

# CITY OF CAPE TOWN

# 2013/14

# DRAFT BUDGET

17 April 2013 (v1.3)

ANALYSIS AND DESIGN BY

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Researcher, Ndifuna Ukwazi

THE IMALI YETHU PROJECT



This document provides an overview and preliminary analysis of the recently tabled City of Cape Town 2013/14 Draft Budget and MTREF.

The draft budget is available on the City of Cape Town website here:

[http://www.capetown.gov.za/en/Budget/Pages/Budget-2013-2014-\(Draft\).aspx](http://www.capetown.gov.za/en/Budget/Pages/Budget-2013-2014-(Draft).aspx)

Percentage values have been rounded to one decimal point. In most instances, amounts over a billion have been rounded to the nearest billion with one decimal point, and amounts between a million and a billion have been rounded to the nearest million. Unless otherwise indicated, diagrams and charts refer to the budget year 2013/14.

Where the years 2009/10, 2010/11 and 2011/12 appear, this refers to the Audited Outcome for those years. Where 2012/13 appears, this refers to the Full Year Forecast for that year. The years 2013/14, 2014/15 and 2015/16 refer to the MTREF.

Should you notice any errors or wish to share any comments and suggestions, please feel free to contact Fritz Jooste at [fritz@nu.org.za](mailto:fritz@nu.org.za).

## DEFINITIONS

### MTREF

(Medium Term Revenue and Expenditure Framework)

“... sets out indicative revenue and projected expenditure for the budget year, plus two outer financial years.”

In South Africa, budgets often consider three years – the current budget year, and projections for two following years for planning purposes.

### Equitable Share

“A general grant paid to municipalities. It is predominantly targeted at assisting municipalities with the costs of free basic services.”

### Bulk Purchases

This refers to electricity and water purchased by the municipality for distribution.

### Vote

“One of the main segments into which a budget is divided, usually at directorate level.” Typically when the budget refers to expenditure or revenue ‘by Vote’, it is separating it by directorate, e.g. Utility Services or Human Settlements.

“Citizens need to know that their government works for them, is accountable to them and answers to them at all times. Governments manage public resources and programmes. As such, they must be scrutinised constantly in public to ensure responsible management.”

Term of Office 5 YEAR PLAN (IDP) 1 JULY 2012 – 30 JUNE 2017, version 5,2 (26 January 2012), Annexure 11 of the City of Cape Town 2012/13 Draft Annual Budget and MTREF, p.13

This document provides residents and organisations with a clear and simple overview of the City of Cape Town 2013/14 draft budget, enabling them to make an informed submission into the City’s budget process. The City has invited residents to comment on the draft budget before **5 May 2013** by submitting them in writing or by using the form on the City’s website here:

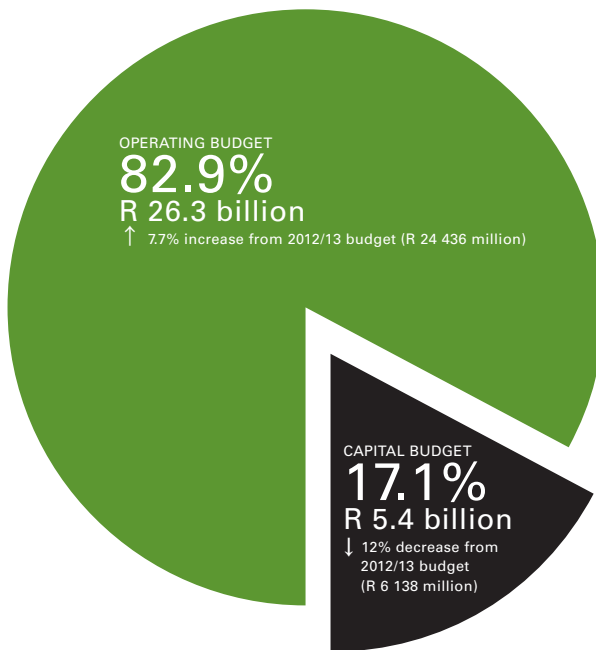
<http://www.capetown.gov.za/en/PublicParticipation/Pages/DraftIDPandBudget2013140402-4006.aspx>

We encourage you to go through this document and send in your comments and submissions. Active public participation in the budget process is an important step to ensure that government gives adequate consideration to the needs of residents and manages public resources responsibly.

# budget overview

CITY OF CAPE TOWN 2013/14 BUDGET

## R 31.7 billion



The total size of the City of Cape Town 2013/14 draft budget is R 31.7 billion. This is a 3.6% increase from the 2012/13 full year forecast.

# operating budget

“the day-to-day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance”

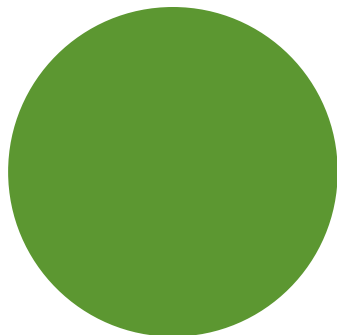
City of Cape Town 2012/13 Draft Annual Budget and MTREF, Glossary of Terms and Abbreviations, p.iv

# OPERATING BUDGET

revenue by source

TOTAL OPERATING REVENUE 2013/14

R 26.3 billion



**SERVICE CHARGES** 55.4% R 14.4 billion

↑ 7.3% increase from 2012/13 budget (R 13.5 billion)



**PROPERTY RATES** 21.2% R 5.5 billion

↑ 7.1% increase from 2012/13 budget (R 5.2 billion)



**TRANSFERS** 10.1% R 2.6 billion

↑ 21.5% increase from 2012/13 budget (R 2.2 billion)



**OTHER REVENUE** 8.3% R 2.2 billion

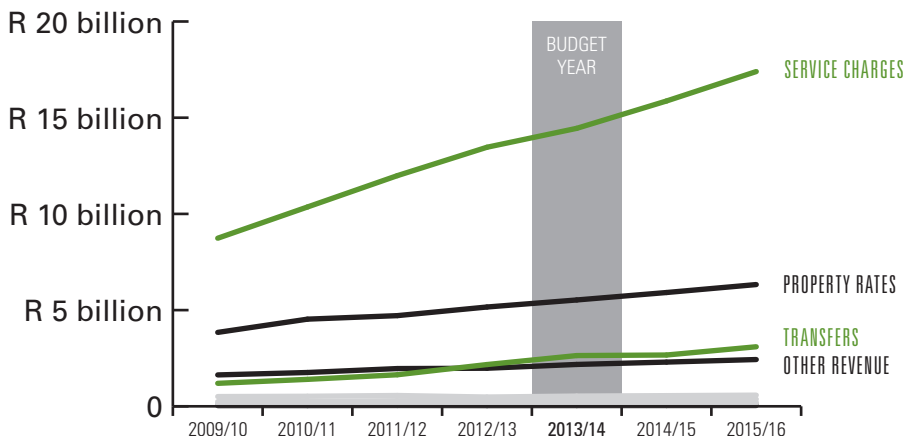
- **INTEREST EARNED** 2.0% R 532 million
- **RENTAL OF FACILITIES & EQUIPMENT** 1.3% R 336 million
- **FINES** 0.7% R 182 million
- **AGENCY SERVICES** 0.5% R 122 million
- **GAINS ON DISPOSAL OF PPE** 0.3% R 69 million
- **LICENCES AND PERMITS** 0.1% R 36 million

More than half (55.4%) of the operating revenue is from Service Charges.  
A little more than one fifth (21.2%) of the operating revenue is from Property Rates.

SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, Table 7, p.8

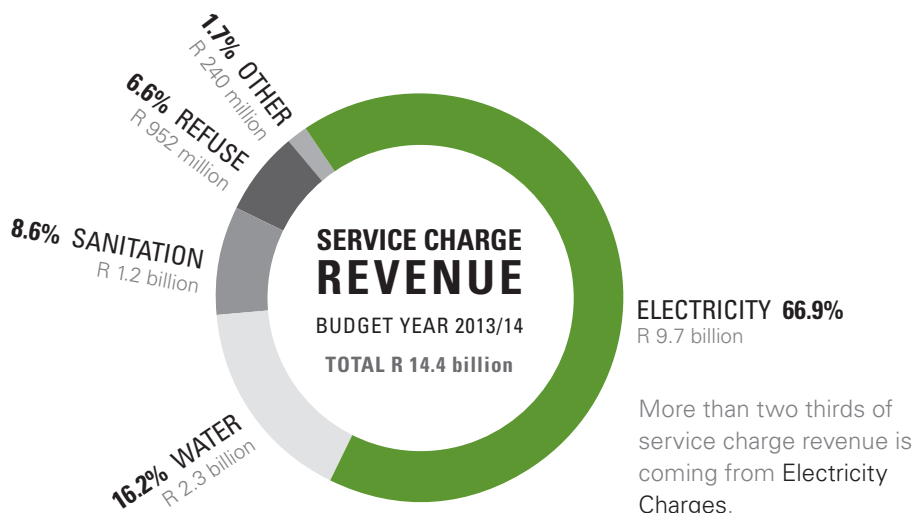
# OPERATING BUDGET

revenue by source (CONTINUED)



More than half (55.4%) of the operating revenue is from Service Charges.

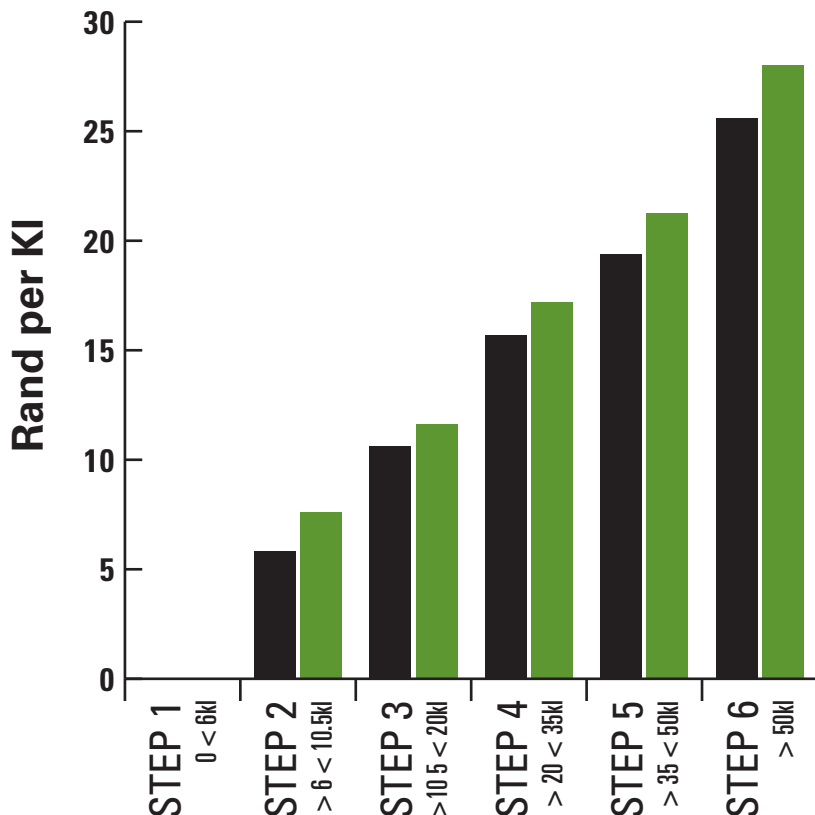
A little more than one fifth (21.2%) of the operating revenue is from Property Rates.



SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, Table 7, p.8

# OPERATING BUDGET

service charges: **water tariffs**

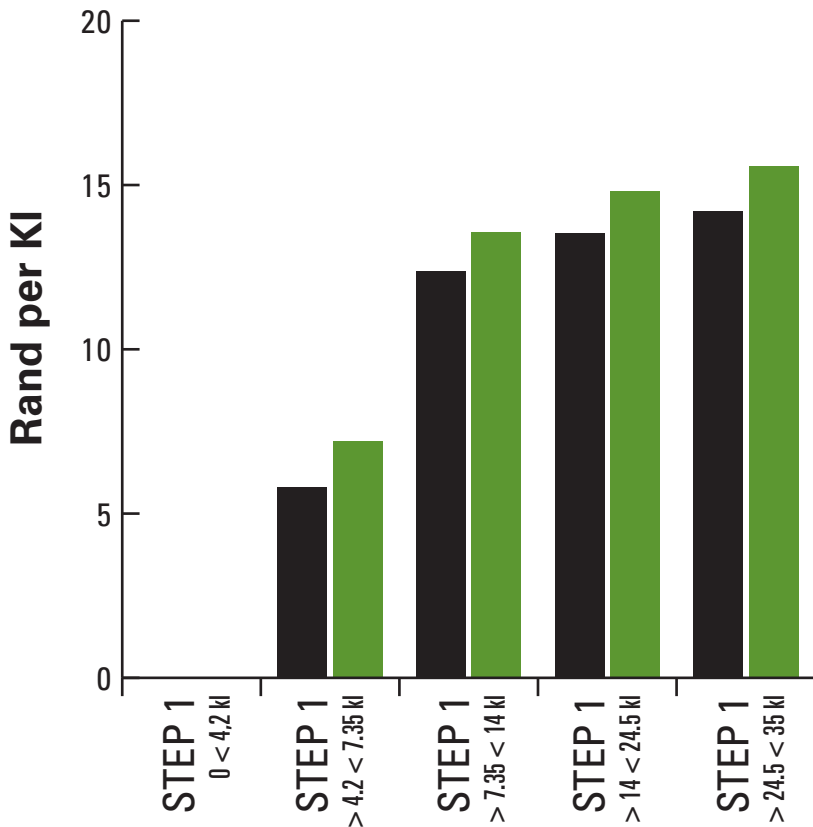


A 30.4% increase in water charges is proposed for Step 2 users (more than 6 kiloletters but less than 10.5) in the budget year. For these users water charges will rise from R 5.83 to R 7.60 per kiloletter.



# OPERATING BUDGET

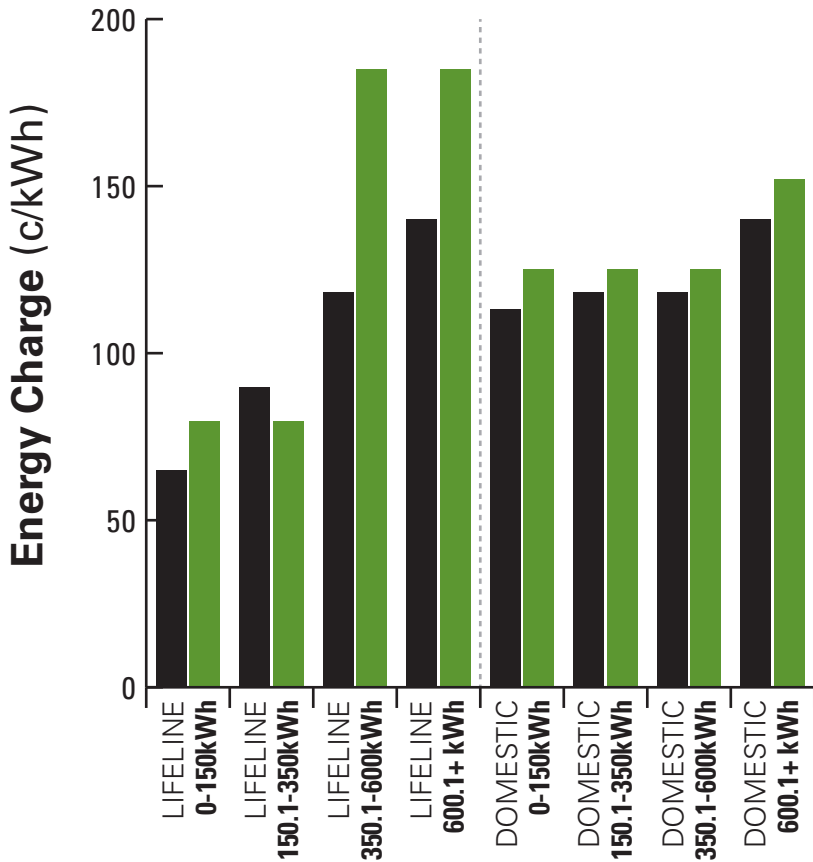
service charges: **sanitation tariffs**



A 23.9% increase in sanitation charges is proposed for **Step 2** users (more than 4.2 kiloletters but less than 7.35) in the budget year. For these users sanitation charges will rise from R 5.81 to R 7.20 per kiloletter.

# OPERATING BUDGET

service charges: **electricity tariffs**



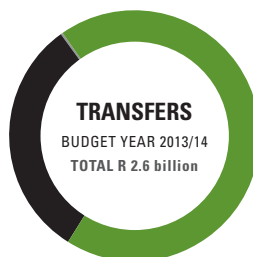
In the draft budget, two categories of users will experience large increases: Lifeline 350.1-600kWh (56.6%) and Lifeline 600.1+kWh (32.0%). Lifeline 150.1-350kWh users will experience an electricity charge decrease of 11.4%

# OPERATING BUDGET

## operating grants & transfers

Of the R 2.6 billion in transfers contributing to the operating budget, more than two thirds (68.7%) is received from National Government.

31.3% **PROVINCIAL GOV.**  
R 824 million



**NATIONAL GOV. 68.7%**  
R 1.8 billion

Transfers and grants are funds given to the municipality, mostly by National and Provincial government and usually for a particular purpose.



**R 1.2 billion**



NATIONAL GOV.  
Urban Settlements  
Development Grant

**R 149 million**



NATIONAL GOV.  
Expanded Public Works  
Programme Integrated Grant

**R 32 million**



NATIONAL GOV.  
Public Transport Network  
Operations Grant

**R 303 million**



NATIONAL GOV.  
2014 African Nations  
Host City Operating Grant

**R 60 million**



PROVINCIAL GOV.  
Local Government and Housing:  
Housing

**R 417 million**



PROVINCIAL GOV.  
Health:  
Global Fund

**R 35 million**



PROVINCIAL GOV.  
Health:  
ARV

**R 78 million**



PROVINCIAL GOV.  
Health:  
Vaccines

**R 80 million**



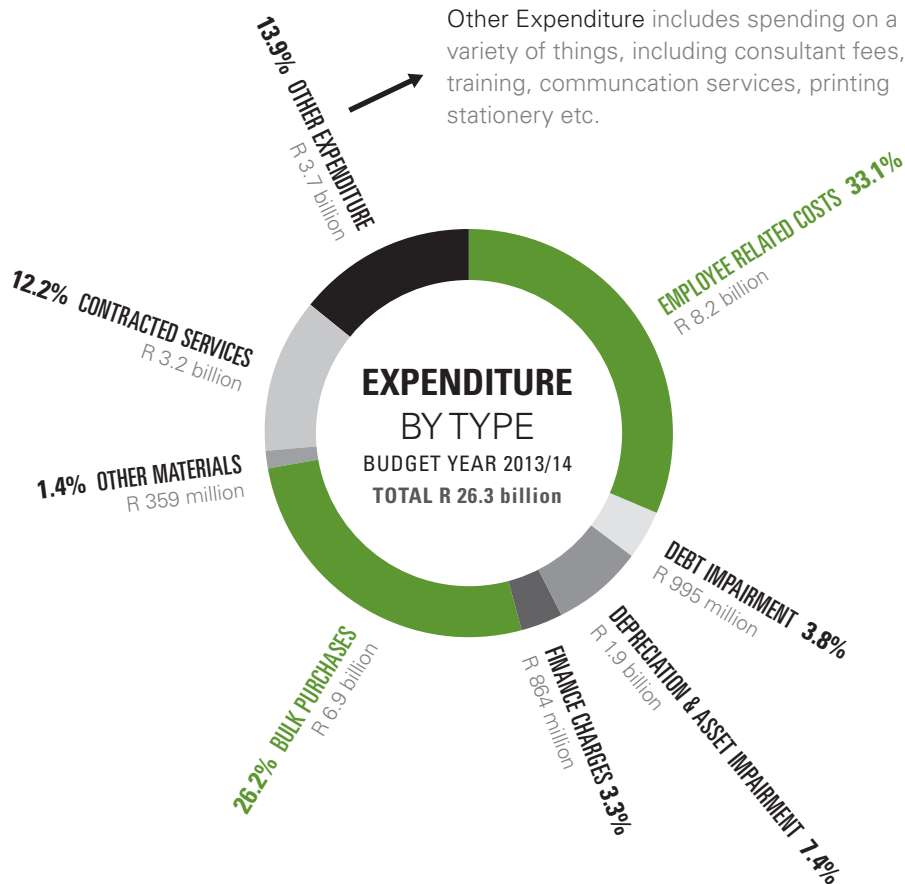
PROVINCIAL GOV.  
Comprehensive  
Health

**R 147 million**

The largest operating transfer is the Equitable Share grant received from National Government. This is a slice of the nationally-raised revenue given to all provinces and municipalities depending on their population size, number of learners, hospital case loads etc.

# OPERATING BUDGET

expenditure by **type**

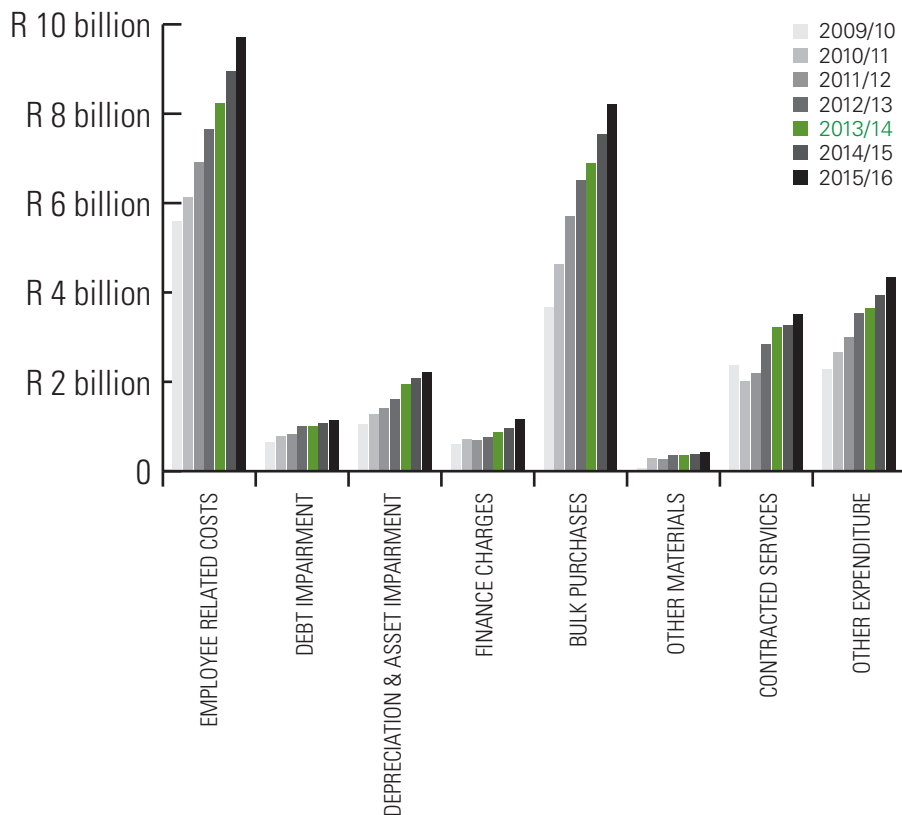


Just under a third (33.1%) of the operating budget has been allocated towards Employee Related Costs (e.g. salaries, medical aid, cellphone allowances). More than a quarter (26.2%) of the operating budget is going towards Bulk Purchases (e.g. purchases of electricity from Eskom for distribution).

SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, Table 18, p.17

# OPERATING BUDGET

expenditure by **type** (CONTINUED)

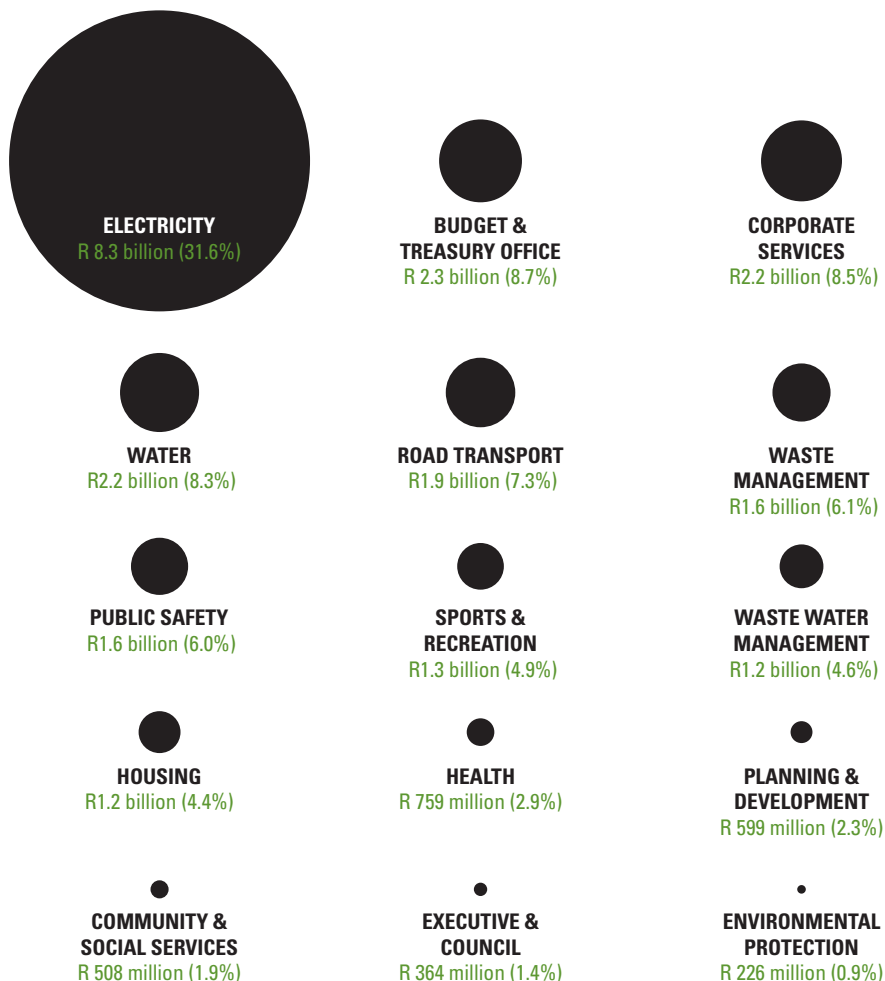


According to the MTREF, the amount the City of Cape Town will spend on Bulk Purchases and Employee Related Costs will increase over the next three years at a higher rate than other types of operating expenditure.

# OPERATING BUDGET

## expenditure by **standard classification**

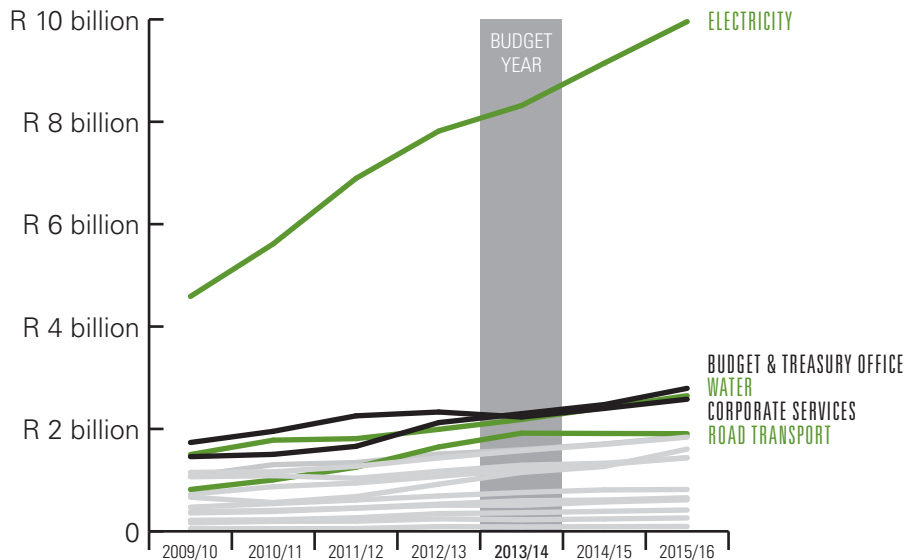
The circles below illustrate the relative size of the different *classes* of operating expenditure. It shows that the City of Cape Town plans to spend the largest portion of the operating budget, by a substantial margin, on Electricity.



SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, Table 22, p.27

# OPERATING BUDGET

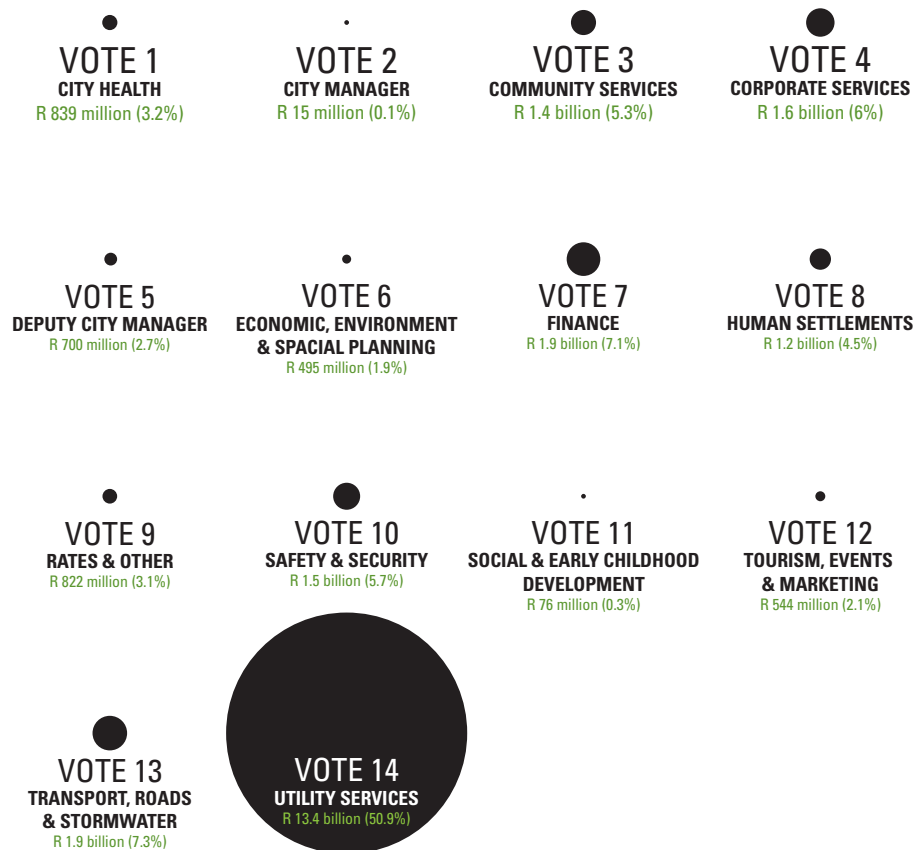
expenditure by **standard classification** (CONTINUED)



According to the MTREF, spending on Electricity will also increase substantially over the next three years.

# OPERATING BUDGET

expenditure by **vote**

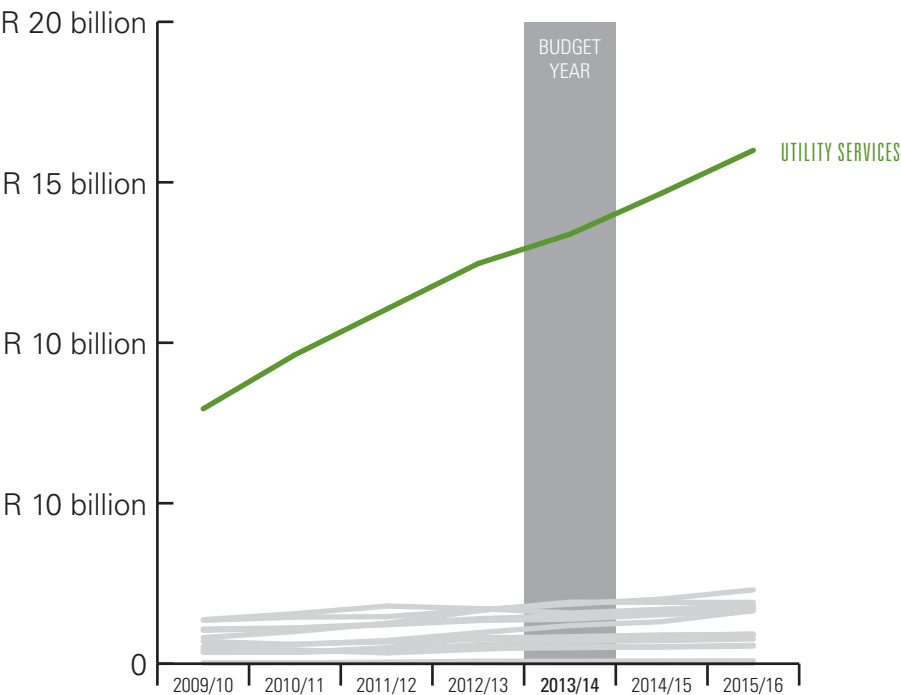


The municipal vote (in other words, department or directorate) that is receiving a much larger allocation than the others is Utility Services (Vote 14).



# OPERATING BUDGET

expenditure by **vote** (CONTINUED)



The chart above shows that the operating expenditure by Utility Services (Vote 14) has grown at the highest rate, and will continue to do so over the next three years according to the MTREF.

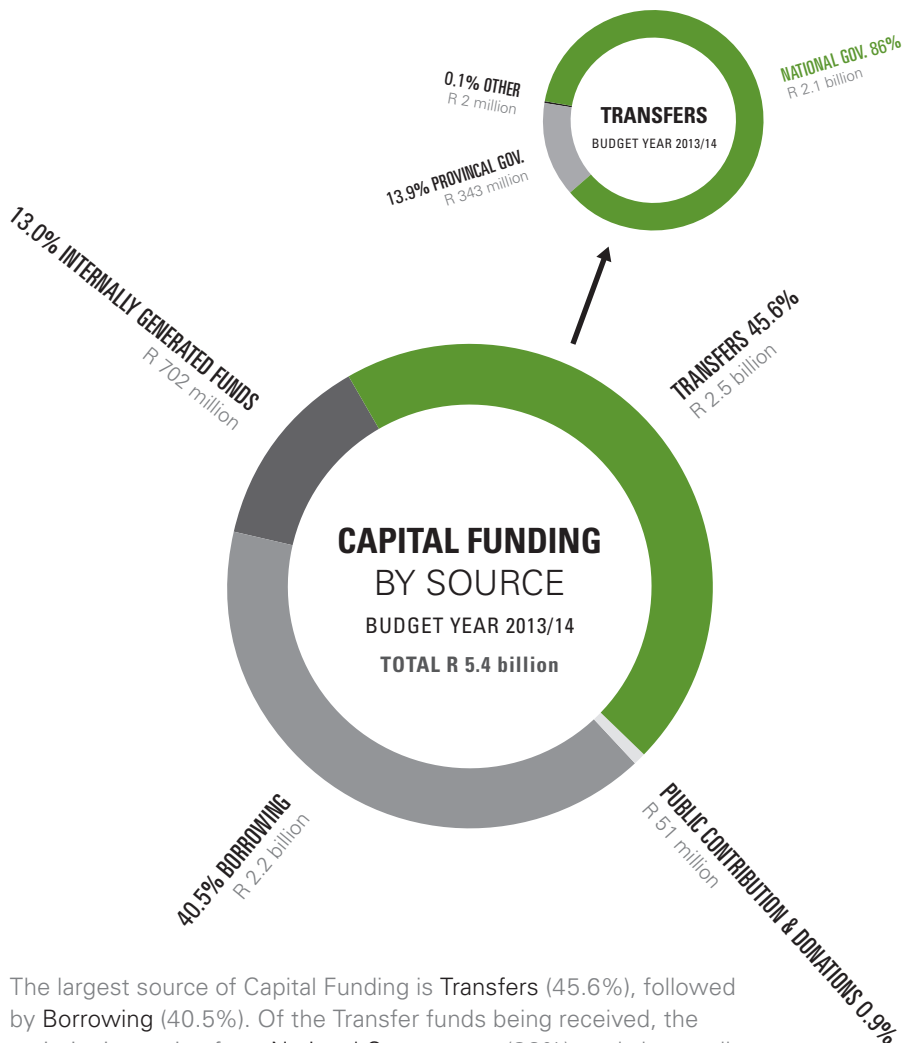
# capital budget

“spending on municipal assets such as land, buildings and vehicles”

City of Cape Town 2012/13 Draft Annual Budget and MTREF, Glossary of Terms and Abbreviations, p.iv

# CAPITAL BUDGET

capital funding by **source**



The largest source of Capital Funding is Transfers (45.6%), followed by Borrowing (40.5%). Of the Transfer funds being received, the majority is coming from National Government (86%), and almost all of the rest from Provincial Government (13.9%).

SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, Table 26, p.34

# CAPITAL BUDGET

## capital transfers & grants

### NATIONAL GOVERNMENT

MINERALS & ENERGY  
Energy Efficiency & Demand Side  
Management Grant  
R 9 million

MINERALS & ENERGY  
Integrated National Electrification  
Programme Grant  
R 25 million

NATIONAL TREASURY  
Neighbourhood Development  
Partnership Grant  
R 30 million

NATIONAL TREASURY  
Other  
R 17 million

NATIONAL TREASURY  
Urban Settlements  
Development Grant  
R 1 billion

SPORTS & RECREATION  
2014 African Nation Championship  
Host City Operating Grant  
R 3 million

TRANSPORT  
Public Transport  
Infrastructure Grant  
R 946 million

TRANSPORT  
Public Transport Network  
Operations Grant  
R 49 million

### PROVINCIAL GOVERNMENT

CULTURAL AFFAIRS & SPORT  
Library Services  
Conditional Grant  
R 1 million

HOUSING  
Integrated Housing & Human  
Settlement Development Grant  
R 319 million

HOUSING  
Previous years'  
allocations  
R 5 million

PROVINCIAL GOVERNMENT  
Fibre Optic Broadband  
Roll Out  
R 10 million

TRANSPORT  
Municipal Land  
Transport Fund  
R 5 million

TRANSPORT &  
PUBLIC WORKS  
Cape Metropolitan  
R 1 million

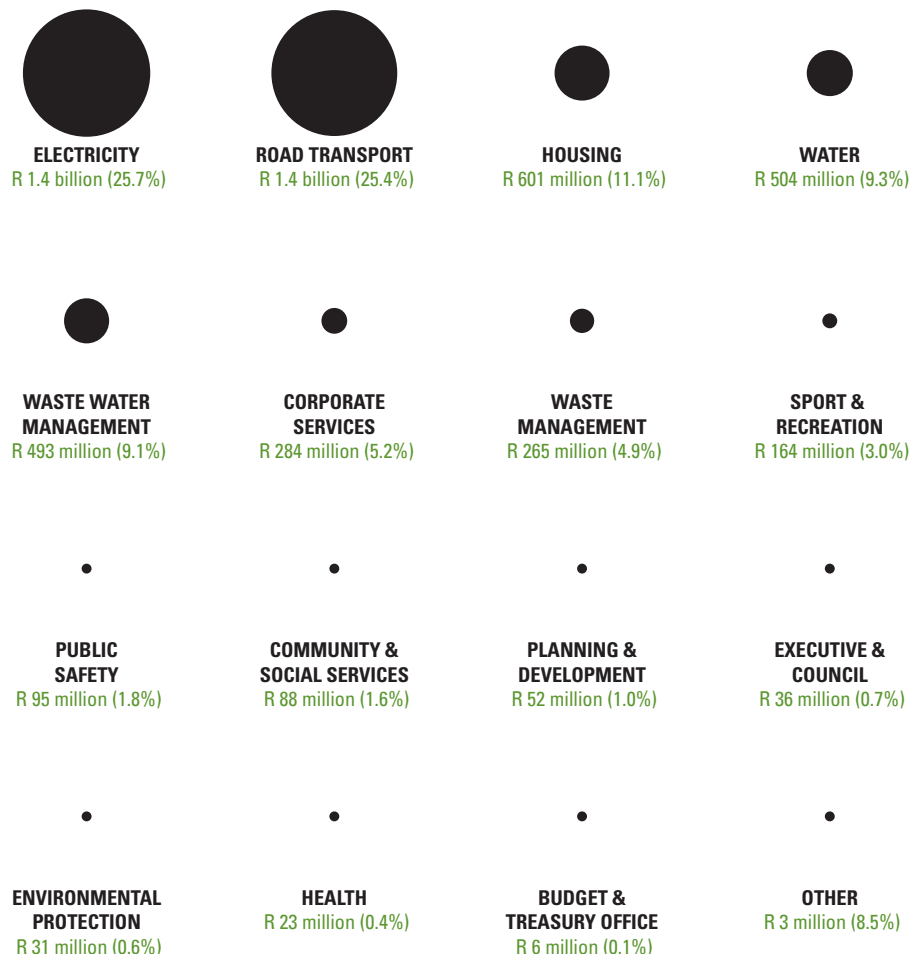
OTHER GRANT  
PROVIDERS  
Other  
R 53 million

The two largest capital transfers are the Urban Settlements Development Grant and the Public Transport Infrastructure Grant, both from National Government.

SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, Table 47, p.80

# CAPITAL BUDGET

expenditure by **standard classification**

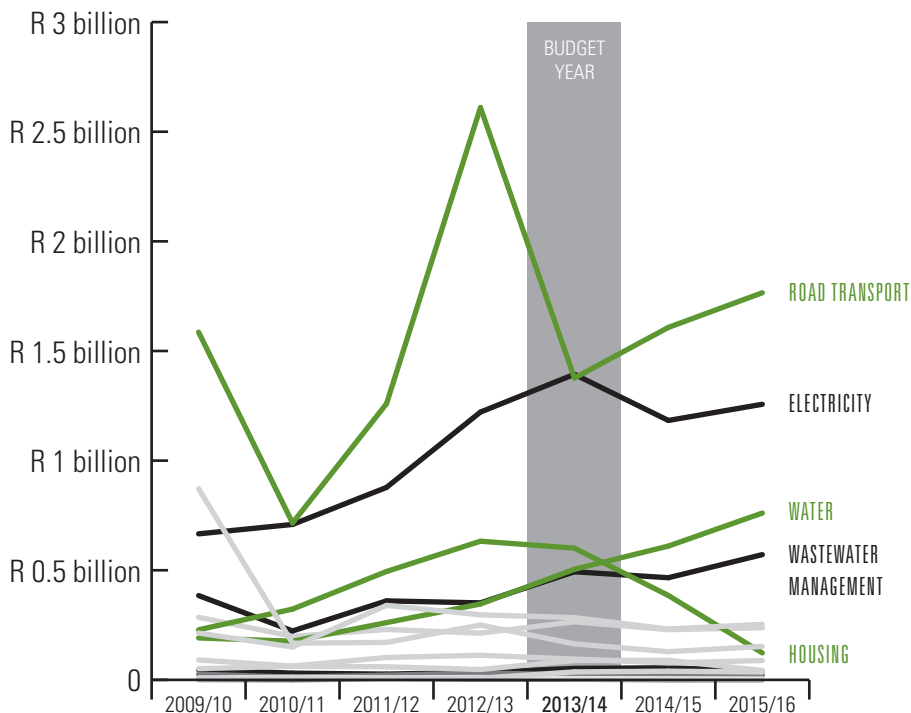


Going by standard classification, the two largest areas of capital expenditure in the 2013/14 draft budget are **Electricity** (25.7% of the total capital budget) and **Road Transport** (25.4%).

SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, Table 26, p.34

# CAPITAL BUDGET

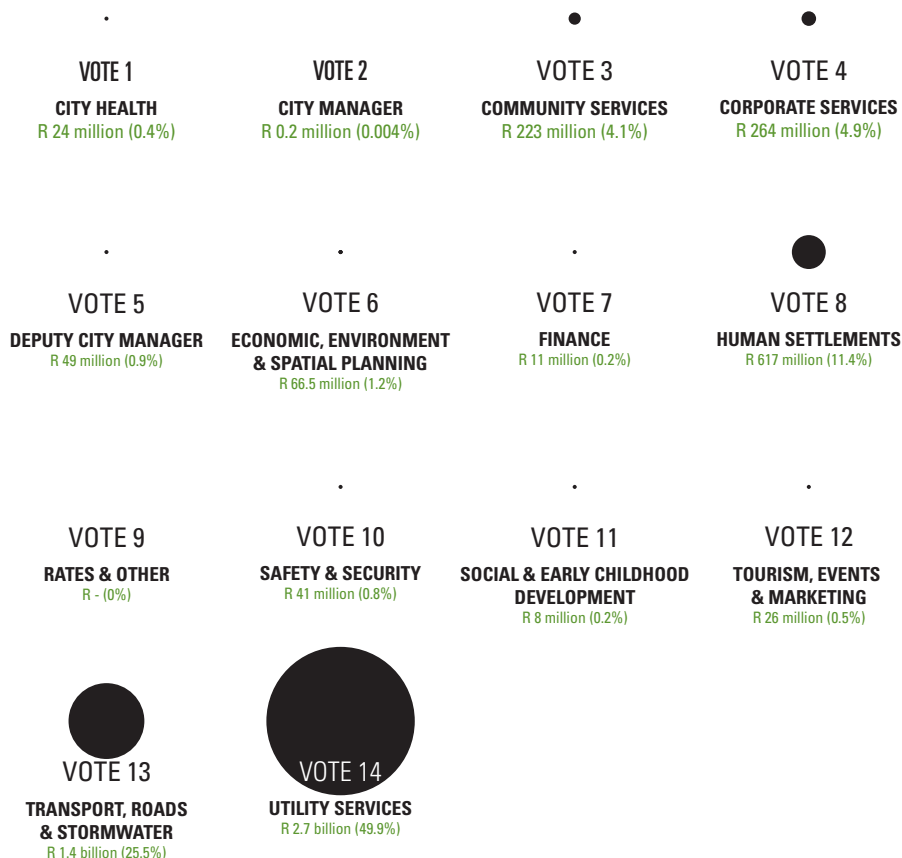
expenditure by **standard classification** (CONTINUED)



The chart above shows that spending in the capital budget on Road Transport will decrease substantially from 2012/13 to the budget year 2013/14, but then again increase gradually over the medium term. Capital spending on Housing is expected to decrease dramatically over the next three years.

# CAPITAL BUDGET

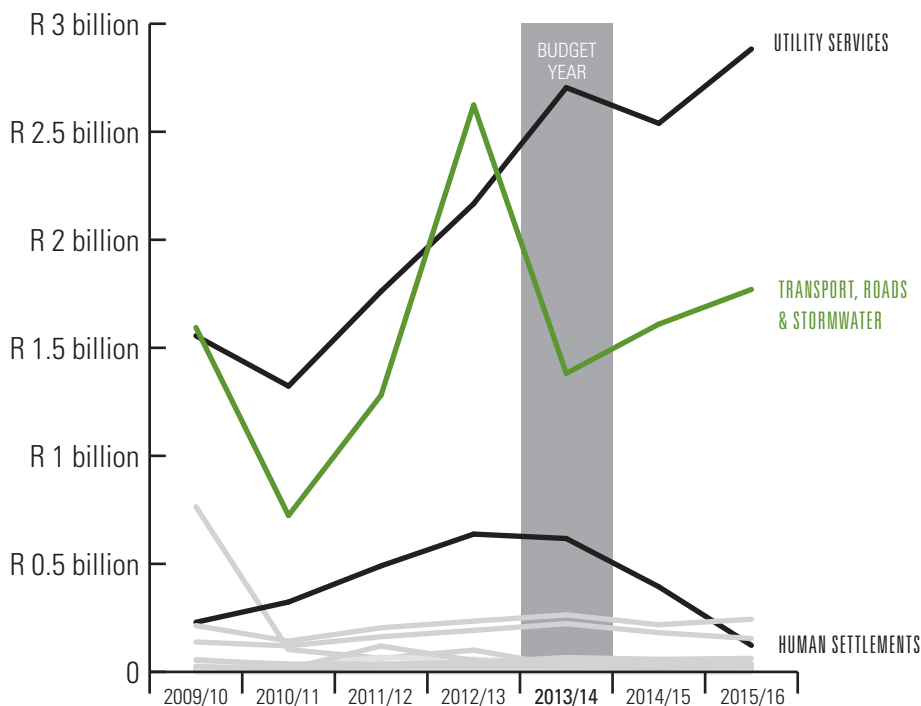
expenditure by **vote**



Utility Services (Vote 14) has the largest capital expenditure, with planned spending of almost half the capital budget (49.9%). The municipal vote with the second largest capital expenditure is Transport, Roads & Stormwater (Vote 13) with planned spending of more than a quarter (25.5%) of the capital budget.

# CAPITAL BUDGET

expenditure by **vote** (CONTINUED)



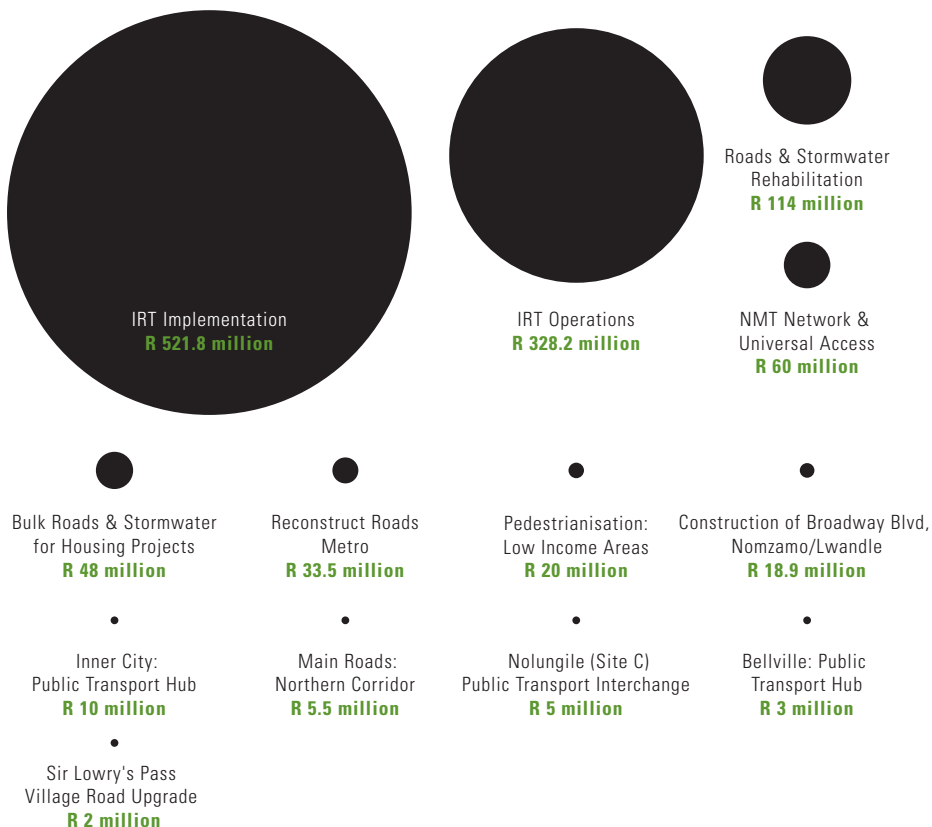
According to the MTREF, Utility Services (Vote 14) capital expenditure is expected to increase into the budget year, decrease in 2014/15, and once again increase in 2015/16. Transport, Roads & Stormwater (Vote 13) capital expenditure is decreasing substantially in the budget year, increasing from there for the next two years. Capital expenditure by Human Settlements (Vote 8) is expected to decrease substantially over the next three years.



# CAPITAL BUDGET

## significant capital projects

### TRANSPORT, ROADS & STORMWATER



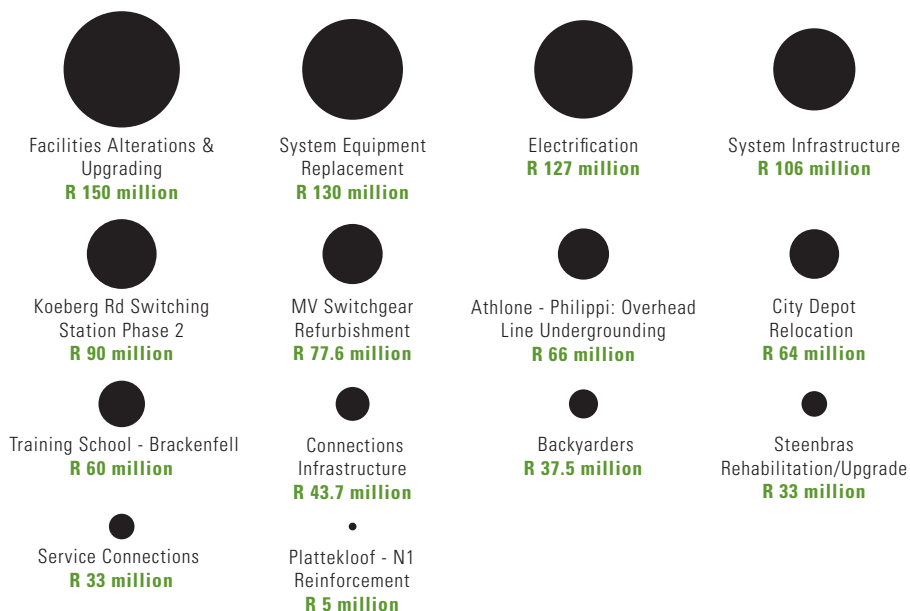
The two largest capital projects mentioned in the draft budget are related to the City's Integrated Rapid Transport (IRT) project, also known as the MyCiTi bus system project. R 521.8 million has been allocated towards IRT Implementation, and R328.2 million towards IRT Operations.

SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, p.6-7

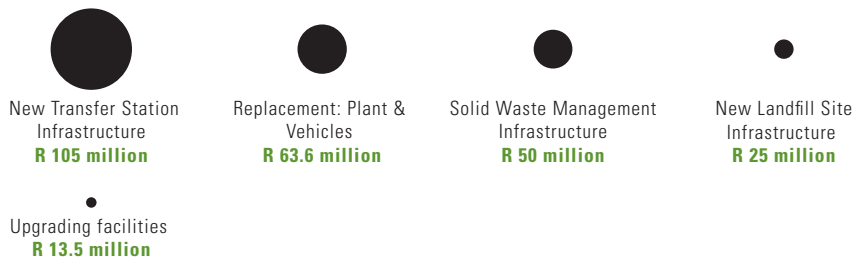
# CAPITAL BUDGET

## significant capital projects (CONTINUED)

### CAPE TOWN ELECTRICITY



### SOLID WASTE MANAGEMENT

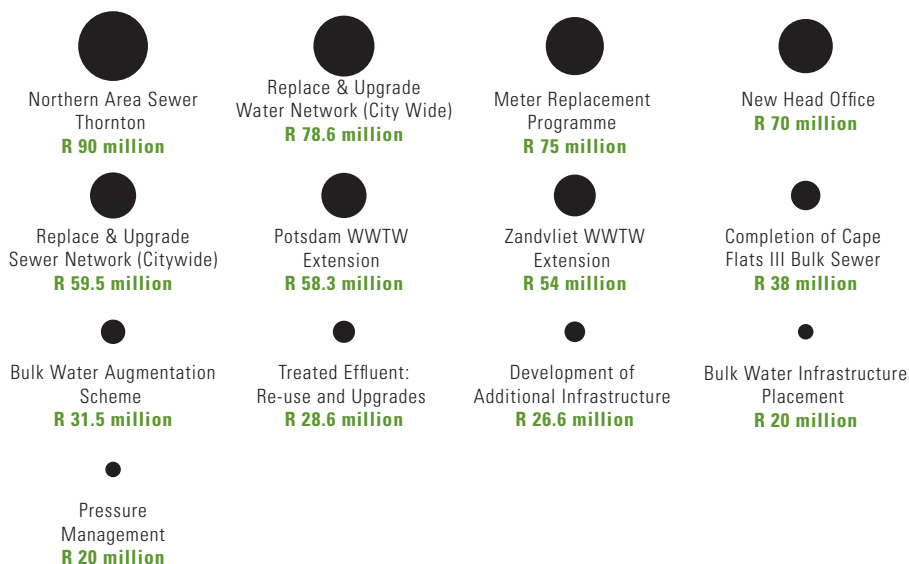


SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, p.6-7

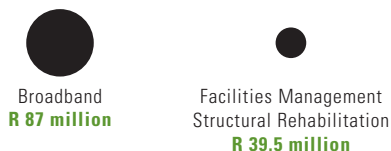
# CAPITAL BUDGET

## significant capital projects (CONTINUED)

### WATER & SANITATION



### CORPORATE SERVICES



# CAPITAL BUDGET

## new capital projects

<div></div>	<b>R30m</b> Steenbras: Replace Motor Generator Rotors & Plant Refurbishment
<div></div>	<b>R14m</b> SCADA Master Station Upgrade
<div></div>	<b>R12.9m</b> Project and Portfolio Management
<div></div>	<b>R10m</b> Bloemhof: Stores Upgrade
<div></div>	<b>R9m</b> Nomzamo Access Bridge & Public Transport Interchange
<div></div>	<b>R7m</b> Telemetry Automation (Reticulation)
<div></div>	<b>R6.8m</b> Energy Efficiency and Demand Side Management
<div></div>	<b>R5m</b> Synthetic Pitch - Cross Roads
<div></div>	<b>R5m</b> Synthetic Pitch - Heideveld
<div></div>	<b>R5m</b> Synthetic Pitch - Kewtown
<div></div>	<b>R5m</b> Synthetic Pitch - Steenberg
<div></div>	<b>R4m</b> Blue Downs: Sub-Depot - Street Lighting
<div></div>	<b>R3.5m</b> Provision of lifts for empty shafts at Cape Town Stadium
<div></div>	<b>R3.12m</b> Durbanville Main Substation Upgrade Phase 2
<div></div>	<b>R3m</b> Grassy Park Tapchanger Replacement
<div></div>	<b>R3m</b> 2014 African Cup of Nations Equipment
<div></div>	<b>R3m</b> Upgrade of Generators Exhaust Extraction System
<div></div>	<b>R3m</b> Construction of ECD centre - Nantes
<div></div>	<b>R2m</b> Sir Lowry's Pass Village Road Upgrade
<div></div>	<b>R2m</b> Installation of additional Food & Beverage Kiosks at Cape Town Stadium
<div></div>	<b>R2m</b> Completion of change rooms at Cape Town Stadium
<div></div>	<b>R2m</b> Construction of Waste room at Cape Town Stadium
<div></div>	<b>R2m</b> Upgrade of Athlone Stadium
<div></div>	<b>R1.5m</b> Valhalla Park Family Park (irrigation)
<div></div>	<b>R1.25m</b> Zev enwacht Reservoir and Network
<div></div>	<b>R1m</b> Parks Upgrades Manenberg
<div></div>	<b>R1m</b> Installation of Electronic Advertising Boards at Cape Town Stadium
<div></div>	<b>R1m</b> Temporary Distribution Boards for rental

SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, Table 6, p.7

# integrated development plan

# INTEGRATED DEVELOPMENT PLAN

reconciliation between **IDP** & **budgeted operating expenditure**



Five strategic objectives, or 'pillars', are identified in the City of Cape Town Integrated Development Plan. According to the draft budget, more than half of the operating budget (59%) will be going towards the "An Opportunity City" strategic objective. The bulk of this objective (R13.7bn) has been allocated towards "Provision of economic & social infrastructure" (see next page).

# INTEGRATED DEVELOPMENT PLAN

reconciliation between **IDP** & **budgeted operating expenditure**

## AN OPPORTUNITY CITY R 15.7 billion

**R13.7bn** Provision of economic & social infrastructure

- **R962m** Mobility via effective public transport
- **R594m** Sustainable environ. through resource management
- | **R310m** Attract investment for economic growth/jobs
- | **R120m** City Assets for economic growth & development

## A SAFE CITY R 1.6 billion

- **R1.1bn** Resource depts for optimum operations
- **R376m** Enhance intelligence-driven policing
- | **R67m** Improve emergency staff through training
- | **R66m** Safety and security through partnerships
- | **R1m** Expand resources for safety and security

## A CARING CITY R 2.9 billion

- **R928m** Human settlements for increased access
- **R751m** Effective primary health care services
- **R703m** Innovative human settlements access
- | **R322m** Assess rental stock to beneficiaries
- | **R138m** Effective environmental health services
- | **R10m** Provide effective air quality management & pollution

## AN INCLUSIVE CITY R 1.9 billion

- **R1.8bn** Facilities that make citizens feel at home
- | **R55m** Ensure responsiveness

## A WELL-RUN CITY R 4.3 billion

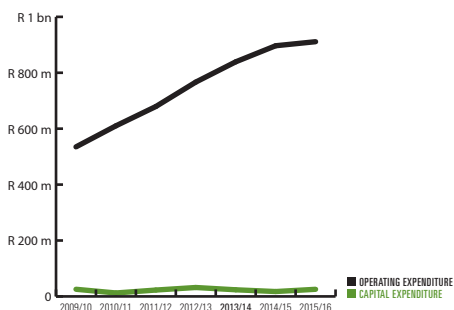
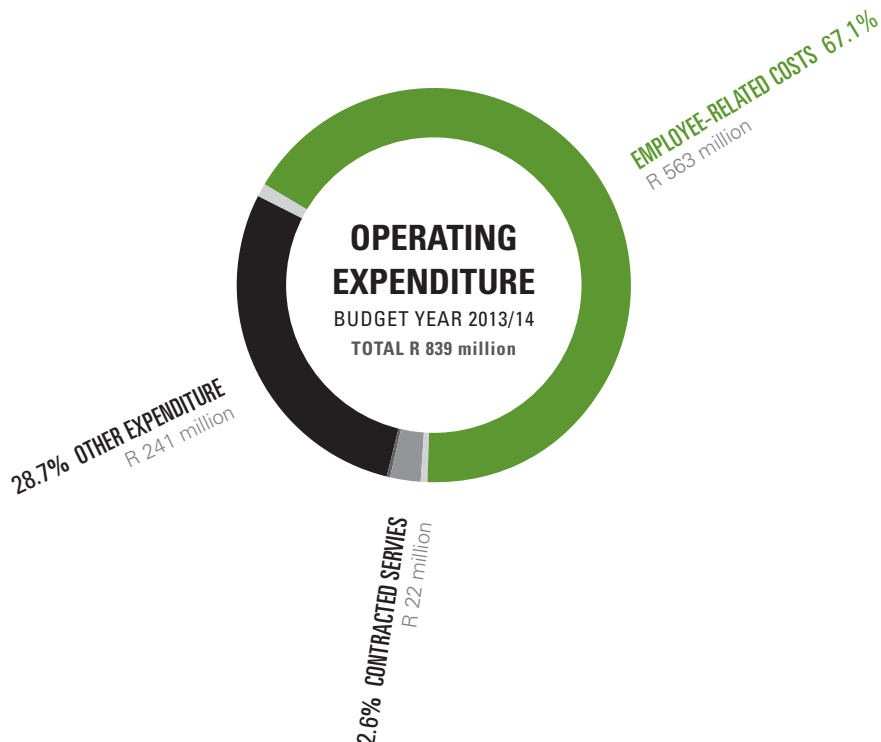
- **R2.2bn** Ensure unqualified audits by AG
- **R1.6m** Efficient & productive administration
- **R482m** Transparent & corruption free government

**expenditure  
by particular  
departments**



# CITY HEALTH

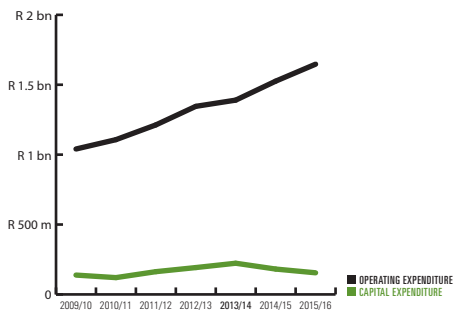
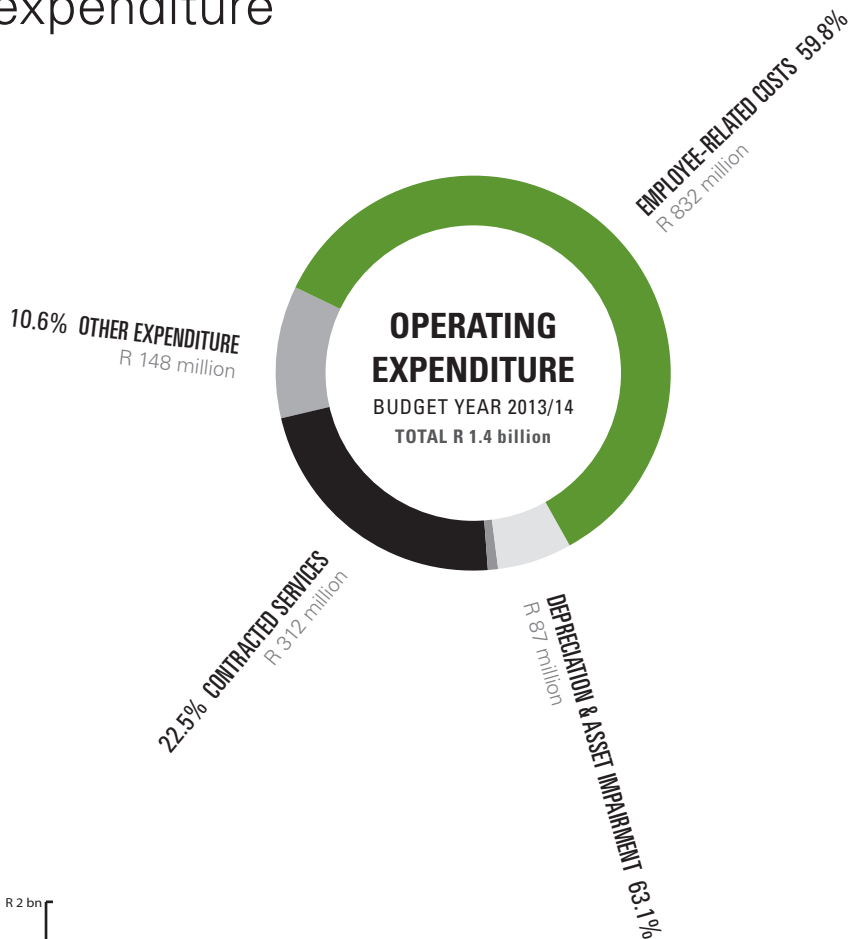
## expenditure



More than two thirds (67.1%) of the operating expenditure for the City Health directorate is going towards Employee Related Costs.

# COMMUNITY SERVICES

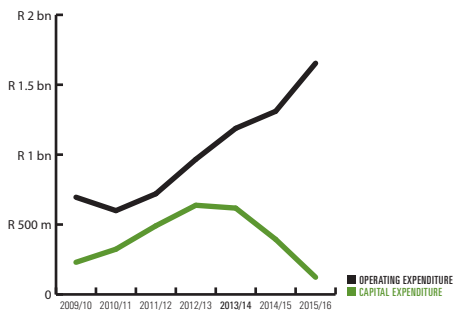
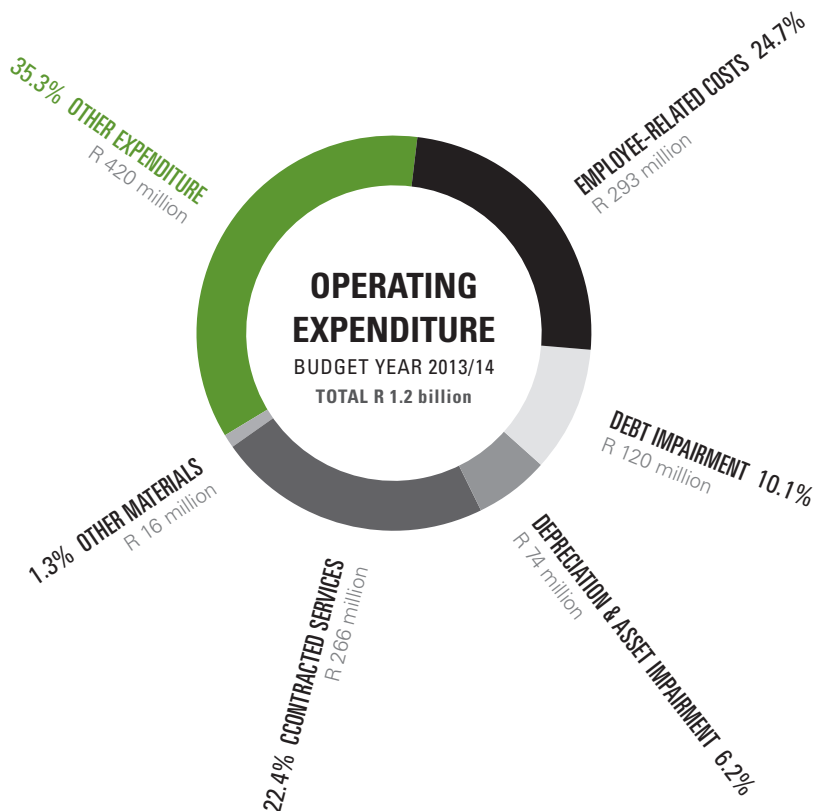
## expenditure



Almost three fifths (59.8%) of the Community Services Directorate's operating expenditure is going towards Employee Related Costs, and more than a fifth (22.5%) is going towards Contracted Services.

# HUMAN SETTLEMENTS

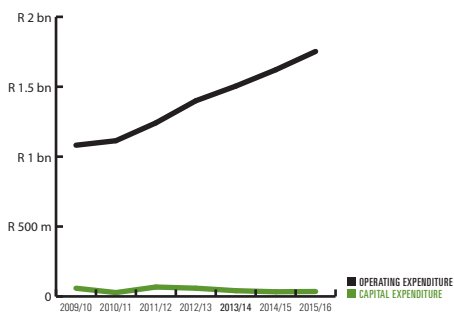
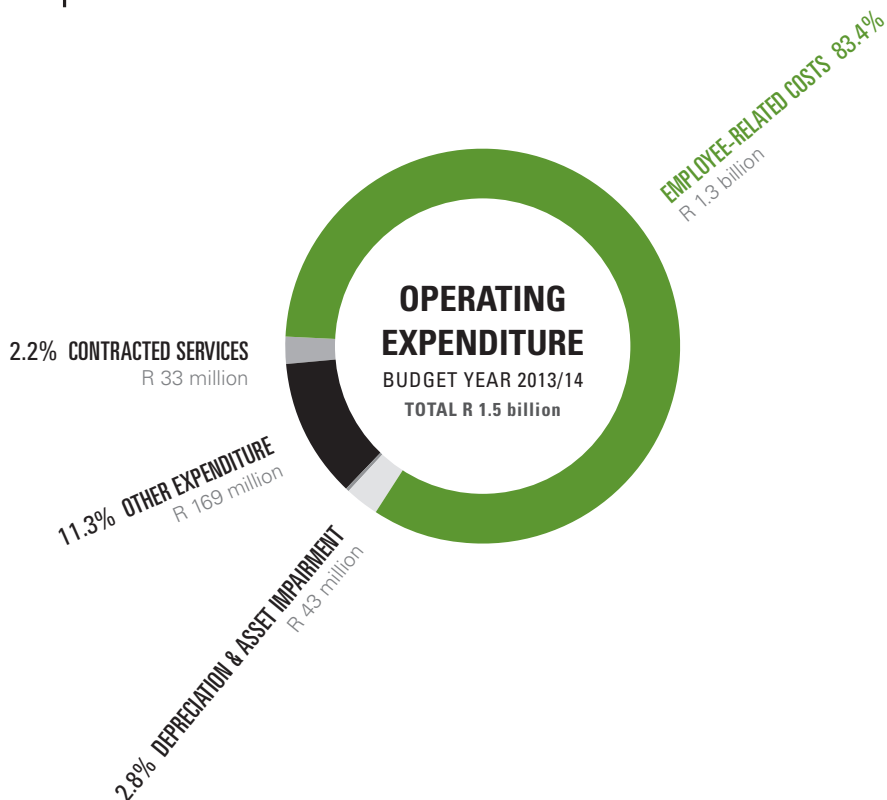
## expenditure



According to the MTREF, operating expenditure in the Human Settlements Directorate will continue to rise over the next three years, but capital expenditure will decline significantly.

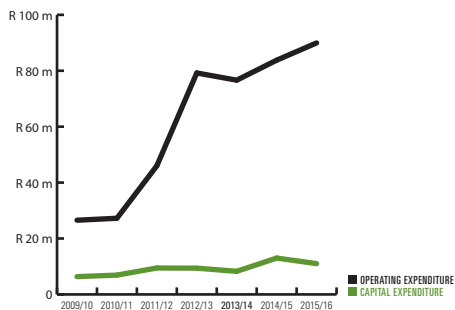
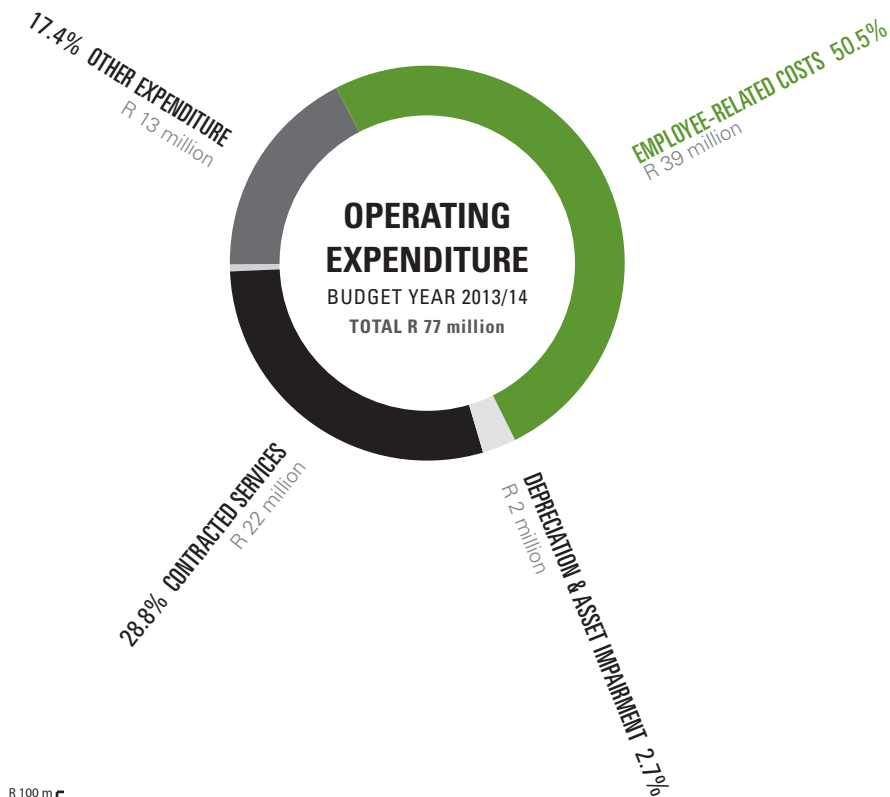
# SAFETY & SECURITY

## expenditure



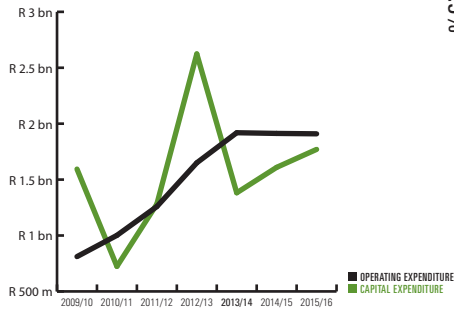
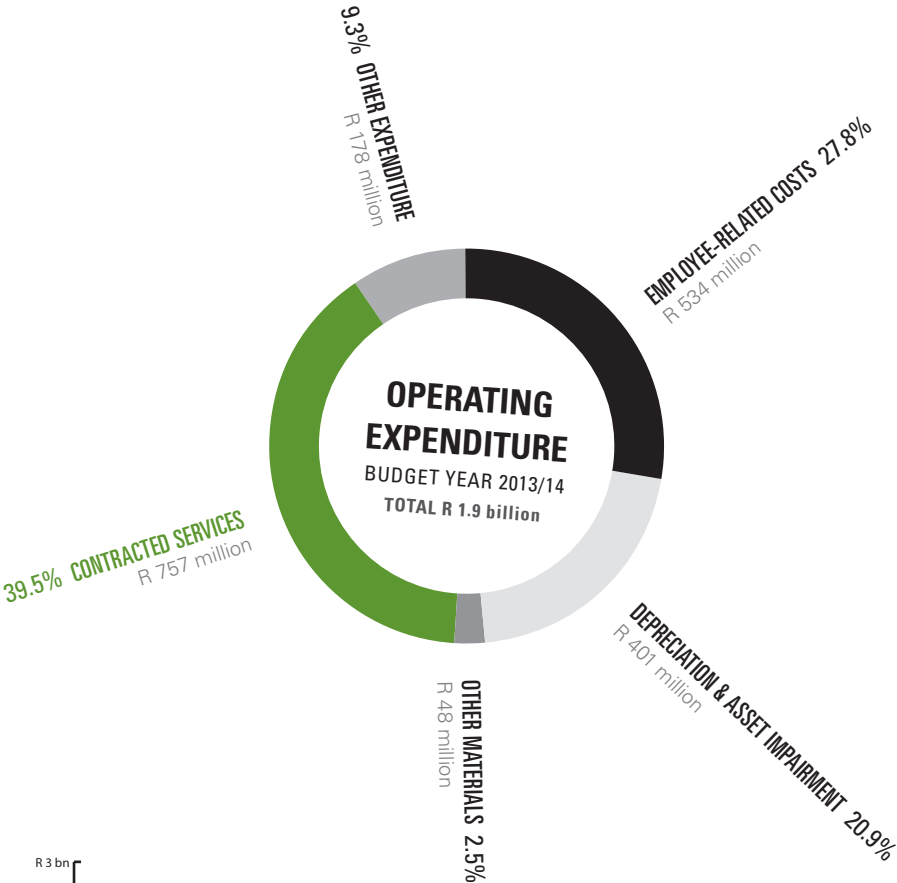
In the Safety & Security Directorate, more than four fifths (83.4%) of the operating expenditure has been allocated towards Employee Related Costs.

# SOCIAL & EARLY CHILDHOOD DEVELOPMENT expenditure



More than half (50.5%) of the Social & Early Childhood Development operating expenditure is allocated towards Employee Related Costs, with more than a quarter (28.8%) going towards Contracted Services.

# TRANSPORT, ROADS & STORMWATER expenditure

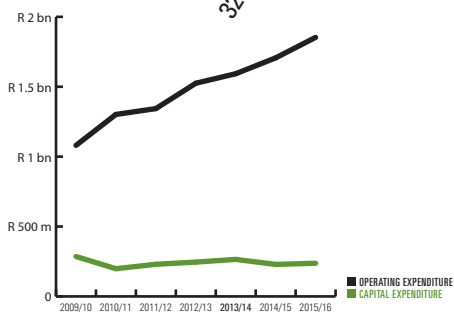
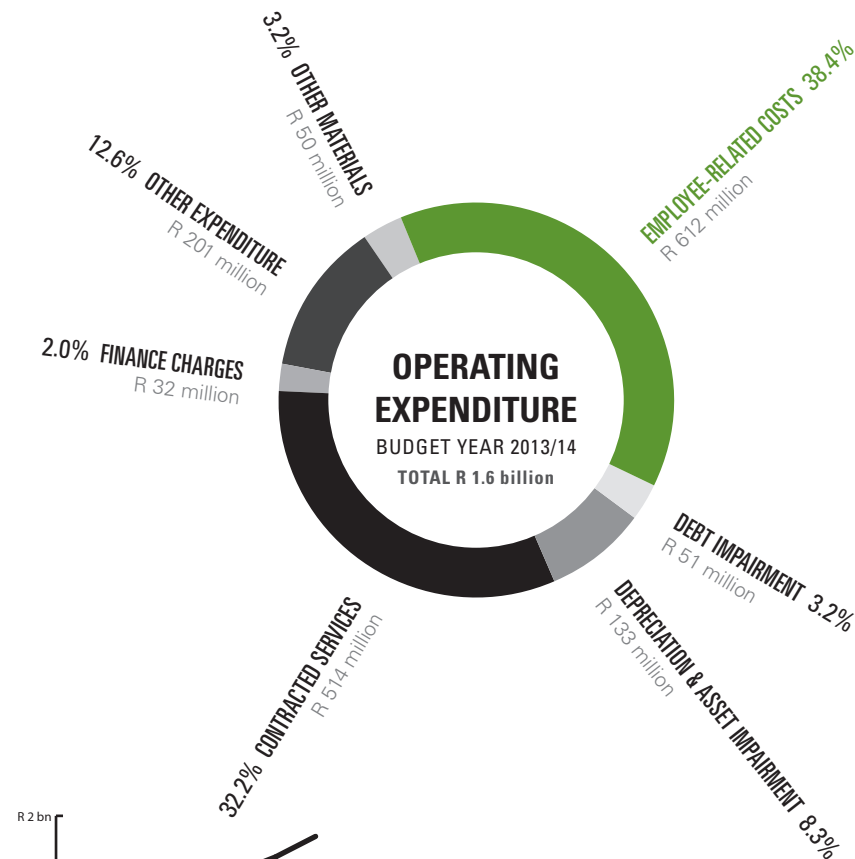


Almost two fifths (39.5%) of the Transport, Roads & Stormwater Directorate operating budget has been allocated towards Contracted Services.

SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, Table 72, p.130

# SOLID WASTE

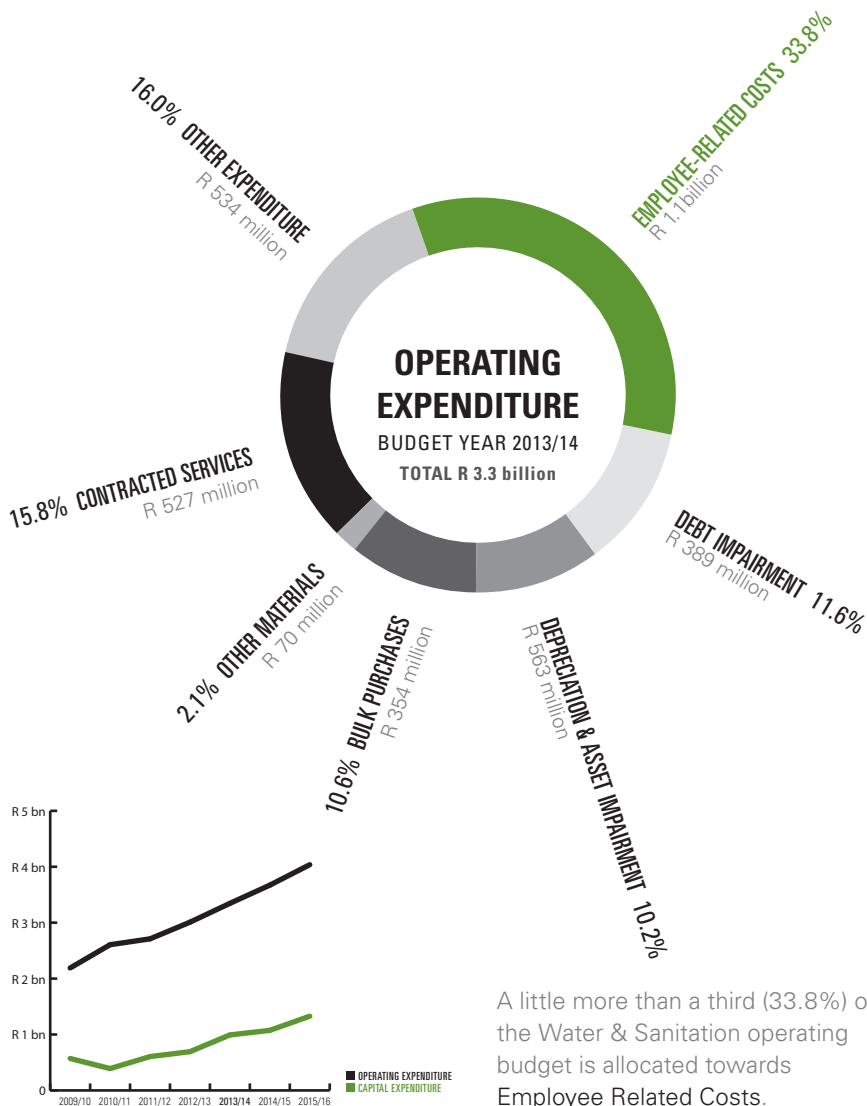
## expenditure



A little under a third (33.2%) of the Solid Waste Department's operating budget has been allocated towards Contracted Services.

# WATER & SANITATION

## expenditure



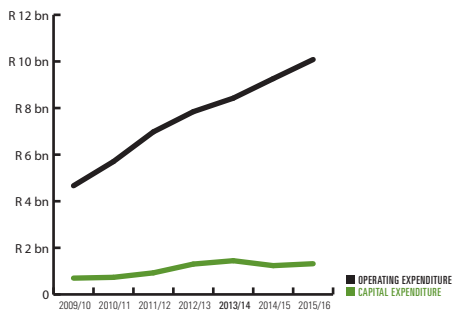
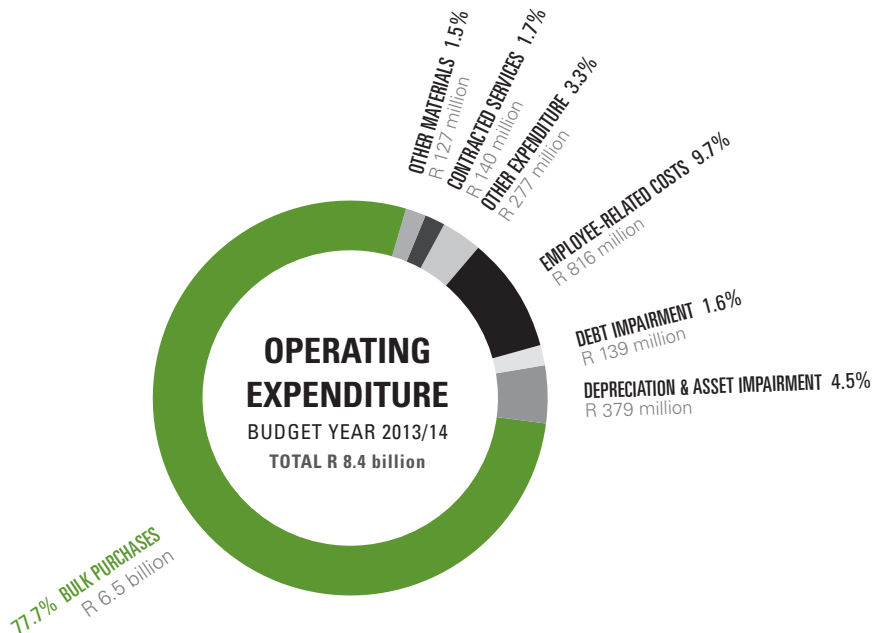
A little more than a third (33.8%) of the Water & Sanitation operating budget is allocated towards Employee Related Costs.

SOURCE: City of Cape Town 2013/14 Draft Annual Budget and MTREF, Table 74, p.136



# ELECTRICITY

## expenditure



By far the largest expenditure item in the Electricity Department operating budget is Bulk Purchases (e.g. purchases of electricity from Eskom for distribution), making up almost four fifths (77.7%) of the total operating expenditure for the department.