



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ANNEXURE B

**High level summary of changes between
tabled 2020/21 - 2022/23 budget (March 2020)
and 2020/21 - 2022/23 budget (May 2020)**

HIGH LEVEL SUMMARY OF CHANGES BETWEEN THE TABLED AND THE PROPOSED 2020/21 BUDGET

The tabled 2020/21 budget was drafted with a theme of low rates and tariff increases with an aim to utilise surplus cash. However, in response to the impact of the COVID-19 pandemic, more specifically the lockdown period, the City had to reconsider and reprioritise funding allocations for the 2020/21 financial year. An appraisal of the City's funding sources was undertaken and future funding positions per the March tabled budget re-evaluated.

a) 2020/21 Operating Budget

The City's immediate response to the pandemic was focused on its vulnerable citizens. This necessitated a budget rework to accommodate unplanned expenditure relating to the COVID-19 pandemic and its impact on revenue. These amendments/additions to the March tabled budget allocations are listed below

- R904 million, within various directorates, for additional requirements relating to the COVID-19 pandemic**

Directorate/Department	Project/Nature of Expenditure	R Thousand
Community Service & Health directorate	Health Services and provision on grants-in-aid for humanitarian relief to cover social impacts of COVID-19	452 289
Corporate Services directorate	Costs Related to Call Centre Staff, Procurement of 3G cards and Data), CRM overtime, Covid Testing for staff, Thermometer testing, Flu Vaccines	48 053
Economic Opportunity & Asset Management directorate	Security costs, hand and liquid sanitizer costs for city buildings	5 580
Human Settlements directorate	Building Management & Education and Awareness at CRUs	88 066
Office of the City Manager directorate	Procurement of food hampers issued by the Mayor, funeral assistance, emergency disaster situations	7 000
Safety and Security directorate	Deployment of LEO - Overtime, Uniform & Protective Clothing, Fuel, Facility establishment and hire costs etc.	81 277
Transport directorate	Management of PTI's - Cleaning Costs & Protective Clothing	7 200
Water and Sanitation Service department	Informal Settlements - Unserviced Settlements, Health & Hygiene Costs	214 452
Total		903 917

- R1 499 million, within various Rates and tariff-funded services, for additional expenditure on debt impairment resulting from projected reductions on collections ratios**

Directorate/Department	R Thousand
Water & Sanitation Services department	465 750
Energy & Climate Change directorate	206 989
Solid Waste Management department	201 047
Finance directorate	610 338
Economic Opportunity & Asset Management directorate	5 000
Human Settlements directorate	10 000
Total	1 499 123

- R1 704 million reduction on various expenditure items impacted on by the COVID-19 pandemic**

Directorate/Department	Expenditure type	R Thousand
Community & Health Services directorate	Employee Costs, Salaries, Materials, Travel, advertising, computer network & services, signage, catering and training	157 000
Corporate Services directorate	Employee Costs, Contracted Services, R&M and General Expenses	60 093
Economic Opportunity & Asset Management directorate	Contracted Services, R&M, Events & Sponsorship	52 000
Energy & Climate Change directorate	Bulk Purchases, Contracted Services, R&M & General Expenses, Contribution to Rates	783 010
Energy & Climate Change directorate	Less Contribution to Rates	69 587
Human Settlements directorate	Employee Costs, Contracted Services, R&M and Transfers & Subsidies	31 117
Office of the City Manager directorate	Mayoral Projects & General Expenses	540
Safety & Security directorate	Training, Advertising-Marketing, Uniform and Travel	18 821
Solid Waste Management department (Collections/Disposal)	Water Minimisation, R&M Buildings, Training	37 079
Solid Waste Management department (Rates)	Demolition of the Tygerdal Drop-off will not be happening if lockdown continues	1 861
Spatial Planning & Environment directorate	Employee Costs & Contracted Services	2 954
Transport directorate	Employee Costs, Contracted Services, R&M & General Expenses	275 447
Water & Sanitation Services department	Employee Costs, advisory services, Events, Conference & Seminars, Electricity, Sewerage, Meter management etc.	214 452
Total		1 703 962

- R1 078 million amendments on various revenue sources impacted on by the COVID-19 pandemic**

Directorate/Department	Revenue Source/Item	R Thousand
Community & Health Services directorate	Rental of facilities and equipment, Fines, Other revenue, penalties and forfeits, licences and permits	18 777
Economic Opportunities and Asset Management directorate	Profit on Sale of Asset and Event/Functions	-500
Energy & Climate Change directorate	Sale of Electricity	695 866
Finance directorate	Cape town Stadium - Event Income, Agency Income, 100% Rates loss on guest houses and Hotels, reversal of rates revenue strategy	112 955
Finance directorate	Loss of Electricity contribution to Rates (included above)	69 587
Human Settlements directorate	OGD Funds form Interest	-88 066
Safety & Security directorate	Fines Income, Learners Licence Applications, Drivers Licence Applications, Cellphone Impoundment Fees, Vehicle Impoundment Fees etc.	90 515
Solid Waste Management department	General Waste disposal, Hazardous Waste Disposal.	13 473
Solid Waste Management department (Collections)	Additional Interest outstanding Debtors	-7 500
Spatial Planning & Environment directorate	Building levies, Rental Fixed Assets, Admission/Entrance Fees and Signage Fees	10 000
Transport directorate	Licence & Permits, Operational Revenue, Sales of Goods and Rendering of Services, Advertising, Railway Sidings Recoveries, Recovery of Infrastructure R&M, MyCiti Busfares/Card Sales, Parking & Development Contributions	67 706
Water & Sanitation Services department	Water Service Charges - Schools, Water Services Charges - Industrial and Commercial & Sewer Services Charges - Industrial and Commercial	95 000
Total		1 077 812

- **To balance the tabled 2020/21 budget, various expenditure items were reduced (R450 million), and a top-up from existing reserves (R1 522 million) was required to absorb the additional requirements relating to COVID-19 and the impact thereof on revenue.**

The details of the reductions are reflected in the table below.

Item	Comment	Proposed Reduction R Thousand
IPM increments (T14 and Above)	50% of IPM to be paid out on both Rate Tariff Services	20 000
Vacancies	Cuts within Rates	250 000
Consultants	Cuts within Rates excluded all items linked to Capital programme	120 000
Long Service Award	Propose 50% pay-out, balance to be converted to leave	30 000
Training	Bulk of training programmes will not materialise	30 000
Total		450 000

The details of the top-up from existing reserves are reflected in the table below.

Service	R Thousand
Rates	891 263
Electricity	34 195
Solid Waste - Trading	76 717
Water and Sanitation	519 373
Total	1 521 549

b) 2020/21 Capital Budget

The impact of delays resulting from the COVID-19 lockdown were considered by the various directorates and incorporated into the May 2020 version of the budget, in order to also quantify the effect on the City's overall cash flow, given the significant impact effect on the operating budget proposed for 2020/21.

The City remains committed to a large scale infrastructure investment plan to assist in re-energising the economy to stimulate economic growth over the short- to medium term post the COVID-19 lockdown. In instances where line functions could ascertain the potential impact of the national COVID-19 lockdown levels on ongoing projects and programmes, the unspent components that could be estimated were rolled over from the current financial year to the 2020/21 financial year.

The table below reflects the high-level changes per major funding source between the March tabled budget and the May proposed budget.

Major Fund Source	2020/21			2021/22			2022/23		
	Tabled Budget 2020/21	Proposed Budget 2020/21	Increase / Decrease 2020/21	Tabled Budget 2021/22	Proposed Budget 2021/22	Increase / Decrease 2021/22	Tabled Budget 2022/23	Proposed Budget 2022/23	Increase / Decrease 2022/23
R Thousand									
CGD	2 838 423	2 883 814	45 391	3 312 729	3 312 729	-	3 424 875	3 424 875	-
CRR	1 269 671	1 439 208	169 538	895 994	885 736	(10 258)	1 046 061	932 753	(113 308)
EFF	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)

- High-level changes to Capital Grants and Donations (CGD)**

Directorate	Increase/Decrease 2020/21	Increase/Decrease 2021/22	Increase/Decrease 2022/23
R Thousand			
Community Services & Health	634	-	-
Energy & Climate Change	8 500	-	-
Transport	36 257	-	-
Grand Total	45 391	-	-

The above changes mainly relate to the following:

- Community Services and Health directorate - R633 959 for the Turfhall Stadium Upgrade (funded ex private sector);
- Electricity Generation & Distribution department - R8.5 million for Service Connections (Quote): South FY21 (funded ex private sector);
- Transport directorate - Increase on capital budget with corresponding decrease on operating budget (funded ex Public Transport Network Grant); and
- Human Settlements directorate - Portfolio of proposed projects for 2020/21 was reprioritised to incorporate three new de-densification of informal settlements projects (Kosovo, Dunoon and Ithemba), which will incorporate planning, design and provision of internal service in response to the COVID-19 pandemic (funded ex Urban Settlements Development Grant and Informal Settlement Upgrading Partnership Grant).

- High-level changes to Capital Replacement Reserves (CRR)**

Directorate	Increase/Decrease 2020/21	Increase/Decrease 2021/22	Increase/Decrease 2022/23
R Thousand			
Community Services & Health	6 519	-	-
Economic Opportunities & Asset Management	5 968	-	-
Energy & Climate Change	45 267	15 639	-
Finance	14 092	-	-
Human Settlements	5 829	(25 897)	(13 308)
Safety & Security	1 225	-	-
Spatial Planning & Environment	1 544	-	-
Transport	4 859	-	-
Urban Management	(1 178)	-	-
Water & Waste - Solid Waste Management	85 414	-	(100 000)
Grand Total	169 538	(10 258)	(113 308)

The aforementioned changes mainly relate to the following:

- Roll-over of projected unspent components, where line functions could ascertain the potential impact of the national COVID-19 lockdown levels on ongoing projects and programmes, from the current financial year to the 2020/21 financial year.
- Rephasing of R15.6 million for Streetlighting from the current financial year to the 2020/21 financial year.
- Reductions to the Atlantis Kanonkop - and Atlantis GAP Site Housing projects, which have been adjusted downwards and rephased stemming from latest investigations and revised procurement plans.
- Higher value projects/programmes where roll-overs were included subsequent to the tabled budget in March 2020 i.e.
 - Facilities Management Structural Rehabilitation - R5.9 million (Economic Opportunities & Asset Management directorate);
 - Replacement Plant & Vehicles - R82.4 million (Solid Waste Management department);
 - Road Upgrade of Langverwacht Road: Amandel to Zevenwacht - R4.6 million (Transport directorate);
 - Suites Cape Town Stadium - R14.1 million (Finance directorate);
 - System Equipment Replacement - R22 million (Energy & Climate Change directorate);
 - MV Switchgear Refurbishment - R9.2 million (Energy & Climate Change directorate); and
 - Roll-over of various allocations funded ex Ward Allocations as well as ward allocation projects supported by a subcouncil but not included in the March tabled budget totalling R6.96 million across various directorates.

• **High-level changes to External Financing Fund (EFF)**

Directorate	Increase/ Decrease 2020/21	Roll over	Re-phased	Increase/ Decrease 2021/22	Increase/ Decrease 2022/23
R Thousand					
Community Services & Health	6 587	6 587	–	–	–
Corporate Services	14 800	14 800	–	–	–
Economic Opportunities & Asset Management	72 728	72 289	439	400	–
Energy & Climate Change	44 172	44 172	–	–	–
Finance	1 104	1 104	–	–	–
Human Settlements	45 387	45 387	–	–	–
Office of the City Manager	292	292	–	–	–
Safety & Security	113 876	113 876	–	–	–
Spatial Planning & Environment	19 252	27 011	(7 759)	6 920	–
Transport	20 034	20 034	–	–	–
Urban Management	3 808	3 808	–	–	–
Water & Waste	328 993	355 081	(26 088)	4 575	21 513
<i>Solid Waste Management</i>	46 172	72 260	(26 088)	4 575	21 513
<i>Water & Sanitation Services</i>	282 821	282 821	–	–	–
Grand Total	671 032	704 440	(33 408)	11 895	21 513

The above changes mainly relate to the following:

- Roll-overs as a result of the impact of the COVID-19 lockdown on project/programme delivery in the 2019/20 financial year;
- Latest available implementation plans (to the extent it could be updated given the uncertainty around the various COVID-19 lockdown phases) requiring minor re-phasing across the MTREF and

- Changes in 2020/21 to include a borrowing amount of R2.5 billion resulted in funding shifts on projects/programmes within the EFF.

• **High-level changes to Revenue**

Directorate	Increase/Decrease 2020/21	Increase/Decrease 2021/22	Increase / Decrease 2022/23
R Thousand			
Community Services & Health	70	-	-
Economic Opportunities & Asset Managemnt	1 212	-	-
Energy & Climate Change	9 000	-	-
Finance	2 002	-	-
Spatial Planning & Environment	56	-	-
Urban Management	104	-	-
Water & Waste	286	-	-
Solid Waste Management	286	-	-
Grand Total	12 731	-	-

The above changes mainly relate to the following:

- Certain replacement goods relating to insurance claim settlements, which cannot be delivered by the end of the current financial year, due to the impact of the COVID-19 lockdown resulting in funds being rolled-over to the 2020/21 financial year; and
- An increase of R9 million on the Insurance Contingency Holding vote within the Energy & Climate Change directorate. No expenditure will be incurred against this contingency, but will be viremented out to make provision for insurance claim settlements once known.

In summary, the net result of the proposed changes on the 2020/21 MTREF per directorate are as follows:

Directorate	Tabled Budget 2020/21	Proposed Budget 2020/21	Increase / Decrease 2020/21
R Thousand			
Community Services & Health	408,312	422,122	13,810
Corporate Services	227,220	242,020	14,800
Economic Opportunities & Asset Management	500,413	580,321	79,908
Energy & Climate Change	942,192	1,049,131	106,939
Finance	251,589	268,787	17,198
Human Settlements	843,687	894,903	51,215
Office of the City Manager	1,839	2,130	292
Safety & Security	308,853	423,954	115,101
Spatial Planning & Environment	136,353	157,205	20,852
Transport	1,732,193	1,793,342	61,150
Urban Management	125,406	128,139	2,734
Water & Waste	3,229,126	3,643,819	414,693
<i>Management: Water & Waste</i>	140	140	-
<i>Solid Waste Management</i>	673,688	805,560	131,872
<i>Water & Sanitation Services</i>	2,555,298	2,838,119	282,821
Grand Total	8,707,183	9,605,874	898,691