

**ITEM A: 2020/21 – 2022/23 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 2020/21 to 2022/23 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 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. 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 focus on GLU priorities and initiatives.

The Minister of Finance's budget speech was held on 18 February 2020 and the budget does take in to account the latest national allocations as reflected in the Gazette. The provincial allocation will be available later and the allocation will be included in the final budget that will be submitted to Council during the month of May 2020.

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

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; and
- Smart City.

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.

Overview of the 2020/21 Medium-term Budget

The proposed operating revenue budget is approximately R61.8 billion and the operating expenditure budget is totalling R59.9 billion for the 2020/21 financial year. Revenue is increasing by 8.5% and expenditure by 5.7% over the 2019/20 financial year.

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The table below set 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	56 964 811	61 795 225	8.5%	64 856 871	68 670 765
Internal revenue	7 870 096	7 935 066	0.8%	8 406 896	8 862 703
Expenditure	64 834 907	69 730 291	7.6%	73 263 767	77 533 468
Internal expenditure	56 708 898	59 922 551	5.7%	62 119 562	65 283 545
	7 870 096	7 935 066	0.8%	8 406 896	8 862 703
Surplus (Deficit)	64 578 994	67 857 617	5.1%	70 526 458	74 146 248
Taxation	255 913	1 872 674		2 737 309	3 387 220
Surplus (Deficit) for the year	44 089	47 700	8.2%	48 599	45 858
Capital grants and contributions	211 824	1 824 974		2 688 710	3 341 362
Surplus (Deficit) for the year including capital grants and contributions	3 165 458	2 619 226		2 655 323	3 137 882
	3 377 282	4 444 200		5 344 033	6 479 244

The City is budgeting for a surplus (before taxation and capital grants) of R1.9 billion 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 R57 billion with revenue estimated to be R61.8 billion in 2020/21.

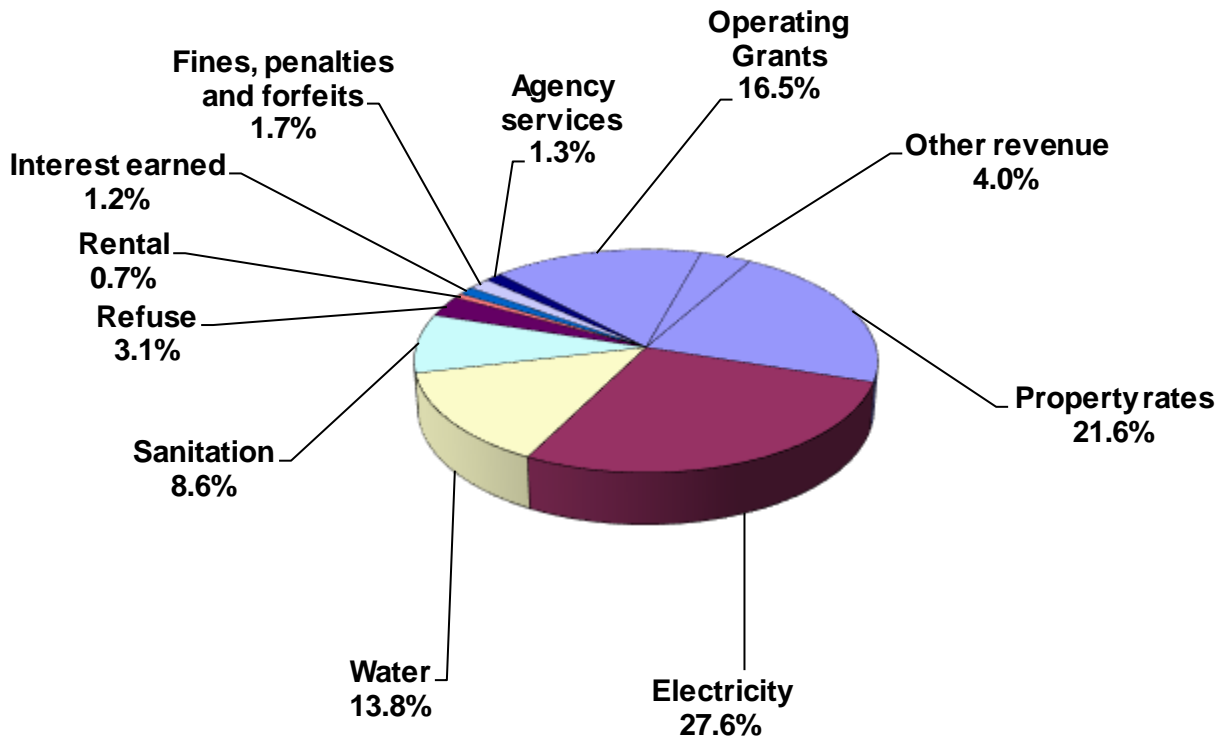
Revenue	Adjusted Budget 2019/20 R million	Budget 2020/21 R million	%	Estimate 2021/22 R million	Estimate 2022/23 R million
Property rates	12 293	13 358	8.7%	14 051	14 726
Electricity	16 172	17 069	5.5%	16 730	17 688
Water	7 889	8 498	7.7%	9 256	10 076
Sanitation	4 692	5 286	12.6%	5 726	6 205
Refuse	1 830	1 905	4.1%	1 994	2 094
Rental	393	424	7.9%	446	461
Interest earned	694	733	5.5%	769	811
Fines, penalties and forfeits	1 005	1 059	5.4%	1 114	1 170
Agency services	779	811	4.0%	842	877
Operating Grants	9 144	10 176	11.3%	11 187	11 687
Other revenue	2 074	2 477	19.4%	2 742	2 877
Total revenue	56 965	61 795	8.5%	64 857	68 671

The increase of 8.5% in total revenue is made up of the 8.7% increase in property rates, 5.5% in electricity revenue, 7.7% increase in water revenue, 12.6% increase in sanitation revenue, 4.1% increase in refuse, 7.9% increase in rental of facilities, 5.5% increase in interest earned,

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5.4% increase in fines, 4% increase agency services, 11.3% increase in operating grants and 19.6% increase in other revenue.

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



The 2020/21 revenue budget for property rates, electricity, water, sewerage and refuse amounts to R46.1 billion and it represents approximately 74.6% of the total revenue budget of R61.8 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%	4.90%	4.80%	4.80%
Electricity	13.07%	8.10%	5.22%	10.00%
Water	9.90%	8.60%	8.60%	8.60%
Sanitation	9.90%	8.60%	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 R13.4 billion, approximately 8.7% increase from the 2019/20 financial year. The increase is based on an average property rates tariff increase of 4.9%. The increase includes improvements made to properties, subdivisions, consolidations and new properties.

Service charges - electricity: The projected electricity revenue of R17.1 billion is approximately 5.5% increase from the 2019/20 financial year. The increase is based on a proposed average tariff increase for electricity of 8.1% and 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 7.3%.

Service charges - water and sewerage: Projected water and sewerage charges are estimated at R13.8 billion, approximately 9.6% increase from the 2019/20 financial year. The increase is based on an average tariff increase of 8.6%, based on a proposed Rand Water tariff increase of 6.6% plus a retail margin of 2% and an estimated population growth increase of 1.2%. Furthermore, business customers are to pay a 2% surcharge on water, sewerage and sanitary services. 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 approximately 4.1% 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 by 7.9% and is mainly due to the increase in rental housing units (increase of 800 rental units) and the increase in revenues on commercial and social leases.

Interest earned increased by R38.3 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 5.4% 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 R1 billion or 11.3% from the 2019/20 financial year. The increase mainly relates to increased allocations for the Equitable Share R493 million, Fuel Levy R410 million, and Public Transport Network (PTNG) grant funding R272.6 million.

Other revenue reflects an increase of R406.2 million or 19.6% and it mainly relates to –

- Transportation (R267.4 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 (R33.9 million) due to an increase in new connections.

The tariffs for minor services will mainly increase in line with estimated inflation of 5.2%.

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Expenditure Analysis

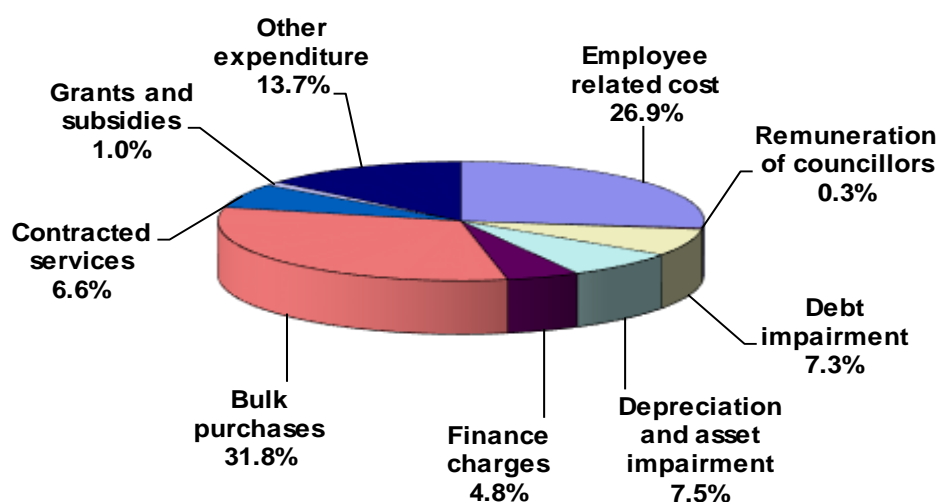
The City adopted the 2019/20 Adjusted Operating Budget of R56.7 billion. 2020/21 presents a budget of R59.9 billion, an increase of 5.7% from the 2019/20 adjusted budget.

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	15 303	16 135	5.4%	17 152	18 232
Remuneration of councillors	181	193	6.4%	205	218
Debt impairment	4 121	4 397	6.7%	4 591	4 893
Depreciation and asset impairment	4 267	4 493	5.3%	4 760	5 209
Finance charges	2 808	2 902	3.3%	3 034	3 182
Bulk purchases	18 063	19 030	5.4%	18 923	19 983
Contracted services	3 890	3 964	1.9%	4 172	3 898
Grants and subsidies	377	626	66.0%	658	691
Other expenditure	7 698	8 183	6.3%	8 625	8 977
Total expenditure	56 709	59 923	5.7%	62 120	65 284

The increase of 5.7% in expenditure is a result of the increase in employee related cost 5.4%, remuneration of councillors 6.4%, debt impairment 6.7% depreciation 5.3%, finance charges 3.3%, bulk purchases 5.4% (Eskom/Kelvin Power Station and Rand Water), contracted services 1.9%, grants and subsidies paid 66% (mainly for taxi compensation R270.3 million - Rea Vaya Phase 1C operationalization) and other expenditure 6.3%.

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

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.

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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	17 317	17 529	21 355	23 639
Total non current assets	83 710	88 671	91 518	95 497
Total current liabilities	15 718	14 793	17 066	16 018
Total non current liabilities	29 031	30 685	29 742	30 573
Community wealth/equity	56 277	60 722	66 066	72 545

The projected current ratio over the medium term is projected to be 1:18 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	7 571	8 584	10 094	11 402
Net cash from (used) investing	(9 141)	(8 571)	(9 841)	(8 341)
Net cash from (used) financing	2 041	782	1 166	(212)
Cash/cash equivalents at the year begin:	5 339	5 810	6 605	8 024
Cash/cash equivalents at the year end	5 810	6 605	8 024	10 872

The cash of the City is projected to be approximately R6.6 billion at the end of the 2020/21 financial year. It will be approximately R10.9 billion in the outer year. Cash reserves are applied towards capital infrastructure spending.

The following Budget Assumptions were made:

CPI is estimated at 5.2% for 2020/21 and 4.7% for 2021/22 and 5% for 2022/23 financial years.

Estimated salary increases:

- 6.25% - 2020/21 (salaries are capped at an increase of 5.4% to provide for a natural attrition rate of 0.85%).
- 6.3% - 2021/22.
- 6.3% - 2022/23.

Loans interest rates are estimated at 9.8% for 2020/21, 9.9% for 2021/22 and 10% for 2022/23.

Bulk purchases - City Power has assumed an average tariff increase of 8.1% 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 4.5% over the 2019/20 financial year and contracted services and other expenditure combined are increasing by 4.8%.

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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.

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	343 909	362 107	380 213
City Power	16 446 684	17 378 613	17 064 713	18 049 413
Johannesburg Water	12 793 786	13 950 030	15 158 378	16 468 384
Pikitup	2 638 615	2 717 218	2 867 127	3 029 350
Johannesburg Social Housing Company	201 637	198 237	209 939	221 798
Total Revenue	32 539 136	34 674 507	35 751 244	38 239 139

The Sustainable Cluster's revenue budget increases by 6.6% 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	153 782	158 702	165 954	183 574
Housing	1 176 307	1 246 245	1 309 834	1 408 883
City Power	17 356 278	17 588 728	17 316 516	18 177 395
Johannesburg Water	11 512 940	12 379 263	13 208 955	14 097 300
Pikitup	2 638 615	2 717 218	2 867 127	3 029 350
Johannesburg Social Housing Company	201 637	198 237	209 939	221 798
Total Expenditure	33 039 559	34 288 393	35 078 325	37 118 300

The Sustainable Cluster's expenditure budget increases by 3.8% 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

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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 3.2% to R158.7 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;
- 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 - Biodiversity Protection;
- Climate change - Air Quality Management; and
- Environmental sustainability - Water and Biodiversity.

Housing

The 2020/21 revenue budget for the Housing department is decreasing by 7.5% to R343.9 million mainly due to the reduction in Housing Top Structure grant funding. The expenditure budget increases by 5.9% to R1.2 billion mainly due to the increase in the provision for depreciation and asset impairment. 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 R210.1 million. Service charges - electricity: The projected electricity revenue of R17.4 billion is a 5.7% increase from the 2019/20 financial year. The increase is based on a proposed average tariff increase for electricity of 8.10% 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 1.3% to R17.6 billion. The average tariff increase for bulk purchases from City Power's main suppliers (Eskom, Kelvin and Ekurhuleni municipality) is estimated at 7.3%. 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, Provision of public lighting, Spot & repair streetlight and Traffic light maintenance programme;

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- Sustainable service delivery - Expanded Social Package Programme: Provision of Free Basic Electricity;
- Job opportunity and creation - SMME's Support and Youth Development Programme;
- Safer city - Reducing petty crimes and enforcing by-laws;
- Focused improvement of ICT equipment and software;
- Interventions to mitigate electricity constraints;
- Revenue Management Programme;
- Performance Management Programme; and
- Community based planning and enhanced community engagement, including Izimbizo.

Johannesburg Water

Joburg Water's expected surplus (excluding capital grants and contributions) amounts to R1.9 billion. Service charges - water and sewerage: The projected water and sewerage revenue is estimated at R14 billion, approximately 9% increase from the 2019/20 financial year. The increase is based on an average tariff increase of 8.6%, based on a proposed Rand Water tariff increase of 6.6% plus a retail margin of 2% and an estimated population growth increase of 1.2%. Furthermore, business customers are to pay a 2% surcharge on water, sewerage and sanitary services. The City is also reintroducing the first 6kl water free to all customers as from 1 July 2020. The expenditure budget increases by 7.5% to R12.4 billion mainly to cater for an increase of 6.6% on bulk purchases and an assumed consumption increase of 2.12% in line with population growth. Below is a highlight of programmes that are within the budget:

- Sustainable service delivery - Inner City Upgrade & Renewal Programme;
- Sustainable service delivery - Infrastructure Upgrade & Renewal Programme;
- Integrated human settlements - Provision of Basic Services; and
- Sustainable service delivery - Water Conservation and Water Demand Management.

Pikitup

Pikitup's revenue budget increases by 3% to R2.7 billion. Service charges - refuse: The projected refuse revenue of R1.9 billion is a 4.1% 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 3% to R2.7 billion mainly due to critical vacancies to be filled, to cater for depreciation and asset impairment costs as well as staff leave provision. The subsidy allocation to Pikitup decreases by 1.3% to R579.3 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 (including Kleena Joburg campaign, inner city and regional CBDs);
- Financial sustainability - Commercial services; and
- Sustainable service delivery - Waste minimization.

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Johannesburg Social Housing Company (JOSHCO)

JOSHCO's total revenue budget decreases by 1.7% to R198 million due to the reduction in operating grants and subsidies from City. Expenditure decreases by 1.7% to R198 million mainly as a result of the reduction in debt impairment. 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 and 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	53 719	54 717	57 652	60 534
Health	162 459	171 925	181 490	190 566
Social Development	655	689	721	757
Public Safety	1 527 787	1 531 375	1 606 129	1 686 436
Johannesburg City Parks And Zoo	1 098 828	1 143 320	1 207 291	1 276 338
Joburg City Theatres	202 999	210 487	222 223	234 750
Total Revenue	3 046 447	3 112 513	3 275 506	3 449 381

The revenue budget of the Human and Social Development Cluster increases by 2.2% from the 2019/20 financial year.

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	1 261 229	1 321 004	1 395 067	1 463 505
Health	1 141 483	1 339 900	1 343 564	1 354 529
Social Development	254 597	266 376	281 956	298 447
Public Safety	5 548 378	5 808 875	6 155 567	6 523 872
Johannesburg City Parks And Zoo	1 098 828	1 143 320	1 207 291	1 276 338
Joburg City Theatres	202 999	210 487	222 223	234 750
Total Expenditure	9 507 514	10 089 962	10 605 668	11 151 441

The expenditure budget of the Human and Social Development Cluster increase by 6.1% from the 2019/20 financial year. Below follows the budget per department and municipal entity within the human and social development cluster.

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Community Development

Community Development's revenue budget increases by 1.9% to R54.7 million. The expenditure budget increases by 4.7% to R1.3 billion as a result of funding required for the operationalizing of new facilities. Below is a highlight of programmes that are within the budget:

- Financial Sustainability - A high performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region;
- Active and Engaged citizenry - Extended library hours on Fridays/Saturdays;
- Safer City - Selected libraries to deliver regular educational workshops and special holiday programmes on substance abuse;
- Smart city - Enhanced access to ICT infrastructure, including free Wi-Fi;
- Good Governance and Active and engaged citizenry - Stakeholder engagement; and
- Job opportunity and creation - EPWP programme and SMME Support.

Health

Health Department's revenue budget increases by 5.8% to R171.9 million. The expenditure budget increases by 17.4% to R1.3 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). Furthermore, a provision of R140 million has been allocated in response to the Covid-19 Pandemic. 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.

Social Development

Social Development's revenue budget increases by 5.2% to R689 thousand. The expenditure budget increases by 4.6% to R266.4 million due to an increase on employee related costs to cater for critical vacancies to be filled. Below is a highlight of programmes that are within the budget:

- Job opportunity and creation - EPWP Programme and SMME's Support Programme;
- Economic development - Co-operatives Development, Urban Farming & 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 Programme;

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- Sustainable environmental development - Food Gardens Resilience Programme and Sustainable Organic & Mushroom Farming;
- Integrated human settlements - Initiatives & Programmes targeting Migrants;
- People With Disability Programme;
- Policy Development and Research;
- Monitoring and evaluation of the Expanded Service Package Programme; and
- Early Childhood Development Programme.

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 4.7% to R5.8 billion mainly due to the increases in employee related costs, depreciation and assets impairment and internal charges ME's. 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.

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 4% to R1.1 billion. The expenditure budget increases by 4% to R1.1 billion in line with revenue. The subsidy allocation to City Parks and Zoo increases by 6.8% to R935.1 million to cater for the implementation of horticultural programme (including grass cutting). Below is a highlight of programmes that are within the budget:

- Sustainable environmental development - Tree Planting, Biodiversity and Ecosystem Programmes;
- Sustainable service delivery - Horticultural Programme;
- Active and engaged citizenry - Research & Development, Environmental Education and Stakeholder Engagement Programme;

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- Smart city - Wi-Fi enabled open space facilities and Cemetery Records Automation;
- Safer city - Park Ranger Patrols Programme; and
- Economic development - Co-operatives Support Programme; and
- Infrastructure Maintenance Plan Programme

Joburg City Theatres

The revenue of Joburg City Theatres increases by 3.7% to R210.5 million. The expenditure budget increases by 3.7% to R215.5 million in line with revenue. The Joburg City Theatre's subsidy increases by 13.2% to R136.5 million. Below is a highlight of programmes that are within the budget:

- Financial Sustainability - Insourcing of catering services to the City;
- Active and engaged citizenry – Theatre Productions; and
- Job Opportunity and creation - Insourcing of cleaning and security services to the City.

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	690 754	1 230 778	1 375 840	961 708
Development Planning	90 617	101 382	102 141	107 250
Joburg Market	520 289	536 264	556 228	569 235
Johannesburg Property Company	846 216	879 085	926 226	979 105
Johannesburg Development Agency	116 473	121 058	128 155	135 720
Johannesburg Roads Agency	1 416 217	1 473 220	1 555 341	1 643 988
Metrobus	773 794	812 598	860 030	908 089
Total Revenue	4 478 315	5 174 204	5 503 961	5 305 095

The revenue budget of the Economic Growth Cluster increases by 15.5%.

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	162 193	178 642	188 607	198 882
Transport	1 868 838	2 268 794	2 396 025	2 052 493
Development Planning	400 256	420 347	464 936	502 988
Joburg Market	395 837	413 605	433 163	453 220
Johannesburg Property Company	846 216	879 085	926 226	979 105
Johannesburg Development Agency	116 473	121 058	128 155	135 721
Johannesburg Roads Agency	1 416 217	1 473 220	1 555 341	1 643 988
Metrobus	773 794	812 598	860 030	908 089
Total Expenditure	5 979 824	6 567 348	6 952 483	6 874 486

The expenditure budget of the Economic Growth Cluster increases by 9.8% from the 2019/20 financial year. Below follows the budget per department and municipal entity within the economic development cluster.

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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 10.1% to R178.6 million mainly due to an allocation of R11.5 million for the transfers and subsidies paid. 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
- Integrated Regional Economic Development.

Transport Department

The department's revenue budget increases by 78.2% to R1.2 billion in the 2020/21 financial year 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. The expenditure budget increases by 21.4% to R2.3 billion mainly due to the increase in transfers and subsidies paid for taxi compensation. 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 11.9% to R101.4 million. The expenditure budget increases by 5% to R420.3 million.

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

- Jobs and growth – the achievement of inclusive economic growth that drives job creation;
- Financial sustainability – maintenance of the corporate geo – informatics spatial information system; and
- Preservation of resources for future generations through integrated planning, policy development and standard setting.

Joburg Market

The total revenue for the Joburg Market increases by 3.1% to R536.3 million due to the increases in agency services fees. The expenditure budget increases by 4.5% to R413.6

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million mainly due to the increase 5.4% in salaries and a 7% increase in 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 3.9% to R879.1 million due to the increase in internal charges for the insourcing of the cleaning service, and an increase in the CoJ subsidy. The expenditure budget increases by 3.9% to R879.1 million in line with the increase in revenue. 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;
- Increased infrastructure investment from both the public and private sectors and Inner-city regeneration, including key economic nodes;
- 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 revenue of Johannesburg Development Agency increases by 3.9% to R121 million. Expenditure increases in line with revenue by 3.9% to R121 million. The subsidy increases by 1.8% to R37.8 million.

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

- Integrated human settlements – meaningful progress towards addressing the infrastructure and social backlogs;
- Job opportunity and creation – improved support to SMME's in the City; and
- Good governance – create a responsive administration focussed on service delivery.

Johannesburg Roads Agency

The total revenue for the Johannesburg Roads Agency increased by 4% to R1.5 billion in the 2020/21 financial year due to the increase in the CoJ subsidy. The expenditure budget increases by 4% to R1.5 billion mainly due to the increase mainly on employee related costs and internal charges ME's. Below is a highlight of the programs that are within the budget:

- Road Rehabilitation and Resurfacing;
- Tarring of Gravel Roads;

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- Bridge Rehabilitation;
- Traffic Signals Upgrade – Mobility; and
- Stormwater Management.

Metrobus

The total revenue for Metrobus increases by 5% to R812.6 million in 2020/21 mainly due to the increase in the CoJ subsidy. The expenditure budget increases by 5% to R812.6 million mainly as a result of the increase in employee related costs 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.

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	23 111 989	24 804 651	26 440 975
Group Corporate And Shared Services	6 200	13 000	13 782	7 500
Metropolitan Trading Company	466 936	507 074	539 059	566 011
Speaker: Legislative Arm Of Council				
Municipal Entities Accounts	283 772	303 643	361 089	379 143
Total Revenue	21 857 252	23 935 872	25 718 755	27 393 812

The revenue budget of the Good Governance Cluster increases by 9.5%.

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 Office Of The Ombudsman City Manager	103 045 34 773 1 291 595	107 337 36 175 1 492 681	113 114 38 217 1 572 143	119 663 40 474 1 661 965
Group Information And Communication Technology	706 715	752 514	789 389	822 916
Group Finance	5 319 698	5 583 014	5 805 335	6 102 371
Group Corporate And Shared Services	466 133	492 585	520 733	605 608
Metropolitan Trading Company	466 936	507 074	539 059	566 011
Speaker: Legislative Arm Of Council	443 015	465 000	494 474	523 259
Municipal Entities Accounts	1 593 957	1 670 188	1 883 317	2 059 235
Total Expenditure	10 425 867	11 106 568	11 755 781	12 501 502

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The expenditure budget of the Good Governance Cluster increases by 6.5%. 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 4.2% to R 107.3 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;
- 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 4% to R36.2 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 15.6% 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; and

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- Improve and strengthen the financial position by attaining 95% of revenue.

Citizen Relations and Urban Settlement

- Monthly citizen engagement activities aimed at creating awareness and public participation.
- Quarterly monitoring of service delivery in the CoJ regions - Stakeholder engagement, Regional Walkabouts, Awareness Campaigns, Public meetings, CBP Community Engagements; 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 through the Municipal Court.

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.
- Community based planning and enhanced community engagement.

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 and Communication Technology's expenditure budget increases by 6.5% to R752.5 million due to an allocation for IT related services.

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

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- Smart City - Wi-Fi roll out and smart City enablement; and
- Financial sustainability - Modernizing Legacy Applications, SAP Business Transformation, and Upgrade of Security Hardware Equipment and Licenses.

Group Finance

Group Finance's revenue budget increases by 9.5% to R23.1 billion. The expenditure increases by 4.9% to R5.6 billion. Below is a highlight of programmes that are within the budget:

- Meaningful progress towards addressing the R170 billion infrastructure backlog resulting in better quality, reliable services for the City's residents;
- 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 due to LG SETA rebate for training. The expenditure budget increases by 5.7% to R492.6 million.

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

- Jobs and growth – skills audit programme leading to the significant improvement in the ease and experience of doing business in the City.

Metropolitan Trading Company

Revenue of the entity increases by 8.6% to R507.1 million. The expenditure budget increases by 8.6% to R507.1 million in line with revenue. 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.

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Speaker: Legislative Arm of Council

Speaker's expenditure budget increases by 5% to R 465 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;
- 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;
- 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 7% to R303.6 million. The increase mainly relates to the revenue generated from outdoor advertising and servitude rights. The expenditure for the municipal entities accounts increases by 4.8% 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

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	61 795 225	64 856 871	68 670 765
Direct expenditure	59 922 551	62 119 562	65 283 545
Taxation	47 700	48 599	45 858
Capital grants and contributions	2 619 226	2 655 323	3 137 882
Surplus (Deficit) for the year	4 444 200	5 344 033	6 479 244

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.

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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 draft consolidated operating revenue of R61.8 billion, operating expenditure of R59.9 billion, taxation of R47.7 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 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 2019/20	Budget 2020/21	Estimate 2021/22	Estimate 2022/23
	R 000	R 000	R 000	R 000
Pikitup	587 027	579 327	604 986	654 101
Johannesburg Roads Agency	1 176 531	1 271 090	1 342 270	1 419 504
Metrobus	641 453	673 120	713 320	754 044
Johannesburg City Parks and Zoo	875 745	935 075	987 888	1 045 967
Johannesburg Development Agency	37 181	37 868	40 822	42 841
Johannesburg Property Company	499 116	506 677	532 723	565 926
Metropolitan Trading Company	240 661	268 074	279 742	293 729
Johannesburg Social and Housing Company	29 677	3 055	4 710	6 403
Joburg City Theatres	120 628	136 513	147 497	157 103
Total subsidies to ME's	4 208 019	4 410 799	4 653 958	4 939 618

3. That the supporting information contained in the 2020/21 – 2022/23 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.

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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; and**
- (b) Invite the local community to submit representations in connection with the annual consolidated operating budget.**

2.2 Submit the annual consolidated operating budget:

- (a) In both printed and electronic formats to the National and Provincial Treasury; and**
- (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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CHARITY WURAYAYI
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GROUP LEGAL AND
CONTRACTS

MANENZHE MANENZHE
GROUP CHIEF FINANCIAL OFFICER

COUNCILLOR JOLIDEE MATONGO
MMC: FINANCE