

## Part 1

# Annual Budget

## 1.1 Executive Summary

This budget is formulated amidst uncertain global economic conditions. Even though South Africa is showing signs of resilience against the economic upheavals in the international community, it is not totally immune from them. The impact of the 2008 recession is still felt across various sectors of the economy. The outlook is positive, unfolding though at a snail's pace.

Mindful of the state of affairs espoused above, the City has decided to "change course". "Changing course" is the guiding theme for the 2012/13 budgeting cycle, and it entails the following:

- Changing the way things are done with limited resources;
- Increasing productivity by doing more with less and managing human resources effectively;
- Refining measurable output indicators;
- Improving coordination of activities among clusters;
- Stabilising the revenue base of the City;
- Reviewing tariff increases taking into account the macroeconomic environment;
- Ensuring that in the short-term the organization is functional, in order to achieve long-term goals of the GDS;
- Balance between improved, visible service delivery, customer experience and the ability to collect; and
- Any improvement in revenue collection will be applied towards critical service delivery pressures and "changing course".

The 2012/13 Medium Term Budget(MTB) will focus on ensuring financial sustainability while delivering on the programmes outlined in the IDP and GDS. It reaffirms the commitment towards the prudent management of the City's finances. In order to attain financial sustainability the City has a set of parameters within which financial planning should be aligned and this will require generation of an annual operating surplus, prudent borrowing, creating cash reserve to increase the level of infrastructure spending, and reviewing activities for operational efficiencies.

The main challenges experienced during the compilation of the 2012/13 MTB can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the City;
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable as there will be a point where services will no longer be affordable;
- Decreasing transfers from national government, e.g. fuel levy;
- Wage increases for municipal staff that continue to exceed consumer inflation; and
- Availability of affordable capital/ borrowing.

Acknowledging the challenge involved in balancing the need to change course with limited resources, the City has adopted a short, medium and long-term approach in delivering towards Joburg 2040.

#### **Short-term**

The focus for the 2012/13 budget year remains the stabilisation of the City's financial position, which key component of stabilisation is to improve the revenue base. Achieving this will enable the City to fund programmes outlined in the IDP and the Growth and Development Strategy. In year one, the City will refine and commence with implementation of the IDP flagship programme and improve service delivery and customer and citizen experience.

#### **Medium-term**

Over the medium term budget, the sustainability of the City's financial position remains a focus. Through improved financial position the City will be in a position to accelerate the implementation of the IDP / GDS programmes and commit to an excellent service delivery as a norm.

#### **Long-term**

Rebuilding a strong financial position and resilience provides an option for increased spending towards capital infrastructure and responding adequately to the developmental challenges outlined in the GDS.



## SHORT TERM

- Stabilise City's finances
- Refining and initial implementation of the IDP flagship
- Accelerated service delivery and improve customer and citizen experience

## MEDIUM TERM

- Consolidation of City's finances
- Service delivery excellence is the 'norm'
- Accelerate the implementation of IDP flagship programmes

## LONG TERM

- Financial sustainability and resilience
- Impact assessment of implementation of the IDP flagship programmes against GDS outcomes

**CHANGING THE COURSE TOWARDS 2040 VISION**

In aligning the imperatives of changing the City's course, continuity and revenue optimisation, the following key IDP flagship programmes are proposed for implementation:

- Financial Sustainability;
- Shift to Low Carbon Infrastructure;
- Integrated Waste Management;
- Green Ways and Mobility;
- From Informal Settlements to Sustainable Human Settlements;
- Urban Water Management;
- Citizen Participation and Empowerment;
- Strategic Communications and Marketing;
- Human Capital Development and Management;
- A safe, Secure and Resilient City that Protects, Serves, Builds and Empowers Communities;
- Economic Growth; and
- A City Where None Go Hungry.

