

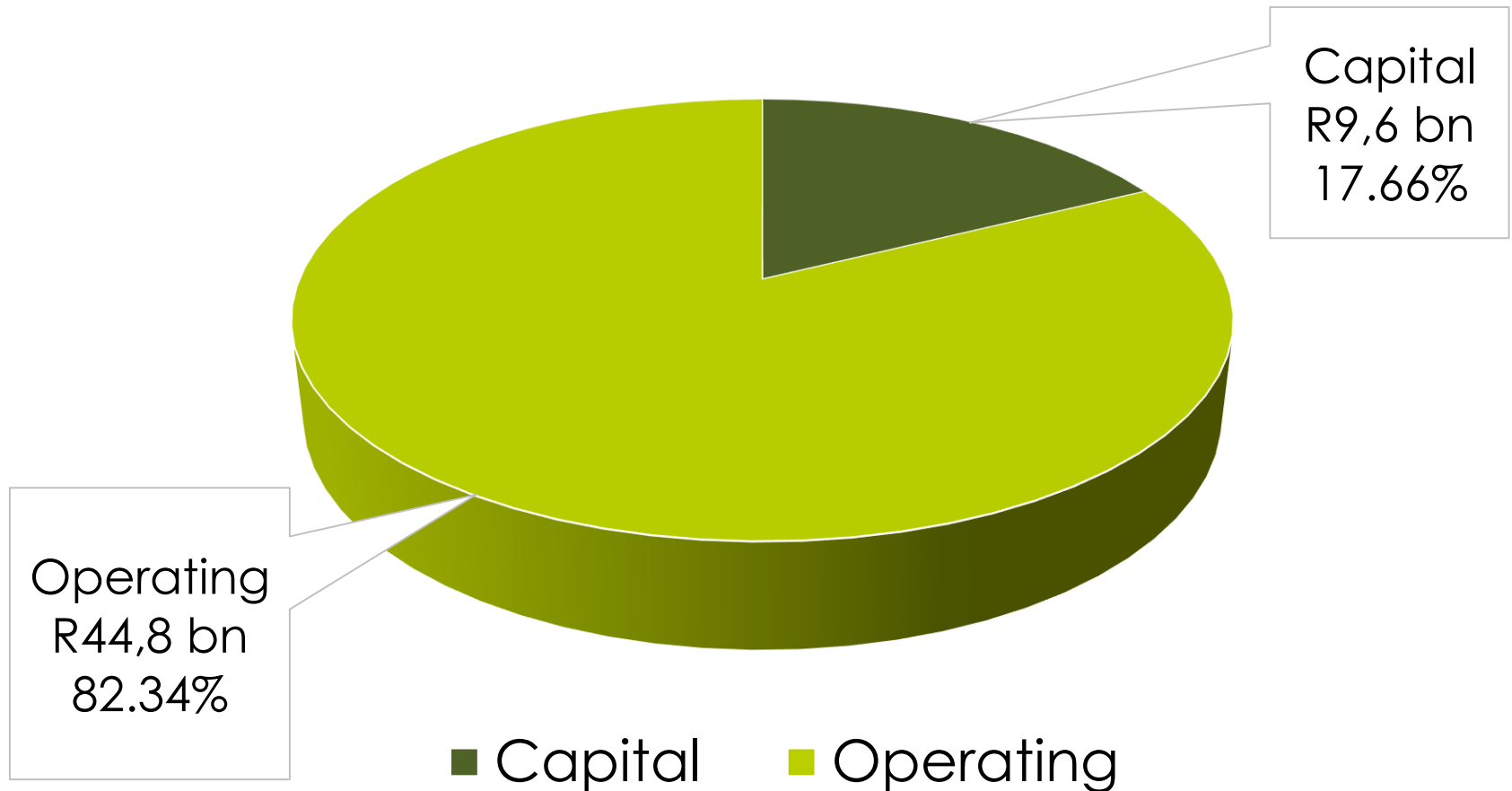


CITY OF CAPE TOWN
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City 2020/21 Budget and impact of COVID-19

Making progress possible. **Together.**

Total Proposed 2020/21 Budget



The COVID-19 pandemic: Impact and the City's response

On 26 March 2020 the President announced a nationwide lockdown in response to the COVID-19 pandemic to manage the spreading of the COVID-19 virus

The financial impact of the COVID-19 pandemic required:

- the approval of an 2019/20 Adjustment Budget
- Changes to the Draft 2020/21 Budget

Response Plan compiled

- comprehensive response to the COVID-19 pandemic has been adopted
- Additional COVID-19 related expenditure included in line with the City's Response Plan was thus provided in both the Adjustment budget and this proposed 2020/21 budget

The COVID-19 pandemic: Impact and the City's response

- A major additional expenditure item resulting from the pandemic is the **increased debt impairment** requirement
 - Although projections for this eventuality was difficult, services provided their assessment on new consumer behaviour and the latest revenue and amended collection rates accordingly
- In **reviewing the capital budget**, the City acknowledged its role as **supporting local businesses and the local economy by:**
 - revitalising and reviving the economy in times of recessions; and
 - Ensuring awareness around **sensitivity** on projects and operating programmes that **are locally provided**.
- Due to restrictions and later on nation-wide lockdown, **spending on programmes, projects** as well as organisational internal processes (training, filling of posts etc.) were majorly affected resulting in **underspending** in the last quarter of the financial year and also impacting on the next year's budget

The COVID-19 pandemic: Impact and the City's response

- The City provided assistance to its customers in line with the City of Cape Town Credit Control and Debt Collection Policy and not in violation of MFMA S164 (1)(c)(iii) – make loans to members of the public
- This is also in line with the National Treasury:
- *“Property rates usually fund municipal public/community services – e.g. street lighting, safety, etc.*
 - *Municipalities should therefore not offer a reduction in rates, but rather look at options such as: no interest on outstanding rates accounts, spreading the monthly rates for April rates over a six month period on bills etc. - **we need to look at ways to accommodate the customer and not only ways to compensate the customer.**”*
- Under the dire circumstances **loss of revenue** is however to be expected both as a source of income from sales of electricity and water, refuse removal and property rates income but also loss of other revenue for the City from bus fares, rental of facilities, traffic fines, impoundment fees, building fees etc.

City cares SOS

Summary

- Rates and services relief ongoing
- Payment arrangements key
- B&Bs and guesthouses
- R900 million boost to local economy Budget 2020/21
- R3 billion rates and service relief ongoing and Budget 2020/21

Summary of changes

- Changes to the March tabled budget stem from the following:
 - Impact of COVID-19 pandemic
 - Outcome of public engagements; public comments received
 - Directorates' requests (shifts between projects with no bottom line impact);
 - Operating administrative transfers of budgetary provision and shifts between directorates;
 - Previously unallocated ward allocation provisions now allocated to respective projects and departments;
 - Corrections based on updated information.
- The above changes were incorporated in the May budget document to be submitted to Council on 27 May 2020;
- **Capital budget increased by R898m** whilst Operating **Expenditure** budget **increased by R803m** and Operating **Revenue** (excluding capital transfers and contributions) **reduced by R1,144bn**;
- This increased the operating deficit from **R624m to R2,571bn** compared to the March submission; and
- Deficit to be funded from available cash as per latest cash assessment.

Summary of changes

In summary a reworked tabled March budget which includes the elements below were required:

- **review** of the **capital budget** to reflect up to date position over the MTREF
- **additional requirements** stemming from the City's response to the pandemic
- **reduction in expenditure** for both capital and operating
- **increased debt impairment** due to the consumer payment behaviour
- **loss of revenue** as a result of rates and tariff payments as well as sundry revenue sources such as bus fares, events, facility rental, fines revenue etc
- **reversal** of the **revenue strategy** per the tabled budget, which provided for revenue from Rates and tariff-funded services beyond the levels substantiated by the respective cent in the Rand or tariffs
- **review** of the **loan take-up position** of the City – from no loans envisaged to be taken up in the Tabled budget, R2,5bn will now be taken up
- in addition to ensure **advertised rates and tariffs remain as per March tabled budget**, financial strategies had to be reviewed to ensure an amended, viable financial plan over the MTREF

Summary of COVID-19 impact – 2020/21 Financial year

Various amendments made to the Operating Budget but below a summary of the impact of the COVID-19 pandemic distinguishing between Rates and Tariff Services:

	Rate Funded Services	Water and Sanitation	Solid Waste (Collection and Disposal)	Energy	Total
COVID-19 Related Additional Requirements	689 465 219	214 452 000	0	0	903 917 219
Increased debt impairment	625 338 300	465 749 870	201 046 515	206 988 603	1 499 123 288
Reduction in revenue	444 446 024	195 000 000	-7 500 000	795 865 807	1 427 811 831
Total impact	1 759 249 543	875 201 870	193 546 515	1 002 854 410	3 830 852 338
Projected underspend	599 833 799	214 452 000	37 079 382	852 596 843	1 703 962 024
Net impact - net shortfall for all services	1 159 415 744	660 749 870	156 467 133	150 257 567	2 126 890 314

The Budget – Summary: Tabled vs Proposed Approved

MARCH TABLED BUDGET			
Description	Budget Yr 2020/21	Budget Yr +1 2021/22	Budget Yr +2 2022/23
Total Revenue (excluding capital transfers and contributions)	43 372 879	46 625 491	50 097 444
Total Operating Expenditure	43 996 516	47 106 783	50 399 956
Surplus/(Deficit)	(623 637)	(481 292)	(302 512)
Total Capital Budget	8 707 183	9 604 197	10 732 896

MAY PROPOSED APPROVED BUDGET			
Description	Budget Yr 2020/21	Budget Yr +1 2021/22	Budget Yr+2 2022/23
Total Revenue (excluding capital transfers and contributions)	42 228 617	46 240 629	49 888 759
Total Operating Expenditure	44 799 593	46 732 309	50 198 826
Surplus/(Deficit)	(2 570 976)	(491 680)	(310 067)
Total Capital Budget	9 605 874	9 506 834	10 641 101

Deficit is to be funded from available cash and cash-backed reserves

2020/21 Capital Budget: Changes from March to May per funding source

Changes were incorporated across the MTREF with the major increase being to EFF of R671m

Fund Source	Tabled Budget 2020/21 R'000	Proposed Budget 2020/21 R'000	Increase / Decrease 2020/21 R'000	Tabled Budget 2021/22 R'000	Proposed Budget 2021/22 R'000	Increase / Decrease 2021/22 R'000	Tabled Budget 2022/23 R'000	Proposed Budget 2022/23 R'000	Increase / Decrease 2022/23 R'000
Capital Grants and Donations	2 838 423	2 883 814	45 391	3 312 729	3 312 729	–	3 424 875	3 424 875	–
Capital Replacement Reserve	1 269 671	1 439 208	169 538	895 994	885 736	(10 258)	1 046 061	932 753	(113 308)
External Financing Fund	4 560 212	5 231 245	671 032	5 366 082	5 377 977	11 895	6 224 574	6 246 087	21 513
Revenue	38 876	51 607	12 731	29 392	29 392	–	37 385	37 385	–
Grand Total	8 707 183	9 605 874	898 691	9 604 197	9 605 834	1 637	10 732 896	10 641 101	(91 795)

Utilisation of previous years surpluses

2019/20

- R 4.2 bn to fund the capital budget

2020/21

- R 3.2 bn to fund the capital budget
- R 2.5 bn to fund the operating budget

Total allocation from surpluses over 2 years: R9.9 bn

All available surpluses are fully allocated each year except for what is required for working capital

(National Treasury guideline is that working capital should be between 2 and 3 months expenditure)

Proposed 2020/21 Rates and Tariffs

No amendments to any of the proposed rates and tariffs from March tabling

Why rates and tariffs?

- More than 70% of costs of basic service provision per month comes from rates and tariff income
- City covers the shortfall with other funding sources
- No profit from rates and services – already not enough to cover service provision
- South African funding model for municipalities is based on income from rates and tariffs to fund services
- That is why those who can continue to pay should please continue to do so!

Metros rates and tariff increases 2020/21

Metro	Rates	Electricity	Water and Sanitation	Refuse
Cape Town	4%	4.8%	4.5%	3.5%
Johannesburg	4.9%	8.1%	8.6%	5.2%
Ekurhuleni	7.5%	6.6%	Water: 15% Sanitation: 11%	7.5%
Ethekwini	6.9%	6.9%	9.9%	9.9%
Tshwane	New valuation roll	6.23%	6.6%	6%

	2019/20 R/R	2020/21 R/R	% increase
Cape Town Residential rates	0.00555	0.00577	3.96%

- Additional rating categories have been added to assist NPOs with lower or zero rates.
- No changes have been made to tariff structures.
- Indigent rebates extended to those with an income of up to R7000 per month.

Provision of FBS and Indigent Support

**One change since tabling the budget:
Increasing indigent relief disposable
income limit from R6 000 to R7 000**

Summarising the 2020/21 Social Package

The social package will assist in relieving some of the financial burden experienced by especially low-income households as follows:

WATER and SANITATION:

- **10,5 kℓ** of water per month per indigent household, free of charge;
- **7,35 kℓ** of sanitation per month per indigent household, free of charge.

ELECTRICITY:

- Each household with a municipal property value of less than and equal to **R400 000** and a prepaid meter receives a monthly
 - **60 kWh** free electricity if they normally buy less than **250 kWh** per month on average over a 12-month period; or
 - **25 kWh** free electricity if they normally buy between **250** and **450 kWh** per month on average over a 12-month period.

WASTE REMOVAL

- Consumers whose properties are valued below **R500 000** receive rebates between **0%** and **100%** on the first **240 ℓ container**;
- Consumers who earn **below R7 000** and who are registered on the Indigent Register will qualify for a rebate between **0%** and **100%** on the first **240 ℓ container**.



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Thank You

Making progress possible. Together.