

COJ : MAYORAL COMMITTEE 2017-05-10

FINANCE

1 2017/18 – 2019/20 MEDIUM-TERM OPERATING BUDGET FOR THE CITY OF JOHANNESBURG

1 STRATEGIC THRUST

Well Governed and Managed City.

2 OBJECTIVE

To present the Medium Term Operating Budget for the 2017/18 to 2019/20 financial years in compliance with Section 16(2) of the Municipal Finance Management Act 56 of 2003 (MFMA, the Act).

3 SUMMARY

(1) BUDGET PROCESS OVERVIEW

In terms of Section 24 of the MFMA, the annual budget must be approved before the start of the budget year. The MFMA aims to put in place a sound financial framework and sets out timelines for budget preparations and approval.

The budget process for 2017/18 commenced with the 1st Mayoral Lekgotla that was held on 2 to 4 November 2016. The objectives of the 1st Mayoral Lekgotla were to reach agreement on key focus areas and interventions. Departments and municipal entities (MEs) were requested to prepare budget proposals in line with the recommendations of the 1st Mayoral Lekgotla. These budget proposals were then presented to the Budget Steering Committee held on 17 to 20 January 2017. The objective of the hearings was to assess the budget proposals in terms of the City's new priorities.

The assessment of the Budget Steering Committee hearings was then presented to the 2nd Budget Lekgotla held on 13 to 16 February 2017 where draft Medium Term Budget principles and prioritization of allocations were determined. Final budget allocations were issued on 27 February 2017 and departments and municipal entities (MEs) were requested to prepare their draft budgets in line with the allocations and to align the budget to the key strategic priorities/programmes.

Consultation Process

The draft budget for 2017/18 was tabled at Mayoral Committee and Council during March 2017 for consultation both externally and internally. Subsequent to tabling of the budget, the draft budget and proposed tariffs were publicised for stakeholder and public comments.

A report on the outcome of the consultation process on the budget and tariffs will be submitted separately in the agenda for Council to consider.

(2) MEDIUM TERM OPERATING BUDGET

Medium Term Budget Direction

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The 2017/18 Medium Term Budget will focus on the following key political strategic agenda:

- Grow the economy and create jobs;
- Enhance quality of life by improving services and taking care of the environment;
- Advance pro-poor development that provides meaningful redress;
- Build caring, safe and secure communities; and
- Institute an honest, responsive and productive government.

In aligning the imperatives of changing the City's course, the following key IDP priorities will be implemented within the City:

- Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021;
- Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress;
- Create a culture of enhanced service delivery with pride;
- Create a sense of security through improved public safety;
- Create an honest and transparent City that fights corruption;
- Create a City that responds to the needs of citizens, customers, stakeholder and businesses.
- Enhance our financial sustainability;
- Encourage innovation and efficiency through the Smart City programme; and
- Preserve our resources for future generations.

Overview of the 2017/18 Medium-term Budget

The proposed operating revenue budget is approximately R48.6 billion and the operating expenditure budget is totalling R47.3 billion for the 2017/18 financial year. Revenue is increasing by 7% and expenditure by 5% over the 2016/17 financial year.

The table below set out the Medium Term Revenue and Expenditure Budget for the 2017/18- 2019/20 financial years.

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	Adjusted Budget 2016/17 R 000	Budget 2017/18 R 000	%	Estimate 2018/19 R 000	Estimate 2019/20 R 000
Revenue	45 394 466	48 597 351	7%	52 785 276	56 456 875
Internal Revenue	5 497 110	6 641 487	21%	7 492 180	8 099 237
	50 891 576	55 238 838	9%	60 277 456	64 556 112
Expenditure	45 293 151	47 343 814	5%	51 375 564	55 020 610
Internal Expenditure	5 497 110	6 641 487	21%	7 492 180	8 099 237
	50 790 261	53 985 301	6%	58 867 744	63 119 847
Surplus (Deficit)	101 315	1 253 537		1 409 712	1 436 265
Taxation	413 831	396 303	-4%	493 223	469 929
Surplus (Deficit) for the year	(312 516)	857 234		916 489	966 336
Capital Grants & Contributions	3 613 240	3 617 235		3 761 103	3 821 815
Surplus (Deficit) for the year including Capital Grants & Contr.	3 300 724	4 474 469		4 677 592	4 788 151

The City is budgeting for a surplus (before taxation and capital grants) of R1.3 billion for 2017/18. The surplus will be applied towards the City's working capital and funding of capital investment.

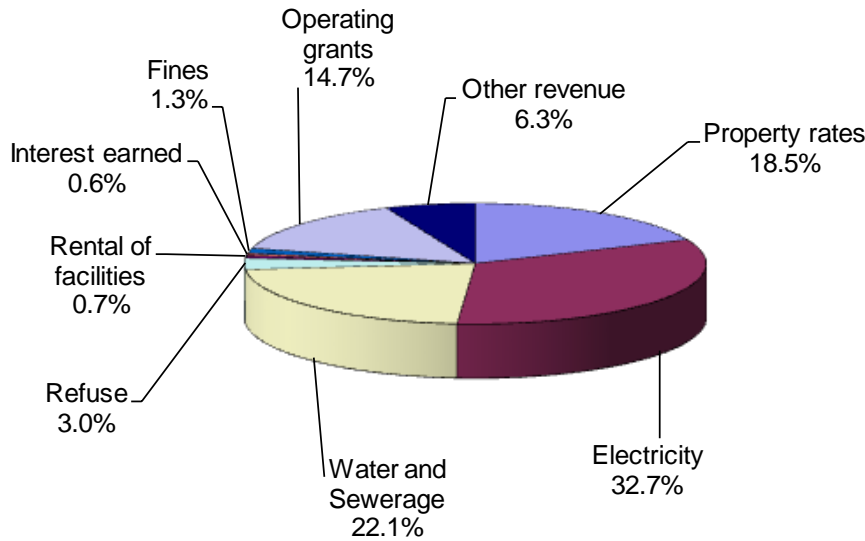
Revenue Analysis

In 2016/17, the direct revenues were budgeted at R45.4 billion with revenue estimated to be R48.6 billion in 2017/18.

Revenue	Adjusted Budget 2016/17 R millions	Budget 2017/18 R millions	%	Estimate 2018/19 R millions	Estimate 2019/20 R millions
Property rates	8 259	9 006	9%	9 537	10 052
Electricity	15 047	15 906	6%	17 307	18 609
Water and Sewerage	8 862	10 755	21%	11 704	12 678
Refuse	1 353	1 480	9%	1 567	1 651
Rental of facilities	315	334	6%	355	380
Interest earned	276	286	4%	296	306
Fines	515	644	25%	680	717
Operating grants	6 727	7 125	6%	8 117	8 627
Other revenue	4 041	3 063	-24%	3 223	3 436
Total revenue	45 394	48 597	7%	52 785	56 457

The increase of 7% in total revenue is made up of the 9% increase in property rates, 6% in electricity revenue, 21% increase in water and sewerage revenue, 9% increase in refuse, 6% increase in rental of facilities, 4% increase in interest earned, 25% increase in fines, 6% increase in operating grants and 24% decrease increase in other revenue.

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The 2017/18 revenue budget for property rates, electricity, water, sewerage and refuse amounts to R37.2 billion and it represents approximately 76.4% of the total revenue budget of R48.6 billion.

The table below set out the average tariff increases for 2017/18 - 2019/20 financial years.

Service	Base Year 2016/17	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Property rates	5.90%	6.20%	5.90%	5.40%
Electricity	6.93%	2.28%	7.68%	7.69%
Water	13.20%	12.20%	8.90%	8.40%
Sanitation	13.90%	12.20%	8.90%	8.40%
Refuse	6.00%	6.20%	5.90%	5.40%

The proposed tariff increases in the table above are averages; i.e. some customers may pay more and others less than the average.

Property rates: The average property rates tariff is projected to increase by 6.2% for the 2017/18 financial year. The 9% year on year increase in revenue mainly relates to revenue initiatives that have been introduced during the 2016/17 financial year estimated at R234.5 million additional property rates revenue in the 2017/18 financial year.

Service charges - electricity: The projected electricity revenue of R15.9 billion is approximately 6% increase from the 2016/17 financial year, the increase is based on a proposed average tariff increase for electricity of 2.28%; a 0% increase in units purchased; and the strategic drive to reduce total electricity losses to a level

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of 19% in the 2017/18 financial year. The bulk purchase price increase is assumed at 0.31%. Additional revenue from revenue initiatives introduced during the previous financial year is estimated to bring in additional revenue of approximately R442.9 million in the 2017/18 financial year.

Service charges - water and sewerage: Projected water and sewerage charges are estimated at R10.8 billion, approximately 21% increase from the 2016/17 financial year. The increase is based on an average tariff increase of 12.2%, based on a proposed Rand Water tariff increase of 10.2% plus a retail margin of 2%. Included in the revenue is an amount of approximately R320 million for the discontinuation of the 6kl universal free basic water as from 1 July 2017 (limited to indigents only in future) and additional revenue of R280 million resulting from revenue initiatives introduced in the 2016/17 financial year.

Service charges – refuse: The average refuse tariff is projected to increase by 6.2% for the 2017/18 financial year. The 9% increase in revenue resulted mainly from the 6.2% proposed tariff increase and additional revenue of R42.6 million resulting from revenue initiatives introduced in the 2016/17 financial year.

Rental of facilities are increasing by approximately by 6% in line with estimated inflation.

Interest earned increased by R10 million in line with the liquidity levels of the City.

Income from fines has increased with an amount of R128.3 million or 25% from the 2016/17 financial year. The increase is based on a low base (2016/17 financial year) and the department is introducing measures to improve revenue collection.

Operating grants are increasing by R398 million or 6% from the 2016/17 financial year. The increase mainly relates to increased allocations for the Equitable Share, Fuel Levy, PTIS and housing top-structure grant funding.

Other revenue reflects a decrease of R978.2 million or -24% mainly due to the reduction of unit sales to Eskom as the contract between the City and Eskom has not been renewed.

The tariffs for minor services will mainly increase in line with estimated inflation of 6.2%.

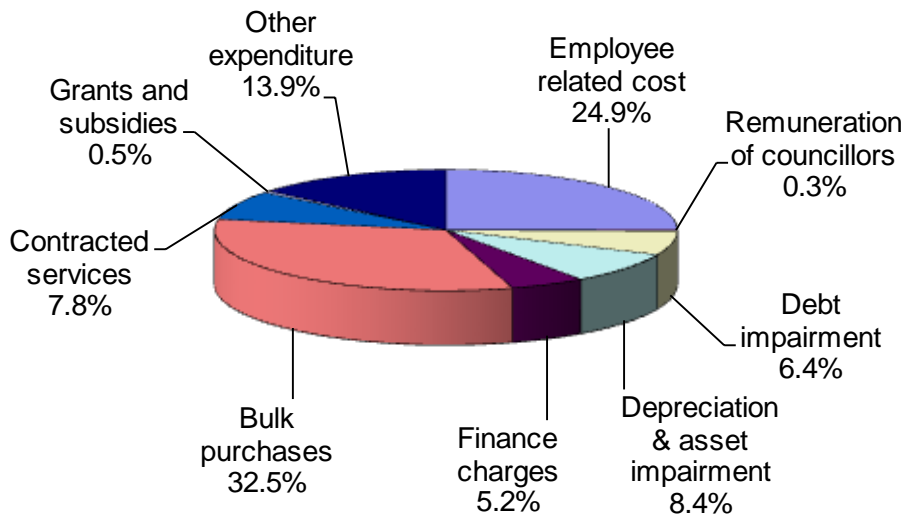
Expenditure Analysis

The City adopted the 2016/17 Adjusted Operating Budget of R45.3 billion. 2017/18 presents a budget of R47.3 billion, an increase of 5% from the 2016/17 adjusted budget.

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Expenditure	Adjusted Budget 2016/17 R millions	Budget 2017/18 R millions	%	Estimate 2018/19 R millions	Estimate 2019/20 R millions
Employee related cost	10 622	11 806	11%	13 286	14 395
Remuneration of councillors	154	161	5%	170	181
Debt impairment	3 088	3 052	-1%	3 192	3 368
Depreciation & asset impairment	3 567	3 983	12%	4 401	4 883
Finance charges	2 322	2 472	6%	2 578	2 521
Bulk purchases	15 206	15 380	1%	16 399	17 675
Contracted services	3 634	3 693	2%	3 944	4 169
Grants and subsidies	460	226	-51%	308	231
Other expenditure	6 239	6 570	5%	7 097	7 599
Total expenditure	45 293	47 344	5%	51 376	55 021

The increase of 5% in expenditure is a result of the increase in employee related cost 11%, remuneration of councillors 5%, debt impairment -1% depreciation 12%, finance charges 6%, bulk purchases 1% (Eskom/Kelvin Power Station and Rand Water), contracted services 2%, grants and subsidies paid -51% and other expenditure 5%.



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Financial Position

The table below reflects the summary of the proposed financial position.

Financial position	Adjusted Budget 2016/17 R million	Budget 2017/18 R million	Estimate 2018/19 R million	Estimate 2019/20 R million
Total current assets	15 393	14 861	15 955	18 463
Total non current assets	71 546	76 699	82 349	86 431
Total current liabilities	17 230	13 882	13 644	13 634
Total non current liabilities	23 237	26 682	28 933	30 690
Community wealth/Equity	46 473	50 996	55 726	60 570

The projected current ratio over the medium term is projected to be above 1:1. Cash reserves are used to fund capital investment, hence no material improvement in the current ratio.

Cash Flow

The table below reflects the summary of the proposed cash flow.

Cash flow	Adjusted Budget 2016/17 R million	Budget 2017/18 R million	Estimate 2018/19 R million	Estimate 2019/20 R million
Net cash from (used) operating	7 420	8 509	9 017	8 983
Net cash from (used) investing	(10 040)	(6 334)	(10 026)	(9 790)
Net cash from (used) financing	1 517	(264)	1 841	2 211
Cash/cash equivalents at the year begin:	4 370	3 222	5 133	5 966
Cash/cash equivalents at the year end	3 267	5 133	5 966	7 370

The cash of the City is projected to be approximately R5.2 billion at the end of the 2017/18 financial year. It will be approximately R7.4 billion in the outer year. Cash reserves are applied towards capital infrastructure spending.

The following Budget Assumptions were made:

CPI is estimated at 6.2% for 2017/18 and 5.9% for 2018/19 and 5.4% for 2019/20 financial years.

Estimated salary increases:

- 2017/18 – 7.2% (SALGA agreement in place)
- 2018/19 – 6.9%
- 2019/20 – 6.4%

Loans interest rates are estimated at 13.1% for 2017/18, 13.2% for 2018/19 and 13.3% for 2019/20.

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Bulk purchases - City Power has assumed an average tariff increase of 0.31% from Eskom and the cost of bulk purchases from Rand Water is expected to increase by average 10.2%.

Finance charges and depreciation are growing by 10% over the 2016/17 financial year and this is mainly a result of the capital investment over the medium term.

Contracted services and other expenditure combined are increasing by 5.1%.

- ... Annexure A reflects the operating budget of the City including internal transfers.
- ... Annexure B reflects the operating budget of the Core Administration.
- ... Annexure C reflects the operating budget of the Municipal Entities.
- ... Annexure D reflects the operating budget per vote (per department and municipal entity).

(3) MEDIUM TERM EXPENDITURE AND REVENUE PER CLUSTER:

For purposes of this report the expenditure growth percentage of the various departments within the Core Administration is based on direct expenditure (excluding internal transfers) and for the MEs it is based on total expenditure (including taxation) or subsidies received.

SUSTAINABLE CLUSTER

Sustainable Cluster	Adjusted Budget	Budget	Estimate	Estimate
Revenue	2016/17	2017/18	2018/19	2019/20
	R 000	R 000	R 000	R 000
Environment And Infrastructure	94 310	75 700	74 360	74 300
Housing	417 531	221 987	303 171	225 712
City Power	16 673 297	16 307 992	17 696 730	19 026 788
Johannesburg Water	8 970 690	10 858 317	11 820 752	12 810 536
Pikitup	2 166 966	2 400 838	2 577 446	2 739 259
Johannesburg Social Housing Company	144 488	152 021	160 505	170 680
Total Revenue	28 467 282	30 016 855	32 632 964	35 047 275

The Sustainable Cluster's revenue budget increases by 5.4% from the 2016/17 financial year.

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Sustainable Cluster Expenditure	Adjusted Budget 2016/17 R 000	Budget 2017/18 R 000	Estimate 2018/19 R 000	Estimate 2019/20 R 000
Environment And Infrastructure	200 139	193 031	200 943	204 673
Housing	1 019 949	809 592	949 068	926 698
City Power	16 001 554	15 499 615	16 702 502	17 991 271
Johannesburg Water	8 501 953	9 602 688	10 513 098	11 287 657
Pikitup	2 166 966	2 400 838	2 577 446	2 739 259
Johannesburg Social Housing Company	144 488	152 021	160 505	170 680
Total Expenditure	28 035 049	28 657 785	31 103 562	33 320 238

The Sustainable Cluster's expenditure budget increases by 2.2% from the 2016/17 financial year. Below follow details of the expenditure budget per department and municipal entity within the sustainable cluster:

Environment and Infrastructure

Environment and Infrastructure's revenue budget decreases by 19.7% to R75.7 million due to reduced EPWP grant allocation. The expenditure budget decreases by 3.6% to R193 million. Below is a highlight of programmes that are within the budget:

- Fast-tracking service delivery, especially to poorer communities;
- Job creation;
- Communications and campaigns;
- Interventions to mitigate water shortages;
- Interventions to mitigate electricity constraints;
- Healthy water courses, wetlands & impoundments;
- Conserve the city's natural assets;
- Landscape management (i.e. open space planning);
- Integrated Waste Management;
- Reduce carbon emissions; and
- Acceptable air quality.

Housing

The 2017/18 revenue of the Housing department decreases by 46.8% to R222 million due to the decrease in the Housing Top Structure grant funding. The expenditure budget decreases by 20.6% to R809.6 million in line with the decrease in grant revenue. Below is a highlight of programmes that are within the budget:

- Fast-tracking acquisition of buildings in the Inner City for housing;
- Inner city regeneration, including key economic nodes;
- Increasing the delivery of housing;

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- Residents live, work and play close to work, leisure and cultural opportunities;
- Identifying land to be serviced before any human settlements are built;
- Fast-tracking service delivery, especially to poorer communities;
- Improving revenue collection; and
- Interventions to mitigate electricity constraints.

City Power

City Power's expected surplus after taxation (excluding capital grants and contributions) amounts to R808.4 million. The expenditure budget decreases by 3.1% to R15.5 billion mainly due to bulk purchases. Below is a highlight of programmes that are within the budget:

- Inner city regeneration, including key economic nodes;
- Fast-tracking service delivery, especially to poorer communities;
- Developing pro-active maintenance and service teams;
- Driving the "service with pride" campaign;
- Driving compliance to clean governance and increase internal quality assurance controls;
- Prioritising the formalisation of informal settlements; and
- Interventions to mitigate electricity constraints.

Johannesburg Water

Joburg Water's expected surplus (excluding capital grants and contributions) amounts to R1.3 billion. The expenditure budget increases by 12.9% to R9.6 billion mainly due to the increase in bulk purchases and repairs and maintenance. Below is a highlight of programmes that are addressed within the budget:

- Fast-tracking service delivery, especially to poorer communities;
- Clean governance within JW through the utilisation of internal audit department as per the applicable legislation;
- Provision of basic services to informal settlements;
- Access to basic sanitation to all;
- Enhance sound financial management, sustainability and clean governance, and utilise infrastructure delivery to create jobs, support SMME's and attract investment; and
- Focused improvement of ICT equipment and software.

Pikitup

Pikitup's revenue budget increases by 10.8% to R2.4 billion. The expenditure budget increases by 10.8% to R2.4 billion in line with revenue. The subsidy allocation to Pikitup increases by 11.9% to R777.2 million. Below is a highlight of programmes that are addressed within the budget:

- Inner city regeneration, including key economic nodes;
- Fast-tracking service delivery, especially to poorer communities;
- Prioritising the formalisation of informal settlements; and
- Mitigation against declining landfill airspace.

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Johannesburg Social Housing Company (JOSHCO)

JOSHCO's revenue budget increases by 5.2% to R152 million in the 2017/18 financial year. The increase is attributed mainly to the increased rental of City Housing Stock and the increase in the CoJ subsidy. Expenditure increases by 5.2% to R152 million. Below is a highlight of programmes that are within the budget:

- Developing pro-active maintenance and service teams; and
- Fast-tracking service delivery, especially to poorer communities.

HUMAN AND SOCIAL DEVELOPMENT CLUSTER

Human and Social Development Cluster Revenue	Adjusted Budget 2016/17 R 000	Budget 2017/18 R 000	Estimate 2018/19 R 000	Estimate 2019/20 R 000
Community Development	50 387	43 834	45 346	47 879
Health	154 478	156 911	161 785	163 314
Social Development	3 559	2 249	621	655
Public Safety	971 320	1 118 714	1 177 675	1 242 475
Johannesburg City Parks And Zoo	839 448	965 463	1 027 980	1 091 359
Joburg City Theatres	166 919	160 439	170 334	180 145
Total Revenue	2 186 111	2 447 610	2 583 741	2 725 827

The revenue budget of the Human and Social Development Cluster increases by 12% from the 2016/17 financial year.

Human and Social Development Cluster Expenditure	Adjusted Budget 2016/17 R 000	Budget 2017/18 R 000	Estimate 2018/19 R 000	Estimate 2019/20 R 000
Community Development	1 120 703	994 444	1 008 967	1 062 974
Health	841 835	950 697	999 053	1 057 620
Social Development	198 328	197 542	197 919	211 485
Public Safety	3 106 585	3 397 455	4 081 910	4 561 930
Johannesburg City Parks And Zoo	839 448	965 463	1 027 980	1 091 359
Joburg City Theatres	166 919	160 439	170 334	180 145
Total Expenditure	6 273 818	6 666 040	7 486 163	8 165 513

The expenditure budget of the Human and Social Development Cluster increase by 6.3% from the 2016/17 financial year. Below follows the budget per department and municipal entity within the human and social development cluster.

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Community Development

Community Development's revenue budget decreases by 13% to R43.8 million. The expenditure budget decreases by 11.3% to R994.4 million. The decrease is mainly due to the centralization of communication, legal fees, grass cutting and security services. Below is a highlight of programmes that are within the budget:

- Driving the service with pride campaign;
- Inner city regeneration, including key economic nodes;
- Citizen participation, empowerment and citizen/customer care;
- Enhanced access to ICT infrastructure, including free Wi-Fi;
- Fast-tracking service delivery, especially to poorer communities; and
- Cutting wasteful expenditure on non – core functions.

Health

Health Department's revenue budget increases by 1.6% to R156.9 million mainly due to the reduced EPWP grant allocation. The expenditure budget increases by 12.9% to R950.7 million. Below is a highlight of programmes that are within the budget:

- Driving the "service with pride" campaign;
- Identifying land to be serviced before any human settlements are built (for new clinics);
- Residents live, work and play close to work, leisure and cultural opportunities;
- A healthy life for all; and
- Enhanced access to ICT infrastructure, including free Wi-Fi (E-health services).

Social Development

Social Development's revenue budget decreases by 36.8% to R2.2 million due to reduced EPWP grant allocation. The expenditure budget decreases by 0.4% to R197.5 million. The decrease is mainly due to the centralization of communication, legal fees, grass cutting and security services. Below is a highlight of programmes that are within the budget:

- Neighbourhood Urban Management Partnership and Community Driven Services;
- Improve quality of life and access to opportunities;
- One Stop Walk in Centres and Single Window Citizens Interface; and
- Promote Urban Agriculture programme.

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Public Safety

The revenue budget of Public Safety increases by 15.2% to R1.1 billion. The increase is mainly due to increased billing for fine revenue to be collected through the Administrative Adjudication of Road Traffic Offences Act (AARTO). The expenditure budget increases by 9.4% to R3.4 billion. The increase is mainly due to additional allocation received for 1500 metropolitan police officers and the centralisation of security services under JMPD. Below is a highlight of programmes that are addressed within the budget:

Public Safety Head Office

- Disaster Risk Management; and
- Licensing Management.

Emergency Management Services (EMS)

- Emergency Proactive Services; and
- Emergency Rapid Response.

Johannesburg Metropolitan Police Department (JMPD)

- Crime Prevention;
- Inner City Revitalisation;
- Traffic Management; and
- By-Law Management

Johannesburg City Parks and Zoo

City Parks and Zoo's revenue budget increases by 15% to R965.5 million. The increase is due to the transfer of grass cutting services (centralisation) to the entity. The expenditure budget increases by 15% to R965.5 million in line with revenue. The subsidy allocation to City Parks and Zoo increases by 7% to R736.3 million. Below is a highlight of programmes that are addressed within the budget:

- Economic development through job creation;
- Small and medium enterprises development;
- Driving the "service with pride" campaign;
- Fraud and corruption awareness and education; and
- Enhanced access to ICT infrastructure, including free Wi-Fi (in parks).

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Joburg City Theatres

The revenue of Joburg City Theatres decreases by 3.9% to R160.4 million. The expenditure budget decreases by 3.9% to R160.4 million in line with revenue. The Joburg City Theatre's subsidy increases by 8.1% to R101.7 million. Below is a highlight of programmes that are within the budget:

- Improving revenue collection;
- Inner city regeneration, including key economic nodes;
- Increasing forensic investigative capability and controls;
- Enhanced access to ICT infrastructure, including free Wi-Fi;
- Developing pro-active maintenance and service teams; and
- Residents live, work and play close to work, leisure and cultural opportunities - bringing the theatre closer to the people.

ECONOMIC GROWTH CLUSTER

Economic Growth Cluster Revenue	Adjusted Budget 2016/17 R 000	Budget 2017/18 R 000	Estimate 2018/19 R 000	Estimate 2019/20 R 000
Economic Development	3 428	1 037		
Transport	351 341	397 845	576 250	504 420
Development Planning	71 005	75 405	79 852	84 164
Joburg Market	414 107	437 871	469 358	522 490
Johannesburg Property Company	497 435	899 111	950 888	1 005 666
Johannesburg Development Agency	104 555	108 409	115 583	122 529
Johannesburg Roads Agency	975 374	1 098 102	1 198 386	1 309 905
Metrobus	674 416	706 024	752 954	799 633
Total Revenue	3 091 661	3 723 804	4 143 271	4 348 807

The revenue budget of the Economic Growth Cluster increases by 20.4%. The increase is mainly attributed to the centralisation of repairs and maintenance from core departments to Johannesburg Property Company.

Economic Growth Cluster Expenditure	Adjusted Budget 2016/17 R 000	Budget 2017/18 R 000	Estimate 2018/19 R 000	Estimate 2019/20 R 000
Economic Development	235 248	226 900	239 509	252 765
Transport	1 537 580	1 444 039	1 554 546	1 673 576
Development Planning	356 876	318 778	339 167	387 776
Joburg Market	357 601	373 323	395 668	427 224
Johannesburg Property Company	497 435	899 111	950 888	1 005 666
Johannesburg Development Agency	104 555	108 409	115 583	122 529
Johannesburg Roads Agency	975 374	1 098 102	1 198 386	1 309 905
Metrobus	674 416	706 024	752 954	799 633
Total Expenditure	4 739 085	5 174 686	5 546 701	5 979 075

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The expenditure budget of the Economic Growth Cluster increases by 9.2% from the 2016/17 financial year. Below follows the budget per department and municipal entity within the economic development cluster.

Economic Development

Revenue for the Economic Development department decreases by 69.7% to R1 million in the 2017/18 financial year. The decrease is due to the reduction in the Expanded Publics Works Programme incentive grant allocation. The expenditure budget decreases by 3.5% to R226.9 million in the 2017/18 financial year. The programmes that are within the budget are highlighted below:

- Sector Diversification, Productivity and Competitiveness Support - Green Economy;
- Trade and Investment Promotion, Business Retention, Expansion and Aftercare;
- SMME and Entrepreneurial Development;
- Enterprise Development;
- Smart Citizen Programme; and
- Green Economy Technology Hub.

Transport

The Transport department's revenue budget increases by 13.2% to R397.9 million in the 2017/18 financial year. The expenditure budget decreases by 6.1% to R1.5 billion. The decrease is mainly due to the centralization of communication, legal fees, grass cutting and security services. Below is a highlight of the programmes that are within the budget:

- Increased infrastructure investment (from both public and private sectors);
- Efficient and effective transport (Public and Freight) connecting home, work, culture and leisure;
- Fast-tracking service delivery, especially to poorer communities;
- Instilling best service standards by City employees;
- Driving the "service with pride" campaign; and
- Developing pro-active maintenance and service teams.

Development Planning

Development Planning's revenue budget increases by 6.2% to R75.4 million. The Department's expenditure budget decreases by 10.7% to R318.8 million mainly as a result of a decrease in depreciation offset by an increase in employment costs for additional building inspectors. Below is a highlight of programmes that are within budget:

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- Residents live, work and play close to work, leisure and cultural opportunities;
- Inner city regeneration including key economic nodes;
- Improving revenue collection;
- Instilling best service standards by city employees;
- Prioritising the formalization of informal settlements;
- Working to cut red tape and improve the ease of doing business in the City; and
- Developing pro-active maintenance and service teams.

Joburg Market

The Joburg Markets' revenue increases by 5.7% to R437.9 million in the 2017/18 financial year. The increase is mainly attributed to revenue from agency services. The expenditure budget increases by 4.4% to R373.3 million. Below is a highlight of the programmes that are within the budget:

- Promote economic development and investment activity; and
- Improve service delivery performance and service delivery culture.

Johannesburg Property Company (JPC)

The JPC's revenue increases by 80.7% to R899.1 million in the 2017/18 financial year mainly due to the increase in internal charges revenue relating to repairs and maintenance services. The expenditure budget increases by 80.7% to R899.1 million in line with the increase in revenue. Below is a highlight of the programmes that are within the budget:

- Developing pro-active maintenance and service teams;
- Inner city regeneration, including key economic nodes;
- Increased infrastructure investment (from both public and private sectors), including maintenance of City facilities;
- Focused improvement of ICT equipment and software;
- Identifying land to be serviced before any human settlements are built;
- Fast-tracking acquisition of buildings in the Inner City for housing;
- Cutting wasteful expenditure on non-core functions; and
- Improving revenue collection.

Johannesburg Development Agency

The revenue of Johannesburg Development Agency increases by 3.7% to R108.4 million. The expenditure budget increases in line with the revenue by 3.7% to R108.4 million. Johannesburg Development Agency's subsidy decreased by 1.7% to R26.2 million. Below is a highlight of key programmes that are within the budget:

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- Inner City regeneration including key economic nodes; and
- Residents live, work and play close to work, leisure and cultural opportunities;

Johannesburg Roads Agency

Revenue for the Johannesburg Roads Agency increased by 12.6% to R1.1 billion in 2017/18 due to an increase in the CoJ subsidy. The expenditure budget increases by 12.6% to R1.1 billion due to the increase in subsidy. Below is a highlight of programmes that are within the budget:

- Road Resurfacing;
- Road Rehabilitation and Construction;
- Informal Settlements Roads Upgrade;
- Freeway and Road Network Improvements;
- Bridge Rehabilitation; and
- Traffic Signal System Improvement: and
- Developing pro-active maintenance and service teams.

Metrobus

Revenue for the Metrobus increases by 4.7% to R706 million in 2017/18 mainly due to the R32.2 million increases in CoJ subsidy. The expenditure budget increases by 4.7% to R706 million in line with the increase in revenue. Below is a highlight of programmes that are within the budget:

- Focusing on driving up capital expenditure investment in infrastructure; and
- Fast-tracking service delivery, especially to poorer communities.
- Enhanced access to ICT infrastructure, including free Wi-Fi; and
- Instilling best service standards by City employees.

GOOD GOVERNANCE CLUSTER

Good Governance Cluster Revenue	Adjusted Budget 2016/17 R 000	Budget 2017/18 R 000	Estimate 2018/19 R 000	Estimate 2019/20 R 000
Group Forensic Investigation Services				
Office Of The Ombudsman				
City Manager	64 444	6 010	6 364	6 708
Group Finance	14 807 916	16 297 300	17 569 834	18 785 356
Group Corporate And Shared Services	21 400	23 309	24 707	26 059
Metropolitan Trading Company	342 762	384 700	374 739	401 309
Speaker: Legislative Arm Of Council				
Municipal Entities Accounts	182 461	215 327	226 544	237 430
Total Revenue	15 418 983	16 926 646	18 202 188	19 456 862

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The revenue budget of the Good Governance Cluster increases by 9.8%.

Good Governance Cluster Expenditure	Adjusted Budget 2016/17 R 000	Budget 2017/18 R 000	Estimate 2018/19 R 000	Estimate 2019/20 R 000
Group Forensic Investigation Services		60 000	85 000	118 000
Office Of The Ombudsman	54 478	46 466	60 133	63 737
City Manager	1 072 494	1 168 295	1 242 231	1 315 286
Group Finance	4 028 791	4 280 908	4 642 823	4 716 918
Group Corporate And Shared Services	1 263 963	1 392 895	1 597 810	1 784 292
Metropolitan Trading Company	342 762	384 700	374 739	401 309
Speaker: Legislative Arm Of Council	362 059	403 084	430 325	457 031
Municipal Entities Accounts	1 086 675	1 283 144	1 520 708	1 637 842
Total Expenditure	8 211 222	9 019 492	9 953 769	10 494 415

The expenditure budget of the Good Governance Cluster increases by 9.8%. Below follows the key focus areas for the budget per department within the good governance cluster.

Group Forensic Investigation Services

Group Forensic and Investigation Services (GFIS) is allocated R60 million for expenditure and does not make provision for revenue but can recover losses. Below is a highlight of programmes that are within the budget:

- Prevent, combat and investigate all forms of crime committed against the City including fraud, corruption, theft and maladministration;
- Investigate hijacked buildings and facilitate the arrest and prosecution of offenders;
- Provide legal assistance and conduct quality assurance of all cases through optimal utilisation of all legal instruments;
- Ensure the strategic engagement of all GFIS stakeholders and;
- Implement and monitor compliance to Minimum Information Security Standards (MISS).

Ombudsman

The Ombudsman's expenditure budget decrease by 14.7% to R46.5 million. Below is a highlight of programmes that are within the budget:

- Instilling best service standards by City employees and;
- Fast-tracking service delivery, especially to poorer communities.

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City Manager

The City Manager's revenue budget decreases by 90.7% to R6 million. The expenditure budget increases by 8.9% to R1.2 billion. The increase is due to the transfer of budget for legal fees and communication expenses (centralisation) to the department. Below is a highlight of programmes that are addressed within the budget:

Group Audit, Risk and Compliance:

- Developing pro-active maintenance and service teams;
- Increasing forensic investigative capability and controls and;
- Instilling best service standards by City employees.

Office of the City Manager:

- Focussing on driving up capital expenditure investment in infrastructure (SPMO function);
- Cutting wasteful expenditure on non-core functions;
- Driving the "service with pride" campaign and;
- Increasing forensic investigative capability and controls.

Citizen Relations and Urban Management:

- Fast-tracking service delivery, especially to poorer communities;
- Reducing petty crimes and enforcing by-laws; and
- Increased infrastructure investment (from both public and private sectors).

Group Strategy and Monitoring:

- Community Based Planning and Budgeting (CBP);
- Quality of life survey fieldwork research;
- Smart Citizen Programme and;
- Strategic Research.

Group Legal and Contracts:

- Absorption of most municipal-owned entities into the City after consideration of a thorough review and due diligence.

Group Marketing and Communication:

- Instilling best service standards by City employees.

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Office of the Executive Mayor:

- Fast-tracking service delivery, especially to poorer communities.

ME Governance MC Support:

- Smart and efficient administrative processes.

Group Finance

Group Finance's revenue budget increases by 10.1% to R16.3 billion. The expenditure increases by 6.3% to R4.3 billion. Below is a highlight of programmes that are within the budget:

- Focusing on driving up capital expenditure investment in infrastructure;
- Cutting wasteful expenditure on non-core functions;
- Improved governance and attainment of clean audits;
- Increasing responsiveness to billing problems;
- Improving revenue collection;
- Completeness of revenue and;
- Community based budgeting and planning;
- Number of National Treasury ratios achieved;
- Level of Long term domestic credit rating achieved; and
- Reconciliation of the properties in the GV to the cadastral of the City.

Group Corporate and Shared Services

Group Corporate Shared Service's revenue budget increased by 8.9% to R23.3 million. The expenditure budget increases by 10.2% to R1.4 billion mainly due to an increase in depreciation and funds put aside for strategic appointments and the political facilitation agreement. Below is a highlight of programmes that are within the budget:

- Improve service delivery performance and service delivery culture;
- Evaluate the structure of the municipality in six (6) months' time;
- Smart City and innovation;
- Responsive governance, citizen customer friendly; and
- Good clean governance with a focus on eliminating corruption.

Metropolitan Trading Company

Metropolitan Trading Company's revenue increases by 12.2% to R384.7 million. The expenditure budget increases by 12.2% to R 384.7 million in line with revenue. The program below is funded by the budget:

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- Enhanced access to ICT infrastructure, including free Wi-Fi – focusing on preserving the value of the city’s investment in the broadband network.

Speaker: Legislative Arm of Council

Speaker’s expenditure budget increases by 11.3% to R403.1 million. Below is a highlight of programmes that are within the budget:

- Developing pro-active maintenance and service teams by providing support to the Section 79 committees;
- Driving the "service with pride" campaign by encouraging communities to participate in all stakeholder engagements to address issues affecting the municipality;
- Reducing petty crimes and enforcing by-laws. Regulate, conduct, ensure compliance and oversight of enforcement;
- Enhance functionality of ward committee system in communities and capacitating ward committees and;
- Fast-tracking service delivery, especially to poorer communities.

Municipal Entities Accounts

The revenue for the municipal entities accounts increases by 18% to R215.3 million. The increase mainly relates to the JPC portfolio account. The expenditure for the municipal entities accounts increases by 18.1% and it mainly relates to depreciation in line with the capital investment.

4 POLICY IMPLICATIONS

None.

5 LEGAL AND CONSTITUTIONAL IMPLICATIONS

This report is in compliance with the provisions of The Municipal Finance Management Act (Act 56 of 2003).

6 FINANCIAL IMPLICATIONS

<u>Consolidated Operating Budget</u> <u>(including internal transfers)</u>	2017/18 R 000	2018/19 R 000	2019/20 R 000
Direct Revenue	48 597 351	52 785 276	56 456 875
Direct Expenditure	47 343 814	51 375 564	55 020 610
Taxation	396 303	493 223	469 929
Capital Grants & Contributions	3 617 235	3 761 103	3 821 815
Surplus (Deficit) for the year	4 474 469	4 677 592	4 788 151

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7 COMMUNICATION IMPLICATIONS

In terms of Section 24 of the MFMA, the Accounting Officer must inter alia, submit the approved budget to National Treasury and Provincial Treasury immediately after the approval of the budget.

The approved budget will also be communicated to the community and various stakeholders in the manner prescribed by law.

8 OTHER BODIES/DEPARTMENTS CONSULTED

Group Legal and Contracts, all Core Departments and Municipal Entities.

9 KEY PERFORMANCE INDICATOR

Management of the budget process in compliance with the Municipal Finance Management Act Chapter 4.

IT IS RECOMMENDED

1 That the consolidated operating revenue of R48.6 billion, operating expenditure of R47.3 billion, taxation of R396.3 million and capital grants and contributions of R3.6 billion for the City of Johannesburg for the financial year 2017/18, and the indicatives for the projected medium term period 2018/19 to 2019/20 be approved as set out in the following attachments:

(1) The consolidated operating budget for the City, Core Administration and Municipal Entities as reflected in Annexure A, B and C.

(2) The operating revenue and expenditure budget by vote for the City as reflected in Annexure D.

2 That the subsidies payable by Core Administration to the following Municipal Entities be approved:

3 That the supporting information contained in the 2017/18 – 2019/20 Medium Term Revenue and Expenditure Budget document as required in terms of Section 17(3) of the Municipal Finance Management Act (Act 56 of 2003) be approved in conjunction with this report.

(FINANCE)

(tc)

THE ANNEXURES TO THIS ITEM WILL BE DISTRIBUTED SEPARATELY ON A CD