

CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

CIGFARO: Public Sector Finance Seminar, 13-15 July 2021

Cities response to current environment: City of Cape Town

Kevin Jacoby
CFO, City of Cape Town

Agenda

- Impact of COVID-19 on finances of COCT
- City's financial response to COVID-19 pandemic – over 3 financial years
- City's response mechanisms to COVID-19 pandemic – Specific focus on Finance

Impact of COVID-19 on finances of local government



City's Budget Response to the COVID-19 pandemic

2019/20

- **March 2020:**
COVID-19
pandemic
lockdown
- **May 2020:**
Adjustment Budget:
COVID-19 impact in
budget

2020/21

- **March 2020:**
Tabled pre COVID-
19 budget;
- **May 2020:**
Reworked 2020/21
Approved budget;
- **August 2020:**
Adjustment Budget
(NT COVID-19
funding)
- **January 2021:** Mid
year Adjustment
Budget – review
COVID-19 impact

2021/22

- **March 2021:**
Tabled Budget
(minor inclusions)
- **May 2021:**
Approved 2021/22
Budget (minor
inclusions)

Impact of COVID-19 on finances of local government

- Increased unforeseen expenditure, reduced revenue (major and minor sources), reduced collection rates, projected underspending on both capital and operating programs were experienced by municipalities the world over:

What cash crunch in the metros says about SA

Financial sustainability is on the wane in nearly all of SA's big cities – some of them were on the brink of disaster even before the coronavirus and the lockdown

BL PREMIUM
13 AUGUST 2020 - 05:00 by CLAIRE BISSEKER

FOR SUBSCRIBERS 11 Aug

Billions lost: Municipalities face financial ruin during Covid-19 pandemic

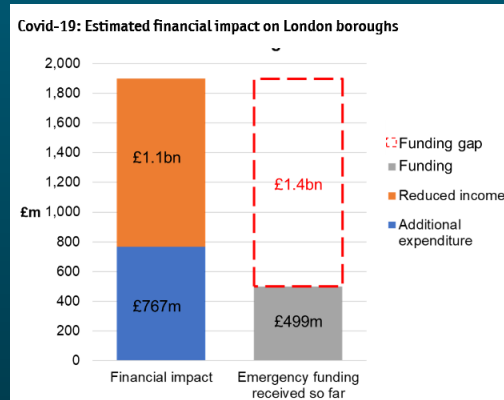
Coronavirus: UK councils fear bankruptcy amid Covid-19 costs

25 June 2020

f t e Share

Impact of Covid-19 on Local Government Finance

By Paul Honeyben 07 July 2020



2019/20 financial year

PPE, Emergency relocations and humanitarian relief:
R386m

R401m drop in rates and service charges

R274m increase in debt impairment costs

R184m drop in minor revenue sources (bus fares, events, facility rentals, etc)



Drop-off in expenditure: bulk purchases, contracted services, repairs and maintenance and other programmes temporarily moth balled (R1,5bn)

Relaxation on the use of USDG and Transport Grants to help pick up some of the operations directly linked to the pandemic

Capital budget reduced as a direct consequence of what could be achieved in the remainder of the financial year and to create cash relief for covid programmes.

2019/20

- **March 2020:** COVID-19 pandemic lockdown
- **May 2020:** Adjustment Budget: COVID-19 impact in budget



2020/21 financial year

Funded budget
but not
balanced

A LTFP design that
challenged
sustainability

Increased
capital
budget
required
R898m

Increased
operating
budget
R803m

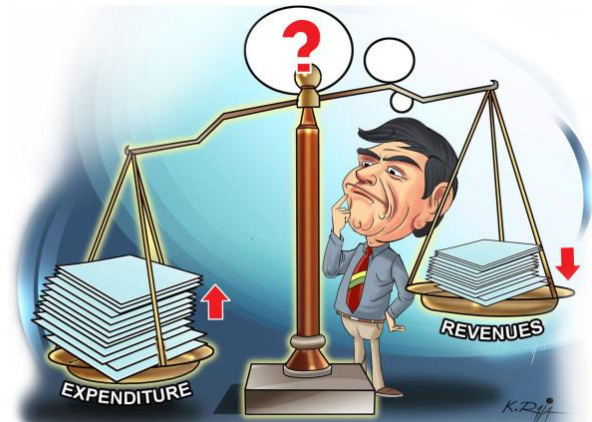
Reduction of
Revenue
R1,144bn

Planned operating deficit increases from **R624m to R2.571bn**

Consumption of working
capital/reserve cash

2020/21

- **March 2020:**
Tabled pre COVID-19 budget;
- **May 2020:**
Reworked 2020/21 Approved budget;
- **August 2020:**
Adjustment Budget (NT COVID-19 funding)
- **January 2021:** Mid year Adjustment Budget – review COVID-19 impact



2021/22 financial year

At the cross roads in budget design:
A year of difficult choices

Accept and adapt to new levels of
National and Provincial Grants and adjust
programmes

Accept low revenue organic growth,
consumption and affordability by
consumers of services

Provide for no salary increases and cut
vacant funded posts

Cutting back on travel, training and other
direct controllables

Shift of capital budget funding sources

2021/22

- **March 2021:**
Tabled Budget
(minor inclusions)
- **May 2021:**
Approved 2021/22
Budget (minor
inclusions)



Revenue insights

Major revenue streams unstable

- A property value based which is currently not stable across property value category bands;
- Reducing national grants;
- Level of economic activity impacts on consumption levels – instability here requires a balancing act of cost reflective and an affordable tariff package.





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City's Adapted focus as a result of the COVID-19 pandemic

- Economic Growth Strategy;
- Infrastructure Strategy;
- Long Term Financial Planning, the norm that captures all;
- What is my team focusing on?

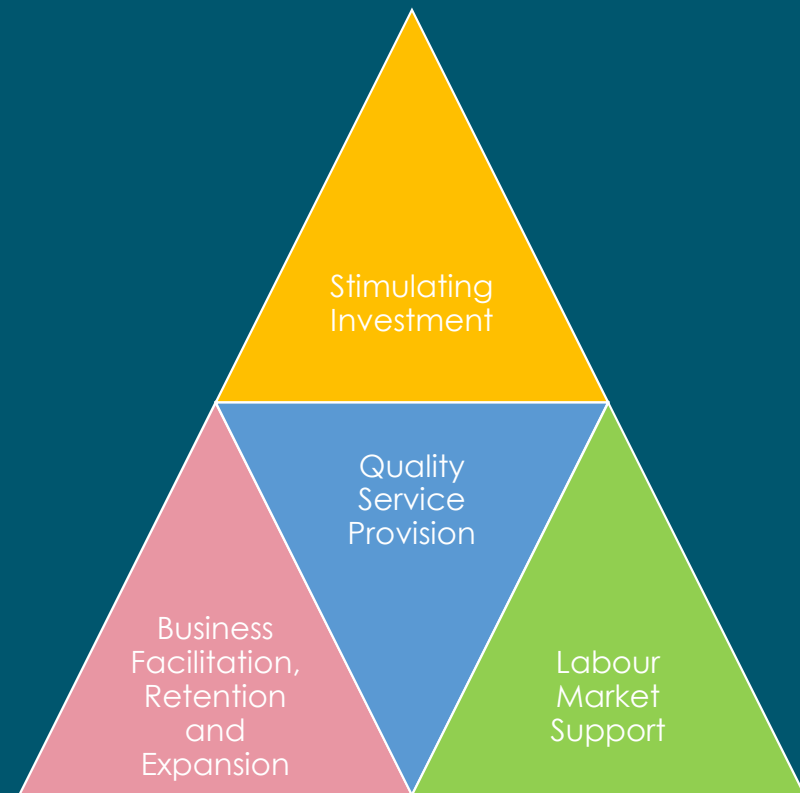
City's Inclusive Economic Growth Strategy



City's Economic Growth Strategy

- The City in its internal protocols and policies purports and stimulate local economic growth in its various disciplines;
- This is encapsulated in the recently updated Inclusive Economic Growth Strategy (IEGS) (went through public participation and on its way to Council for approval);
- This strategy in essence identifies 4 broad roles for the City in supporting growth:

Overarching framework of IEGS



Role of the IEGS in the City's Policy Ecosystem



City's Infrastructure Strategy



Rationale for the Infrastructure Strategy

- Post-COVID financial constraints mean all investment choices have to be more strategic and data driven:
 - in order to consider the trade-offs across sectors;
 - making choices across sectors that most enable recovery;
 - build on efforts to enable delivery whilst meeting compliance requirements;
 - build on the lessons of recent years about city wide transversal efforts to respond to challenges with a data driven approach.
 - For several years there have been efforts to improve planning and coordination (incl. to enable spatial objectives) – this is work-in-progress and constantly being improved on;
 - The City however has not had a consistent coordinated approach to infrastructure;
- This single cross-sector infrastructure strategy and 10 year portfolio is the first for the metro and for an South African metro.
- A more strategic and coordinated City-wide (not by sector) approach to infrastructure is essential for a credible economic recovery programme – to maximise impact, give certainty to market and contractors via strong signals of the intended pathway

Purpose of the Infrastructure Strategy

Recovery

- To support recovery by spending the City infrastructure budget well and to ensure stable, quality services

Accelerated Delivery

- To accelerate delivery of the right kinds of infrastructure, in a financially sustainable way,

Support LT View

- To provide City leadership with a specific mechanisms to drive a 10 year infrastructure programme.

Respond to Dynamism

- To enable an adaptive approach appropriate for a dynamic context – incl. changes in climate (rainfall patterns), technology (incl. energy systems), population, poverty and governance.

Data Driven

- To provide a strategy and delivery mechanism that is data driven, adaptive and coordinated across sectors.

Capability Building

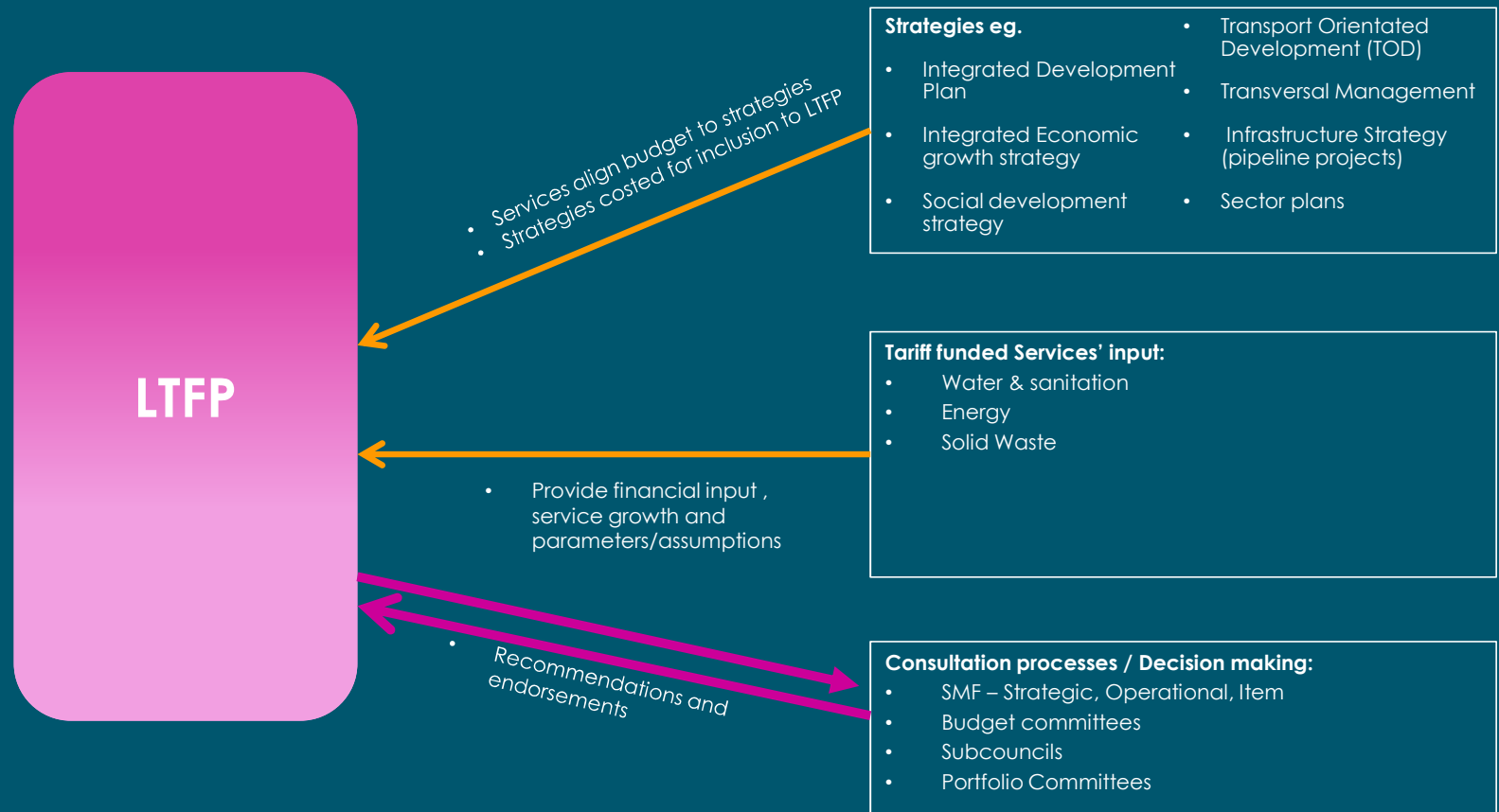
- To continue to build on the infrastructure planning and delivery capabilities we have put in place over the last 10 years.



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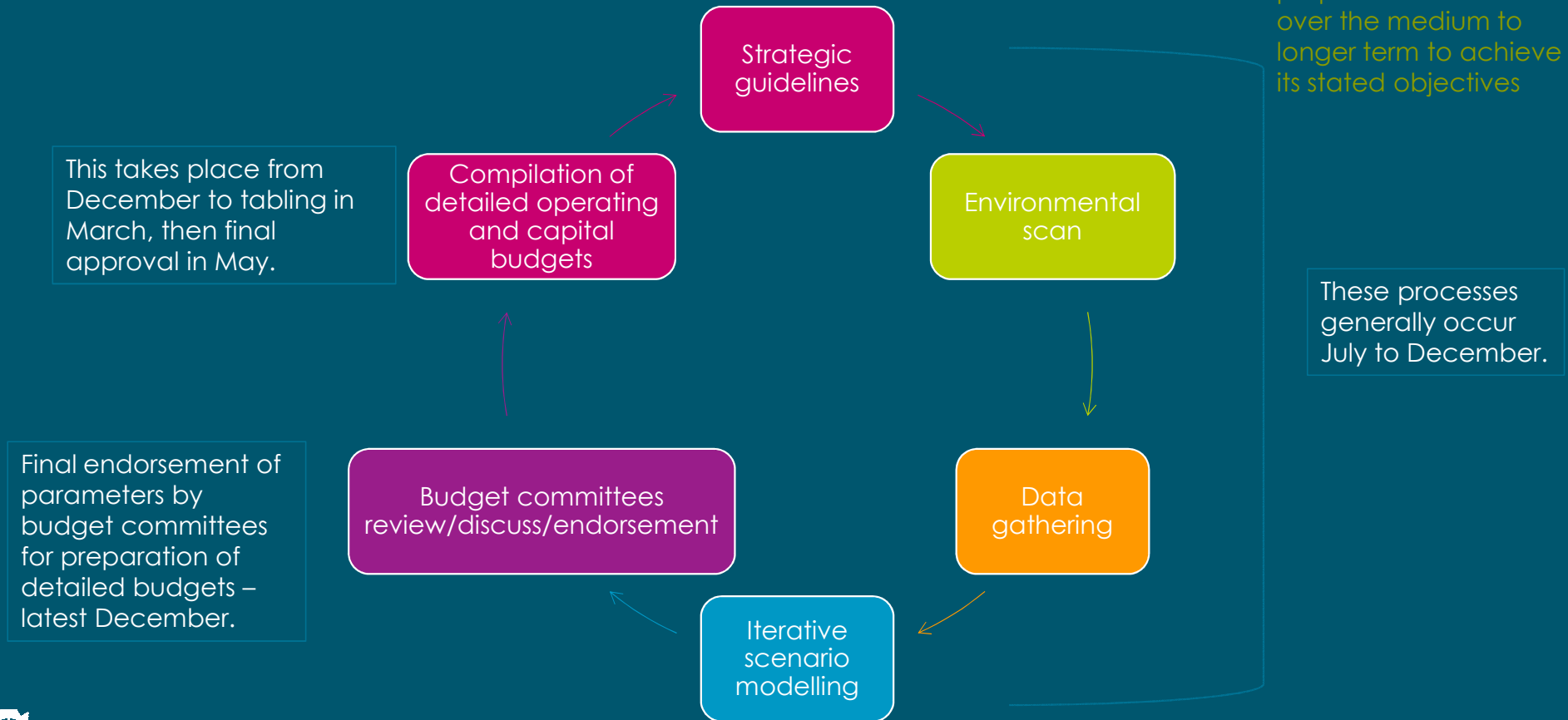
City's Financial focus

Linking LTFP to strategies

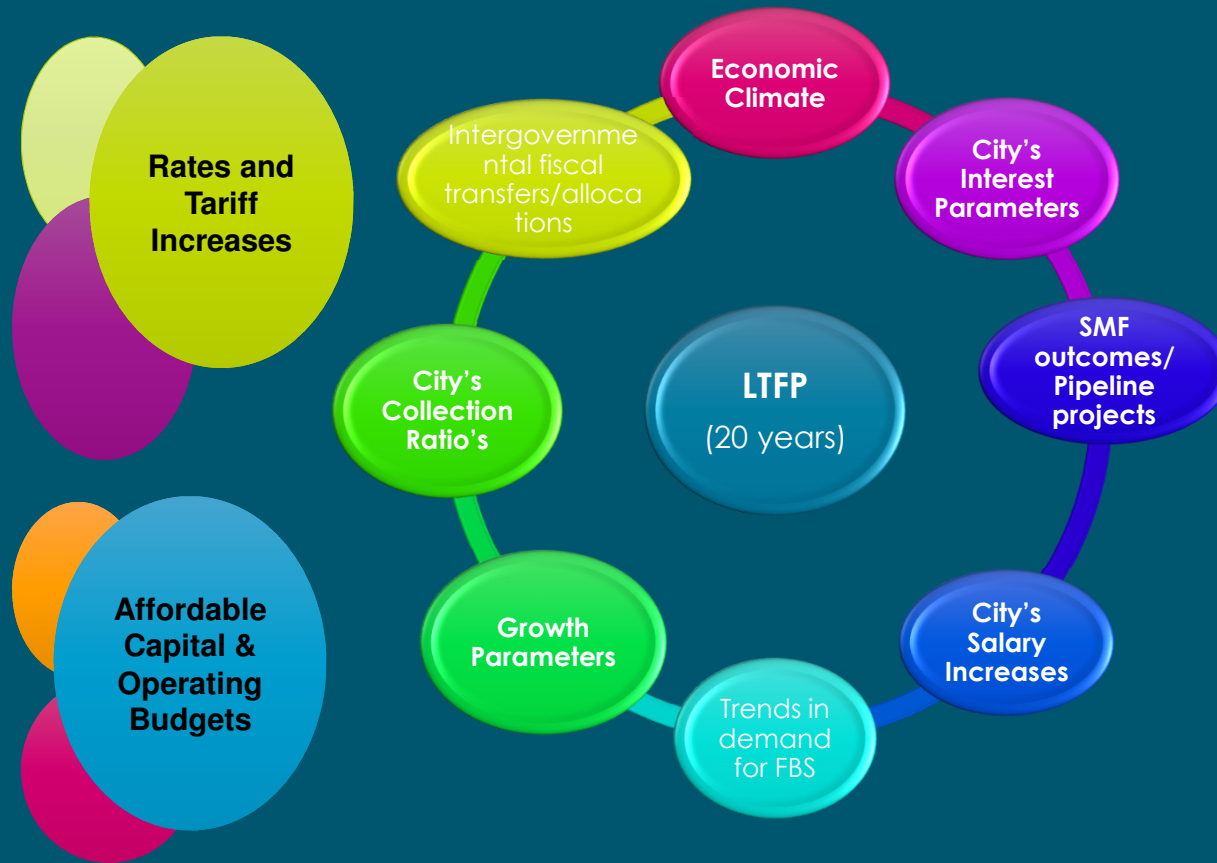


Annual Long Term Financial Plan (LTFP) process

The Long Term Financial Plan (LTFP) shows in **financial terms**, the activities that the City proposes to undertake over the medium to longer term to achieve its stated objectives



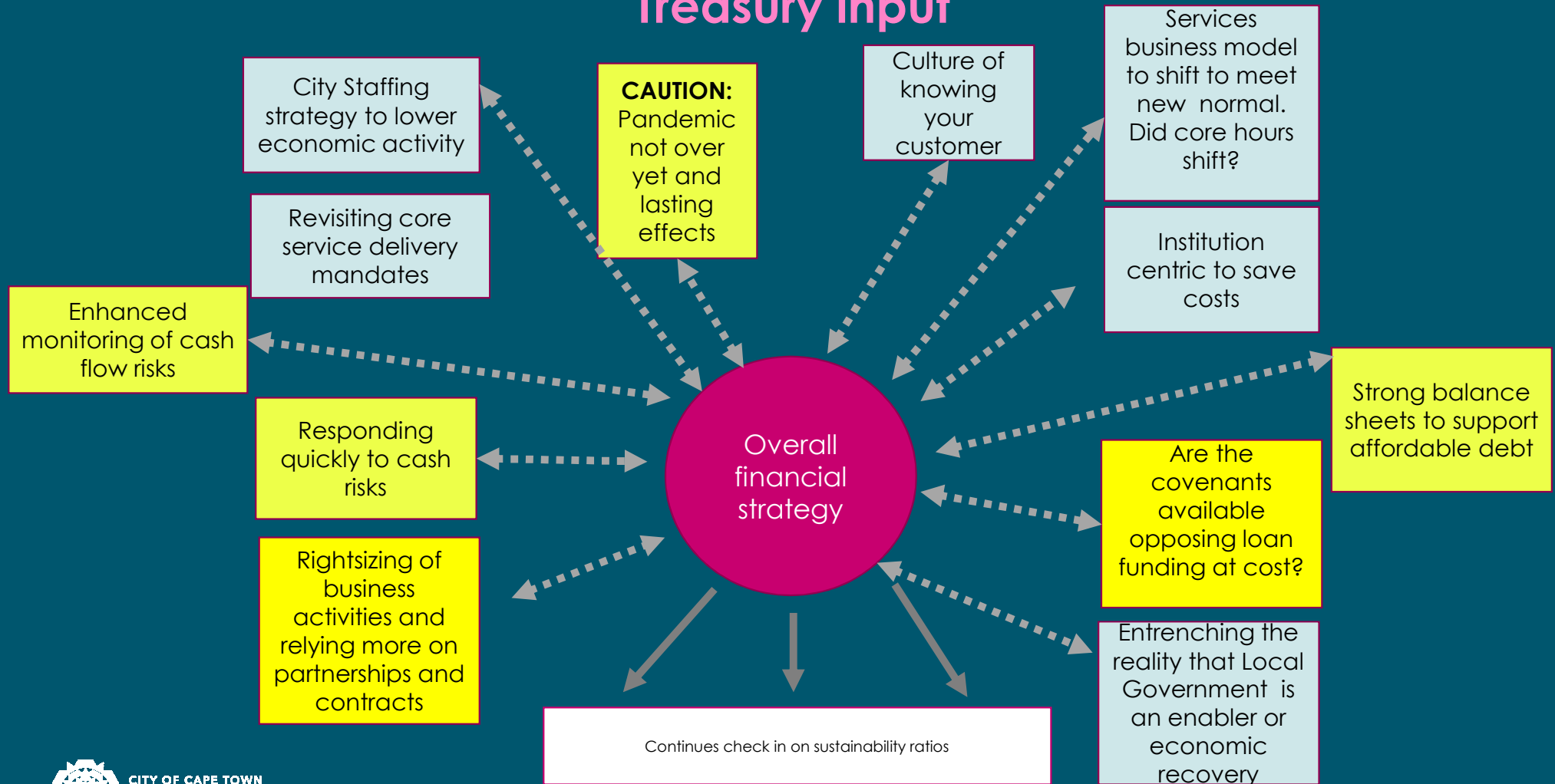
LTFP : Assumptions to determine affordability



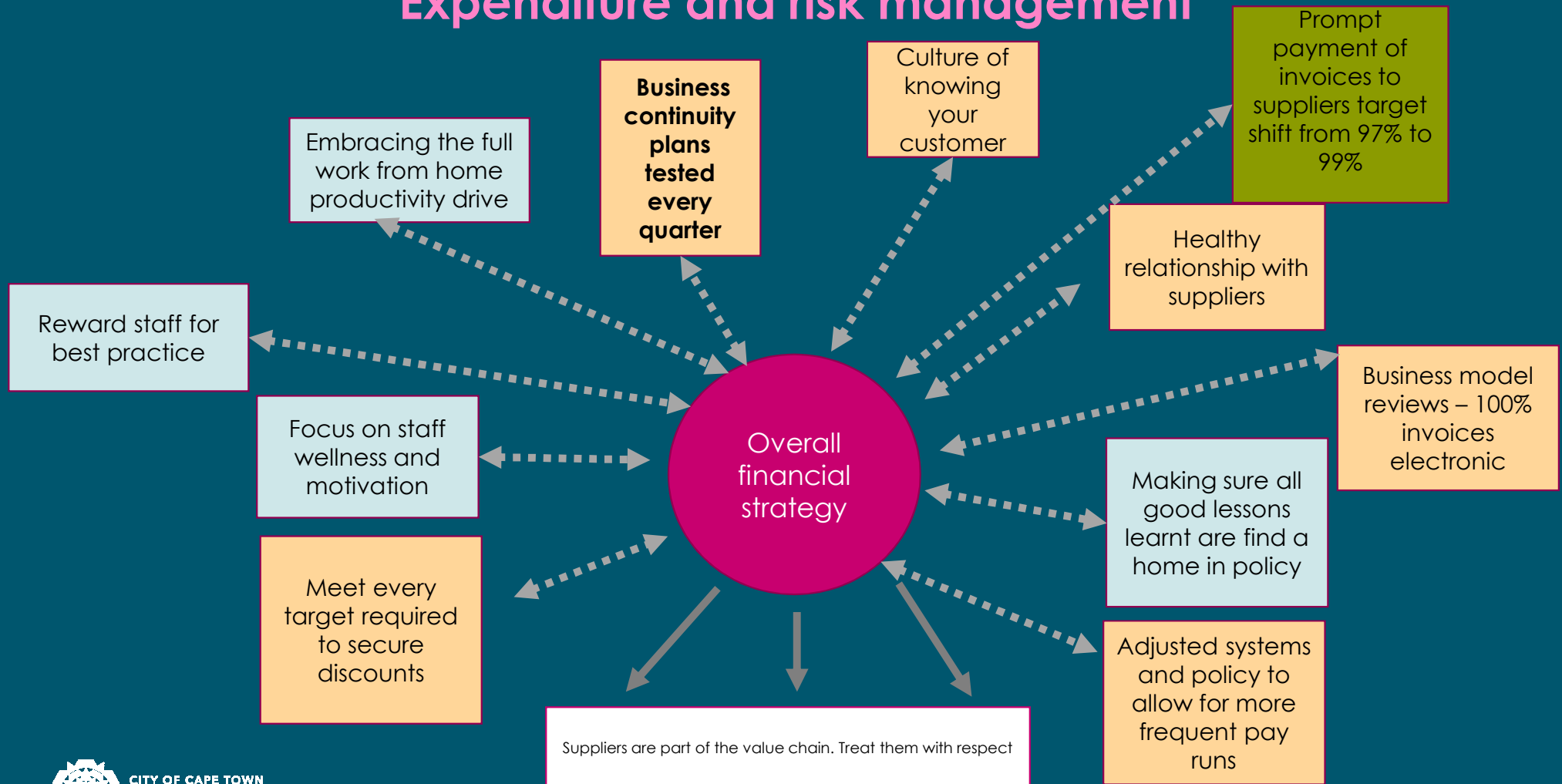
Budget Focus



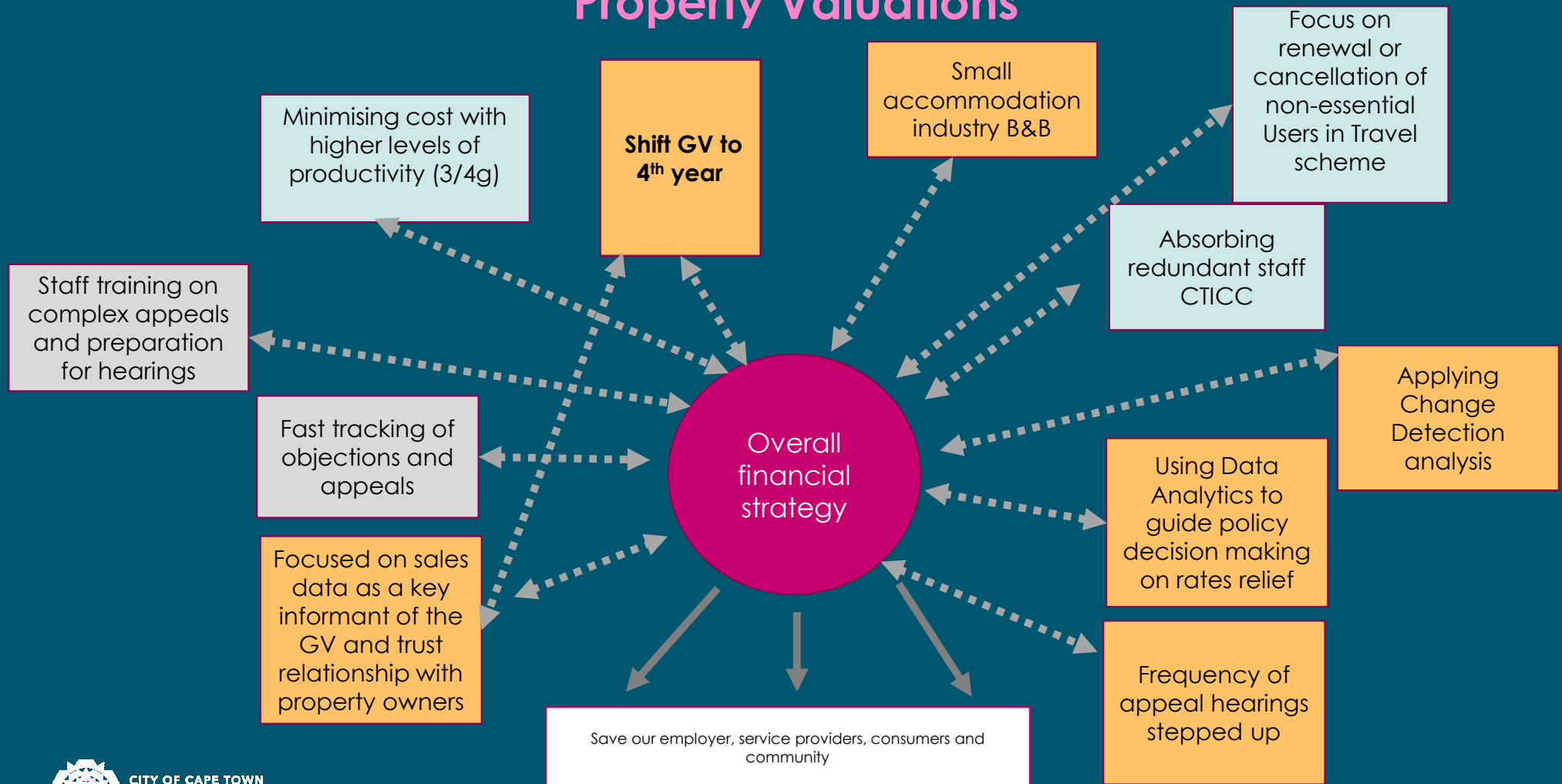
Treasury input



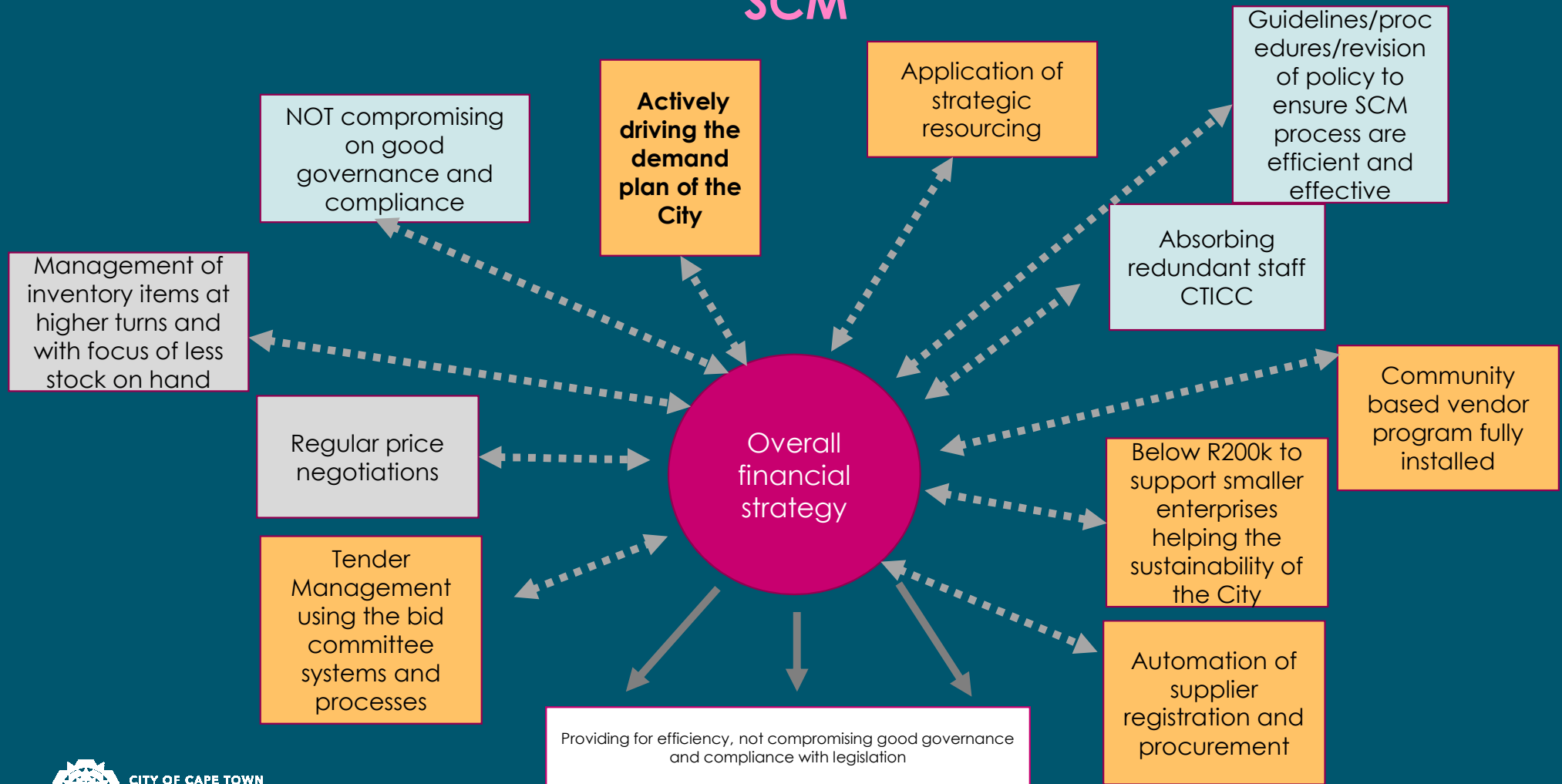
Expenditure and risk management



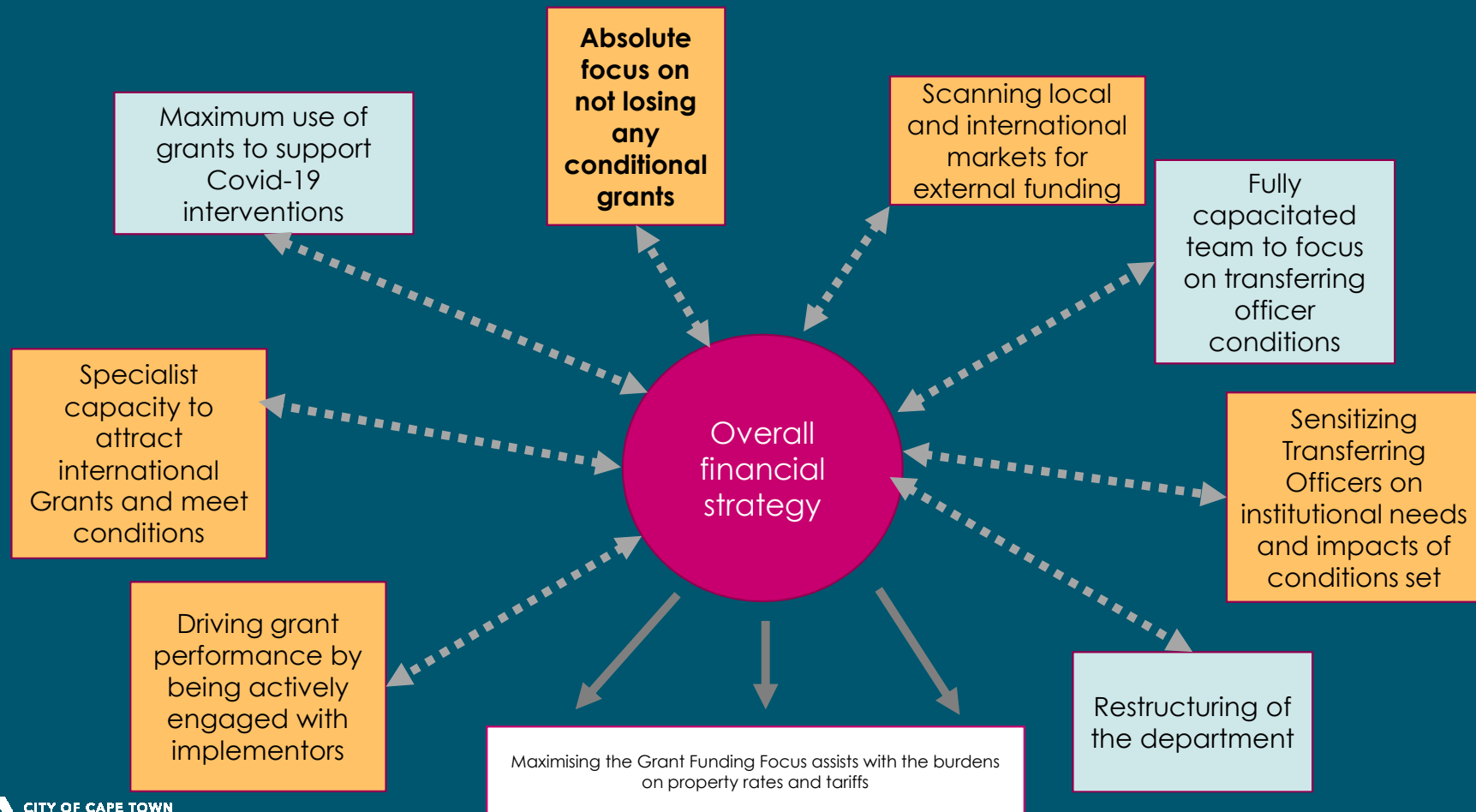
Property Valuations



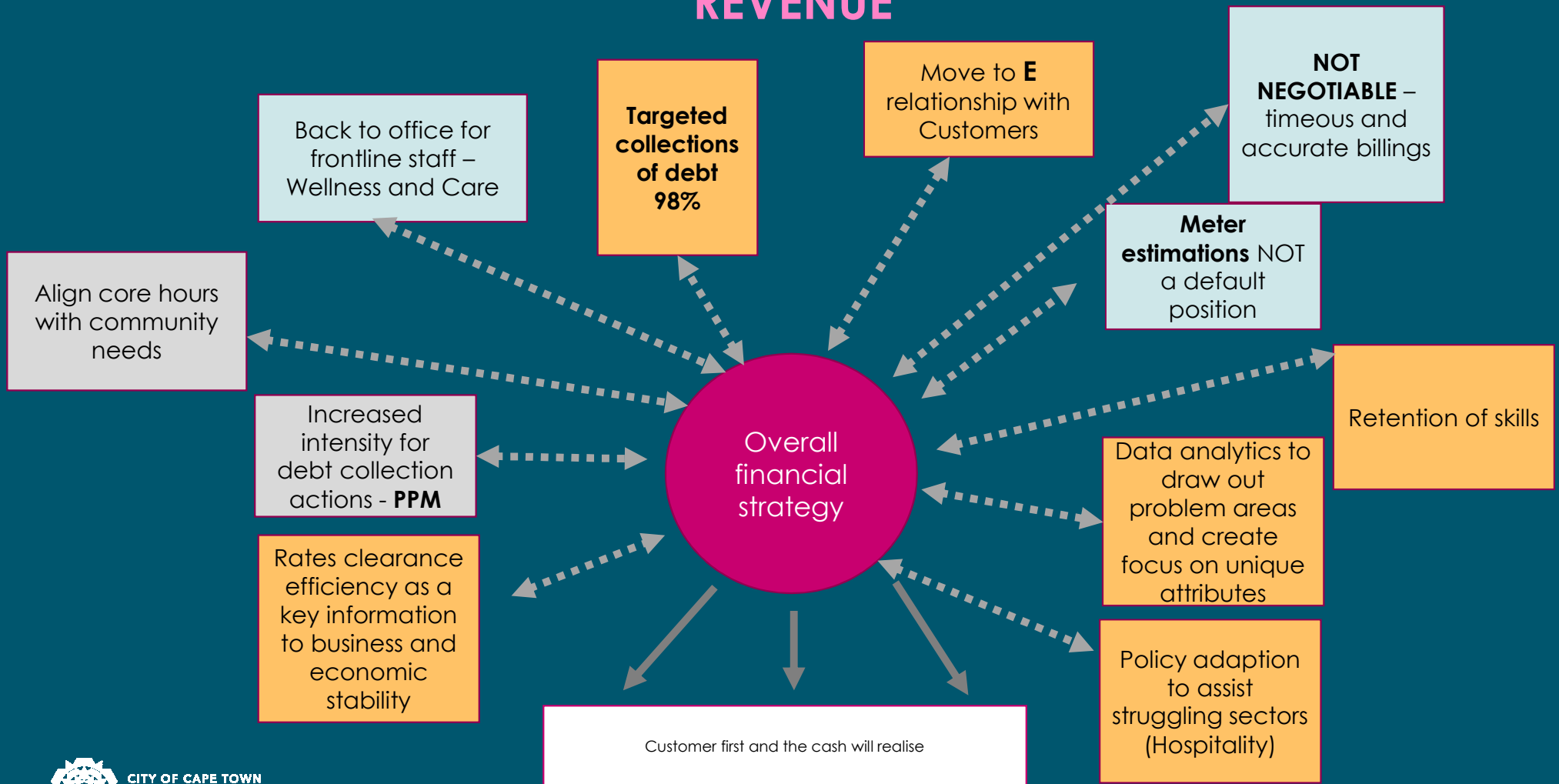
SCM



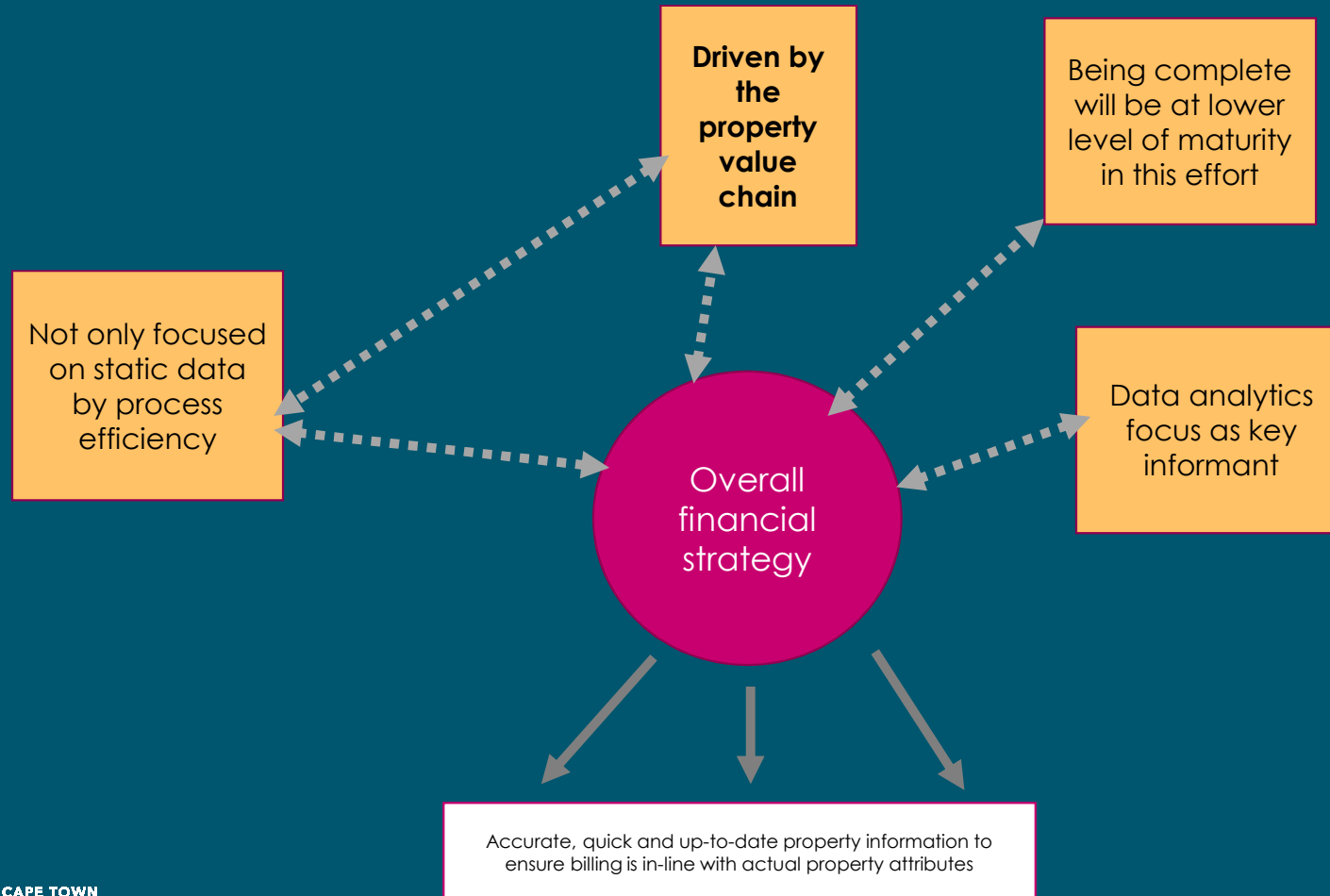
Grant Funding

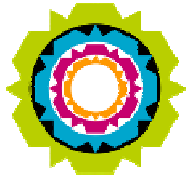


REVENUE



Revenue maximization





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Chief Finance Office
Kevin Jacoby
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