

FINANCE

3 2018/19 – 2020/21 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 2018/19 to 2020/21 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 2018/19 commenced with the 1st Mayoral Lekgotla that was held on the 13-15 November 2017. 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 16-18, 22 January 2018. The objective of the hearings was to assess the budget proposals in terms of the City's priorities.

The 2nd Budget Lekgotla was held on 13-14 February 2018 where the final agreement was reached on key focus areas and priorities. Departments and municipal entities (MEs) were requested to prepare their draft budgets in line with key strategic priorities and programmes as agreed on the 2nd Budget Lekgotla.

Consultation Process

In line with the Integrated Planning Process Plan adopted by Council in September 2017, the 2018/19 budget was informed by 37 ward-cluster conversations held in October and November 2017. These "listening sessions" allowed the community to give input into the 2018/19 budget and IDP Review at the beginning of the planning process. The 2018/19 operating budget is the administration's strategic response to the most pressing needs of the community identified during this process.

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Subsequent to the tabling of the draft 2018/19 operating budget at Mayoral Committee and Council in March 2018, a further round of external and internal consultations were held in order to finalise the budget during April and May 2018. During this phase the, the draft budget and proposed tariffs were publicised for stakeholder and public comments. It was during this phase that the regional budget and IDP summits were held, further allowing the community to receive feedback on the issues raised during the listening sessions, as well as to comment on the 2018/19 draft budget.

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.

Following the tabling of the draft 2018/19 operating budget in May 2018, the operating budget has been revised in response Council's mandate to the Executive to reconsider the average tariff increases for electricity and water & sanitation.

(2) MEDIUM-TERM OPERATING BUDGET

Medium Term Budget Direction

The 2018/19 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.

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Overview of the 2018/19 Medium-term Budget

The proposed operating revenue budget is approximately R52.6 billion and the operating expenditure budget is totalling R51.1 billion for the 2018/19 financial year. Revenue is increasing by 10.3% and expenditure by 9% over the 2017/18 financial year.

The table below sets out the Medium-Term Revenue and Expenditure Budget for the 2018/19- 2020/21 financial years.

	Adjusted Budget 2017/18 R 000	Budget 2018/19 R 000	%	Estimate 2019/20 R 000	Estimate 2020/21 R 000
Revenue	47 670 955	52 583 131	10.3%	56 645 605	60 783 847
Internal revenue	6 317 452	7 154 727	13.3%	7 680 213	8 389 496
	53 988 407	59 737 858	10.6%	64 325 818	69 173 343
Expenditure	46 884 676	51 097 641	9.0%	55 650 724	59 617 025
Internal expenditure	6 317 452	7 154 727	13.3%	7 680 213	8 389 496
	53 202 128	58 252 368	9.5%	63 330 937	68 006 521
Surplus (Deficit)	786 279	1 485 490		994 881	1 166 822
Taxation	352 228	247 309	-29.8%	267 635	315 112
Surplus (Deficit) for the year	434 051	1 238 181		727 246	851 710
Capital grants and contributions	2 751 698	3 077 494		3 105 920	3 278 393
Surplus (Deficit) for the year including capital grants and contributions	3 185 749	4 315 675		3 833 167	4 130 103

The City is budgeting for a surplus (before taxation and capital grants) of R1.5 billion for 2018/19. The surplus will be applied towards the City's working capital and funding of capital investment.

Revenue Analysis

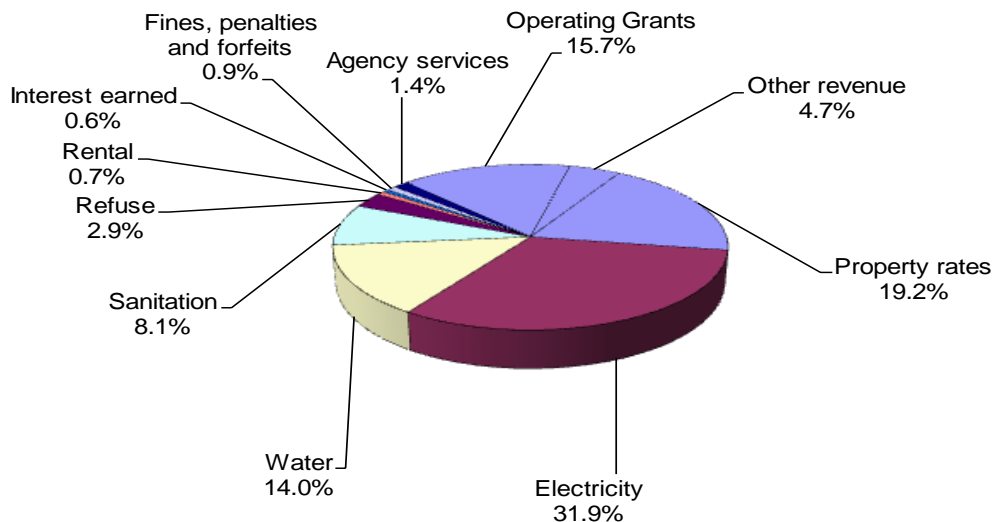
In 2017/18, the direct revenues were budgeted at R47.7 billion with revenue estimated to be R52.6 billion in 2018/19.

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Revenue	Adjusted Budget 2017/18 R million	Budget 2018/19 R million	%	Estimate 2019/20 R million	Estimate 2020/21 R million
Property rates	9 006	10 099	12.1%	10 644	11 272
Electricity	15 463	16 779	8.5%	18 292	19 629
Water	6 564	7 352	12.0%	7 896	8 520
Sanitation	3 761	4 234	12.6%	4 548	4 907
Refuse	1 463	1 540	5.2%	1 632	1 730
Rental	334	378	13.1%	404	426
Interest earned	287	297	3.8%	308	326
Fines, penalties and forfeits	450	450	0.0%	474	502
Agency services	701	740	5.6%	781	831
Operating Grants	7 327	8 240	12.5%	8 922	9 758
Other revenue	2 316	2 474	6.9%	2 745	2 883
Total revenue	47 671	52 583	10.3%	56 646	60 784

The increase of 10.3% in total revenue is made up of the 12.1% increase in property rates, 8.5% in electricity revenue, 12% increase in water, 12.6% increase in sewerage revenue, 5.2% increase in refuse, 13.1% increase in rental of facilities, 3.8% increase in interest earned, 5.6% increase agency services, 12.5% increase in operating grants and 6.9% increase in other revenue.

The graph below reflects the percentages per revenue category of the total revenue of the City.



The 2018/19 revenue budget for property rates, electricity, water, sewerage and refuse amounts to R40 billion and it represents approximately 76.1% of the total revenue budget of R52.6 billion.

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The table below sets out the average tariff increases for 2018/19 - 2020/21 financial years.

Service	Base Year 2017/18	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Property rates	6.20%	GV 2018	5.40%	5.90%
Electricity	2.28%	7.17%	9.02%	7.31%
Water	12.20%	13.20%	7.40%	7.90%
Sanitation	12.20%	13.20%	7.40%	7.90%
Refuse	6.20%	6.80%	5.40%	5.90%

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 property rates revenue is projected to increase by 12.1% on the 2017/18 adjusted budget, the increase is based on the new valuation roll that will be implemented as from 1 July 2018 in line with the requirements of the Municipal Property Rates Act (MPRA). The residential value exclusion will increase from R200 thousand to R350 thousand to ease the burden that the new property valuation might have on residents.

Service charges - electricity: The projected electricity revenue of R16.8 billion is approximately 8.5% increase from the 2017/18 financial year, the increase is based on a proposed average tariff increase for electricity of 7.17% and the strategic drive to reduce total electricity losses to a level of 17% in the 2018/19 financial year. The bulk purchase price increase is assumed at 7%.

Service charges - water and sewerage: Projected water and sewerage charges are estimated at R11.6 billion, approximately 12.2% increase from the 2017/18 financial year. The increase is based on an average tariff increase of 13.2%, based on a proposed Rand Water tariff increase of 12.2% plus a retail margin of 1%.

Service charges – refuse: The projected refuse revenue of R1.5 billion is approximately 5.2% increase from the 2017/18 financial year, the increase is based on a proposed average tariff increase of 6.2% and a proposed stepped tariff to ensure affordability for lower priced properties.

Rental of facilities are increasing by approximately by 13.1% and is mainly due to the increase in rental housing unit and the increase in revenues on commercial leases and renewals of all social leases.

Interest earned increases by R10 million in line with payment and liquidity levels of the City.

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Income from fines, penalties and forfeits remain the same as in the 2017/18 financial year and agency services increases by R39 million or 5.6%.

Operating grants are increasing by R913 million or 12.5% from the 2017/18 financial year. The increase mainly relates to increased allocations for the Equitable Share, Fuel Levy, and Public Transport Network (PTNG) grant funding.

Other revenue reflects an increase of R158 million or 6.9%.

The tariffs for minor services will mainly increase in line with estimated inflation of 5.4%.

Expenditure Analysis

The City adopted the 2017/18 Adjusted Operating Budget of R46.9 billion. 2018/19 presents a budget of R51.1 billion, an increase of 9% from the 2017/18 adjusted budget.

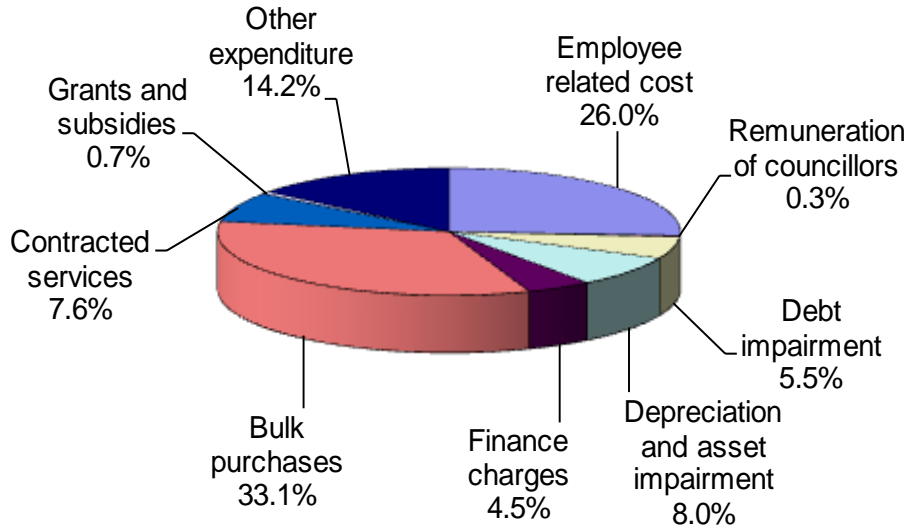
Expenditure	Adjusted Budget 2017/18 R million	Budget 2018/19 R million	%	Estimate 2019/20 R million	Estimate 2020/21 R million
Employee related cost	11 447	13 290	16.1%	14 688	15 741
Remuneration of councillors	161	170	6.0%	181	193
Debt impairment	2 958	2 831	-4.3%	3 033	3 252
Depreciation and asset impairment	3 938	4 064	3.2%	4 399	4 704
Finance charges	2 472	2 318	-6.2%	2 467	2 615
Bulk purchases	15 380	16 934	10.1%	18 345	19 672
Contracted services	3 569	3 882	8.8%	4 395	4 698
Grants and subsidies	437	342	-21.6%	343	358
Other expenditure	6 524	7 267	11.4%	7 799	8 386
Total expenditure	46 885	51 098	9.0%	55 651	59 617

The increase of 9% in expenditure is a result of the increase in employee related cost 16.1%, remuneration of councillors 6%, debt impairment -4.3% depreciation 3.2%, finance charges -6.2%, bulk purchases 10.1% (Eskom/Kelvin Power Station and Rand Water), contracted services 8.8%, grants and subsidies paid -21.6% and other expenditure 11.4%.

Reasons for the increases are explained later in the report under each department or entity's section.

The graph below reflects the percentages per expenditure category of the total expenditure of the City.

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Financial Position

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

Financial position	Adjusted Budget 2017/18 R million	Budget 2018/19 R million	Estimate 2019/20 R million	Estimate 2020/21 R million
Total current assets	14 062	16 817	18 461	18 278
Total non current assets	74 493	79 043	83 567	89 285
Total current liabilities	14 795	15 147	16 328	15 780
Total non current liabilities	26 403	29 041	30 194	32 147
Community wealth/equity	47 357	51 672	55 505	59 635

The projected current ratio over the medium term is projected to be 1:1 and above. 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 2017/18 R million	Budget 2018/19 R million	Estimate 2019/20 R million	Estimate 2020/21 R million
Net cash from (used) operating	8 601	8 704	8 651	9 271
Net cash from (used) investing	(6 795)	(8 593)	(9 753)	(9 549)
Net cash from (used) financing	(264)	2 291	1 634	678
Cash/cash equivalents at the year begin:	3 096	4 637	7 039	7 572
Cash/cash equivalents at the year end	4 637	7 039	7 572	7 972

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The cash of the City is projected to be approximately R7 billion at the end of the 2018/19 financial year. It will be approximately R8 billion in the outer year. Cash reserves are applied towards capital infrastructure spending.

The following Budget Assumptions were made:

CPI is estimated at 5.4% for 2018/19 and 5.4% for 2019/20 and 5.9% for 2020/21 financial years.

Estimated salary increases:

- 6.1% - 2018/19
- 6.1% - 2019/20
- 6.4% - 2020/21

Loans interest rates are estimated at 10.25% for 2018/19, 10.5% for 2019/20 and 10.75% for 2020/21.

Bulk purchases - City Power has assumed an average tariff increase of 7% from Eskom and the cost of bulk purchases from Rand Water is expected to increase by average 12.2%.

Finance charges and depreciation are decreasing by 0.5% over the 2017/18 financial year and contracted services and other expenditure combined are increasing by 10.5%.

Reasons for the increases are explained later in the report under each department or entity's section.

- ... 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.

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Sustainable Cluster	Adjusted Budget 2017/18 R 000	Budget 2018/19 R 000	%	Estimate 2019/20 R 000	Estimate 2020/21 R 000
Environment And Infrastructure	90 700	75 560	-16.7%	75 600	75 600
Housing	487 117	329 903	-32.3%	330 683	344 505
City Power	15 780 479	17 079 979	8.2%	18 598 164	19 964 373
Johannesburg Water	10 428 765	11 738 362	12.6%	12 603 944	13 595 629
Pikitup	2 240 695	2 333 922	4.2%	2 477 592	2 626 140
Johannesburg Social Housing Company	161 345	181 884	12.7%	197 776	211 796
Total Revenue	29 189 101	31 739 610	8.7%	34 283 759	36 818 043

The Sustainable Cluster's revenue budget increases by 8.7% from the 2017/18 financial year.

Sustainable Cluster	Adjusted Budget 2017/18 R 000	Budget 2018/19 R 000	%	Estimate 2019/20 R 000	Estimate 2020/21 R 000
Environment And Infrastructure	178 255	182 787	2.5%	202 011	211 339
Housing	1 158 361	1 075 316	-7.2%	1 122 521	1 189 799
City Power	15 287 196	16 451 503	7.6%	17 915 671	19 162 074
Johannesburg Water	9 531 989	10 554 824	10.7%	11 273 935	12 089 730
Pikitup	2 240 695	2 333 922	4.2%	2 477 592	2 626 140
Johannesburg Social Housing Company	161 345	181 884	12.7%	197 776	211 796
Total Expenditure	28 557 841	30 780 236	7.8%	33 189 506	35 490 878

The Sustainable Cluster's expenditure budget increases by 7.8% from the 2017/18 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 16.7% to R75.6 million due to reduced EPWP and EEDSM grant allocations. The expenditure budget increases by 2.5% to R182.8 million. Below is a highlight of programmes that are within the budget:

- Providing reliable, quality supply of electricity, water and sanitation to residents and businesses on the grid;
- Waste Management;
- Environmental Protection;
- Interventions to mitigate water shortages; and
- Climate Change.

Housing

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The 2018/19 revenue of the Housing department is reduced by 32.3% to R329.9 million due to the decrease in the Housing Top Structure grant funding. The expenditure budget decreases by 7.2% to R1.1 billion in line with the decrease in grant revenue. Below is a highlight of programmes that are within the budget:

- Prioritising the formalisation of informal settlements;
- Increasing the delivery of housing;
- Provision of basic services;
- Improving revenue collection;
- Management of housing stock.

City Power

City Power's expected surplus after taxation (excluding capital grants and contributions) amounts to R628.5 million. The expenditure budget increases by 7.6% to R16.5 billion mainly due to maintenance of street lightning, telecommunication costs for software licenses and bulk sms services, final reading of meters, cut-off fees and meter audits costs. Below is a highlight of programmes that are within the budget:

- Providing safe and secure communities for residents of our City;
- Providing reliable, quality supply of electricity to residents and businesses on the grid;
- Inner city regeneration, including key economic nodes;
- Developing pro-active maintenance and service teams;
- Fast-tracking service delivery, especially to poorer communities;
- Increasing forensic investigative capability and controls;
- Prioritising the formalisation of informal settlements;
- Interventions to mitigate electricity constraints;
- Enhanced access to ICT infrastructure, including free Wi-Fi; and
- Driving the "service with pride" campaign.

Johannesburg Water

Joburg Water's expected surplus (excluding capital grants and contributions) amounts to R1.3 billion. The expenditure budget increases by 10.7% to R10.6 billion mainly to cater for the first line response and insourced meter reading teams as well as the provision of chemical and VIP toilets, vacuum tankers, contractors for Alexandra projects as well as telemetry contractors. Below is a highlight of programmes that are addressed within the budget:

- Providing reliable, quality supply of water and sanitation to residents and businesses on the grid;
- Service delivery to informal settlements;
- Driving the "service with pride" campaign;

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- Cutting wasteful expenditure on non-core functions;
- Focused improvement of ICT equipment and software; and
- Developing pro-active maintenance and service teams.

Pikitup

Pikitup's revenue budget increases by 4.2% to R2.3 billion. The expenditure budget increases by 4.2% to R2.3 billion in line with revenue. The subsidy allocation to Pikitup increases by 1.5% to R626.7 million. Pikitup has made provision for the insourcing of Jozi@work workers, a 3rd shift in the Inner City and level 2 cleanliness as well as to address the dilapidated conditions of Pikitup facilities. Below is a highlight of programmes that are addressed within the budget:

- Improved quality of life for the residents of the City's over 180 informal settlements;
- Driving the "service with pride" campaign;
- Improving revenue collection; and
- Interventions to mitigate landfill airspace shortages.

Johannesburg Social Housing Company (JOSHCO)

JOSHCO's revenue budget increases by 12.7% to R181.9 million attributed mainly to the increase in billing revenue for rental of the City's housing stock. Expenditure increases by 12.7% to R181.9 million mainly as a result of the internal charges for security from the JMPD. Employee related costs also increased by R2.7 million due to the allocation for salary parity for employees on level C and D. 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 2017/18 R 000	Budget 2018/19 R 000	%	Estimate 2019/20 R 000	Estimate 2020/21 R 000
Community Development	43 844	44 826	2.2%	47 695	49 885
Health	156 527	151 608	-3.1%	160 364	168 671
Social Development	2 249	621	-72.4%	655	693
Public Safety	939 916	959 531	2.1%	1 012 133	1 071 710
Johannesburg City Parks And Zoo	914 437	1 083 000	18.4%	1 131 135	1 205 908
Joburg City Theatres	174 146	179 097	2.8%	188 954	200 391
Total Revenue	2 231 119	2 418 683	8.4%	2 540 936	2 697 258

The revenue budget of the Human and Social Development Cluster increases by 8.4% from the 2017/18 financial year.

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Human and Social Development Cluster Expenditure	Adjusted Budget 2017/18 R 000	Budget 2018/19 R 000	%	Estimate 2019/20 R 000	Estimate 2020/21 R 000
Community Development	992 561	1 170 398	17.9%	1 239 022	1 330 498
Health	929 408	1 030 677	10.9%	1 104 685	1 174 723
Social Development	208 847	254 068	21.7%	268 930	285 662
Public Safety	3 306 537	4 210 825	27.3%	5 065 272	5 422 903
Johannesburg City Parks And Zoo	914 437	1 083 000	18.4%	1 131 135	1 205 908
Joburg City Theatres	174 146	179 097	2.8%	188 954	200 391
Total Expenditure	6 525 936	7 928 065	21.5%	8 997 998	9 620 085

The expenditure budget of the Human and Social Development Cluster increase by 21.5% from the 2017/18 financial year. Below follows the budget per department and municipal entity within the human and social development cluster.

Community Development

Community Development's revenue budget increases by 2.2% to R44.8 million. The expenditure budget increases by 17.9% to R1.2 billion. Below is a highlight of programmes that are within the budget:

- Improved care for the most vulnerable in our City providing them with a greater quality of life and dignity;
- Optimal utilisation of grant funding to maximise the City's equitable share and rollout more grant funded programs;
- Residents live, work and play close to work, leisure and cultural opportunities;
- Deliver Reading Development Programmes and Literacy Training in a pro-poor manner to address inequalities;
- Deliver Public Library Services focussing on learning, education and skills development;
- Delivering of ECD programme by library services to crèches/ECD centres/caregivers;
- Delivering of library services to Old Age Homes and Correctional Services ;
- Provide eWorld and eLearning at Public Libraries and outdoor facilities for access to Wi-Fi in a safe environment;
- Information Resources Management for public libraries, depots, programs and extension services; and
- Repairs and maintenance of council facilities.

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Health

Health Department's revenue budget decreases by 3.1% to R151.6 million mainly due to reduced Primary Health Care grant allocation. The expenditure budget increases by 10.9% to R1 billion to cater for extended hours for Primary Health Care and capacitation of the Substance Abuse Treatment Centre as well as Mobile Clinics. Below is a highlight of programmes that are within the budget:

- Improved care for the most vulnerable in our City providing them with a greater quality of life and dignity;
- Residents live, work and play close to work, leisure and cultural opportunities;
- A healthy life for all;
- Driving the "service with pride" campaign; and
- Enhanced access to ICT infrastructure, including free Wi-Fi.

Social Development

Social Development's revenue budget decreases by 72.4% to R621 thousand due to reduced EPWP grant allocation. The expenditure budget increases by 21.7% to R254.1 million due to additional Social workers to be recruited for the rolling out of the "Diphetogo programme" being Substance Abuse as well as extended hours. Below is a highlight of programmes that are within the budget:

- Improved care for the most vulnerable in our City providing them with a greater quality of life and dignity;
- Support programmes for Targeted beneficiaries;
- Policy development and research;
- Monitoring and Evaluation for Diphetogo programmes (ESP and Substance abuse);
- Support programmes for people living and working on the streets;
- Early Childhood Development; and
- One Stop Walk in Centres and Single Window Citizens Interface.

Public Safety

The revenue budget of Public Safety increases by 2.1% to R959.5 million. The increase is below CPI mainly due to the conservative approach in budgeting for fines revenue based on historical evidence in the prior years. The expenditure budget increases by 27.3% to R4.2 billion mainly due to the increase in repairs and maintenance with the decentralisation of the service from JPC and the increase in employee related costs. The increase in employee related costs is as a result of the insourcing of security services under JMPD, and the allocation in respect of salary parity for category C and D employees. Contracted services increased mainly due to the increase in special vehicle fleet requirements and the increased speed law enforcement:

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Public Safety Head Office

- Improve Licensing Services;
- HOD: Strategic Services;
- Disaster Preparedness;
- Integrated Intelligence Operation Centre.

Emergency Management Services (EMS)

- Increasing the levels of public safety and sense of security experienced by residents of our City; and
- Increase responsiveness and performance of Emergency Services in our City.

Johannesburg Metropolitan Police Department (JMPD)

- Crime Prevention;
- Traffic Enforcement; and
- By-Law Management.

Johannesburg City Parks and Zoo

City Parks and Zoo revenue budget increases by 18.4% to R1.1 billion. The expenditure budget increases by 18.4% to R1.1 billion in line with revenue. The subsidy allocation to City Parks and Zoo increases by 18.2% to R871.5 million mainly due to an additional allocation of R70 million for grass cutting and the EPWP grant allocation. Below is a highlight of programmes that are addressed within the budget:

- Economic development through job creation;
- Increasing forensic investigative capability and controls;
- Fast-tracking service delivery, especially to poorer communities;
- Developing pro-active maintenance and service teams; and
- Enhanced access to ICT infrastructure, including free Wi-Fi.

Joburg City Theatres

The revenue of Joburg City Theatres increases by 2.8% to R179.1 million. The expenditure budget increases by 2.8% to R179.1 million in line with revenue. The Joburg City Theatre's subsidy increases by 6.7% to R111.4 million. Other revenue increases by 16.8% mainly as a result of the Theatre taking over the operations of the restaurant at Joburg Zoo. Below is a highlight of programmes that are within the budget:

- Create a City that responds to the needs of citizens, customers and businesses.

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Economic Growth Cluster Revenue	Adjusted Budget 2017/18 R 000	Budget 2018/19 R 000	%	Estimate 2019/20 R 000	Estimate 2020/21 R 000
Economic Development	1 037	34 737	#####		
Transport	324 845	627 466	93.2%	784 165	809 103
Development Planning	75 405	78 631	4.3%	82 878	87 739
Joburg Market	430 990	452 831	5.1%	478 766	512 016
Johannesburg Property Company	899 111	541 094	-39.8%	576 204	616 026
Johannesburg Development Agency	106 079	129 074	21.7%	130 340	138 063
Johannesburg Roads Agency	1 071 443	1 253 397	17.0%	1 465 620	1 786 929
Metrobus	671 716	717 081	6.8%	774 620	818 020
Total Revenue	3 580 626	3 834 311	7.1%	4 292 593	4 767 896

The revenue budget of the Economic Growth Cluster increases by 7.1%.

Economic Growth Cluster Expenditure	Adjusted Budget 2017/18 R 000	Budget 2018/19 R 000	%	Estimate 2019/20 R 000	Estimate 2020/21 R 000
Economic Development	222 905	223 141	0.1%	236 696	252 085
Transport	1 413 267	1 860 969	31.7%	2 210 635	2 341 193
Development Planning	325 385	341 657	5.0%	372 844	395 883
Joburg Market	349 876	395 512	13.0%	420 188	453 592
Johannesburg Property Company	899 111	541 094	-39.8%	576 204	616 026
Johannesburg Development Agency	106 079	129 074	21.7%	130 340	138 063
Johannesburg Roads Agency	1 071 443	1 253 397	17.0%	1 465 620	1 786 929
Metrobus	671 716	717 081	6.8%	774 620	818 020
Total Expenditure	5 059 783	5 461 925	7.9%	6 187 147	6 801 791

The expenditure budget of the Economic Growth Cluster increases by 7.9% from the 2017/18 financial year. Below follows the budget per department and municipal entity within the economic development cluster.

Economic Development

Revenue for the Economic Development department in the 2018/19 financial year increases to R34.7 million due to the increase in the Expanded Publics Works Programme incentive grant allocation. The expenditure budget increases by 0.1% to R223 million due to the increase in contracted services to appoint service providers to provide business advisory services. The programmes that are within the budget are highlighted below:

- Inner city regeneration, including key economic nodes;
- Working to cut red tape and improve the ease of doing business in the City;
- Enhanced access to ICT infrastructure, including free Wi-Fi; and
- Focused improvement of ICT equipment and software.

Transport

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The Transport department's revenue budget increases by 93.2% to R627.5 million in the 2018/19 financial year due to the increase in the Public Transport Network Operating Grant (PTNOG) allocation from the National Treasury. Other revenue also increased by 25.5% due to anticipated revenue from the new Rea Vaya Phase 1C bus route. The expenditure budget increases by 31.7 % to R1.9 billion due to the increase in repairs and maintenance with the decentralisation of the service from JPC, and the increase in the PTNOG related expenditure on the contracted services and the other expenditure categories. Below is a highlight of the programme that is within the budget:

- Increased infrastructure investment (from both public and private sectors); and
- Transit oriented developments.

Development Planning

Development Planning's revenue budget increases by 4.3% to R78.6 million. The expenditure budget increases by 5.0% to R341.6 million. Below is a highlight of programmes that are within the budget:

- Achievement of inclusive economic growth that drives job creation;
- Inner City regeneration, including key economic nodes;
- Detailed assessment and intervention plans for identified CBD's;
- Transit oriented development;
- Implementation of the inner city road map;
- Compact integrated and liveable urban form and space;
- Priority area planning and implementation;
- Consolidated town planning;
- Efficient processing of town planning, building plan and outdoor advertising applications;
- Maintain service delivery standards;
- Integrated planning, policy development and standard setting;
- GIS system development; and
- Spatial information maintenance.

Joburg Market

The revenue for the Joburg Market increases by 5.1% to R452.8 million due to the increase in revenue from rental of facilities and equipment and the increase in other revenue. The increase in other revenue relates to the tender document fees, discount received, market by laws penalties, and finance charges. The expenditure budget increases by 13% to R395.5 million due to increase in internal

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charges related to JMPD security charges, legal fees and insurance - COID. Employee related costs increased by 7.8% as a result of the salary parity allocation for employee levels C and D. 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 decreases by 39.8% to R541 million mainly due to the decrease in internal recoveries related to the decentralization of the repair and maintenance services. The expenditure budget decreases by 39.8% to R541 million in line with the decrease in revenue. Below is a highlight of the programmes that are within the budget:

- Inner city regeneration, including key economic nodes;
- Increased infrastructure investment (from both public and private sectors);
- 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; and
- Cutting wasteful expenditure on non-core functions.

Johannesburg Development Agency

The revenue of Johannesburg Development Agency increases by 21.7% to R129 million. Expenditure increases in line with revenue by 21.7% to R129 million. The subsidy increases by 40.4% to R40.3 million. Below is a highlight of programmes that are within the budget:

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

Johannesburg Roads Agency

The revenue for the Johannesburg Roads Agency increased by 17% to R1.25 billion in the 2018/19 financial year. The increase is due to the increase in the CoJ subsidy and the EPWP incentive grant allocation. The expenditure budget increases by 17% to R1.25 billion. Employee related costs increased by 8.5% due to 120 general workers appointed in December 2017, and the provision for the vacant position of the Managing Director and four Heads of Department positions. Contracted services increase by 21% mainly due to an additional allocation of R30 million for the maintenance of inter- sections, footways etc. Other expenditure

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increased by R57 million (24%) as a result of the R40 million allocated for the maintenance of pavements and road markings, and occupational rent for rented office space in Braamfontein. Internal charges relating to amongst others security services, communication, revenue services, grass cutting, insurance and legal fees also increased. Below is a highlight of programmes that are within the budget:

- Fast-tracking service delivery, especially to poorer communities; and
- Empowerment-Community/ Petitioners Development on Street Alive/Street Calming Concepts.

Metrobus

Revenue for Metrobus increases by 6.8% to R717.1 million in 2018/19 mainly due to the increase in CoJ subsidy. The expenditure budget increases by 6.8% to R717.1 million in line with the increase in revenue. Below is a highlight of programmes that are within the budget:

- Improved safety levels and decreased congestion for road users throughout the City.

GOOD GOVERNANCE CLUSTER

Good Governance Cluster Revenue	Adjusted Budget 2017/18 R 000	Budget 2018/19 R 000	%	Estimate 2019/20 R 000	Estimate 2020/21 R 000
Group Forensic Investigation Services					
Office Of The Ombudsman					
City Manager	6 125	6 335	3.4%	6 677	7 071
Group Information And Communication Technology					
Group Finance	16 297 300	18 179 785	11.6%	19 455 598	20 932 637
Group Corporate And Shared Services	23 309	14 870	-36.2%	15 584	16 561
Metropolitan Trading Company	332 763	395 718	18.9%	405 766	417 350
Speaker: Legislative Arm Of Council					
Municipal Entities Accounts	198 592	434 994	119.0%	458 091	484 190
Total Revenue	16 858 089	19 031 702	12.9%	20 341 716	21 857 809

The revenue budget of the Good Governance Cluster increases by 12.9%.

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Good Governance Cluster Expenditure	Adjusted Budget 2017/18 R 000	Budget 2018/19 R 000	%	Estimate 2019/20 R 000	Estimate 2020/21 R 000
Group Forensic Investigation Services	127 419	134 595	5.6%	142 134	150 740
Office Of The Ombudsman	39 890	42 059	5.4%	44 504	47 259
City Manager	1 132 386	1 217 195	7.5%	1 286 524	1 364 902
Group Information And Communication Technology	853 681	672 934	-21.2%	712 896	755 393
Group Finance	4 323 517	4 319 279	-0.1%	4 464 215	4 732 826
Group Corporate And Shared Services	370 731	648 952	75.0%	713 918	787 725
Metropolitan Trading Company	332 763	395 718	18.9%	405 766	417 350
Speaker: Legislative Arm Of Council	397 424	423 847	6.6%	449 795	478 184
Municipal Entities Accounts	1 266 409	1 539 714	21.6%	1 676 028	1 772 267
Total Expenditure	8 844 220	9 394 292	6.2%	9 895 780	10 506 646

The expenditure budget of the Good Governance Cluster increases by 6.2%. Below follow the key focus areas for the budget per department within the good governance cluster.

Group Forensic Investigation Services

Group Forensic and Investigation Service's expenditure budget increases by 5.6% to R134.6 million. Below is a highlight of programmes that are within the budget:

- Increasing forensic investigative capability and controls;
- 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;
- Ensure the strategic engagement of all GFIS stakeholders (both internal and external) and;
- Implement and monitor compliance to Minimum Information Security Standards (MISS);
- Follow up and monitoring cases referred to Group Legal for recovery of losses and civil claims.

Ombudsman

Ombudsman's expenditure budget increases by 5.4% to R42.1 million. Below is a highlight of programmes that are within the budget:

- Creating a responsive administration focused on delivering service with pride to the City's residents;
- Instilling best service standards by City employees;
- Fast-tracking service delivery, especially to poorer communities.

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City Manager

The City Manager's revenue budget increases by 3.4% to R6.3 million. The expenditure budget increases by 7.5% to R1.2 billion as result of capacitation of Service Delivery Unit. Below is a highlight of programmes that are addressed within the budget:

Group Audit, Risk and Compliance:

- Creating a responsive administration focused on delivering service with pride to the City's residents;
- Increasing forensic investigative capability and controls;
- Instilling best service standards by City employees;
- Audit Assurance on Mayoral priorities.

Office of the City Manager:

- A performance-driven partnership between the employees of the organisation and the political leadership that delivers Service with Pride.

Citizen Relations and Urban Management:

- A performance-driven organisational structure for the City that enables a more responsive government able to achieve its political mandate.

Group Strategy and Monitoring:

- Driving the "service with pride" campaign through implementation of Community Based projects;
- Instilling best service standards by City employees through quality of life survey fieldwork research.

Group Legal and Contracts:

- Creating a responsive administration focused on delivering service with pride to the City's residents;
- Reducing petty crimes and enforcing by-laws

Group Marketing and Communication:

- A performance-driven partnership between the employees of the organisation and the political leadership that delivers Service with Pride.

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Office of the Executive Mayor:

- A performance-driven partnership between the employees of the organisation and the political leadership that delivers Service with Pride.

ME Governance MC Support:

- Creating a responsive administration focused on delivering service with pride to the City's residents;
- A performance-driven partnership between the employees of the organisation and the political leadership that delivers Service with Pride.

Group Information Communication Technology

Group Information Communication Technology's expenditure budget decreases by 21.2% to R672.9 million. GICT's programmes comprises of Day to Day Programmes only.

Group Finance

Group Finance's revenue budget increases by 11.6% to R18.2 billion. The expenditure decreases by 0.1% to R4.3 billion. Below is a highlight of programmes that are within the budget:

- Meaningful progress towards addressing the R170 billion infrastructure backlog resulting in better quality, reliable services for the City's residents through the financial development plan;
- Focussing on driving up capital expenditure investment in infrastructure;
- Improving revenue collection;
- Increasing responsiveness to billing problems;
- Increasing forensic investigative capability and controls;
- Cutting wasteful expenditure on non-core functions;
- Improve governance and attainment of clean audit.

Group Corporate and Shared Services

Group Corporate Shared Service's revenue budget decreases by 36.2% to R14.9 million. The expenditure budget increases by 75% to R649 million. The employment costs budget increased by 94.4% as a result of the funding pool for strategic appointments (R56.1 million), salary parity adjustments (R162.5m), Midrand general workers reinstatement costs (R44.9 million), establishment of a travel office (R1.2m) and funding of changes to internship salary structures (R5.7m). Below is a highlight of programmes that are within the budget:

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- Human capital management;
- Management support services; and
- Occupational safety.

Metropolitan Trading Company

Revenue for the Metro Trading Company increases by 18.9% to R 395.7 million. The expenditure budget increases by 18.9% to R395.7 million in line with revenue. The program below is funded by the budget:

- Enhanced access to ICT infrastructure, including free Wi-Fi.

Speaker: Legislative Arm of Council

Speaker's expenditure budget increases by 6.6% to R423.8 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 119% to R435 million. The increase mainly relates to the revenue (R300 million) to be generated from outdoor advertising and increased revenues on commercial leases and renewals of all social leases charged at a base rental. The expenditure for the municipal entities accounts increases by 21.6% to R1.5 billion. The increase in expenditure mainly relates to the increase in the other expenditure and depreciation and asset impairment categories.

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).

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<u>Consolidated Operating Budget</u> <u>(including internal transfers)</u>	2018/19 R 000	2019/20 R 000	2020/21 R 000
Direct revenue	52 583 131	56 645 605	60 783 847
Direct expenditure	51 097 641	55 650 724	59 617 025
Taxation	247 309	267 635	315 112
Capital grants and contributions	3 077 494	3 105 920	3 278 393
Surplus (Deficit) for the year	4 315 675	3 833 167	4 130 103

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 decision of Council taken on 29 May 2018 (Item 3, 2018/19 – 2020/21 MEDIUM TERM OPERATING BUDGET FOR THE CITY OF JOHANNESBURG), be rescinded.

2 That the consolidated operating revenue of R52.6 billion, operating expenditure of R51.1 billion, taxation of R247.3 million and capital grants and contributions of R3.1 billion for the City of Johannesburg for the financial year 2018/19, and the indicatives for the projected medium term period 2019/20 to 2020/21 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.

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

4 That the supporting information contained in the 2018/19 – 2020/21 Medium Term

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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.

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(tc)

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