

2(b).1

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

2(b) 2018/19 – 2020/21 DRAFT MEDIUM TERM OPERATING BUDGET FOR THE CITY OF JOHANNESBURG

1 STRATEGIC THRUST

Well Governed and Managed City.

2 OBJECTIVE

To table before Council the Draft 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 the Section 16 (2) of MFMA, the Mayor must table a draft annual budget at a Council meeting 90 days before the start of the budget year.

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

The Draft Operating Budget is tabled for information and consultation, rather than approval and will be refined to consider the outcome of the public participation process.

2(b).2

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

(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.

Overview of the 2018/19 Medium-term Budget

The proposed operating revenue budget is approximately R53.3 billion and the operating expenditure budget is totalling R51.7 billion for the 2018/19 financial year. Revenue is increasing by 11.9% and expenditure by 10.3% over the 2017/18 financial year.

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

2(b).3

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

	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	53 344 473	11.9%	57 263 747	61 226 930
Internal revenue	6 317 452	7 104 376	12.5%	7 806 228	8 628 488
Expenditure	53 988 407	60 448 849	12.0%	65 069 975	69 855 418
Internal expenditure	46 884 676	51 707 859	10.3%	56 056 272	60 003 024
	6 317 452	7 104 376	12.5%	7 806 228	8 628 488
	53 202 128	58 812 235	10.5%	63 862 500	68 631 512
Surplus (Deficit)	786 279	1 636 615		1 207 475	1 223 906
Taxation	352 228	275 377	-21.8%	287 907	264 018
Surplus (Deficit) for the year	434 051	1 361 238		919 568	959 888
Capital grants and contributions	3 084 698	3 056 994		3 106 220	3 278 393
Surplus (Deficit) for the year including capital grants and contributions	3 518 749	4 418 232		4 025 788	4 238 281

The City is budgeting for a surplus (before taxation and capital grants) of R1.6 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 R53.3 billion in 2018/19.

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	10 676	18.5%	11 252	11 916
Electricity	15 463	16 877	9.1%	18 295	19 411
Water	6 564	7 417	13.0%	7 966	8 595
Sanitation	3 761	4 272	13.6%	4 588	4 950
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	8 224	12.2%	8 820	9 657
Other revenue	2 316	2 474	6.9%	2 745	2 883
Total revenue	47 671	53 344	11.9%	57 264	61 227

The increase of 12.6% in total revenue is made up of the 18.5% increase in property rates, 9.1% in electricity revenue, 13% increase in water, 13.6% 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, 12.2% increase in operating grants and 6.9% increase in other revenue.

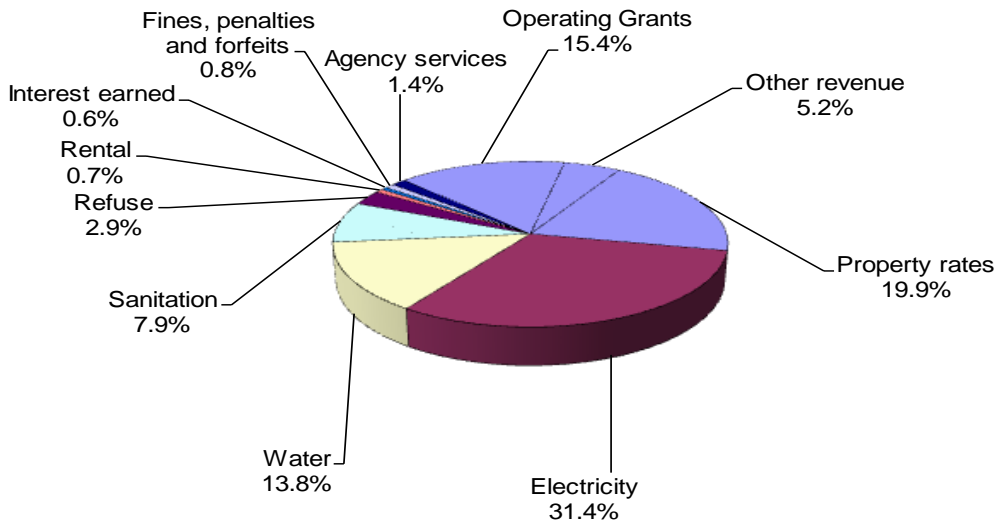
2(b).4

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

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 R40.8 billion and it represents approximately 76% of the total revenue budget of R53.7 billion.

The table below set 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%	7.37%	9.02%	7.31%
Water	12.20%	14.20%	7.40%	7.90%
Sanitation	12.20%	14.20%	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 18.5% on the 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).

2(b).5

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

Service charges - electricity: The projected electricity revenue of R16.9 billion is approximately 9.1% increase from the 2017/18 financial year, the increase is based on a proposed average tariff increase for electricity of 7.37% 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 R11.7 billion, approximately 13% increase from the 2017/18 financial year. The increase is based on an average tariff increase of 14.2%, based on a proposed Rand Water tariff increase of 12.2% plus a retail margin of 2% and an estimated population growth increase of 1.2%.

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 increased by R10 million in line with payment and liquidity levels of the City.

Income from fines, penalties and forfeits increased with an amount of R65 thousand from the 2017/18 financial year.

Operating grants are increasing by R896.9 million or 12.2% 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 R51.7 billion, an increase of 10.3% from the 2017/18 adjusted budget.

2(b).6

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

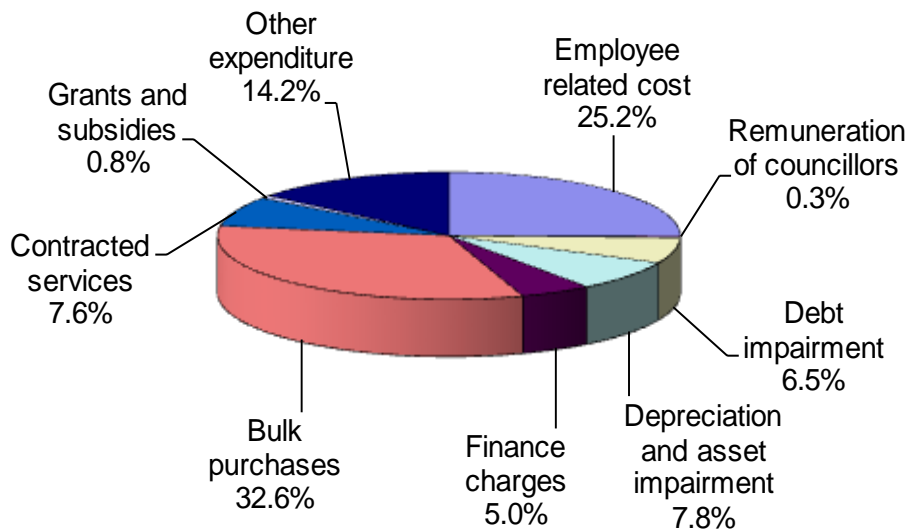
FINANCE

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	13 097	14.4%	14 458	15 497
Remuneration of councillors	161	170	6.0%	181	193
Debt impairment	2 958	3 583	21.2%	3 687	3 897
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	3 963	11.0%	4 499	4 813
Grants and subsidies	437	315	-27.8%	238	252
Other expenditure	6 524	7 264	11.3%	7 781	8 361
Total expenditure	46 885	51 708	10.3%	56 056	60 003

The increase of 10.3% in expenditure is a result of the increase in employee related cost 14.4%, remuneration of councillors 6%, debt impairment 21.2% depreciation 3.2%, finance charges -6.2%, bulk purchases 10.1% (Eskom/Kelvin Power Station and Rand Water), contracted services 11%, grants and subsidies paid -27.8% and other expenditure 11.3%.

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.



2(b).7

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

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	14 106	17 071	18 912	18 753
Total non current assets	74 809	79 217	84 260	90 791
Total current liabilities	14 823	15 139	16 367	15 838
Total non current liabilities	26 403	29 041	30 671	33 334
Community wealth/equity	47 690	52 108	56 134	60 372

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	8 962	8 769	8 886	9 413
Net cash from (used) investing	(7 112)	(8 451)	(10 271)	(10 363)
Net cash from (used) financing	(264)	2 291	2 111	1 389
Cash/cash equivalents at the year begin:	3 096	4 682	7 291	8 017
Cash/cash equivalents at the year end	4 682	7 291	8 017	8 456

The cash of the City is projected to be approximately R7.3 billion at the end of the 2018/19 financial year. It will be approximately R8.5 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 2018/19 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 2018/19 and 10.75% for 2020/21.

2(b).8

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

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 11.2%.

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.

SUSTAINABLE CLUSTER

Sustainable Cluster	Adjusted Budget	Budget		Estimate	Estimate
Revenue	2017/18	2018/19	%	2019/20	2020/21
	R 000	R 000		R 000	R 000
Environment And Infrastructure	90 700	75 560	-16.7%	75 600	75 600
Housing	487 117	303 094	-37.8%	225 600	238 910
City Power	15 780 479	17 178 340	8.9%	18 600 760	19 745 793
Johannesburg Water	10 428 765	11 840 708	13.5%	12 713 864	13 714 233
Pikitup	2 240 695	2 398 940	7.1%	2 542 697	2 695 146
Johannesburg Social Housing Company	161 345	181 884	12.7%	197 776	211 796
Total Revenue	29 189 101	31 978 526	9.6%	34 356 297	36 681 478

The Sustainable Cluster's revenue budget increases by 9.6% from the 2017/18 financial year.

2(b).9

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

Sustainable Cluster Expenditure	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	1 048 507	-9.5%	1 017 438	1 084 204
City Power	15 287 196	16 556 882	8.3%	18 012 467	19 179 536
Johannesburg Water	9 531 989	10 913 436	14.5%	11 622 948	12 418 757
Pikitup	2 240 695	2 398 940	7.1%	2 542 697	2 695 146
Johannesburg Social Housing Company	161 345	181 884	12.7%	197 776	211 796
Total Expenditure	28 557 841	31 282 436	9.5%	33 595 337	35 800 778

The Sustainable Cluster's expenditure budget increases by 9.5% 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

The 2018/19 revenue of the Housing department is reduced by 37.8% to R303 million due to the decrease in the Housing Top Structure grant funding. The expenditure budget decreases by 9.5% to R1 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;
- Efficient and effective transport (Public and Freight) connecting home, work, culture and leisure;
- Increasing the delivery of housing;
- Provision of basic services;
- Improving revenue collection;
- Management of housing stock.

2(b).10

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

City Power

City Power's expected surplus after taxation (excluding capital grants and contributions) amounts to R621.5 million. The expenditure budget increases by 8.3% to R16.6 billion mainly due to telecommunication costs for software licenses & 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, water and sanitation 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 R927.3 million. The expenditure budget increases by 14.5% to R10.9 billion mainly to cater for the first line response and insourced meter reading teams as well as the provision of chemical & 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 electricity, water and sanitation to residents and businesses on the grid;
- Service delivery to informal settlements;
- Driving the "service with pride" campaign;
- 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 7.1% to R2.4 billion. The expenditure budget increases by 7.1% to R2.4 billion in line with revenue. The subsidy allocation to Pikitup increases by 12.1% to R691.7 million mainly due to provision for the 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:

2(b).11

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

- 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 R181.8 million attributed mainly to the increase in billing revenue for rental of the City's housing stock. Expenditure increases by 12.7% to R181.8 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	46 198	5.4%	48 691	51 561
Health	156 527	153 426	-2.0%	162 287	163 893
Social Development	2 249	621	-72.4%	655	693
Public Safety	939 916	959 531	2.1%	1 011 612	1 071 296
Johannesburg City Parks And Zoo	914 437	1 013 000	10.8%	1 057 355	1 127 775
Joburg City Theatres	174 146	179 097	2.8%	188 954	200 391
Total Revenue	2 231 119	2 351 873	5.4%	2 469 554	2 615 609

The revenue budget of the Human and Social Development Cluster increases by 5.4% from the 2017/18 financial year.

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	1 181 770	19.1%	1 250 558	1 343 336
Health	929 408	998 654	7.5%	1 058 499	1 126 751
Social Development	208 847	233 568	11.8%	247 256	262 659
Public Safety	3 316 761	4 210 825	27.0%	5 065 012	5 422 765
Johannesburg City Parks And Zoo	914 437	1 013 000	10.8%	1 057 355	1 127 775
Joburg City Theatres	174 146	179 097	2.8%	188 954	200 391
Total Expenditure	6 536 160	7 816 914	19.6%	8 867 634	9 483 677

2(b).12

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

The expenditure budget of the Human and Social Development Cluster increase by 19.6% 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 5.4% to R46.1 million. The expenditure budget increases by 19.1% to R1.1 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; and
- Information Resources Management for public libraries, depots, programs and extension services.

Health

Health Department's revenue budget decreases by 2% to R153.4 million mainly due to reduced Primary Health Care grant allocation. The expenditure budget increases by 7.5% to R998.7 million. 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.

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

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 11.8% to R233.6 million due to additional Social workers to be recruited for the rolling out of the "Diphetogo programme" being Substance Abuse. 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;
- M&E for Diphetogo programmes (ESP & 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 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% 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 contract:

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.

2(b).14

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

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 10.8% to R1 billion. The expenditure budget increases by 10.8% to R1 billion in line with revenue. The subsidy allocation to City Parks and Zoo increases by 8.9% to R802.5 million mainly due to 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 million. The expenditure budget increases by 2.8% to R179 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.

ECONOMIC GROWTH CLUSTER

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	557 313	-38.0%	593 332	634 163
Johannesburg Development Agency	106 079	121 705	14.7%	122 529	129 758
Johannesburg Roads Agency	1 071 443	1 277 807	19.3%	1 505 117	1 853 948
Metrobus	671 716	717 081	6.8%	774 620	818 020
Total Revenue	3 580 626	3 867 571	8.0%	4 341 407	4 844 747

2(b).15

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

The revenue budget of the Economic Growth Cluster increases by 8%.

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	228 141	2.3%	241 966	257 666
Transport	1 413 267	1 880 969	33.1%	2 231 715	2 363 516
Development Planning	325 385	346 657	6.5%	372 844	395 883
Joburg Market	349 876	395 512	13.0%	420 188	453 592
Johannesburg Property Company	899 111	546 094	-39.3%	581 474	621 606
Johannesburg Development Agency	106 079	121 705	14.7%	122 529	129 758
Johannesburg Roads Agency	1 071 443	1 203 397	12.3%	1 505 117	1 853 948
Metrobus	671 716	717 081	6.8%	774 620	818 020
Total Expenditure	5 059 783	5 439 557	7.5%	6 250 453	6 893 989

The expenditure budget of the Economic Growth Cluster increases by 8.6% 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 by R34.7 million due to the increase in the Expanded Public Works Programme incentive grant allocation. The expenditure budget increases by 2.3% to R228 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

The Transport department's revenue budget increases by 93.2% to R627 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 33.1 % to R1.8 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 programmes that are within the budget:

2(b).16

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

- Increased infrastructure investment (from both public and private sectors).

Development Planning

Development Planning's revenue budget increases by 4.3 % to R78.6 million. The expenditure budget increases by 6.5 % to R346.6 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 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 38% to R557 million mainly due to the decrease in internal recoveries related to the decentralization of the repair and maintenance services. The expenditure budget decreases by 39.3% to R546 million in line with the decrease in revenue. Below is a highlight of the programmes that are within the budget:

2(b).17

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

- Developing pro-active maintenance and service teams;
- 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 14.7% to R121.7 million. Expenditure increases in line with revenue by 14.7% to R121.7 million. The subsidy increases by 14.7% to R32.9 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 19.3% to R1.27 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 12.3% to R1.2 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. Other expenditure increased as a result of 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 million in 2018/19 mainly due to the increase in CoJ subsidy. The expenditure budget increases by 6.8% to R717 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.

2(b).18

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

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	6 125	6 335	3.4%	6 677	7 071
Office Of The Ombudsman					
City Manager					
Group Information And Communication Technology					
Group Finance	16 297 300	18 756 652	15.1%	20 063 617	21 576 529
Group Corporate And Shared Services	23 309	14 870	-36.2%	15 584	16 561
Metropolitan Trading Company	332 763	400 718	20.4%	411 036	422 930
Speaker: Legislative Arm Of Council					
Municipal Entities Accounts	198 592	434 994	119.0%	458 091	484 190
Total Revenue	16 858 089	19 613 569	16.3%	20 955 005	22 507 281

The revenue budget of the Good Governance Cluster increases by 16.3%.

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	1 210 195	6.9%	1 278 936	1 356 708
Group Information And Communication Technology	853 681	672 934	-21.2%	712 896	755 393
Group Finance	4 323 517	4 605 961	6.5%	4 660 977	4 941 196
Group Corporate And Shared Services	370 731	636 006	71.6%	700 935	774 645
Metropolitan Trading Company	332 763	400 718	20.4%	411 036	422 930
Speaker: Legislative Arm Of Council	397 424	422 688	6.4%	448 574	476 891
Municipal Entities Accounts	1 266 409	1 535 711	21.3%	1 676 293	1 774 623
Total Expenditure	8 844 220	9 660 866	9.2%	10 076 285	10 700 385

The expenditure budget of the Good Governance Cluster increases by 11.1%. 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 R134.5 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;

2(b).19

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

- 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 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.

City Manager

The City Manager's revenue budget increases by 3.4% to R6.3 million. The expenditure budget increases by 7% to R1.2 billion. 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;

2(b).20

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

- 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.

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 15.1% to R18.8 billion. The expenditure increases by 6.5% to R4.6 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;
- Focussing on driving up capital expenditure investment in infrastructure;
- Improving revenue collection;

2(b).21

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

- 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 R14.8 million. The expenditure budget increases by 72.1% to R638 million. The employment costs budget increased by 98.6% as a result of the funding pool for strategic appointments (R119.1 million) and salary parity adjustments (R162.5m). Below is a highlight of programmes that are within the budget:

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

Metropolitan Trading Company

Revenue for the Metro Trading Company increases by 20.4% to R 400.7 million. The expenditure budget increases by 20.4% to R400.75 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 6.4% to R422.7 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.

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

Municipal Entities Accounts

The revenue for the municipal entities accounts increases by 119% to R434.9 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 21.3% 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).

6 FINANCIAL IMPLICATIONS

<u>Consolidated Operating Budget</u> <u>(including internal transfers)</u>	2018/19 R 000	2019/20 R 000	2020/21 R 000
Direct revenue	53 344 473	57 263 747	61 226 930
Direct expenditure	51 707 859	56 056 272	60 003 024
Taxation	275 377	287 907	264 018
Capital grants and contributions	3 056 994	3 106 220	3 278 393
Surplus (Deficit) for the year	4 418 232	4 025 788	4 238 281

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

2(b).23

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

1 That the draft consolidated operating revenue of R53.3 billion, operating expenditure of R51.7 billion, taxation of R275.4 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 noted 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 noted:

Municipal Entity	Adjusted Budget 2017/18	Budget 2018/19	Estimate 2019/20	Estimate 2020/21
	R 000	R 000	R 000	R 000
Pikitup	617 166	691 719	733 043	776 915
Johannesburg Roads Agency	896 443	1 013 848	1 315 397	1 658 898
Metrobus	504 212	539 694	587 654	623 343
Johannesburg City Parks and Zoo	737 022	802 518	857 111	915 717
Johannesburg Development Agency	28 707	32 940	28 151	29 812
Johannesburg Property Company	368 134	454 399	478 660	512 725
Metropolitan Trading Company	143 670	200 278	198 570	197 715
Johannesburg Social and Housing Company	14 807	12 157	13 928	16 946
Joburg City Theatres	104 432	111 444	117 534	124 469
Total subsidies to ME's	3 414 593	3 858 997	4 330 048	4 856 540

3 That the supporting information contained in the 2018/19 – 2020/21 Draft 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 noted in conjunction with this report.

4 That the Accounting Officer:

- (1) In accordance with chapter 4 of the Systems Act:**
 - (a) Make public the annual consolidated operating budget and other documents referred to in section 17(3) of the MFMA;**
 - (b) Invite the local community to submit representations in connection with the annual consolidated operating budget;**

City of Johannesburg Council 2018-03-20

COJ : MAYORAL COMMITTEE 2018-03-15

FINANCE

- (2) Submit the annual consolidated operating budget:**
- (a) In both printed and electronic formats to the National and Provincial Treasury;**
 - (b) In either format to any prescribed national or provincial organs of state and to such other municipalities as may be affected by the budget.**

(FINANCE)

(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM