

## 1.2 Operating Budget Framework

The proposed operating revenue budget is approximately R33.4 billion and the operating expenditure budget is totalling R31.9 billion for the 2012/13 financial year. Revenue is increasing by 11% and expenditure by 10% over the 2012/13 financial year.

The table below set out the Medium Term Budget for the 2012/13- 2014/15 financial years.

	Adjusted Budget 2011/12 R 000	Budget 2012/13 R 000	%	Estimate 2013/14 R 000	Estimate 2014/15 R 000
Revenue	30 116 003	33 414 387	11%	38 024 181	42 453 128
Internal Revenue	4 373 294	4 422 195	1%	4 640 247	5 027 641
	34 489 297	37 836 582	10%	42 664 428	47 480 769
Expenditure	29 076 291	31 894 084	10%	36 013 826	40 718 802
Internal Expenditure	4 373 294	4 422 195	1%	4 640 247	5 027 641
	33 449 585	36 316 279	9%	40 654 073	45 746 443
Surplus (Deficit)	1 039 712	1 520 303		2 010 355	1 734 326
Taxation	281 963	460 745	63%	707 551	592 246
Surplus (Deficit) for the year	757 749	1 059 558		1 302 804	1 142 080
Capital Grants & Contributions	2 500 359	2 924 925		3 346 109	3 582 734
Surplus (Deficit) for the year including Capital Grants & Contr.	3 258 108	3 984 483		4 648 913	4 724 814

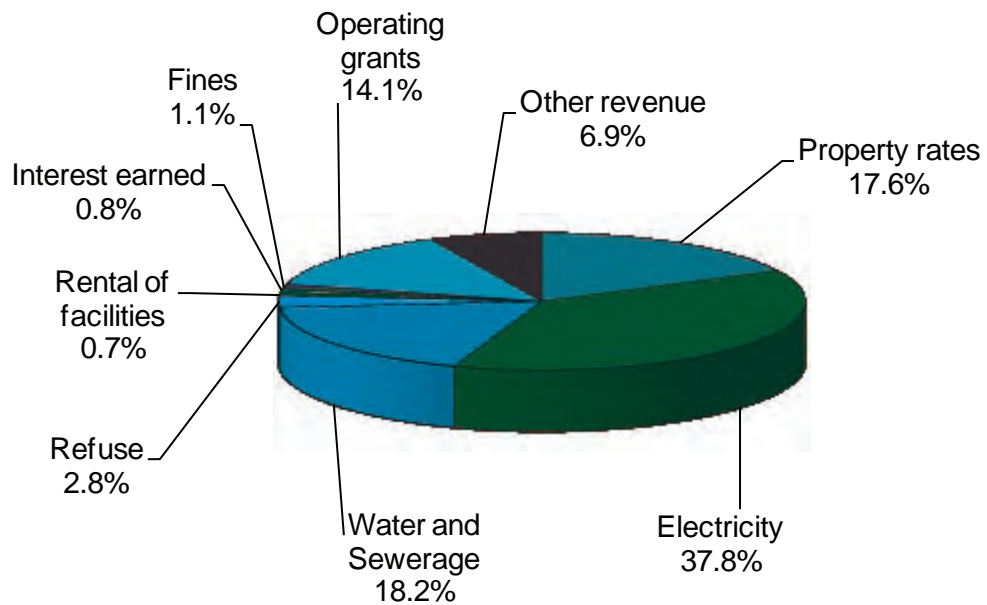
The City is budgeting for a surplus (before taxation and capital grants) of approximately R1.5 billion for 2012/13. The surpluses will be applied towards restoring the City's working capital and building future capital funding reserves.



## Revenue Analysis

In 2011/12, the direct revenues were budgeted at R30.1 billion with revenue estimated to be R33.4 billion in 2012/13.

Revenue	Adjusted Budget 2011/12 R millions	Budget 2012/13 R millions	%	Estimate 2013/14 R millions	Estimate 2014/15 R millions
Property rates	4 980	5 876	18%	6 217	6 557
Electricity	11 082	12 634	14%	16 215	19 134
Water and Sewerage	5 303	6 080	15%	6 474	6 979
Refuse	884	940	6%	1 031	1 181
Rental of facilities	193	220	14%	238	258
Interest earned	185	282	53%	298	316
Fines	332	370	11%	392	414
Operating grants	4 989	4 696	-6%	4 707	5 018
Other revenue	2 168	2 318	7%	2 452	2 596
<b>Total revenue</b>	<b>30 116</b>	<b>33 414</b>	<b>11%</b>	<b>38 024</b>	<b>42 453</b>



The increase of 11% in revenue is mainly as a result of the 14% increase in electricity revenue, 15% increase in water and sewerage revenue and 18% increase in property rates revenue.

Property Rates: The property rates revenue is projected to increase by 18% on the adjusted budget, the increase based on the projected actual of the current year is 10%. The proposed tariff increase for rates is 6%.

Service charges (electricity): The projected electricity revenue of R12.6 billion is approximately 14% increase from the 2011/12 financial year. The increase is mainly as a result of the assumed 16% NERSA/ Eskom increases. The 2012/13 proposed average tariff increase for electricity is 14%.

Service charges (water and sewerage): Projected water and sewerage charges are estimated at R6 billion, approximately 15% increase from the 2011/12 financial year. The 2012/13 proposed average tariff increase for water and sewerage are 14.5%.

Operating grants are decreasing by R293 million or -6% from the 2011/12 financial year. The decrease is mainly as a result of the decrease in the fuel levy, PTIS, housing top-structures, health and ambulance subsidies/grants received.

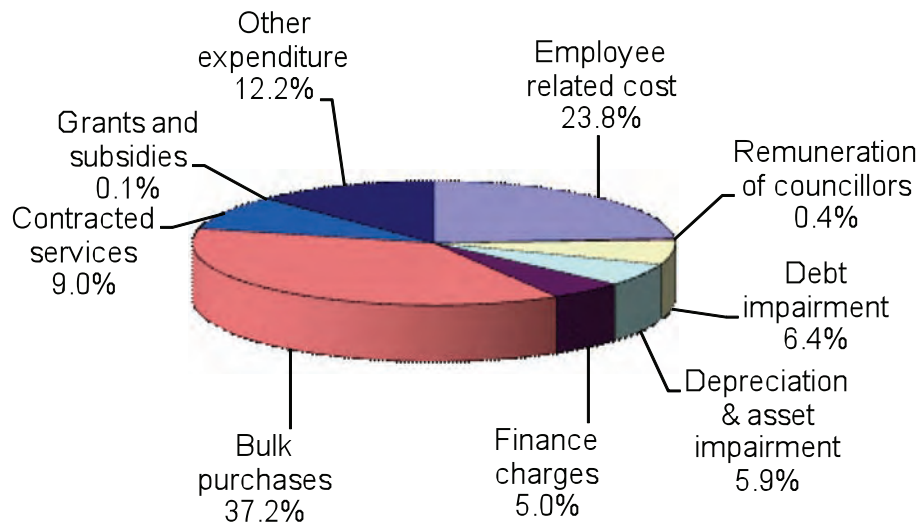
Income from fines has increased with an amount of R38 million or 11% from the 2011/12 financial year.

Other revenue increased by 7%. The tariffs for minor services will mainly increase in line with estimated inflation of 6%.

## Expenditure Analysis

The City adopted the 2011/12 Adjusted Operating Budget of R29 billion. 2012/13 presents a budget of R31.9 billion or 10% increase.

Expenditure	Adjusted Budget 2011/12 R millions	Budget 2012/13 R millions	%	Estimate 2013/14 R millions	Estimate 2014/15 R millions
Employee related cost	7 037	7 598	8%	7 999	8 462
Remuneration of councillors	101	129	28%	137	145
Debt impairment	1 755	2 050	17%	2 294	2 476
Depreciation & asset impairment	1 589	1 880	18%	2 054	2 254
Finance charges	1 524	1 589	4%	1 686	1 793
Bulk purchases	10 298	11 856	15%	15 001	18 153
Contracted services	2 976	2 879	-3%	2 741	2 756
Grants and subsidies	137	22	-84%	23	25
Other expenditure	3 660	3 890	6%	4 079	4 655
<b>Total expenditure</b>	<b>29 076</b>	<b>31 894</b>	<b>10%</b>	<b>36 014</b>	<b>40 719</b>



The increase of 10% in expenditure is mainly as a result of the increase in salaries of 8%, debt impairment 17%, depreciation 18% (due to increased capital investment in previous years and the take over of fleet vehicles from previous service provider) and bulk purchases 15% (Eskom and Rand Water). Grants and subsidies have decreased by 84%.

### Financial Position

The table below reflects the summary of the proposed financial position.

Financial position	Adjusted Budget 2011/12 R million	Budget 2012/13 R million	Estimate 2013/14 R million	Estimate 2015/16 R million
Total current assets	8 516	9 807	12 660	15 093
Total non current assets	42 675	45 507	49 054	54 249
Total current liabilities	9 345	8 251	8 713	9 634
Total non current liabilities	17 214	18 448	19 737	21 719
Community wealth/Equity	24 631	28 615	33 264	37 989

The projected current ratio for 2012/13 is 1 : 1.2. It will increase to 1 : 1.5 in 2015/16. The increase in the current ratio (cash reserves) will be used in future years to fund capital expenditure.



## Cash Flow

The table below reflects the summary of the proposed cash flow;

Cash flow	Adjusted Budget 2011/12 R million	Budget 2012/13 R million	Estimate 2013/14 R million	Estimate 2015/16 R million
Net cash from (used) operating	4 170	5 978	6 759	7 236
Net cash from (used) investing	(4 388)	(3 979)	(5 766)	(8 154)
Net cash from (used) financing	654	(182)	1 249	2 230
Cash/cash equivalents at the year end	1 126	2 943	5 184	6 497

The cash of the City is projected to be R2.9 billion at the end of the 2012/13 financial year. It will increase to R6.5 billion in the outer year. Cash reserves will be applied towards infrastructure spending.