



**ASIVIKELANE**  
LET'S PROTECT ONE ANOTHER

## VOICES OF INFORMAL SETTLEMENT RESIDENTS DURING THE COVID-19 CRISIS



# WHY THE CITY OF CAPE TOWN COULD AND SHOULD BUDGET TO SPEND MORE ON INFORMAL SETTLEMENT TAPS AND TOILETS IN 2020/2021

*by Carlene van der Westhuizen and Albert van Zyl, October 2020*

**Even before the COVID-19 pandemic, a 2018 study warned that in informal settlements “the uncleanness of the existing sanitation facilities contributes to health issues like water-borne diseases.”<sup>1</sup>**

As the last six months of Asivikelane data show, large numbers of Cape Town informal settlement residents share communal taps and toilets, and these high-use facilities are not sufficiently maintained.<sup>2</sup> These challenges were highlighted by COVID-19, but they preceded it and will persist and escalate unless the City of Cape Town responds on a much larger scale.

Our analysis shows that despite the COVID-19 pandemic, the City of Cape Town has not increased its budget allocations for informal settlements taps and toilets in its main 2020/21 budget or subsequent adjustment budgets. The City did, however, budget for an accumulated cash surplus of over R5 billion at the end of the current financial year. The City could therefore afford to scale up its delivery of informal settlement services significantly without posing a risk to its long-term fiscal health. Like every other government in the world, now is the time for the City to dig into its reserves to respond to the current crisis and prevent future crises.

The City also continues to allocate much more money to upgrading projects than to short-term incremental provision of taps and toilets. We argue below that the poor track record of these projects holds no promise of addressing the taps and toilets crisis in the short to medium term.

While the information provided in the budget is not detailed enough to be certain, it does look like the City may have allocated slightly more funding for the maintenance of taps and toilets in the 2020/21 financial year. As we show below, slow turnaround times in maintenance are a massive problem in informal settlements.

1. Danti, N. 2018. Critical assessment of right to safe water and sanitation in a South African informal settlement: a case study of Marikana, Cape Town. University of Cape Town.

2. <https://www.internationalbudget.org/covid-monitoring/>





## 1. HOW MANY NEW TAPS AND TOILETS IS THE CITY PLANNING TO PROVIDE IN THIS FINANCIAL YEAR?

In the 2020/21 budget, the City of Cape Town states that “The mainstreaming of basic service delivery to informal settlements and backyard dwellers remains a key transformational priority for the City.”<sup>3</sup>

The City also claims that they exceeded their targets for the 2018/19 year with regard to the provision of taps and toilets to informal settlements: 716 taps were delivered instead of 700; and 3 687 toilets were provided instead of the targeted 2 600.<sup>4</sup> But Table 1 below shows that the City’s service delivery targets for informal settlement taps and toilets are identical to last year,<sup>5</sup> this year and next year. These targets show no apparent response to COVID-19 or the growing need for taps and toilets.

**Table 1: Targets for the delivery of taps and toilets to informal settlements**

	2019/20	2020/21	2021/22
 <b>TAPS</b>	<b>700</b>	<b>700</b>	<b>700</b>
 <b>TOILETS</b>	<b>2 500</b>	<b>2 500</b>	<b>2 500</b>

## 2. HOW MANY NEW TAPS AND TOILETS SHOULD THE CITY BE PROVIDING?

While laudable, the 2020/2021 targets pale into insignificance against some of the City’s own estimates of the backlog. At the start of the lockdown the City estimated, for example, that 107 informal settlements had insufficient access to water. The City acknowledged that by June 2020 this number had grown to 173 – a 65% increase that suggests the need for basic services is dynamic and growing.<sup>6</sup>

Other sources indicate that even the settlements that do have some services are underserved and that the real need for taps and toilets is much greater. In 2019 the South African alliance Shack Dwellers International (SASDI), in partnership with the City of Cape Town, completed an enumeration of Burundi informal settlement (2 004 households), which showed the ratio of households to functional taps standing at 1:42. In the same community, only 73 of the 118 toilets were in working order, and the ratio of households to toilets was 1:22.<sup>7</sup> Others have come to the same conclusion. The University of the Western Cape’s Institute for Poverty, Land and Agrarian Studies (PLAAS) indicates, for example, that in Marikana informal settlement in Philippi Township, the City of Cape Town has only provided 50 communal standpipes for more than 60 000 residents – a staggering ratio of 1200 residents per tap.<sup>8</sup> In addition, PLAAS has shown that Endlovini, Khayelitsha is home to an estimated 20 000 people who share 380 communal toilets (53 people per toilet). These findings suggest significant under-delivery of services in informal settlements.

3. City of Cape Town, 2020. Annexure A 2020/21 – 2022/23 Budget, 27 May 2020. Available online: [http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/AnnexureA\\_2020-2\\_Budget.pdf](http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/AnnexureA_2020-2_Budget.pdf), p. 7

4. Ibid. p. 7, p. 160

5. Note that at the time of writing the final outcomes for last year (2019/2020) were not yet available.

6. <https://pmg.org.za/page/CityofCapeTownonitsCOVID19responseplansfollowupmeeting>

7. SASDI, Burundi Enumeration Report, 2020. Unpublished.

8. <https://www.plaas.org.za/water-and-sanitation-in-the-face-of-covid-19-in-cape-towns-townships-and-informal-settlements/>



Our own Asivikelane initiative has revealed the same gaps between need and delivery. Asivikelane has been monitoring the delivery of water, sanitation and refuse removal in 43 Cape Town informal settlements since March 2020. For each of the three services monitored by Asivikelane, we make diagrammatic traffic lights to reflect the status of service delivery, where a red light or colour indicates that 60% or less residents received services, dark orange indicates 60% to 75%, light orange indicates 75% to 90%, and green indicates 90% or more.

Over the past 6 months, the City of Cape Town's traffic lights have not improved to any significant degree. Instead, for all three services, the traffic lights mostly remained orange, until the recent release when it dropped down to red for water provision and cleaning of toilets.

Table 2 shows that with regard to water provision, the traffic light started off orange, improving to green for two weeks, before dropping to orange again until the most recent week when it regressed to red. Persistent issues are related to taps being broken and not being fixed on time, and large numbers of people relying on too few taps. More recently, residents from a settlement that has been receiving water from mobile water tanks reported that the tanks are no longer delivering. For sanitation services, the traffic light has largely been orange before dropping to red recently. The main toilet challenges were that some settlements have no toilets at all and, where there are toilets, they get blocked or broken because they are not serviced or maintained regularly. The waste removal traffic light was consistently light orange, until the recent release when the results were dark orange. The primary issues are that in some settlements waste is not collected at all, and in others there are no containers for residents to deposit refuse bags.

In round 8 of Asivikelane, we also asked about the sufficiency of public lighting in informal settlements. In Cape Town, only 40% of the residents indicated that there is adequate lighting.

**Table 2: City of Cape Town Asivikelane traffic lights (March – Sept 2020)**

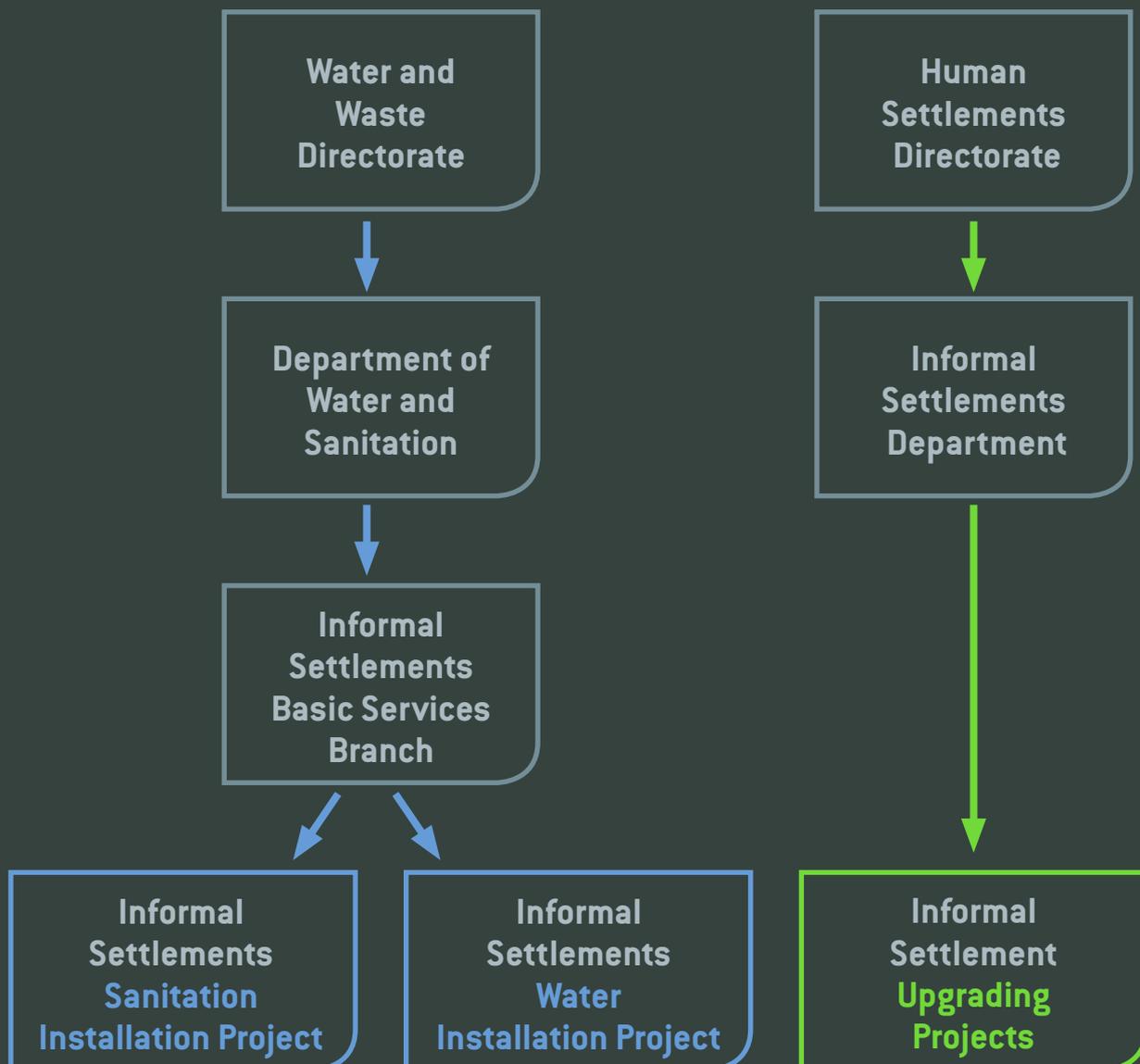




## In Cape Town, there are two ways in which informal settlement residents can get taps and toilets.

The **first** is through the Informal Settlements Sanitation Installation project and the Informal Settlements Water Installation project, which provide taps and toilets as they are needed. Both projects are in the Informal Settlements Basic Services Branch in the Department of Water and Sanitation (which is in the Water and Waste Directorate). The **second** is through the informal settlement upgrading projects, implemented by the Informal Settlements Department in the Human Settlements Directorate.

### How informal settlement residents can get taps and toilets in Cape Town:



Let us first look at the **Informal Settlements Sanitation and Water Installation projects** because most of the City's water and sanitation response to a crisis like COVID-19 would have been funded through this channel.





### 3. BUDGET FOR THE INFORMAL SETTLEMENTS SANITATION INSTALLATION PROJECT AND THE INFORMAL SETTLEMENTS WATER INSTALLATION PROJECT

The City has argued that its ability to deliver informal settlement taps and toilets is constrained by the small size of its Informal Settlements Basic Services Branch, but the budgets for this year do not appear to allocate funding to enlarge the size of this branch or the services that it delivers.

Table 3 below shows that in January 2020, the original 2019/2020 budget for informal settlement *sanitation* installation was increased from R25 million to R30.6 million. The allocation for informal settlement *water* installation remained unchanged at R5 million.

In May 2020, contrary to what one might have expected after the onset of COVID-19, the allocations to both these projects *decreased* to R28.6 million and R3.5 million respectively. For sanitation, the City's explanation of the decrease was "Reduction due to impact of national lockdown on the implementation of the project. Budget to be reprioritised to initiatives that mitigate the spread of COVID-19."<sup>9</sup> And for water, the explanation was "Implementation delays due to the national lockdown." This means that, because of the pandemic, less money was spent on the delivery of flush toilets and standpipes.

The initial 2020/21 budget adopted in May 2020 headed downwards again and allocated R25 million to the sanitation project for 2020/21. In August 2020/21 the adjusted 2020/21 budget increased the allocation to the sanitation project by R1 813 622. This amount is, however, a rollover of unspent funds from 2019/20 and will be used to complete work already started. It will not bring about additional numbers of taps and toilets. R25 million was allocated for 2021/22 and R30 million for 2022/23.

The initial 2020/21 budget allocation of R7.5 million to the Informal Settlements Water Installation project constituted an increase of R2.5 million over the initial 2019/20 budget. But based on what we see in the service delivery goals, this is most probably also accounted for by a rollover of the 2019/20 unspent funds and is not a new allocation for new taps. This allocation has remained unchanged in the adjusted budget. The City is, however, planning to decrease this allocation slightly to R6 million in 2021/22 and 2022/23.

**Table 3: Budget allocations for informal settlements water and sanitation installation**

Project	Budget 2019/20			Proposed Budget 2020/21		Proposed Budget 2021/22	Proposed Budget 2022/23
	Approved	Jan 2020 Adjustment	May 2020 Adjustment	Adopted (May 2020)	Adjusted (Aug 2020)		
Informal Settlements SANITATION Installation	25 000 000	30 588 331	28 588 331	25 000 000	26 813 622	25 000 000	30 000 000
Informal Settlements WATER Installation	5 000 000	5 000 000	3 500 000	7 500 000	7 500 000	6 000 000	6 000 000

9. City of Cape Town. 2020. 2019/20 Adjustments Budget – May 2020. Annexure 2.2: 2019/20 to 2021/22 Capital Adjustments Budget: Details of 2019/20 increases/decreased with motivations. [http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/1920AdjBudget\\_Ann2\\_2\\_Capital\\_Details\\_May2020.pdf](http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/1920AdjBudget_Ann2_2_Capital_Details_May2020.pdf)



## 4. DOES THE CITY BUDGET ENOUGH TO MAINTAIN INFORMAL SETTLEMENT TAPS AND TOILETS?

As the Asivikelane results showed repeatedly over the last six months, the maintenance of informal settlement taps and toilets is a persistent problem area in the City of Cape Town. The City claims that it has “prioritised” repairs and maintenance through increases in allocations to several directorates, including Water and Waste, which houses the Water and Sanitation Department.<sup>10</sup>

However, the information provided in the Department of Water and Waste budget does not allow one to verify this claim. Neither this department nor the Informal Settlements Basic Services Branch within it provides a separate budget or line item for maintenance. The closest that we can get is the operational budget for the Department, but this includes other expenses like staff costs, purchasing of materials and contracted services.

With these provisos in mind, we can turn our attention to the operational budget of this Department. Table 4 provides a simple comparison of the full year forecast<sup>11</sup> and the 2020/21 operating budget of the Water and Sanitation Department, which were adopted in May 2020. Note that the adjusted 2020/21 budget, adopted in August 2020, does not include a detailed operating budget for the Water and Sanitation Department.

Overall, the Department’s operating budget increases by just more than 9% in 2020/21 – significantly higher than the 3.16% inflation rate projected for 2021. Employee-related costs and contracted services account for the largest shares of the budget, at 31% and 25% respectively. Increases in these two items also account for most of the overall 9% increase in this budget. This could bode well, since both these expenditure items play an important role in the maintenance of taps and toilets in informal settlements.

**Table 4: Operating expenditure by type: Water and Sanitation Services Department**

TYPE OF EXPENDITURE	2019/20 full year forecast	% share	Adopted Budget 2020/21	% share	Growth Rate (%)
<i>R Thousand</i>					
Employee-related costs	1 775 661	30.9%	1 955 239	31.2%	10.1%
Remuneration of councillors					
Debt impairment	703 000	12.2%	893 750	14.2%	27.1%
Depreciation and asset impairment	704 521	12.2%	767 310	12.2%	8.9%
Finance charges		0.0%		0.0%	
Bulk purchases	525 595	9.1%	405 666	6.5%	-22.8%
Other materials	345 380	6.0%	366 199	5.8%	6.0%
Contracted services	1 433 505	24.9%	1 587 731	25.3%	10.8%
Transfers and subsidies	521	0.0%	17 300	0.3%	3220.5%
Other expenditure	264 071	4.6%	280 865	4.5%	6.4%
Loss on disposal of PPE	0		0	0.0%	
<b>Total Expenditure</b>	<b>5 752 254</b>	<b>100.0%</b>	<b>6 274 060</b>	<b>100.0%</b>	<b>9.1%</b>

The Water and Waste Financial Monitoring Report (February 2020)<sup>12</sup> shows that the budget for the Informal Settlements Sanitation Installation project includes a contract for “Plumbing and related Maintenance and Repairs at the City of Cape Town Existing Informal Settlement Ablution Facilities”, which suggests that some aspects of maintenance and repairs to toilets and related infrastructure are also funded by this capital project. However, as we have shown above, the City has not substantially increased the allocation to this project.

10. City of Cape Town, 2020. Annexure A 2020/21 – 2022/23 Budget, 27 May 2020. Available online: [http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/AnnexureA\\_2020-2\\_Budget.pdf](http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/AnnexureA_2020-2_Budget.pdf), p. 32

11. The full year forecast shows the amounts the City is expected to spend in the 2019/20 financial year. These amounts have been updated from the original budget amounts to reflect actual expenditure during the course of the financial year.

12. [http://www.capetown.gov.za/councilonline/\\_layouts/OpenDocument/OpenDocument.aspx?DocLocation=http://cityapps.capetown.gov.za/sites/CouncillorsOnline/MeetingDetails/WW/Reports/14/WW08040620%20E2%80%93%20WATER%20AND%20WASTE%20MONTHLY%20FINANCIAL%20PROGRESS%20REPORT%20-%20FEBRUARY%202020.pdf](http://www.capetown.gov.za/councilonline/_layouts/OpenDocument/OpenDocument.aspx?DocLocation=http://cityapps.capetown.gov.za/sites/CouncillorsOnline/MeetingDetails/WW/Reports/14/WW08040620%20E2%80%93%20WATER%20AND%20WASTE%20MONTHLY%20FINANCIAL%20PROGRESS%20REPORT%20-%20FEBRUARY%202020.pdf) p.11



## 5. UPGRADING PROJECTS BY THE INFORMAL SETTLEMENTS DEPARTMENT IN THE HUMAN SETTLEMENTS DIRECTORATE.

As mentioned above, **upgrading projects** implemented by the Informal Settlements Department in the Human Settlements Directorate is the second route through which informal settlement residents can receive taps and toilets.

Table 5 below provides a comparison of the original capital budget for 2019/20,<sup>13</sup> the adjustment of that budget in May 2020,<sup>14</sup> the 2020/21 draft budget tabled in March 2020,<sup>15</sup> as well as the final budget adopted in May 2020.

The capital budget for the department is our focus because it funds the upgrading projects being considered in this section.<sup>16,17</sup> As is evident in the table, we do not see major changes in the total capital budget. The various increases and decreases in the overall budget and individual project budgets are mostly the result of the project delays that tend to plague upgrading projects. These delays were exacerbated by the impact of the COVID-19 pandemic, but they also occurred regularly in previous years.

Most notable is how much larger the budget for this department is than the budget for the Informal Settlements Water Installation and Informal Settlements Sanitation Installation projects. The long-term planning and developmental approach of the upgrading projects makes intuitive sense, but these projects are notoriously drawn out and will not provide any short- to medium-term relief. These projects can take up to 15 years to complete and typically roll over large amounts of unspent funding from year to year.

**Table 5: Capital budget of the Informal Settlements Department: 2019/20 and 2020/21**

PROJECT	BUDGET 2019/20		BUDGET 2020/21	
	Original	Adjusted (May)	March 2020/21 draft	Adopted Budget 2020/21 (May)
<i>Rand</i>				
Informal Settlement Upgrade: <b>Enkanini</b>	6 077 382	2 756 221	5 218 963	5 218 963
Informal Settlement Upgrade: <b>Monwabisi Park</b>	5 350 000	2 190 169	7 000 000	20 000 000
Informal Settlement Upgrade: <b>Barney Molokwana, Khayelitsha</b>	5 000 000	0	5 000 000	6 500 000
Informal Settlement Upgrade: <b>Driftsands</b>	12 800 000	0	5 500 000	7 000 000
Informal Settlement Upgrade: <b>AirportPrec, Gugulethu</b>	0	0	15 000 000	10 000 000
Informal Settlement Upgrade: <b>Imizamo Yethu</b>	30 000 000	25 707 515	23 579 000	23 579 000
Informal Settlement Upgrade: <b>Kosovo</b>	0	0	31 437 512	10 000 000
Urbanisation: <b>Backyards/ Informal Settlement Upgrade</b>	87 595 899	108 608 121	74 595 071	50 595 071
Deep Freeze: <b>Services Formal Area – Macassar</b>	12 500 000	20 500 000	7 000 000	7 000 000
Airport Precinct Land Rehab: <b>Gugulethu</b>	0	0	10 000 000	5 000 000
Computer Equipment – Additional	2 000 000	1 400 000	1 000 000	1 000 000
Computer Equipment – Replacement	2 000 000	1 000 000	1 000 000	1 000 000
Furniture & Fittings – Additional	2 000 000	600 000	1 000 000	1 400 000
Housing contingency – Insurance	100 000	100 000	100 000	100 000
Fleet Replacements	14 000 000	11 200 000	14 000 000	14 172 523
BY Programme & Water Management Dispensing	0	19 650 000	7 000 000	22 000 000
IDA/UISP: <b>Sweethomes Philippi</b>	0	1 600 000	0	0
UISP: <b>Kalkfontein Informal Settlement</b>	0	525 470	0	0
Professional Services: <b>Monwood Philippi</b>	2 000 000	759 150	0	0
<b>Total</b>	<b>181 423 281</b>	<b>196 596 646</b>	<b>208 430 546</b>	<b>184 565 557</b>

13. [http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/Ann1\\_2019-20\\_CapitalAppropriationByVote.pdf](http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/Ann1_2019-20_CapitalAppropriationByVote.pdf)

14. [http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/1920AdjBudgetAnn2\\_2\\_Capital\\_Details\\_May2020.pdf](http://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/1920AdjBudgetAnn2_2_Capital_Details_May2020.pdf)

15. [http://www.capetown.gov.za/councilonline/layouts/OpenDocument/OpenDocument.aspx?DocLocation=http://cityapps.capetown.gov.za/sites/CouncillorsOnline/MeetingDetails/C/Reports/210/C02C260320%20-%20TABLING%20OF%20DRAFT%20BUDGET%202020\\_21-%202022\\_23COUNCIL%20MEETING%20AGENDA%20-%2026%20MARCH%202020%20\(ITEM%20C%20020320\).pdf](http://www.capetown.gov.za/councilonline/layouts/OpenDocument/OpenDocument.aspx?DocLocation=http://cityapps.capetown.gov.za/sites/CouncillorsOnline/MeetingDetails/C/Reports/210/C02C260320%20-%20TABLING%20OF%20DRAFT%20BUDGET%202020_21-%202022_23COUNCIL%20MEETING%20AGENDA%20-%2026%20MARCH%202020%20(ITEM%20C%20020320).pdf)

16. The operating budget of this department is also not shown separately in the budget book, and its operating expenditure is subsumed in the operating budget of the Human Settlements Directorate that it is part of.

17. Note that the upgrade project in Kosovo shown here appears to be a different one from the de-densification project in Kosovo which forms part of the City's COVID-19 interventions.



Table 6 below adds the adjustments to the 2020/21 budget made in August 2020 and also shows the proposed allocations for 2021/22 and 2022/23. Some projects received additional allocations due to rollovers to complete work scheduled for 2019/20, while the allocations to other projects are lower due to the lower overall value of the USDG and ISUPG from the national government. The overall impact is a decrease of about R16 million in the total capital budget of the Informal Settlements Department for 2021/22.

Capital spending is forecasted to more than double from R168.98 million in 2020/21 to R372 million in 2021/22, before increasing by 15% to R427 million in 2022/23. The increases for 2021/22 and 2022/23 are driven by large increases in the allocations to a small number of individual upgrading projects, in addition to the “Gugulethu - Airport Precinct Land Rehab” project. By 2022/23, the total allocations to upgrading projects in Enkanini, Airport Precinct/Gugulethu and Kosovo, as well as the land rehabilitation project in Gugulethu, will account for 85% of the Department’s capital budget. But given the poor track record of these projects, we have no reason to believe that they will respond to the lack of working taps and toilets over the short to medium term.

**Table 6: Capital budget of the Informal Settlements Department: 2020/21 and 2022/23**

PROJECT	2020/21		Proposed 2021/22	Proposed 2022/23
	Adopted (May 2020)	Adjusted (August 2020)		
<i>Rand</i>				
Informal Settlement Upgrade: <b>Enkanini</b>	5 218 963	5 750 195	73 122 866	73 922 865
Informal Settlement Upgrade: <b>Monwabisi Park</b>	20 000 000	10 000 000	25 000 000	25 000 000
Informal Settlement Upgrade: <b>Barney Molokwana, Khayelitsha</b>	6 500 000	2 500 000	20 000 000	
Informal Settlement Upgrade: <b>Driftsands</b>	700 000	5 000 000	5 500 000	3 334 072
Informal Settlement Upgrade: <b>Airport Precinct, Gugulethu</b>	10 000 000	10 000 000	15 000 000	112 189 736
Informal Settlement Upgrade: <b>Imizamo Yethu</b>	23 579 000	20 618 033	15 000 000	0
Informal Settlement Upgrade: <b>Kosovo</b>	10 000 000	10 075 635	63 328 400	96 092 400
Urbanisation: <b>Backyards/ Informal Settlement Upgrade</b>	50 595 071	52 984 944	26 000 000	27 000 000
Deep Freeze: <b>Services Formal Area – Macassar</b>	700 000	7 053 670	0	0
Airport Precinct Land Rehab: <b>Gugulethu</b>	5 000 000	5 000 000	107 206 542	81 452 200
Computer Equipment – Additional	1 000 000	1 096 345	1 000 000	1 000 000
Computer Equipment – Replacement	1 000 000	1 034 307	1 000 000	1 000 000
Furniture and Fittings – Additional	1 400 000	1 595 897	1 000 000	1 000 000
Housing contingency – Insurance	100 000	100 000	100 000	100 000
Fleet Replacements	14 172 523	14 172 523	14 000 000	0
BY Programme & Water Management Dispensing	22 000 000	22 000 000	5 000 000	5 000 000
IDA/UISP: <b>Sweethomes Philippi</b>	0	0	0	0
UISP: <b>Kalkfontein Informal Settlement</b>	0	0	0	0
Professional Services: <b>Monwood Philippi</b>	0	0	0	0
Better Life Development: <b>Mfuleni</b>	0	0	0	0
<b>Total</b>	<b>184 565 557</b>	<b>168 981 549</b>	<b>372 257 808</b>	<b>427 091 273</b>



## 6. CAN THE CITY AFFORD TO PROVIDE MORE TAPS AND TOILETS?

Table 7 below shows that at the end of June 2020, the City of Cape Town reported an accumulated cash-backed surplus of R7.57 billion after the 2019/20 financial year, equivalent to 15% of its operational and capital expenditure for that year. This accumulated surplus is the City's available cash and investments (assets) minus the accrued commitments it has against these assets. The commitments the City recorded include working capital requirements, unspent conditional grants, long-term investment commitments<sup>18</sup> and its various cash-backed reserves.<sup>19</sup>

The *accumulated* cash-backed surplus is therefore the 'leftover' cash and cash equivalents from 2019/2020 and previous years, taking into account the remaining commitments against these assets. If this surplus is positive, it indicates that after fully funding the budget for that year, and setting money aside for risks, financing future capital investment and covering borrowing obligations, it has money left.<sup>20</sup>

The City estimates that its accumulated cash-backed surplus will decrease from the R7.57 billion at the end of 2019/2020 to R5.26 billion by June 2021. Some of the reasons for this reduction in 2020/2021 include, firstly, that the City expects to receive R2.5 billion less in national and provincial government grants and transfers. Secondly, it expects to spend R5.2 billion more than the previous year, and finally, for its own revenue sources to only grow by R2.1 billion. These changes contribute to a net decrease in the accumulated cash-backed surplus of about R2.3 billion.

Despite the projected reduction in available surpluses during the 2020/2021 financial year, the City would still have a healthy surplus – much larger than the Municipal Finance Management Act requirements for a “funded budget”, and National Treasury's guidance on this matter.<sup>21</sup> The City also has a history of being conservative in its budget planning. From 2016/17 to 2018/19, for example, it had an average of R3.4 billion more *per year* in available cash surpluses than it had estimated in the original budget. We can therefore expect the accumulated cash reserves at the end of the 2020/21 financial year to be significantly higher than the R5.26 billion that the City currently estimates.

**Table 7: Cape Town's accumulated cash reserves**

DESCRIPTION	2019/20	Source	2020/21	Source
<i>R Thousand</i>	<b>(May 2020 estimate)</b>		<b>Adjusted (August 2020)</b>	
<b>Cash and investments available</b>	<b>15 405 646</b>		<b>14 256 591</b>	
<b>Application of cash and investments</b>	<b>7 832 551</b>	Annexure A May 2020 MTREF 2020/21–2022/23, p56, see <a href="#">here</a>	<b>8 996 166</b>	Annexure A August 2020 Adjustment MTREF 2020/21–2022/23, p26, see <a href="#">here</a>
Working capital	(2 282 326)		(1 208 396)	
Unspent conditional grants	1 344 116		1 740 833	
Long-term investment commitments	2 771 615		3 070 090	
Other provisions	459 784		1 297 295	
Reserves to be backed by cash (incl Capital Replacement Reserve)	5 539 362		4 096 344	
<b>Accumulated cash-backed surplus</b>	<b>7 573 095</b>			

18. The long-term investment commitments refers to funding set aside by the City to cover future borrowing repayments, and the cash-backed reserves for the City include a capital replacement reserve and a self-insurance reserve.

19. According to the City's Funds and Reserves Policy ([found here](#)), the Capital Replacement Reserve (CRR) comprises funds set aside from accumulated cash reserves: "In order to finance the acquisition of property, plant and equipment and other assets from internal sources, cash amounts are transferred from the accumulated surplus to the CRR." The policy also requires a cash-backed self-insurance reserve.

20. We also tried to calculate, for Cape Town, the National Treasury's 'sustainability ratio': a complicated formula involving available cash and investments minus overdraft and unspent grants, divided by cash-backed reserves and income from equity investments and a fair value adjustment. We could not find all this information in public documents, but the cash surplus we have used instead, approximates the same ratio with published information.

21. See for example MFMA Circulars 28 and 42, and the Circular 71 norm on budget sustainability ([see circulars here](#)).