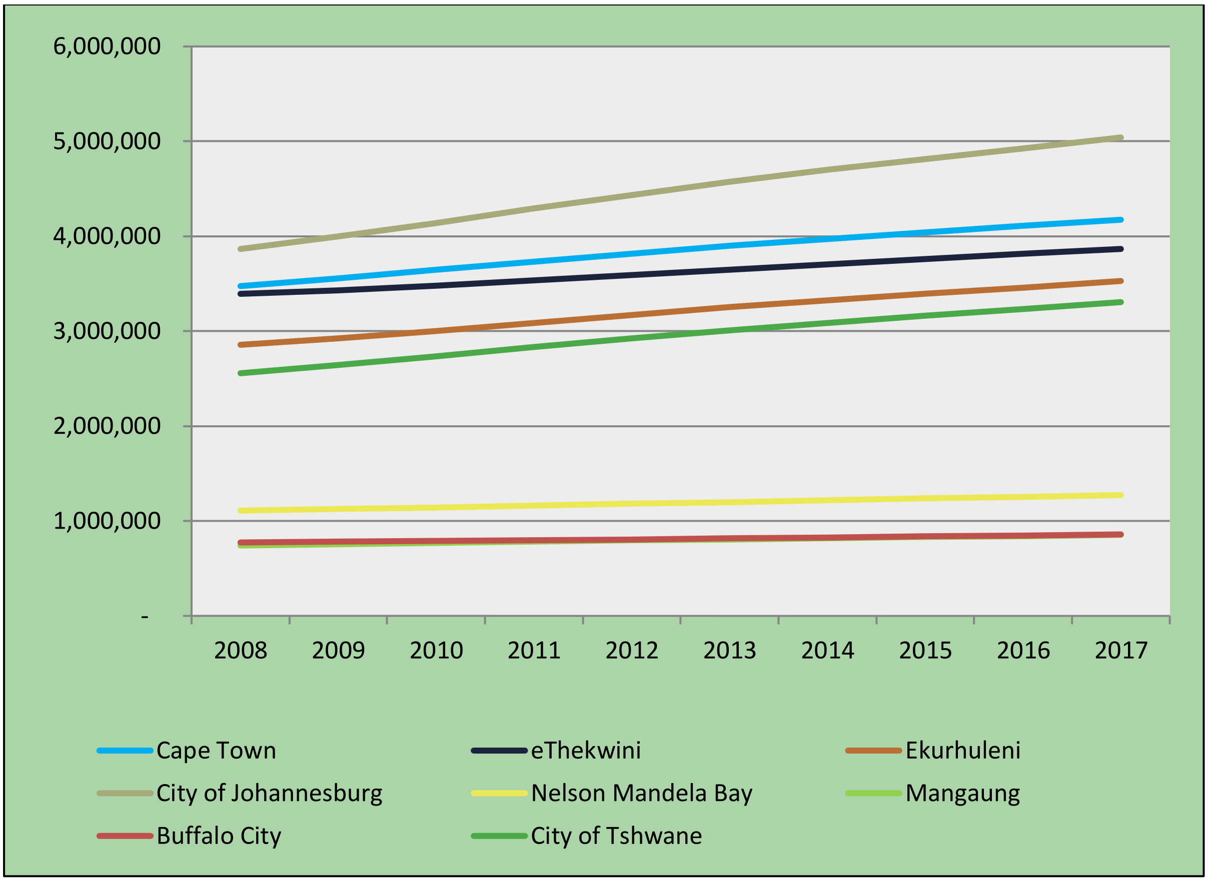
D.2.1 Independent financial assessment

D.2.1.1 *Demographic perspective*

D.2.1.1.1 Total population

The City of Tshwane has the lowest population (3 306 198) of the three metros in Gauteng. Tshwane hosts 24% of the people living in Gauteng (roughly a quarter of the people) and 6% of the people living in South Africa. The City's population growth rate makes it the 2nd highest growing metro in the Country. The population growth rate in Tshwane is higher than the Province's 2.0% p.a. and the Country's 1.5% p.a.

Figure D-3: Total Population



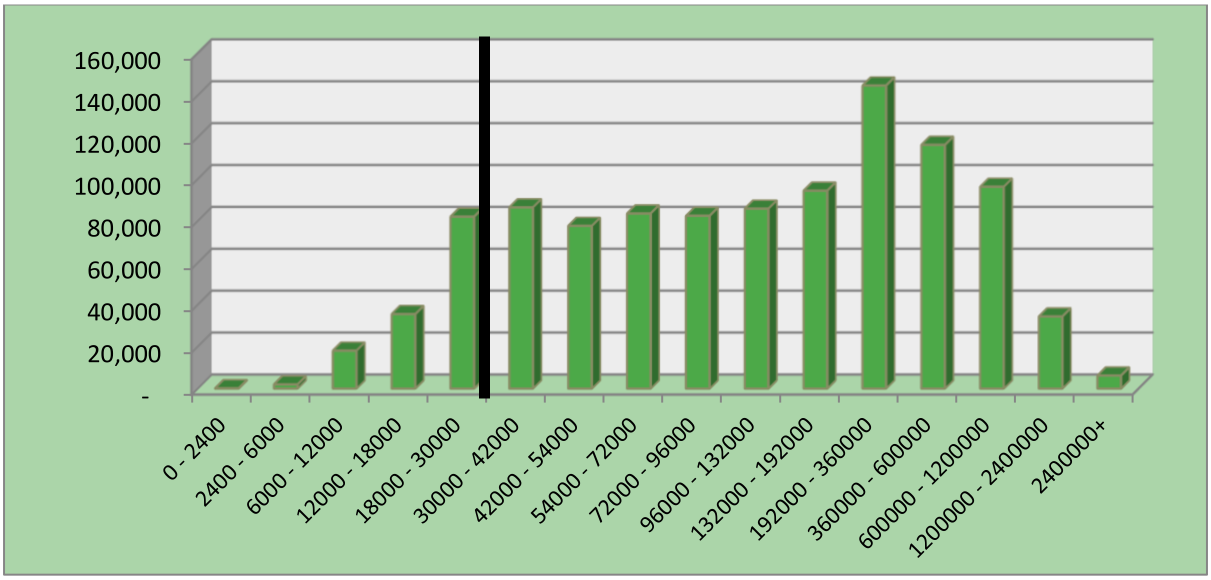
D.2.1.1.2 Household income distribution

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

The average household income for the City is R298 242 p.a. (R24 854 p.m.), which is the highest of all the metros in South Africa and higher than the national average of R201 630 p.a.

The average annual per capita income in the City of Tshwane of R94 769, is the highest of all the metros within the Country, followed by Cape Town: R85 746; City of Johannesburg: R84 327; Ekurhuleni: R75 044; Mangaung: R66 939; Nelson Mandela Bay: R66 299; eThekwini: R62 964 and Buffalo City : R57 658

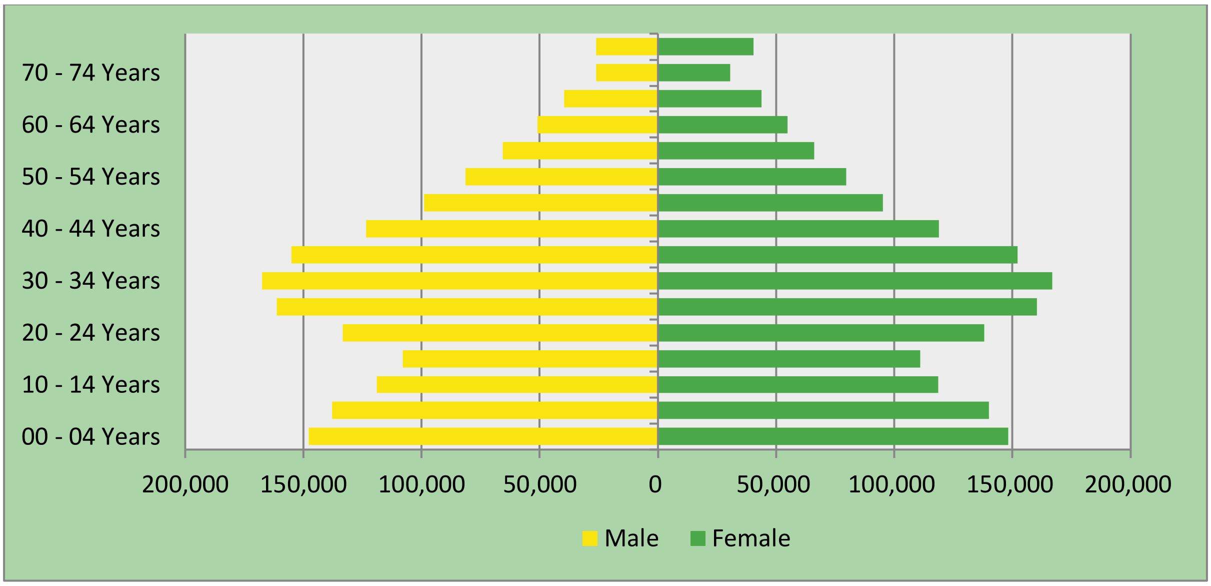
Figure D-4: Household Income Distribution - City of Tshwane



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.

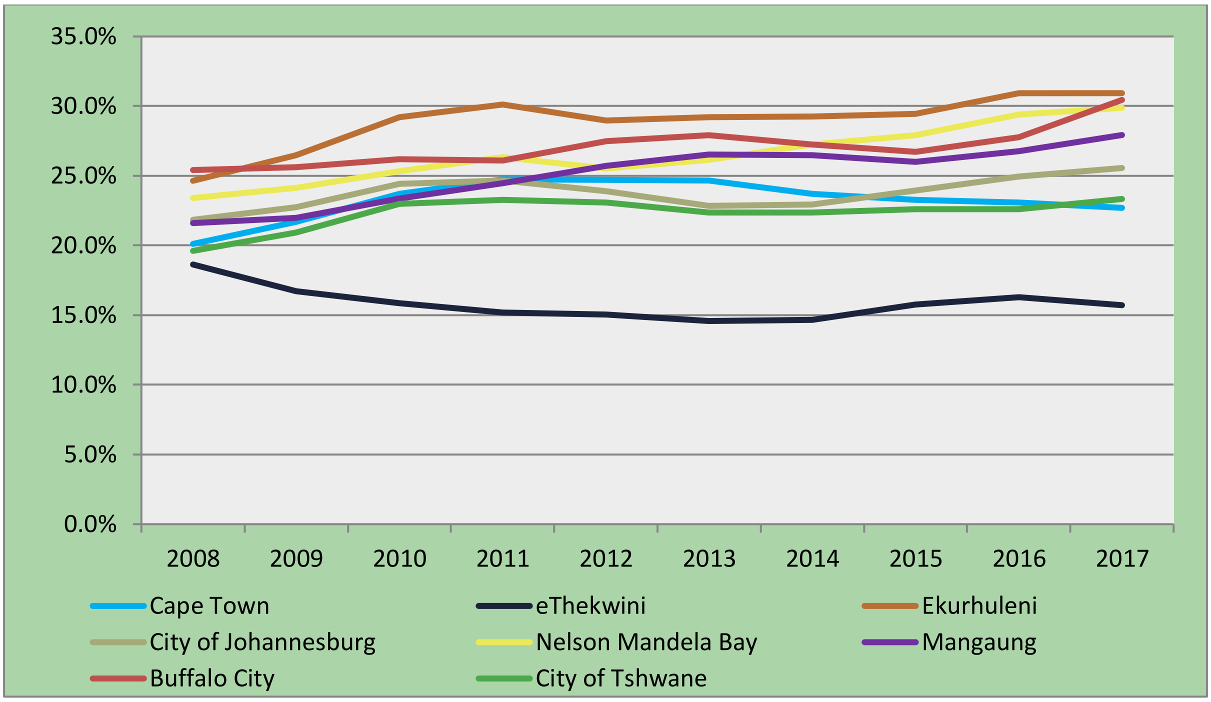
Figure D-5: Population Age Profile - City of Tshwane



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

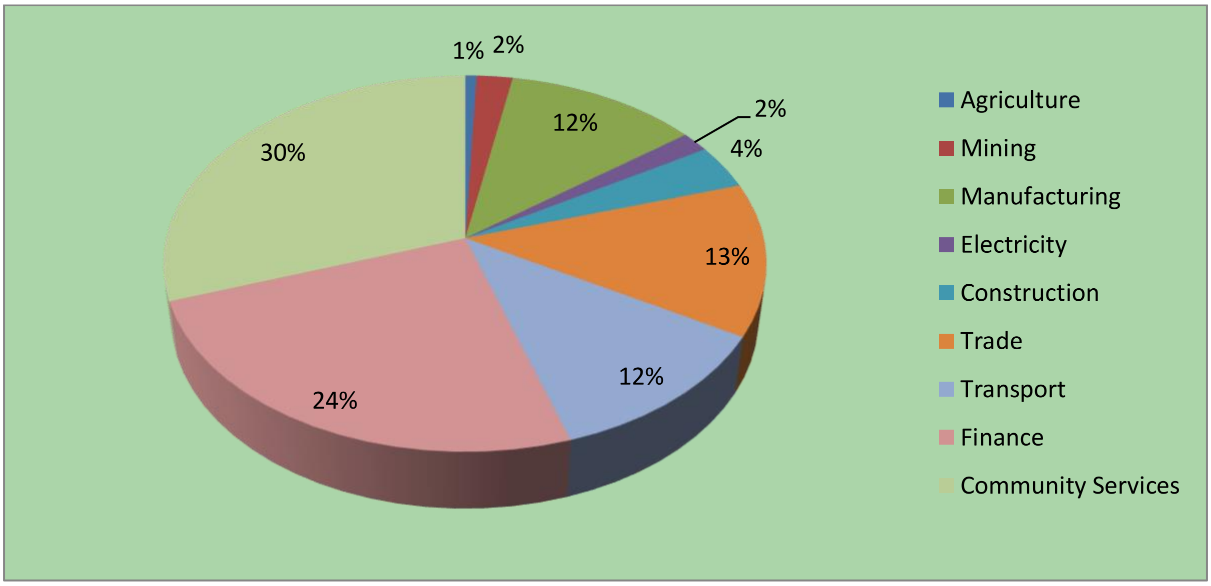


D.2.1.2 *Economic perspective*

D.2.1.2.1 Economy

The City of Tshwane's economy is relatively diversified. The community services-; finance-, trade-, manufacturing- and transport sectors jointly contribute 79% to local GVA[2]. The proportional contribution of manufacturing showed the greatest decline over the period.

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



[2] Gross value added is the value of output less the value of intermediate consumption; it is a measure of the contribution to GDP made by an individual producer, industry or sector; gross value added is the source from which the primary incomes of the SNA (System of National Accounts) are generated and is therefore carried forward into the primary distribution of income account. Source: OECD Glossary of Statistical Terms

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.

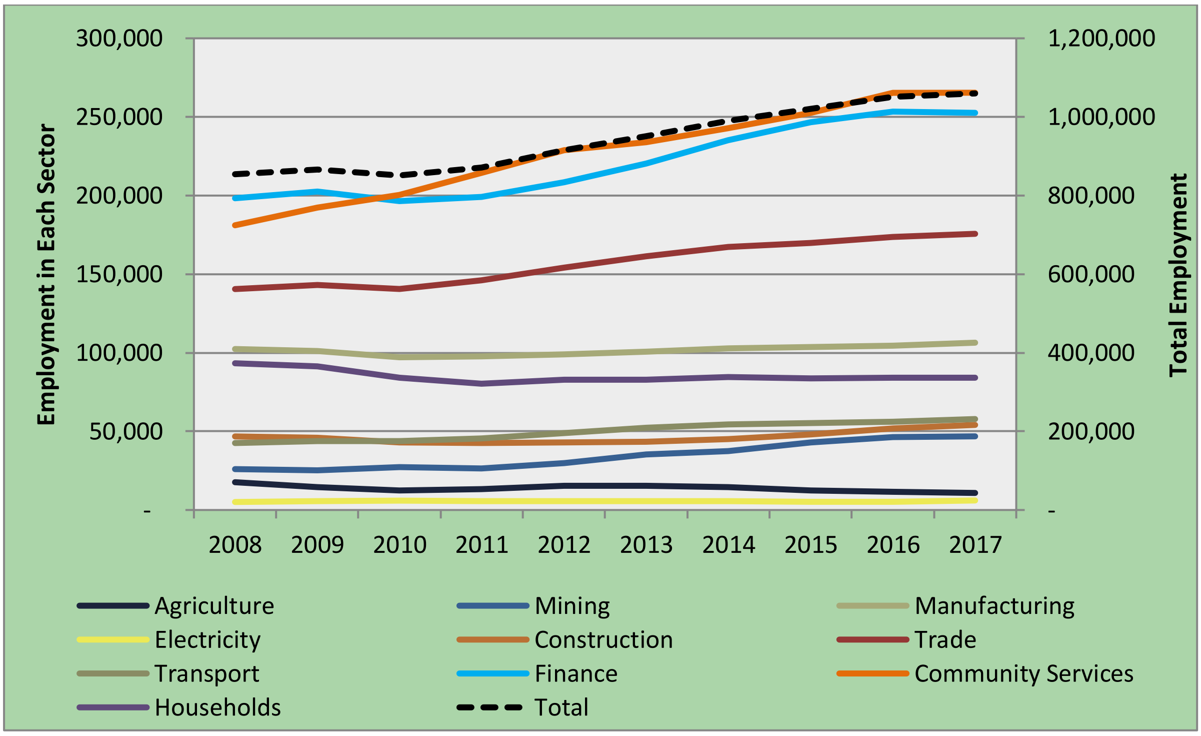
Table D-1: Proportional Growth of Economic Sectors

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 each make meaningful contributions to employment. As illustrated in Figure D-8, each of these sectors employ more than 100 000 people.

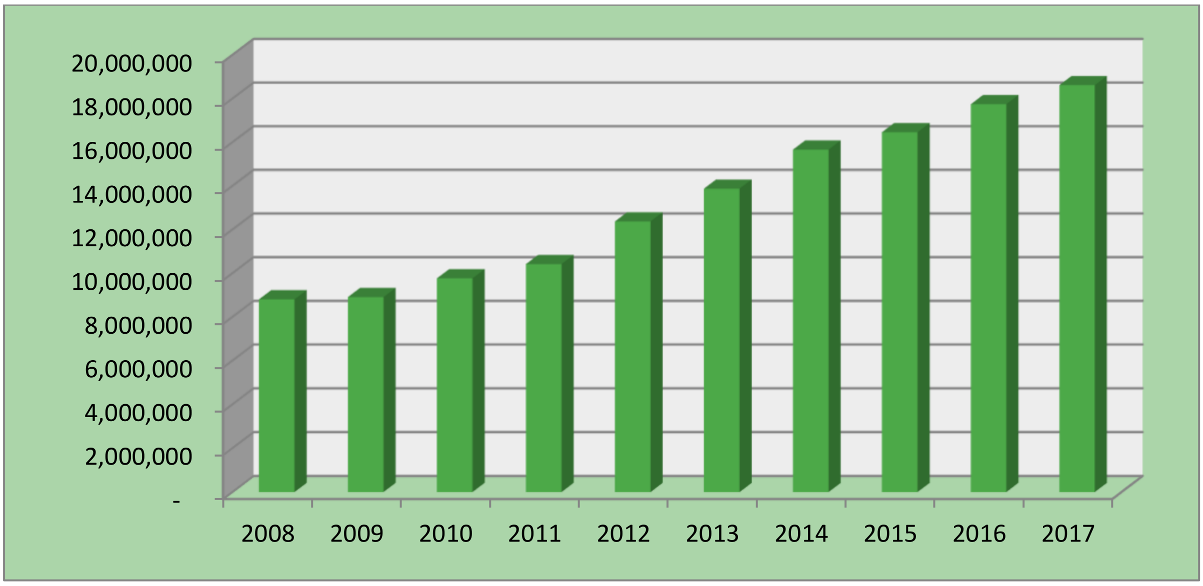
Figure D-8: Employment by Sector



D.2.1.2.3 Tourism spending

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

Figure D-9: Total tourism spending

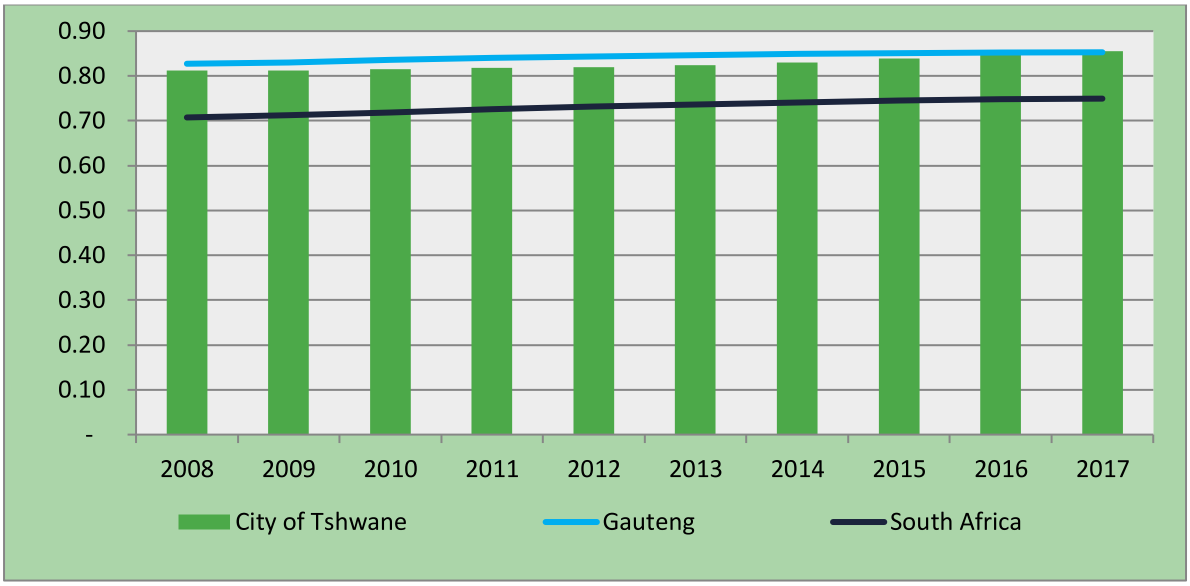


D.2.1.3 *Household infrastructure perspective*

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.

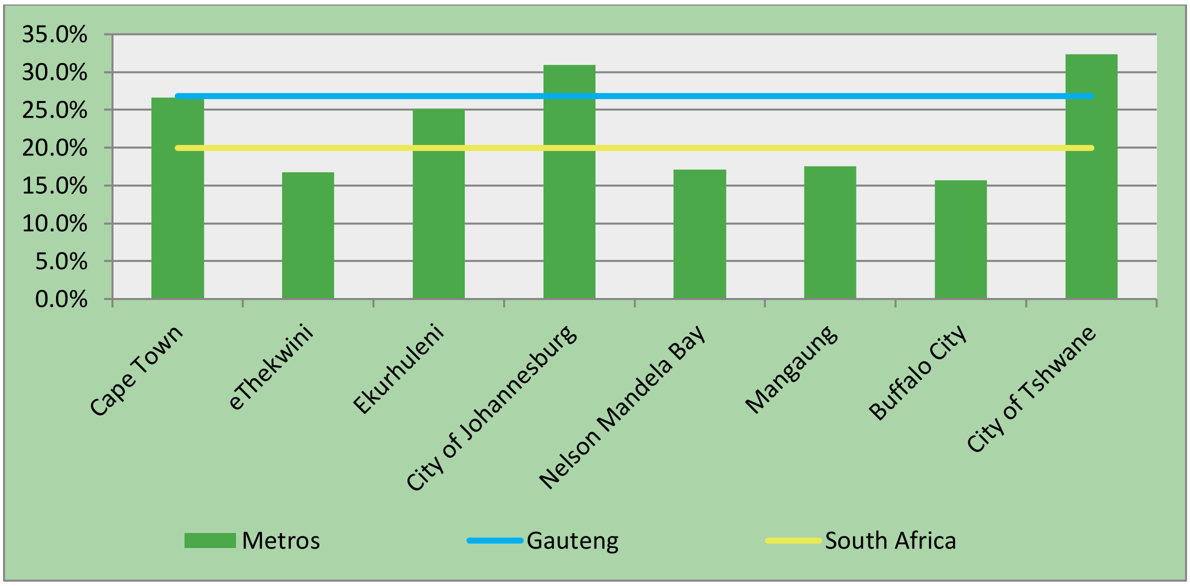
Figure D-10: Infrastructure Index



D.2.1.3.2 Household Formation

The 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 being higher than the provincial and national average. In 2017 there were approximately 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, it is evident that the City of Tshwane's infrastructure service delivery backlogs with regards to sanitation and refuse removal is high. In contrast, the infrastructure service delivery backlogs with regards to water and electricity is low.

Table D-2: Household Infrastructure Provision (2017)

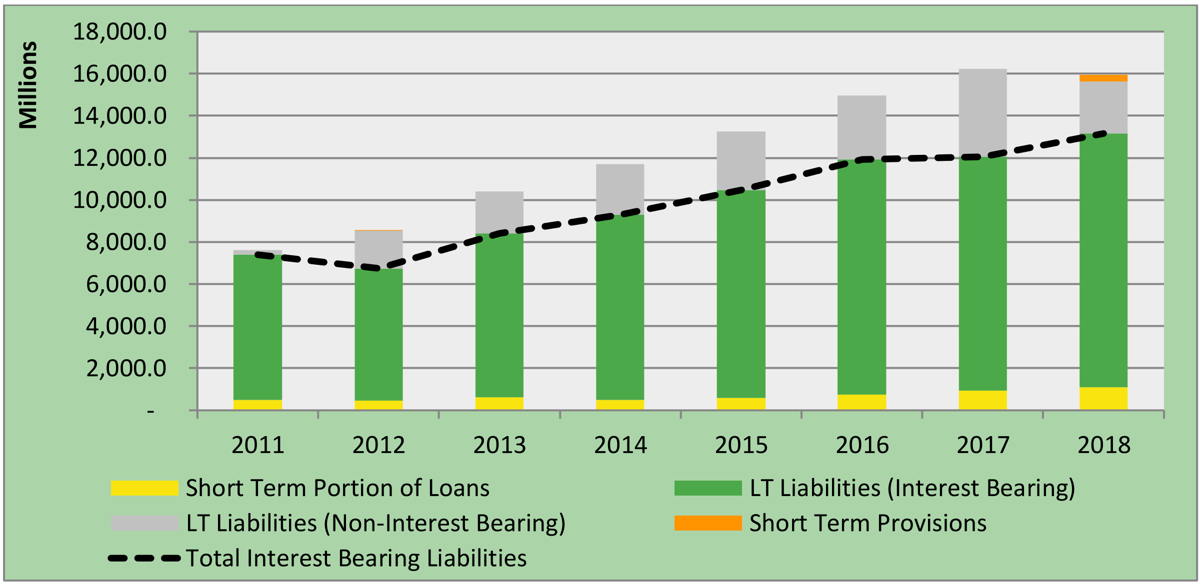
Infrastructure	Gauteng		City of Tshwane	
Above RDP Level				
Sanitation	4,002,407	91.2%	883,412	84.1%
Water	4,320,391	98.5%	1,038,342	98.8%
Electricity	3,939,918	89.8%	978,135	93.1%
Refuse Removal	3,952,505	90.1%	896,117	85.3%
Below RDP or None				
Sanitation	385,691	8.8%	167,428	15.9%
Water	67,706	1.5%	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 the City of Tshwane remained positive throughout the eight years under assessment. As at 30 June 2018, its balance sheet reflected a Total Asset position of R53.87 billion; increasing from R21.64 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 indicates that Long-term Interest Bearing Liabilities levels are still affordable to the City. Total Interest Bearing Liabilities was R13.16 billion at FYE2018; increasing from R7.41 billion in 2010/11.

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



D.2.1.4.1 Current Liabilities

A trend analysis of Current Liabilities, reflect gradual and consistent annual increases up to its highest value of R10.89 billion in 2018, up from R4.92 billion at FYE2017. As Creditors represent 79.9% of Current Liabilities, the upward trend is primarily attributable to an 8-year growth in Creditors of R5.82 billion to a balance of R9.50 billion at FYE2018.

Of concern is the increase in Unspent Conditional Grants, particularly in the last two financial periods. Unspent Conditional Grants increased to R469.67 million at FYE2018.

Figure D-13: Total Current Liabilities

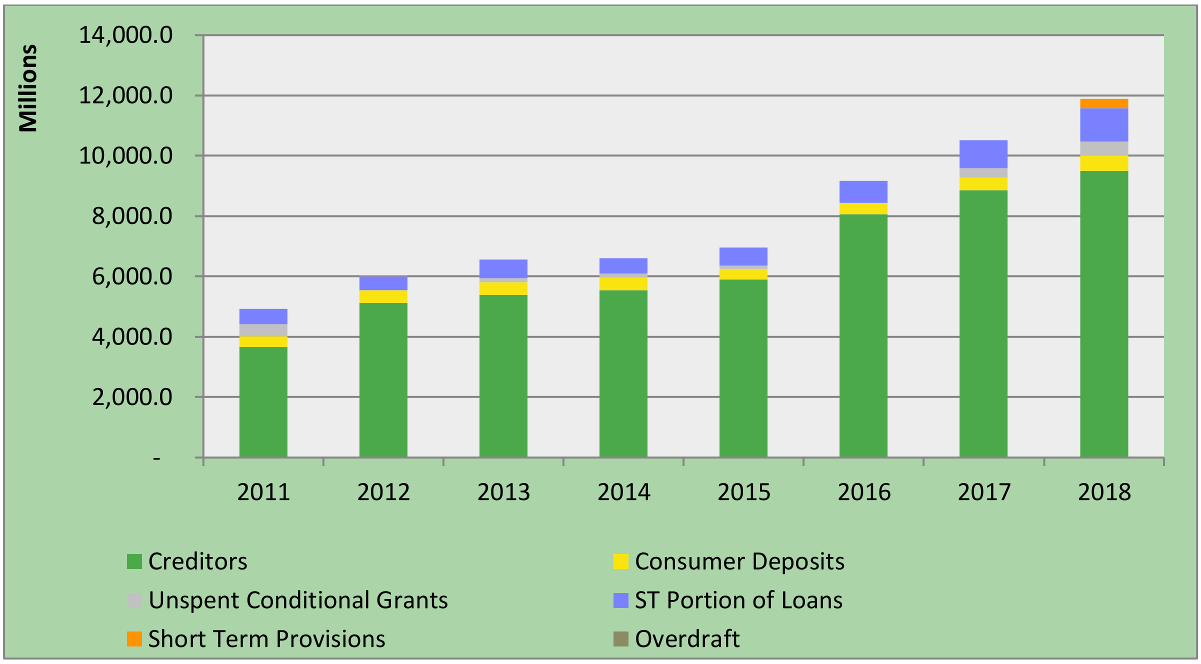
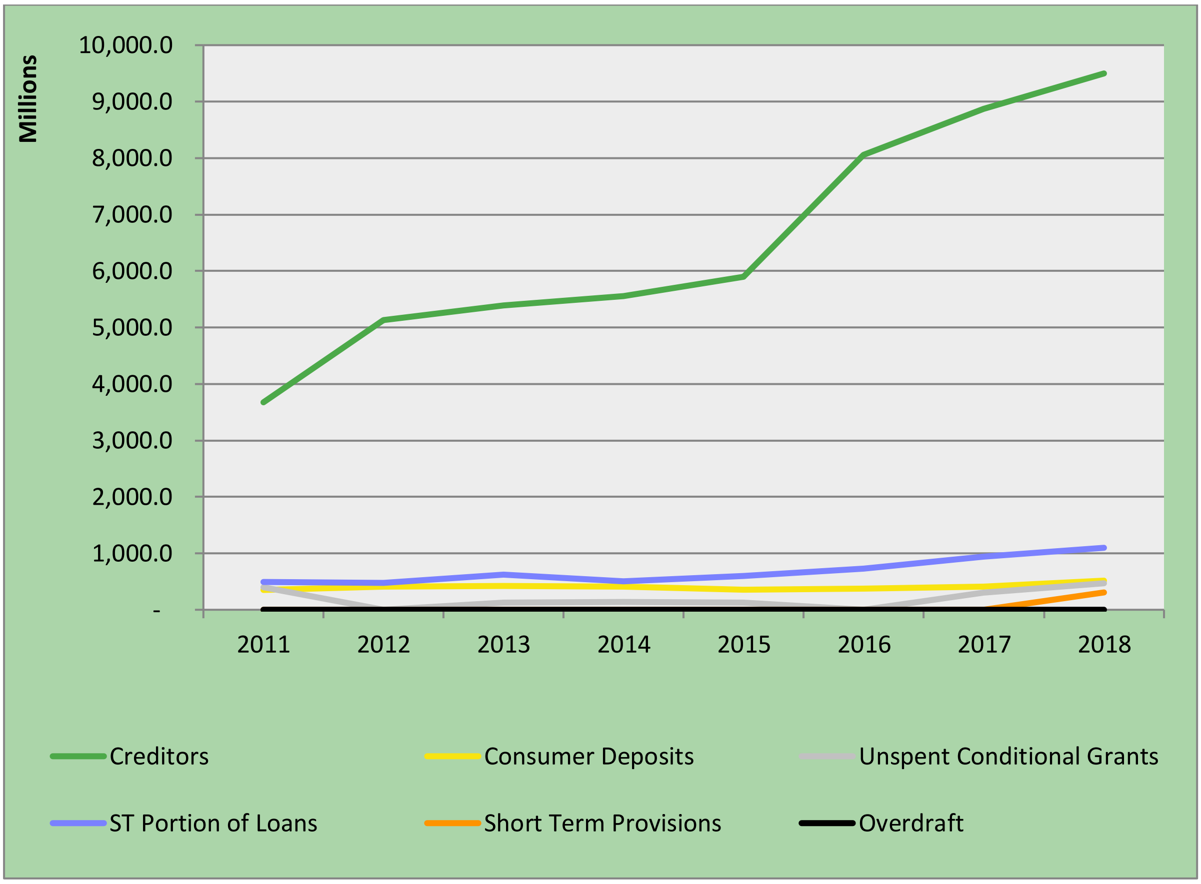


Figure D-14: Current Liabilities by Item



D.2.1.4.2 Current Assets

Current Assets peaked at R12.31 billion during FY2018 from the lowest balance of R4.47 billion at FYE2017. Total Current Assets consists 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

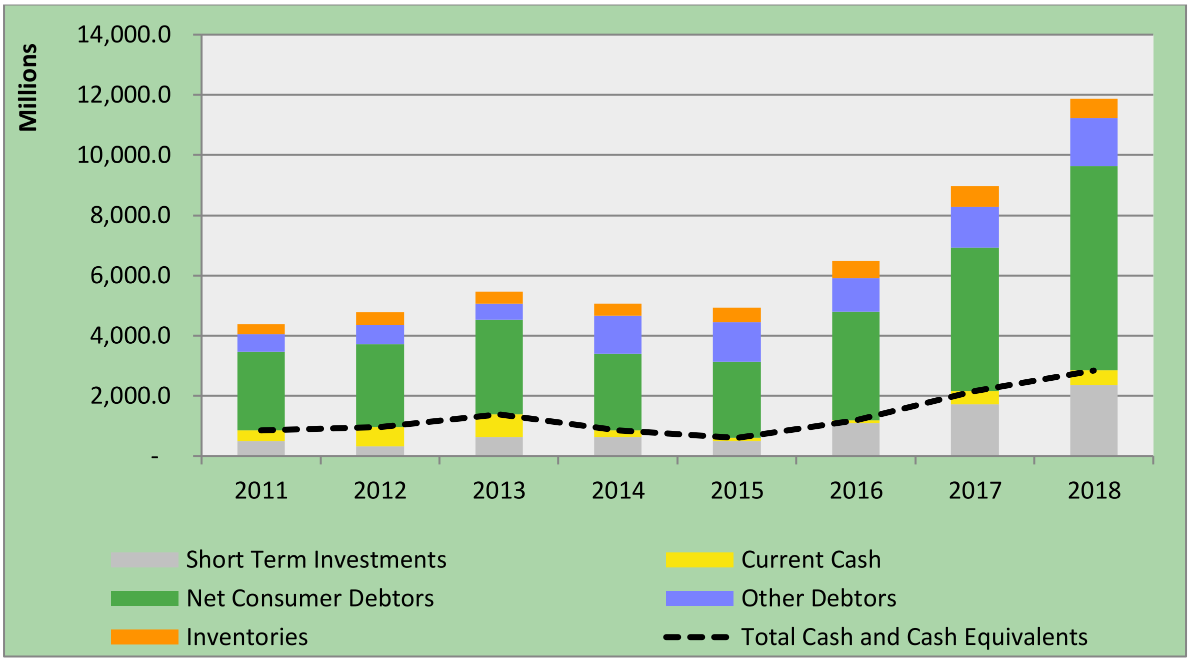
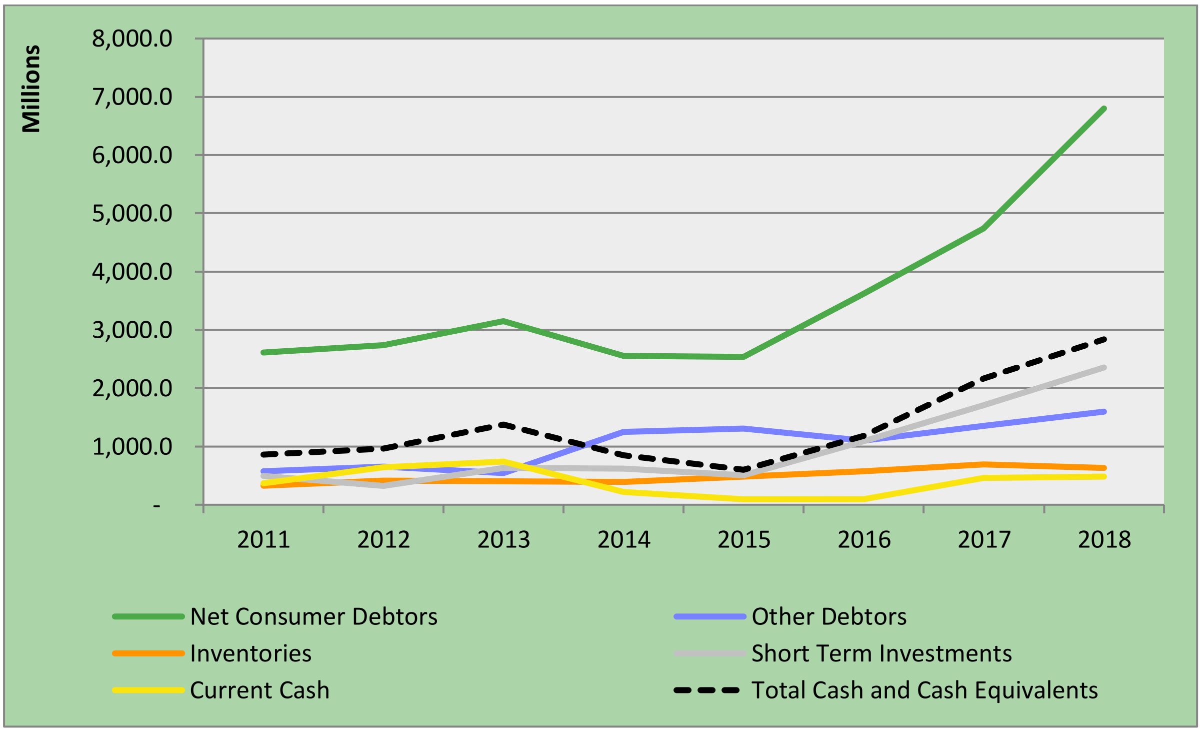


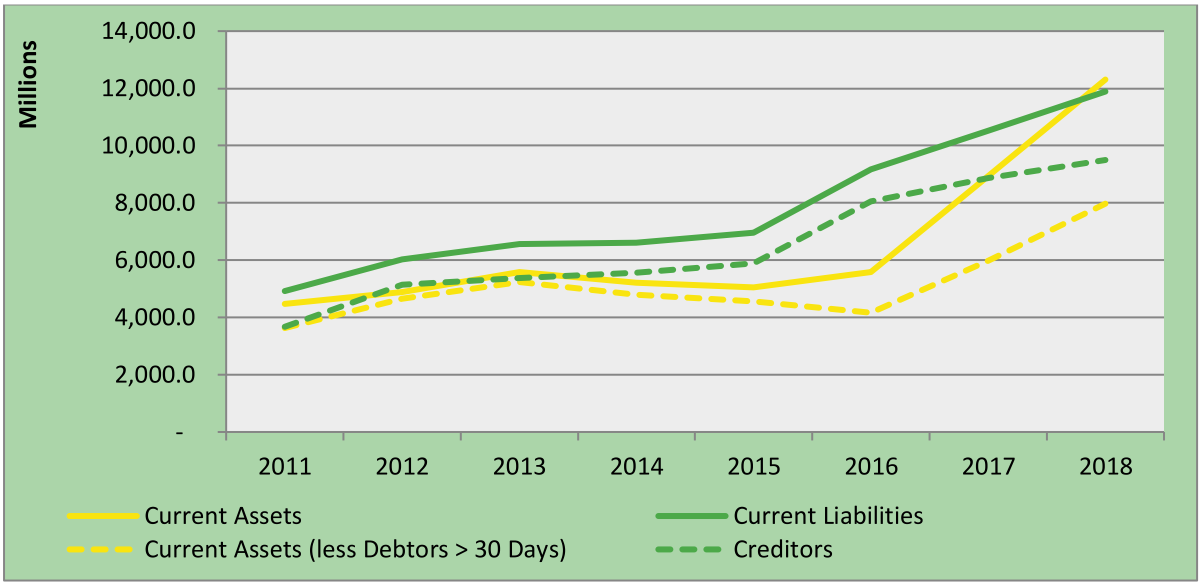
Figure D-16: Current Assets by Item



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.

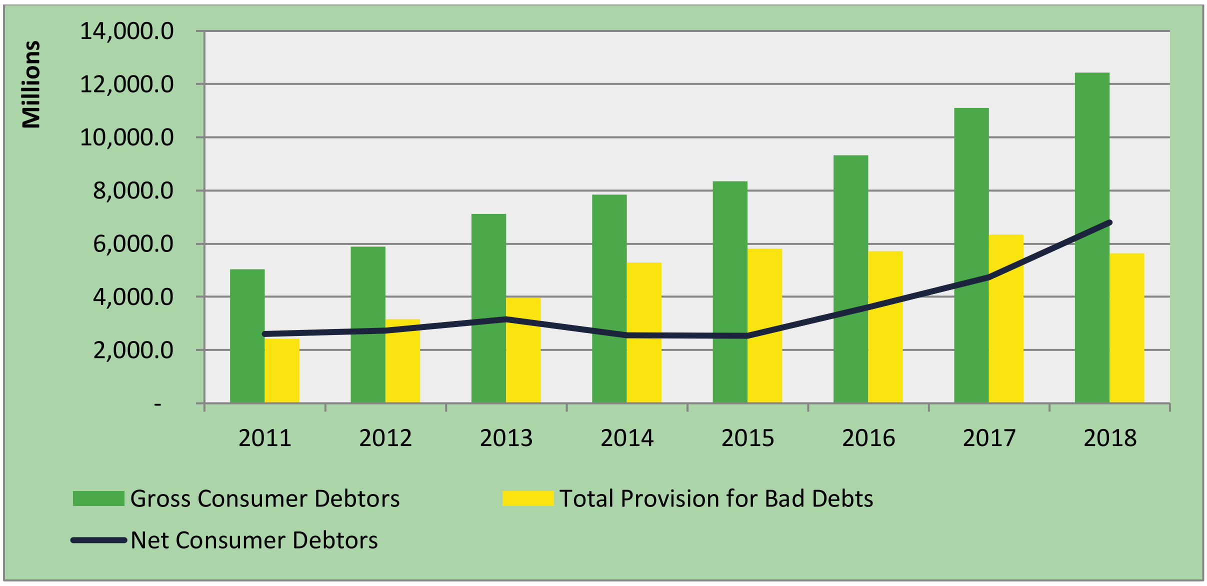
Figure D-17: Current Assets vs Current Liabilities



D.2.1.4.4 Net Consumer Debtors

Net Consumer Debtors increased to R6.80 billion in FY2018 due to growth in gross Consumer Debtors, while the Provision for Doubtful Debts decreased to R5.63 billion from the previous year.

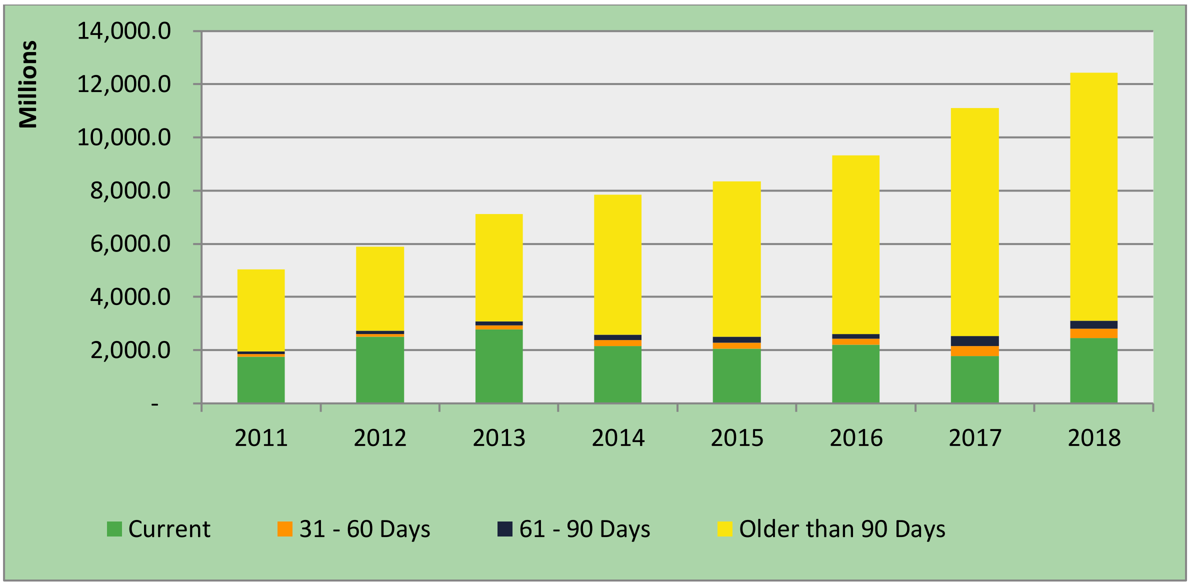
Figure D-18: Consumer Debtors



D.2.1.4.5 Debtors age profile

The Debtors age profile indicates an increasing ageing rate with 75% of gross Consumer Debtors being older than 90 days. The Provision for Doubtful Debts does not sufficiently cover Debtors older than 90 days as prescribed by National Treasury. Current Debtors represent only 19.8% of Total Debtors.

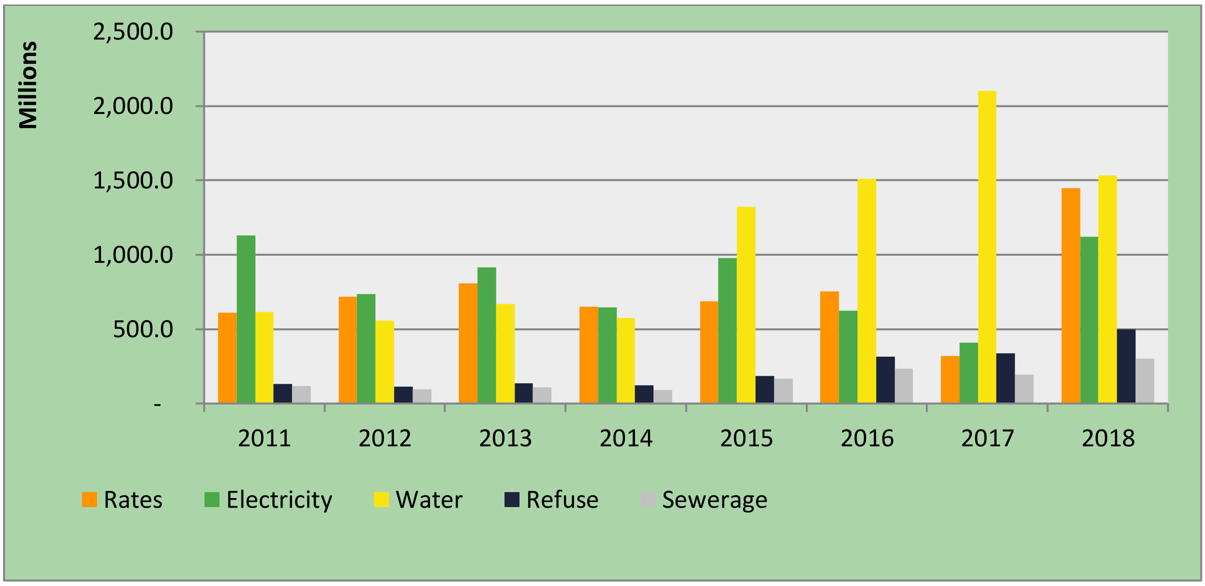
Figure D-19: Consumer Debtors age profile



D.2.1.4.6 Consumer Debtors by type

As of FY2015, a sharp increase in Water Debtors is evident. At FYE2018 Water Debtors represent the majority (23%) of outstanding Net Consumer Debtors, followed by Rates Debtors at 21%. Electricity Debtors also constitute a significant portion. The collection ratio of 93% remained below the minimum acceptable benchmark of 95%.

Figure D-20: Consumer Debtors by type



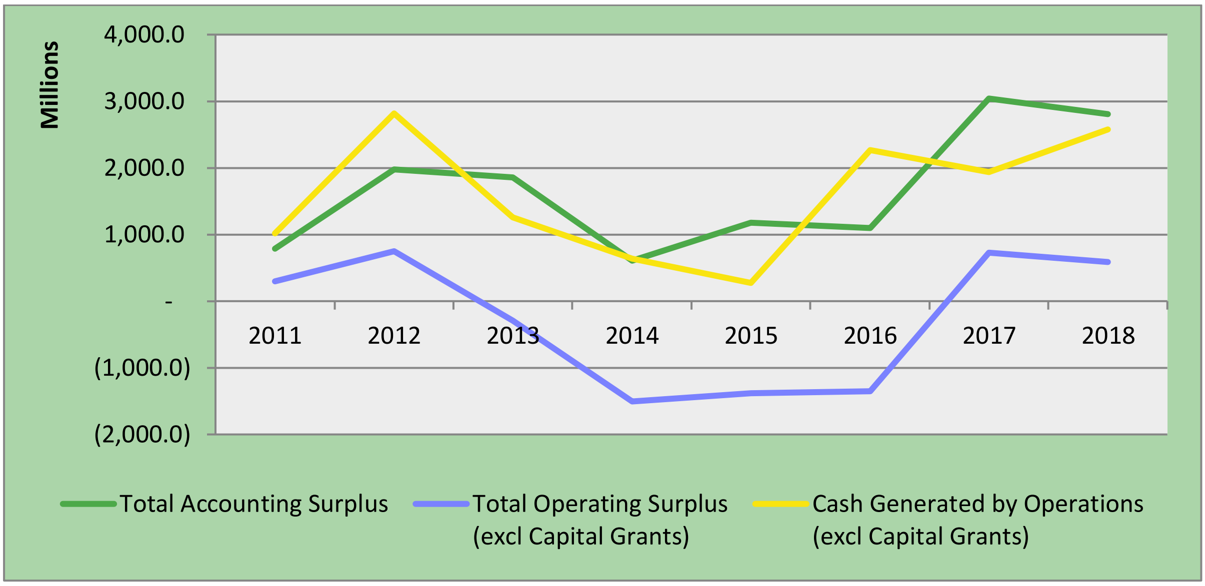
D.2.1.5 *Financial performance*

The City of Tshwane realised an Accounting Surplus of R2 804.17 million in 2018, increasing from R791.19 million at FYE2011. The R2 012.98 million increase was mainly driven by a significant increase in Total Income of R17 124.50 million (113%), against an increase in Total Operating Expenditure of R16 110.39 million (97%).

After excluding capital grants from Total Income, the City remained in a Total Operating Surplus generating position which increased from R294.70 million in FY2011 to R585.15 million in FY2018.

Cash Generated from Operations (excluding capital grants) increased to R2 576.45 million in FY2018 from its lowest point of R273.45 million in FY2015.

Figure D-21: Analysis of surpluses or deficits

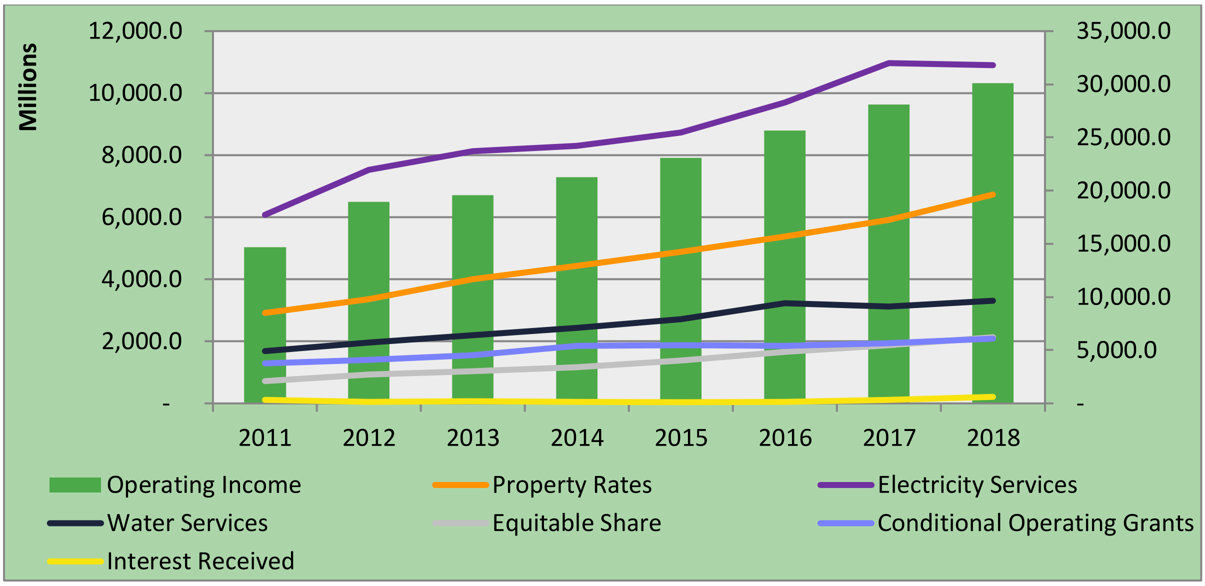


Income from Electricity Services and Property Rates at 59% collectively, remain the biggest driver of Total Operating Income. Income from Water Services and Equitable Share are also important contributors.

Property Rates is considered a more stable income source for the City and has grown annually by an average of 13% between 2011 and 2018, to a total of R6 731.7 million presently.

Equitable Share income increased from R717.98 million to R2 132.79 million in 2018. However, the Total Grants/Revenue ratio remained stable at 20% over the past 2 years.

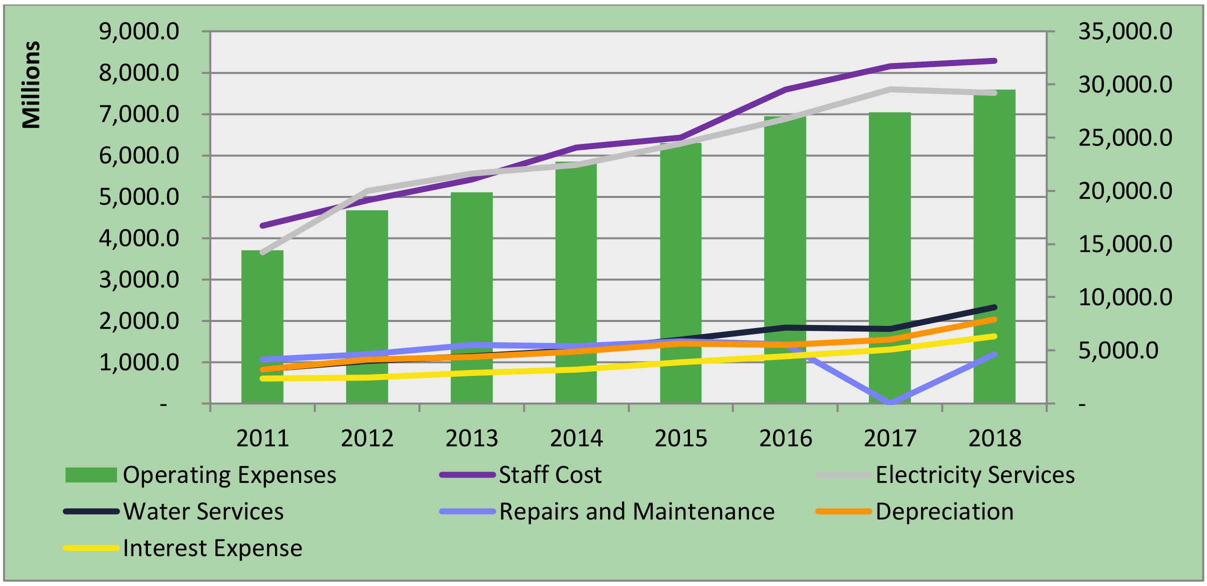
Figure D-22: Operating Income by source



Staff Cost, Bulk Purchases and Depreciation collectively represent 62% of Total Operating Expenses. Staff Costs contributes the most to Total Operating Expenditure, with the annual increases therein having been reduced to 7% in 2017 and 2% in 2018.

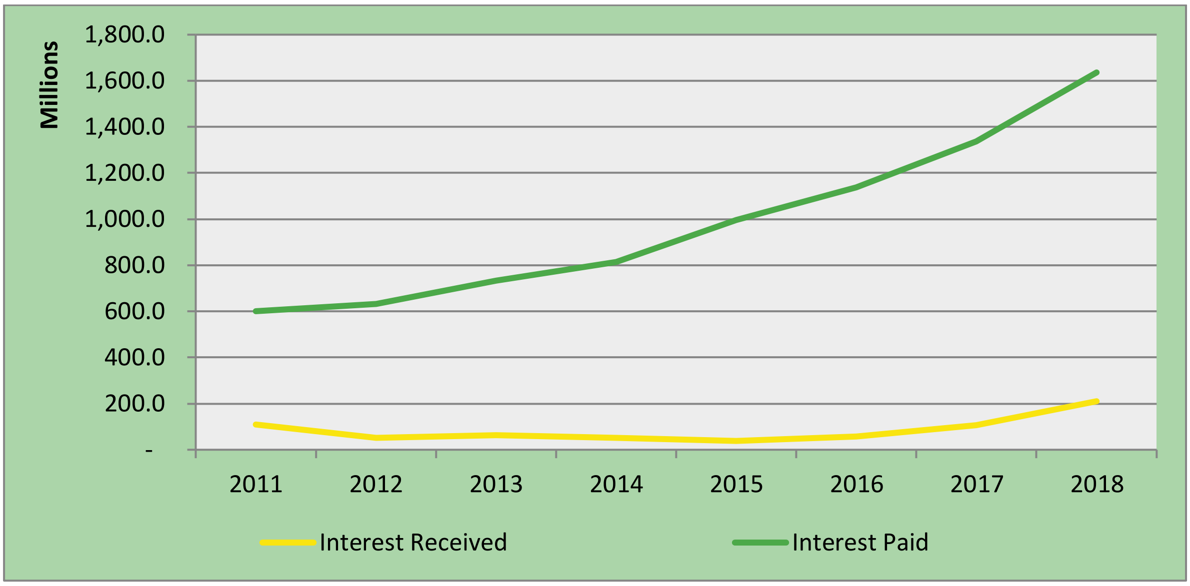
Electricity Services as the second largest contributor to Total Operating Expenditure, has been relatively stable since 2017. Both income and expenditure from Electricity Services have decreased by 1%. The surplus margins from this service exhibited a continual decrease from 40% in 2011 to 31% in 2018. 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 a R1 415.92 million net interest outflow from Operational Income. The increase in Interest Received in FY2018 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 versus Interest Paid



City of Tshwane has recorded steady growth in both Total Income and Total Expenditure over the eight year period under review. Total Operating Income increased to R30.11 billion against Total Operating Expenditure of R29.52 billion.

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

Figure D-25: Total Income versus Total Expenditure

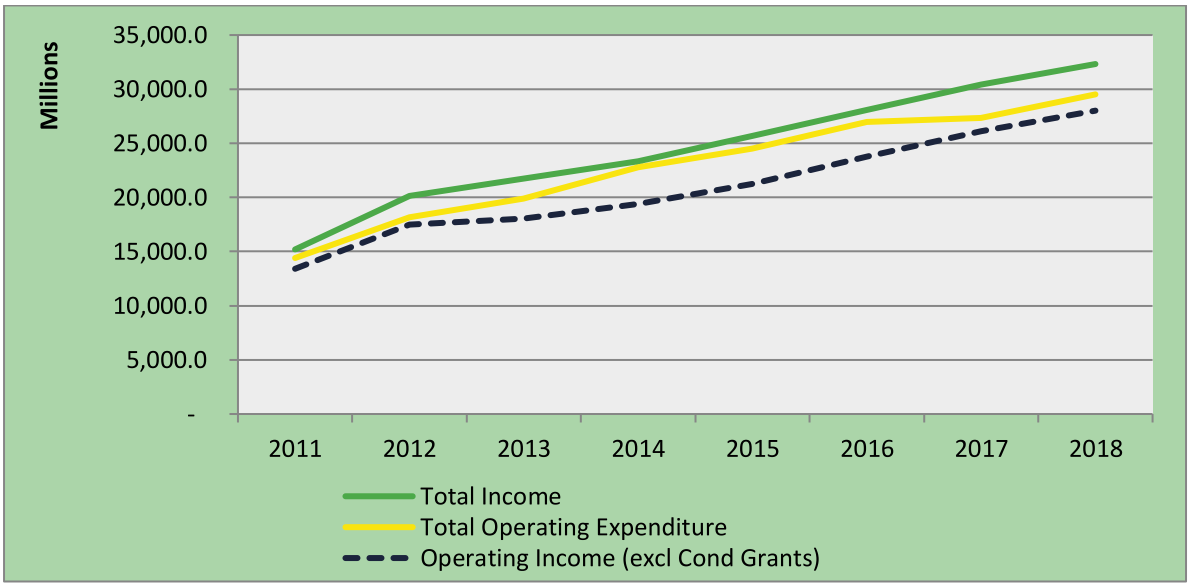


Table D-3: Operating Income by source

	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 R2 576.45 million in cash generated by the City of Tshwane in FY2018, places the City in a strong position to maintain and increase capital expenditure and timely investment in capital asset replacement.

Total Capital Expenditure over the past eight years was R32.54 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%). The 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 R5.07 billion in FY2016 to R3.24 billion in FY2018.

Figure D-26: Total Operating Income versus capital expenditure

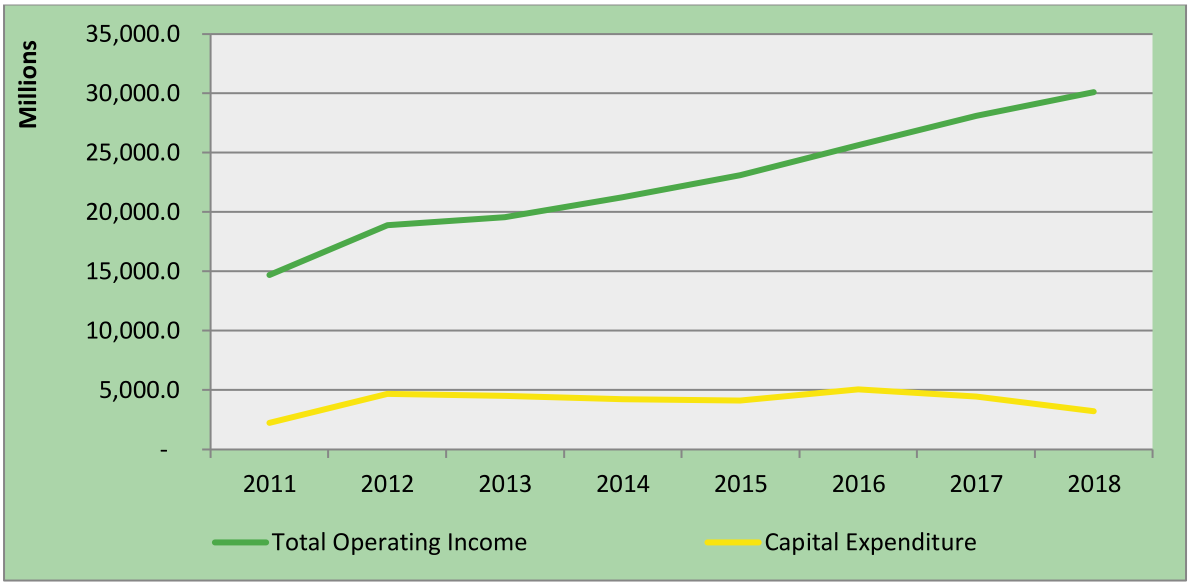


Figure D-27: Capital funding mix

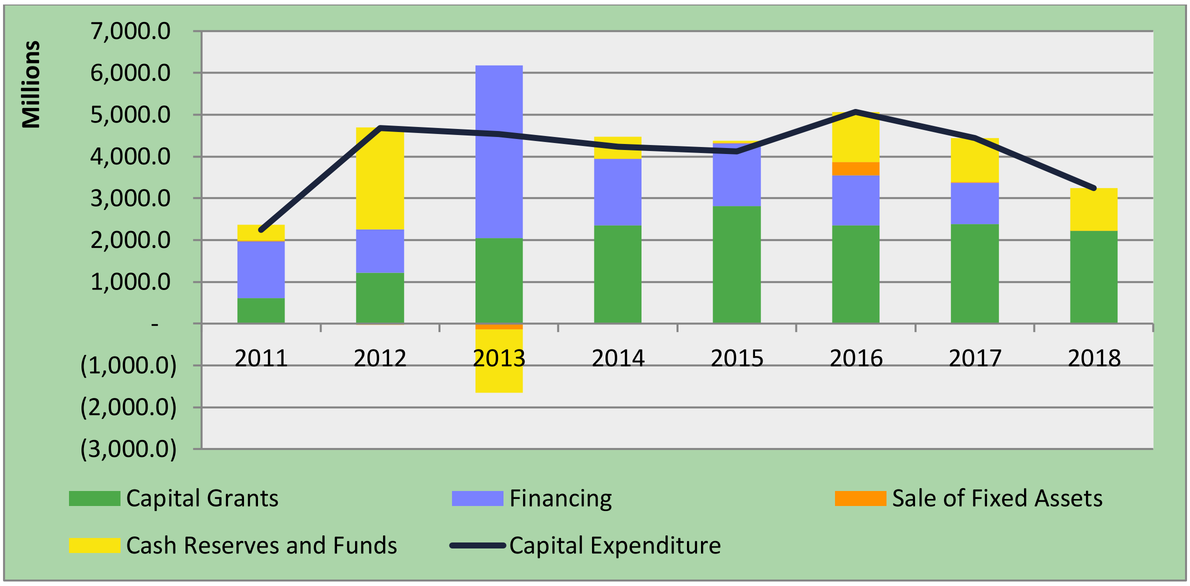


Figure D-28: Cash and investments

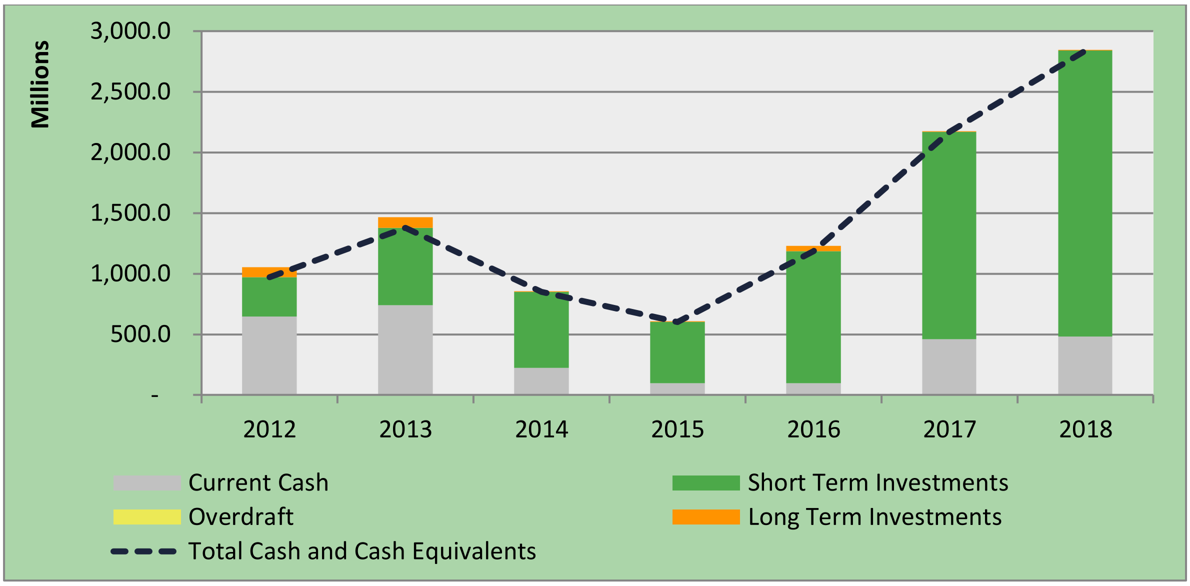
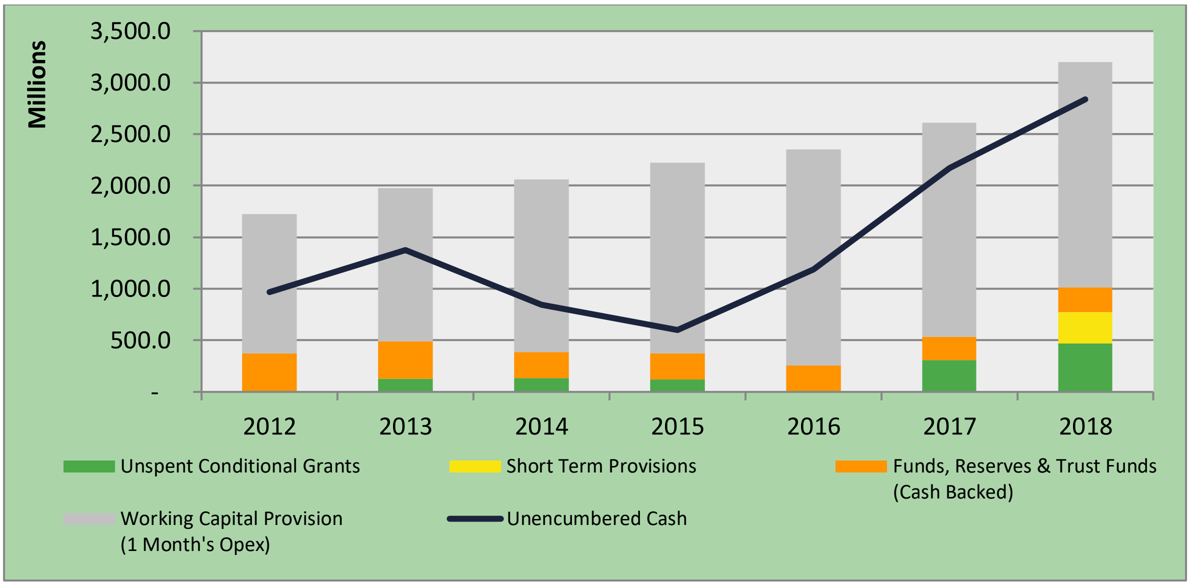


Figure D-29: Minimum liquidity requirements



Growth in cash and investment balances have been positive, particularly over the last three years. Unencumbered cash and investments increased from R859.58 million in FY2011 to R 2838.08 million at FYE2018. The minimum liquidity requirements include Short-term Provisions of R307.2 million, Unspent Conditional Grants and Receipts of R469.7 million, Working Capital Provision (including 1 month's operational expenditure) of R2 180.9 million, and Cash Reserves and Funds of R239.4 million. However, the minimum liquidity requirement have remained high and could not be sufficiently covered by the unencumbered cash. The cash shortfall was R351.9 million at FYE2018, decreasing from the highest level of R1 624.0 million at FYE2015.

The cash coverage ratio (including working capital) continued to strengthen but remains below 1 at 0.9 at 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 eight years under assessment. This is evidenced by an Accounting Surplus of R2 804.17 million posted at FYE2018, which increased from R791.19 million at FYE2011.

The City generated an Operating Surplus of R585.15 million compared to R294.70 million in 2011, after the exclusion of capital grants.

The strong financial performance enabled the City of Tshwane to generate R2.58 billion in cash from its operations (excluding capital grants). This is R1.55 million higher than the Cash Generated from Operations at FYE2011.

Over the past eight years, the City spent R32.54 billion on capital infrastructure programs utilising Capital Grants to the value of R16.0 billion, Borrowings of R11.8 billion, Cash Generated from Operations of R5.2 billion, and Sale of Fixed Assets of R189.85 million. The annual capital expenditure has decreased from its highest level of R5.1 billion in FY2016 to R3.2 billion in FY2018.

In the absence of new external loans during FY2018, the City maintained an acceptable level of gearing at 44%, which is also the average level for the eight 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 R419.2 million at FYE2018. The gap between Current Assets and Current Liabilities was negative in the first seven of the eight years under assessment. The City has, for the first time in the eight 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 (inclusive of one month's working capital provision) of 0.9 as at FYE2018.

The unencumbered cash and investments balance of R2 838.08 million (FYE2017: R 2169.32 million) was insufficient to cover minimum liquidity required of R3 197.16 million. Minimum liquidity requirements comprise Short-term Provisions (R307.2 million), Unspent Conditional Grants (R469.7 million), and one months' Operational Expenditure Provision (R2 180.9 million), resulting in a cash shortfall of R359.1 million at year end (FYE2017: R444.4 million).

D.2.1.7.1 Strengths

- Strong balance sheet and 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.2.1.7.2 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 LTFM are considered in the LTFS of the City. These forecasts also inform and form part of the resourcing plan presented in section D.4.1.

D.2.2.1 *Other key assumptions*

The following key assumptions were included in performing the base case 10-year forecast using the LTFM:

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 five years of 2.21% p.a is the highest of all the metros. The Tress index[3] is comparable to at least five of the other metros. Combining these 2 factors leads to an Economic Risk component of the MRRI[4] (Municipal Revenue Risk Indicator) of "Medium to High". However, the size of the local economy and a GVA growth rate which is higher than similar cities, help moderate the risk metric.

Figure D-30: MRRI - Economic Risk

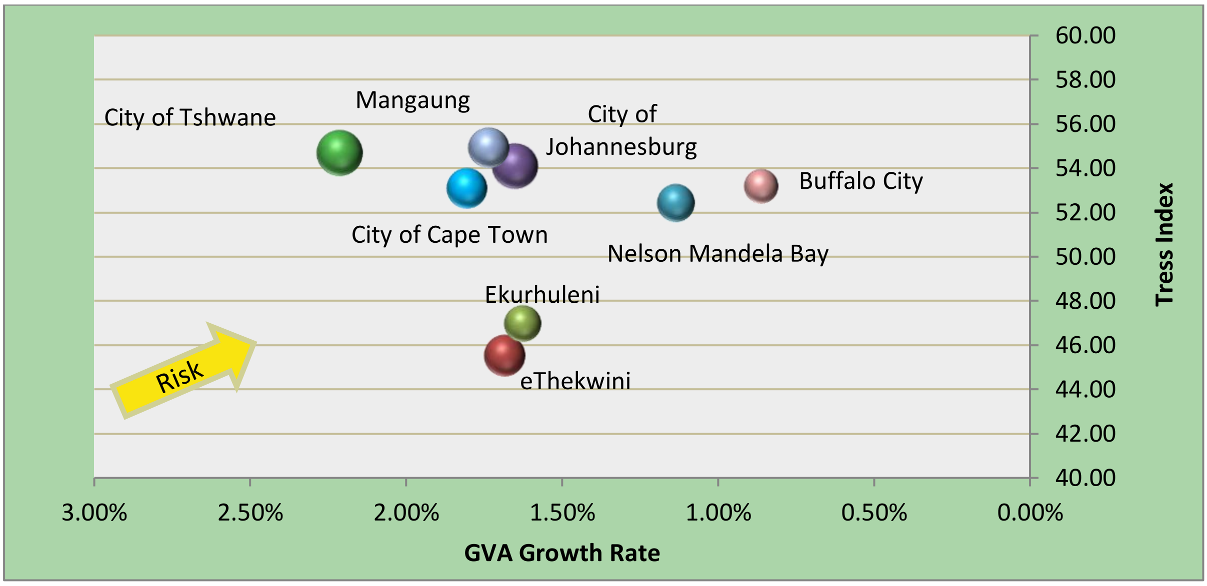


Figure D-31 indicates the non-payment risk by plotting the percentage of households earning less than R30 000 p.a and the unemployment rate. Both these factors are lower in comparison to other metro's and in a very similar position to that of Cape Town.

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

[3] The level of diversification or concentration of a region's economy is measured by a tress index. A tress index of zero represents a totally diversified economy. On the other hand, the higher the index (closer to 100), the more concentrated or vulnerable the region's economy to exogenous variables, such as adverse climatic conditions, commodity price fluctuations, etc. *Source: Guidelines to Regional Socio-economic Analysis as published by the Development Bank of Southern Africa.*

[4] The Municipal Revenue Risk Indicator (MRRI) measures the risk of a municipality to generate its own revenues. *Source: Inca Portfolio Managers*

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

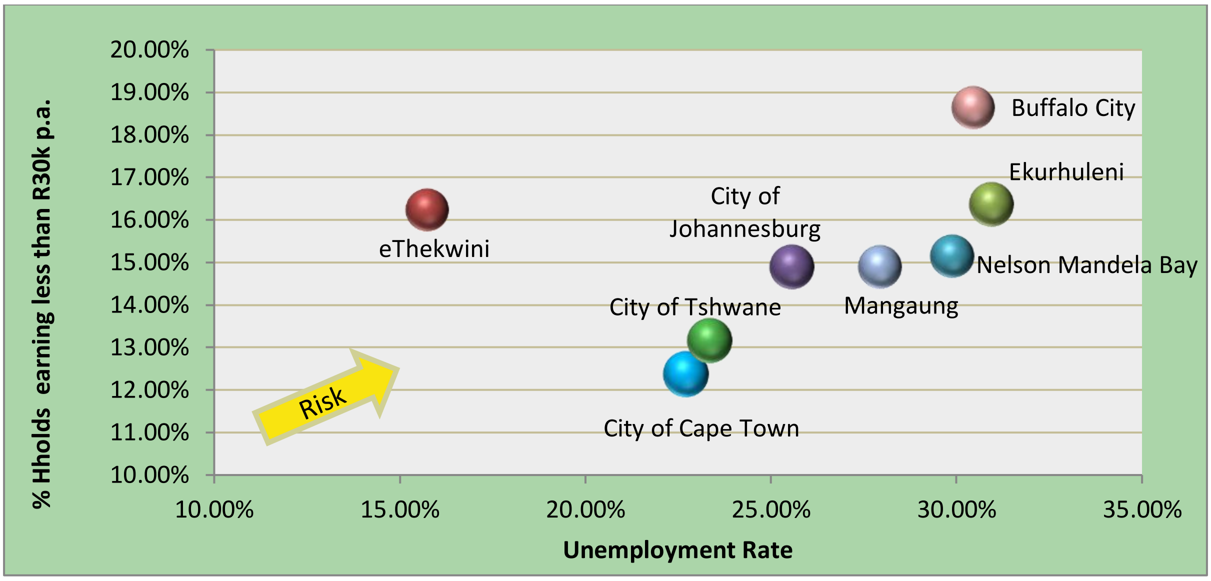
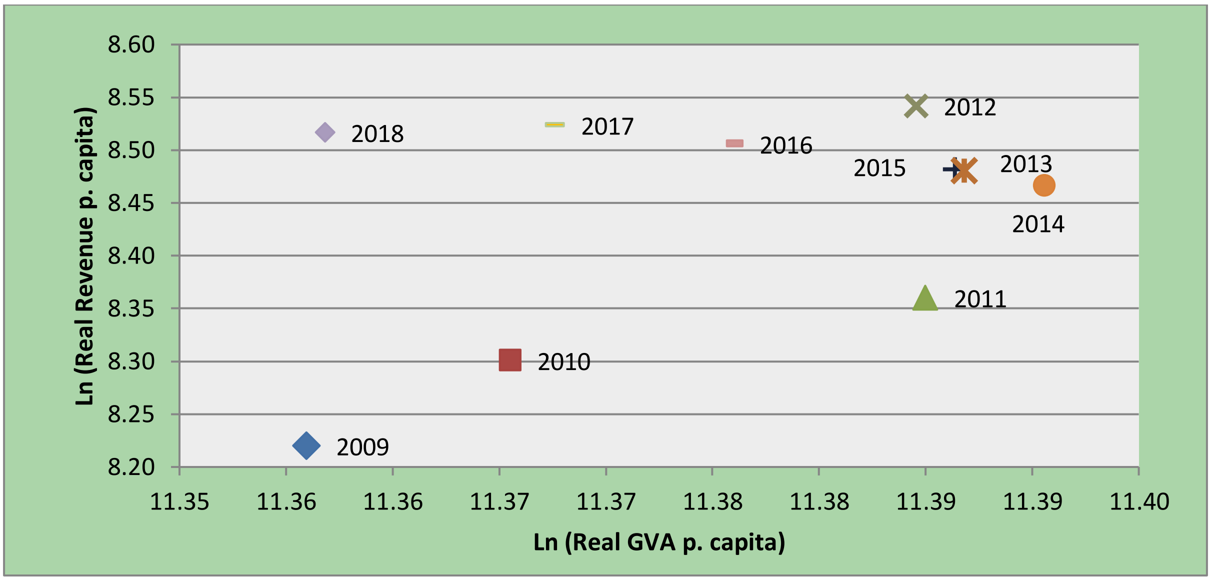


Figure D-32: Historic Real GVA per Capita versus Real Revenue per Capita

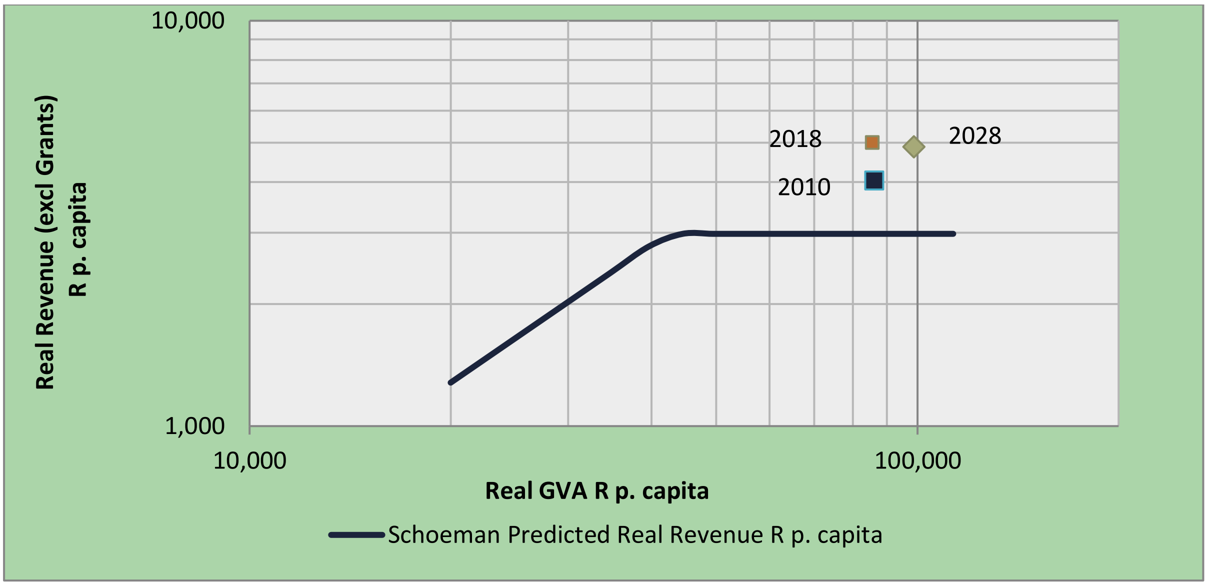


Despite the rate of increase in Real Revenue per Capita, there has been a decline in Real GVA per Capita since 2014. It is therefore unlikely that Real Revenues per Capita would increase significantly in future without a structural change in the economy and a return to economic growth rates which would 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 City 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, Real Revenue per Capita of R 4 997 p.a. exceeded the expected amount for Real GVA per Capita as researched by Schoeman[5]. This provides comfort as the proportional growth in indigent households according to the LTFM forecast is in line with current data.

Figure D-33: Real Revenue per Capita versus 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 City 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.

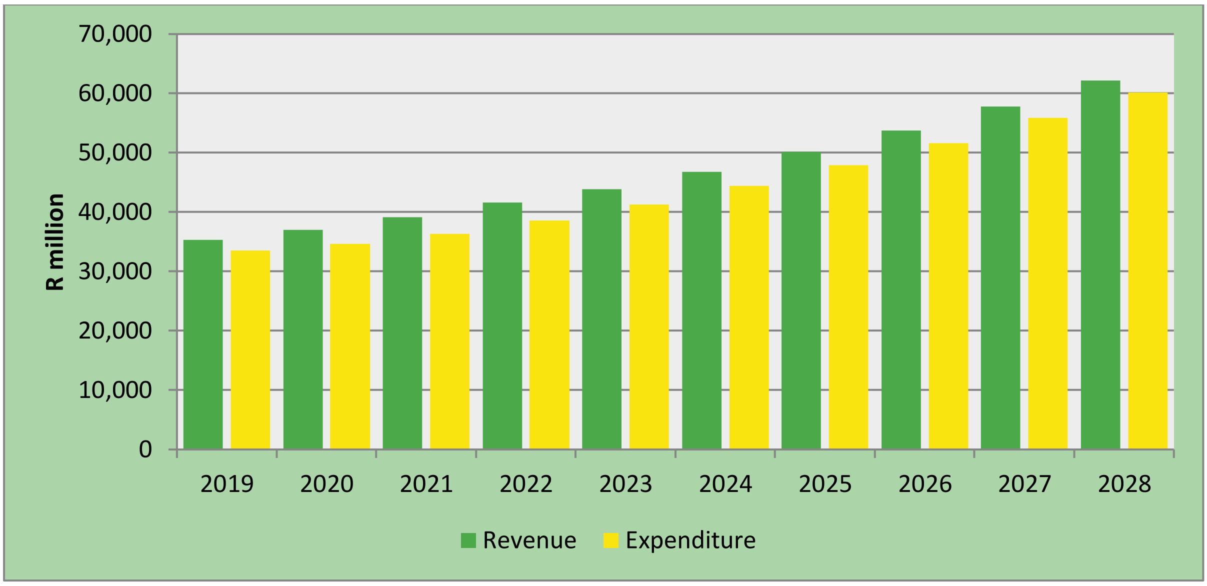
Improvements in revenue are ascribed to:

- tariff increases,
- increased sales,
- additional revenue sources; and importantly,
- sustained revenue-collection rates of 95%.

An improvement in Operating Surpluses is anticipated towards the end of the forecast period.

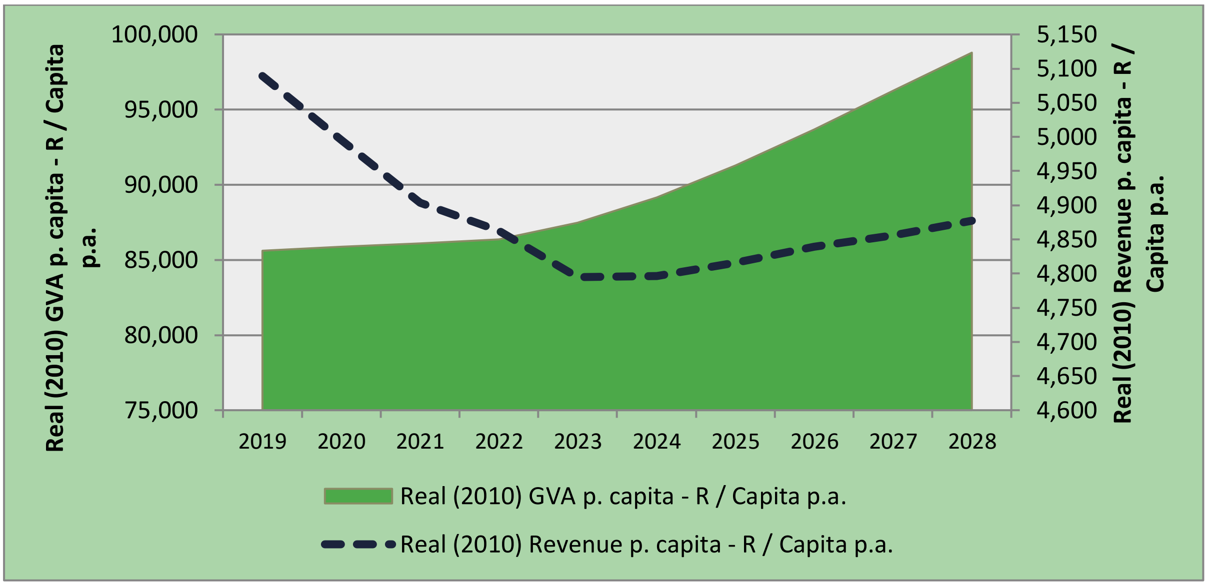
[5] Fiscal Performance of Local Government in South Africa - an Empirical Analysis; Niek Schoeman; UP 22 July 2011; https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=IIPF67&paper_id=40

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 up 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 Real GVA per Capita and 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 City is placing pressure on existing infrastructure;

- However, the impact of national economic conditions on the City contributes to a moderate economic growth forecast over the forecast period;
- These factors highlight a key structural weakness: as economic growth rates slow, the City 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 City's project pipeline

This subsection provides a summary of the most significant forecast outcomes from the LTFM in terms of the City's ability to invest in capital over the long-term. Section D.4 includes the detail forecast outcomes as part of the City's resourcing plan.

- As the population continues to increase, the City would need to address historic settlement patterns to accommodate new migrants as well as improve access to and mobility within the City;
- 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 LTFM to determine the long-term financial impact of such projects on the financial position of the City.

D.3 Budget Fit

The budgeting process in Tshwane, as facilitated by the CaPS system, is also known as the "Budget Fit" process. This name was derived from the process of "fitting" the project needs, in order of priority (score) into a finite budget – hence the term "Budget Fitting". In the process, a specific set of rules can be applied.

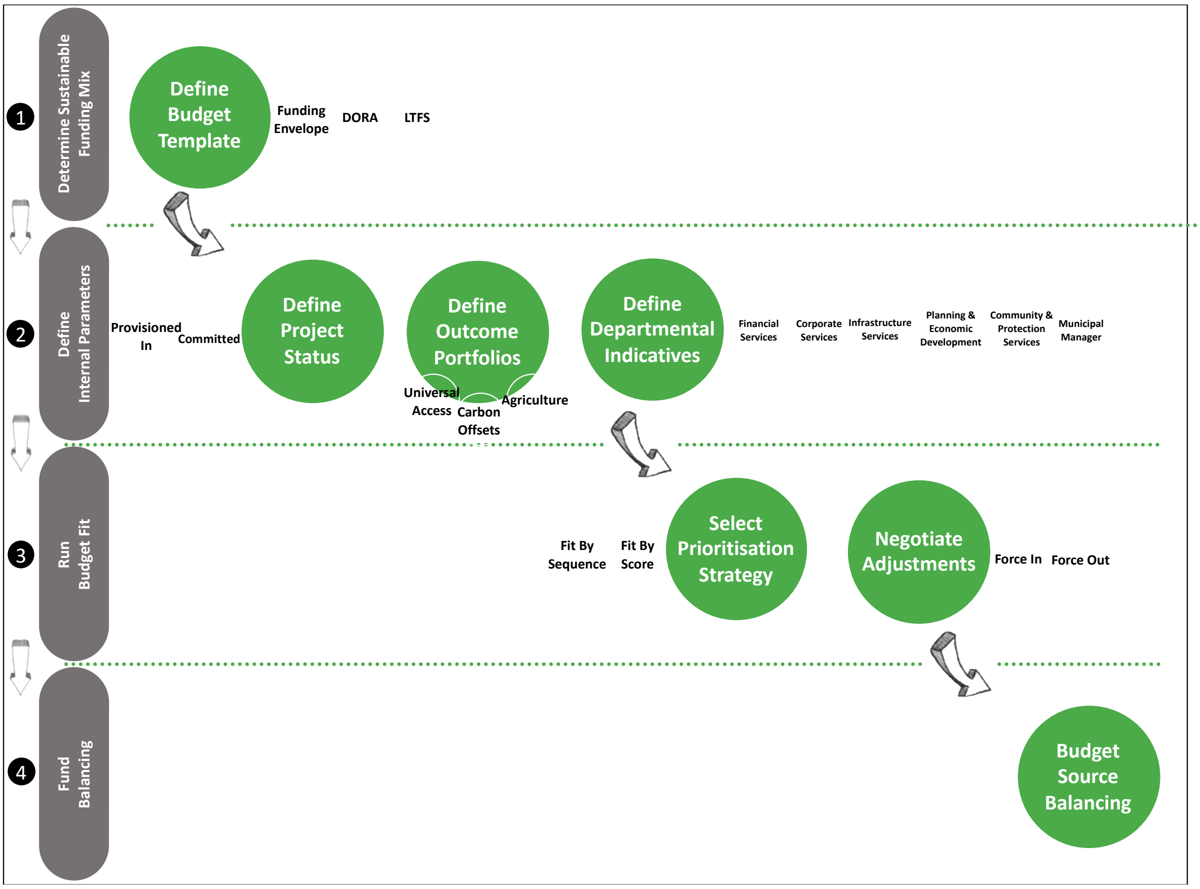
Chapter C outlined the results and outcomes from the prioritisation process. These outcomes were subsequently fed into the budget fit process.

The 10-year affordable capital funding envelope as forecast by the LTFM 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 considering the outputs from the LTFM analysis. As such, the values from the LTFM was not used yet and the indicative amounts as determined by the City's Finance department were used instead. The differences between these indicative amounts from the Finance Department and the amounts from the LTFM affordability envelope amounts are fortunately, 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 sets 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 budget scenarios.

The budget fit methodology is shown schematically in Figure D-36. The budget fit methodology is a sequential application of a set of rules and parameters that results in a project either being added to the draft budget or rejected from the draft budget.

Figure D-36: Budget Fit methodology



D.3.1 Budgeting parameters

The following parameters all take part within the budgeting 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. The affordability envelope sets the upper limits of the annual budget targets over the period of the budget fitting process. Based on the City's strategic intent, the affordability envelope may be broken down in targets which can be set sequentially for Portfolios, Stages, or Departments, or a combination of these elements.

The sequence in which these elements are organised, determines 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 total budget parameter per year has been depleted, projects will obtain a "No Fit" status – i.e. the budget is depleted and no more projects can be fitted. In such an instance, the CaPS system will roll the next project over to the next financial year and attempt to fit the project in subsequent financial years.

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 within the list of projects making up the annual capital demand. Projects are allocated their requested budgets in order of scored priority, within the boundaries of other rules such as available budget constraints and/or qualifying rules to access certain types of funding sources.

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 City. Given commitments made on these projects by the City, 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 City 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 City. 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 define the 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 City. 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 the City's 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 City 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 LTFM in this regard.

A long-term financial strategy was determined with the help of a LTFM that was developed for the City. The LTFM is firstly used to determine the City's current financial position in terms of a number of legislated parameters such as liquidity, debt gearing, percentage own funding, the status of the capital replacement reserve and others. An appraisal is done on the historical financial performance of the City to date.

The LTFM is then used to create the most optimal roadmap over the next ten years for Tshwane. This roadmap takes into account the capital demand emanating from the CaPS process, sources of funding, the extrapolated future financial positions and estimated cash flows. The process informs the levels of funding that could reasonably be sustained under current assumptions. This process in turn, feeds back into the budgeting (budget fit) process that is performed bi-annually using the CaPS system.

With the two processes (LTFM) and CAPS constantly informing each other in an iterative manner, the City has the assurance of having embarked on a sustainable financial path.

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. Refer to subsection D.3.1.3.

After assessing the capital projects list, 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 City has decided on a budget fit strategy which includes the use of portfolios – refer to subsection D.3.1.1 for an explanation.

Allocation of portions of the affordability envelope to portfolios will ring-fence the allocated amounts to the specified portfolios. Only projects which are included in these specified 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 City has decided on a budget fit strategy which includes the use of departmental budget splits – refer to subsection D.3.1.1 for an explanation.

Allocation of portions of the affordability envelope to departments will ring-fence the allocated amounts to the specified departments. When the budget fit is executed, projects which belong to the departments will be fitted to the ring-fenced 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 City has decided on a budget fit strategy which includes the use of stage gate budget splits – refer to subsection D.3.1.1 for an explanation.

Allocation of portions of the affordability envelope to stage gates will ring-fence the allocated amounts to the specified stages. When the budget fit is executed, projects which belong to the stages will be fitted to the ring-fenced 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.

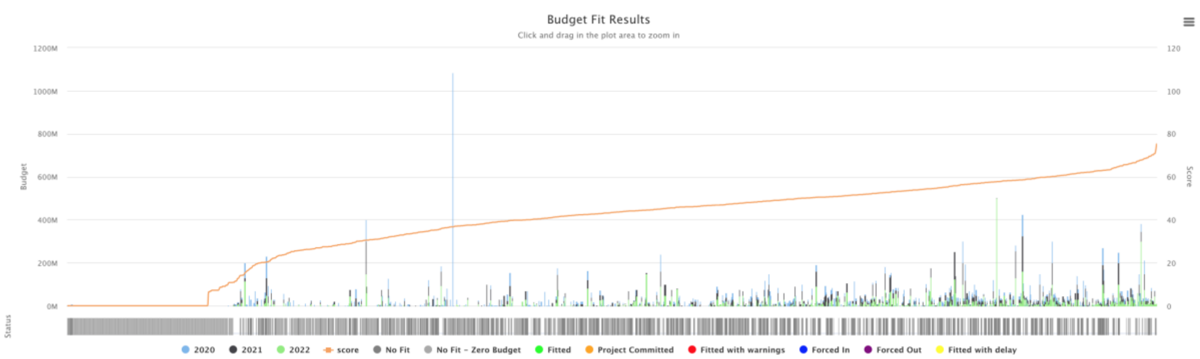
D.3.2.6 *Step 6: Select Prioritisation Model Run / Results*

The selection of a Capital Prioritisation Model (CPM) 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 CPM score to lowest CPM score until the affordability envelope amounts have been reached, depending on the strategy which had been specified in the budget fit template.

A visualisation of the budget fit result is shown in Figure D-37[6]. The graph shows the ranking of projects from highest CPM priority (on the right) to lowest CPM 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



[6] 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.

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 CPM project score in the financial year in which they requested budget.

Green projects represent projects which were fitted based on their CPM 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 CPM 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 draft portfolio of capital projects prepared following a complex, multi-disciplinary and inclusive process is unlikely to meet all the political expectations – the process was designed to be close to matching most expectations but some outliers or exceptions to the rule are to be expected. Therefore, 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 optimally and that none of the funding sources are over-subscribed (i.e. more is asked than what is available for that fund). 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, refer to Table D-7 showing the total three year capital demand (wish-list) per unit as captured on CaPS.

Table D-7: Capital expenditure wish-list per unit

Unit	Wishlist Budget 2019/2020	Wishlist Budget 2020/2021	Wishlist Budget 2021/2022
City Manager	R42 450 000	R41 450 000	R28 350 000
City Strategies and Organisational Performance	R0	R0	R0
Community and Social Development Services	R137 357 000	R279 800 000	R329 000 000
Community Safety	R503 178 881	R566 820 000	R689 100 000
Customer Relation Management	R24 950 000	R0	R5 500 000
Economic Development and Spatial Planning	R241 164 500	R54 200 000	R77 593 700
Entities	R277 421 652	R559 986 265	R630 183 481
Environment and Agricultural Management	R166 100 000	R217 000 000	R249 400 000
Governance & Support Service	R523 050 000	R486 450 000	R500 600 000
Group Financial Services	R126 262 350	R40 500 000	R10 600 000
Group Human Capital Management	R12 500 000	R200 000	R300 000
Health Services	R188 498 500	R438 110 000	R442 591 200
Housing and Human Settlement	R2 888 686 332	R1 428 405 440	R832 198 420
Regional Operations & Coordination (ROC)	R136 649 999	R47 700 000	R16 400 000
Roads and Transport	R2 390 729 502	R2 864 697 340	R2 297 799 150
Specialist Units	R0	R0	R0
Utility Services	R1 919 809 681	R2 178 085 952	R3 150 481 300
Grand Total	**R9 578 808 397**	**R9 203 404 997**	**R9 260 097 251**

D.3.3.2 *Budget fit status*

Table D-8: Fit status

Fit Status	Wishlist 2019/20	%	Wishlist 2020/21	%	Wishlist 2021/22	%
No Fit	R5 330 343 996	56%	R4 578 619 802	50%	R4 595 208 200	50%
No Fit - Zero Budget	R0	0%	R0	0%	R0	0%
Project Committed	R4 248 464 401	44%	R4 624 785 195	50%	R4 664 889 051	50%
Grand Total	**R9 578 808 397**	**100%**	**R9 203 404 997**	**100%**	**R9 260 097 251**	**100%**

Table D-8 depicts the capital budget's demand after the budget fit process had been applied. It shows that for the entire MTREF period, no budget was fitted or fitted with delay based on project scores. The budget fit allocation was applied to projects marked as committed or provisioned in, which depletes the entire funding envelope available for the MTREF period.

More or less 56% of capital demand (wish-list) had not been fitted over the MTREF period. It is important to note that the following scenario would have realised if the funding envelope was larger:

- A larger funding envelope will lead to less projects being fitted with delay, ensuring earlier realisation of the investment through capitalisation of assets.
- More projects would have fitted in the template.

Figure D-38: Budget fit status per MTREF

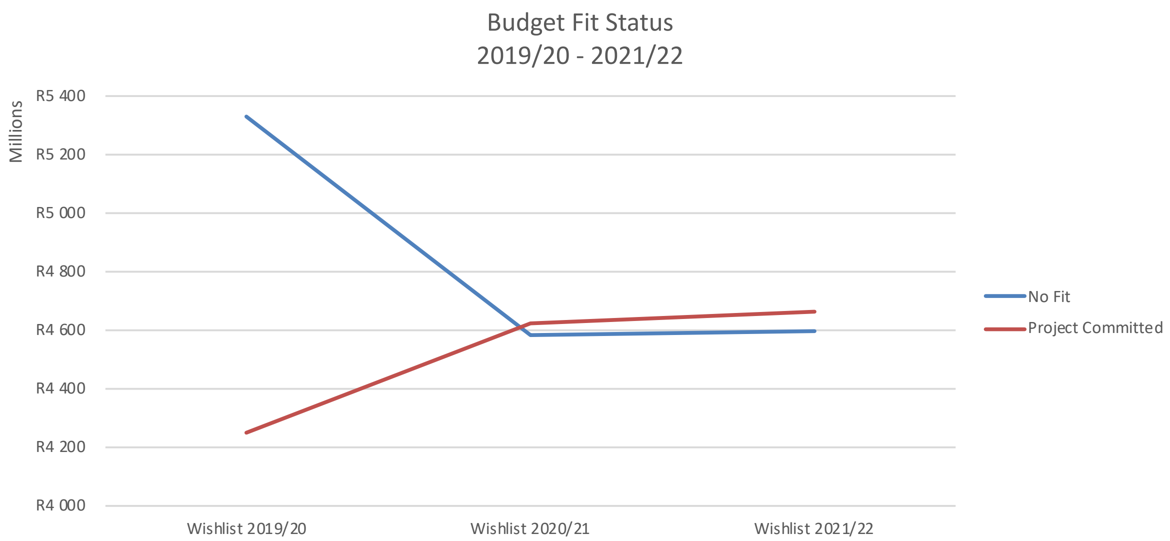


Figure D-38 represents the budget fit results as per the budget fit strategy applied. It should be noted that some of the budget fit statuses listed below did not feature within the City's budget fit strategy due to limited funding envelope availability and the structure of the MTREF capital budget. However each of the available budget fit statuses 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. Only projects marked as committed and provisioned-in were fitted for the MTREF period.

- **Provisioned in**: These projects receive the most budget in the first years because they had already been declared as part of the MTREF. As time continues, these commitments decrease, and so does the capital requirement of these projects. In the case of Tshwane, only projects marked as committed and provisioned-in were fitted for the MTREF period.

- **Fitted**: During the MTREF period, no new capital demand is fitted. This is because of the finalisation of projects with a committed or provisioned-in status. Once these commitments had been served, the funding envelope opens up capacity to fit new projects. In the case of Tshwane, this only occurs after the third and outer year of the MTREF.

- **Fitted with delay**: During the MTREF period, no new capital demand is fitted with delay. This occurs because there is no capacity within the MTREF period, and a fitted with delay status can only be assigned to projects that are delayed. Fitted with delay budget availability gradually increases as the funding envelope opens up. In the case of Tshwane, this only occurs after the third 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 majority of projects were not fitted due to the limited funding envelope and the assigned committed/provisioned-in statuses. In the case of Tshwane, only projects marked as committed and provisioned-in were fitted for purposes of the MTREF period, which left very little room for budget fit in the outer year.

- **No Fit – Zero Budget**: Even though these projects do not currently have 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 provides a summary of the budget fit results for the MTREF. The MTREF Budget is referred to as the Draft 2019/20 Annexure A and is analysed in Section D.4.2.

Table D-9: MTREF – Budget fit results per unit

Unit	MTREF 2019/2020	MTREF 2020/2021	MTREF 2021/2022
City Manager	R29 350 000	R25 350 000	R25 350 000
Community and Social Development Services	R65 857 000	R171 500 000	R187 000 000
Community Safety	R105 367 879	R61 500 000	R85 000 000
Customer Relation Management	R0	R0	R3 500 000
Economic Development and Spatial Planning	R68 364 500	R40 850 000	R74 493 700
Entities	R204 668 262	R392 876 903	R421 487 481
Environment and Agricultural Management	R63 000 000	R36 500 000	R69 100 000
Governance & Support Service	R303 500 000	R251 250 000	R265 600 000
Group Financial Services	R114 262 350	R40 500 000	R10 600 000
Group Human Capital Management	R10 200 000	R200 000	R300 000
Health Services	R40 661 000	R20 200 000	R200 000
Housing and Human Settlement	R949 200 000	R995 000 000	R762 198 420
Regional Operations & Coordination (ROC)	R51 200 000	R1 200 000	R6 200 000
Roads and Transport	R1 007 368 729	R1 254 872 340	R1 168 778 150

Unit	MTREF 2019/2020	MTREF 2020/2021	MTREF 2021/2022
Utility Services: Water and Sanitation	R553 438 610	R639 451 000	R592 056 300
Utility Services: Electricity	R682 026 071	R693 534 952	R993 025 000
Grand Total	**R4 248 464 401**	**R4 624 785 195**	**R4 664 889 051**

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 sustainability.

The resourcing plan combines the detail forecast outcomes of the LTFM and 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*

Total affordable capital expenditure for the 10-year planning period amounts to R54 330 million, as forecast by the LTFM.

The City of Tshwane's MTREF budget for the period 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 LTFM base case calculation includes the increased borrowing of R4 100m, internally generated funding of R1 071m and capital grants of R7 090m for the MTREF period of three years to 2020/21. The model is then allowed 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 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, capital expenditure increases on average by 7% per year from 2020/21 onwards over the planning period. The City has both sufficient own resources and increased capacity to borrow, allowing it to accelerate capital investment. This is evidenced by both the gearing and debt service levels which remain below National Treasury norms.

The capital expenditure budget of the City is financially feasible. Due to healthy cash generation from operations, budgeted capital expenditure is viable. Available cash 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.

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

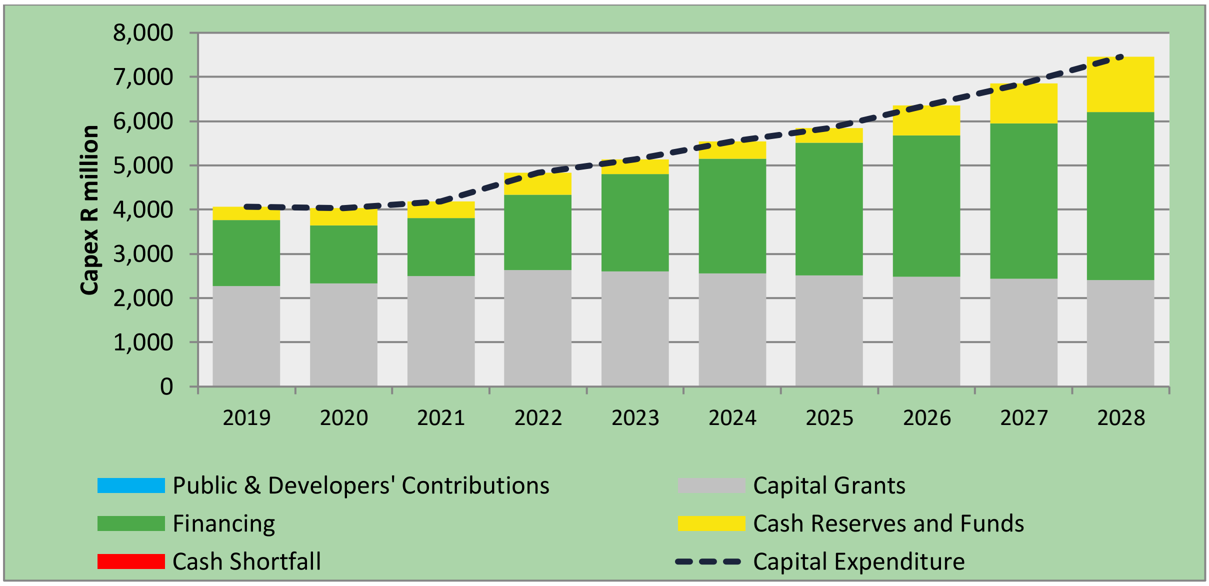
Refer to Addendum B for the base case financial statements as projected by the LTFM.

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.

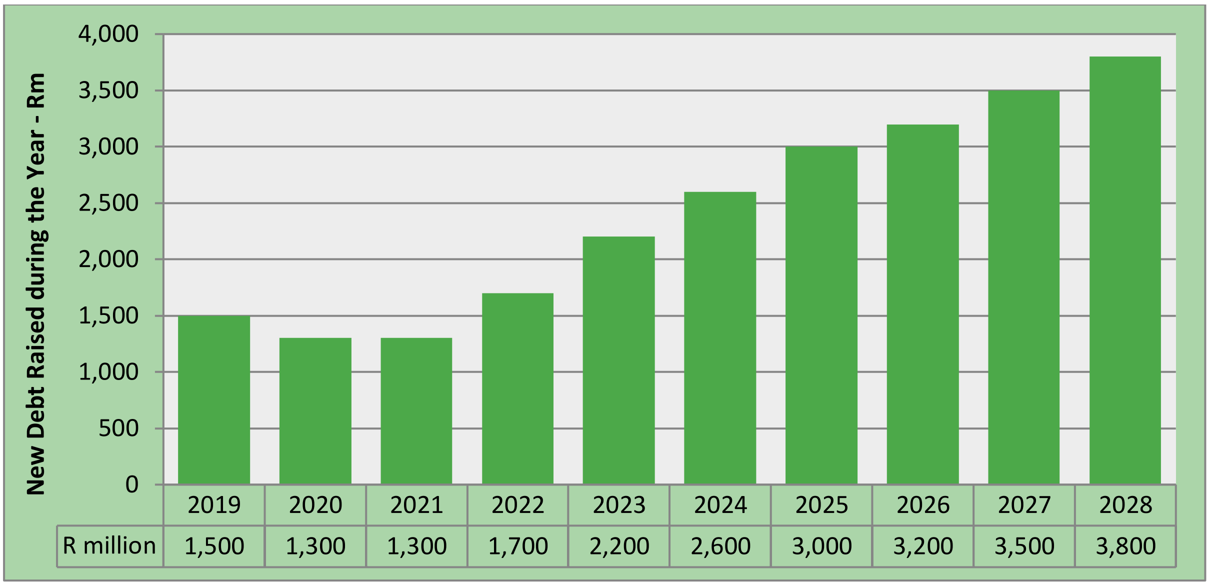
A balanced funding mix, incorporating a conservative level of external borrowing, will preserve the City of Tshwane's own cash resources and will improve long-term financial sustainability. The LTFM proposes the optimal funding mix in Figure D-39 for capital expenditure over the next ten years. This 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.

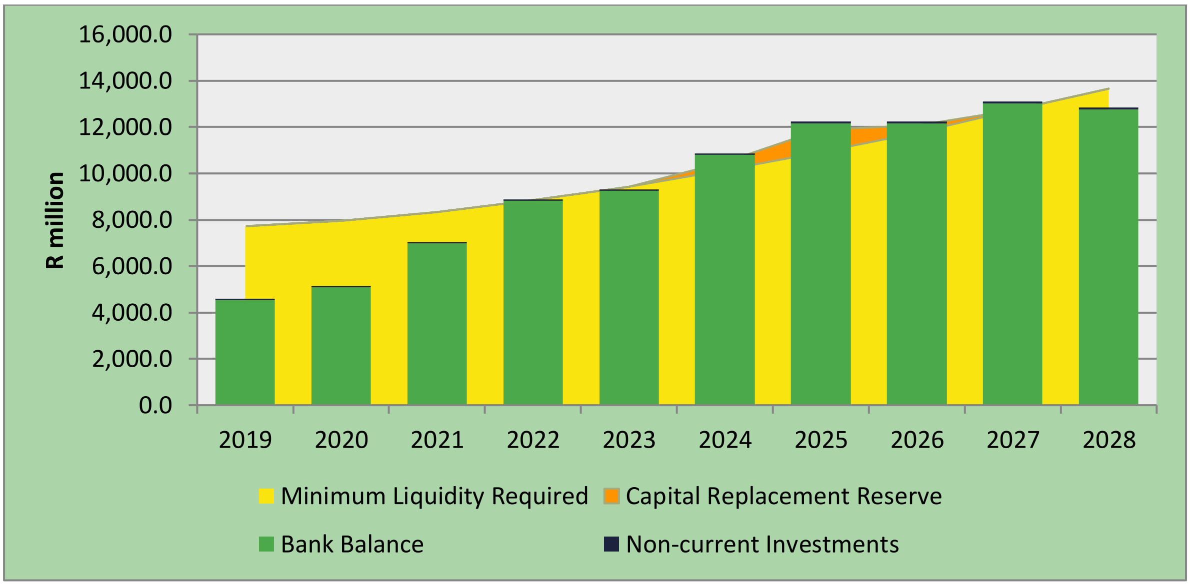
Figure D-40: Forecast period - new debt raised



D.4.1.3 *Liquidity and capital replacement reserve*

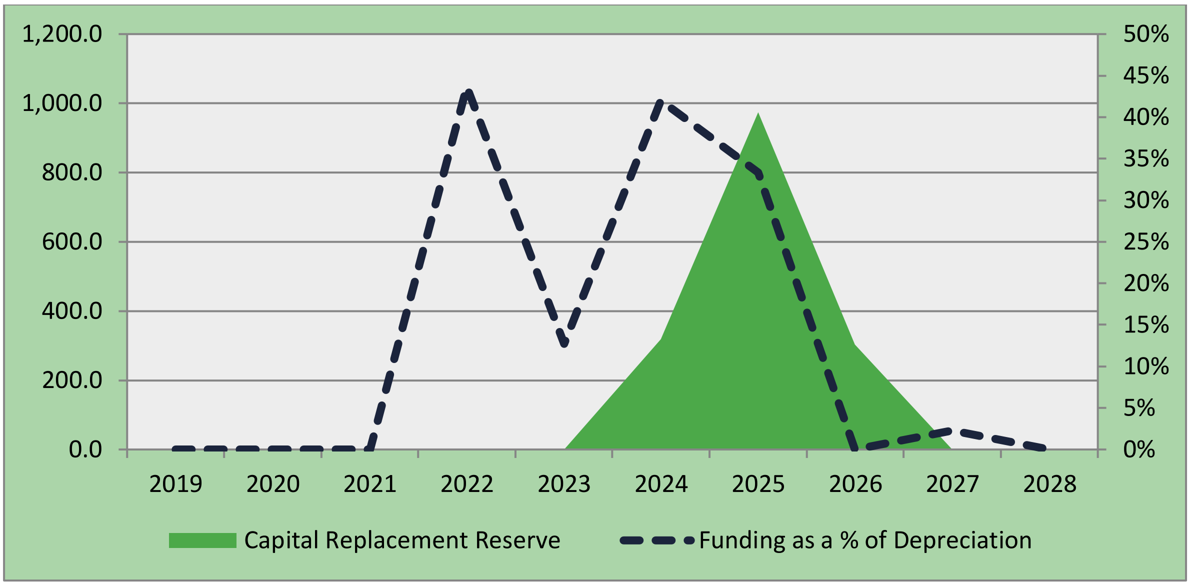
For purposes of these forecasts, the required minimum liquidity level includes Unspent Conditional Grants, Reserves, Short-term Provisions, Consumer Deposits and two months' Working Capital. The City falls below the minimum liquidity requirements during the MTREF period. However, from 2022 to 2027 the City exceeds the minimum liquidity requirement before dipping slightly below the level in 2028. Based on this forecast, the City 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 and Cash Equivalents are expected to cover the minimum liquidity reserve between 2023 – 2027, leaving some provision for the Capital Replacement Reserve.

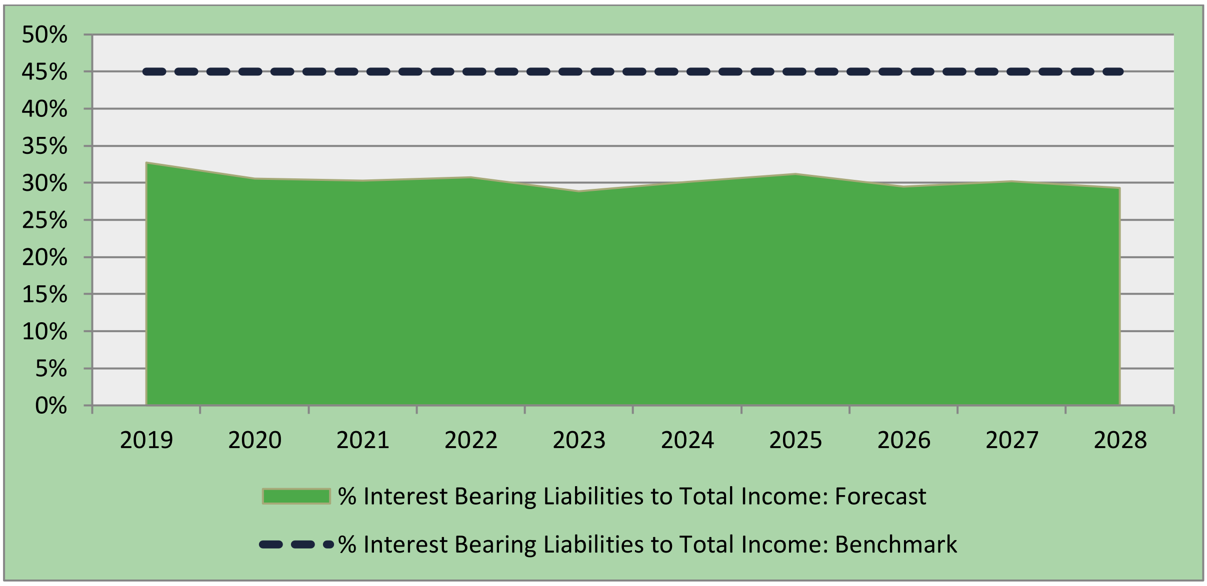
Figure D-42: Funding of a Capital Replacement Reserve



D.4.1.4 *Gearing*

The Long-term Interest Bearing Liabilities to Income ratio 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 LTFM 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 LTFM is not programmed to measure all the ratios as required by National Treasury, the ratio analysis does provide comfort that the City will be financially sustainable in future - on condition that it operates within the assumed benchmarks in the financial plan.

Table D-11: Ratio analysis - summary

		1	3	5	7	9	10
RATIO	NORM	2018/19	2020/21	2022/23	2024/25	2026/27	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%**

Refer to Addendum C for the complete ratio analysis as per the outcomes of the LTFM.

D.4.1.6 *Affordability envelope utilised in the resourcing plan*

As indicated in section D.1, the City is considering the outputs from the LTFM analysis and the use thereof as affordability envelope amounts in the budget fit process. As such, the values from the LTFM was not used yet and the indicative amounts as determined by the City's Finance department were used instead. The differences between these indicative amounts from the Finance Department and the amounts from the LTFM affordability envelope amounts are fortunately, 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 LTFM 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*

The MTREF budget as compiled from the budget fit results (Table D-9), is referred to as the Draft 2019/20 Annexure A and is analysed in Section D.4.2 below.

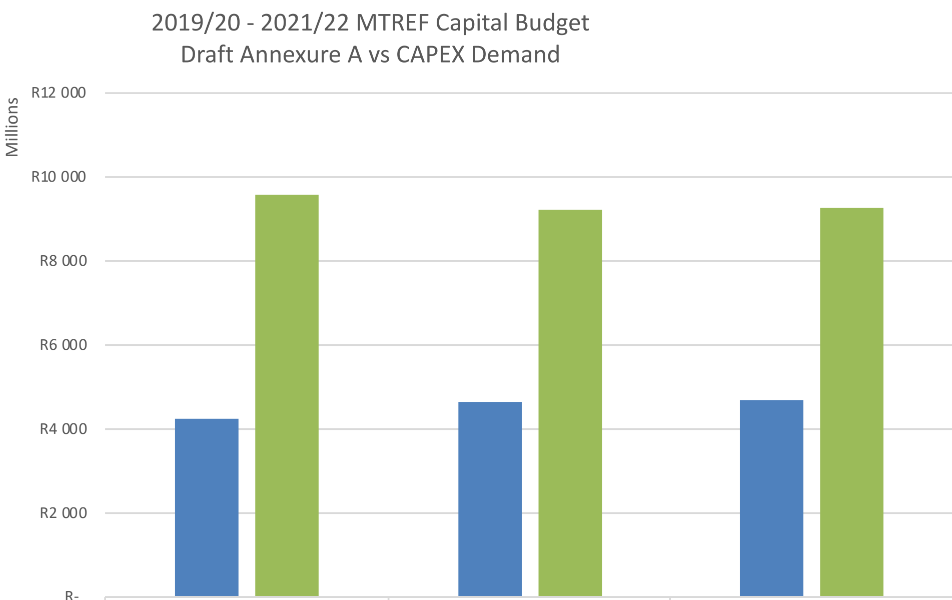
D.4.2 Spatial budget mix

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 indicated the prioritisation and budget fit process which culminated in a draft capital budget for the 2019/20 MTREF (Draft Annexure A). The process mentioned above was conducted in consultation with 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 shown in Table D-9.

A total of 351 projects have been included in the 2019/20 Draft Annexure A. The total number of projects on CaPS is 1321, thus only 26,5% of projects have been allocated budget on the 2019/20 Draft Annexure A. Figure D-44 below shows 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)



	2019/20	2020/21	2021/22
2019/20 Draft Annexure A	R4248464 401	R4624785 195	R4664889 051
2019/20 Wish-list (CAPEX Demand)	R9578808 397	R9203404 997	R9260097 251

Figure D-45 shows the budget fit indicatives ranging from the 2017/18 Approved Annexure A to the 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 information as received from Group Financial Services. A comparison between the demand budget for 2019/20 and the budget indicatives for 2019/20 indicates that the demand for 2019/20 is 225% 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		

Budget Description	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
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 248 464 401	R4 624 785 195	R4 664 889 051
2019/20 MTREF Wish-list (Demand			R9 578 808 397	R9 203 404 997	R9 260 097 251
% Demand vs 2019/20 Indicative			**225%**	**199%**	**199%**

D.4.2.2 *2019/20 MTREF Capital Budget (Annexure A) by mSCOA expenditure type*

Table D-13 shows the Annexure A capital expenditure for the MTREF. The table shows that 100% of the capital budget has been allocated for capital projects/assets in 2019/20, 2020/21 and 2021/22.

Table D-13: 2019/20 MTREF Capital Budget by expenditure type

Expenditure Type	2019 / 2020	%	2020 / 2021	%	2021 / 2022	%
Capital	R 4 248 464 401	100%	R 4 624 785 195	100%	R 4 664 889 051	100%
Operational	R -	0%	R -	0%	R -	0%
Total Capital Budget	**R 4 248 464 401**	**100%**	**R 4 624 785 195**	**100%**	**R 4 664 889 051**	**100%**

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 in Table D-14. Noteworthy is the comparatively larger increase in Council Funding and decrease in external Borrowings as funding sources. The same trend continues in the draft 2019/20 MTREF capital budget as shown in Table D-15, with the addition of a large decrease in the Urban Settlements Development Grant as funding source. These findings are summarised in Table D-16.

Table D-14: 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

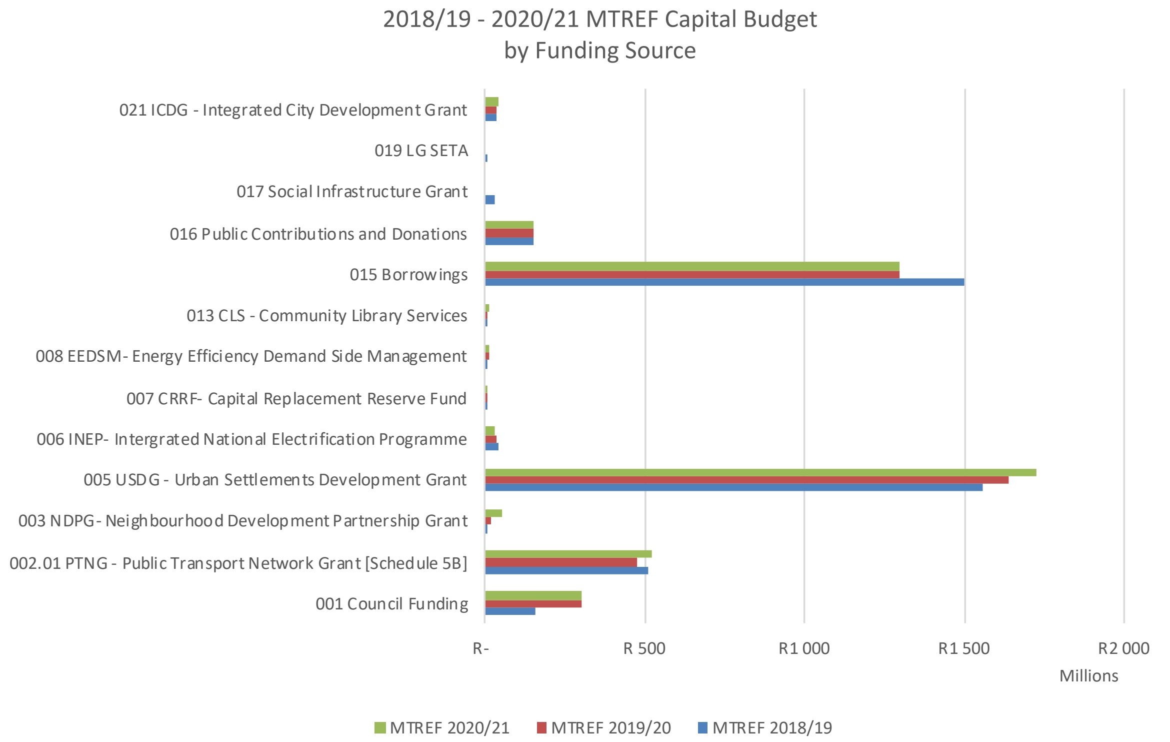


Table D-15: 2019/20 MTREF Capital Budget funding source

Funding Source Description	2019/20	%	2020/21	%	2021/22	%
001 Council Funding	R164 597 817	3,9%	R455 738 539	9,9%	R366 633 314	7,9%
002.01 PTNG - Public Transport Network Grant [Schedule 5B]	R475 638 150	11,2%	R524 928 720	11,4%	R539 403 150	11,6%
003 NDPG- Neighbourhood Development Partnership Grant	R4 500 000	0,1%	R20 000 000	0,4%	R20 000 000	0,4%
005 USDG - Urban Settlements Development Grant	R1 278 482 610	30,1%	R1 338 503 970	28,9%	R1 291 153 420	27,7%
006 INEP- Intergrated National Electrification Programme	R38 000 000	0,9%	R0	0,0%	R0	0,0%
007 CRRF- Capital Replacement Reserve Fund	R4 725 000	0,1%	R4 300 000	0,1%	R4 700 000	0,1%
008 EEDSM- Energy Efficiency Demand Side Management	R15 000 000	0,4%	R15 000 000	0,3%	R15 000 000	0,3%

Funding Source Description	2019/20	%	2020/21	%	2021/22	%
010 - Other Contributions	R20 000 000	0,5%	R0	0,0%	R0	0,0%
010.061 Other C (monetary) Social Housing Regulatory Authority	R69 750 000	1,6%	R156 860 000	3,4%	R168 201 000	3,6%
013 CLS - Community Library Services	R12 357 000	0,3%	R11 500 000	0,2%	R12 000 000	0,3%
015 Borrowings	R1 500 000 000	35,3%	R1 456 619 602	31,5%	R1 428 000 000	30,6%
016 Public Contributions and Donations	R150 000 000	3,5%	R150 000 000	3,2%	R150 000 000	3,2%
019 LG SETA	R10 000 000	0,2%	R0	0,0%	R0	0,0%
021 ICDG - Integrated City Development Grant	R36 775 250	0,9%	R39 899 000	0,9%	R42 943 700	0,9%
022 CDF - Community Development Grant	R343 200 000	8,1%	R339 157 000	7,3%	R498 045 000	10,7%
023 MIG - Municipal Infrastructure Grant	R75 512 424	1,8%	R0	0,0%	R0	0,0%
Restructuring Capital Grant (RCG)	R49 926 150	1,2%	R112 278 364	2,4%	R128 809 467	2,8%
Grand Total	**R4 248 464 401**	**100,0%**	**R4 624 785 195**	**100,0%**	**R4 664 889 051**	**100,0%**

Figure D-47: 2019/20 MTREF Capital Budget by funding source

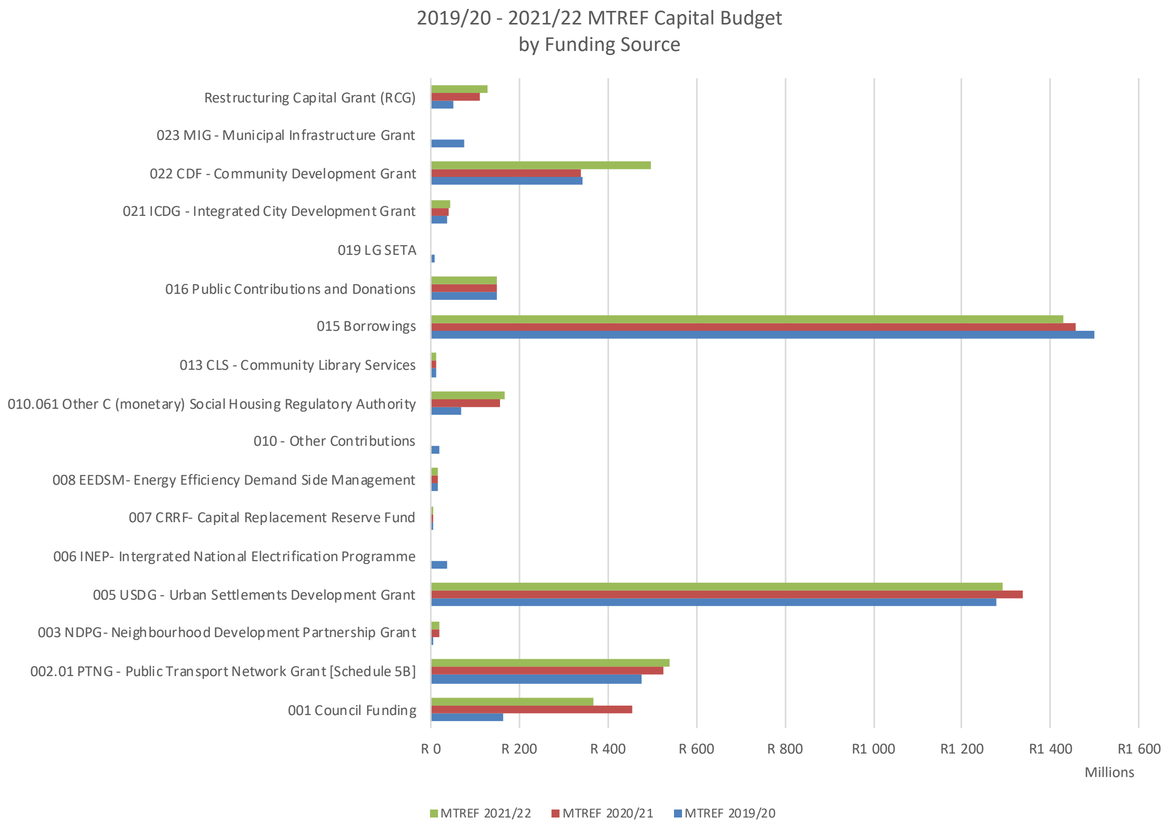


Table D-16: 2018/19 MTREF Capital Budget vs 2019/20 MTREF Capital Budget funding source comparison

Funding Source Description	MTREF 2018/19	%	MTREF 2019/20	%
001 Council Funding	R157 318 000	3,9%	R164 597 817	3,9%
002.01 PTNG - Public Transport Network Grant [Schedule 5B]	R509 162 220	12,7%	R475 638 150	11,2%
003 NDPG- Neighbourhood Development Partnership Grant	R7 105 000	0,2%	R4 500 000	0,1%
005 USDG - Urban Settlements Development Grant	R1 557 438 790	38,7%	R1 278 482 610	30,1%
006 INEP- Intergrated National Electrification Programme	R40 000 000	1,0%	R38 000 000	0,9%
007 CRRF- Capital Replacement Reserve Fund	R5 000 000	0,1%	R4 725 000	0,1%
008 EEDSM- Energy Efficiency Demand Side Management	R10 000 000	0,2%	R15 000 000	0,4%
010 - Other Contributions	R0	0,0%	R20 000 000	0,5%
010.061 Other C (monetary) Social Housing Regulatory Authority	R0	0,0%	R69 750 000	1,6%
013 CLS - Community Library Services	R10 000 000	0,2%	R12 357 000	0,3%
015 Borrowings	R1 500 000 000	37,3%	R1 500 000 000	35,3%
016 Public Contributions and Donations	R150 000 000	3,7%	R150 000 000	3,5%
017 Social Infrastructure Grant	R30 730 000	0,8%		0,0%
019 LG SETA	R8 000 000	0,2%	R10 000 000	0,2%
021 ICDG - Integrated City Development Grant	R38 261 050	1,0%	R36 775 250	0,9%
022 CDF - Community Development Grant	R0	0,0%	R343 200 000	8,1%

023 MIG - Municipal Infrastructure Grant	R0	0,0%	R75 512 424	1,8%
Restructuring Capital Grant (RCG)	R0	0,0%	R49 926 150	1,2%
Grand Total	**R4 023 015 060**	**100,0%**	**R4 248 464 401**	**100,0%**

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

- Internally generated revenue (Council Funding and Public Contributions and Donations) amounted to approximately R 307 million (7,6%) in 2018/19 which increased to R 314 million (7,4%) in 2019/20.
- Borrowings which amounted to R 1,5 billion (37%) in 2018/19 remained unchanged for 2019/20.
- Grant funding amounted to R2,21 billion (55%) in 2018/19, which slightly increased to R 2,33 billion (55,1%) during 2019/20.

The following should be noted in relation to selected 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 1,27 billion (30%) for 2019/20, R 1,33 billion (29%) for 2020/21 and R 1,29 billion (28%) for 2021/22.
- **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 (11,2%) for 2019/20, R 524 million (11,4%) for 2020/21 and R 539 million (11,6%) for 2021/22.
- **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 4,5 million (0,1%) for 2019/20, R 20 million (0,4%) for 2020/21 and R 20 million (0,4%) for 2021/22.
- **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, with no allocation for 2020/21 and 2021/22.

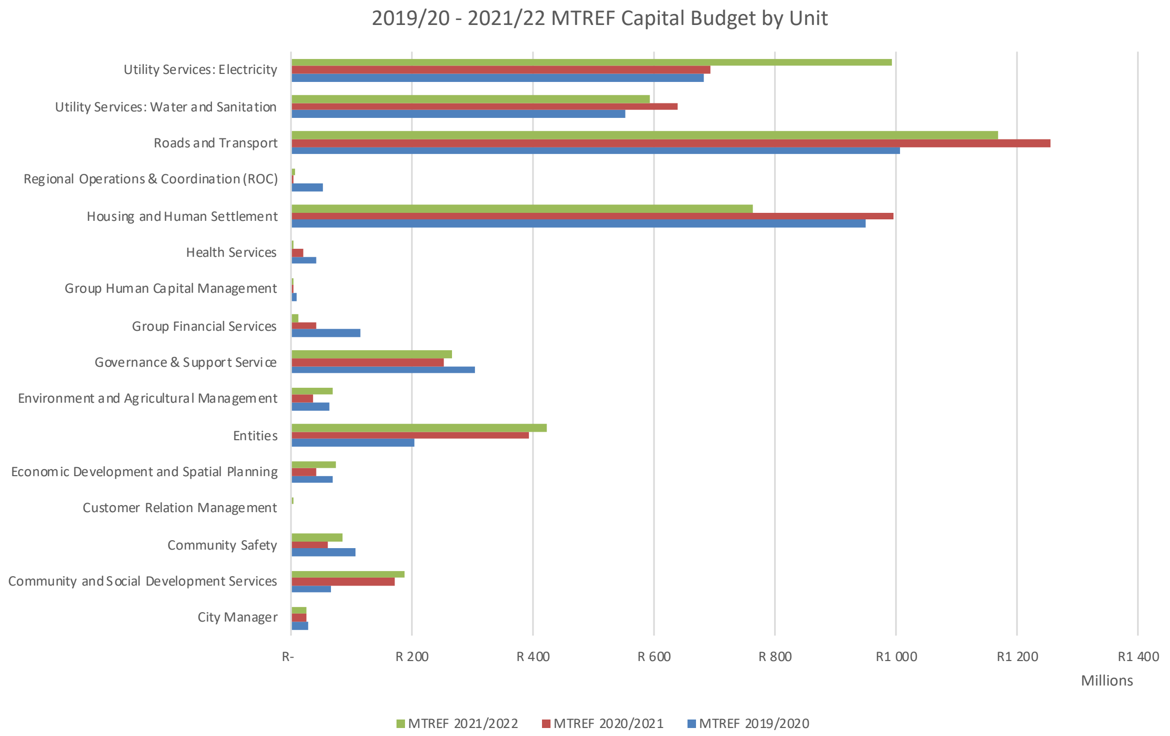
D.4.2.4 *2019/20 MTREF Capital Budget by departmental cluster*

The 2019/20 MTREF capital budget per unit and departmental cluster is shown in Table D-17 below.

Table D-17: 2019/20 MTREF Capital Budget by department

Unit/Department	MTREF 2019/20	MTREF 2020/21	MTREF 2021/22
City Manager	**R29 350 000**	**R25 350 000**	**R25 350 000**
Communications and Marketing	R4 200 000	R200 000	R200 000
Group Audit and Risk	R25 150 000	R25 150 000	R25 150 000
Community and Social Development Services	**R65 857 000**	**R171 500 000**	**R187 000 000**
Social Development	R5 000 000	R0	R0
Sports, Recreation & Infrastructure Development	R60 857 000	R171 500 000	R187 000 000
Community Safety	**R105 367 879**	**R61 500 000**	**R85 000 000**
Emergency Services	R68 300 000	R31 500 000	R55 000 000
Metro Police Services	R37 067 879	R30 000 000	R30 000 000
Customer Relation Management	**R0**	**R0**	**R3 500 000**
Economic Development and Spatial Planning	**R68 364 500**	**R40 850 000**	**R74 493 700**
Entities	**R204 668 262**	**R392 876 903**	**R421 487 481**
Housing Company Tshwane	R202 047 355	R392 224 092	R420 945 698
Tshwane Economic Development Agency	R2 620 907	R652 811	R541 783
Environment and Agricultural Management	**R63 000 000**	**R36 500 000**	**R69 100 000**
Agriculture & Rural Development	R0	R5 000 000	R6 500 000
Environmental Management & Parks	R26 250 000	R22 500 000	R22 300 000
Waste Management Services	R36 750 000	R9 000 000	R40 300 000
Governance & Support Service	**R303 500 000**	**R251 250 000**	**R265 600 000**
Group Legal & Secretariat Services	R300 000	R300 000	R300 000
Group Property Management	R19 700 000	R5 200 000	R10 300 000
ICT, Applications & Infrastructure	R173 500 000	R145 750 000	R255 000 000
Shared Services	R110 000 000	R100 000 000	R0
Group Financial Services	**R114 262 350**	**R40 500 000**	**R10 600 000**
Group Human Capital Management	**R10 200 000**	**R200 000**	**R300 000**
Tshwane Leadership and Management Academy	R10 200 000	R200 000	R300 000
Health Services	**R40 661 000**	**R20 200 000**	**R200 000**
Housing and Human Settlement	**R949 200 000**	**R995 000 000**	**R762 198 420**
Regional Operations & Coordination	**R51 200 000**	**R1 200 000**	**R6 200 000**
Roads and Transport	**R1 007 368 729**	**R1 254 872 340**	**R1 168 778 150**
Airport Services	R1 055 000	R0	R0
Integrated Rapid Public Transport Network (IRPTN)	R460 638 150	R504 928 720	R519 403 150
Licensing	R500 000	R0	R0
Roads and Stormwater	R512 175 579	R729 943 620	R627 975 000
Tshwane Bus Services	R33 000 000	R20 000 000	R21 400 000
Utility Services: Water and Sanitation	**R553 438 610**	**R639 451 000**	**R592 056 300**
Utility Services: Electricity	**R682 026 071**	**R693 534 952**	**R993 025 000**
Grand Total	**R4 248 464 401**	**R4 624 785 195**	**R4 664 889 051**

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



A large portion of the capital budget is allocated to several key infrastructure departments with a focus on creating economic infrastructure. Table D-18 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 75% of the 2019/20 capital budget, 77% of the 2020/21 capital budget and 75% of the 2021/22 capital budget.

Table D-18: 2019/20 MTREF Capital Budget focused on Basic Service Delivery

Unit	MTREF 2019/20	%	MTREF 2020/21	%	MTREF 2021/22	%
Housing and Human Settlement	R949 200 000	22,3%	R995 000 000	21,5%	R762 198 420	16,3%
Roads and Transport	R1 007 368 729	23,7%	R1 254 872 340	27,1%	R1 168 778 150	25,1%
Utility Services: Water and Sanitation	R553 438 610	13,0%	R639 451 000	13,8%	R592 056 300	12,7%
Utility Services: Electricity	R682 026 071	16,1%	R693 534 952	15,0%	R993 025 000	21,3%
Total of Basic Services	**R3 192 033 410**	**75,1%**	**R3 582 858 292**	**77,5%**	**R3 516 057 870**	**75,4%**
Total Capital Budget	**R4 248 464 401**	**100,0%**	**R4 624 785 195**	**100,0%**	**R4 664 889 051**	**100,0%**

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

Section D.4.2.5 focusses 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 capital investment targeting areas (as described in Section B), as well as 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 spatial referencing of capital projects. The CaPS system shows that the 2019/20 MTREF capital budget comprises 351 projects. 58 (17%) of these projects are marked as City Wide, 32 (9%) are marked as Administrative HQ and 261 (74%) are spatially referenced.

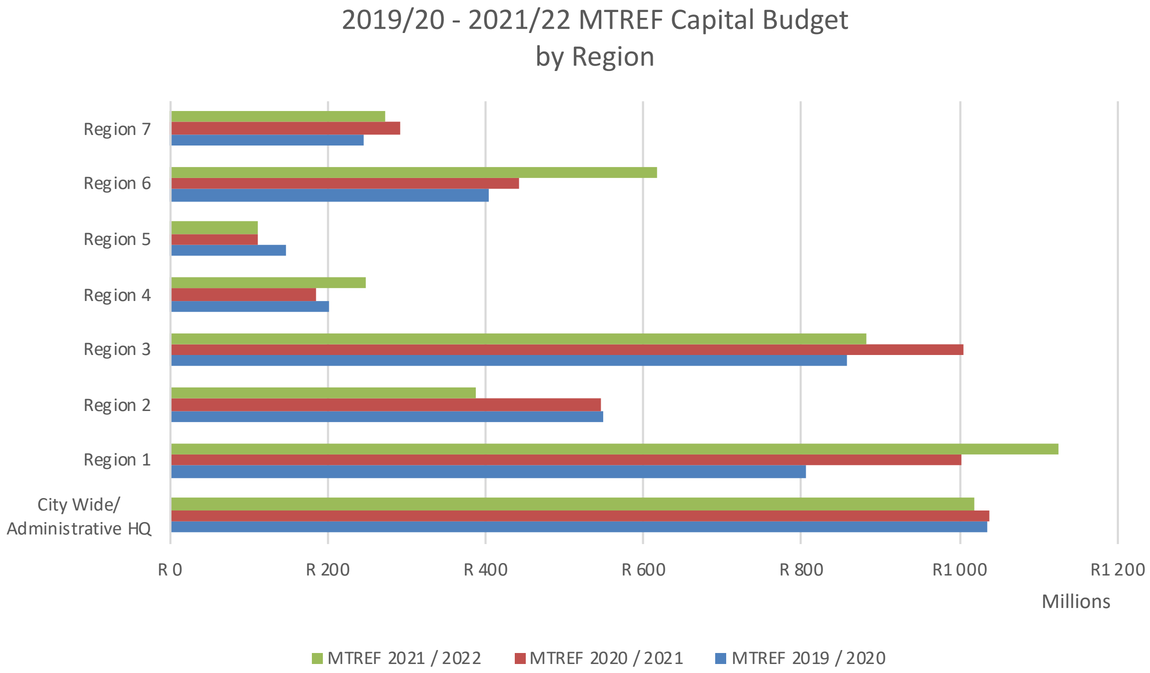
The 2019/20 MTREF Capital Budget analysis indicates that R3,09 billion (23%) of the capital budget is allocated to City Wide/Administrative HQ capital projects, whereas the remainder of the budget is distributed over the various regions (refer to Table D-19). Region 1, 2, 3 and 6 receive the largest portion of the capital budget, accounting for approximately 64% of the total MTREF capital budget. Region 1 has been allocated the highest portion of the total MTREF capital budget at 22%, followed by Region 3 at 20% and Region 2 and 6 at 11%.

Table D-19: 2019/20 MTREF Capital Budget regional analysis

Region	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
City Wide/ Administrative HQ[7]	R1 035 835 471	R1 038 458 755	R1 018 498 088	R3 092 792 314	23%
Region 1	R806 058 371	R1 002 940 923	R1 126 849 711	R2 935 849 004	22%
Region 2	R550 231 502	R545 610 971	R387 303 516	R1 483 145 989	11%
Region 3	R858 045 016	R1 004 674 894	R881 791 062	R2 744 510 971	20%
Region 4	R201 581 650	R186 244 071	R248 500 000	R636 325 721	5%
Region 5	R146 221 409	R111 567 644	R110 744 278	R368 533 331	3%
Region 6	R404 613 030	R443 371 587	R618 233 894	R1 466 218 512	11%
Region 7	R245 877 952	R291 916 350	R272 968 503	R810 762 805	6%
Grand Total	**R4 248 464 401**	**R4 624 785 195**	**R4 664 889 051**	**R13 538 138 647**	**100%**

[7] 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

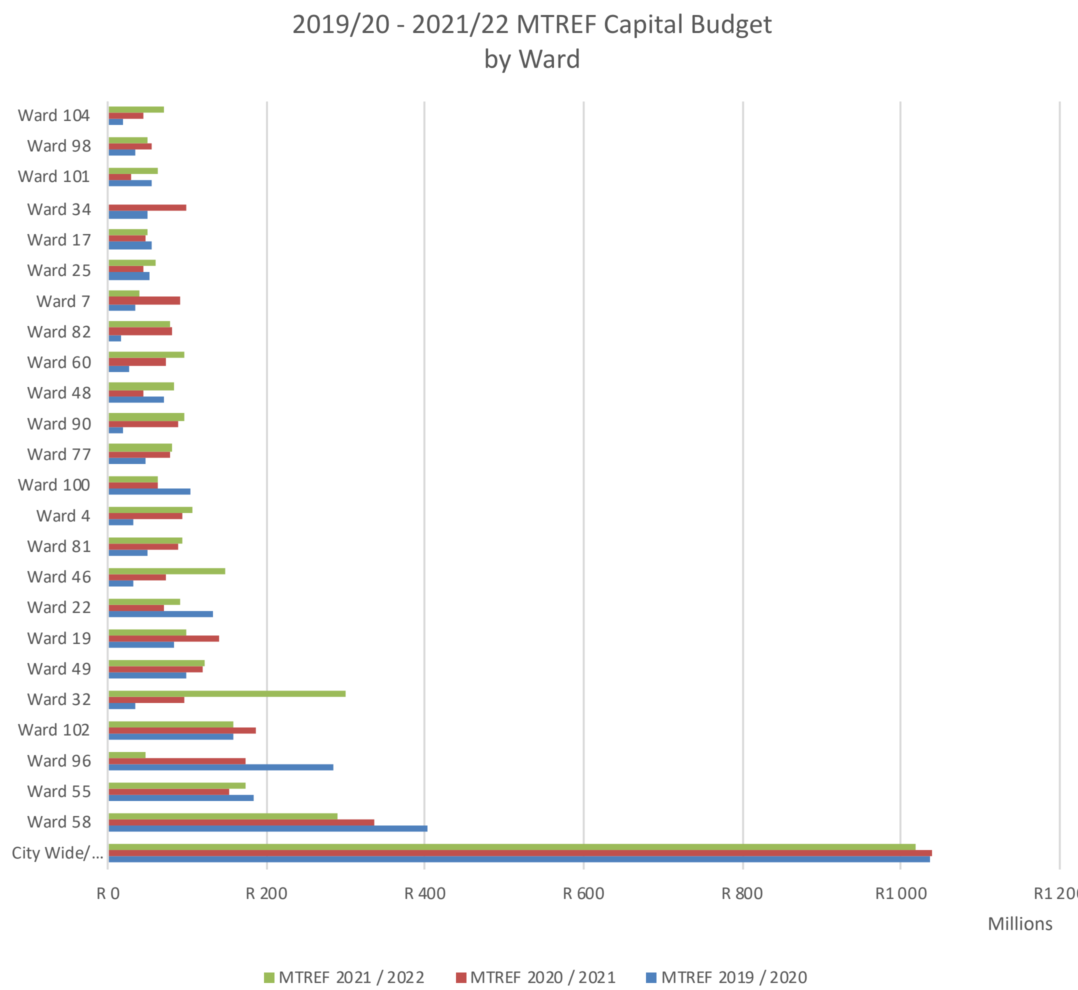
The 2019/20 MTREF Capital Budget analysis shows that Ward 58 receives R 1, 09 billion (7,6%) of the total MTREF capital budget, whereas the remainder of the budget is distributed over the various wards (refer to Table D-20). Ward 58, 55, 96, 102, and 32 are the top 5 wards in the 2019/2020 MTREF capital budget.

Table D-20: 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 035 835 472	R1 038 458 756	R1 018 498 089	R3 092 792 317	22,8%
Ward 58	R401 817 717	R336 450 150	R290 735 093	R1 029 002 960	7,6%
Ward 55	R183 096 100	R152 500 000	R173 475 000	R509 071 100	3,8%
Ward 96	R284 819 560	R173 944 534	R47 379 598	R506 143 691	3,7%
Ward 102	R157 325 734	R186 458 786	R157 573 268	R501 357 789	3,7%
Ward 32	R34 922 250	R97 018 602	R300 000 000	R431 940 852	3,2%
Ward 49	R99 057 940	R120 681 774	R120 931 904	R340 671 619	2,5%
Ward 19	R84 000 000	R140 000 000	R100 000 000	R324 000 000	2,4%
Ward 22	R133 000 000	R70 000 000	R90 070 533	R293 070 533	2,2%
Ward 46	R30 699 127	R73 192 951	R149 183 617	R253 075 695	1,9%
Ward 81	R50 812 420	R89 525 514	R92 749 419	R233 087 353	1,7%
Ward 4	R31 227 454	R93 565 844	R106 990 934	R231 784 232	1,7%
Ward 100	R104 000 000	R63 153 459	R62 952 459	R230 105 917	1,7%
Ward 77	R48 210 372	R77 753 033	R80 634 961	R206 598 366	1,5%
Ward 90	R19 162 994	R89 923 296	R96 916 456	R206 002 746	1,5%
Ward 48	R69 371 624	R45 829 593	R83 909 914	R199 111 131	1,5%

Ward	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
Ward 60	R27 620 032	R72 521 861	R95 789 393	R195 931 286	1,4%
Ward 82	R15 995 927	R81 411 213	R78 450 825	R175 857 965	1,3%
Ward 7	R35 000 000	R92 000 000	R40 500 000	R167 500 000	1,2%
Ward 25	R53 000 000	R45 000 000	R60 000 000	R158 000 000	1,2%
Ward 17	R55 421 224	R48 324 762	R50 017 687	R153 763 673	1,1%
Ward 34	R50 512 220	R100 000 000	R0	R150 512 220	1,1%
Ward 101	R55 000 520	R30 500 000	R61 800 000	R147 300 520	1,1%
Ward 98	R33 373 432	R54 870 524	R49 658 104	R137 902 060	1,0%
Ward 104	R20 000 000	R45 000 000	R70 000 000	R135 000 000	1,0%
Top 25 Ward Total	**R3 113 282 120**	**R3 418 084 652**	**R3 478 217 254**	**R10 009 584 025**	**73,9%**
Total Capital Budget	**R4 248 464 401**	**R4 624 785 195**	**R4 664 889 051**	**R13 538 138 647**	**100,0 %**

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 a 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-21.

Figure D-51: City of Tshwane MSDF node areas

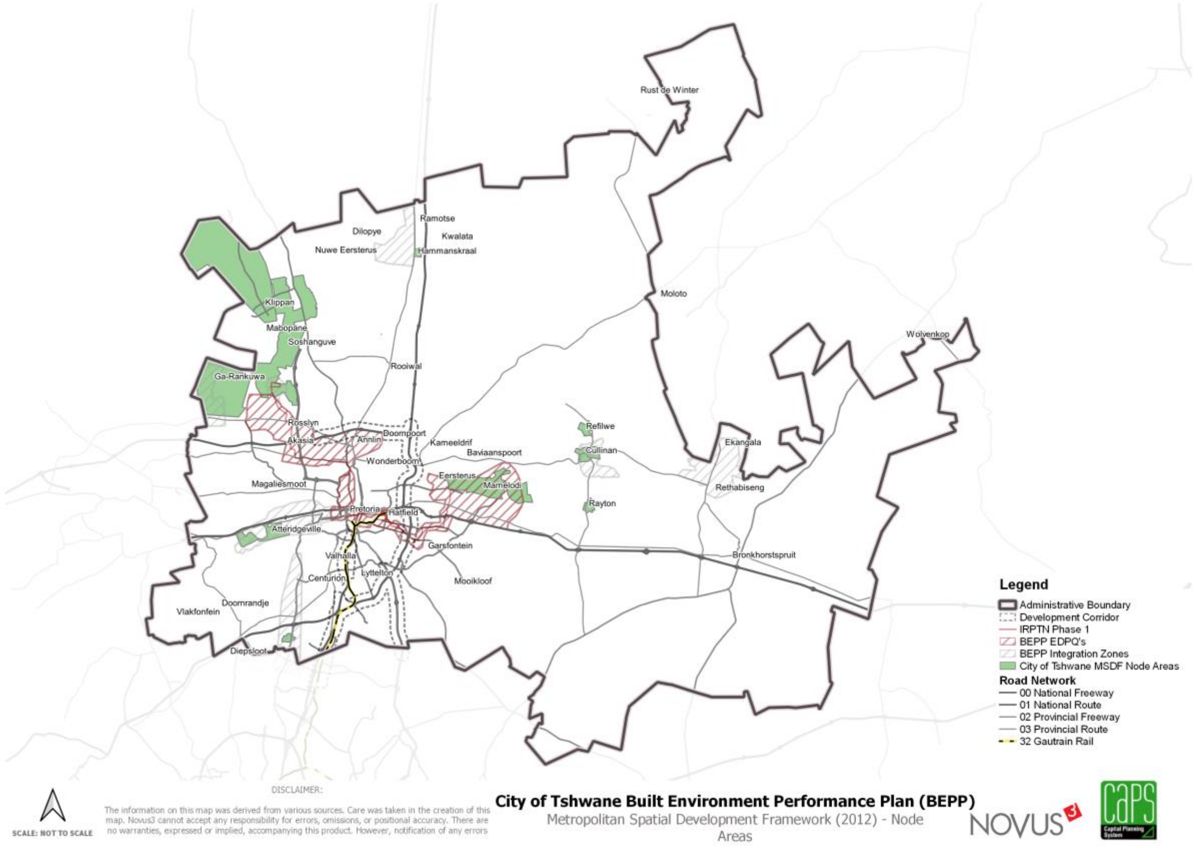
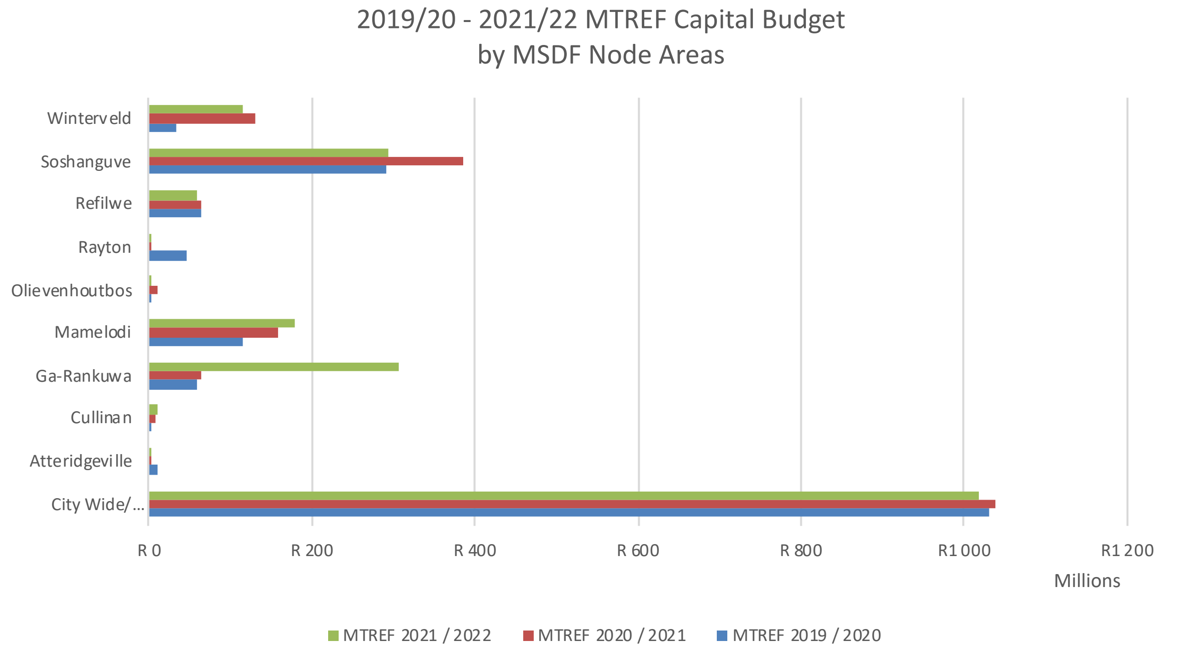


Table D-21: 2019/20 MTREF Capital Budget by MSDF node areas

MSDF Node Area	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
City Wide/ Administrative HQ	R1 030 835 467	R1 038 076 793	R1 018 498 083	R3 087 410 343	23%
Atteridgeville	R10 112 479	R449 918	R314 942	R10 877 339	0%
Cullinan	R3 500 000	R7 701 000	R10 000 000	R21 201 000	0%
Ga-Rankuwa	R57 922 228	R65 018 494	R305 299 964	R428 240 687	3%
Mamelodi	R115 056 923	R157 784 831	R179 721 236	R452 562 990	3%
Olievenhoutbos	R1 059 377	R9 197 359	R1 059 377	R11 316 114	0%
Rayton	R45 812 706	R2 015 104	R2 686 805	R50 514 616	0%
Refilwe	R63 380 316	R63 803 155	R59 202 104	R186 385 575	1%
Soshanguve	R291 161 463	R386 056 244	R294 278 740	R971 496 447	7%
Winterveld	R33 000 000	R130 000 000	R115 000 000	R278 000 000	2%
MSDF Node Area sub-total	**R621 005 493**	**R822 026 106**	**R967 563 169**	**R2 410 594 768**	**18%**
Outside MSDF Node Area	**R2 596 623 441**	**R2 764 682 296**	**R2 678 827 799**	**R8 040 133 536**	**59%**
Total Capital Budget	**R4 248 464 401**	**R4 624 785 195**	**R4 664 889 051**	**R13 538 138 647**	**100%**

Figure D-52: 2019/20 MTREF Capital Budget by MSDF node areas

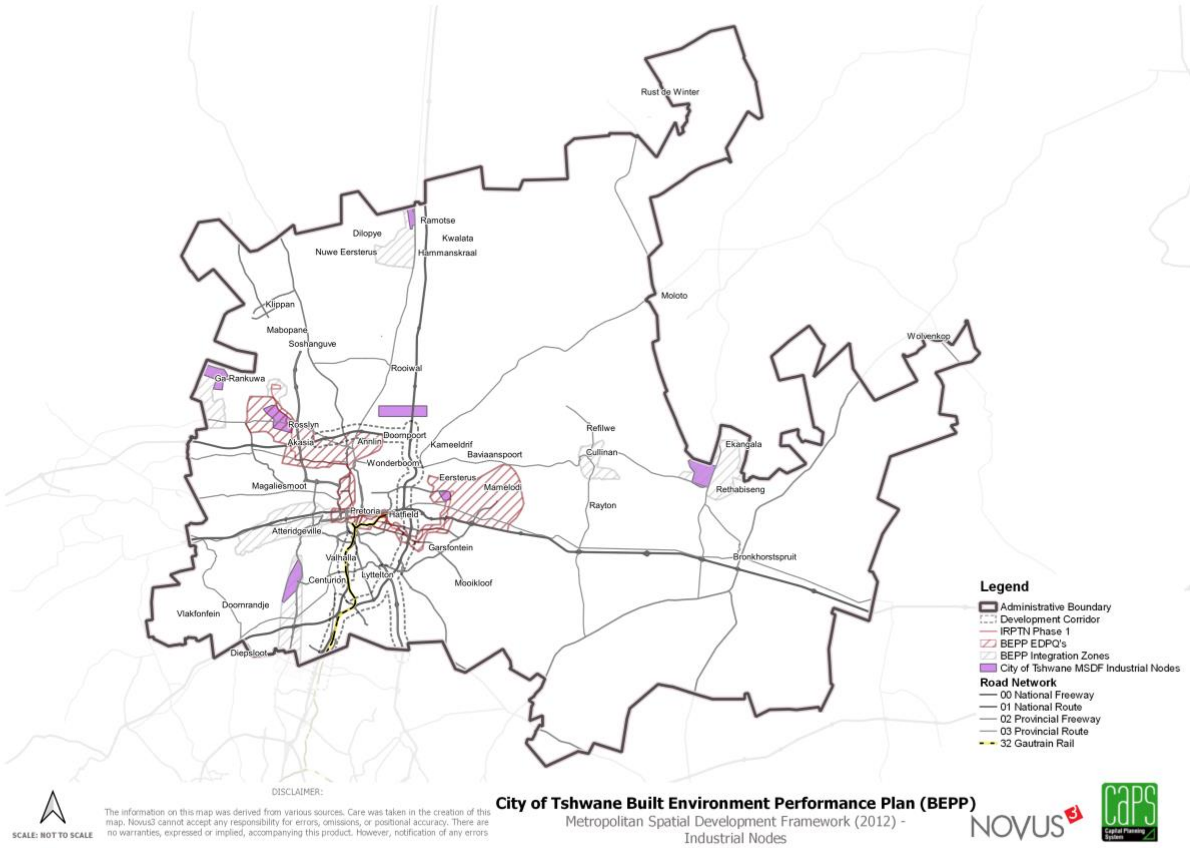


The analysis shows that approximately R2,4 billion is assigned within node areas for the total MTREF capital budget, which amounts to approximately 18% of the total budget. The comparative budget analysis of the 2019/20 MTREF capital budget by node area indicates that most of the budget has been allocated to Soshanguve at R971 million (7%), followed by Mamelodi at R452 million (3%). Ga-Rankuwa requested the third highest amount at R428 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 CaPS system. The capital budget analysis of the 2019/20 MTREF Capital Budget by MSDF industrial node area is shown in Table D-22.

Figure D-53: City of Tshwane MSDF industrial nodes

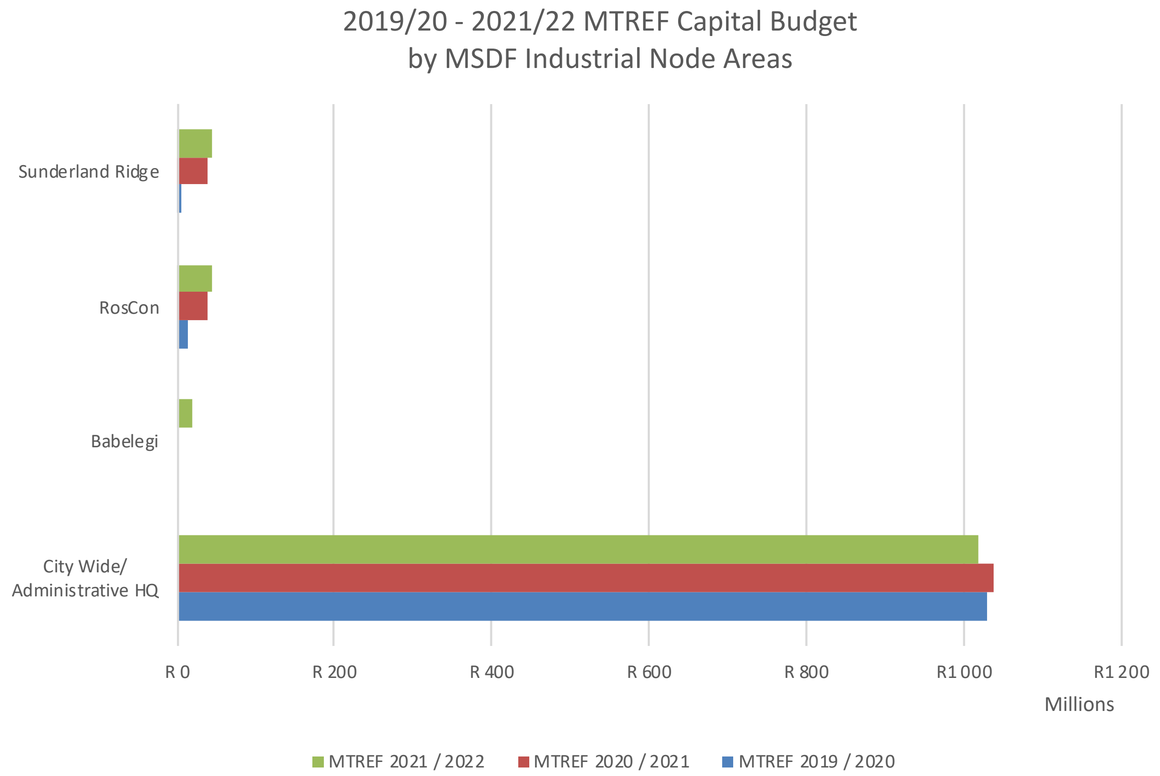


The analysis shows that R203 million (2%) of the total MTREF budget is allocated to industrial nodes. The analysis of the total 2019/20 MTREF capital budget by industrial node shows that most of the budget is allocated to RosCon at R96 million (1%), followed by Sunderland Ridge at R86 million (1%).

Table D-22: 2019/20 MTREF Capital Budget by MSDF industrial nodes

	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
City Wide/ Administrative HQ	R1 030 835 467	R1 038 076 793	R1 018 498 083	R3 087 410 343	23%
Babelegi	R0	R0	R20 000 000	R20 000 000	0%
RosCon	R14 000 000	R39 899 000	R42 943 700	R96 842 700	1%
Sunderland Ridge	R5 000 000	R37 626 018	R44 320 990	R86 947 008	1%
MSDF Industrial Node sub-total	**R19 000 000**	**R77 525 018**	**R107 264 690**	**R203 789 708**	**2%**
Outside MSDF Industrial Area	**R3 198 628 934**	**R3 509 183 384**	**R3 539 126 278**	**R10 246 938 596**	**76%**
Total Capital Budget	**R4 248 464 401**	**R4 624 785 195**	**R4 664 889 051**	**R13 538 138 647**	**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 CaPS system. The capital budget analysis of the 2019/20 MTREF Capital Budget by MSDF capital core (primary node) area is shown in Table D-23. 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-24.

Figure D-55: City of Tshwane metropolitan nodes

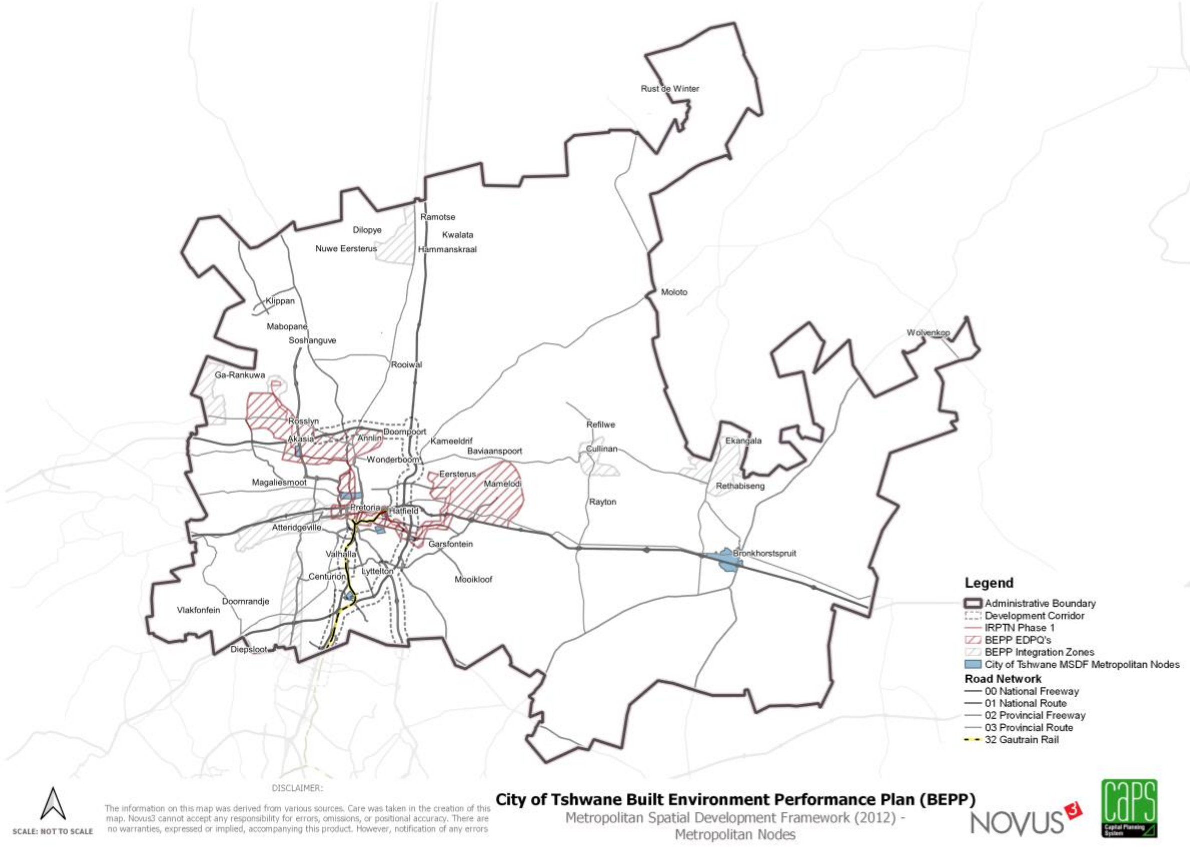
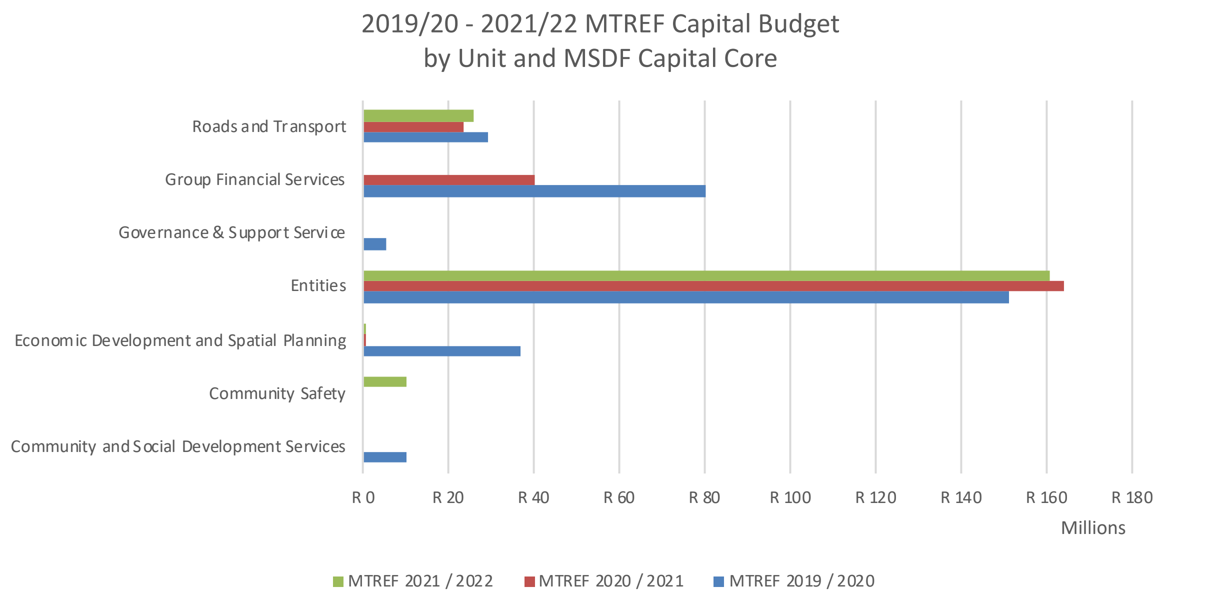


Table D-23: 2019/20 MTREF Capital Budget within the capital core

Units within the Capital Core	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
Community and Social Development Services	R10 000 000	R0	R0	R10 000 000	0,1%
Community Safety	R0	R0	R10 187 618	R10 187 618	0,1%
Economic Development and Spatial Planning	R37 064 352	R350 000	R350 000	R37 764 352	0,3%
Entities	R151 126 500	R164 080 200	R160 625 880	R475 832 580	3,5%
Governance & Support Service	R5 500 000	R0	R0	R5 500 000	0,0%
Group Financial Services	R80 000 000	R40 000 000	R0	R120 000 000	0,9%
Roads and Transport	R29 391 863	R23 618 231	R25 670 772	R78 680 866	0,6%
Capital Core sub-total	**R313 082 715**	**R228 048 431**	**R196 834 270**	**R737 965 416**	**5,5%**
Total Capital Budget	**R4 248 464 401**	**R4 624 785 195**	**R4 664 889 051**	**R13 538 138 647**	**100,0%**

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

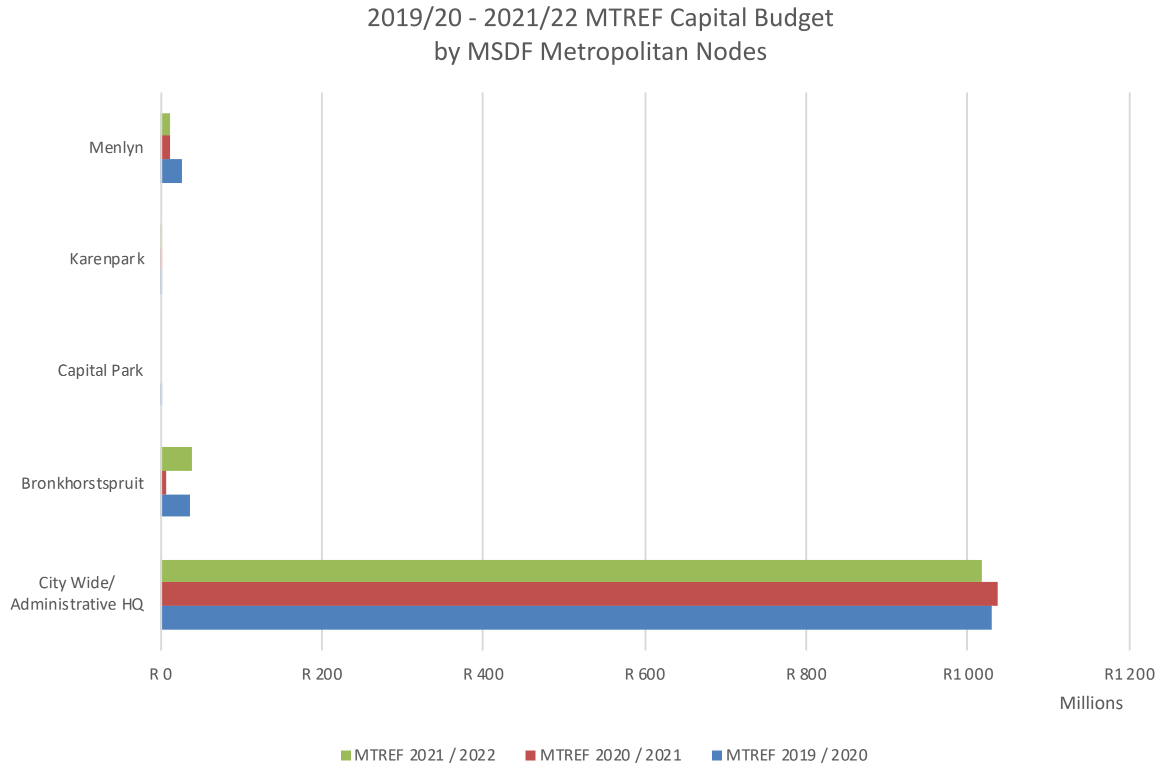


Capital budget within the capital core of Tshwane amounts to approximately R737 million over the total MTREF period, which equates to approximately 5,5% of the total capital budget.

Table D-24: 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 030 835 467	R1 038 076 793	R1 018 498 083	R3 087 410 343	22,8%
Bronkhorstspruit	R36 250 000	R6 916 350	R40 000 000	R83 166 350	0,6%
Capital Park	R191 039	R0	R0	R191 039	0,0%
Karenpark	R394 414	R448 352	R560 440	R1 403 206	0,0%
Menlyn	R26 903 905	R11 025 110	R11 061 335	R48 990 350	0,4%
Metropolitan Nodes sub-total	**R63 739 358**	**R18 389 812**	**R51 621 776**	**R133 750 946**	**1,0%**
Outside MSDF Industrial Area	**R3 153 889 576**	**R3 568 318 590**	**R3 594 769 192**	**R10 316 977 358**	**76,2%**
Total Capital Budget	**R4 248 464 401**	**R4 624 785 195**	**R4 664 889 051**	**R13 538 138 647**	**100,0%**

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 area around the IRPTN Phase 1 has been defined and an IRPTN phase 1 development catchment budget analysis was done using the CaPS system (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 R487 million (11%) has been allocated within this corridor, together with R503 million (11%) in 2020/21 and R507 million (11%) in 2021/22.

Figure D-58: City of Tshwane IRPTN phase 1 500m development catchment

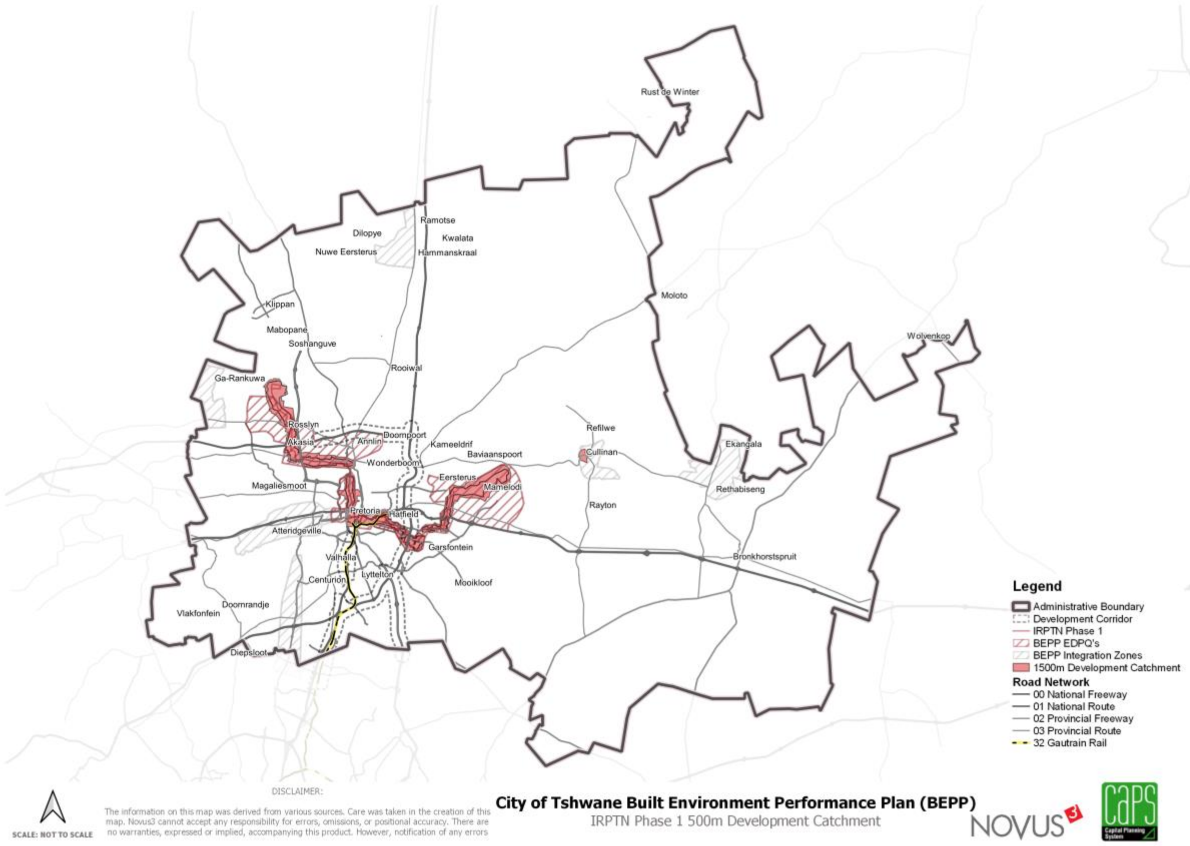
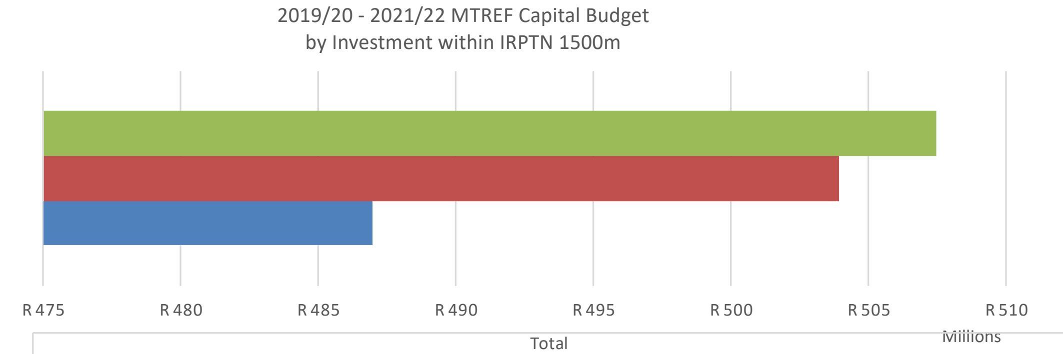


Figure D-59: 2019/20 MTREF Capital Budget within the IRPTN 1500m development catchment



	Total
MTREF 2021 / 2022	R507480 887
MTREF 2020 / 2021	R503945 192
MTREF 2019 / 2020	R487004 696

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 on behalf of 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)

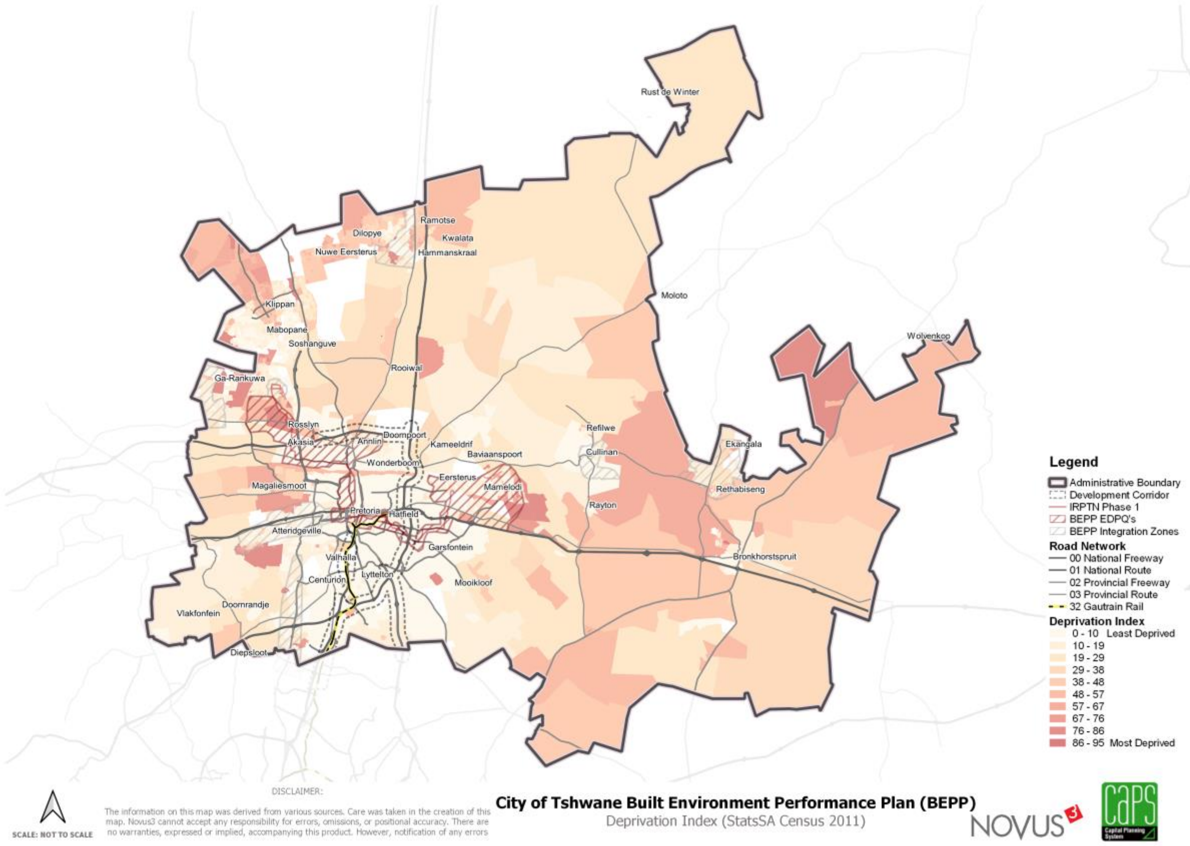
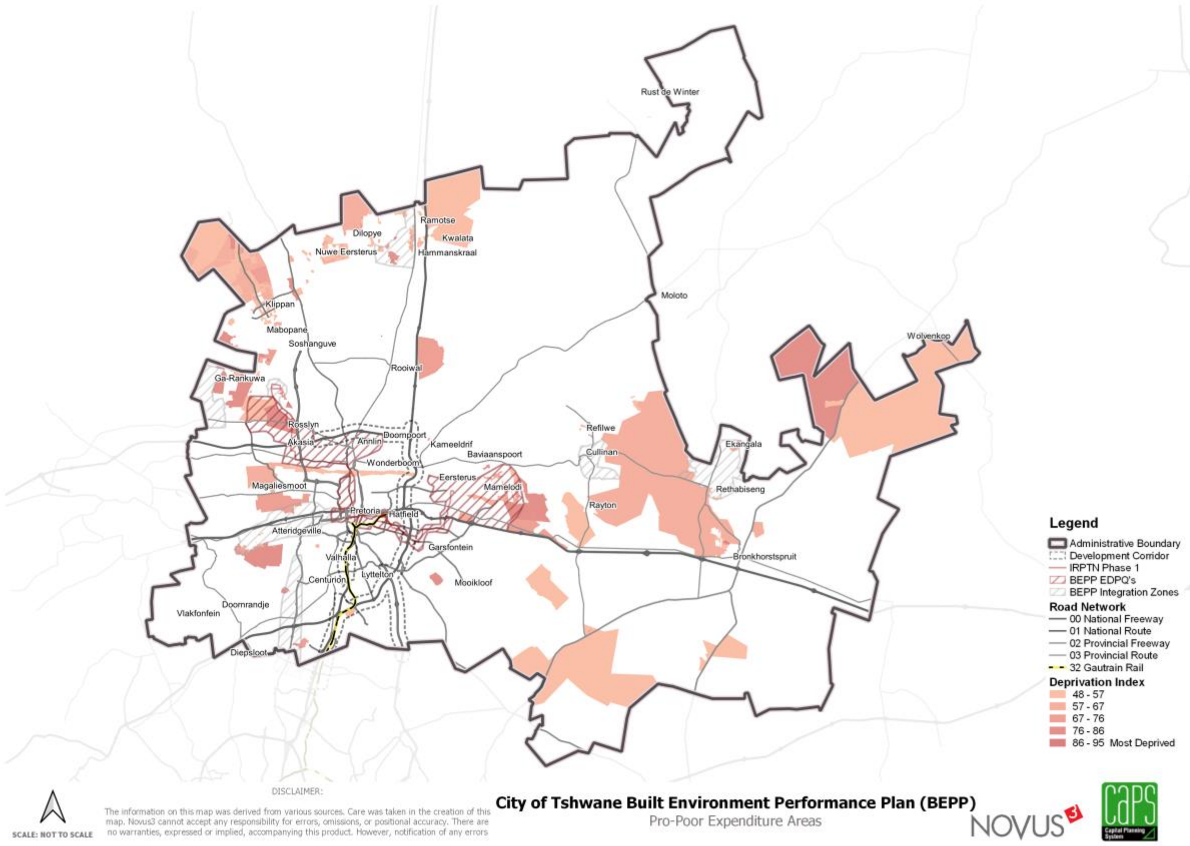


Figure D-61: City of Tshwane pro-poor expenditure areas



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 using the CaPS system. The capital budget analysis of the 2019/20 MTREF Capital Budget for pro-poor areas is shown in Table D-25, in terms of capital budget for each unit within these areas.

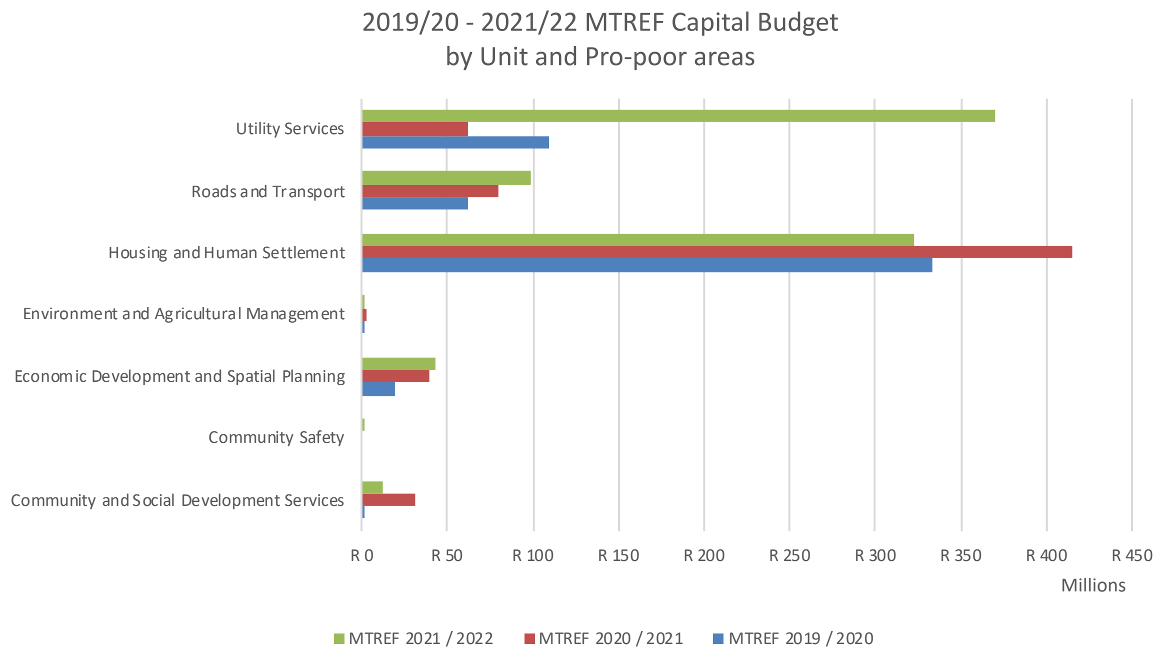
With respect to Pro-poor areas, R526 million is allocated to these areas for 2019/20, which amounts to 12% of the total capital budget. The department with the highest capital budget "expenditure" within these areas are Housing and Human Settlement followed by Utility Services and Roads and Transport, highlighting the focus of the city towards basic service delivery.

Table D-25: 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	%
Community and Social Development Services	R1 374 940	R31 194 459	R12 145 844	R44 715 243	0,3%
Community Safety	R0	R0	R255 781	R255 781	0,0%
Economic Development and Spatial Planning	R19 000 000	R39 899 000	R42 943 700	R101 842 700	0,8%
Environment and Agricultural Management	R1 366 382	R2 701 141	R1 373 158	R5 440 680	0,0%
Housing and Human Settlement	R332 807 095	R415 437 708	R322 119 742	R1 070 364 545	7,9%

Units within Pro-Poor Areas	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
Roads and Transport	R61 825 609	R80 317 685	R98 518 156	R240 661 449	1,8%
Utility Services	R109 922 259	R62 018 602	R369 656 457	R541 597 318	4,0%
Pro-Poor Areas sub-total	**R526 296 285**	**R631 568 594**	**R847 012 838**	**R2 004 877 717**	**14,8%**
Total Capital Budget	**R4 248 464 401**	**R4 624 785 195**	**R4 664 889 051**	**R13 538 138 647**	**100,00 %**

Figure D-62: 2019/20 MTREF Capital Budget by pro-poor areas

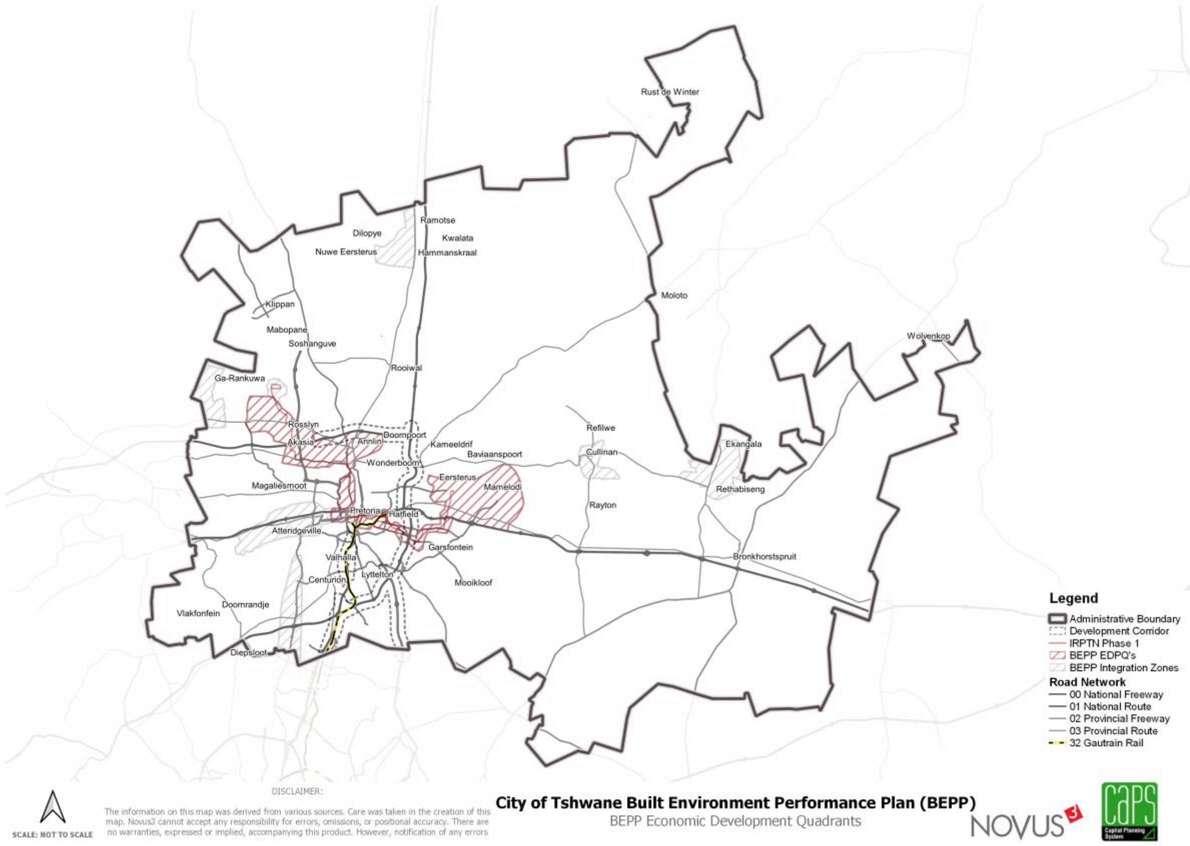


D.4.2.7 *Value of capital demand in economic development priority quadrant areas*

During the 2016 municipal elections, 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 focus areas formerly identified by Tshwane (as contained in the MSDF, IDP etc.) remained unchanged in this process.* The reason for this is that geographically, the challenges of Tshwane remains the same – i.e. impoverished areas are still where they are and infrastructure backlogs remain as they were.

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 outlined 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 capital budget analysis was undertaken by using the CaPS system, which allows for the spatial referencing of capital projects. The 2019/20 capital budget analysis is shown in Table D-26.

2019/20 MTREF Capital budget within the BEPP economic development priority quadrant areas of Tshwane amounts to approximately R1,48 billion for the 2019/20 financial year, which equates to approximately 35% of the total 2019/20 capital budget. Capital budget allocation increases in 2020/21 to R1,76 billion (38%) and then decreases slightly to R1,64 billion in 2020/21 (35%).

In terms of specific economic development priority quadrant areas, expenditure occur based on the following areas:

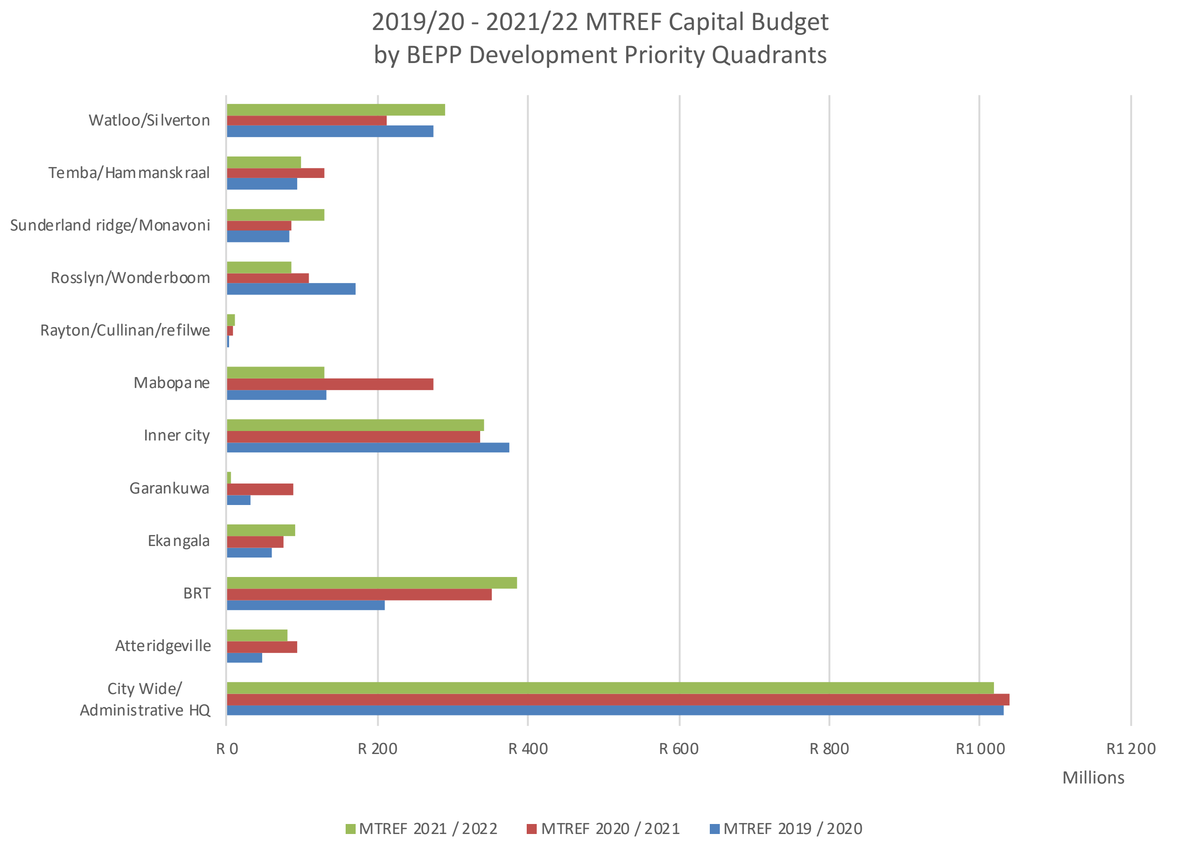
- Watloo/Silverton accounts for 6% of the total MTREF capital budget.
- Rosslyn/Wonderboom accounts for 3% of the total MTREF capital budget.
- Inner city (capital core) accounts for 8% of the total MTREF capital budget.
- The integration zone accounts for 7% of the total MTREF capital budget.

Table D-26: 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 030 835 467	R1 038 076 793	R1 018 498 083	R3 087 410 343	23%

Economic Development Priority Quadrants	MTREF 2019 / 2020	MTREF 2020 / 2021	MTREF 2021 / 2022	Total MTREF	%
Atteridgeville	R47 768 519	R93 284 228	R79 673 208	R220 725 956	2%
BRT	R210 408 016	R350 930 753	R385 580 485	R946 919 254	7%
Ekangala	R60 000 000	R75 000 000	R90 000 000	R225 000 000	2%
Garankuwa	R30 999 801	R87 999 003	R4 999 668	R123 998 472	1%
Inner city	R374 171 896	R337 239 637	R342 721 926	R1 054 133 459	8%
Mabopane	R133 256 988	R273 547 940	R128 486 972	R535 291 900	4%
Rayton/Cullinan/ refilwe	R3 500 000	R7 701 000	R10 000 000	R21 201 000	0%
Rosslyn/ Wonderboom	R169 726 650	R109 818 114	R85 590 207	R365 134 972	3%
Sunderland ridge/Monavoni	R83 511 704	R84 927 987	R129 666 632	R298 106 324	2%
Temba/ Hammanskraal	R94 018 454	R128 632 545	R98 431 515	R321 082 515	2%
Watloo/Silverton	R274 372 048	R212 500 000	R289 035 899	R775 907 947	6%
EDPQ's Sub-total	**R1 481 734 076**	**R1 761 581 208**	**R1 644 186 513**	**R4 887 501 797**	**36%**
Outside EDPQ's	**R1 736 085 953**	**R1 825 573 375**	**R2 002 673 529**	**R5 564 332 857**	**41%**
Total Capital Budget	**R4 248 464 401**	**R4 624 785 195**	**R4 664 889 051**	**R13 538 138 647**	**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 combines 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-27: 2019/20 MTREF Capital Budget by mSCOA action classifications

Works Type	MTREF 2019/20	%	MTREF 2020/21	%	MTREF 2021/22	%
Existing	**R1 262 204 497**	**30%**	**R1 770 188 978**	**38%**	**R1 788 701 000**	**38%**
Renewal	R544 093 929	13%	R667 149 000	14%	R712 556 300	15%
Upgrading	R718 110 568	17%	R1 103 039 978	24%	R1 076 144 700	23%
New	**R2 986 259 904**	**70%**	**R2 854 596 217**	**62%**	**R2 876 188 051**	**62%**
Grand Total	**R4 248 464 401**	**100%**	**R4 624 785 195**	**100%**	**R4 664 889 051**	**100%**

In terms of MFMA Circulars 55 and 66 at least 40% of the capital budget must be allocated towards renewal of existing assets. It is evident from Table D-27 that approximately 30% of the budget has been allocated to the renewal of existing assets in the 2019/20 financial year, and approximately 38% 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 LTFM.

During the processes of 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 LTFM in the compilation of a LTFS as set out in section D.2, 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 LTFM 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 City. The Committee will be driving the formalisation and implementation of the required processes in this regard.