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City of Johannesburg Council 2020-07-09

COJ : MAYORAL COMMITTEE 2020-06-26 2020-07-06

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3(a) 2020/21 – 2022/23 MEDIUM-TERM OPERATING BUDGET FOR THE CITY OF JOHANNESBURG

1 STRATEGIC THRUST

The City identified ten (10) Priority Areas that the SDBIP, IDP and budget aim to achieve. The applicable Priorities for this Report are:

Priority 1: Good governance; and
Priority 2: Financial sustainability.

2 OBJECTIVE

To present the medium-term operating budget for the 2020/21 to 2022/23 financial years to Council for approval

3 SUMMARY

(1) BUDGET PROCESS OVERVIEW

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

The budget process for 2020/21 commenced in November 2019. A Mayoral Lekgotla was held on 13 -15 December 2019 to reach agreement on key focus areas and interventions in line with the Government of Local Unity's (GLU) recommendations. Departments and municipal entities (MEs) were thereafter requested to prepare budget proposals and these budget proposals were then presented to the Budget Steering Committee held on 15, 20 - 22 January 2020. On 15 March 2020, the COVID-19 pandemic was declared as a national disaster. Departments and municipal entities were requested to implement various action plans in line with national and provincial interventions to ensure the virus do not spread out of control in its communities. On 17 June 2019, the Council approved the COVID-19 special adjustment which has been used as a base for the next MTEF planning.

The proposed 2020/21 – 2022/23 medium-term budget includes the national and provincial allocations as reflected in the latest Gazettes.

Consultation Process

The draft budget for 2020/21 was tabled at Council on 29 May 2020 for consultation both externally and internally. Subsequent to tabling of the budget, the draft budget and proposed tariffs were publicised for stakeholder and public comments.

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

(2) MEDIUM-TERM OPERATING BUDGET

Medium-Term Budget Direction

The 2020/21 medium-term budget will focus on the following key political strategic priorities:

- Financial Sustainability;
- Good Governance;
- Sustainable Service Delivery;
- Economic development;
- Job Opportunity and Creation;
- Integrated Human Settlements;
- Safer City;
- Active and Engaged Citizenry;
- Sustainable environmental development;
- Smart City; and
- COVID 19 Response.

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

- Accelerated and visible service delivery and reintroduce co-production in the delivery of basic services;
- Improve and strengthen the financial position;
- Impact the housing market including the integration, development and maintenance hostels and flats;
- A safer City by reintroducing ward-based policing (Joburg 10+) and effective by-law enforcement;
- Job opportunities and creation;
- Development and support of SMME;
- Community Based Planning and enhanced community engagement, including Mayoral imbizos;
- Manage displaced communities and homelessness;
- Combat drug and substance abuse;
- Combat gender-based violence;
- Combat corruption, fraud and maladministration;
- Combat illegal land invasion and promote regulated land use; and
- Formalisation of informal settlements and accelerated rapid land release.

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- Covid-19 Response – Pillar 1: Comprehensive Health Response; Pillar 2: Food Security Response; Pillar 3: Enforcement and Compliance Measures; Pillar 4: Economic impact and mitigation measures; Pillar 5: Social mobilization and solidarity; Pillar 6: Continuation of Municipal Services.

Overview of the 2020/21 Medium-term Budget

The proposed operating revenue budget is approximately R60.7 billion and the operating expenditure budget is totalling R60.6 billion for the 2020/21 financial year. Revenue is increasing by 7.3% and expenditure by 7.2% over the 2019/20 financial year. The table below sets out the Medium-Term Revenue and Expenditure Budget for the 2020/21 - 2022/23 financial years.

	Adjusted Budget 2019/20 R 000	Budget 2020/21 R 000	%	Estimate 2021/22 R 000	Estimate 2022/23 R 000
Revenue	56 634 192	60 750 551	7.3%	64 028 952	67 757 684
Internal revenue	8 158 302	8 300 011	1.7%	8 788 506	9 324 224
	64 792 494	69 050 562	6.6%	72 817 459	77 081 909
Expenditure	56 563 146	60 626 223	7.2%	63 018 114	66 243 076
Internal expenditure	8 158 302	8 300 011	1.7%	8 788 506	9 324 224
	64 721 448	68 926 233	6.5%	71 806 621	75 567 300
Surplus (Deficit)	71 046	124 328		1 010 838	1 514 609
Taxation	47 521	63 409	33.4%	67 195	69 454
Surplus (Deficit) for the year	23 525	60 919		943 643	1 445 155
Capital grants and contributions	3 550 998	2 613 926		2 637 848	3 137 882
Surplus (Deficit) for the year including capital grants and contributions	3 574 523	2 674 845		3 581 491	4 583 037

The City is budgeting for a surplus (before taxation and capital grants) of R124.3 million for 2020/21. The surplus will be applied towards the City's working capital and funding of capital investment.

Revenue Analysis

In 2019/20, the direct revenues were budgeted at R56.6 billion with revenue estimated to be R60.7 billion in 2020/21.

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Revenue	Adjusted Budget 2019/20 R million	Budget 2020/21 R million	%	Estimate 2021/22 R million	Estimate 2022/23 R million
Property rates	12 293	13 215	7.5%	13 796	14 417
Electricity	16 172	16 971	4.9%	16 751	17 719
Water	7 889	8 342	5.8%	9 088	9 893
Sanitation	4 692	5 192	10.6%	5 624	6 093
Refuse	1 830	1 919	4.8%	2 009	2 109
Rental	362	418	15.5%	450	473
Interest earned	690	729	5.7%	765	806
Fines, penalties and forfeits	1 005	1 059	5.4%	1 114	1 164
Agency services	730	808	10.6%	838	872
Operating Grants	9 042	9 924	9.8%	10 921	11 410
Other revenue	1 929	2 174	12.7%	2 674	2 801
Total revenue	56 634	60 751	7.3%	64 029	67 758

The increase of 7.3% in total revenue is made up of the 7.5% increase in property rates, 4.9% in electricity revenue, 5.8% increase in water revenue, 10.6% increase in sanitation revenue, 4.8% increase in refuse, 15.5% increase in rental of facilities, 5.7% increase in interest earned, 5.4% increase in fines, 10.6% increase agency services, 9.8% increase in operating grants and 12.7% increase in other revenue.

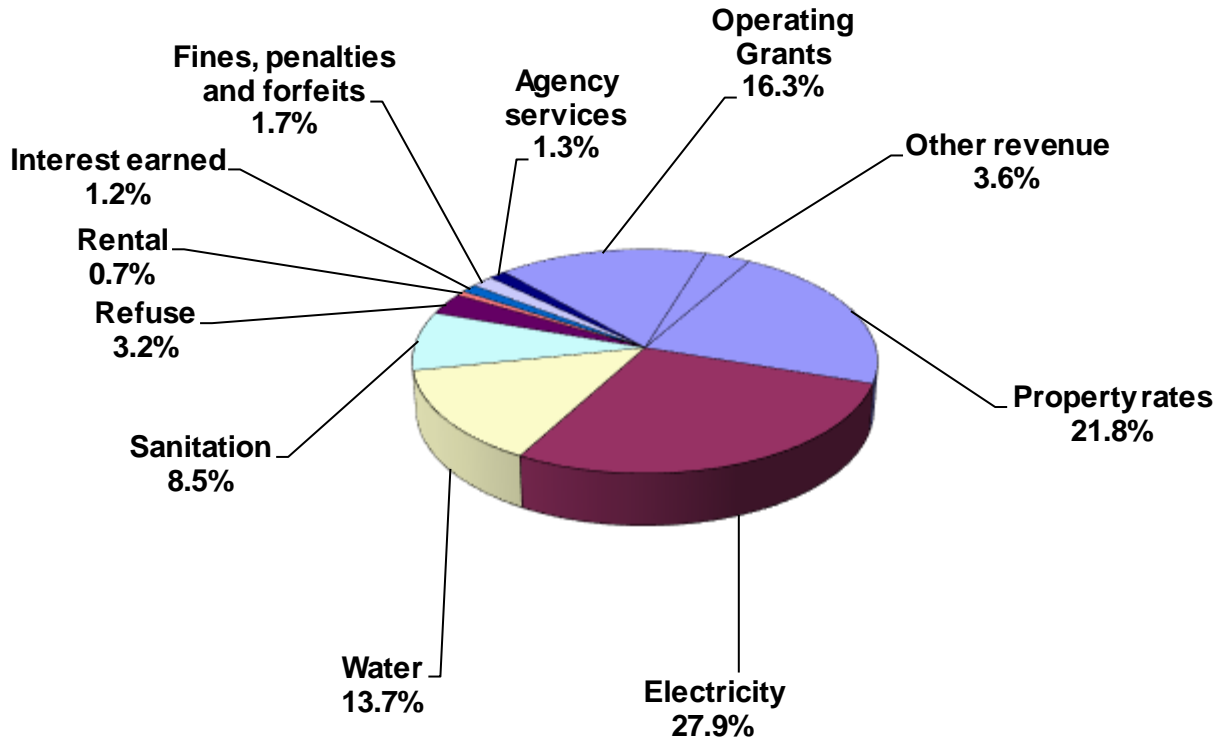
The graph below reflects the percentages per revenue category of the total revenue of the City.

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The 2020/21 revenue budget for property rates, electricity, water, sewerage and refuse amounts to R45.6 billion and it represents approximately 75.1% of the total revenue budget of R60.7 billion.

The table below set out the average tariff increases for 2020/21 - 2022/23 financial years.

Service	Base Year 2019/20	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Property rates	5.50%	4.00%	4.40%	4.50%
Electricity	13.07%	6.23%	5.22%	10.00%
Water	9.90%	6.60%	8.60%	8.60%
Sanitation	9.90%	6.60%	8.60%	8.60%
Refuse	7.00%	5.20%	4.70%	5.00%

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

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Property rates: Projected property rates revenue is estimated at R13.2 billion, approximately 7.5% increase from the 2019/20 financial year. The increase is based on an average property rates tariff increase of 4%. The increase includes improvements made to properties, subdivisions, consolidations and new properties.

Service charges - electricity: The projected electricity revenue of R16.9 billion is a 4.9% increase from the 2019/20 financial year. The increase is based on a proposed average tariff increase for electricity of 6.23%, the strategic drive to reduce total electricity losses to a level of 25.5% in the 2020/21 financial year. The average bulk purchase price increase from City Power's main suppliers (Eskom, Kelvin and Ekurhuleni municipality) is assumed at 6.85%.

Service charges - water and sewerage: The projected water and sewerage revenue is estimated at R13.5 billion, approximately 7.6% increase from the 2019/20 financial year. The increase is based on an average tariff increase of 6.6%, based on a proposed Rand Water tariff increase of 6.6% and an estimated population growth increase of 1%. The City is also reintroducing the first 6kl water free to all customers as from 1 July 2020.

Service charges - refuse: The projected refuse revenue of R1.9 billion is a 4.8% increase from the 2019/20 financial year, the increase is based on a proposed average tariff increase of 5.2% and a proposed stepped tariff to ensure affordability for lower priced properties.

Rental of facilities are increasing by approximately 15.5% and is mainly due to the increase in rental housing units and the increase in revenues on commercial and social leases.

Interest earned increased by R39.1 million in line with payment and liquidity levels of the City.

Income from fines, penalties and forfeits increased with an amount of R54.2 million or 5.7% from the 2019/20 financial year. The increase is mainly due to fine income resulting from Road Traffic Offences (AARTO) infringement notices.

Operating grants are increasing by R882 million or 10.6% from the 2019/20 financial year. The increase mainly relates to increased allocations for the Equitable Share R493 million, Fuel Levy R410 million, Public Transport Network (PTNG) grant funding R375 million. The ambulance subsidy has reduced by R124.1 million to zero and the housing top-structure allocation was not reflected in the latest Provincial Gazette and is therefore not included in the budget (R286.8 million).

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Other revenue reflects an increase of R244.8 million or 12.7% and it mainly relates to –

- Transportation (R64.3 million) mainly due to the Public Transport Network Operating Grant (PTNOG) allocation from the National Treasury, the revenue from the Johannesburg International Transport Interchange (JITI) and the Rea Vaya Phase 1C operationalization;
- Public Safety (R58.9 million) mainly due to projected revenues for the new vehicle pound in Midrand; and
- City Power (R57 million) due to an increase in new connections.

The tariffs for minor services will mainly increase in line with estimated inflation of 4.2%.

Expenditure Analysis

The City adopted the 2019/20 Adjusted Operating Budget of R56.6 billion. 2020/21 presents a budget of R60.6 billion, an increase of 7.2% from the 2019/20 adjusted budget.

Expenditure	Adjusted Budget 2019/20 R million	Budget 2020/21 R million	%	Estimate 2021/22 R million	Estimate 2022/23 R million
Employee related cost	14 962	15 982	6.8%	16 989	18 092
Remuneration of councillors	181	177	-2.6%	198	210
Debt impairment	5 006	5 359	7.1%	5 633	5 981
Depreciation and asset impairment	4 251	4 450	4.7%	4 686	5 025
Finance charges	2 808	3 035	8.1%	3 218	3 530
Bulk purchases	17 490	19 334	10.5%	19 222	20 080
Contracted services	3 848	4 019	4.5%	4 241	3 945
Grants and subsidies	342	57	-83.4%	66	133
Other expenditure	7 675	8 214	7.0%	8 764	9 247
Total expenditure	56 563	60 626	7.2%	63 018	66 243

The increase of 7.2% in expenditure is a result of the increase in employee related cost 6.8%, remuneration of councillors -2.6% (as a result of a proposed 4% increase which is offset by a correction of the overstatement of the previous year's budgeted amount), debt impairment 7.1% (impact of Covid-19 induced economic down turn on collection levels), depreciation 4.7%, finance charges 8.1%, bulk purchases 10.5% (Eskom/Kelvin Power Station and Rand Water), contracted services 4.5%, grants and subsidies paid -83.4% (the housing top-structure allocation was not reflected in the latest Provincial Gazette and is therefore not included in the budget) and other expenditure 7%.

Increases on expenditure are explained later in the report under each cluster per department or entity.

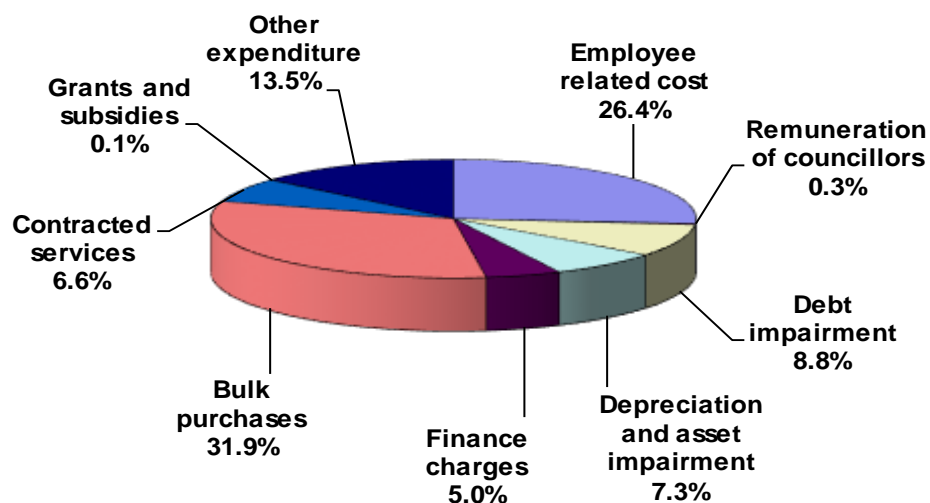
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The graph below reflects the percentages per expenditure category of the total expenditure of the City.



Financial Position

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

Financial position	Adjusted Budget 2019/20 R million	Budget 2020/21 R million	Estimate 2021/22 R million	Estimate 2022/23 R million
Total current assets	17 521	17 158	20 988	22 441
Total non current assets	83 638	87 715	89 592	92 280
Total current liabilities	15 653	14 659	16 929	15 854
Total non current liabilities	29 031	31 064	30 921	31 552
Community wealth/equity	56 475	59 149	62 731	67 314

The projected current ratio over the medium term is projected to be 1:2 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 2019/20 R million	Budget 2020/21 R million	Estimate 2021/22 R million	Estimate 2022/23 R million
Net cash from (used) operating	7 821	6 749	8 261	9 306
Net cash from (used) investing	(9 110)	(7 643)	(8 797)	(6 867)
Net cash from (used) financing	2 040	1 162	1 966	(412)
Cash/cash equivalents at the year begin:	5 339	6 091	6 358	7 788
Cash/cash equivalents at the year end	6 091	6 358	7 788	9 815

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The cash of the City is projected to be approximately R6.4 billion at the end of the 2020/21 financial year. It will be approximately R9.8 billion in the outer year. Cash reserves are applied towards capital infrastructure spending.

The following Budget Assumptions were made:

CPI is estimated at 4.2% for 2020/21 and 4.4% for 2021/22 and 4.5% for 2022/23 financial years.

Estimated salary increases:

- 6.25% - 2020/21.
- 6.25% - 2021/22.
- 6.25 - 2022/23.

Loans interest rates are estimated at 11.03% for 2020/21, 11.38% for 2021/22 and 11.69% for 2022/23.

Bulk purchases - City Power has assumed an average tariff increase of 6.85% from Eskom and the cost of bulk purchases from Rand Water is expected to increase by average 6.6%.

Finance charges and depreciation are increasing by 6% over the 2019/20 financial year and contracted services and other expenditure combined are increasing by 6.2%.

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.

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SUSTAINABLE CLUSTER

Sustainable Cluster	Adjusted Budget	Budget	Estimate	Estimate
Revenue	2019/20	2020/21	2021/22	2022/23
	R 000	R 000	R 000	R 000
Environment And Infrastructure	86 450	86 500	88 980	89 980
Housing	371 964	88 752	92 659	96 828
City Power	16 417 548	17 272 099	17 077 217	18 070 728
Johannesburg Water	12 979 484	13 719 871	14 908 421	16 195 654
Pikitup	2 795 556	2 976 717	3 134 954	3 304 433
Johannesburg Social Housing Company	182 057	215 082	225 964	236 045
Total Revenue	32 833 059	34 359 020	35 528 195	37 993 668

The Sustainable Cluster's revenue budget increases by 4.6% from the 2019/20 financial year.

Sustainable Cluster	Adjusted Budget	Budget	Estimate	Estimate
Expenditure	2019/20	2020/21	2021/22	2022/23
	R 000	R 000	R 000	R 000
Environment And Infrastructure	138 184	143 881	150 336	167 022
Housing	1 172 980	977 302	1 023 777	1 073 898
City Power	16 690 284	17 783 564	17 476 289	18 123 710
Johannesburg Water	12 111 380	12 798 240	13 651 873	14 585 376
Pikitup	2 795 556	2 976 717	3 134 954	3 304 433
Johannesburg Social Housing Company	182 057	215 082	225 964	236 045
Total Expenditure	33 090 441	34 894 786	35 663 192	37 490 484

The Sustainable Cluster's expenditure budget increases by 5.5% from the 2019/20 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 R86.5 million as a result of the Energy Efficiency and Demand Side Management grant allocation. The expenditure budget increases by 4.1% to R143.9 million. Below is a highlight of programmes that are within the budget:

- Active and engaged citizenry - Environmental Education and Awareness;
- Sustainability environmental development - Water Resources Management: Healthy Rivers;

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- Sustainability environmental development - Water Resources Management: Climate Change Resilience;
- Sustainability environmental development - Open Space Management;
- Sustainability environmental development - Climate Change;
- Sustainability environmental development - Waste Management;
- Environmental sustainability - Environmental Protection;
- Environmental sustainability - Water Resources Management: Healthy Rivers;
- Climate change - Air Quality Management; and
- Waste Management.

Housing

The 2020/21 revenue budget for the Housing department is decreased by 76.1% to R88.8 million as no grant funding for the Housing Top Structure was allocated. The expenditure budget decreases by 16.7% to R977.3 million mainly due to the decline in subsidies paid allocation in respect of the Housing Top Structure.

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

- Prioritising the formalisation of informal settlements;
- 1200 serviced sites constructed;
- 17200 Mixed housing opportunities created for households including Housing data base, special cases and military veterans;
- Refurbishment of Hostels; and
- Refurbishment of Senior Homes.

City Power

City Power's expected deficit after taxation (excluding capital grants and contributions) amounts to R511.5 million. Service charges - electricity: The projected electricity revenue of R16.9 billion is a 4.9% increase from the 2019/20 financial year. The increase is based on a proposed average tariff increase for electricity of 6.23% and the strategic drive to reduce total electricity losses to a level of 25.50% in the 2020/21 financial year. The expenditure budget increases by 6.6% to R17.8 billion due to a 6.85% 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:

- Financial sustainability - Revenue Enhancement, Non-Technical Losses Reduction and Customer Engagement Initiatives;
- Sustainable service delivery - Repairs and Maintenance of the infrastructure, Spot & repair Streetlight and Traffic Light Maintenance;
- Sustainable service delivery - Expanded Social Package (Siyasizana): Provision of Free Basic Electricity;
- Job opportunity and creation - SMME's Support and Youth Development;
- Safer city - Reducing petty crimes and enforcing by-laws;

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- Focused improvement of ICT equipment and software;
- Interventions to mitigate electricity constraints;
- Revenue Management Programme;
- Performance Management Programme;
- Community based planning and enhanced community engagement, including Izimbizo; and
- COVID 19 Response - Continuation of Municipal Services.

Johannesburg Water

Joburg Water's expected surplus (excluding capital grants and contributions) amounts to R921.6 million. Service charges - water and sewerage: The projected water and sewerage revenue is estimated at R13.5 billion, approximately 7.6% increase from the 2019/20 financial year. The increase is based on an average tariff increase of 6.6%, based on a proposed Rand Water tariff increase of 6.6% and an estimated population growth increase of 1%. The expenditure budget increases by 5.7% to R12.8 billion mainly to cater for an increase of 6.6% on bulk purchases, and an assumed consumption increase of 3.6% attributable to population growth and extended water service to informal settlements. Below is a highlight of programmes that are within the budget:

- Sustainable service delivery - Basic Water and Sanitation;
- Sustainable service delivery - Provision of Bulk Services;
- Sustainable service delivery - Retrofitting and Water Repairs;
- COVID 19 Response - Provision of Basic Services;
- Improving Revenue Collection;
- Focused improvement of ICT equipment and software;
- Provision of Sanitation Services;
- Improve customer and stakeholder; and
- Scientific Services.

Pikitup

Pikitup's revenue budget increases by 6.5% to R2.9 billion. Service charges - refuse: The projected refuse revenue of R1.9 billion is a 4.8% increase from the 2019/20 financial year, the increase is based on a proposed average tariff increase of 5.2% and a proposed stepped tariff to ensure affordability for lower priced properties. The expenditure budget increases by 6.5% to R2.9 billion mainly due to critical vacancies to be filled and to cater for staff leave provision. The subsidy allocation to Pikitup increases by 11% to R820.5 million. Below is a highlight of programmes that are within the budget:

- Sustainable service delivery - Cleaning of proclaimed informal settlements;
- Sustainable service delivery - Street sweeping (KleenaJoburg Campaign);

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- Sustainable service delivery - Waste minimization; and
- Financial sustainability - Commercial services.

Johannesburg Social Housing Company (JOSHCO)

JOSHCO's total revenue budget increases by 18.1% to R215.1 million due to rental income as a result of the increase in rental units and income from agency services. Expenditure increases by 18.1% to R215.1 million mainly due to the cleaning insourcing salary adjustment as a result of the changes in working hours, and the increase in the number of security guards based on the shift and hours per security officer. Repairs and maintenance increased due to planned maintenance for the new Dobsonville, Turffontein, Wolmarans, Fraser House and Albert street projects. Below is a highlight of programmes that are within the budget:

- Social housing in the Inner-City including student accommodation;
- Social housing in economic hubs in the Southern and Northern suburbs;
- Developing pro-active maintenance and service teams to preserve the City's buildings;
- Inner city regeneration, including key economic nodes - allocation of affordable housing units to low-income earning households;
- Fast-tracking service delivery, especially to poorer communities - Provide essential services to tenants (electricity, gas, refuse and water);
- Instilling best service standards - Online Leasing Application System;
- Project Security Upgrades (CCTV & Biometrics);
- Smart buildings (Energy efficient, Eco-Friendly); and
- Improvement of Revenue Collection.

HUMAN AND SOCIAL DEVELOPMENT CLUSTER

Human and Social Development Cluster Revenue	Adjusted Budget 2019/20 R 000	Budget 2020/21 R 000	Estimate 2021/22 R 000	Estimate 2022/23 R 000
Community Development	51 719	55 717	58 152	60 734
Health	162 459	172 763	182 864	195 073
Social Development	655	689	719	751
Public Safety	1 527 787	1 531 375	1 605 034	1 677 262
Johannesburg City Parks And Zoo	1 097 538	1 156 253	1 219 118	1 285 851
Joburg City Theatres	199 383	209 836	220 930	232 727
Total Revenue	3 039 541	3 126 633	3 286 817	3 452 398

The revenue budget of the Human and Social Development Cluster increases by 2.9% from the 2019/20 financial year.

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Human and Social Development Cluster Expenditure	Adjusted Budget 2019/20 R 000	Budget 2020/21 R 000	Estimate 2021/22 R 000	Estimate 2022/23 R 000
Community Development	1 239 058	1 304 280	1 361 374	1 434 520
Health	1 144 072	1 212 947	1 286 278	1 364 238
Social Development	439 714	461 922	485 727	511 083
Public Safety	5 501 435	5 815 666	6 171 169	6 528 663
Johannesburg City Parks And Zoo	1 097 538	1 156 253	1 219 118	1 285 851
Joburg City Theatres	199 383	209 836	220 930	232 727
Total Expenditure	9 621 200	10 160 904	10 744 596	11 357 082

The expenditure budget of the Human and Social Development Cluster increase by 5.6% from the 2019/20 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 7.7% to R55.7 million. The expenditure budget increases by 5.3% to R1.3 billion.

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

- Health, Community and Social Services - Extended library hours on Fridays/Saturdays;
- Health, Community and Social Services - Selected libraries deliver regular educational workshops and special holiday programmes on substance abuse;
- Smart city - Enhanced access to ICT infrastructure, including free Wi-Fi; and
- Jobs and Growth - Implementation of the City's substance abuse strategy.

Health

Health Department's revenue budget increases by 6.3% to R172.8 million. The expenditure budget increases by 6% to R1.2 billion due to an increase in employee related costs as a result of extended service hours to 14 additional clinics as well as to cater for staffing requirements for 6 additional Substance Abuse Centres, 10 mobile clinics and 3 new additional clinics (Florida, Bophelong and Claremont clinics). Below is a highlight of programmes that are within the budget:

- Sustainable service delivery - Primary Health Care;
- Safer city - Substance Abuse; and
- Sustainable service delivery - Environmental Health.

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Social Development

Social Development's revenue budget increases by 5.2% to R689 thousand. The expenditure budget increases by 5.1% to R461.9 million. Below is a highlight of programmes that are within the budget:

- Job opportunity and creation - EPWP and SMME's Support;
- Economic development - Co-operatives Development, Urban Farming and Agro-processing Programme, Skills Development Programme and Strategic Youth Development Agenda;
- Smart city - Digital Computerized Clubhouses and Hydroponic Farming;
- Active and engaged citizenry - Mayoral Izimbizo and Local Drug Action Committees;
- Sustainable service delivery - Johannesburg Migration Advisory Committee and Johannesburg Migration Advisory Plan (JMAP);
- Safer city - Combat Gender Based Violence, Substance Abuse Programme and Initiatives for displaced persons;
- Sustainable service delivery - Food Bank Resilience;
- Sustainable environmental development - Food Gardens Resilience and Sustainable Organic & Mushroom Farming;
- Integrated human settlements - Initiatives & Programmes targeting Migrants;
- People With Disability;
- Policy Development and Research;
- Monitoring and evaluation of the Expanded Service Package; and
- Early Childhood Development.

Public Safety

The revenue budget of Public Safety increases by 0.2% to R1.5 billion due to anticipated revenue from poundage and storage fees. The expenditure budget increases by 5.7% to R5.8 billion mainly due to the increases in employee related costs, depreciation and assets impairment. The programmes within the budget are highlighted below:

Public Safety Head Office

- Improvement in Intelligent Policing through Integrated Operations Centre (IOC) link-up to CCTV Camera Network and Software Applications;
- Modernisation of Licensing Centres; and
- Disaster preparedness.

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GROUP FINANCE

Emergency Management Services (EMS)

- Increasing the levels of public safety and sense of security experienced by residents of our City;
- Improve emergency response times;
- Emergency Management Services by-law enforcement; and
- Emergency Prevention – Community training.

Johannesburg Metropolitan Police Department (JMPD)

- Joburg 10 + programme - Ward based deployment;
- Visible policing and by-law enforcement activities in the Inner-City; and
- Traffic and By-Law Enforcement.

Johannesburg City Parks and Zoo

City Parks and Zoo revenue budget increases by 5.3% to R1.2 billion. The expenditure budget increases by 5.3% to R1.2 billion in line with revenue. The subsidy allocation to City Parks and Zoo increases by 7.5% to R951.9 million to cater for the implementation of horticultural programs. Below is a highlight of programmes that are within the budget:

- Sustainable service delivery - Horticulture and Arboriculture;
- Sustainable service delivery - Research & Development;
- Smart city - Wi-Fi enabled open space facilities and Cemetery Records Automation;
- Active and engaged citizenry - Environmental Education and Mayoral Izimbizo;
- Sustainable environmental development - Greening Programme;
- Job opportunity and creation - EPWP and SMME's Support; and
- Infrastructure Maintenance Plan.

Joburg City Theatres

The total revenue of Joburg City Theatres increases by 5.2% to R209.8 million. Total expenditure increases in line with revenue by 5.2% to R209.8 million. The Joburg City Theatre's subsidy increases by 24.9% to R160.4 million mainly due to a decrease in other revenue (17.4%) due to the impact of the Covid-19 lockdown on operations.

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

- Health, Community and Social Services - Insourcing of catering services to the City; and
- Health, Community and Social Services - Opening and operationalising the amphitheatre at Jabulani precinct.

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GROUP FINANCE

ECONOMIC GROWTH CLUSTER

Economic Growth Cluster Revenue	Adjusted Budget 2019/20 R 000	Budget 2020/21 R 000	Estimate 2021/22 R 000	Estimate 2022/23 R 000
Economic Development	23 955	19 819		
Transport	559 773	999 371	1 375 840	959 114
Development Planning	65 617	77 282	89 118	92 823
Joburg Market	510 097	536 488	561 710	581 072
Johannesburg Property Company	902 806	968 637	1 016 684	1 073 151
Johannesburg Development Agency	108 217	120 980	128 043	135 471
Johannesburg Roads Agency	1 409 612	1 484 876	1 565 231	1 657 231
Metrobus	730 717	767 999	808 193	889 629
Total Revenue	4 310 794	4 975 453	5 544 819	5 388 491

The revenue budget of the Economic Growth Cluster increases by 15.4%.

Economic Growth Cluster Expenditure	Adjusted Budget 2019/20 R 000	Budget 2020/21 R 000	Estimate 2021/22 R 000	Estimate 2022/23 R 000
Economic Development	161 273	170 139	186 377	195 751
Transport	1 719 109	1 803 179	2 027 441	1 728 521
Development Planning	375 137	397 418	440 439	465 898
Joburg Market	381 835	382 660	394 417	483 989
Johannesburg Property Company	902 806	968 637	1 016 684	1 073 151
Johannesburg Development Agency	108 217	120 980	128 043	135 471
Johannesburg Roads Agency	1 409 612	1 484 876	1 565 231	1 657 231
Metrobus	730 717	767 999	808 193	889 629
Total Expenditure	5 788 706	6 095 888	6 566 825	6 629 641

The expenditure budget of the Economic Growth Cluster increases by 5.3% from the 2019/20 financial year. Below follows the budget per department and municipal entity within the economic development cluster.

Economic Development

The revenue decreased by 17.3% to R19.8 million due to the reduction of the Expanded Public Works Program (EPWP) incentive grant. The expenditure budget increases by 5.5% to R170.1 million mainly due to consumer price inflation linked increases. Below is a highlight of programmes that are within the budget:

- Expanding the reach and rollout of the basket of services offered to SMMEs via the City's Opportunity Centres;
- The rollout of a Youth Skills Programmes, Learnership and Artisan;
- The rollout of the City's Work seekers' Database;
- Implementation of investment facilitation programme;
- Tourism Development and Marketing; and

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GROUP FINANCE

- Integrated Regional Economic Development – Cross border implementation plan.

Transport Department

The department's revenue budget increases by 78.5% to R999.3 million in the 2020/21 financial year mainly due to the Public Transport Network Operating Grant (PTNOG) allocation from the National Treasury and revenue from the Johannesburg International Transport Interchange (JITI). The expenditure budget increases by 4.9% to R1.8 billion mainly due to consumer price index linked increases across expenditure categories. Below is a highlight of the programs that are within the budget:

- Quality Rea Vaya Services through Phase 1A and 1B;
- Rea Vaya Phase 1C infrastructure rollout (stations, depots and interchanges) including Intelligent Transport Systems (ITS);
- Operationalisation of the Johannesburg International Transport Interchange;
- SMME Development: Phase 1C(a) Bus Operating Company (BOC) Formation; and
- Redevelopment of Inner City taxi ranks.

Development Planning

Development Planning's revenue budget increases by 17.7% to R77.2 million mainly as a result of increased donor funding. The expenditure budget increases by 5.9% to R397.4 million.

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

- Jobs and Growth - Revitalising and modernising the Johannesburg economy;
- Jobs and Growth - Increased competitiveness of the economy;
- Jobs and Growth - A City characterised by social inclusivity and enhanced social cohesion;
- Jobs and Growth – A responsive, corruption-free, efficient and productive Metropolitan Government;
- Jobs and Growth - Implementation of TOD's implementation plan to reduce spatial planning inequalities;
- Jobs and Growth - The significant improvement in the ease and experience of doing business in the City;
- Jobs and Growth - Targeted capital investment to accelerate the regeneration of the Inner City to improve economic growth; and
- Preserve our resources for future generations - Integrated planning, policy development and standards setting.

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GROUP FINANCE

Joburg Market

The total revenue for the Joburg Market increases by 5.2% to R536.5 million due to the increases in agency services fees. The expenditure budget increases by 0.2% to R382.7 million mainly due to the consumer price index linked salary increase and the increased provision for depreciation and asset impairment. 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 R9 billion turnover by 2022/23;
- Unemployed Youth Mainstreaming (EPWP's): and
- Trading that encourages cashless facilities.

Johannesburg Property Company (JPC)

The JPC's total revenue increases by 7.3% to R968.6 million due to the increase in other revenue anticipated to be earned post the level 5 Covid-19 lockdown restrictions and an increase in internal charges for the cleaning service. The expenditure budget increases by 7.3% to R968.6 million in line with the consumer price index. Below is a highlight of the programmes that are within the budget:

- Jobs and Growth - Improved support to SMMEs in the City to empower more entrepreneurs;
- Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021;
- Stimulate developments in the South through mega projects and Township Economies through property transactions and developments;
- Regeneration of the inner cities of Joburg, Randburg and Roodepoort through the release of derelict buildings to the private sector; and
- Financial Sustainability - Meaningful progress towards addressing the infrastructure and social backlogs resulting in better quality, reliable services for the City's residents.

Johannesburg Development Agency

The total revenue of Johannesburg Development Agency increases by 11.8% to R120.9 million. Total expenditure increases in line with revenue by 11.8% to R120.9 million. The subsidy decreases by 32.9% to R40.6 million mainly as a result of the Agency receiving additional subsidy in FY 19 / 20 to alleviate the decrease in revenue due to the pandemic.

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

- Integrated human settlements - Strategic economic node delivery programme and public infrastructure delivery programme;

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GROUP FINANCE

- Job opportunity and creation - economic empowerment programme; and
- Good governance – good governance, management and administration programme.

Johannesburg Roads Agency

The total revenue for the Johannesburg Roads Agency increased by 5.3% to R1.48 billion in the 2020/21 financial year due to the increase in the CoJ subsidy. The expenditure budget increases by 5.3% to R1.48 billion mainly due to the CPI linked increase on employee related costs and other categories of expenditure. Below is a highlight of the programs that are within the budget:

- Road Rehabilitation and Resurfacing;
- Tarring of Gravel Roads;
- Bridge Rehabilitation;
- Informal settlements – Tarring of Zandspruit Access Road;
- Traffic Signals Upgrade – Mobility; and
- Stormwater Management

Metrobus

The total revenue for Metrobus increases by 5.1% to R768 million in 2020/21 mainly due to the increase in the CoJ subsidy and other revenue. The expenditure budget increases by 5.1% to R768 million mainly as a result of the CPI linked increase on employee related costs, other expenditure categories and the interest on mirror conduit loans. Below is a highlight of programmes that are within the budget:

- Re-fleeting: procurement, refurbishment and/or leasing of buses;
- Financial viability – move out of technical insolvency; and
- Day-to-Day transportation of passengers.

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GROUP FINANCE

GOOD GOVERNANCE CLUSTER

Good Governance Cluster Revenue	Adjusted Budget 2019/20 R 000	Budget 2020/21 R 000	Estimate 2021/22 R 000	Estimate 2022/23 R 000
Group Forensic Investigation Services				
Office Of The Ombudsman				
City Manager	2 073	166	174	183
Group Information And Communication Technology				
Group Finance	21 098 271	22 968 065	24 550 316	26 129 644
Group Corporate And Shared Services	6 200	13 000	13 764	14 040
Metropolitan Trading Company	466 265	513 467	538 390	564 126
Speaker: Legislative Arm Of Council				
Municipal Entities Accounts	139 569	303 643	360 764	376 998
Total Revenue	21 712 378	23 798 341	25 463 408	27 084 992

The revenue budget of the Good Governance Cluster increases by 9.6%.

Good Governance Cluster Expenditure	Adjusted Budget 2019/20 R 000	Budget 2020/21 R 000	Estimate 2021/22 R 000	Estimate 2022/23 R 000
Group Forensic Investigation Services	97 245	102 499	108 132	114 315
Office Of The Ombudsman	28 142	29 718	31 404	33 198
City Manager	1 217 810	1 518 183	1 596 516	1 679 949
Group Information And Communication Technology	706 715	760 019	795 838	834 813
Group Finance	5 276 243	6 064 988	6 389 461	6 855 382
Group Corporate And Shared Services	427 021	450 423	475 486	502 154
Metropolitan Trading Company	466 265	513 467	538 390	564 126
Speaker: Legislative Arm Of Council	442 760	468 508	496 298	525 502
Municipal Entities Accounts	1 630 861	1 670 188	1 883 185	2 058 529
Total Expenditure	10 293 062	11 577 993	12 314 710	13 167 968

The expenditure budget of the Good Governance Cluster increases by 12.5%. 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 5.4% to R 102.5 million. Below is a highlight of programmes that are within the budget:

- Prevent, combat and investigate all forms of crime committed against the City including fraud, corruption, theft and maladministration;
- Communicating and sensitising all relevant stakeholders regarding the City's stance on Fraud, corruption, theft, hijacked properties and maladministration;

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GROUP FINANCE

- Investigate hijacked buildings and facilitate the arrest and prosecution of offenders;
- Complete investigations in relation to an investigation methodology. Issuing of a final report for disciplinary action, recoveries and /or reporting the case to SAPS and NPA for investigation;
- Improved turnaround times for the completion of investigations and;
- Follow up and monitoring cases referred to Group Legal for recovery of losses and civil claims.

Ombudsman

Ombudsman's expenditure budget increases by 5.6% to R29.7 million. Below is a highlight of programmes that are within the budget:

- Resolving grievances and disputes for the citizens of Johannesburg in an amicable manner;
- Improved accessibility, transparency and accountability in relation to service delivery by having footprint in all City regions
- Improved system of governance and customer service delivery; and
- Instilling best service standards by City employees.

City Manager

The City Manager's revenue budget decreases by 92% to R166 thousand. The expenditure budget increases by 24.7% to R1.5 billion. Below is a highlight of programmes that are addressed within the budget:

Group Audit, Risk and Compliance

- Improvement in Enterprise Risk Management for the City;
- Safeguarding and securing City's assets and liabilities; and
- Improved assurance for the City by complying with IIA Standard 1300.

Office of the City Manager

- Focussing on driving up capital expenditure investment in infrastructure;
- Cutting wasteful expenditure on non-core functions by monitoring resolution of audit queries raised in the AGSA management letter;
- Driving the "service with pride" campaign;
- Youth Development Programme; and
- Community Based Planning.

Citizen Relations and Urban Settlement

- Monthly citizen engagement activities aimed at creating awareness and public participation.

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GROUP FINANCE

- Quarterly monitoring of service delivery in the CoJ regions - Stakeholder engagement, Regional Walkabouts, Awareness Campaigns, Public meetings, CBP Community Engagements;
- Phase 1 Implementation of Augmented service delivery model; and
- 135 ward profiles reviews.

Group Strategy and Monitoring

- Improved well-being of residents, increased global competitiveness, exemplary African City of Innovation; and
- Driving the "service with pride" campaign through enhanced public participation, Community Ownership of planning and development.

Group Legal and Contracts

- Ensure successful prosecutions on by-law related infringements;
- Ensure legally sound contracts that protect the interests of the CoJ and promote service delivery;
- Speedy resolution of disciplinary cases to avoid long and costly suspensions; and
- Reducing petty crimes and enforcing by-laws.

Group Marketing and Communications

- Implementation of integrated advertising and marketing initiatives that respond to the needs of citizens, customers, stakeholders and businesses on all communication platforms.

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

- Outline and strengthen the accountability of the Board of Directors of the ME to the City with respect to the service delivery mandate of the ME; and
- Promote transparency and good governance.

Group Information and Communication Technology:

Group Information Communication Technology's expenditure budget increases by 7.5% to R760 million due to an 11.4% increase in depreciation.

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GROUP FINANCE

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

- Smart City - Wi-Fi roll out and smart City enablement;
- Financial sustainability - modernizing legacy applications, SAP business transformation, and upgrade of security hardware equipment and Licenses; and
- Encourage innovation and efficiency through the Smart City programme - enhanced access to ICT infrastructure, including free Wi-Fi.

Group Finance

Group Finance`s revenue budget increases by 8.9% to R23 billion. The expenditure increases by 14.9% to R6.1 billion. Below is a highlight of programmes that are within the budget:

- Meaningful progress towards addressing the historical infrastructure backlog resulting in better quality, reliable services for the City's residents;
- Increasing revenue collection;
- Increasing capital budget capacity in the city;
- Payment of invoices within 30 days of receiving invoices;
- Establishing controls to reduce irregular expenditure;
- Implementation of Valuations system;
- Supply Chain Management turnaround strategy and deployment of Procurement Policy to support SME's and Economic Growth;
- mSCOA and SAP enhancement implementation;
- Implementation of Revenue Strategy;
- Focussing on driving up capital expenditure investment in infrastructure;
- Increasing responsiveness to billing problems;
- 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 increases by 109.7% to R13 million mainly as a result of LG SETA training rebates. The expenditure budget increases by 5.5% to R450.4 million.

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

- Jobs and growth – being the achievement of inclusive economic growth that drives job creation; and
- Day to day programmes being management support, human capital management and health and safety.

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GROUP FINANCE

Metropolitan Trading Company

Revenue of the entity increases by 10.1% to R513.5 million. The expenditure budget increases by 10.1% to R513.5. Below is a highlight of programmes that are within the budget:

- Improve access throughout the City to enable economic growth by rolling out free Wi-Fi services to the City's residents.
- Enhanced, quality services and sustainable environmental practices by ensuring 99% of the network, Wi-Fi and CCTVs are consistently available and running for end users, creating jobs through SMMEs and maintaining fibre networks.

Speaker: Legislative Arm of Council

Speaker's expenditure budget increases by 5.8% to R 468.5 million. Below is a highlight of programmes that are within the budget:

- Provide support to strengthen Sec 79 Committees and Chairpersons in order to enhance oversight and scrutiny over the executive;
- Creating a responsive administration focussed on delivering service with pride to the City's residents by encouraging communities to participate in all issues affecting COJ Municipality and develop an E-petition system that will track and effectively channel petitions;
- Ensure efficient By-Law making review process in consultation with communities to enable development and revision of City Policies;
- Public participation through timely publication of the IDP and Budget Review Process;
- Meaningful public participation through civic education for the publicity; and
- Creating a platform for communities to raise issues for redress by the City.

Municipal Entities Accounts

The revenue for the municipal entities accounts increases by 117.6% to R303.6 million. The increase mainly relates to the revenue generated from outdoor advertising and servitude rights to be earned compared to the 2019/20 reduced base as a result of the Covid-19 lockdown regulations. The expenditure for the municipal entities accounts increases by 2.4% to R1.7 billion. The increase in expenditure relates to the increased provision for depreciation and asset impairment, other general expenditure (utility charges), and internal charges.

4 POLICY IMPLICATIONS

None.

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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>	2020/21 R 000	2021/22 R 000	2022/23 R 000
Direct revenue	60 750 551	64 028 952	67 757 684
Direct expenditure	60 626 223	63 018 114	66 243 076
Taxation	63 409	67 195	69 454
Capital grants and contributions	2 613 926	2 637 848	3 137 882
Surplus (Deficit) for the year	2 674 845	3 581 491	4 583 037

7 COMMUNICATION IMPLICATIONS

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

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

8 OTHER BODIES/DEPARTMENTS CONSULTED

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

9 KEY PERFORMANCE INDICATOR

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

IT IS RECOMMENDED

1 That the consolidated operating revenue of R60.7 billion, operating expenditure of R60.6 billion, taxation of R63.4 million and capital grants and contributions of R2.6 billion for the City of Johannesburg for the financial year 2020/21, and the indicatives for the projected medium-term period 2021/22 to 2022/23 be approved as set out in the following attachments:

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

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GROUP FINANCE

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

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

Municipal Entity	Adjusted Budget 2019/20	Budget 2020/21	Estimate 2021/22	Estimate 2022/23
	R 000	R 000	R 000	R 000
Pikitup	739 256	820 521	877 423	934 024
Johannesburg Roads Agency	1 169 926	1 243 374	1 313 446	1 394 468
Metrobus	636 533	669 859	705 735	782 560
Johannesburg City Parks and Zoo	885 155	951 882	1 000 985	1 057 413
Johannesburg Development Agency	60 525	40 627	43 710	44 416
Johannesburg Property Company	658 636	596 229	623 306	660 546
Metropolitan Trading Company	239 990	251 893	255 671	267 677
Johannesburg Social and Housing Company	19 098	19 900	20 736	21 669
Joburg City Theatres	128 469	160 454	169 378	177 892
Total subsidies to ME's	4 537 588	4 754 740	5 010 390	5 340 665

3 That the supporting information contained in the 2020/21 – 2022/23 Medium-Term Revenue and Expenditure Budget document as required in terms of Section 17(3) of the Municipal Finance Management Act (Act 56 of 2003) be approved in conjunction with this report.

(GROUP FINANCE)

(Ntuthuzelo April)

(Tel. (011) 358-3290)

(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM