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**ITEM A : 2019/20 – 2021/22 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 2019/20 to 2021/22 financial years in compliance with Section 16 (2) of the Municipal Finance Management Act 56 of 2003 (MFMA, the Act).

3. SUMMARY

3.1 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 87 (1) of the MFMA, Municipal Entities are required to submit their draft budgets to the parent municipality not later than 150 days before the start of the entity's financial year.

The budget process for 2019/20 commenced when with the 1st Mayoral Lekgotla that was held on the 25-26 October 2018. 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 11, 14 to 16 January 2019. The objective of the hearings was to assess the budget proposals in terms of the City's priorities.

Operating and capital budget allocations have been issued in line with the Financial Development Plan and departments and entities were requested to direct available resources towards service delivery with a particular focus on Dipheto go initiatives.

The Minister of Finance's budget speech was held on 20 February 2019 and the budget does take in to account the latest national allocations as reflected in the Gazette. The provincial allocation will be available at a later date and the allocation will be included in the final budget that will be submitted to Council during the month of May 2019.

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.

3.2 MEDIUM-TERM OPERATING BUDGET

Medium Term Budget Direction

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The 2019/20 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 2019/20 Medium-term Budget

The proposed operating revenue budget is approximately R58.5 billion and the operating expenditure budget is totalling R57.3 billion for the 2019/20 financial year. Revenue is increasing by 12.1% and expenditure by 12% over the 2018/19 financial year.

The table below set out the Medium-Term Revenue and Expenditure Budget for the 2019/20 - 2021/22 financial years.

	Adjusted Budget 2018/19 R 000	Budget 2019/20 R 000	%	Estimate 2020/21 R 000	Estimate 2021/22 R 000
Revenue	52 214 845	58 533 102	12.1%	64 810 628	70 986 403
Internal revenue	6 851 740	8 000 797	16.8%	8 970 808	9 474 757
Expenditure	59 066 585	66 533 899	12.6%	73 781 436	80 461 160
Internal expenditure	51 116 884	57 271 948	12.0%	62 840 881	68 079 151
	6 851 740	8 000 797	16.8%	8 970 808	9 474 757
	57 968 624	65 272 745	12.6%	71 811 689	77 553 908
Surplus (Deficit)	1 097 960	1 261 153		1 969 747	2 907 252
Taxation	24 893	160 297	543.9%	437 613	566 079
Surplus (Deficit) for the year	1 073 067	1 100 856		1 532 134	2 341 173
Capital grants and contributions	3 078 749	3 187 968		3 004 811	3 195 626
Surplus (Deficit) for the year including capital grants and contributions	4 151 817	4 288 824		4 536 945	5 536 799

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The City is budgeting for a surplus (before taxation and capital grants) of R1.3 billion for 2019/20. The surplus will be applied towards the City's working capital and funding of capital investment.

Revenue Analysis

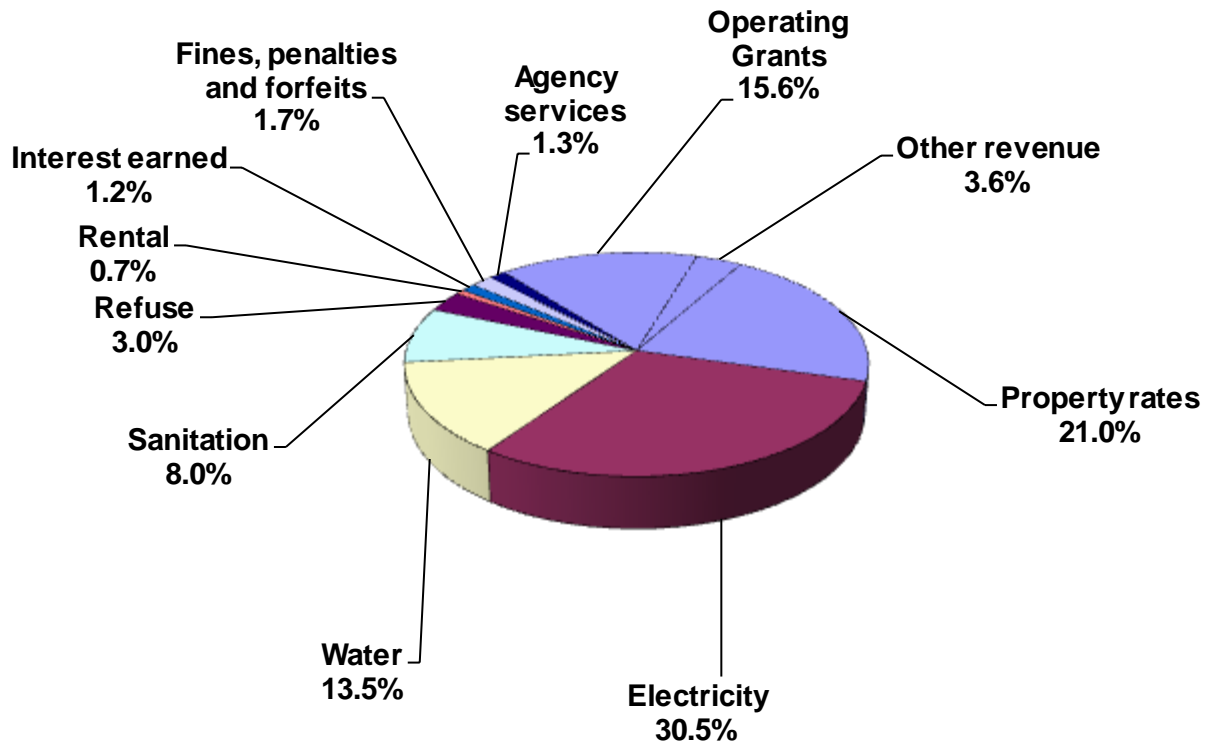
In 2018/19, the direct revenues were budgeted at R52.2 billion with revenue estimated to be R58.5 billion in 2019/20.

Revenue	Adjusted Budget 2018/19 R million	Budget 2019/20 R million	%	Estimate 2020/21 R million	Estimate 2021/22 R million
Property rates	11 002	12 293	11.7%	12 956	13 630
Electricity	15 674	17 861	14.0%	20 714	23 418
Water	7 352	7 889	7.3%	8 630	9 424
Sanitation	4 234	4 692	10.8%	5 134	5 606
Refuse	1 623	1 730	6.6%	1 825	1 921
Rental	380	405	6.7%	428	450
Interest earned	627	677	8.1%	707	737
Fines, penalties and forfeits	570	1 005	76.3%	1 059	1 114
Agency services	724	766	5.8%	809	852
Operating Grants	8 125	9 113	12.2%	10 125	11 174
Other revenue	1 904	2 103	10.5%	2 423	2 661
Total revenue	52 215	58 533	12.1%	64 811	70 986

The increase of 12.1% in total revenue is made up of the 11.7% increase in property rates, 14% in electricity revenue, 7.3% increase in water, 10.8% increase in sanitation revenue, 6.6% increase in refuse, 6.7% increase in rental of facilities, 8.1% increase in interest earned, 76.3% increase in fines, 5.8% increase agency services, 12.2% increase in operating grants and 10.5% increase in other revenue.

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



The 2019/20 revenue budget for property rates, electricity, water, sewerage and refuse amounts to R44.5 billion and it represents approximately 76% of the total revenue budget of R58.5 billion.

The table below set out the average tariff increases for 2019/20 - 2021/22 financial years.

Service	Base Year 2018/19	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Property rates	GV 2018	5.50%	5.40%	5.20%
Electricity	7.17%	12.20%	12.24%	12.24%
Water	13.20%	9.90%	9.40%	9.20%
Sanitation	13.20%	9.90%	9.40%	9.20%
Refuse	6.20%	7.00%	7.50%	7.50%

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

The City is cognisant of the impact of rates and tariff increases on cost of living of residents and is committed to minimising this impact where possible. A large driver of above inflationary increase to the overall basket of rates and tariffs is the 15% increase being requested by Eskom. To this end the Executive Mayor, on behalf of the City, has made

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extensive representations to NERSA against the granting of Eskom's request. The outcome of NERSA's public consultation process has not been made public."

Property rates: Projected property rates revenue is estimated at R12.3 billion, approximately 11.7% increase from the 2018/19 financial year. The increase is based on an average property rates tariff increase of 5.5%. The valuation date for GV18 roll was 1st July 2017 with an effective date of 1st July 2018. The other increase is attributed to property market value increases post the valuation date due to improvements made to properties, subdivisions, consolidations, new properties which were not part of the GV 18 roll. All these are brought through the supplementary roll processes as outlined in the requirements section 78 of the Municipal Property Rates Act (MPRA).

Service charges - electricity: The projected electricity revenue of R17.9 billion is approximately 14% increase from the 2018/19 financial year. The increase is based on a proposed average tariff increase for electricity of 12.2% and the strategic drive to reduce total electricity losses to a level of 19% in the 2019/20 financial year. The bulk purchase price increase is assumed at 15%.

Service charges - water and sewerage: Projected water and sewerage charges are estimated at R12.6 billion, approximately 8.6% increase from the 2018/19 financial year. The increase is based on an average tariff increase of 9.9%, based on a proposed Rand Water tariff increase of 7.9% plus a retail margin of 2% and an estimated population growth increase of 1.2%.

Service charges - refuse: The projected refuse revenue of R1.7 billion is approximately 6.6% increase from the 2018/19 financial year, the increase is based on a proposed average tariff increase of 7% and a proposed stepped tariff to ensure affordability for lower priced properties.

Rental of facilities are increasing by approximately by 6.7% 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 R50 million in line with payment and liquidity levels of the City.

Income from fines, penalties and forfeits increased with an amount of R435 million or 76.3% from the 2018/19 financial year. The increase is mainly due fine income following the issuing of the guarantee for the South African Post Office to post the Administration and Adjudication of Road Traffic Offences (AARTO) infringement notices.

Operating grants are increasing by R987.9 million or 12.2% from the 2018/19 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 R199 million or 10.5% and it mainly relates to –

- Transportation (R65.2 million) mainly due to revenue from the Johannesburg International Transport Interchange (JITI);
- City Power (R73 million) due to an increase in new connections; and
- Johannesburg Property Company R52.3 million mainly due to increases in developer's income and outdoor advertising.

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The tariffs for minor services will mainly increase in line with estimated inflation of 5.5%.

Expenditure Analysis

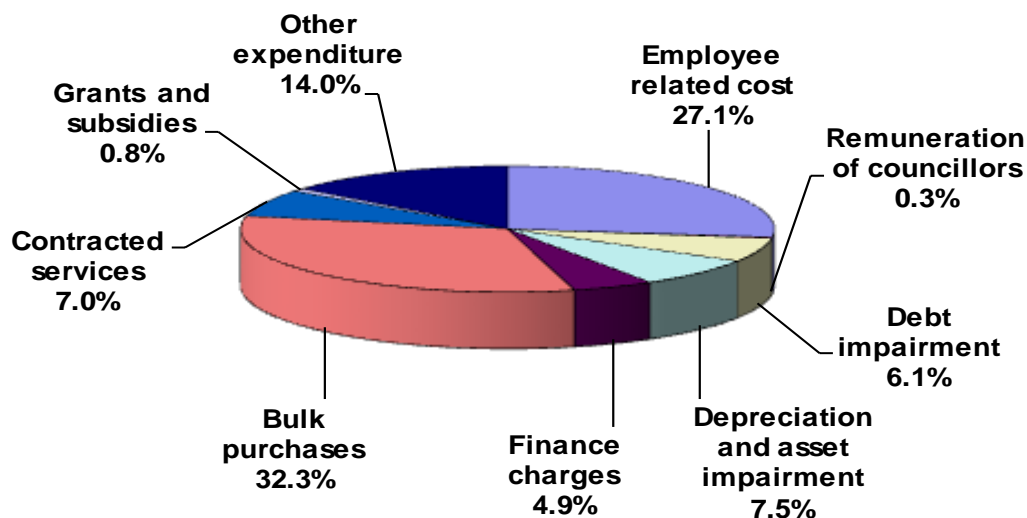
The City adopted the 2018/19 Adjusted Operating Budget of R51.1 billion. 2019/20 presents a budget of R57.3 billion, an increase of 12% from the 2018/19 adjusted budget.

Expenditure	Adjusted Budget 2018/19 R million	Budget 2019/20 R million	%	Estimate 2020/21 R million	Estimate 2021/22 R million
Employee related cost	13 159	15 523	18.0%	16 762	17 882
Remuneration of councillors	170	183	7.2%	195	207
Debt impairment	3 164	3 503	10.7%	3 832	4 169
Depreciation and asset impairment	4 013	4 314	7.5%	4 556	5 004
Finance charges	2 413	2 807	16.3%	2 956	3 108
Bulk purchases	16 934	18 497	9.2%	20 486	22 867
Contracted services	3 557	3 992	12.2%	4 529	4 780
Grants and subsidies	281	448	59.3%	626	658
Other expenditure	7 426	8 005	7.8%	8 899	9 405
Total expenditure	51 117	57 272	12.0%	62 841	68 079

The increase of 12% in expenditure is a result of the increase in employee related cost 18%, remuneration of councillors 7.2%, debt impairment 10.7% depreciation 7.5%, finance charges 16.3%, bulk purchases 9.2% (Eskom/Kelvin Power Station and Rand Water), contracted services 12.2%, grants and subsidies paid 59.3% and other expenditure 7.8%.

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.



Financial Position

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

Financial position	Adjusted Budget 2018/19 R million	Budget 2019/20 R million	Estimate 2020/21 R million	Estimate 2021/22 R million
Total current assets	13 759	16 669	18 004	22 961
Total non current assets	78 483	82 738	87 730	90 886
Total current liabilities	15 046	16 233	15 752	18 272
Total non current liabilities	28 395	30 085	32 356	32 411
Community wealth/equity	48 801	53 090	57 627	63 163

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 2018/19 R million	Budget 2019/20 R million	Estimate 2020/21 R million	Estimate 2021/22 R million
Net cash from (used) operating	8 633	8 855	9 395	10 876
Net cash from (used) investing	(8 674)	(9 364)	(8 664)	(10 394)
Net cash from (used) financing	2 088	2 181	1 055	1 811
Cash/cash equivalents at the year begin:	2 240	4 288	5 961	7 747
Cash/cash equivalents at the year end	4 288	5 961	7 747	10 041

The cash of the City is projected to be approximately R5.9 billion at the end of the 2019/20 financial year. It will be approximately R10 billion in the outer year. Cash reserves are applied towards capital infrastructure spending.

The following Budget Assumptions were made:

CPI is estimated at 5.5% for 2019/20 and 5.4% for 2020/21 and 5.2% for 2021/22 financial years.

Estimated salary increases:

- 7.2% - 2019/20
- 6.7% - 2020/21
- 6.7% - 2021/22

Loans interest rates are estimated at 11% for 2019/20, 10.5% for 2020/21 and 11% for 2021/22.

Bulk purchases - City Power has assumed an average tariff increase of 15% from Eskom and the cost of bulk purchases from Rand Water is expected to increase by average 7.9%.

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Finance charges and depreciation are increasing by 10.3% over the 2018/19 financial year and contracted services and other expenditure combined are increasing by 9.1%.

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).

3.3 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

Sustainable Cluster	Adjusted Budget	Budget	Estimate	Estimate
Revenue	2018/19	2019/20	2020/21	2021/22
	R 000	R 000	R 000	R 000
Environment And Infrastructure	75 300	75 350	75 694	79 630
Housing	284 613	330 683	344 505	362 419
City Power	15 850 012	18 126 321	21 135 300	23 860 548
Johannesburg Water	11 723 362	12 729 651	13 915 253	15 182 817
Pikitup	2 371 274	2 575 159	2 719 726	2 868 661
Johannesburg Social Housing Company	196 668	222 556	238 489	250 948
Total Revenue	30 501 229	34 059 720	38 428 967	42 605 023

The Sustainable Cluster's revenue budget increases by 11.7% from the 2018/19 financial year.

Sustainable Cluster	Adjusted Budget	Budget	Estimate	Estimate
Expenditure	2018/19	2019/20	2020/21	2021/22
	R 000	R 000	R 000	R 000
Environment And Infrastructure	154 593	166 482	174 699	199 020
Housing	988 357	1 112 593	1 178 546	1 289 938
City Power	16 159 754	17 879 025	20 248 338	22 677 577
Johannesburg Water	10 675 591	11 401 547	12 330 360	13 210 714
Pikitup	2 371 274	2 575 159	2 719 726	2 868 661
Johannesburg Social Housing Company	196 668	222 556	238 489	250 948
Total Expenditure	30 546 237	33 357 363	36 890 159	40 496 858

The Sustainable Cluster's expenditure budget increases by 9.2% from the 2018/19 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 increases by 0.1% to R75.4 million. The expenditure budget increases by 7.7% to R166.5 million due to implementation of contracted services projects pertaining to Energy, Water, Waste Management and Climate Change Management as well as fleet costs. Below is a highlight of programmes that are within the budget:

- Meaningful progress towards addressing the infrastructure and social backlogs resulting in better quality, reliable services for the City's residents;
- Addressing the historical legacy of water and sewage backlogs in our City;
- Environmental Sustainability;
- Climate Change;
- Interventions to mitigate electricity constraints; and
- Waste Management.

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Housing

The 2019/20 total revenue of the Housing department is increased by 16.2% to R330.7 million mainly due to the Housing Top Structure grant funding. The expenditure budget increases by 12.6% to R1.1 billion mainly due to increased allocations to transfers and subsidies paid (housing top structure) and repairs and maintenance of buildings. Below is a highlight of programmes that are within the budget:

- Prioritising the formalisation of informal settlements;
- Increasing the delivery of housing; and
- Residents live, work and play close to work, leisure and cultural opportunities.

City Power

City Power's expected surplus after taxation (excluding capital grants and contributions) amounts to R247.3 million. Service charges - electricity: The projected electricity revenue of R17.9 billion is a 14.4% increase from the 2018/19 financial year; the increase is based on a proposed average tariff increase for electricity of 12.2% and a 1.57% projected increase in the units sold as well as the strategic drive to reduce total electricity losses to a level of 19% in the 2019/20 financial year. The expenditure budget increases by 10.6% to R17.9 billion due to a 15% average tariff increase for bulk purchases from City Power's main suppliers (Eskom, Kelvin and Ekurhuleni municipality). Below is a highlight of programmes that are within the budget:

- Meaningful progress towards addressing the infrastructure and social backlogs resulting in better quality, reliable services for the City's residents;
- Addressing the historical legacy of electricity backlogs in our City;
- Improved care for the most vulnerable in our City providing them with a greater quality of life and dignity;
- The need to address the high levels of youth unemployment in the City;
- Focused improvement of ICT equipment and software;
- Review and Refresh City Power Strategy;
- Interventions to mitigate electricity constraints;
- Improving revenue collection;
- Focussing on driving up capital expenditure investment in infrastructure;
- Instilling best service standards by City employees;
- Timeous visibility of company and group performance to all stakeholders in the organisation to assist with better decision making;
- Driving the "service with pride" campaign;
- Absorption of most municipal-owned entities into the City after consideration of a thorough review and due diligence; and
- Reducing petty crimes and enforcing by-laws.

Johannesburg Water

Joburg Water's expected surplus (excluding capital grants and contributions) amounts to R1.3 billion. Service charges - water and sewerage: The projected water and sewerage charges of R12.6 billion are an 8.6% increase from the 2018/19 financial year. The increase is based on an average tariff increase of 9.9%, based on a proposed Rand Water tariff increase of 7.9% plus a retail margin of 2% and an estimated population growth increase of

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1.2%. The expenditure budget increases by 6.8% to R11.4 billion mainly to cater for the parity agreement for level A and B which was not fully annualised in 2017/18 as well as insourcing of meter reading teams; and the provision of chemical toilets, VIP toilets and water tankering. Below is a highlight of programmes that are addressed within the budget:

- Addressing the historical legacy of water and sewage backlogs in our City;
- Improving revenue collection;
- Focused improvement of ICT equipment and software;
- Interventions to mitigate water shortages; and
- Driving the "service with pride" campaign.

Pikitup

Pikitup's revenue budget increases by 8.6% to R2.6 billion. Service charges - refuse: The projected refuse revenue of R1.7 billion is a 6.6% increase from the 2018/19 financial year; the increase is based on a proposed average tariff increase of 7% and a proposed stepped tariff to ensure affordability for lower priced properties. The expenditure budget increases by 8.6% to R2.6 billion mainly due to critical vacancies to be filled and to cater for staff leave provision. The subsidy allocation to Pikitup increases by 17.8% to R636.3 million. Below is a highlight of programmes that are addressed within the budget:

- A responsive City, that is capable of reacting to the needs of its resident efficiently, effectively and in a manner which shows that the City cares;
- Inner city regeneration, including key economic nodes;
- Interventions to mitigate landfill constraints; and
- Instilling best service standards by City employees.

Johannesburg Social Housing Company (JOSHCO)

JOSHCO's total revenue budget increases by 13.2% to R222.6 million due to the increased billing for rental of the City's housing stock and the increase in the CoJ subsidy in respect of security services. Expenditure increases by 13.2% to R222.6 million mainly as a result of the increase in security services and repairs and maintenance for buildings. Below is a highlight of programmes that are within the budget:

- Developing pro-active maintenance and service teams;
- Fast-tracking service delivery, especially to poorer communities;
- Online Leasing Application System;
- Project Security Upgrades (CCTV & Biometrics);
- Student Accommodation;
- Inner-City Conversions;
- Improvement of Revenue Collection; and
- Smart buildings (Energy efficient, Eco-Friendly).

HUMAN AND SOCIAL DEVELOPMENT CLUSTER

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Human and Social Development Cluster Revenue	Adjusted Budget 2018/19 R 000	Budget 2019/20 R 000	Estimate 2020/21 R 000	Estimate 2021/22 R 000
Community Development	45 826	47 719	49 785	52 374
Health	157 403	166 798	175 805	184 947
Social Development	2 021	655	691	727
Public Safety	1 085 724	1 541 576	1 625 375	1 709 897
Johannesburg City Parks And Zoo	1 020 535	1 200 464	1 286 083	1 360 441
Joburg City Theatres	200 909	210 703	223 592	236 634
Total Revenue	2 512 418	3 167 915	3 361 331	3 545 020

The revenue budget of the Human and Social Development Cluster increases by 26.1% from the 2018/19 financial year.

Human and Social Development Cluster Expenditure	Adjusted Budget 2018/19 R 000	Budget 2019/20 R 000	Estimate 2020/21 R 000	Estimate 2021/22 R 000
Community Development	1 114 552	1 284 457	1 380 215	1 448 356
Health	1 023 258	1 120 912	1 195 548	1 274 492
Social Development	234 873	259 353	275 732	292 031
Public Safety	4 360 511	5 839 770	6 434 552	6 867 473
Johannesburg City Parks And Zoo	1 020 535	1 200 464	1 286 083	1 360 441
Joburg City Theatres	200 909	210 703	223 592	236 634
Total Expenditure	7 954 638	9 915 659	10 795 722	11 479 427

The expenditure budget of the Human and Social Development Cluster increase by 24.7% from the 2018/19 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 4.1% to R47.7 million. The expenditure budget increases by 15.2% to R1.4 billion mainly as a result of an allocation for assessment rates. Below is a highlight of programmes that are within the budget:

- Residents live, work and play close to work, leisure and cultural opportunities;
- Information Resource Management for public libraries, depots, programs and extension services;
- Enhanced access to ICT infrastructure, including free Wi-Fi;
- Implementation of the City's substance abuse strategy; and
- Driving the "service with pride" campaign.

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Health

Health Department's revenue budget increases by 6% to R166.8 million. The expenditure budget increases by 9.5% to R1.1 billion due to an increase in employee related costs as a result of the roll out of extended service hours to 14 additional clinics, 3 additional Substance Abuse Centres as well as filling critical positions of Environmental Health Practitioners; and to cater for repairs and maintenance of clinic facilities. 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;
- Primary Health Care; and
- Environmental Health.

Social Development

Social Development's revenue budget decreases by 67.6% to R655 thousand mainly due to reduced EPWP grant allocation. The expenditure budget increases by 10.4% to R259.4 million as a result of the implementation of the Extended Service Package programme and Substance Abuse Strategy as well as the appointment of additional NGO's. 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 total revenue budget of Public Safety increases by 42% to R1.5 billion. The increase is due to the increase in fines revenue following the issuing of the guarantee for the South African Post Office to post the Administration and Adjudication of Road Traffic Offences (AARTO) infringement notices. The expenditure budget increases by 33.9% to R5.8 billion mainly due to the increase in security, 1500 MPO graduates, repairs and maintenance and fire equipment for EMS, contracted services for fleet charges for both EMS and JMPD, traffic fines management and other general expenditure for postages and guarding of municipal properties. The programmes within the budget are highlighted below:

Public Safety Head Office

- Modernisation of licensing centres;
- Integrated Strategic and Transversal Management Support and Planning;
- Disaster Preparedness; and
- Integrated Intelligence Operation Centre.

Emergency Management Services (EMS)

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- Improve emergency response;
- Emergency Management Services by-law enforcement; and
- Emergency prevention: Community training.

Johannesburg Metropolitan Police Department (JMPD)

- Crime Prevention;
- Anti-corruption;
- Increased visible policing;
- Traffic Enforcement;
- By-law enforcement; and
- Establishment of in-house security section.

Johannesburg City Parks and Zoo

City Parks and Zoo revenue budget increases by 17.6% to R1.2 billion. The expenditure budget increases by 17.6% to R1.2 billion in line with revenue. The subsidy allocation to City Parks and Zoo increases by 21.2% to R1 billion to cater for fleet costs for implementation of horticultural programmes. Below is a highlight of programmes that are addressed within the budget:

- A responsive City, that is capable of reacting to the needs of its resident efficiently, effectively and in a manner which shows that the City cares;
- Fast-tracking service delivery, especially to poorer communities;
- Improve environmental, ecological and biodiversity management;
- Reducing petty crimes and enforcing by-laws; and
- Open Space planning and management.

Joburg City Theatres

The revenue of Joburg City Theatres increases by 4.9% to R210.7 million. The expenditure budget increases by 4.9% to R210.7 million in line with revenue. The Joburg City Theatre's subsidy increases by 7.4% to R125 million. 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

Economic Growth Cluster Revenue	Adjusted Budget 2018/19 R 000	Budget 2019/20 R 000	Estimate 2020/21 R 000	Estimate 2021/22 R 000
Economic Development	22 698	23 955		
Transport	547 444	757 578	1 132 850	1 195 267
Development Planning	78 647	82 878	87 739	92 301
Joburg Market	449 826	476 450	504 575	530 704
Johannesburg Property Company	724 754	737 481	740 733	783 985
Johannesburg Development Agency	110 510	117 834	124 251	132 000
Johannesburg Roads Agency	1 283 170	1 417 530	1 714 526	1 815 215
Metrobus	668 433	723 012	777 631	823 066
Total Revenue	3 885 482	4 336 718	5 082 305	5 372 538

The revenue budget of the Economic Growth Cluster increases by 11.6%.

Economic Growth Cluster Expenditure	Adjusted Budget 2018/19 R 000	Budget 2019/20 R 000	Estimate 2020/21 R 000	Estimate 2021/22 R 000
Economic Development	145 906	179 093	164 594	174 055
Transport	1 634 558	2 008 972	2 613 052	2 760 430
Development Planning	337 325	415 649	442 021	488 516
Joburg Market	352 284	370 419	392 426	414 532
Johannesburg Property Company	724 754	737 480	740 733	783 985
Johannesburg Development Agency	110 510	117 834	124 251	132 000
Johannesburg Roads Agency	1 283 170	1 417 530	1 714 526	1 815 215
Metrobus	668 433	723 012	777 631	823 066
Total Expenditure	5 256 940	5 969 989	6 969 234	7 391 799

The expenditure budget of the Economic Growth Cluster increases by 13.3% from the 2018/19 financial year. Below follows the budget per department and municipal entity within the economic development cluster.

Economic Development

The revenue for the Department of Economic Development in the 2019/20 financial year increases by 5.5%. The expenditure budget increases by 27.7% to R179.1 million. The total budget for the Expanded Public Works programmes (EPWP) is included in the budget of Economic Development and it will be transferred to departments and entities once the EPWP programmes are determined and approved. Below is a highlight of programmes that are within the budget:

- Number of SMMEs supported by the City through Opportunity Centres;
- Youth Skills Programmes Learnerships and Artisanal programme ;
- Number of business service standards implemented City-wide;
- Number of Expanded Public Works programmes (EPWP) – work opportunities created;
- Increase number of tourists to the City (numbers & monetary value);
- 2 Opportunity Centres (OC) per Region by 2021;
- Single Entry Point for Business; and
- Operationalisation of Work seeker's Database accessible to all residents.

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Transport Department

The Transport department's total revenue budget increases by 38.4% to R757.6 million in the 2019/20 financial mainly due to revenue from the Johannesburg International Transport Interchange (JITI) and the increase in the Public Transport Network Operating Grant (PTNOG) allocation from the National Treasury. The expenditure budget increases by 22.9% to R2 billion due to the increase in contracted services in respect of business and advisory project management services, PTNOG related expenditure, employee costs for filling of critical vacancies, repairs and maintenance for building and software system support, and other expenditure in respect of Rea Vaya bonus cards, rental and utilities. Below is a highlight of the programs that are within the budget:

- Ongoing provision of quality Rea Vaya public transport services including ITS (Intelligent Transport Systems)
- Ongoing rollout of the Rea Vaya phase 1C infrastructure including stations, depots and interchanges.
- Purchase of buses and operationalization of Rea Vaya Phase 1C (a) services.
- Transformation and empowerment of public transport operators including mini bus taxis towards running successful businesses
- Design and rollout of transport infrastructure including public transport facilities, managed lanes, complete streets, lay-byes and parking solutions.
- Strategic transport planning and integration of transport systems.

Development Planning

Development Planning's revenue budget increases by 5.4 % to R82.9 million. The expenditure budget increases by 23.2 % to R415.7 million due to additional funding requirements for the law enforcement unit and for the following projects, namely, building development management, bulk contributions policy project and City transformation.

Below is a highlight of programmes that are within the budget:

- Revitalizing and modernizing the Joburg economy;
- Increased competitiveness of the economy;
- Social inclusivity and enhanced social cohesion;
- Transit orientated development;
- A responsive corruption-free, efficient and productive metropolitan government;
- Town planning community awareness;
- Efficient processing of town planning, building plans and outdoor advertising applications;
- Maintain service delivery standards;
- Targeted capital investment to accelerate the regeneration of the inner city to improve economic growth;
- Integrated planning, policy development and standard setting; and
- Corporate geo-informatics spatial information maintenance.

Joburg Market

The total revenue for the Joburg Market increases by 5.9% to R476.5 million in line with the consumer price index. The expenditure budget increases by 5.1% to R370.4 million due to

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increases on repairs and maintenance of facilities and security and legal fees. Below is a highlight of the programmes that are within the budget:

- Increase of black commercial farmers produce sold at the market;
- Launch of Wi-Fi facility – for commercial purposes and SMME development;
- Maximize revenue to R9bn turnover by 2021/22; and
- Trading that encourages cashless facilities.

Johannesburg Property Company (JPC)

The JPC's total revenue increases by 1.8% to R737.5 million due to the increase in developer's income and outdoor advertising, and the increase in the CoJ subsidy in respect of security services. The expenditure budget increases by 1.8% to R737.5 million. 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); and
- Residents live, work and play close to work, leisure and cultural opportunities.

Johannesburg Development Agency

The revenue of Johannesburg Development Agency increases by 6.6% to R117.8 million. Expenditure increases in line with revenue by 6.6 % to R117.8 million. The subsidy increases by 8.3% to R42.2 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 total revenue for the Johannesburg Roads Agency increased by 10.5% to R1.4 billion in the 2019/20 financial year due to the increase in the CoJ subsidy. The expenditure budget increases by 10.5% to R1.4 billion due to increased allocations to repairs and maintenance and charges relating to security services. Below is a highlight of the programs that are within the budget:

- Road Rehabilitation and Resurfacing;
- Reversing the decline of the Road Condition Index;
- Reversing the decline of the Bridge Condition Index;
- Tarring of Gravel Roads; and
- Traffic Signal Upgrade – Mobility.

Metrobus

The total revenue for Metrobus increases by 8.2% to R723 million in 2019/20 mainly due to the increase in the CoJ subsidy. The expenditure budget increases by 8.2% to R723 million mainly as a result of the increased allocations to repairs and maintenance of buses, contracted services and charges for security services. Below is a highlight of programmes that are within the budget:

- Bus Refurbishment; and

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- Transportation of passengers (Day-to-Day).

GOOD GOVERNANCE CLUSTER

Good Governance Cluster Revenue	Adjusted Budget 2018/19 R 000	Budget 2019/20 R 000	Estimate 2020/21 R 000	Estimate 2021/22 R 000
Group Forensic Investigation Services Office Of The Ombudsman City Manager	7 350	158	167	176
Group Information And Communication Technology				
Group Finance	19 083 222	21 098 271	22 625 003	24 320 992
Group Corporate And Shared Services	14 882	7 200	7 778	8 000
Metropolitan Trading Company	440 397	475 977	496 115	522 451
Speaker: Legislative Arm Of Council				
Municipal Entities Accounts	228 352	283 772	333 849	461 849
Total Revenue	19 774 204	21 865 378	23 462 912	25 313 468

The revenue budget of the Good Governance Cluster increases by 10.6%.

Good Governance Cluster Expenditure	Adjusted Budget 2018/19 R 000	Budget 2019/20 R 000	Estimate 2020/21 R 000	Estimate 2021/22 R 000
Group Forensic Investigation Services Office Of The Ombudsman City Manager	101 574 32 551 1 249 034	111 788 35 401 1 318 655	119 985 46 335 1 397 076	126 813 49 137 1 479 378
Group Information And Communication Technology	660 754	729 872	770 278	812 348
Group Finance	4 459 189	5 039 578	5 324 074	5 611 035
Group Corporate And Shared Services	391 234	750 410	799 898	907 160
Metropolitan Trading Company	440 397	475 977	496 115	522 451
Speaker: Legislative Arm Of Council	418 300	454 826	471 114	498 814
Municipal Entities Accounts	1 492 992	1 676 044	1 902 287	2 114 391
Total Expenditure	9 246 025	10 592 551	11 327 162	12 121 527

The expenditure budget of the Good Governance Cluster increases by 14.5%. 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 10.1% to R111.8 million. Below is a highlight of programmes that are within the budget:

- Increasing forensic investigative capability and controls;
- Detect, investigate and resolve reported cases of fraud/corruption, theft of City assets maladministration, Hijacked Properties and illegal connections;
- Ensure the community engagement of all GFIS stakeholders (both internal and external);
- Implement and monitor compliance to Minimum Information Security Standards (MISS);
- Resolution of all disciplinary, criminal and civil matters post investigation; and

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- Follow up and monitoring cases referred to Group Legal for recovery of losses and civil claims.

Ombudsman

Ombudsman's expenditure budget increases by 8.8% to R35.4 million. Below is a highlight of programmes that are within the budget:

- A responsive City, that is capable of reacting to the needs of its resident efficiently, effectively and in a manner which shows that it cares by increasing public confidence and trust;
- Creating a responsive administration focused on delivering service with pride to the City's residents by bringing services closer to residents;
- Driving the "service with pride" campaign;
- Instilling best service standards by City employees; and
- Fast-tracking service delivery, especially to poorer communities.

City Manager

The City Manager's revenue budget decreases by 97.9% to R158 thousand. The expenditure budget increases by 5.6% to R1.3 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;
- Create an honest and transparent City that fights corruption by safeguarding the City's resources against procurement risks; and
- Preserve our resources for future generations by ensuring 100% of City's assets and liabilities are adequately covered against damage and losses at an economical premium.

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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 responsive City that is capable of reacting to the needs of its resident efficiently, effectively and in a manner which shows that it cares by fast-tracking of the single service delivery/customer care platform; and
- Driving the "service with pride" campaign by engagement of stakeholders, Regional Walk-about, Awareness Campaigns, Public meetings and CBP Community Conversations.

Group Strategy and Monitoring:

- Driving the "service with pride" campaign through implementation of Community Based projects; and
- 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 by ensuring successful prosecutions on by-law related infringements;
- Fundamental review of SCM Policy and Procedures; and
- Reducing petty crimes and enforcing by-laws.

Group Marketing and Communication:

- Creating a responsive administration focussed on delivering service with pride to the City's residents; and
- Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021 by rejuvenation of the Inner City and turning Johannesburg into a construction site and one of the cleanest cities in Africa.

Office of the Executive Mayor:

- A responsive City, that is capable of reacting to the needs of its resident efficiently, effectively and in a manner which shows that it cares.

ME Governance MC Support:

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

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Group Information Communication Technology:

Group Information Communication Technology's expenditure budget increases by 10.5% to R729.9 million mainly due to funding requirements for the new structure and additional funding for the outsourced contracts in the Department. Below is a highlight of programme that is within the budget:

- Enhanced access to ICT infrastructure, including free Wi-Fi; and
- ICT service systems availability and technology that will ensure service delivery is provided seamlessly.

Group Finance

Group Finance's revenue budget increases by 10.6% to R21.1 billion. The increase is based on an average property rates tariff increase of 5.5%. The valuation date for GV18 roll was 1st July 2017 with an effective date of 1st July 2018. The other increase is attributed to property market value increases post the valuation date due to improvements made to properties, subdivisions, consolidations, new properties which were not part of the GV 18 roll. All these are brought through the supplementary roll processes as outlined in the requirements section 78 of the Municipal Property Rates Act (MPRA). The expenditure increases by 13% to R5 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;
- Create a City that responds to the needs of citizens, customers and businesses by increasing responsiveness to billing problems and ensure that customers accurately receive correct billing for all 5 services;
- Increasing forensic investigative capability and controls;
- Cutting wasteful expenditure on non-core functions; and
- Improve governance and attainment of clean audit.

Group Corporate and Shared Services

Group Corporate Shared Service's revenue budget decreases by 51.6% to R7.2 million due to a reduction in the LG Seta rebate. The expenditure budget increases by 91.8% to R750.4 million due to funding requirements for strategic appointments, cleaning services and other human resource related activities. Below is a highlight of programmes that are within the budget:

- Human capital management;
- Skills Audit; and
- E-Recruitment.

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Metropolitan Trading Company

Revenue for the Metro Trading Company increases by 8.1% to R 476 million. The expenditure budget increases by 8.1% to R476 million in line with revenue. The program below is funded by the budget:

- Improved support to SMMEs in the city to empower more entrepreneurs by increasing the number of SMMEs as suppliers to the City;
- Improved access to broadband throughout the City to enable economic growth by rolling-out the Wi-Fi services to the City's residents; and
- The achievement of inclusive economic growth that drives job creation.

Speaker: Legislative Arm of Council

Speaker's expenditure budget increases by 8.7% to R 454.8 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;
- Creating a responsive administration focussed on delivering service with pride to the City's residents 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;
- Create a culture of enhanced service delivery with pride by developing pro-active maintenance and service teams that to drive the programmes of the Legislature through public engagements;
- 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 total revenue for the municipal entities accounts increases by 24.3% to R283.8 million. The increase mainly relates to the revenue generated from outdoor advertising, servitude rights and gains on disposal of Property Plant and Equipment. The expenditure for the municipal entities accounts increases by 12.3% to R1.7 billion. The increase in expenditure relates to the increased provision for depreciation and asset impairment, and other general expenditure (utility charges).

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

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<u>Consolidated Operating Budget</u> <u>(including internal transfers)</u>	2019/20 R 000	2020/21 R 000	2021/22 R 000
Direct revenue	58 533 102	64 810 628	70 986 403
Direct expenditure	57 271 948	62 840 881	68 079 151
Taxation	160 297	437 613	566 079
Capital grants and contributions	3 187 968	3 004 811	3 195 626
Surplus (Deficit) for the year	4 288 824	4 536 945	5 536 799

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.

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IT IS RECOMMENDED

1. That the draft consolidated operating revenue of R58.5 billion, operating expenditure of R57.3 billion, taxation of R160.3 million and capital grants and contributions of R3.2 billion for the City of Johannesburg for the financial year 2019/20, and the indicatives for the projected medium-term period 2020/21 to 2021/22 be noted as set out in the following attachments:
 - 1.1 The consolidated operating budget for the City, Core Administration and Municipal Entities as reflected in Annexure A, B and C.
 - 1.2 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 2018/19	Budget 2019/20	Estimate 2020/21	Estimate 2021/22
	R 000	R 000	R 000	R 000
Pikitup	540 076	636 308	674 767	715 637
Johannesburg Roads Agency	1 103 170	1 217 530	1 503 726	1 593 454
Metrobus	545 463	593 279	640 893	679 218
Johannesburg City Parks and Zoo	827 542	1 003 235	1 077 838	1 141 038
Johannesburg Development Agency	39 006	42 240	44 574	48 179
Johannesburg Property Company	509 336	582 961	566 922	601 135
Metropolitan Trading Company	226 855	249 742	256 604	270 485
Johannesburg Social and Housing Company	26 941	38 708	43 639	46 042
Joburg City Theatres	116 447	125 029	132 646	140 959
Total subsidies to ME's	3 934 836	4 489 032	4 941 609	5 236 147

3. That the supporting information contained in the 2019/20 – 2021/22 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:
 - 2.1 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;

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2.2 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.**

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