



City of Johannesburg

Annual Report

2016/17

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About this report

Statutory annual reporting process

The Municipal Finance Management Act (MFMA), the Municipal Systems Act (Section 46) and National Treasury's MFMA Annual Report Circular 63 require the City of Johannesburg (also referenced as 'the City' or 'CoJ') and its municipal entities to prepare an annual report for each financial year covering both financial and non-financial performance. The report is informed by guidelines provided by National Treasury Circular 63. This report is structured as follows;

- Chapter 1: Executive Mayor's Foreword and Executive Summary
- Chapter 2: Governance
- Chapter 3: Service Delivery Performance
- Chapter 4: Organisational Development Performance
- Chapter 5: Financial Performance
- Chapter 6: Auditor-General Audit Findings
- Appendices

Referencing content online

The City of Johannesburg 2016/17 Integrated Annual Report is available on www.joburg.org.za.

Scope and Boundary of the Integrated Report

The boundary of this report is limited to performance reporting as it relates to the City of Johannesburg during 2016/17. The City Integrated Report will be considered by Council in March 2018 for the period 1 July 2016 to 30 June 2017.

Feedback

The City of Johannesburg aims to establish and maintain constructive and informed relationships with its stakeholders. Accordingly, please direct any feedback on this report to hlulanic@joburg.org.za.

Assurance

The integrity of the Integrated Annual Report is overseen by the City's independent oversight committees (Group Performance Audit Committee and Group Audit Committee) and the City's Municipal Public Accounts Committee. The Auditor-General (South Africa) audited the City's reported financial and non-financial performance.

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Executive Mayor's Foreword

The 2016/17 financial year was characterised by sweeping change in the City of Johannesburg. Just five weeks into the financial year, the historic August 2016 Local Government Elections ushered in a new political administration into the City. This was followed not long after by the appointment of a new City Manager, Dr Ndivhoniwani Lukhwani. The year under review thus bore witness to a City charting a new direction against the backdrop of mountainous challenges.

The year under review

The year under review, is characterised by a peculiar dynamic where a new administration, brought about through the August 2016 elections on a mandate for change, is required to operate off a budget, business plans and SDBIP approved by the previous administration just weeks before.

The City of Joburg, previously portrayed as a 'World Class African City', is home to 4.9 million residents, 838 000 of whom were unemployed as of 1 July 2016. The high level of unemployment is compounded by an in-migration of approximately 3,000 people per month. This places tremendous strain on the City's infrastructure which requires an investment of R170 billion to address the backlog created by decades of under-investment and neglect.

This has been aggravated by deep-rooted levels of corruption, open sabotage by hostile elements of our administration working with outside forces to destabilise our government and senior management dominated by patronage rather than fit for purpose selections.

In addition to the large infrastructure backlog, the city is faced with a housing backlog, conservatively estimated to exceed 300 000, and a high level of inequality with many of the residents of the City's more than 180 informal settlements many of which lack access to basic services. Similarly, the Inner City of Johannesburg is plagued by over-crowding and lawlessness with residents falling victim to property hijackers and slumlords.

Addressing these issues served as the motivation behind our 10-Point Plan to revitalise the City adopted shortly after the August elections. This saw the administration direct its focus towards building an honest and responsive, pro-poor government that regards corruption as Public Enemy Number 1.

In order to create a professional public service that serves our residents with pride, the City initiated a skills audit of top management and established the Group Forensic and Investigation Services (GFIS), under the capable leadership of Shadrack Sibiyi, to tackle corruption. To date GFIS has uncovered over R17 billion in corruption and maladministration, precipitating the arrest of over 450 people.

In our efforts to reclaim the Inner City, additional cleaning shifts and law enforcement capabilities were introduced while unscrupulous property hijackers were targeted by GFIS to restore the dignity of those with no option but to reside in problem buildings. These efforts continue.

Financial Performance

The 2016/17 financial year also saw the City facing a number of financial challenges as well as the legacy of a dysfunctional billing system inherited from the previous administration. City Power in particular suffered cash flow problems as a result of a number of issues outside of its control including:

- The disputed seizure of VAT refunds to the value of R314.5 million by the South African Revenue Service (SARS) due to an income tax issue which has remained unresolved for years.
- Eskom's termination of the subsidy to City Power for the purchase of power from the Kelvin Power Station at a loss of R668 million to the city entity.
- The failure of the Department of Energy to honour a grant allocation of R2.4 billion to City Power for the electrification of housing developments in the city, despite the City having incurred R288 million in expenditure against the allocation during the 2016/17 financial year.

We have yet to receive any reasons as to why these matters, which have existed for a considerable time, became the subject of these dramatic steps so soon after the new political term of office.

Further challenges were experienced by legacy issues arising from historical procurements of services or goods that remained unpaid, in some cases unauthorised and the subject of legal action against the City. The Integrated, Intelligent Operations Centre in Martindale as a prime example in which IBM provided a loan to the City to fund the instillation of services in the centre to the amount of R60 million in 2009. This arrangement was not approved by Council, as required, and the City is now faced with regularising this deal whilst facing litigation.

Despite the challenges, the City managed to remain financially stable, achieving a surplus of R2.1 billion and closing the year with cash and cash equivalents of R3.1 billion. In the 2017/18 financial year our focus will remain on maintaining adequate cash reserves to fund service delivery programmes through the generation of sustainable cash backed surpluses.

To this end the City embarked on a project to cut wasteful expenditure that resulted in a saving of approximately R500 million through the introduction of austerity measures focussed on reducing self-promoting advertising; marketing; domestic and international travel; consulting and professional fees; and conferences and seminars.

Budget Line Items	2015/16	2016/17	Austerity Achieved
Advertising	R 252 279 000	R 44 966 000	R 207 313 000
Consulting & Professional Fees	R 458 113 000	R 341 775 000	R 166 338 000
Marketing	R 127 067 000	R 57 907 000	R 69 160 000
International Travel	R 28 285 000	R 3 594 000	R 24 691 000
Conferences and Seminars	R 32 496 000	R 21 413 000	R 11 083 000
Domestic Travel	R 20 545 000	R 11 460 000	R 9 085 000
Summary	R918 785 000	R 481 115 000	R 487 670 000

These savings continued into the 2017/18 financial year and will be redirected into critical service delivery areas such as maintenance of traffic lights and street lights, repairing potholes, informal settlement upgrading, and the capacitation of key City departments such as development planning and the valuations unit. During the year under review the City spent 78% of its R9.9 billion capital expenditure (capex) budget. Capex is a key tool for improving service delivery and the transformation of the urban environment. The City has already implemented steps to improve the planning, implementation and monitoring of capital projects, and to maximise spend and the quality of delivery through the use of a capex monitoring tool in the 2017 /18 financial year.

Future Outlook

The 2016/17 financial year was an opportunity for the new administration to lay the foundations on which to realise the change demanded by the residents of the City. Through the 2017/18 Integrated Development Plan (IDP) we have built on the 10-Point Plan and adopted a set of 9 priorities to guide the administration over the remainder of its term:

1. Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021.
2. Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress.
3. Create a culture of enhanced service delivery with pride.
4. Create a sense of security through improved public safety.
5. Create an honest and transparent City that fights corruption.
6. Create a City that responds to the needs of citizens, customers, stakeholders and businesses.
7. Enhance our financial sustainability.
8. Encourage innovation and efficiency through the Smart City programme.
9. Preserve our resources for future generations.

In line with these priorities we have launched a number of ambitious projects to turn the City of Joburg into a city of opportunity. These include:

- The induction of an additional 1,500 JMPD recruits, a process initiated through the 2016/17 adjustment budget.
- The launch of A Re Sebetseng, a city-wide volunteer campaign aimed at cleaning up the City.
- The launch of the Inner City Revitalisation Programme aimed at rehabilitating bad buildings through their release to the private sector for conversion into low-cost housing and SMME opportunities.
- The Revenue Enhance Program that will see the City improving its revenue collections from residents and business owners who are able to pay.

I have noted of a historic trend in the City where matters raised by the Auditor General persist, unresolved, year-after-year. It is unacceptable for the City to continue to receive the same concerns from the Auditor General, without the appropriate efforts to address this. We are going to turn this around by focussing on the achievement of an organisational culture of accountability.

Gratitude

I would like to thank the City Manager, Dr. Lukhwareni, and the countless other employees of the City who have embraced the notion of **Service with Pride**.

I would also like to express my appreciation to the Members of the Mayoral Committee for working tirelessly to deliver upon our change mandate in the respective City departments and entities.

I thank the Speaker of Council for his ongoing support and the leading role he plays in ensuring that Council fulfils its important oversight function.

Our City owes a special debt of gratitude to our coalition partners -the IFP, ADCP, VF+, UDM and COPE. The commitment of the multi-party government to deliver change to our residents has been a shared value. I would also like to thank the EFF for their support on critical matters of the City, and their commitment to change. In the 2017 /18 financial year I look forward to continued progress delivering the change that will make the City of Joburg a beacon of opportunity.

A Johannesburg that works is a South Africa that works.



**Cllr Herman Mashaba
Executive Mayor, City of Johannesburg**

Statement by City Manager

June 2017 marked the first six months of my appointment as City Manager of the City of Johannesburg, to administratively guide the City in its first coalition government. The City of Johannesburg faces several challenges, primarily, low economic growth, high unemployment, a declining inner city, sub-optimal revenue collection and housing shortages. As an administrative team, we stand resolute in our commitment to position the City to deal with these challenges and to bring positive change to the residents of the City. A number of milestones in this process have been realised.

We have set about building a City that serves the interest of its people with pride and central to this is ensuring the City is staffed by a competent, professional and ethical civil service. To this end the City resolved to assess and place staff according to their capabilities. The first skills audit for executive managers has been completed and the process will follow through to the rest of the staff.

We aspire to accountable government and the Mayor's declaration of corruption as public enemy number 1 has seen the establishment and successful implementation of a Group Forensics and Investigation Services Unit (GFIS). We have noted some successes that have been achieved by the unit. The city is complimenting the work of GFIS with continuous efforts to improve the internal control environment, to reduce instances of abuse of public funds.

The City must be a safe and secure place in which to live, play and work. To this end, at the close of the year we have approved a process to recruit an additional 1500 Johannesburg Metropolitan Department police officers who will provide security and enhance the sense of safety in our communities.

The Inner City has faced significant challenges, leading to its decline over time. We developed a strategy to restore the inner City to its former glory, premised on reclaiming hijacked buildings and converting these into decent living accommodations for residents. This is being achieved through partnerships with the private sector.

In terms of financial management, we are dedicated to fiscal discipline, and will seek to reduce unnecessary and wasteful public spending. We are introducing austerity in public expenditure and seek to optimise and widen municipal revenue streams. The task of balancing tough economic times against the backlogs is a daunting one, but we seek to provide balanced budgets and optimised efficiencies in order to better serve our residents. We will also ensure sustainable models of financing of the City's budget, to carefully balance our commitments supported by increased revenue collection and a stringent application of the City's debtor's credit control policy.

We are committed to improving the quality of basic services received by residents. We recognise that the City's key services in electricity, water, roads and waste removal, are critical to people's quality of life. Our ability to create an environment that is safe and secure, and to address housing needs, social services, the environment and the needs of our poorest citizens are part of our dedication to providing a better City.

We believe if we can get these basics right, our City will begin to function in a way expected by residents. To this end we have initiated the process of an institutional review to improve the City's ability to respond to service delivery needs. The process of integrating the City's entities back into core administration has commenced. At the end of this process we will have a leaner and more efficient administrative machinery able to deliver on residents' needs and in a position to capacitate areas that have been deemed priority by this administration.

We are determined that the City's poorest residents and their needs must be addressed. Our mission is to deliver quality services, create an enabling environment for businesses to flourish and become employers, to root out corruption and ensure that every cent of public money goes to those who need it the most, our residents.

Achieving the goals we have set will not be easy, but we remain committed. We need to attain our 5% economic growth target to stimulate job creation and improve service delivery by 2021. Through the coordinating role of our Economic Development Department, we will turn the City into a competitive destination for investment; a place where businesses choose to come and set up because of the ease of doing business and the reliability of services.

Residents have demanded a distinct break from the past and now it is time for 'business unusual'. We will engage in extensive public discussions on the City's Integrated Development Plan (IDP), listening to our communities to ensure that our spending will reflect the residents' needs and the change they desire. This IDP captures our commitment to building a City that advances freedom, fairness and opportunity for all.

I would like to express my appreciation for the support received from the political leadership in Council, the Executive Mayor and the Members of the Mayoral Committee; the Speaker of Council and Section 79 Committees; as well as the City's advisory committees which encompass the Group Audit Committee, Group Performance Management Committee and Group Risk Committee.

I would like to thank the Chief Operations Officer, Group Chief Financial Officer, Group Heads, Cluster Conveners, Executive Heads, Boards of Directors, Managing Directors and the entire staff of the City and its entities for their administrative support. Collectively we remain committed to clean governance and an efficient professional civil service.



Dr Ndivhoniswani Lukhwareni
City Manager

Executive Summary

The year under review was characterised by change, more notably, a change in political leadership. The August 3 local government elections established the first minority coalition government in the City of Johannesburg. Immediately following this, the new administration put forward a 10-Point Plan, a programme of immediate, urgent priority areas for the City. These included driving acceptance of the new dispensation of a coalition government; running a pro-poor government that brings change to the lives of ordinary residents; working towards achieving 5% economic growth; creating a professional civil service; dealing with corruption; producing an official housing waiting list; establishing all incomplete housing units; fast-tracking the handover of title deeds; piloting extended-hour clinics and revitalizing the inner city. The new administration also took over a Service Delivery and Budget Implementation Plan (SDBIP) that had been approved by the out-going administration. Together with work on the 10-Point Plan, the new administration also implemented programmes in the SDBIP.

Operating Environment

Johannesburg is South Africa's largest metro, and the country's economic and financial hub. For this reason, the City is tasked with creating an enabling environment that supports and stimulates economic growth, and creates jobs. But economic growth is hampered by high unemployment, poverty, and persistent inequality under the pall of an indefinitely negative economic outlook.

More than a third of the City's population lives below the poverty line. The City's priority of pro-poor development entails addressing inequalities relating to living standards and basic services. Backlogs in housing service delivery remain a major challenge for the City, and we have responded to this challenge with increased budget allocations and capacity-building efforts.

Challenges in delivering services are compounded by spending on extensive infrastructure maintenance, the City's chronic billing problem, and high levels of corruption. Residents now seek a responsive and productive government to rebuild their trust in the City's administration. We responded by increasing revenue generation, curtailing spending and doing more with less. However, as the City's population increases, there is an increasing need for greater innovation, particularly in how services are delivered and the effectiveness of these methods.

Quality of life is also improved by the need for safety and security within communities. High levels of crime, substance abuse, and inadequate service delivery erode citizens' sense of certainty and security. By making the needs of communities central to its strategy, the City has shifted the priority of safety outwards to those who are most affected by crime and corruption with the emphasis on building caring communities whose members cooperate to create safe environments for each other.

Economic Development

The most significant challenge faced by the City in terms of economic growth and development is creating jobs for its estimated 838 000 residents who are unemployed. The City's economic development strategy identifies expanding the small business sector, developing new growth avenues such as the 'green economy', attracting new enterprise investment and accelerating the township economy as key drivers of job creation. The focus is on getting the basics right – making the city more business friendly, and creating an enabling environment conducive to economic growth and job creation.

Small, medium and micro enterprises (SMMEs), as well as entrepreneurs, can assist in reducing unemployment by creating jobs and employment opportunities. The City's role in this effort is to create a favourable environment for SMMEs and entrepreneurs to thrive. Since the beginning of 2016/17, 7 374 SMMEs were assisted by the City's SMME hubs, a 50% year-on-year increase in assistance provided. SMME hubs supply information and transfer entrepreneurial skills on starting and running businesses, as well as grant beneficiaries access to the City's tender opportunities. The City also held the Entrepreneurial Ecosystem Symposium and Regional Summits to establish ongoing industry working groups for entrepreneurs.

The City continued to encourage a culture of entrepreneurship by enabling the establishment of co-operatives where youth, people with disabilities and women are invited to participate in various departmental projects. Participants are trained in various skills including business ownership and upon completion of training co-operatives are encouraged to tender for jobs. Pikitup established 37 co-operatives as part of its Separation at Source project, which looks at innovative ways to create value from waste.

The economic development strategy highlights the need for the City to develop into a competitive destination for investment. Utilising council-owned land assets, in 2017/18 the Joburg Property Company (JPC) leveraged private-sector investment in public infrastructure, valued at R1.3 billion, on projects awarded and contracts concluded. The City remains focused on establishing itself as a place from which businesses choose to operate from due to the ease of doing business and reliable services.

Pro-Poor Development

Pro-poor development entails ensuring that the City's resources and funds are focused appropriately on addressing all forms of income inequality, which includes access to economic opportunities, services and security. To meet this strategic priority, the City itself is being redesigned through the development of transit nodes in underdeveloped areas, with the aim of giving a greater number of poor people access to markets and jobs. As part of the Inner City revitalisation programme, which focuses on upgrading spaces in the inner city, the City conducted an audit of 500 "bad buildings" in the inner city, 84 of which were confirmed as hijacked, and 24 of which belonged to the City. Part of the City's objective is to reclaim these hijacked buildings, and repurpose them for low-cost housing or business premises.

Construction of the Alexandra Mall was completed as part of the Alexandra Renewal Project, with residents of Alexandra benefiting from the project, pre- and post-construction. The Greenways programme continues to focus on developing public transport infrastructure, including city roads, ensuring that residents can access all areas of the city affordably and efficiently. There has been significant construction on the Rea Vaya Bus Rapid Transit system's trunk routes along Louis Botha Avenue. Plans are now in place to install pedestrian and non-motorised transport infrastructure to connect commuters with Rea Vaya and commuter rail services.

The Food Resilience Unit became effective in 2015 to assist food-insecure residents to grow their own food. The unit provides an enabling environment for small, medium, and larger co-operative urban farmers to grow and sell their produce, while sharing agricultural and entrepreneurial skills and knowledge. The City donates 100g of seeds per crop for produce, including kale, potatoes and carrots. In 2016/17, 9 000 homestead/backyard gardens were planted, bringing the total to 36 000 since the programme's inception.

Additional pro-poor developments included increasing the opening hours of libraries and clinics. Opening hours of selective libraries were extended and included weekends. To improve the availability of healthcare, a pilot project was successfully completed and the City rolled out extended operating hours for selected clinics and facilities.

Enhanced Service Delivery

How the City delivers services directly contributes to its residents' quality of life, which is one of the City's five strategic pillars. To measure the performance of service providers, IDP programmes are linked to indicators and targets through the SDBIP. In the period under review, 4 850 new houses were electrified, exceeding the target of 4 000, and 6 225 ripple relays were installed, exceeding the target of 5 000. This achievement in electricity services means that City Power is well on its way to increasing

and securing energy supply and reducing preventable losses. In 2016/17, the energy utility installed 2 961 public lights against a target of 2 000. More lights mean greater visibility and contribute to creating a safer city.

Access to water and sanitation is also critical to the quality of life of citizens and to maintaining an environmentally safe city. In the period under review, the Joburg Water continued its delivery efforts by replacing 37.7km of sewer pipes against a target of 30km, and met its 97% target in providing water and of its target of 46% in providing sanitation to informal settlements.

In 2016/17, waste management utility Pikitup achieved 98% in its round collected refuse, having also seen an increase household service provision from 831 352 to 858 313 households. This achievement contributes to ensuring effective and efficient waste removal for a cleaner, environmentally safer city.

Safer City

The City prioritises the creation of a safe and secure environment in which empowered communities can be built. Included in safety services are traffic safety, resource safety (including water, sanitation and hygiene), the mitigation of environmental risk and fires, and promoting inclusive community and family networks.

As part of the City's ongoing effort to reduce crime, and in line with the strategic outcome for a safer city, an additional R31 million has been allocated to the Department of Public Safety to work closely with the Johannesburg Metropolitan Police Department (JMPD) in reducing crime. This will be achieved through training an additional 1 500 JMPD recruits for visible policing initiatives in identified areas.

To ensure the safety of road users and promote behavioural change, in 2016/17, the City rolled out 102 road safety education and outreach programmes in partnership with stakeholders and communities.

The service offerings of the City's clinics have expanded to include drug-rehabilitation services to those communities with a high prevalence of drug abuse among members. The City also has a dedicated toll-free drug-abuse hotline for residents to access. These initiatives contribute to a reduction in drug-related crime.

Safe urban design and management is also a priority, and a multi-level project is in place to develop a park safety framework and guidelines to enhance management and the maintenance of city parks. In the period under review, seven additional partnerships were entered into with various private security providers, resulting in safer parks across the city.

Public Responsiveness

The City continues to work with its citizens, customers, stakeholders and business communities to enhance its reputation and responsiveness to the public. A favourable reputation attracts investment, positive regard, and contributes to the wellbeing of all citizens.

In 2016/17, the City proudly co-hosted the Global Sport International Tournament. Known as the "Arnold Schwarzenegger Games", the tournament promotes 18 different sporting codes. Other annual events that were hosted in the city during the period under review include the 94.7 Cycle Challenge and the 702 Walk the Talk, with international sporting events hosted at world-class facilities in the city such as Ellis Park and the FNB Stadium. In 2016/17, Museum Africa celebrated the City's 130-year anniversary in collaboration with the Joburg Heritage Foundation, and the Arts Alive Festival continued to be a major platform for promoting creative industries.

In the period under review, Johannesburg City Parks and Zoo (JCPZ) completed its Braamfontein Spruit Management Plan. The plan addresses issues around the maintenance of running and cycling trails, with a view to creating a world-class tourism product. Job-creation is the main priority of this strategy. Once implemented, the management plan will present tangible opportunities for sponsorships and partnerships that will contribute to economic development and public enhancement.

Financial Sustainability

In spite of the major challenges faced in terms of billing and revenue collection, the City has managed to remain financially stable, achieving a surplus of R2.1 billion. The City has spent 81% of the budgeted R9.9 billion capital budget and closed with cash and cash equivalents of R3.1 billion. Our focus has been, and remains, to maintain adequate cash reserves to fund service delivery programmes through an effective cash management approach.

Smart City

The Smart City priority deals with how the City delivers public services faster and smarter by using innovative methods to create a more productive and responsive government. By leveraging off its current digital technology infrastructure, the City is able to meet the priority of enhanced service delivery. In the period under review, City Power continued to roll out smart electricity meters in households and businesses as part of its Smart Technology Programme. These GPRS-enabled meters are designed to improve billing and ensure that customers are billed for their actual usage. The roll-out of the meters has improved the accuracy of electricity bills and helped businesses and individuals to save electricity and money. In 2016/17, a total of 136 742 smart meters were installed, signifying a move towards the use of digital technology to meet service delivery challenges.

During the period under review, the City continued with projects involved in expanding the broadband network to provide internet access across the city. Providing internet access forms part of the City's strategy to create a conducive environment for small businesses and entrepreneurs to thrive. In this regard, in 2016/17, Wi-Fi access in public libraries, and civic buildings and municipal clinics was provided; Wi-Fi hotspots in public-facing facilities in the Johannesburg Zoo, Zoo Lake, Thokoza Park and Metro Park were created; and smart benches were installed at George Hay Park. These projects formed part of the City's Smart Access Programme, which aims to contribute to Joburg's move towards becoming a Smart City. Providing internet access across the City also forms part of its strategy to create a conducive environment for small businesses and entrepreneurs to thrive.

In 2016/17, the City's Library and Information Services continued to provide training, skills development and learning opportunities through the eClassroom initiative, with more than 11 000 new registrations in the period.

Environmental Sustainability

The City endorses an approach to service delivery that is sustainable. This entails the protection of resources by ensuring they are used and reused efficiently in ways that eliminate waste as much as possible. Implementing green strategies by rolling out green initiatives comes with the benefits of a healthy, clean and safe environment that enhances quality of life, encourages innovation in service delivery and stimulates the economy. Alternative sustainable technology that generates renewable energy is employed to meet the City's service delivery needs and reduce environmental damage.

In 2016/17, City Power continued its rollout of solar water heaters to poor households. Over the same period, progress was made to include solar energy generated by the private and business sectors into the distribution grid when regular supply cannot meet demand. Other ongoing projects involving alternative energy include Joburg Water's hydro-conduit power generation project, Pikitup's Waste to Energy project, and City Power's rooftop photovoltaic and utility-scale battery storage plants.

In 2016/17 the City's significant carbon footprint was reduced by Metrobus' newly acquired green fleet. The fleet comprises buses with 21% cleaner smoke emissions. The buses also saved more than 5 million litres of fuel over the period and travelled nearly 6 million kilometres more. In the period under review, the Johannesburg Roads Agency (JRA) continued to promote eco-mobility and the use of multiple forms of transport to reduce carbon emissions through the Complete Streets programme, which endeavours to construct or retrofit the City's roads to accommodate all road users (pedestrians, cyclists, commuters and motorists).

A cycling promotion programme was implemented in partnership with the University of Johannesburg to encourage the adoption of cycling as a means of personal transport. In 2016/17, 10 Open Streets activities were held, which entailed the temporary closure of roads to be reclaimed as public spaces for uses other than vehicular traffic. Initiatives such as these contribute to improved air quality and a cleaner environment.

Part of the City's green waste-management strategy is the reduction of waste going to landfills, while also extracting maximum value from the waste stream at all stages of collection and disposal. As part of Pikitup's ongoing Separation at Source programme, in 2016/17, the utility diverted 151 000 tons of waste from landfill sites (49 000 tons of green waste, 62 000 tons of rubble and 39 000 tons of dry waste). In addition to being a sustainable method of waste management, the programme created economic opportunities for the co-operatives involved in the diversion process.

To shift thinking around waste disposal, recycling and the environment, Pikitup ran four major awareness campaigns during the period under review. These campaigns were targeted at the City's residents and aimed to increase awareness of the economic opportunities and environmental impact of waste management.

Johannesburg City Parks and Zoo (JCPZ) also engaged in a number of environmental awareness campaigns in 2016/17, reaching a total of 17 082 beneficiaries through school programmes; 22 554 learners and educators through curricular aligned environmental education; and 23 470 residents through the Masibambane programme, a water-sector sustainability programme.

Overview of Johannesburg's Socio-Economic Environment

Our strategic planning is informed by a particular understanding of the City's socioeconomic environment, to which the City continuously strives to respond and adapt. Our Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) represent five-year and annual strategies, respectively. These outline strategic and operational plans for challenges presented by the City's socio-economic environment. Low economic growth, failing infrastructure, unemployment, crime and corruption, and the housing backlog are factors that influence the way in which the City formulates and implements its strategies.

Demographics of Johannesburg

Johannesburg has an estimated population of 4.9 million, with Gauteng being the fastest growing province in the country. It is estimated that Johannesburg's population could reach 5.43 million by 2021, which will require new thinking and approaches to be adopted by the City of Johannesburg. Understanding the City's demographic composition is critical to determining the most appropriate strategic interventions and to ensuring operational effectiveness.

The most significant influence on the City's growth and development is its large population of economically active people between the ages of 25-39 years. This makes Johannesburg home to one of the country's largest and fastest-growing middle class populations. The City's population is also expected to double in less than 35 years. However, the last Quarterly Labour Force Survey released during the period under review (Q3 2017) indicated that overall unemployment remains high, at 28.3%, with youth unemployment of significant concern, at 31.5%. Unemployment affects economic stability and production, erodes

human capital, creates systems of social exclusion, and leads to crime and general social instability. It is, therefore, a long-term strategic priority of the City to develop its capacity to meet the demands of a growing population and curb unemployment as much as possible.

Shifts in the Global Economy

Johannesburg is not immune to the impact of shifts in the global economy. Major cities across the world are experiencing rapid urbanisation, where a large number of rural populations are moving into cities. Considerable strain is placed on infrastructure and many other services where cities are not prepared for such rapid influxes. With a global economy influenced mainly by shifting economic centres, new technology and fiercely competitive markets, the current trend in Johannesburg is lower economic growth in many of its business sectors. The future of the City's economic growth is characterised by uncertainty. However, through implementing long-term strategies and consistently achieving the goals set out in them, the City will adapt to create certainty and sustainable development.

Low Economic Growth and Fewer Jobs

Low economic growth has contributed to the City's high unemployment rate, because growth in traditional industries such as mining and manufacturing has declined over the years. These losses have not been recovered by new industries. The combined effect of slow economic growth and fewer jobs presents the challenge of social instability, which is characterised mainly by high levels of crime.

Nevertheless, Johannesburg remains a destination of for job seekers, and the increased migration to the city places more strain on already ailing infrastructure. The condition of the City's infrastructure is currently faced with an overloaded electricity grid, which has culminated in an estimated investment backlog of R170 billion. The City's water losses have reached 31% and there are currently 371 leaks per kilometre of water pipes. Repairs and maintenance of the City's roads have a backlog exceeding R5 billion. Finding effective solutions to these basic infrastructural problems is crucial, particularly if the City is to cater to the needs of its poorest and most vulnerable citizens.

Economic transformation is a key challenge. As the diagram below details, transformation requires engaging strategically and critically with the City's political economy and developing comprehensive economic policies that fast-track the transformation process. There is a desperate need for change in industry, and the way markets and institutions operate.

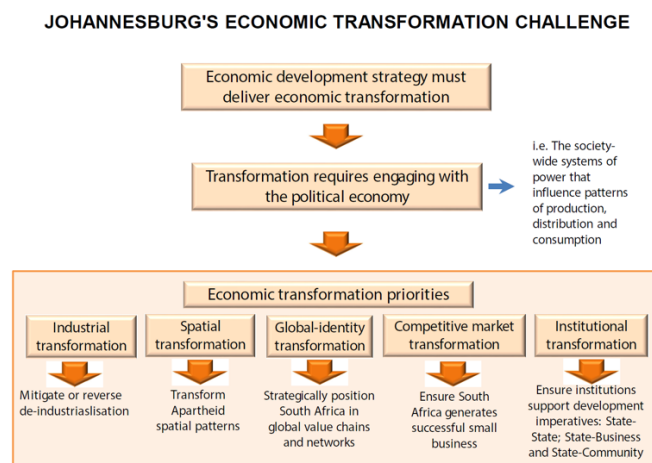


Figure 1: Johannesburg's Socio-Economic Transformation Challenge

Crime and Corruption

Crime and corruption are another two major challenges faced by the City. Johannesburg is a city known for its stark inequality, which becomes increasingly evident through high levels of crime and violence. This, in turn, negatively impacts residents' wellbeing, and makes the priority of creating a safer city increasingly difficult.

Endemic and widespread corruption has gone unchecked for many years and the new administration is working to identify and deal with perpetrators. As the City implements its 10-Point Plan, upholds the five strategic pillars and sets out its priorities, more issues related to corruption come to light and must be dealt with. Corruption not only limits the City's ability to provide services and to create a better living environment for all residents, it usurps funds from programmes that would benefit the poorest citizens and those who are most in need.

Low-Cost Housing

Another challenge faced by the City is the limited availability of low-cost housing. As Johannesburg continues to attract migrants, with an estimated 25% from outside Gauteng and 10% from outside South Africa, the housing backlog is conservatively estimated at 300 000 units with an average delivery of only 3 500 housing units per year. This shortage has led to the development over 180 informal settlements, which further complicates the City's infrastructural challenge. The greatest opportunity for low-cost housing is in the inner city, where criminals have hijacked several buildings owned by the City. Against this background, the City has developed a number of initiatives, which were rolled out during the period under review, to address these issues,

Responsiveness to Residents' Needs

The new administration's core focus is to prioritise the needs of Johannesburg's poorest residents. . Serving the needs of the poor and vulnerable is at the top of the City's agenda as this is integral to a responsive, service-oriented City committed to sustainable development. This means ensuring that people's voices are heard and responded to effectively, that basic issues relating to infrastructure are addressed, and an ethos of service is instilled among the City's staff.

Strategic Response

The City's Vision, Mission, 10-Point Plan, GDS 2040, IDP and SDBIP all demonstrate its commitment to resolving some of the pressing macroeconomic issues that affect the people of Johannesburg.

Vision

A Joburg that works, is a South Africa that works!

Mission

To create an enabling economic environment by making Joburg more responsive in the delivery of quality services.

The City of Johannesburg's 10-Point Plan – Immediate Focus

In line with the City of Johannesburg's Vision and Mission, the Executive Mayor, Cllr Herman Mashaba, immediately after election, identified five critical problem areas in the City that require urgent attention: unemployment, infrastructure, housing, lawlessness and corruption. Together with the administration, he announced a 10-Point Plan on 6 September 2016 as a swift response to these challenges.

i. Embrace a coalition government

This administration is the City of Johannesburg's first coalition government, the success of which lies in ensuring that the entire City embraces the new dispensation. Successful governance under a coalition requires a higher level of consultation, and bringing together people from different walks of life and points of view to create teams that work in the interests of the people.

ii. Run a responsive and pro-poor government

A responsive and pro-poor government is one that is committed to making a difference in the lives of ordinary citizens. Many poor citizens and communities were underserved in the past. The needs of underserved communities are straightforward: access to basic services, education and healthcare; better transport and housing options; cleaner and safer environment; programmes to help grow small businesses and thinking for the future; and finding solutions for how to look after the poor, elderly, the youth and the most vulnerable in society.

iii. Work towards achieving 5% growth

Creating an enabling environment for the development of business, in particular small businesses and entrepreneurs, will lay the foundation to achieve a 5% economic growth rate by 2021. Key performance standards have been identified to stimulate economic growth in the City. These relate to building-plan approvals, rezoning applications, installations of new meters and clearance certificates.

iv. Create a professional civil service

The new administration has identified that a skills audit is necessary for to gauge the skills available among the City's 33 000 employees. This skills audit is also intended to ensure that the most appropriate skills are deployed in their corresponding functions. The independent skills audit will also establish the level of competency of senior managers and all other City employees.

v. Ensure that corruption is public enemy number 1

The Executive Mayor declared corruption public enemy number 1, as it is only when every resource available to the City is put to its most effective use that the targeted growth rate of 5% will be achieved. In essence, corruption robs the poor of basic services. Creating a higher standard of public service and exposing corruption ensures that guilty parties are dealt with and that the effects of their criminal activities are mitigated.

vi. Produce an official housing waiting list

Since the first democratic national election in 1994, many citizens have been waiting to receive houses. The processes were not always clear in the past and there was never an official housing waiting list. As such, it is part of the new administration's 10-Point Plan to produce an official housing waiting list.

vii. Develop a list of all incomplete housing units

In addition to the ambiguities surrounding the official housing waiting list, there remain many incomplete housing units across the City where construction had ground to a halt and residents were either left without shelter and explanation, or promised alternative housing. This point in the plan refers to an initiative to list all such incomplete housing units where construction had ground to a halt in order that the City can ensure that these unfinished projects are completed.

viii. Fast-track the handover of title deeds

Without a title deed, an ordinary resident, church or business cannot receive a license to operate or receive financial assistance. The process of fast-tracking the handover of title deeds is under way, after which residents, churches and businesses will be able to operate effectively and productively.

ix. Initiate a pilot project for extended-hour clinics

Access to basic health services is an important indicator of quality of life in any city. While wealthier residents can afford private services, most Johannesburg residents are reliant on public clinics, many of which only open from Monday to Friday and operate for limited hours. Extending the hours of public clinics on a trial basis will allow the City to offer better health services to its poorer residents.

x. Revitalise the inner city

Inner-city revitalisation is a primary focus area and is necessary to achieve the minimum 5% economic growth by 2021. The inner city represents many things to Johannesburg in that it is a hub for the majority of the City's workers who rely on public transport, and is one of the few areas with the potential for affordable housing within reasonable distance for the working population. The City is focused on recovering hijacked buildings and developing the inner city into a centre of economic development and growth.

Short, Medium to Long-Term Strategic Focus – GDS Outcomes and Strategic IDP Priorities and SDBIP

In response to challenges, opportunities and threats, the City has implemented various, linked processes that focus on short, medium and long-term planning. To enhance the new administration's 10-Point Plan, the City implements the following strategic planning framework:

- Long-term planning in the form of the GDS 2040
- Medium-term planning in the form of the City's five-year IDP
- Short-term planning in the form of the City's annual SDBIP

This City's strategic planning framework is illustrated below.

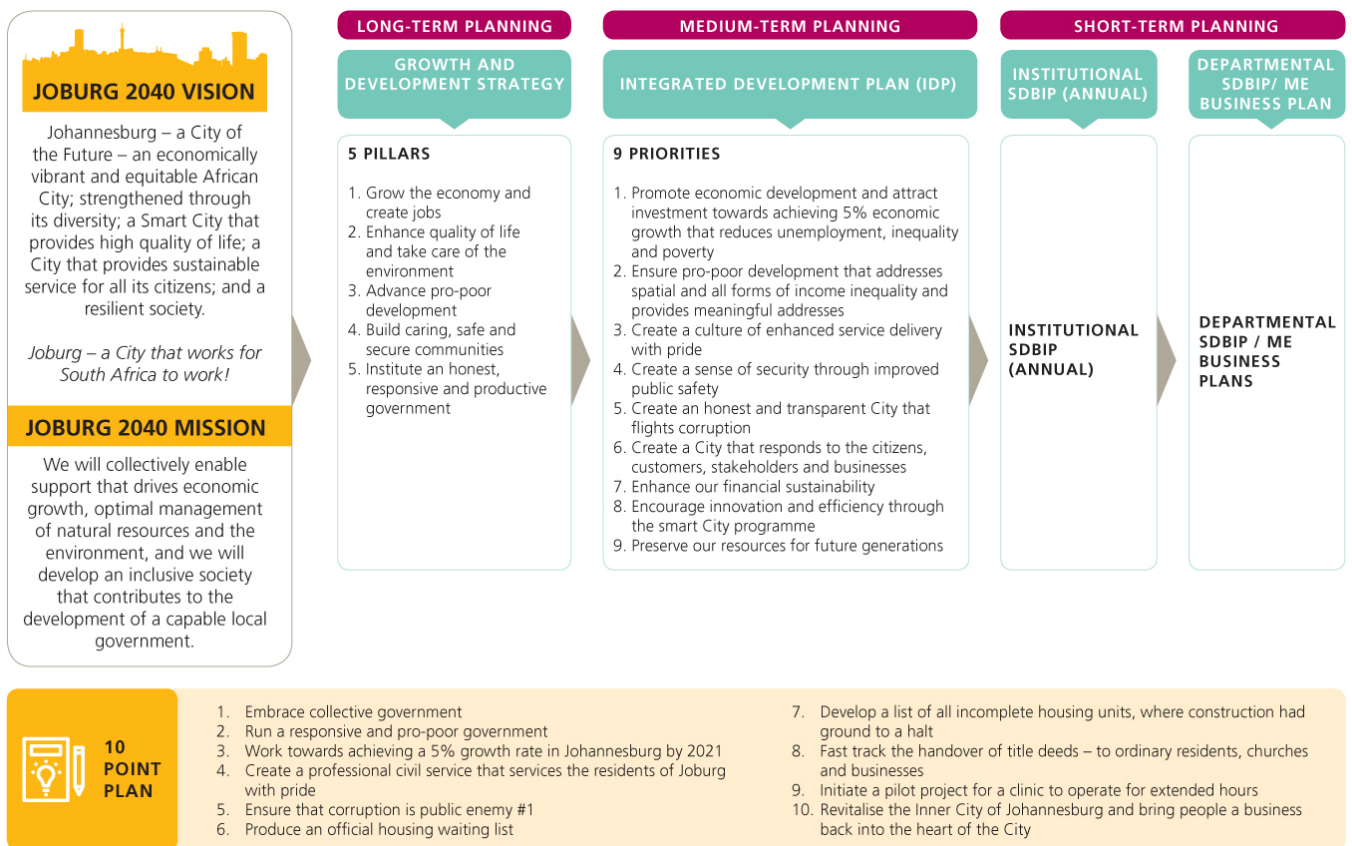


Figure 2: Strategic Planning Framework

Growth and Development Strategy

The Joburg 2040 GDS is the City’s fundamental strategic decision-making instrument. It is a long-term thinking and planning model that has been incrementally shaped over time to ensure that the City’s Vision and Mission are realised. The GDS 2040 intends to transition the City towards a more sustainable, inclusive future in which individuals hold the potential and means to imagine and grow their neighbourhoods, their communities and themselves. A balanced focus on economic growth, environmental management and services, good governance, and human and social development will assist in achieving a resilient and sustainable city.

The first GDS 2040 was published in 2011, with important revisions made during the period under review to align with the new administration’s strategic vision. The recent revision ensures that the GDS 2040 remains aligned with and adaptive to the changes and new challenges facing Johannesburg. The five strategic pillars were analysed in the context of a changing environment and revised as follows:

TO ACHIEVE THIS VISION, THE CITY IS COMMITTED TO BUILDING ON THE **5 PILLARS** IT HAS IDENTIFIED AS THE CORNERSTONES OF A SUCCESSFUL AND THRIVING CITY ARE:

PILLAR 1

A GROWING, DIVERSE AND COMPETITIVE ECONOMY THAT CREATES JOBS

PILLAR 2

ENHANCED, QUALITY SERVICES AND SUSTAINABLE ENVIRONMENTAL PRACTICES

PILLAR 3

AN INCLUSIVE SOCIETY WITH ENHANCED QUALITY OF LIFE THAT PROVIDES MEANINGFUL REDRESS THROUGH PRO-POOR DEVELOPMENT

PILLAR 4

CARING, SAFE AND SECURE COMMUNITIES

PILLAR 5

AN HONEST, TRANSPARENT AND RESPONSIVE LOCAL GOVERNMENT THAT PRIDES ITSELF ON SERVICE EXCELLENCE

Figure 3: Five Key Strategic Outcomes (IDP Pillars)

Pillar / Outcome 1: A growing, diverse and competitive economy that creates jobs

To achieve significant job creation and have a meaningful impact on alleviating poverty and inequality, the City requires a minimum year-on-year economic growth rate of 5%. Data indicates that during the period under review, Johannesburg returned to its pre-recession growth levels, with a 2% growth rate anticipated in the new financial year. To achieve greater economic growth, the City needs to create an enabling environment for large and small businesses, attract greater investment, and tackle the high level of youth unemployment.

Pillar / Outcome 2: Enhanced, quality services and sustainable environmental practices

Rapid urbanisation results in greater demands on aging infrastructure. The City's ability to supply basic services, which in turn greatly impacts on residents' quality of life. How the City delivers against these issues contributes directly to the wellbeing of the City, its residents and the environment in which all constituents operate.

Pillar / Outcome 3: An inclusive society with enhanced quality of life that provides meaningful redress through pro-poor development

Over the past decade, Johannesburg has experienced an 8% increase in the level of human development taking place, but 37% of the City's population still lives below the poverty line. A pro-poor development strategy details how to go about addressing inequalities relating to quality of life, living standards and the provision of basic services. Focus and budgets have been significantly shifted to ensure better services to poorer communities.

Pillar / Outcome 4: Caring, safe and secure communities

A caring and safe community contributes to quality of life and a sense of greater security and certainty among residents. Over the past 20 years, the City has been focused inwards, and the revised GDS proposes a shift in focus to address the needs of communities. Crime and corruption impact negatively on communities, and therefore, need to be points of focus, in conjunction with dealing with issues of safety and security.

Pillar / Outcome 5: An honest, transparent and responsive local government that prides itself on service excellence

Johannesburg residents made their voices clear regarding issues of neglect, unresponsiveness and corruption in the City when they voted for a new administration. It is now essential that the new administration proves its commitment to creating an honest, responsive and productive government.

Integrated Development Planning Priorities

Beyond firming up the long-term outcomes, the new administration also defined 9 strategic priorities to drive the City's Integrated Development Plan. These priorities are linked to the outcomes and are also largely aligned to the 10-Point Plan.

The nine priorities for the current IDP cycle are:

- Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021.
- Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress.
- Create a culture of enhanced service delivery with pride.
- Create a sense of security through improved public safety.
- Create an honest and transparent City that fights corruption.
- Create a City that responds to the needs of citizens, customers, stakeholders and businesses.
- Enhance our financial sustainability.
- Encourage innovation and efficiency through the Smart City programme.
- Preserve our resources for future generations.

Service Delivery and Budget implementation Plan (SDBIP)

The SDBIP is the City's annual plan of action. It contains programmes implemented to drive each of the priorities identified above and defines each programme's annual and quarterly targets. The new administration adopted an SDBIP that had already been approved by the previous administration. Performance against this annual plan is reflected in Chapter 3 of this report.

Value Creation

Central to the City's strategic planning is the creation of sustainable value for all stakeholders. The City is committed to ensuring that its residents benefit from real change and commitment. The new administration's 10-Point Plan, working in conjunction with the five strategic pillars of the GDS 2040 aims to build a Johannesburg that presents real difference to its resident. This comes in the form of real and tangible change, such as improved delivery of services, improved professionalism of the City's employees, improvement in the inner city, improvement in ethical governance, and improvement in how the City treats the poor and marginalised among other real and tangible differences.

Future Outlook

Looking ahead the City has an adequate strategy to respond to its immediate and future challenges. The nine priorities described below form the basis for the City's strategy going forward. In 2017/18 and beyond, the City will be dedicated to improving service-delivery, taking care of the poor, eliminating corruption and growing the economy. The new administration is intent on driving a culture of professionalism in the City. The strategic and operational agenda going forward will be driven by a focus on the nine priorities described below:

Priority 1: Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021.

The strategy to promote economic development is built on five targets: retaining and consolidating existing viable businesses and centres of excellence; attracting new businesses and investment, including those in the manufacturing sector; supporting the development and growth of SMMEs; achieving better spatial distribution of economic activity and job opportunities in the city; and delivering greater inclusiveness in the economy, particularly for previously disadvantaged citizens and the youth.

Priority 2: Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress.

The City's budget is unapologetically focused on the development and upliftment of poor communities. Pro-poor development means ensuring that the City's resources and funds are focused on addressing spatial and all forms of income inequality. Johannesburg is one of the most unequal cities in the world – by understanding the needs of its poorest residents, the City will move towards addressing the inequalities faced by many residents.

Priority 3: Create a culture of enhanced service delivery with pride.

Residents of Johannesburg have, for many years, faced frustrating challenges relating to the quality of services they receive. Improving this requires developing a culture of enhanced service-delivery and instilling sense of pride in the City's employees, especially with regards to the manner in which they interact with the public on a daily basis. The skills audit and institutional review have identified gaps the City can work towards to raise the level of its service delivery.

Priority 4: Create a sense of security through improved public safety.

A critical need for more visible policing in the City has been identified by the administration. By deploying additional JMPD personnel on the ground to fight crime, the City seeks to improve public safety and develop a greater sense of security for its residents.

Priority 5: Create an honest and transparent City that fights corruption

As per the new administration's 10-Point Plan, corruption has been deemed public enemy #1. The City's newly appointed corruption-fighting team is engaging in active investigations to identify areas of mismanagement and maladministration with the objective of creating an honest and transparent City that serves the poor and fights corruption.

Priority 6: Create a City that responds to the needs of citizens, customers, stakeholders and businesses.

Responsiveness to the needs of the public is a measure of the City's culture of working with its citizens, customers, stakeholders and businesses. To attract investment, specific measures have been identified to boost the City's reputation. The needs of stakeholders are also being prioritised to create a more resilient, responsive City.

Priority 7: Enhance our financial sustainability.

Managing the City's financial performance is of crucial importance. The City's ability to generate and collect revenue, and enforce a level of financial accountability, is key to its long-term financial stability and to attracting financing and investment in the future. The City's ability to manage its financial requirements impacts on its borrowing ability and, in turn, the extent to which it can deliver services to its poorest residents.

Priority 8: Encourage innovation and efficiency through the Smart City programme.

The City is on its way to becoming a Smart City, with programmes in place to link its capabilities and create a better-performing government. A Smart City is one that is conducive to the development of innovative small businesses, and the creation of access to market opportunities.

Priority 9: Preserve our resources for future generations.

The preservation of the city's natural resources is essential to preserving the quality of life for future generations. The City plays an important role in ensuring the preservation of good quality water and clean air, the management of land, and ensuring by-law enforcement regarding the exploitation of natural resources.

Johannesburg has always been South Africa's hub of innovation, dynamism, cultural exchange and political progression. Where Johannesburg goes, the rest of the South Africa follows. The City has defined multiple social and economic interactions locally, countrywide and across the continent. Even though the City faces many significant challenges, its resilience and resources are substantial. The new administration's 10-Point Plan, the five strategic pillars of the GDS 2040 and the nine priorities outlined in the IDP plot a clear and specific course for Johannesburg's future sustainability.

Governance, Compliance and Risk Management

The City has a well-defined political and administrative governance system supported by the implementation of King III on Corporate Governance principles, particularly in the entities. The City of Johannesburg Metropolitan Municipality is a Category A Municipality in South Africa as defined in the Municipal Structures Act, No. 117 of 1998 as amended. The City's governance structure has two distinct functions: the Legislative function and the Executive function. These are supported by an administration, which focuses on administrative governance and service delivery (see Figure 1). This governance structure;

- deepens democracy, boosting citizen empowerment and stakeholder participation and involvement;
- improves governance, socio-economic development and service delivery;
- strengthens decision-making powers and accountability; and
- ensures expeditious and efficient decision-making.

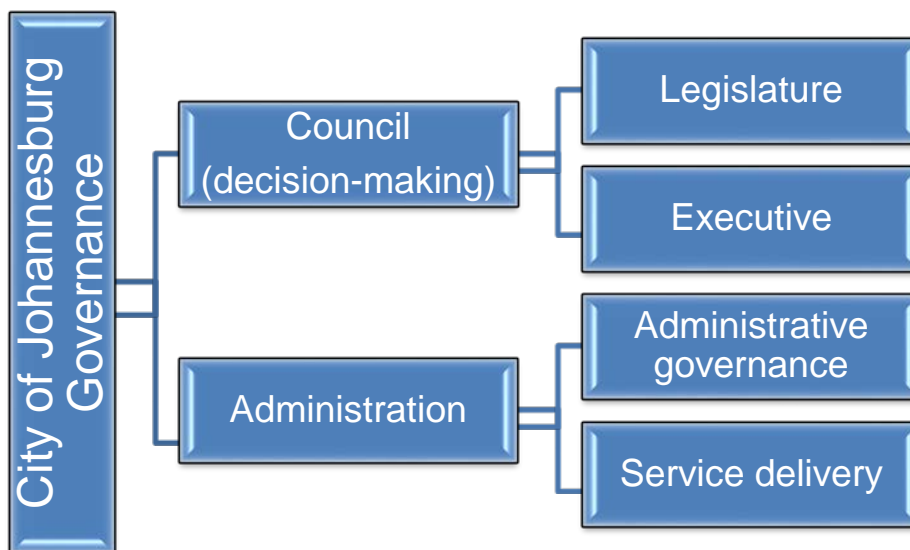


Figure 4: Governance Structure

The City of Johannesburg Council

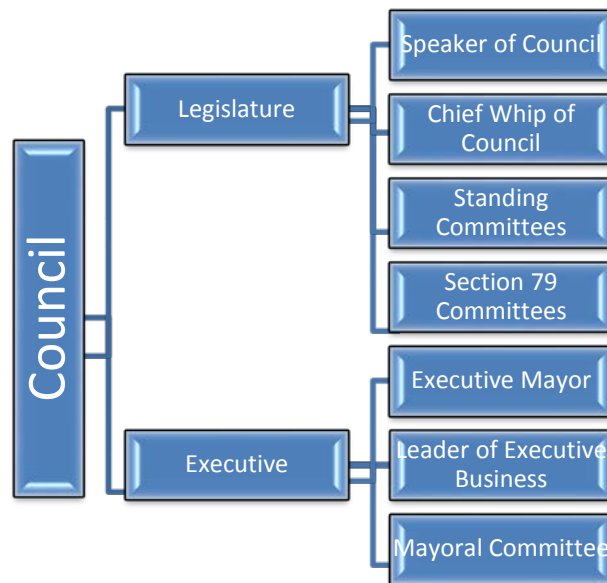


Figure 5: Structure of Council

The Structure of the Council of the City of Johannesburg

The City of Johannesburg Council is the City's decision-making body and law maker with legislative and executive functions. The legislative function promotes oversight, accountability and public participation in Council programmes (see Figure 2). In addition, the Council discusses and debates ideas and strategy for the City, and approves by-laws, City policies, the Integrated Development Plan, tariffs for rates and service charges, and the City's budget.

The Legislature

The legislative function of the Council is implemented by the Council and its committees (Standing Committees and the Section 79 committees), led by the Speaker of the Council, supported by the Chief Whip of Council (see Figure 3). Legislature's mandate is focused around five themes; Accountability, oversight and scrutiny; strengthening capacity of the Legislative Arm of Council; public participation; monitoring and evaluation; and sound financial management.

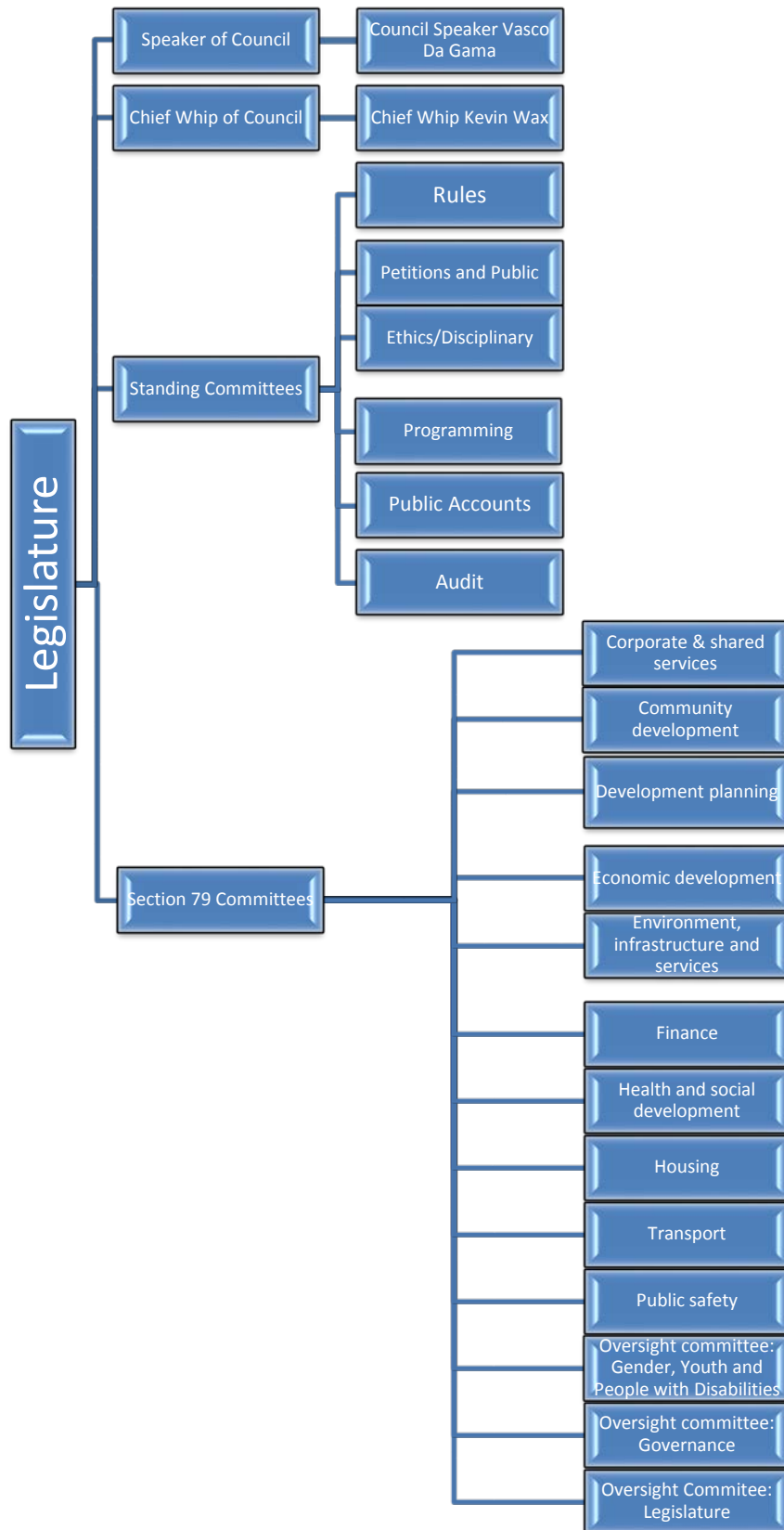


Figure 6: Components of the Legislature

Speaker of Council



Speaker of Council, Cllr Vasco da Gama

The Speaker is the promoter and protector of democracy, facilitating debate and arrival at consensus within the Standing Rules of Council and ensuring ethical conduct by Councillors. The Speaker is also the head of the legislative arm of the council, playing two important roles - within the Council, and in building democracy.

The Speaker of Council's roles and responsibilities are:

- To be responsible for Section 79 oversight committees;
- To convene, preside over Council meetings and uphold Council standing rules and orders
- To capacitate councillors on political governance; and
- To promote community participation and consultation in local government and ensure functional ward committees.

Chief Whip of Council



Chief Whip, Cllr Kevin Wax

The Chief Whip is an official office bearer, who is a member of the governing party and also Chief Whip of the governing party. As such, the Chief Whip's role is a political appointment to maintain cohesion within the governing party and build relationships with other political parties. Other tasks include:

- Making sure that each of the political parties are properly represented on the various committees of Council;
- Maintaining sound relations between the various political parties by attending to disputes between political parties.

Oversight and Standing Committees

The Council has Standing Committees, namely; Rules, Petitions and Public, Ethics/Disciplinary, Programming, Municipal

Public Accounts, and Audit. These are permanent committees that deal with Council matters.

Council also established Section 79 Oversight Committees, to monitor the delivery and outputs of the Executive. Each one monitors a council portfolio and may call departments, municipal entities and members of the Mayoral Committee to account. The Section 79 Committee functions are to:

- Review, monitor and evaluate departmental policies;
- Review and monitor City plans and budgets;
- Consider quarterly and annual departmental reports;
- Examine the link between the strategy, plans and budgets of the City; and
- Hold the political Executive accountable for performance against policies and City priorities.

These committees play an oversight role and are not delegated any decision-making powers.

Section 79 Committee Chairpersons

Section 79 Committee	Chairperson
Chair of Chairs	Cllr Alex Christians
Rules Committee	Cllr GK Mogale
Ethics/Disciplinary Committee	Cllr Gert Niemand
Housing Committee	Cllr Suzanne Clark
Petitions & Public Participation Committee	Cllr SD Kotze
Corporate & Shared Services Committee	Cllr John Mendelsohn
Environment, Infrastructure & Services Committee	Cllr Aljamaah Noorbhai
Finance Committee	Cllr Victor Penning
Transport Committee	Cllr Tyrell Meyers
Economic Development Committee	Cllr FC De Lange
Community Development Committee	Cllr WM Van Wyk
Municipal Public Accounts Committee	Cllr TC Nontenja
Development Planning Committee	Cllr Graham de Kock
Health and Social Development Committee	Cllr IM Reinten
Oversight Committee on Gender, Youth & People with Disabilities	Cllr NK Sharif
Oversight Committee on Governance	Cllr Sergio Dos Santos
Oversight Committee on the Legislature	Cllr Jay Maharaj
Public Safety Committee	Cllr Hilton Masera

Table 1: Chairpersons of Section 79 Committees

The Executive

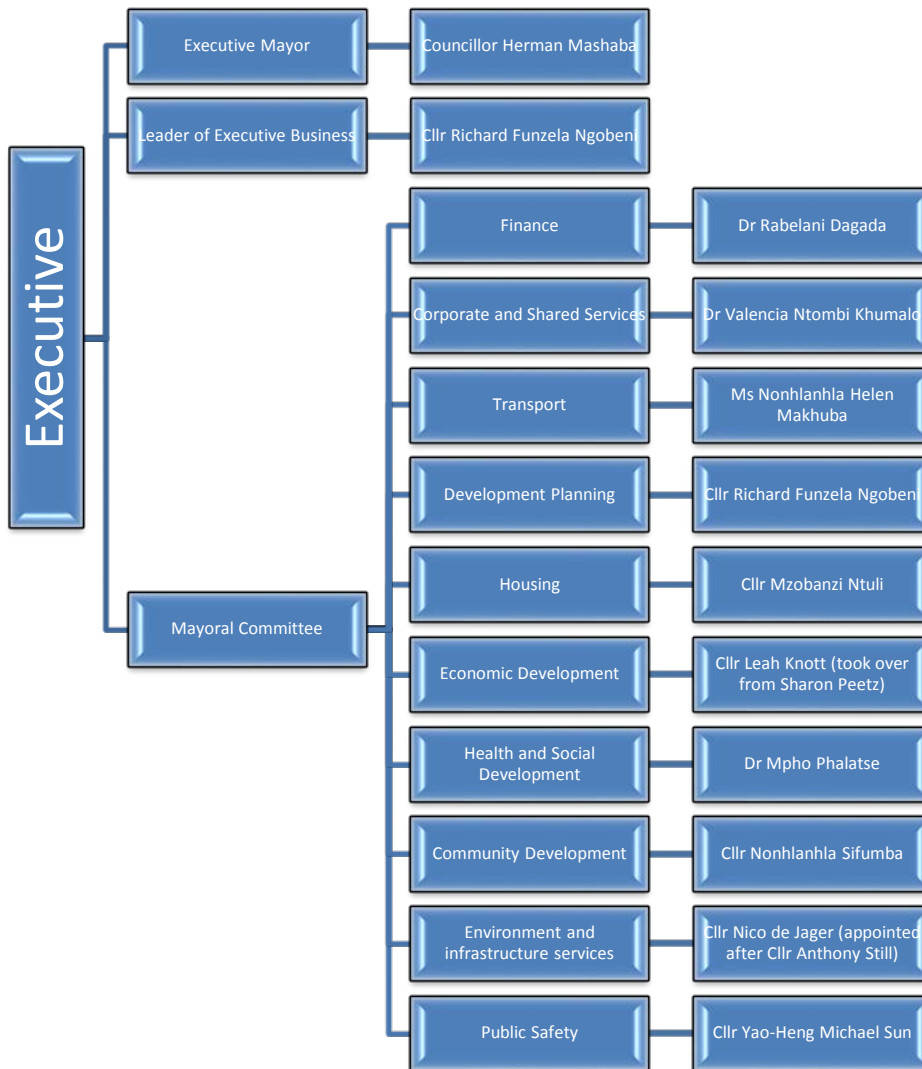


Figure 7: Executive Structure

Executive Mayor



Cllr Herman Mashaba

The Executive Mayor is responsible for the strategic lead of the City, and has executive power, delegated by the Council and assigned by legislation.

Leader of Executive Business



Cllr Richard Fonzela Ngobeni

The Leader of Executive Business (LOEB) represents the Executive in the Council and the position is occupied by a member of the Mayoral Committee. The LOEB is responsible for ensuring that the executive business is effectively delegated to Council, via the Programming Committee and consults with the Speaker when the Speaker intends calling a special meeting of Council, outside the scheduled Council meetings;

Mayoral Committee

The Executive Mayor is assisted by an appointed Mayoral Committee. Each member of the Mayoral Committee is responsible for a particular portfolio within the City structure and is directly accountable to the Executive Mayor. The City's Mayoral Committee ensures that service delivery takes place, including but not limited to improving efficiency, credit controls and revenue, and administration of the municipality. Annually, the Committee reports on community involvement and ensures regard is given to public views during consultations.

In 2016/17 the Mayoral Committees were comprised of:



Dr Valencia Ntombi Khumalo
MMC: Corporate & Shared
Services



Nonhlanhla Sifumba
MMC: Community Development



Mzobanzi Ntuli
MMC: Housing



Richard Ngobeni
MMC: Development Planning



Dr Rabelani Dagada
MMC: Finance



Michael Sun
MMC: Public Safety



Dr. Mpho Phalatse
MMC: Health & Social
Development



*Leah Knott
MMC: Economic Development



Nonhlanhla Helen Makhuba
MMC: Transportation



**Nico de Jager
MMC: Environment and
Infrastructure Services

** Replaced councilor Peetz during the course of the year*
***Replaced councilor Still during the course of the year*

The Administration

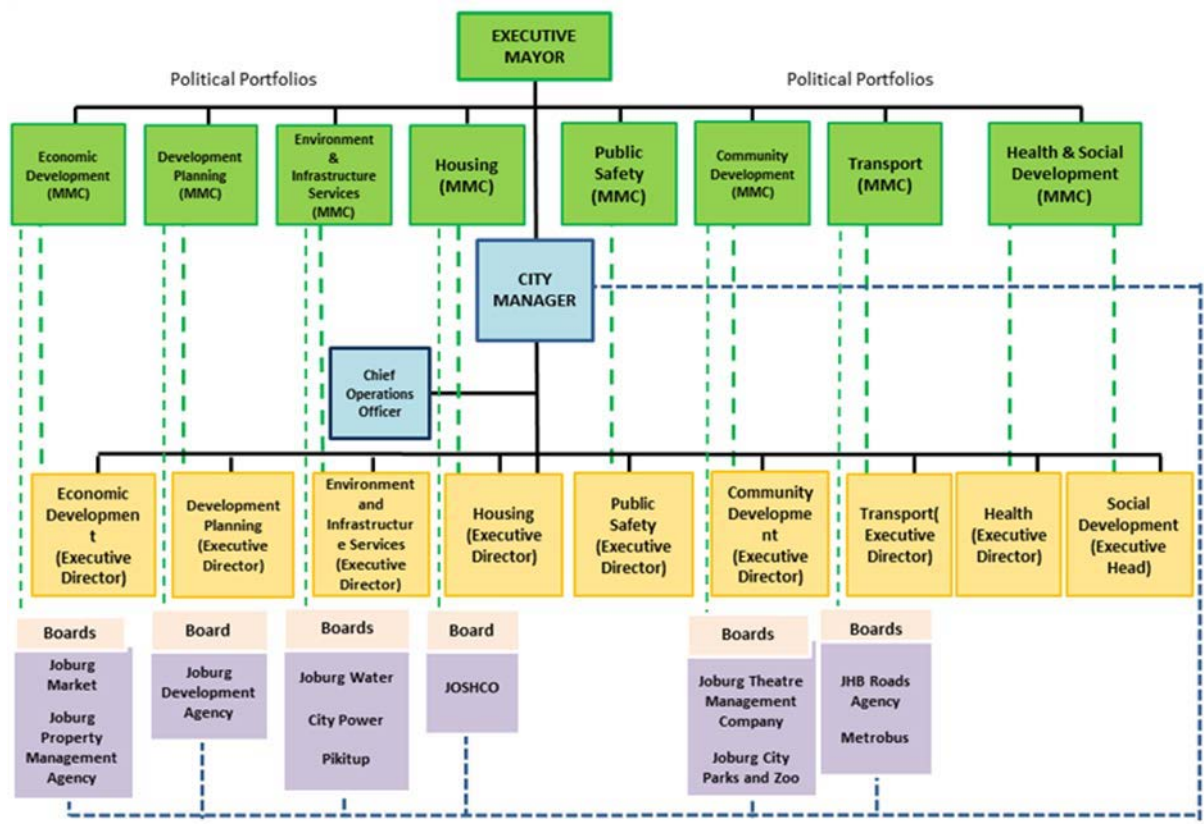


Figure 8: Administrative Organisational Structure

City of Johannesburg Administration Organisational Structure

The municipal administration is led by the City Manager, who is supported by an Executive Management Team (see Figure 6). The role of the Administrative arm is to translate policy into workable programmes and/or deliverables that are measurable.

The City Manager



The City Manager is appointed by the Council in terms of Section 82 of the Municipal Structures Act, and is therefore designated as the Accounting Officer and the Administrative Head of the City. He is also the Chief Information Officer of the City and is responsible for the management of the PAIA requirements. Responsibilities of the City Manager include managing financial affairs and service delivery in the municipality.

Executive Management Team

Under the leadership of the City Manager, the Executive Management Team (EMT) works to achieve the strategic objectives, as outlined in the SDBIP and IDP each year. The EMT is made up of Executive Heads, Group Heads, Managing Directors and Chief Executive Officers of the City's departments and entities (see Figure 7).

Group functions

The role of the Group Functions is to ensure that there is alignment and consistency in the strategic approach and implementation of the respective discipline across the entire City of Johannesburg Group i.e. both Core Departments and Municipal Entities. This is done in a manner which provides the required flexibility within the system to meet the specific needs of the Municipal Entities.

The City of Johannesburg Group Functions are:

- **Group Strategy, Policy Coordination and Relations, which includes** Innovation and Knowledge Management, Corporate Strategy and Research, International and Intergovernmental Relations, Integrated and Community Based Planning, and Monitoring and Evaluation
- **Group Finance, which includes** Revenue Shared Services, Treasury, Group Accounting, Core Accounting, and Supply Chain Management
- **Group Corporate and Shared Services, which includes** Group Human Capital Management, Group Information and Communication Technology, Safety, Occupational Health, Occupational Environment, Logistics and Administration, and Group Management Support Services
- **Group Communications and Tourism, which includes** Strategic Communications, Marketing and Events, Tourism, Group Legal and Contracts, Contract Administration and Monitoring, Legal Support and Legal Advocacy
- **Group Governance, which includes** Committee Support, Shareholder Services and Group Governance and Supporting
- **Group Risk Assurance Services, which includes** Group Risk Services, Group Compliance and Monitoring, and Combined Assurance and Business Process Excellence
- **Group Audit, which includes** Group Internal Audit, Group Forensic Services, Citizen Relationship and Urban Management, Citizen Relationship and Interface, Regulatory, Compliance and Special Investigations and Regional Urban Management (Regions A to G)

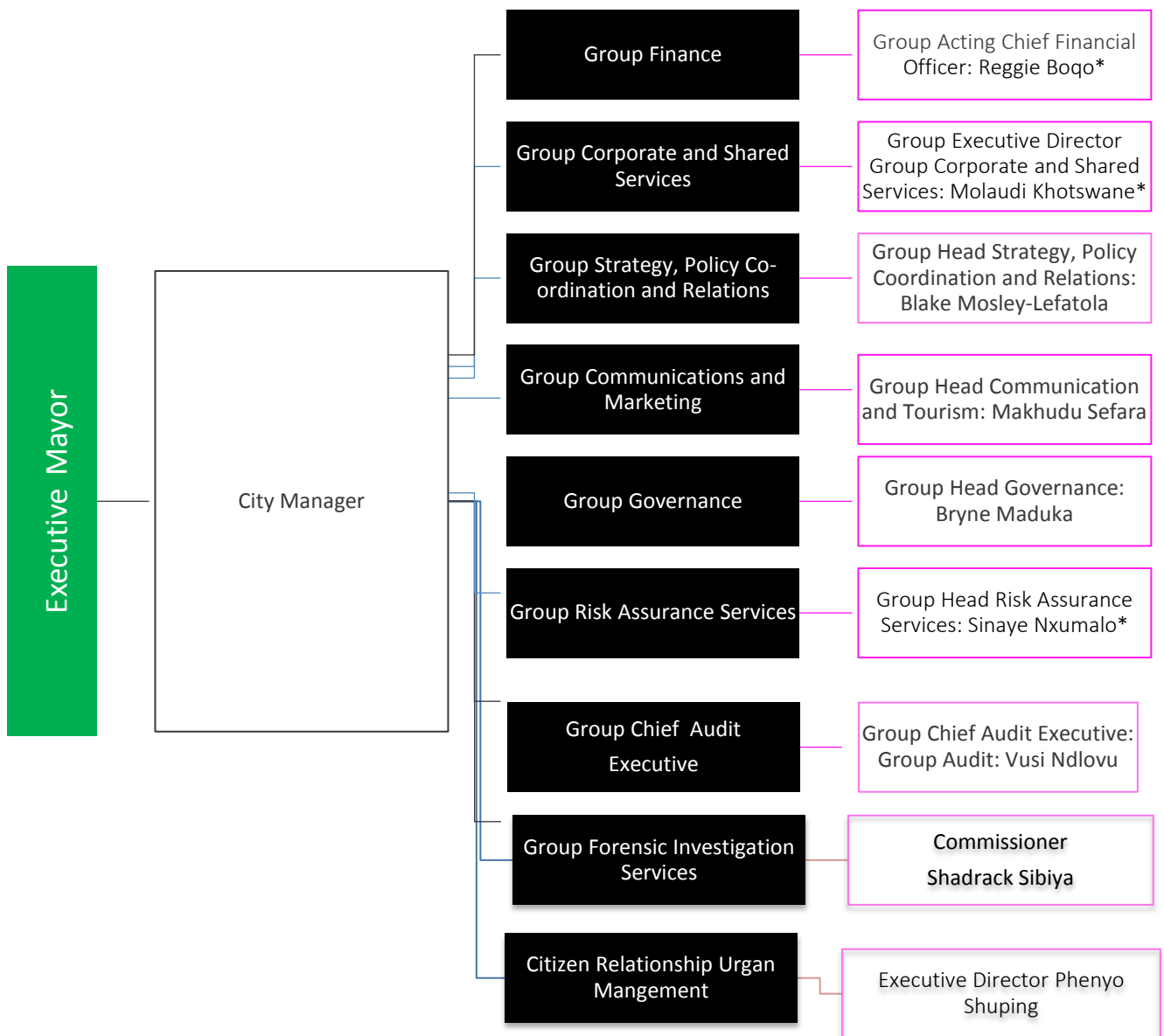


Figure 9: Group Functions

*left the City in the course of the year.

City Departments

The role of the departments in the City is to ensure that the operations of the City are executed. The City of Johannesburg departments' are:

- **Department of Health;** including integrated Health Policy, Planning and Research and Public Health Services
- **Department of Social Development;** including Integrated Social Development Policy, Planning and Research, Social Benefits programmes and the Food Resilience Project Office
- **Department of Community Development;** including Integrated Community Development Policy, Planning and Research, Arts, Culture and Heritage programmes and Sport and Recreation programmes
- **Department of Public Safety;** including Emergency Management Services, Johannesburg Metropolitan Police, and Licensing
- **Department of Housing;** including Integrated Housing Policy, Planning and Research and Human Settlements programmes
- **Department of Transportation;** including Integrated Transport Policy, Planning and Research, Transport Transformation and Economic Mobility
- **Department of Environment and Infrastructure Services (EISD);** including Resource Sustainability Policy, Planning and Research, Integrated Infrastructure Planning and Coordination and Environmental Protection and Resilience
- **Department of Economic Development;** including Economic Development Policy, Planning and Research and Economic Development Facilitation
- **Department of Development Planning;** including Land Use Development Planning, Building Development, and Corporate Geo-Informatics.

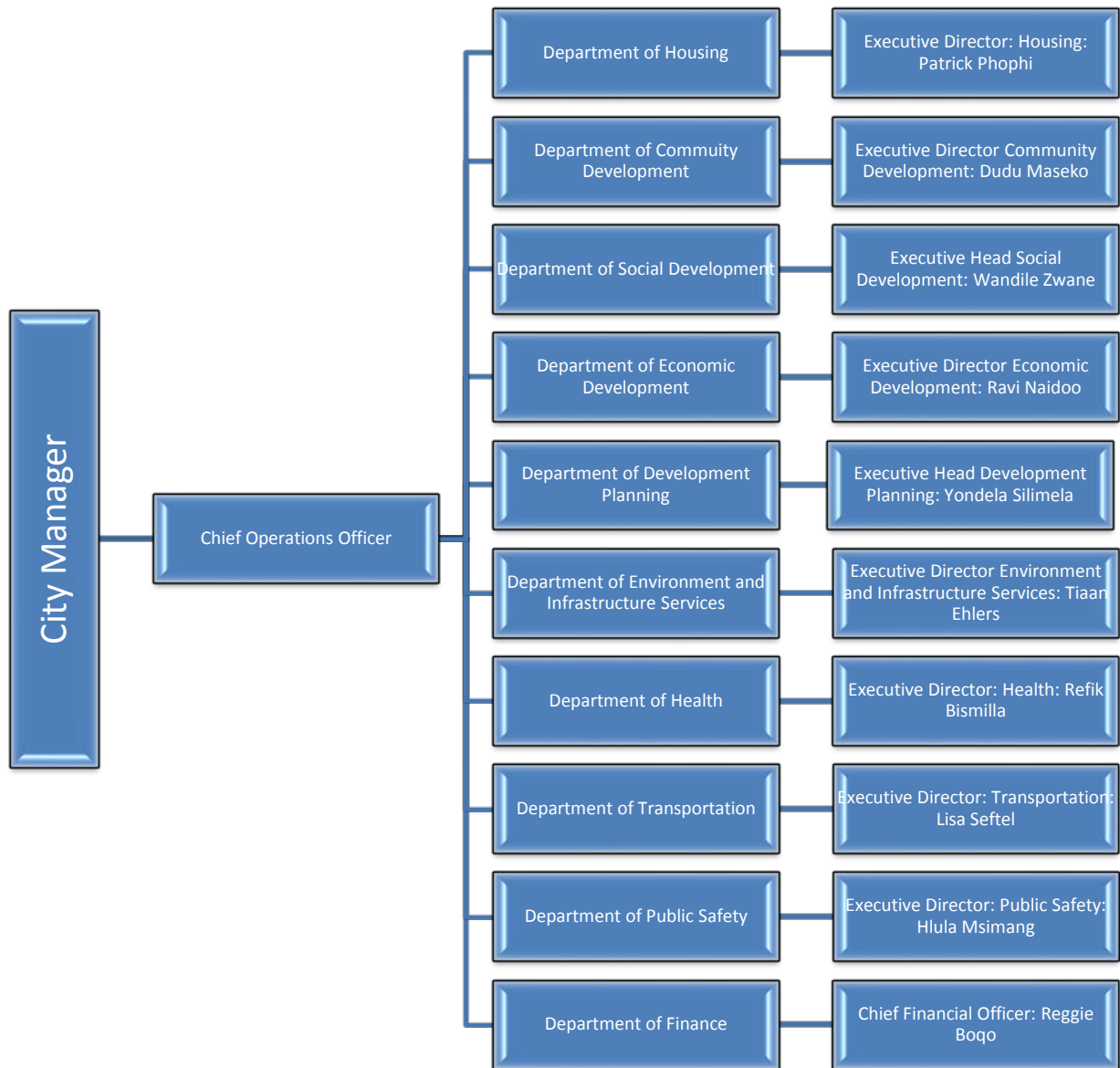


Figure 10: City Departments

Municipal Entities

The municipal-owned Municipal Entities listed below are responsible for service delivery implementation (see Figure 12).

City Power	City Power provides electricity supply that contributes to improved quality of life. City Power educates customers about the safe use of electricity, participates in renewal projects that empower entire communities, and provides and maintains public lighting so as to reduce crime and keep communities safe.
Johannesburg Development Agency (JDA)	The JDA stimulates and supports area-based economic development in support of the long- term Growth and Development strategy.
Johannesburg Market (JM)	JM is South Africa's major centre for the marketing of fresh produce. It is the largest fresh produce market in Africa, dealing in fruit, vegetables, meat, fish and general groceries, most of them on sale to the public at wholesale prices.
Johannesburg Property Company (JPC)	The JPC does property development; alienation of Council properties; property management services; and all ancillary services to the above, maximising both social and commercial opportunities for the Council in the short and long term.
Johannesburg Social Housing Company (JOSHCO)	JOSHCO provides and manages affordable rental housing stock for the lower income market as part of its contribution to eradicating the housing backlog.
Johannesburg Roads Agency (JRA)	The JRA is responsible for the design, maintenance, repair and development of Johannesburg's road network and storm water infrastructure, including bridges and culverts, traffic lights and signage.
Johannesburg Water	Johannesburg Water provides water and sanitation services to residents of Johannesburg,
Pikitup	Pikitup's integrated waste management operations incorporate waste separation at source, green waste diversion, and builder's rubble diversion.
Joburg City Theatres (JCT)	The JCT is Africa's leading home of live entertainment, presenting world-class international and home-grown theatre. JCT provides venues where performing arts professionals and amateurs alike can showcase their work.
Metropolitan Trading Company (MTC)	The MTC is responsible for providing affordable, efficient and inclusive connectivity and maintaining broadband distribution across the City. The company is responsible for connecting and maintaining broadband distribution across the City.
Johannesburg City Parks and Zoo (JCPZ)	JCPZ manages the City's parks, cemeteries, open green areas, street trees and conserved spaces.
Metrobus	Metrobus provides reliable and safe bus transport services to the citizens of Johannesburg. Metrobus operates within the Greater Johannesburg metropolitan area in four business segments.

Table 2: Municipal Entities

Clean, Accountable Governance

Ensuring Independent Oversight

In line with applicable legislation and best practice, the City constituted independent governance oversight and advice structures that serve the objective of giving an unbiased opinion and advice to Council. These are the Group Risk Management Committee (GRMC) and the Group Audit Committee (GAC); which operate in accordance with Council approved terms of reference, corporate governance guidelines and practices (King III), and professional practice standards and codes (see Figure 11).

The GRMC is responsible for independent oversight on the governance of risk, the risk management processes in the City, the mitigation of key risk exposures and advisories on emerging risks that may have an impact on the City. Similar independent oversight structures have been set up as sub-committees of Boards of the Municipal Entities (Municipal Entity Board of Directors, Municipal Entity Audit and Risk Committee, Municipal Entity Social and Ethics Committee and the Municipal Entity Human Resources and Remuneration Committee).

These Committees are capacitated by individuals who are not employees of the City. They have wide skills sets, including,

specialised fields of strategy, institutional performance, finance, accounting, legal, risk management, ICT governance, engineering, and human resources. The City continued its developmental approach to capacitation of the Boards and Oversight Committees, where the annual rotation of seasoned members creates a balance and opportunity for new and less experienced individuals to serve with experienced members in the Boards and Committees.

Independent Oversight Committees

In 2016/17, the membership of the independent oversight committees was as follows:

Group Audit Committee

Member	Appointment Date	Retirement Date	Qualification
Zodwa Manase (Chairperson)	1-Apr-15	31-Mar-18	B Compt (Hons), H Dip Tax CA (SA)
Len Konar	1-Apr-14	31-Mar-17	B Com, Diploma in Accounting, MAS, Cert in Tax Law, D. Com, CRMA, CA (SA)
Brian William Smith	1-Apr-14	31-Mar-17	B Compt (Hons), CA (SA)
Nala Mhlongo	1-Apr-15	31-Mar-18	B. Com (Hons), ATC, ACMA, CGMA, CA (SA)
Precious Nompumelelo Sibiya	1-Apr-14	31-Mar-17	B Acc, PG Dip in Accountancy, CA (SA)
Griffith Zabala	1-Jan-13	31-Mar-17	Dip in Social Development, B.A. (Social Work), Cert in Small, Medium & Micro-Enterprises, Master of Management in the Human Resources Area
Benjamin Marx	1-Apr-14	31-Mar-17	D Com CA (SA)
Ignatius Sehoole	1-Apr-17	31-Mar-20	B Compt, CA (SA)
Gwen Ngwenya	1-Apr-17	31-Mar-20	MA International Economics
Adrian Schofield	1-Apr-17	31-Mar-20	ACCA and IT Governance
Zola Fihlani	1-Apr-17	31-Mar-20	B Com, CA (SA)
Karen Muthen	1-Apr-17	31-Mar-20	B Com, CA (SA)

Table 3: Group Audit Committee

Group Performance Audit Committee Membership

Member	Appointment Date	Retirement Date	Qualification
Patrick Fitzgerald (Chairperson)	1-Jan-13	31-Mar-18	PhD
Khanyiso Mguni	1-Jan-13	31-Mar-17	MBA
Griffith Zabala	1-Jan-13	31-Mar-17	Dip in Social Development, B.A. (Social Work), Cert in Small, Medium & Micro-Enterprises, Master of Management in the Human Resources Area
Peta Nonceba Mashinini	1-Apr-14	31-Mar-17	MBA
Carol Cele Roskrige	1-Apr-14	31-Mar-17	MBL
Precious Nompumelelo Sibiya	1-Apr-14	31-Mar-17	B Acc, PG Dip in Accountancy, CA (SA)
Reginald Haman	1-Apr-14	31-Mar-18	MBA
Avhaphani Tshifularo	1-Apr-17	31-Mar-20	MPhil in Futures Studies
Khumo Shongwe	1-Apr-17	31-Mar-20	MSc Clinical Psychology
Jabulile Manana	1-Apr-17	31-Mar-20	MBBCh & Health
Zola Fihlani	1-Apr-17	31-Mar-20	B Com, CA (SA)
Gwen Ngwenya	1-Apr-17	31-Mar-20	MA International Economics

Table 4: Group Performance Audit Committee

Group Risk Governance Committee Membership

Member	Appointment Date	Retirement Date	Qualification
Joseph Makoro (Chairperson)	1-Apr-14	31-Mar-17	MCom
Reginald Haman	1-Apr-14	31-Mar-18	MBA
Nades Kandan	1-Apr-14	31-Mar-17	IT Governance
Benjamin Marx	1-Apr-14	31-Mar-17	D Com, CA (SA)
Priscilla Nomsa Nkwini	1-Apr-14	31-Mar-17	B Proc
Peta Nonceba Mashinini	1-Apr-14	31-Mar-17	MBA
Len Konar	1-Apr-14	31-Mar-17	D Com CA (SA)
Tshilidzi Marwala	1-Apr-17	31-Mar-20	Mphil Futures Studies
Richard Newby	1-Apr-17	31-Mar-20	B Com, CA (SA)
Khwathelani Tshikovhi	1-Apr-17	31-Mar-20	MBA
Karen Muthen	1-Apr-17	31-Mar-20	B Com, CA (SA)
Adrian Schofield	1-Apr-17	31-Mar-20	ACCA and IT Governance
Khumo Shongwe	1-Apr-17	31-Mar-20	MSc Clinical Psychology

Table 5: Group Risk Governance Committee

Group Audit Outcomes

The following table illustrates the City's governance performance with the audit outcomes of the Municipal Owned Entities.

ENTITY	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
COJ GROUP	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
CITY POWER	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
JOBURG WATER	Qualified	Unqualified	Unqualified	Unqualified	Clean	Unqualified
PIKITUP	Unqualified	Unqualified	Unqualified	Clean	Unqualified	Unqualified
JCT	Unqualified	Unqualified	Clean	Clean	Clean	Clean
JOSHCO	Clean	Clean	Clean	Clean	Clean	Clean
JCPZ	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Clean
JRA	Unqualified	Unqualified	Clean	Clean	Unqualified	Unqualified
JPC	Unqualified	Unqualified	Unqualified	Clean	Clean	Clean
JDA	Unqualified	Unqualified	Unqualified	Clean	Clean	Clean
JOBURG MARKET	Clean	Clean	Clean	Unqualified	Unqualified	Unqualified
Metrobus	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
MTC	N/A					Unqualified

Table 6: Group Audit Outcomes

Risk Management

Performance against the Enterprise Risk Management Plan

The City's Risk Management processes are performed in line with the City's Enterprise Risk Management Plan, which is approved by the Group Risk Governance Committee (GRGC). Some of the activities for the year were the following:

- Reviewed the Group Risk Management Framework and Policy, which were approved during the First Quarter of 2016/17.
- Reviewed the Business Continuity Management Framework and Policy, which were approved by the GRGC during the First Quarter of 2016/17.
- A total of 17 City-wide Top Strategic Risks were identified for the period under review.

Risk Rating and Monitoring

The City applies an integrated approach to Enterprise Risk Management (ERM) by linking the significant risk exposures to the City's strategic objectives/mayoral priorities. The risks are categorised and prioritised in accordance with probability and severity. The following Risk Rating Matrix is an extract from the Group Risk Management Framework, which is used as a guide to the priority levels for the risks being monitored.

IMPACT	5 Critical	LOW	MEDIUM 10	HIGH 15	VERY HIGH 20	VERY HIGH 25
	4 Major	LOW	MEDIUM 8	HIGH 12	HIGH 16	VERY HIGH 20
	3 Moderate	LOW	MEDIUM 6	MEDIUM 9	HIGH 12	HIGH 15
	2 Minor	LOW	LOW	MEDIUM 6	MEDIUM 8	MEDIUM 10
	1 Rare	LOW	LOW	LOW	LOW	LOW
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
LIKELIHOOD						

The risk monitoring and evaluation process has been conducted on all (17) City-wide top strategic risk registers. The monitoring process was conducted to ensure effective implementation of risk treatment and response plans, and that management within acceptable tolerance levels. The City-wide strategic risks were identified and linked to the new revised nine (9) Mayoral Priorities. The purpose was to ensure that the City's Risk Management Processes are effectively entrenched into the Strategic Planning and implementation processes across the City. The table below summarises the risk of the Top 10 (of 17) Strategic Risks mapped against the Mayoral Priorities.

REF. NO	RISK DESCRIPTIONS	MAYORAL PRIORITIES
1	Inability to achieve set economic growth targets (GVA 5% by 2021)	Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment
2	Theft, fraud and corruption	Create an honest and transparent City that fights corruption
3	Inadequate implementation of performance management system	Create a culture of enhanced service delivery with pride
4	Illegal occupation of land & buildings	Create a culture of enhanced service delivery with pride
5	Inability to meet increasing demand of service delivery (housing, water, electricity, transport, food)	Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress
6	Increasing Crime and Security Incidents	Create a sense of security through improved public safety
7	Inability to secure financial sustainability	Enhancing our financial sustainability
8	Security of supply and environmental degradation	Preserving our resources for future generations
9	Misalignment of programmes driving Smart City innovation	Encourage innovation and efficiency through the Smart City programme
10	Inadequate Contract Management	Create a culture of enhanced service delivery with pride

Table 7: City-Wide Top-Ten Strategic Risks

As part of the integrated risk management approach, the Group Risk & Assurance Services Department (G-RAS) assessed, monitored and reported on all strategic and operational risks. The latter included the ICT, Fraud, Projects and Contracts risks to ensure that effective implementation of related mitigation plans happens in accordance to the approved Risk Management Framework and Methodology.

Insurance Covers

The City-wide insurance covers for the 2016/17 were renewed for all major categories of risk such as Assets and Liabilities. The renewal was finalised against stringent requirements by the insurers for updates on risk control measures on underwriting surveys of the key sites. The purchase of insurance covers continues to be under pressure due to budget constraints.

Insurance Brokers Contract Procurement

For the period under review AON (Pty) Limited were the City's appointed insurance brokers. Their contract came to an end on the 30 April 2017 and it was extended further by a period of 12 months. The procurement for a new insurance broking contract is currently under way.

Insurance Claims

Following is the summary of claims over the past 3 years at 30 June 2017.

Underwriting Year	Number of Registered Insurance Claims	Value of Registered Insurance Claims ('R000)
2014/15	3827	R154 364
2015/16	3274	R119 340
2016/17	3382	R285 903

Table 8: Claims Summary

Almost 50% of claims are of a liability nature and the values are showing an escalating trend. These claims have a long tail and will take time to be resolved as they are subject to the legal processes.

The Business Continuity Management

The review and approval of the Business Continuity Management Framework and Policy were finalised in July 2016 and the implementation is currently being rolled out City-wide. At least two Business Continuity Plans were conceived during the period and these are expected to be finalised and tested during the 2017/18 period.

Stakeholder Engagement and Public Participation

An active and engaged citizenry hinges on mutual accountability. The City holds a responsibility to engage with and serve its citizens, while the latter in turn have a responsibility to engage as active role-players in shaping the City, contributing to developmental service delivery and promoting societal wellbeing.

Section 16(1) of the Municipal Systems Act, 2000, allows municipalities to:

- validate empowerment and capacity building to maximise community participation;
- provide forums and other channels whereby communities can give feedback and express needs; and
- focus on employment and income generating opportunities, as the locus of economic participation in the community.

In 2016/17 the city engaged its stakeholders as illustrated in the table below

Region	Date	Venues	Attendance
A	17 April 2016	Ivory Park North Hall	265
	19 April 2016	Diepsloot Youth Centre	312
	21 April 2016	Midrand High School	167
B	13 April 2016	Marks Sport Complex	136
	16 April 2016	Westbury Recreation Centre	305
C	12 April 2016	Cosmo City Multipurpose Centre	98
	13 April 2016	Braamfischer Multipurpose Centre	493
	14 April 2016	Ruimsig Athletic Stadium	210
	15 April 2016	Roodepoort City Hall	380
D	12 April 2016	Pimville Hall	443
	14 April 2016	Protea South MPC	355
	19 April 2016	Meadowland Hall	344
	21 April 2016	Naledi Hall	347
E	11 April 2016	Jabula Recreation Centre	78
	13 April 2016	Region E Head Office	80
	17 April 2016	East Bank Hall	255
F	18 April 2016	Southern Suburbs Sport and Rec	108
	19 April 2016	Yeoville Rec Centre	195
	20 April 2016	Bertha Solomon Centre	124
	21 April 2016	Braamfontein Rec Centre	152
G	02 April 2016	Ennerdale Ext 9 Hall	155
	13 April 2016	Lenasia Civic Centre	194
	19 April 2016	Don Mateman Hall	215
	21 April 2016	Orange Farm MPC	363
Main Stakeholder Summit	30 April 2016	Nasrec Expo Centre	1200
Total Number	02 April 2016	All	6974

Table 9: Stakeholder Engagement Statistics

The following grouping issues emerged as matters requiring response from the City:

Details	City Response
Formalisation of informal settlements, electrification of informal settlements	p.43-48
Building and maintenance of storm water drains and infrastructure	p.60-64
Road upgrades, traffic lights and traffic calming measures	p.60-64
Construction of orphanages and old people's homes	p.91-94
Building of schools for the disabled	p.91-94
Upgrading of parks	p.94-97
Mobile libraries	p.91-94
Upgrading of sewer systems	p.49-55
Housing including RDP housing	p.61-65
Community facilities, recreational and rehabilitation centres	p.91-94
Mobile police stations	p.101-107
Clinics	p.11
Taxi ranks	-
Extension of the Rea Vaya BRT	p.81-85
SMME Hub	

Table 10: Issues Raised by Stakeholders

Ward Committees

Ward Committees are established in terms of the Local Government Act, 1998, and Section 72 of the Municipal Structures Act, 1998, which states that the object of a ward committee is to enhance participatory democracy in local government. Ward Committees play an important role in municipal affairs, by assisting democratically elected representatives in all the wards to carry out their mandate. Although Ward Committees have no legal persona, they have an advisory role and support ward councillors.

Their main objective is to enhance the participation of the public in municipal affairs. Under the leadership of ward councillors, they facilitate meaningful participation in council affairs and in the resolution of residents' problems via meaningful participation, over and above other stakeholder engagements. They advise and make recommendations to ward councillors on matters, including policy, that are affecting the ward and assist the ward councillor in increasing the participation of residents in municipal decision-making. The primary duty of ward councillors is to represent the needs and interests of their constituents. They are responsible for building community involvement, with ward committees playing an important role in providing information on the needs and interests of local communities and ensuring that public voices are heard.

Ward committees are constituted by portfolios such as Housing, Transport, Public Safety, Finance and Economic Development, Infrastructure and Services, community development, Community Development, Health and Social Development, Development Planning and Urban Management. Ward committee meetings are held once a month to discuss issues raised within the community via the various sector representatives and to obtain feedback from the ward councillor on significant issues and decisions reached at council.

The Speaker of the Council manages community participation in local government, particularly through the ward committees, by ensuring they function effectively.

Supply Chain Management

The City's Supply Chain Management (SCM) is governed by an SCM Policy which regulates all SCM practices within the City. The Policy implements the SCM practices as envisaged by the Act and its Regulations. All employees are compelled to adhere to, implement and observe the provisions and requirements of the Policy.

The SCM Policy ascribes to a procurement system which:

- is fair, equitable, transparent, competitive and cost effective in terms of Section 217 of the Constitution of South Africa No 108 of 1996;
- enhances uniformity in Supply Chain Management systems between organs of state in all spheres;
- is consistent with the Supplier Management and Development Policy;
- is consistent with the enterprise development programmes as approved by the City which include but are not limited to EPWP, Indigence Policy, job pathway and other policies and programmes that seek to aggressively advance the empowerment of the SMMEs and previously disadvantaged communities;
- embraces the principles of efficient environmental management;
- is consistent with the Broad Based Black Economic Empowerment, 2000, and any Codes promulgated thereunder in the Government Gazette; and
- is consistent with the Preferential Procurement Policy Framework, 2000, and its Regulations as promulgated.

Figure 13 below provides an overview of the core aspects of the City's SCM system and policy.

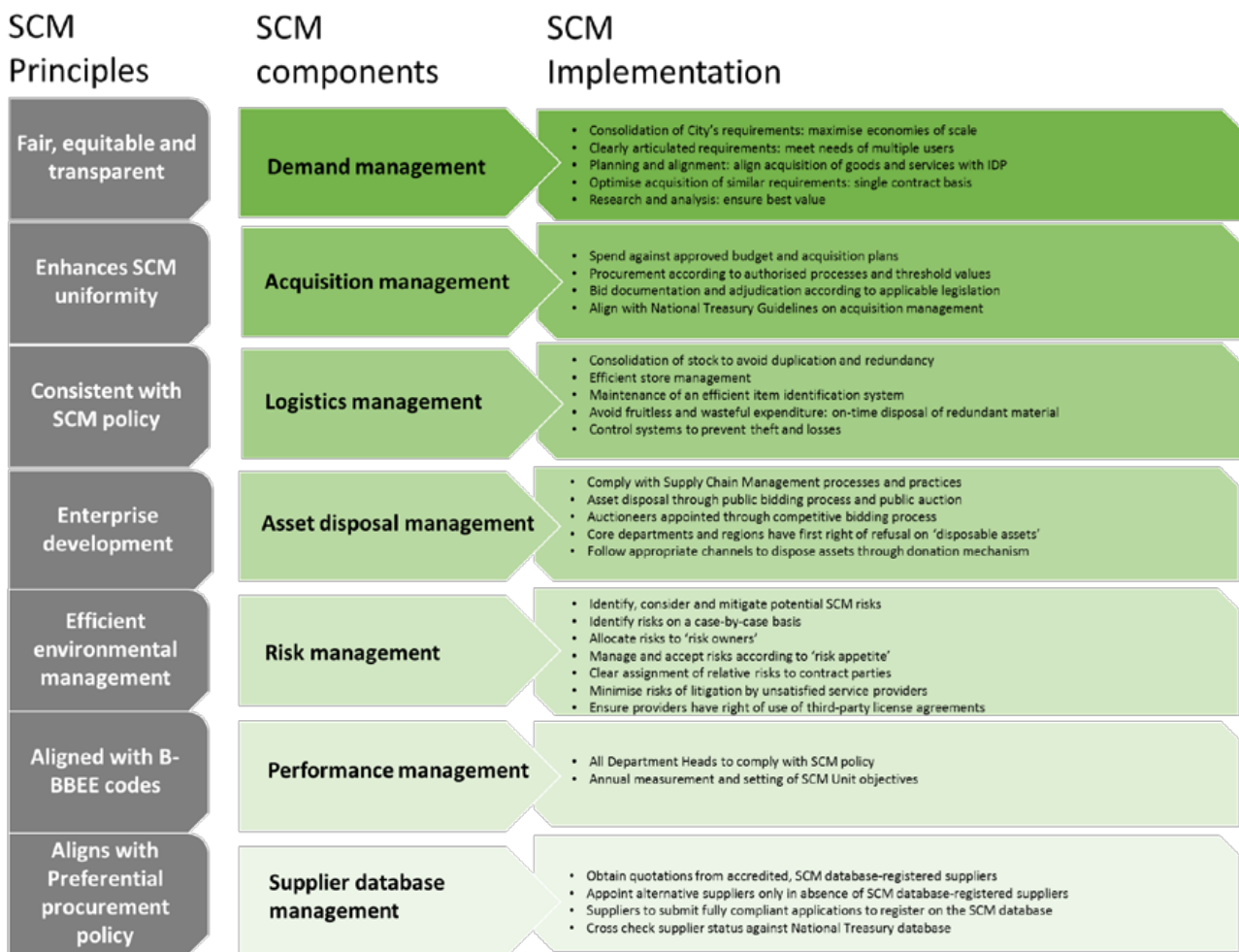


Figure 11: Aspects of SCM Policy

2016/17 Performance Review

Electricity Services – City Power

City Power Johannesburg (SOC) Ltd (City Power) is the electricity distribution service provider of the City of Johannesburg. It purchases, distributes and sells electricity within its geographical footprint. City Power provides quality service delivery through an electricity network that guarantees both sustainable living and enabling support that drives economic growth. City Power promotes optimal management of the City's electricity network and encourages careful consideration for the environment. Its activities are based on a strong commitment to sound financial management and governance. The entity is well positioned to achieve sound financial management, efficient systems and processes, pursuit of sustainable additional revenue streams and capital efficiency. To accomplish these goals, it engages all relevant stakeholders and responds to stakeholder needs with a productive workforce, while maintaining a functioning electricity network in the City.

16/17 Performance Highlights

- 6 225 Ripple Relays installed
- 4 504 EPWP job opportunities created
- 2 961 public lights installed
- 4 850 households and informal settlements electrified
- Thembelihle phase 2 : 4 466 connection have been commissioned
- Metering : electrification network has been erected
- Marlboro Transit Camp : project completed

Summary of Performance

City Power successfully executed a number of service delivery initiatives and projects in the 2016/17 financial year. Key projects were: the installation of 2 961 public lights in a number of areas including Fourways, Bluehills, Hurling-ham, Swartkoppies, Kanana Park and Protea South and the electrification of 4 850 informal settlements in a number of areas including Klipspruit, Vlakfontein, Thembelihle, Lawley and Tshepisonq infills. City Power created in excess of 4 504 job opportunities through the Expanded Public Works Programme (EPWP). Meter reading performance has shown an increase from **75.00%** in July 2016 to **89.60%** as at the end of June 2017. Even though the target of 98% was not met, the reading performance improvement shows that the Metering Services strategy is producing results. Metering Services is looking at means of fast-tracking to almost 80% in 2018. However, it still is a challenge to meet the 98% target.

On 1 November 2016, the entity strengthened its leadership capability of the organisation by filling the four vacant EXCO positions on 1 November 2016, namely Director: Engineering Operations, Director: Metering, Director: Human Resources and Director: Risk, Assurance and Compliance (RAC). It also successfully hosted the Employee Recognition Awards on 9 December 2016, whereby City Power celebrated its employees, interns and learners in appreciation of their contribution to building a high-performance workforce. The entity strengthened its engineering competence of the organisation through the appointment of 24 Engineering Graduates-in-Training, in collaboration with the Department of National Treasury for the Road to ECSA Registration Programme. These individuals commenced duty on 1 January 2017 and the programme will end on 31 December 2019. The target for procurement spent from suppliers that are 51% black owned has been exceeded (51.22% achieved vs 45% target).

Performance against IDP Targets

Electricity Service Policy Objectives derived from the IDP

Service Objectives	Outline service targets	2013/14		2014/15		2015/16		2016/17	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
Improved Revenue Collection	Payment levels (current consumption)	96%	100.30%	94%	95.66%	96%	95.05%	96%	95.86%
	Meter reading performance	96%	66%	89%	66.55%	96%	79.91%	98%	89.60%
Reduce losses	Losses (technical / and non-technical)	14.50%	31.75%	15%	22.28%	22%	23.22%	19%	19.84%
	Electrification (number of households electrified)	2000	2151	3000	2238	1000	5438	4000	4850
	Provision of public lights (Number of public lights installed)	7000	7027	4200	4687	3000	3160	2000	2961
Improve Network Performance	NRS 048 (quality of supply)	95%	99.12%	100%	89.90%	95%	99.44%	95%	98.33%
Smart City	Meter rollout (number of smart meters installed)	100000	91228	20000	73271	40000	33619	200000	136742
Promote energy efficiency	Mega Watts energy of alternative sources	Project implementation	Project implementation	Project implementation	Project implementation	979	2688	800	17225
	Solar water heaters (number of solar water heaters installed)	19962	30008	30000	19106	5000	1118	5000	project halted

Table 11: City Power Performance against IDP

Description	2012/13	2013/14	2014/15	2015/16	2016/17
	Actual No.	Actual No.	Actual No.	Actual No.	Actual No.
Electricity – Conventional	268 285	187 257	156 492	146 585	152 835
Electricity – Prepaid	161 003	242 031	246 435	249 719	261 042
Service delivery level sub-total	429 288	429 288	402 927	396 304	413 877
Conventional as a percentage (%)	62%	44%	38%	37%	37%
Prepaid as a percentage (%)	38%	56%	62%	63%	63%

Table 12: Electricity Service Delivery Levels

City Power has approximately 414 000 customers, ranging from domestic to commercial and industrial properties. These customers comprise 37% conventional and 63% prepaid users. The table above depicts a steady customer base and service-delivery levels for electricity usage.

Financial Performance

The following table reflects the summarised financial performance of the Company for the period under review. The financial results reflect a profit after tax of R402 million against a budgeted R1 596 million surplus.

Year to date	2017 Year to date actual R'000	2017 Year to date budget R'000	Variance
Revenue and other income	15 726 508	17 597 380	(1 870 872)
Expenditure (excl tax)	15 762 593	15 614 073	148 520
Surplus(Deficit)	183 133	1 595 826	(1 412 693)
Capital expenditure	1 813 872	1 939 397	421 660

Table 13: Summarised Financial Performance

Revenue

Description	Actual R'000	Budget R'000	Variance R'000	% variance	Previous year YTD R'000
Service Charges	15 156 259	16 439 448	(1 283 189)	(8)	14 233 743
Other Income	203 265	167 504	35 761	21	161 764
Government Grants	275 287	809 829	(534 542)	(66)	108 583
Fees Earned	13 701	32 862	(19 161)	(58)	12 438
Rental Income	251	364	(113)	(31)	247
Interest Income	76 637	167 473	(90 836)	(54)	145 877
Re-connection fees	1 108	0	1 108	100	-

Table 14: Summarised Revenue Performance

Service Charges

Billing charges for the year are less than budget by R728 million. Units sold year-to-date are 211 096 257 kWh more than budget, and the average selling price per unit is less than the budgeted value, which contributes immensely to the non-attainment of the budgeted figure.

Sales to Eskom: Sales to Eskom for the year are less than budget by R572 million due to total value of the Eskom contract being depleted at end January, resulting in no more units being sold to Eskom.

New Connections exceed the budget by R17 million due to the increase in customer requests for new connections and upgrades. New connections are a non-controllable budget item as the number of new applications or upgrades cannot be determined during the budget process and is based on the prior-year requests.

Grants for the year are less than the budget by R535 million; fewer grants were received for the year than budgeted. An amount of R546 million was received during the revised budget which could not be spent in full.

Interest revenue for the year fell short of the budget by R91 million. This is mainly due to the interest on debtors being lower than the budgeted amount, as well as the interest on cash being less than anticipated, as the cash balance was lower than the budgeted cash balance for the period.

Fees earned for the year exceeded the budget by R19 million as a result of the increase cut-off fees because of debtors outstanding.

Expenditure (YTD)

A negative variance of less than 1% against the budget was realised for the current period under review.

Description	Actual R'000	Budget R'000	Variance R'000	% variance	Previous year YTD R'000
Bulk Purchases	10 588 851	10 623 060	34 179	0,32	9 779 048
Employee-Related Costs	962 661	1 045 959	83 298	8	923 822
Administration	84 859	90 859	6 000	7	84 738
Depreciation	500 476	446 069	(54 407)	(12)	404 783
Finance costs	431 575	470 210	38 635	8	389 608
Lease rentals	671 991	602 012	(69 979)	(12)	563 397
Debt Impairment	885 398	500 624	(384 774)	(77)	387 706
Repairs and Maintenance	812 177	923 765	111 588	12	709 143
General Expenses	824 605	911 545	(86 940)	10	701 297

Table 15: Summarised Expenditure Performance

Bulk Purchases Eskom & Kelvin

Bulk purchases for the year stood at R34 million less than the budget. The figure for Eskom is less than budget by R204 million as a result of an increase in units, however the average purchase price is 16,5% lower than budget for the year, and there was no expenditure on gas turbines. Bulk purchases from Kelvin exceeded the budget by R162 million due to the ending of the Eskom contract.

Employee Related Costs

Employee-related costs for the year were R83 million less than the budget due to the following:

- **Basic salaries** fell short of the budget by R102 million less due to vacancies not being filled.
- **Leave provision** was R46 million less than the budget, as a result of staff taking leave to prevent forfeiting leave days.

Capital Projects

The originally approved City Power capital budget for the 2016/17 financial year was R1.3 billion and the revised Capital budget was R1.9 billion. Towards the end of March 2017, City Power received R546 million from the Department of Energy in respect of the contract entered into between the City of Johannesburg and various developers. On the back of this contract, City Power entered into agreement with the City to manage electrical services for the identified developments, including South Hills, Lufhereng, Fleurhof, Jabulani, Protea South and Allendale. The year-to-date expenditure amounted to R1.8 billion compared to the year-to-date budget of R1.9 billion, as outlined in the table below. 2016/17 Year-end Capital Expenditure

Project Detail (By Project)	Original Budget for the year	Total Revised Budget for the year	YTD budget	YTD Actual	YTD Variance
	R'000	R'000	R'000	R'000	R'000
Electrification	201,013	747,079	747,079	418,682	328,397
Service Connections	71,001	51,508	51,508	93,071	-41,563
Electrical Network	136,000	174,323	174,323	218,991	-44,668
Building Alterations/ Construction	2,143	1,893	1,893	417	1,475
Computers	1,413	1,663	1,663	1,685	-23
Office Equipment	272	682	682	665	17
Computer Software	39,000	39,000	39,000	35,945	3,055
Gear	2,378	1,968	1,968	374	1,594
Plant and Machinery	3,225	3,225	3,225	55	3,170
Telecommunication	5,500	5,500	5,500	5,308	192
Fire & Security	5,000	5,000	5,000	-	5,000
Meters	148,955	119,182	119,182	133,400	-14,218
Load Management	15,000	15,000	15,000	5,642	9,358
Scada	9,250	9,250	9,250	8,866	384
Protection	13,560	13,560	13,560	13,015	545
Furniture	570	570	570	284	286
Public Lighting	43,125	42,619	42,619	29,416	13,203
Infrastructure	695,927	707,375	707,375	797,398	-90,023
Insurance	-	-	-	50,657	-50,657
TOTAL	1,393,331	1,939,397	1,939,397	1,813,872	125,524

Table 16: Summary of Capital Project Performance

Job Level	Male					Female					Total
	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total	All
Top management	4	0	0	1	5	2	0	0	0	2	7
Senior management	14	1	2	3	20	6	0	1	0	7	27
Professionally qualified and experienced specialists, and mid-management	168	8	3	59	238	141	4	0	8	153	391
Skilled technical and academically Qualified workers, junior management, supervisors and technicians	67	15	1	32	115	32	2	2	8	44	159
Artisans (all types)	297	14	3	49	363	52	1	0	0	53	416
Administrative	54	1	1	0	56	94	6	0	15	115	171
Semi-skilled and discretionary decision-making	437	5	0	2	444	59	1	0	1	61	505
Elementary positions	13	0	0	0	13	42	2	0	0	44	57
Total (permanent and contract)	1 054		10	146	1 254	428	16	3	32	479	1 733

Table 17: Employee services

City Power is committed to unlocking the capacity of its lower-level staff as well as recruiting high-quality personnel to ensure that the organisation is able to deliver on its mandate.

Water Services – Johannesburg Water

Joburg Water (JW) is the City's water and sanitation services provider. The entity employs 2 655 people and functions within operating regions with 10 networks depots and six wastewater treatment plants. Through Joburg Water, the City supplies approximately 590 000 domestic, commercial and industrial customers and serves an estimated consumer base of about 4.9 million people.

Joburg Water in Numbers

- 1.5 billion litres of drinking water distributed daily
- 841 million litres of sewage treated per day
- 45 177 water pipes and 58 240 meters and connections repaired during 2016/17
- More than 500 potable water samples tested
- 5 266 chemical toilets provided and serviced on average twice per week in the informal settlements

Through Joburg Water the City strives to;

- provide all the people of Johannesburg with access to quality water and sanitation services;
- exceed customer expectations;
- increase the customer base;
- contribute to sustainable development and livelihoods;
- maintain financial health through improved infrastructure and low technical losses; and
- ensure organisational excellence through a learning growth and development perspective.

16/17 Performance Highlights

- Revenue increased from R7.9 billion (2015/16) to R8.6 billion
- Net cash position R216 million against a budget of R 191 million
- BBBEE recognition spend of 127% from 118% (2015/16)
- Unqualified Audit Opinion achieved
- 1 115 job opportunities were created through the EPWP
- Response time to water pipe bursts improved to 90.26% achieved in the specified time from 84.2% (2015/16), and timeous response to sewer blockages from 93.46% to 95.48%
- Water consumption decreased to 287.7 litres per person per day from 308.95 (2015/16)
- 100% compliance to sludge disposal requirements
- 27.83% female representation against a target of 26%
- Less than 3% staff turnover.

Summary of Performance

Financial Sustainability

The entity achieved a surplus of R494.1m (2016: R659.9m) against a budget of R545.7m (2016: R512.5m). The cash as per the sweeping account was R216m (2016: R330m) against a budget of R192m (2016: R451m).

Capital Investment and Asset Management

The capital expenditure for the year was R638 million, which represents 86.6% of the capital budget of R737 million.

Customer Responsiveness

The response time to water bursts restored within 48 hours of notification was 90.26% against a target of 95%, and for sewer blockages cleared within 24 hours of notification, it was 95.48% against a target of 95%. Although the failure rate of water infrastructure increased during the year, the response times improved when compared to the 2015/16 financial year. Continued efforts were made to reduce the number of bursts (minor and major) outstanding for longer than seven (7) days. Positive improvements were evident in the 50% year-on-year decrease in the number of work orders outstanding longer than seven (7) days decreasing by 50% year on year. This is a positive continuation from last year's reduction of 34%.

Response times on water bursts will improve further since minimum standards of at least three (3) major bursts and three (3) other water related jobs per team per day are being implemented. Water teams are doing 4.02 jobs per day on average which demonstrates a 1.3% improvement in productivity from the 2015/16 financial year. It must be noted that water infrastructure renewal must be accelerated to contribute positively to the response times. The target for sewers was met as well as improved year-on-year. The number of sewer blockages experienced, however, still increased during the 2016/17 financial year (by 6.5% increase from the previous year). This figure will improve going forward due to the increased capital investment - especially with regard to the renewal of old sewer infrastructure. Minimum standards of at least five (5) sewer blockages per team per day are being implemented. Sewer teams are doing 3.9 jobs per day on average (a 0.8% improvement in productivity over the 2015/16 financial year). Continued education campaigns in respect of the incorrect use of sewer infrastructure will also have a positive impact on reducing the failure rate.

Operations

The number of bursts experienced per 100km was 375.78 against a target of 370, while sewer blockages experienced per 100km totalled 488.11 against a target of 447. The number of bursts per 100km increased by 18.7% year on year which relates to a reduced level of infrastructure renewal taking place during the year. The number of sewer blockages per 100km relates directly to the incorrect use of the sewer infrastructure causing reoccurring blockages, specifically in hotspot areas such as Ivory Park, Alexandra, Diepsloot and Orange Farm. This is currently being addressed through on-going social education programmes. Increased capital expenditure on the renewal of sewer infrastructure will also have a positive impact on the failure rate in coming years.

During the 2016/17 financial year, percentage compliance with the water quality standard (SANS 241) on E. coli was 99.8% against a target of 99%. This positive achievement will enable the City of Johannesburg to retain its Blue Drop Status.

Final effluent compliance from our wastewater treatment works was 74% against a target of 97%. New Water Use Licences (Wastewater Treatment Works Permits) with more stringent limits were received for Driefontein, Bushkoppies, Ennerdale and Northern Wastewater Works in 2014/15 and implemented in the 2015/16 financial year. The fact that the entity is not able to achieve these requirements with our existing wastewater treatment processes has a negative effect on the effluent

compliance. JW objected to these licences during the year under review and is currently addressing the issue with the Acting Director General of the Department of Water and Sanitation.

Further contributors to this target not being met were operational failures at the Northern (Dewatering, PST's, Unit 3 and Head of Works), Bushkoppies (power failures, sand blockages and aeration failures) and Goudkoppies (screw pump, clarifier siphon and belt-press failure) Works.

The mechanical failures at Northern Works are being addressed, with old electrical and mechanical equipment is being refurbished or replaced. Two tenders were awarded in the fourth quarter of the 2016/17 financial year to refurbish the electrical and mechanical equipment. Work commenced in the second quarter of the 2016/17 with the aim of completing it in the second quarter of the 2017/18 financial year. Electricity cable theft in the South of Johannesburg is causing lengthy power failures at Olifantsvlei, Goudkoppies and Bushkoppies Works, resulting in noncompliance of effluent treatment targets. Operational failures of equipment at the works are repaired in the short term but increasing as deferred capital budget is contributing to aging infrastructure. Refurbishment of the failing solids-treatment equipment (belt presses) at Goudkoppies is being done as an emergency; work commenced in February 2017 to be completed in December 2017. During the year under review, none of the spills that occurred at the wastewater treatment works had a negative impact on the receiving water quality.

Greenhouse gas emissions offset amounted to 626 tons of CO₂ gas against a cumulative target of 4 671 tons of CO₂. The first of the main two causes of the target not being met is continued failure of the Head of Works (HOW) at Northern Works, causing rags and sand to enter the PSTs and blocking them. This then results in reduced and septic primary sludge being pumped to the digesters. Secondly, the sand ingress is also causing blockages in pipes impacting negatively on the performance of the digesters' gas production at the Biogas to Energy plant. These blockages are regularly cleared on an on-going basis.

The replacement of the screens at the HOW was completed at the end of November 2016. The contract of the company appointed to clean the PSTs was terminated due to non-performance. The process of appointing a new contractor commenced and will be completed July 2017.

The delay in the commissioning of the Biogas to Energy plant at Driefontein Wastewater Treatment Works also has an impact on the overall management of greenhouse gas emissions. The delay at Driefontein is due to the lack of gas production as there is not enough sludge or infrastructure for sludge thickening to optimise digestion to produce enough gas.

The household water consumption litres per capita per day was 287.7 against a target of 305. It has reduced from the 308.95 reported in 2015/16 financial year. JW is continuing to reduce water demand through projects such as Pressure Management and the Soweto Infrastructure Upgrade and Renewal as well as mains replacement to reduce the water demand. Positive impact is made through Pressure Management and the Soweto Infrastructure and Renewal project (see below), both of which have had positive impact where they are being implemented. Mains replacement is also having a positive effect. The implementation of the water restrictions from September 2016 till March 2017 had a positive impact on the consumption per capita per day.

Soweto Infrastructure Upgrade and Renewal

This project entails the upgrade and replacement of secondary mains, once-off property retrofitting and installation of prepaid meters for 183 945 stands in Soweto. In the 2016/17 financial year a cumulative total of 149 292 prepaid meters were installed. The overall project progress is at 81% (149 292) of the targeted 183 945 prepaid meters. The non-achievement of targets for the year is attributed to delays in starting the project due socio-political challenges, including project interruptions due to community protests, and the termination of a contract in Diepkloof following the liquidation of the contractor.

Basic Services

Notable progress has been made with regard to access to basic services, with 2 492 households receiving access to basic water in the 2016/17 financial year; increasing the total water coverage in informal settlements to 97.89%.

Water Pipe Replacement

The Water Pipe Replacement Programme is geared towards reduction of physical losses and improvement of network performance in the City of Johannesburg. The water network has consumed 45% of its design life. To improve its remaining useful life, JW had planned to replace a total of 900 km of water pipes between July 2014 and June 2017. As a result of budget cuts, the target was revised to only 709 km of which 498.6 km had been replaced as at end June 2017. In 2016/17 financial year 60 km was planned to be replaced, however only 37.6 km were in fact replaced, which constitutes a 62.67% achievement. The target could not be achieved because of delays experienced at public participation processes, disruptions by business forums and communities, and processes to appoint CLOs, amongst other issues. Regarding sewer pipe replacement, the target was 30 km by end June 2017, and 37.7 km were replaced, which constitutes 125% of the target.

Financial Performance

Expenditure per Capital Budget Category

During the year under review the Joburg Water delivered a number of capital projects to the value of R638 million against a total budget of R737 million. This translates to an achievement of 86.6% against the target of 95%, which is 10% less than the set annual target of 95%. The lower than planned expenditure was mainly attributed to:

- Work stoppages by communities' related to subcontracting and other demands for opportunities especially for specialised works. Projects that were seriously affected and delayed were the Bushkoppies Balancing Tank, the Olifansvlei Bulk Wastewater Treatment Works projects, Eastgate, Ennerdale and the Fairwood water pipe.
- Further project delays were experienced on the Diepkloof Upgrade and Renewal (due to liquidation of the main contractor) and Randburg Depot project, among others. The expenditure breakdown by capital budget category is reflected in the Table 18 below.

Category	2016-17 Budget (R)	Expenditure End June 2017 (R)	% Expenditure
Corporate Requirements	22 136 000	19 657 402	89%
Unaccounted-for Water	21 252 000	16 960 146	80%
Operation and Maintenance	91 228 000	56 888 365	62%
Upgrading and Renewal	272 670 000	241 309 863	88%
New Infrastructure	8 748 000	6 329 721	72%
Planning and Engineering Studies	18 017 000	11 786 483	65%
Information Technology	14 882 000	11 070 164	74%
Special Projects	76 950 000	73 364 666	95%
Bulk Wastewater	210 744 000	200 282 921	95%
Total	736 636 000	637 649 732	86.6%

Table 18: Expenditure by Capital Budget Category

In the 2016/17 financial year JW completed a total of 8 projects. Table 19 below provides detailed projects completed during the year under review.

#	Description	Value (R)	Completion Date
1	Roodepoort Sewer Pipe Replacement 1	12 714 989	6-Dec-16
2	Fontainebleau Water Pipe Replacement	16 031 798	31-Jan-17
3	Thulani Sewer Hot Spots	5 252 685	11-Mar-17
4	Ivory Park Sewer Upgrade Phase 2	10 559 594	8-Oct-16
5	Informal Settlement Sanitation Access	9 805 919	30-Jun-17
6	Naturena Water Upgrade B	5 103 177	17-Mar-17
7	Naturena Water Upgrade A	11 372 642	5-Mar-17
8	Replacement Of Water Closet	11 401 926	9-Dec-16

Table 19: Completed Projects

By end of June 2016 a total of 21 projects were delayed due to various challenges which including excessive rains, lack of capital funding, liquidation and protests by local communities. However, efforts are being made to ensure that all projects are implemented through to completion.

Table 20 below provides information on some of the major bulk wastewater capital projects that JW implemented in the 2016/17 financial year and their progress status. It should be noted that most capital projects are spread over more than one year.

Project Description	Project Objective	Estimated Completion Date	Value	Progress Status
Dam 1: Construction of high-rate settling tanks, pumping mains, dam liner, mechanical and electrical, and control and instrumentation equipment for pumping installations. Northern Wastewater Treatment Works (WWTW)	To de-sludge Dam 1 at Northern WWTW and to reduce the rate of future sludge ingress	September 2017	R138 000	The project is in the construction stage and 94% physical progress has been achieved to date
Digester heating and mixing upgrade at Olifantsvlei WWTW	To ensure a sustained and improved sludge treatment capacity	February 2020	R115 000	The project is at 78% physical progress

Refurbishment of 2 Digesters, at Unit 2 at Northern WWTW	To ensure that the sludge from the biological process is conditioned and treated to comply with DWS standards	January 2018	R32 000	The project is at 94% physical progress
BWW602 BK: Balancing Tanks	To regulate the incoming flow of sewage to the Works	16 January 2019	R102 800	30% physical progress achieved. Behind schedule due to work stoppages from community.
Driefontein Works: Concrete lining of overflow dam	Environmental compliance, to minimise the risk of groundwater contamination	15 February 2019	R124 265	The project is ahead of schedule at 33% achieved to date. It is progressing well.

Table 20: Major Bulk water Capital Projects

JW has embarked on the construction of new reservoirs to increase storage capacity within the City. In the 2016/17 financial year good progress was made on construction of new Orange Farm and Diepsloot reservoirs and they have reached practical completion. The table below provides details of reservoir projects.

Name and Capacity	Value	Status	Planned Completion Date	Comments
Diepsloot Reservoir (25ML)	R45 000	99% Construction	July 2017	Construction completed, contractor busy with snags
Lenasia 12.5(ML) High Reservoir	R38 000	Planning		Design Stage. Land-availability is a concern but engagement with the Gauteng Province and CoJ to acquire the land has started.
Orange Farm 33,5 (ML) High Level Reservoir	R66 000	93% Construction	August 2017	Progressing Well and on schedule.
Erand Tower 0,75(ML)	R30 000	Design	Jun 2018	Designs almost complete. Procurement to start in Q1 of 2017/18
Crown Gardens Tower 1,1 (ML)	R26 000	Design	August 2018	Designs almost complete and ready for procurement.

Table 21: Reservoir Projects

Performance against IDP Target

In alignment with the IDP Service Delivery Budget Implementation Plan (SDBIP) 2016/17, JW contributed to priorities 4 and 7, namely transforming sustainable human settlements, and environmental sustainability and climate change, which had the following key performance indicators (KPIs):

Key Performance Area	Key Performance Indicators	2015/16	2016/17	2016/17
		Actual	Target	Actual
Access to water	Percentage informal households with access to water at minimum LoS1 (cumulative performance)	96.15%	97.85% (139 230 HH)	97.89% (139 294)
Access to sanitation	Percentage households with access to sanitation at minimum LoS1 (cumulative performance)	47.80%	47.01% (66.895 HH)	46.59% (66.295 HH)
Water losses	% non-revenue water	35.30%	30%	40.3%
Greenhouse emissions	Tons of CO2 offset in greenhouse gas emissions from WWTW from biogas projects	1 614.46 tons of CO2	4 671 tons of CO2	625.7 tons of CO2

Table 22: Joburg Water Performance against IDP

Employee Relations

As at 30 June 2017, Joburg Water employed 2 655 staff members. The representation of females has grown to 27.83% against a target of 26%, increasing by 3.91% from a baseline of 23.92% in July 2014. Although ablution facilities pose a challenge to the employment of females in particular at operations, measures have been put in place to ensure that this will not become a barrier. Eleven employees with disabilities were employed in the year under review compared to four at the same time in 2015/16.

Personnel Area	Total Filled Position	Vacancies	Funded Vacancies (from the total number of vacancies)
Managing Director's Office	2	1	1
Capital Projects & Infrastructure	98	46	22
Operations	9	1	0
Operations Networks and Technical Services	1681	233	86
Operations Bulk Wastewater	256	78	25
Operations Support	72	19	13
Operations Monitoring and Evaluation Unit	4	2	1
Stakeholder Relations and Communication	19	14	13
Governance and Legal Services	16	8	3
Human Resources (inclusive of Apprentices, Bursars and Learners)	102	19	14
Contracts and Fleet	23	0	0
Corporate Services	20	12	1
Finance	48	29	8
Information Technology	24	1	0
Supply Chain Management	18	1	1
Meter Reading	207	33	33
Internal Audit	12	4	1
Risk and Compliance	2	2	2
Avalon Prepayment	39	0	0
Strategy, Monitoring and Evaluation	3	0	0
Total	2 655	503	2 152

Table 23: Joburg Water Employees

Waste Management – Pikitup

Pikitup is the City’s waste management agency, servicing the entire 1 625km² of Johannesburg. Pikitup collects and disposes of approximately 1.5 million tons of domestic waste annually and ensures overall cleanliness of CoJ’s streets (9 000 km), open spaces, and certain public areas. It also offers commercial services to approximately 11 000 businesses in the City. Pikitup owns and operates 12 waste management depots strategically located across CoJ’s seven regions and manages 42 garden sites, four operational landfill sites, and two closed landfill sites in CoJ. It has a customer base of 872 605 domestic customers, 7 919 business Round Collected Refuse (RCR) customers, 1 110 bulk service customers, 545 dailies, 847 institutions and 882 landfill customers. In line with strategic imperatives, Pikitup continues to increase its focus on activities that minimise waste and divert it from landfill sites. This entails improved modes of collection, refurbishment of infrastructure, and establishment of recycling and production partnerships with the aim of creating awareness and changing behaviour.

16/17 Performance Highlights

- Diverted about 151 050 tons of waste from the landfill sites (49 009 tons of green waste, 62 258 tons of rubble and 39 523 of dry waste)
- Established 37 recycling co-operatives against target of 35
- Created 1362 jobs
- Created 5 448 jobs through the EPWP
- Weekly waste collection service to 858 313 formal houses
- 98% Round Collected Refuse (RCR) rounds completed on time (by 17h00)
- Waste refuse management service to 164 informal settlements consisting of 183 895 structures
- 98% value of tenders awarded to BEE companies, with 67% representing women-owned companies
- 2.64% increase, to 94.84%, in the compliance of landfill sites to permit and licence conditions.
- 30 720 240-litre bins delivered in the period under review
- R221 714 688 surplus reported
- 55.2% increase in net asset value to R623 286 215 (2015/16: R401 571 521).

Summary of Performance

Performance against IDP Targets

Pikitup Strategic Goals	Pikitup Strategic Objectives	Indicator (KPI)	Actual	Actual	Annual Target	Actual	Annual Target	Annual Target
			2014/15	2015/16	2016/17	2016/17	2017/18	2018/19
Integrated Waste	To ensure that waste	Tons of green waste diverted	35 148	50 098	60 000	49 009.5	70 000	90 000

Pikitup Strategic Goals	Pikitup Strategic Objectives	Indicator (KPI)	Actual	Actual	Annual Target	Actual	Annual Target	Annual Target
			2014/15	2015/16	2016/17	2016/17	2017/18	2018/19
Management, Waste Prevention and Waste Minimisation	to landfills is minimised	Tons of builders rubble diverted	25 059	83 029	100 000	62 528	70 000	90 000
		Tons of dry waste diverted through Pikitup interventions (paper, plastic, glass, cans)	20 808	45 502	50 000	39 523	60 000	70 000
		% participation rate in targeted areas where Separation at Source project is implemented	21%	18.38%	30%	18%	25%	30%
		Tons of carbon gas offset in GHG emissions (from waste diverted)	New Indicator	New Indicator	893	15 977	3 202	6 354
	To ensure appropriate infrastructure is developed to dispose of waste in sustainable manner	Number of integrated waste management facilities developed in City of Johannesburg (inclusive of new sorting buy back centres constructed or garden sites upgraded)	54	4	5	2	10	10
		% landfill compliance to GDARD regulations and permit conditions as issued by DEA and DWAF	90.5%	92.2%	95%	94.84%	95%	96%
Realisation of Value throughout the Waste Value Chain	To ensure that jobs are created and poverty reduces through implementation of waste services	No of jobs created through co-operatives	450	1 498	1 070	1 362	1 708	1 708
		No of Co-operatives / SMMEs established	17 new cooperatives established	35 new co-operatives established	36 Co-operatives / SMMEs established	37 new co-operative s / SMMEs established	47 Co-operative s / SMMEs established	47 Co-operatives / SMMEs established
		Number of community members employed to clean areas	1 474	1 450	800	5 448 EPWP jobs created	800	800
		% informal settlements services on a weekly basis	100%	100%	100%	100%	100%	100%
Partnerships and Stakeholder	Mobilisation of public at large to change behaviour	Number of campaigns implemented	4	4	4	4	4	4

Pikitup Strategic Goals	Pikitup Strategic Objectives	Indicator (KPI)	Actual	Actual	Annual Target	Actual	Annual Target	Annual Target
			2014/15	2015/16	2016/17	2016/17	2017/18	2018/19
Involvement								

Table 24: Waste Management Performance against IDP

Pikitup is focused on a minimising waste, diverting waste away from landfills, involving partners to achieve a clean city, and separating waste at the source. In 2016/17, Pikitup ensured efficient services to customers by achieving 98% collection. Round Collected Refuse (RCR), while simultaneously intensifying the campaign to change behaviours. Furthermore, there was an increase in the number of households serviced, from 831 325 to 858 313.

Pikitup diverted 49 009.5 tons of green waste in 2016/17 against a target of 60 000 tons for the year, which represents a decrease of 2.17% compared to the 2016/17 financial year. This was due to delays in appointing a suitable service provider. Similarly, 62 528 tons of builders' rubble was diverted against a target of 100 000 tons for the year. Pikitup also managed to offset 159 77 tons of carbon dioxide against a target of 893 tons. The entity will focus on ensuring it meets its targets for 2017/18 as waste diversion represents a core strategic shift in its efforts to become an integrated waste management company, in line with the GDS 2040 vision.

Pikitup's Separation at Source programme aims to change household culture to separate household waste, thereby diverting more waste from landfills. Although the entity achieved participation of 18% against a targeted 30% for the year, there were challenges in appointing a service provider for this project. It is expected that participation in this programme will increase as the programme gains traction.

The entity created 5 448 EPWP jobs, exceeding its target of 800 for the year in order to achieve 5% economic growth by 2021. There was also considerable effort put into ensuring that the City remains clean through the establishment of 37 partnerships with co-operatives, which in turn created 1 362 jobs.

Service Delivery Level

Description	2013/14	2014/15	2015/16	2016/17
	Actual	Actual	Actual	Actual
% landfill compliance to Gauteng Department of Agriculture and Rural Development (GDARD) regulations and permit conditions as issued by the Department of Environmental Affairs (DEA) and Department of Waste and Water Affairs (DWAF)	80.2%	90.5%	92.2%	94.84%
% round collected refuse (RCR) rounds completed on time (15h30- 17h00)	95%	99.7%	98%	98%
Cleanliness level of inner city as determined by GDARD Gauteng Waste Management Standards 4	Level 2	Level 2	Level 2	Level 2
Cleanliness level in outer city based on street cleaning as determined by GDARD Gauteng Waste Management Standards.	Level 3	Level 2	Level 2	Level 2

Cleanliness levels of hostels as determined by GDARD Gauteng Waste Management Standards	Level 3	Level 3	Level 3	Level 2
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Table 25: Service Delivery Levels

Pikitup conforms to service delivery levels as reflected in the IDP for 2016/17.

Financial Performance

Capital Expenditure

Item No.	Project Description	Project Progress as at 30 June 2017	Total Expenditure as at 30 June 2017
1	Supply, delivery and off-loading of 240 litre and bulk bins at various depots on an as-and-when required basis.	A total of 30 000 bins were delivered as at 30 June 2017. The service provider is appointed for a period of one year with an option of a one-year extension on an as-and-when required basis.	R16 800 000.00
2	Supply, delivery and off-loading of bulk bins at various depots on an as-and-when required basis.	Full amount has been spent.	R8 496 757.96
3	Construction of a new hall, offices, heavy-duty parking, extension of stores, renovation of admin building and ablution facility at Randburg depot.	The project is 100% at practical completion and the contractor is working on a snag list for final handover by 31 July 2017.	R9 274 271.68
4	Design, construction, supervision and commissioning of new offices, male and female ablution facility, heavy-duty parking area and a hall at Central Camp depot.	The inception and preliminary design reports (including geotechnical investigation and topographical survey) has been finalised. SCM process for contractor have been initiated.	R2 753 000.00
5	Design, construction, supervision and commissioning of new offices, male and female ablution facility, heavy-duty parking area and a hall at new Midrand depot.	The inception and preliminary design reports (including geotechnical investigation and topographical survey) have been finalised. The draft detail design has been submitted to User Department for comment.	R2 814 597.00
6	Design, construction, supervision and commissioning of a gravel ring road and guardhouse in Kya Sand and storm-water management in Robinson Deep Landfill site.	The inception and preliminary design reports (including geotechnical investigation and topographical survey) have been finalised. Process to appoint contractor is with SCM.	R1 038 630.00
7	Design, construction, supervision and commissioning of Linbro Park buy-back centre.	The inception and preliminary design reports (including geotechnical investigation and topographical survey) have been finalised.	R1 800 000.00
8	Design and compilation of end-use plans for all Pikitup landfill sites and permit amendments required to update the current permits and licences for operating landfill sites.	The inception, and end-use plans reports (including geotechnical investigation and topographical survey) were completed and submitted to User Department for comment.	R1 788 062.00
9	Design, construction, supervision and commissioning of paved roads, storm-water and guardhouse at Ennerdale landfill site.	The inception and preliminary design reports (including geotechnical investigation and topographical survey) have been finalised. The draft detail design has been submitted for User Department's comment.	R2 493 940.20
10	Design, construction, supervision and commissioning of Kya Sand transfer station.	The inception and preliminary design reports (including geotechnical investigation and topographical survey) have been finalised. The draft detail design has been submitted to User Department for comment.	R3 545 600.00

11	Design, construction, supervision and commissioning of Linbro Park transfer station.	The inception and preliminary design reports (including geotechnical investigation and topographical survey) have been finalised. The draft detail design has been submitted to User Department for comment.	R3 876 000.00
12	Design, construction, supervision and commissioning of sorting facilities, upgrade of various garden sites and depots for Pikitup.	Quotations from contractors (panel) have been received. Reports to be submitted to BAC week of 21 July 2017.	R1 613 178.30
13	Design, construction, supervision and commissioning of sorting facilities, upgrade of various garden sites and depots for Pikitup.	The inception and preliminary design reports (including geotechnical investigation and topographical survey) have been finalised. Designs to be submitted to User Departments for comment during the week of 17 July 2017.	R1 127 394.00
14	Study, investigation and development of a built floor layout and emergency evacuation plan for all facilities	A desktop consolidation report is in progress for all sites and it is expected that the final report with drawings will be submitted by end of July 2017.	R1 013 854.96
15	Design, supervision and commissioning of new hall, renovations of offices, male and female ablution facility at Marlboro.	Preliminary designs were approved and the project is at the detail design stage.	R405 677.00
16	Development of storm-water management plan for Victory Park.	The inception and preliminary design reports were completed and submitted to User Departments for comment.	R214 684.00
17	Design, supervision and commissioning of 10 sorting buy-back centres, upgrade of 10 garden sites.	The inception and concept design were completed and submitted to User Department for comment.	R422 500.00
18	Undertake an inspection, evaluation, investigation and supervision of removal and cleaning, reconstruction and refurbishment of existing Pikitup underground bins.	The inception and investigation reports with cost were submitted to User Department for comment.	R99 500.00
Total Expenditure (30 June 2017)		R59 577 647.10	
Total Allocated Budget (2016/17)		R108 676 000.00	
Percentage (%) Spent (30 June 2017)		55%	

Table 26: Waste Management Capital Expenditure

Only 55% of Pikitup's Capex budget was spent in 2016/17, amounting to R59 577 647.10. This performance was far below the target of 95%. The entity experienced delays, largely a result of slow procurement processes impacting on the execution of some projects. The table above shows how it spent its capital budget.

Pikitup's operating budget for 2016/17 was R2 112 808 000, which increased to R2 166 947 000 after the budget was adjusted. At the end of 2016/17, it had spent R2 006 708 422, reflecting under-spending of R160 238 578. Pikitup had a net surplus after taxation of R221 714 687, while its total assets exceeded its liabilities by R623 286 214 (2016: R401 571 527).

Employee Relations

Pikitup acknowledges that its competitive advantage is dependent on its people. As such, its vision is to be the employer of choice in its field, and ensure that its employment practices and remuneration policies motivate and retain talented employees, and create an attractive working environment for all employees. Pikitup has 5 946 employees and 986 vacancies.

OCCUPATIONAL LEVELS	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Top management	3	0	1	1	1	0	0	1	7
Senior management	12	2	2	2	3	1	1	0	23
Professionally qualified and experienced specialists and mid-management	32	5	2	9	35	4	1	1	89
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	83	8	0	7	84	4	2	1	189
Semi-skilled and discretionary decision-making	390	11	0	0	127	0	0	1	529
Unskilled and defined decision-making	1 714	12	0	0	1 683	10	0	0	3 419
TOTAL PERMANENT	2 234	39	5	19	1 933	19	4	4	4 256
Temporary employees	692	0	0	0	998	0	0	0	1 690
GRAND TOTAL	2 926	39	5	19	2 931	19	3	4	5 946

Table 27: Waste Management Employees

Roads Services – Johannesburg Roads Agency (JRA)

The City of Johannesburg mandated JRA with the design, construction and maintenance of roads and road-related infrastructure. As a service delivery agent for the City of Johannesburg, JRA has a socio-economic responsibility to balance the available public funding and the service requirements of the rate payers, and road users, of Johannesburg. The JRA business plan must follow a development process with includes extensive consultation and alignment with both City and National, imperatives, which determine the optimum utilisation of our various capitals. This in turn informs JRA's target and outcomes.

Highlights

JRA's major projects implemented during the year under review include:

- the upgrading of gravel roads to surfaced roads;
- the conversion of open storm-water drains to underground systems;
- the commencement of repairs to the double-decker section of the M1 highway (completion in July 2017);
- the commencement of the rehabilitation of the Oxford and Federation Road bridges on the M1 highways (completion in 2016/17);
- Road resurfacing citywide;
- the upgrading and installation of traffic signals citywide; and
- road reconstruction and rehabilitation citywide.

In 2016/17, focus was placed on the completion of storm-water drains and identified target areas were serviced.

Summary of Performance

The lower-than-expected performance is attributable to various factors:

- Backlogs caused by excessive rainfall during the third quarter. Maintenance depots could not cope with the workload, given their resource constraints.
- Heavy rainfall caused a loss of construction time, placing some Capex projects behind schedule.
- On some projects, particularly the upgrading of gravel roads to tar roads, contractor performance issues led to delays. Where applicable, penalties are being implemented. JRA has developed a standard operating procedure on contract terminations, with strict timelines.
- Contractor labour disputes on some Capex projects caused delays. On some projects, the MMC assisted at political level to resolve matters.
- Panels of service providers for JRA projects of a similar nature were established, to be used instead of tenders for individual projects. The process took longer than anticipated, which caused delays. However, the use of the panels will result in improved and more constant levels of expenditure in future.
- Financial challenges in May/June 2016/17 impacted on contractor cash flows. Some projects consequently suspended construction, affecting Capex expenditure levels. JRA's ability to pay suppliers within 30 days was also affected.
- The asphalt plant was shut down during the third quarter for safety reasons. The plant subsequently operated at 50% capacity. A service provider was contracted to provide for the asphalt shortfall, and construction of a new plant has begun.

The process of addressing unresolved service requests has included:

- analysing the unresolved service requests to gain an understanding of why they exist;
- depot visits – presentation of status quo for the depot in relation to unresolved service requests;
- allowing depots to present the challenges specific to them that hamper their ability to resolve outstanding service requests;
- providing guidelines on resolving long-outstanding service requests;
- agreeing to a mechanism to resolve the outstanding service requests; and
- agreeing to overtime to resolve backlogs.

Performance against IDP Targets

Service Objectives	Service target	2014/15		2015/16		2016/17	2017/18	2018/19
		Target	Actual	Target	Actual	Target	Target	Target
Sustainable services Greater Ivory Park (marginalised area)	Road constructed with sidewalks; gravel road upgrades	R60 million detailed design and road construction	2km	R60 million detailed design and road construction	1.96km	R60 million detailed design and road construction	20.68km	24km
	R15.5m construction of bridges	R5m for 1 pedestrian bridge	0	0	0	R5m for 1 pedestrian bridge	1km	1km
Diepsloot (marginalised area)	Upgrade 80% of gravel roads in five-year period	R44m in road upgrades	1.37km	R44m in road upgrades	6.42km	R44m in road upgrades	22.76km	22km
	3 pedestrian bridges constructed	R3m bridge constructed	0	R3m bridge constructed	0	R3m bridge constructed	1km	1km
Greater Orange Farm (marginalised area)	81km of road constructed; gravel road upgrades	75% – 30km constructed	1.38km	100% – 31km constructed	8.2km		25.8km	25km
Urban Water Management Programme; Promote and pilot new storm water management strategies	100% development of manual and incorporation into project requirement and development approvals	50% of manual developed	0% of manual developed due to the service level agreement not being finalised	100% of manual developed	0% of manual developed	50% application within CoJ projects and development approvals	70% application within CoJ projects and development approvals	75%

Table 28: Roads Services Policy Objectives

Waste water (storm water drainage) objectives derived from the IDP

Service objectives	Service target	2014/15		2015/16		2016/17	2017/18	2018/19
		Target	Actual	Target	Actual	Target		
Sustainable services: Greater Ivory Park (marginalised area)	Complete storm water upgrade	R30m storm water implementation	0	R30m storm water implementation	R15.4m	R30m storm water implementation	12km	5km
Urban Water Management Programme: Promote and pilot new storm water management strategies	100% of plan developed	50% of plan revised	80% of plan revised	75% of plan revised	N/A	100% of plan revised	100% of plan revised	100% of plan revised
	100 % of identified stress areas	50% of identified stress areas	50% of plan revised	75% of identified stress areas	N/A	100% of identified stress areas	100% of plan revised	100% of plan revised
	100% of guideline developed	100% of guideline developed and by-law review initiated	5% of plan revised	30% of plan revised	N/A	75% of plan revised	100% of plan revised	100% of plan revised

Table 29: Storm Water Drainage Policy Objectives

Financial Performance

Capital expenditure: Roads and Storm water services

Programme	2016/17 Budget	Expenditure as at 30 June 2017	Variance from original budget (%)
Gravel roads	369 500	331 810	10.2
Storm water	174 350	134 609	22.8
Road rehabilitation and reconstruction	602 596	563 541	6.5
Bridges	153 000	118 657	22.4
Other	94 500	62 153	34.2
Mobility	79 000	77 256	2.2
*Overall total	1 472 946	1 288 026	12.6

Table 30: Roads Services Capital Expenditure

The year-to-date Capex was R1.288 billion, which represents 87.4% of total capital budget, an improvement of 83.17% compared to the fourth quarter of the previous period (R1.114 billion against an adjusted mid-year budget of R1.340 billion)

Capital Expenditure

		Q1	Q2 Cumulative	Q3 Cumulative	Q4 Cumulative
2015-16 (R 1 340 547 000)	Expenditure	R 168,619,922	R 444,915,770	R 711,711,905	R 1 141 365 762
	%	12,57%	33,1%	53,09%	85,2%
2016-17 (R 1 472 946 000)	Expenditure	R 213,644 850	R 519 285 867	R 702, 044, 000	R 1, 307, 399, 829
	%	14,84 %	36,06%	47,7%	88,76%

In order to fully spend the allocated budget, the JRA embarked on multi-year contracts. As a result, for the 2016/17 financial year an amount of R745million (52%) has already been committed as at 01 July 2016, setting a good foundation for a better CAPEX expenditure in the new financial year. Most of the committed projects are in construction phase, a situation that augers well for future years. Planning for CAPEX projects is also being done at least a year in advance to get projects ready for implementation at the appropriate time.

Employment type	Work force	Male	Female	Employment contract
Top management	7	6	1	7 Fixed Term contracts
Senior management	28	20	8	1 Short Term contract; 1 Fixed Term contract and 26 permanent
Professionally qualified and experienced specialists and mid-management	71	49	22	1 Short term, 2 fixed term contract and 68 permanent
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	139	89	50	1 Short term contract, 138 permanent
Semi-skilled and discretionary decision making	503	332	171	3 short term contract, 500 permanent
Unskilled and defined decision making	799	570	229	43 interns and 756 permanent
Total	1547	1066	481	

Table 31: Roads Services Employees

Housing services – Johannesburg Social Housing Company (JOSHCO)

JOSHCO is mandated to provide and manage affordable rental housing as an integral part of efforts to eradicate the housing backlog of the City. JOSHCO is a registered social housing institution and is accredited by the Social Housing Regulatory Authority (SHRA).

JOSHCO's core business includes: the development of social rental housing; refurbishments; the upgrading and management of council-owned rental housing stock, including hostels; housing management; the refurbishment, conversion and management of inner-city buildings into social housing units; and the provision of turnaround strategies where necessary. JOSHCO is one of the City's preferred implementing agents for social and institutional housing developments, and the management of rental accommodation for qualifying beneficiary households within the Johannesburg metropolitan area.

The policies and strategies of JOSHCO are strongly influenced by the vision of the City of Johannesburg, as outlined in GDS 2040 and the IDP. The focus areas are to increase the number of buildings acquired and refurbished for affordable housing in the inner city; develop social housing projects within the transport nodes; improve customer satisfaction; improve service delivery standards; improve the control environment to minimise fraud and corruption; enhance financial sustainability; improve ICT infrastructure and governance; contribute towards economic development through SMME empowerment and labour-intensive job creation; promote cost efficiency in development and management; and build a culture that enables and encourages staff discipline and performance.

Highlights

- JOSHCO achieved a clean audit for 2016/17.
- Over the financial year, the company spent 83% of its Capex budget. This was achieved through the acquisition of four inner-city buildings. At the end of the financial year, R541.8 million of the annual budget of R652.8 million was spent.
- The company had a 90% collection rate in terms of debtors.
- JOSHCO created 727 jobs through the EPWP Incentive Grant.
- A total of 6 460 maintenance jobs were logged through the financial year, with 97% of the jobs being resolved. The KPI in regard to maintenance was met, with JOSHCO exceeding its target of 96%.
- Overall customer satisfaction rate of 84.22% was achieved against a target of 75%.
- 198 unemployed tenants were appointed to the Zenzele job creation project to deliver cleaning and gardening services to JOSHCO projects. This resulted in a 50% recovery in rental arrears.
- 4 inner city buildings were purchased during the financial year and will supply JOSHCO with an additional 617 units as follows:
 - 2-16 Abel Street: 257 units
 - Phoenix House: 137 units
 - 23 Kerk Street: 61 units
 - 26 Kerk Street: 162 units

Summary of Performance

The performance of JOSHCO against pre-determined objectives at the end of 2016/17 was 58%. JOSHCO delivered 1 172 social housing units against the target of 1 164. A customer satisfaction rate of 84.22% was achieved against a target of 75%. The company achieved 99% of service level standards pertaining to resolving of tenant complaints within agreed turnaround times against a target of 91%. The 727 EPWP jobs created came close to meeting the target of 800. In 2016/17, JOSHCO generated revenue from its core mandate of developing, rehabilitating, converting and managing housing stock on behalf of the City. This indicates the financial self-sustainability of the entity

Performance against IDP targets

Key Performance Indicator/s	Target for the Year 2016/17	Annual Achievement		
		Year to Date Achievement 2016/17	Performance Assessment Status	Remarks/Mitigation
Number of social housing units developed	1 164	1172	Target achieved	Target for the year is 1 164, which means JOSHCO overachieved by 8 units
Unqualified audit opinion: Internal audit findings	100% implementation management actions against internal audit findings	4 findings were raised in the first half of the year and were resolved. In the second half of the financial year, 64 findings were raised by internal audit, of which 10 were resolved, 17 were partially resolved, 33 were pending and 4 were not resolved		The implementation of corrective measures against the 54 findings will be undertaken in the first half of the financial year, to ensure that management has adequate time to put sound mitigating measures in place to ensure these findings do not recur
Zenzele job creation project	800 jobs to be created	198 jobs created	Low Progress made	Low Progress made
% achievement of service level standards	96%	97%	Achieved	The target set was achieved
Revenue collection/losses	91%	91%	Achieved	The target set was achieved
Capex	95%	83%		The Capex budget target for 2016/17 was impaired by a transaction related to the purchasing of an inner-city building that was not concluded

Table 32: Housing Services Performance against IDP Targets

Financial Performance

Capex expenditure of R540 158 000 (83%) was achieved against a target of R652 800 000 for the period under review. Rental revenue of R87 412 562 (90%) was achieved against a target of R97 613 205 (100%). R51 088 188 (35%) was spent on repairs and maintenance against a target of R57 725 823 (40%).

In terms of JOSHCO policy, variances in excess of R1.5 million (1% of total revenue) can be explained as follows:

- Total revenue exceeded budgeted revenue by 5% (R152.5 million vs R144.5 million), mainly due to interest received from a positive bank balance throughout the financial year.
- Repairs and maintenance relate to both planned and unplanned repairs, and maintenance and delivery occurred in terms of the approved business plan.
- General expenses were higher than expected as a result of bad debts written off during the financial year amounting to R5.5 million. Some of these debts were uneconomical to pursue legally, and some were unrecoverable due to untraceable and deceased former tenants.

Capital Expenditure

Capex is directed towards the development, renovation and upgrade of the City and JOSHCO's properties, which are to be leased as housing units. JOSHCO's performance on capital projects reflects an actual expenditure, including accumulations, of R541 million against a total budget of R652.8 million, reflecting total expenditure of 83% for the financial year. Challenges were encountered during the financial year on projects such as Nancefield, Devland – Golden Highway, 80 Plein Street and Dobsonville, and this had a negative impact on the entity's ability to spend.

These challenges resulted in JOSHCO not achieving its delivery target in line with the approved 2016/17 business plan. However, mitigation plans were initiated to address the shortfall through the initiation of turnkey projects and the completion of building conversions in the inner city.

JOSHCO has contributed towards the transformation of the inner city by providing affordable rental housing and transitional accommodation. JOSHCO purchased four inner-city buildings in 2016/17 and continued with its conversion of buildings in the inner city, which in total yielded 816 units. The programme is funded through Capex, allowing JOSHCO to ensure that the value of the properties is maintained through ensuring tenant satisfaction.

Expenditure Report

Capital Projects 2016-2017

#	Project	Adjustment Budget	Certified Claims	%	Variance
1	27 Hoek Street	69 000 000	69 132 083.70	100	-132 083.70
2	80 Plein Street	8 742 000	8 996 667.99	103	-254 667.99
3	Casa Mia Social Housing	5 721 000	5 717 968.55	100	3 031.45
4	Chelsea Social Housing	500 000	-	0	500 000.00

5	Marlboro South	331 000	8 580.72	3	322 419.28
6	Dobsonville Social Housing	28 000 000	27 999 999.87	100	0.13
7	Fleurhof Riverside Ridge	3 227 000	161 909.13	5	3 065 090.87
8	Devland Golden Highway	29 910 000	29 908 361.37	100	1 638.63
9	Inner City: Purchases/Other	286 368 000	186 845 344.47	67	91 961 746.37
10	Inner City: 280 Smit Street	5 000 000	4 696 587.09	100	-
11	Inner City: Fraser House	13 563 326.16	13 563 326.16	100	-
12	Inner City: 133 Albert Street	12 000 000	12 000 000.01	100	-
13	Inner City: 50 Durban Street	258 000	257 831.61	100	-
14	Inner City: 106 Claim Street	1 436 000	1 435 999.47	100	-
15	Inner City: 16 Wolmarans Street	9 801 000	9 764 647.87	100	-
16	Inner City: Phoenix House	1 181 000	1 180 592.54	100	-
17	Inner City: 8-16 Abel Street	5 736 673.84	5 073 854.66	100	-
18	Ivory Park Social Housing	7 000	6 990.71	100	9.29
19	Jabulani Social Housing	921 000	921 000	100	-
20	Kelvin Social Housing	1 000 000	301 890	30	695 110
21	Kliptown Social Housing	115 000	94 421.63	82	20 578.37
22	Lombardy East	7 000 000	4 511 619.08	64	2 488 380.92
23	Lufhereng Social Housing	187 000	186 563.04	3	6 813 436.96
24	MBV Social Housing	500 000	41 500.20	8	458 499.80
25	Nancefield Station	9 700 000	9 585 983.51	99	114 016.49
26	Nederburg Social Housing	20 400 000	18 181 708.76	89	2 218 291.24
27	Princess Plots	5 000 000	4 993 377.74	100	6 622.26
28	Roodeport Social Housing	10 776 000	10 742 127.90	100	33 872.10
29	Selby Hostel	11 230 000	11 201 486.22	86	1 798 513.78
30	Randburg Selkirk	6 382 000	5 937 568.95		
31	Turffontein Social Housing	64 212 000	64 080 235.65	100	131 764.35
32	Upgrades: Raschers	1 972 000	1 972 000	100	-
33	Upgrades: Pennyville Rooms	63 000	66 464.12	105	-3 464.12
34	Upgrades: La Rosabel	891 000	872 245.62	98	18 754.38
35	Upgrades: Kliptown Square	17 000	16 992.35	100	7.65
36	Upgrades: Kliptown Golf Course	16 800 000	16 800 000	100	-
37	Upgrades: Jabulani	1 862 000	1 862 000	100	-
38	Upgrades: Orlando	1 487 000	1 026 712.02	69	460 287.98
39	Upgrades: Inner City AA House	1 308 000	1 289 069.76	100	-
40	Upgrade: City Deep	6 500 000	6 467 698.64	100	32 301.36
41	Upgrades: Citrine Court	2 111 000	2 009 684.27	95	101 315.73
42	Upgrades: Bellavista	1 584 000	1 515 434.17	96	68 565.83
Total		652 800 000	541 431 529.54	83	111 368 470.46
Summary Table		Budget	Expenditure	Expenditure %	
Projects in Construction		608 894 581.83	508 888 855.26	78	
Projects in Planning		27 888 586.56	22 952 535.59	4	
Projects at Tender Stage		16 016 831.16	9 590 138.52	1	
Total		652 800 000	541 431 529.37	83	

Table 33: Housing Services Capital Expenditure

Employee Relations

Programme	Number of Posts on Approved Establishment	Number of Posts Filled	Number of Posts Vacant
Office of the CEO	2	2	0
Governance and Legal Services	2	2	0
Business Planning and Risk	4	4	0
Finance, SCM and Revenue	32	32	0
Corporate Support and HR	10	9	1
Housing Management	53	50	3
Housing Development	13	13	0
Total	116	112	4
Total number as a % of total employment		97%	3%

Table 34; Housing Services Employee Relations

JOSHCO aims to be a diverse organisation that ensures inclusive representation of employees in terms of gender and race, in compliance with the company's employment equity plan. During the year under review, 112 positions were filled, of which 60 are permanent and 52 are on fixed-term contracts. These includes the two key critical positions of Company Secretary and Chief Executive Officer. A moratorium was put in place on the filling of senior management and support positions pending approval of the revised organisational structure. JOSHCO was operating at 97% occupancy rate against the approved staff establishment, with the remaining 3% recorded as vacancies.

Environmental and Infrastructure Services

The City of Johannesburg prioritises the preservation of natural resources for the benefit of future generations. These natural resources include water, electricity generated from coal, liquid fuel, and minerals. The City also considers the generation of waste and its impact on the environment. In placing priority on environmental sustainability, it focuses on:

- reducing consumption of natural resources;
- reducing carbon emissions;
- minimising environmental pollution – air, water and waste to land; and
- protecting the City's natural environment (and related ecosystem goods and services).

Summary of Performance

The City exceeded its target of offsetting 839 tons of CO₂ in terms of waste diverted, with more than 15 000 tCO₂e achieved. Similarly, the alternative energy supply provided by the energy efficiency programme resulted in 19 338 offset tons achieved against a target of 986 tons. The re-fleeting of the City's buses and their conversion from diesel to dual fuel exceeded their 2016/17 target of 40 000 tons, with 48 080 tons offset achieved. However, only 14.2% of waste was diverted against a target of 20%. The City continued its approach of improving and managing the quality of watercourses through rehabilitation projects within the various water management units (WMUs). Rehabilitation work was undertaken to improve the ecological state from Class F to Class E (regarded as extensively modified) at Bosmont WMU, Middle Soweto WMU (Mshenguville), Diepsloot WMU, and Jukskei WMU. Various river clean-up projects were undertaken during the course of the year and improved the aesthetic value of the areas, enhancing the living conditions of

communities in these areas. In 2016/17, aquatic habitats and other priority biodiversity areas were identified and mapped for invasive vegetation control, with a set target of clearing 15% of invasive vegetation. The target was met with 15.11% of alien vegetation being cleared, and 264 jobs were created.

Regarding waste management, the overall total of waste diverted from landfill was 235 138 tons against 1 660 946 tons of waste generated the previous year. This amounts to a 14.2% reduction in waste to landfill, outlined in the table below.

Waste Tons Diverted

Waste stream	Tons diverted
Green waste	49 009
Dry waste	39 523
Commercial	56 396
Builder's rubble	62 528
Waste generated	1 660 946
Total tons diverted	235 183 (14.2%)

Table 35: Waste tons Diverted

To ensure that it responds to the crisis of diminishing landfill disposal space by achieving its objective of reducing waste disposal to landfill, the CoJ makes use of alternative waste treatment technologies. These include the Waste to Energy Project, which uses dry waste; and the Biogas Project, which uses wet, biodegradable waste. The waste-to-energy project structure is a public-private partnership to build, operate and maintain the Waste to Energy facility on behalf of the City for 20 years. The City appointed the University of Johannesburg to conduct a feasibility study for a 50-ton per day biogas pilot project to produce biogas from organic municipal solid waste. This will use 30 tons per day of wet waste from the Johannesburg Produce Market, and 20 tons from other sources such as restaurant food waste, and garden waste from Pikitup and Johannesburg City Parks and Zoo.

The Climate Change Strategic Framework is aimed at integrating and leveraging on the work of key sectors, such as the Planning and Transport Departments, as well as key entities such as City Power, Joburg Water and Pikitup. These sectors and entities are encouraged to implement projects and programmes that reduce carbon and build resilience in the City. In 2016/17, a total of 84 021.14 tCO₂e was achieved from the four sector-based projects that were implemented, as shown in the table below;

Sector	Project	Tons of CO ₂ in GHG emissions offset
a. Water Sector	Biogas to Energy project	625.74 tCO ₂ e
b. Energy Sector	Energy Mixed by Technology	19 338.4 tCO ₂ e
c. Waste Sector	Green Waste Diversion from Landfill	15 977 tCO ₂ e
d. Transport Sector	Rea Vaya BRT project	48 080 tCO ₂ e
Total		84 021.14 tCO₂e

Table 36: Sector Based Projects Carbon Emissions Offset

In 2016/17, the Environmental Infrastructure Services Department (EISD) focused on the following main programmes, which are linked to the department's mandate and key performance areas:

Performance on IDP deliverables

Key Performance Area	Key Performance Indicator	Interventions	2016/17 Target	2016/17 Actual
Climate change and energy diversification	Tons CO ₂ offset in greenhouse gas emissions-based on sector-based projects	Water: WWTW from biogas project	4 671 tons of CO ₂ offset from biogas digester at WWTW	625.74 tCO ₂ e achieved
		Energy: Energy mix by technology	986.99 tons of CO ₂ offset in greenhouse gas emissions from the energy efficiency programme	19 338.4 tCO ₂ e achieved
		Transport BRT Re-fleeting Conversion from diesel to dual fuel	40 000 tons of CO ₂ offset in greenhouse gas emissions from the transport sector	48 080 tCO ₂ e achieved
		Waste Waste diverted	893 tons of CO ₂ e from waste diverted	15 977 tCO ₂ e achieved
Integrated waste management	% diversion in waste disposed by landfill	15%	20%	14.2 %

Table 37: Environmental Services IDP Objectives

Transportation Services

Together with the Johannesburg Roads Agency, the City of Johannesburg provides the legislative and policy framework for transportation services in the City and provides safe and reliable public transport through the Rea Vaya BRT system and Metrobus. Metrobus provides quality bus services to Johannesburg residents. The City is investing in a transformation process at Metrobus to increase efficiencies and capabilities. It is replacing its current fleet with 'green' buses, as well as implementing a revised Metrobus operational plan and integrating it with other transport services.

Summary of Performance

The City completed a comprehensive Transport Governance Framework, which clarifies roles and responsibilities, including relationships with other stakeholders, as well as recommending by-laws that must be reviewed or developed for improved transport regulation. The Rea Vaya BRT system continued to provide fast, safe, affordable, effective, efficient and convenient public transport services in areas of high demand. An annual average of 51 389 passenger ridership was recorded with an overall customer satisfaction of 68%. Respondents identified fastness, safety, affordability and convenience as their favourite attributes of the system. For the Johannesburg CBD, Alexandra, Sandton, Midrand, Ivory Park and Sunninghill:

- a negotiation framework agreement was signed with operators paving the way for negotiations with those affected who will potentially become shareholders of the bus operating company or companies to run the services on this route.
- 16.1km of roadways were completed along Louis Both Avenue and Katherine Drive.
- Widening of the existing Road Bridge over Zandspruit (on Katherine Drive) was completed.
- Construction of a new bridge over M1 at Lees Street (Rea Vaya and pedestrian bridge) was completed.
- the Sandton Transport Loop was brought to 97% completion.

- Phase 1 (access and parking area) of the Rea Vaya Selby depot was completed, and phase 2a (construction) commenced.
- Rea Vaya Midrand depot preliminary designs and environmental impact assessment are in place.

The conceptual designs for the construction of small public transport facilities at Drieziek, Roodepoort (holding), Drieziek and Zola / Emdeni were finalised. At Orange Farm and Zakhariah Park they are in progress. The redevelopment of Kazerne public transport facility, a multi-year project, is in progress

The City is constructing or retrofitting streets to accommodate all road users (pedestrians, cyclists, public transport commuters and motorists). These streets also enhance the safety of road users. In this regard, the designs for Rosebank to Sandton Complete Streets projects are in place, the preliminary design for non-motorised transport (NMT) links to railway stations (Dube, Merafe and Mzimhlope) were finalised and 1.6km of Complete Streets projects were completed at Orange Farm.

On cycling promotion, the City distributes bikes to disadvantaged learners annually. In 2016/17, 274 bikes were distributed at Orlando, Alexandra, Noordgesig and other areas through a programme to promote cycling, implemented in partnership with the University of Johannesburg.

The table below displays the Rea Vaya BRT operational service statistics:

		2015/16 F/Y	2016/17 F/Y		2017/18 F/Y
		Actual No.	Target	Actual no.	Estimate No.
1	Passenger journeys	34 500	53 000	51 389	55 250
2	Seats available for all journeys	108 801	108 801	108 801	108 801
3	Average unused bus capacity for all journeys	18,6%	54 %	60%	44%
4	Size of bus fleet at year end	277	277	277	277
5	Average number of buses off road at peak	27	27	27	27
6	Proportion of the fleet off road at peak	9%	9.7%	9.7%	9.7%
7	Number of bus journeys scheduled per day	2 561	2 561	2 561	2 561
8	Number of journeys cancelled per day	N/A	52	20	52
9	Proportion of journeys cancelled	N/A	2%	0.8%	2%

Table 38: Rea Vaya Service Data

Financial Performance

Revenue and Operational Expenditure

Description	Original Budget (000)	Fourth Quarter Budget (000)	Fourth Quarter Actual (000)	YTD Actual (000)	YTD Budget (000)	YTD Variance (000)	% Variance
Operating grants	200 000	60 675	77 541	180 886	242 700	61 814	25
Rea Vaya fare revenue	108 641	27 160	30 000	126 000	108 641	-17 359	-16
TOTAL REVENUE	308 641	87 835	107 541	306 886	351 341	44 455	13
Employee-related costs	163 798	41 395	41 955	165 562	165 798	236	0

Depreciation and asset impairment	526 319	131 580	65 779	352 005	526 319	174 314	33
Repairs and maintenance	191 357	42 839	65 404	124 672	171 357	46 685	27
Contracted services	567 424	153 281	166 785	539 568	613 124	73 556	12
Grants and subsidies	2 100	-	2 000	2 000	2 100	100	5
Other expenditure	45 982	14 720	7 696	42 734	58 881	16 147	27
Internal charges	19 788	528	96	2 768	21 155	18 387	87
TOTAL	2 134 050	560 013	564 797	1 843 081	2 261 416	418 335	18

Table 39: Transportation Services Operational Expenditure

Transport Capital Expenditure R'000

#	Details	Total budget '000	Budget for the quarter '000	Actual for the quarter '000	Variance for the quarter '000	Actual for the year '000	Variance for the year '000	% spending
1	Implementation of managed lanes in the Joburg CBD	10 000	2 500	-	-2 500	-	-10 000	0%
2	Parking solutions in the Rosebank CBD	2 000	500	391	-109	391	-1 609	20%
3	Complete Street infrastructure: Rosebank to Sandton	33 000	8 250	2 718	-5 532	2 718	-30 282	8%
4	Small public transport facilities: Drieziek Extension 3, citywide	5 000	1 250	4 185	-2 935	4 185	-815	84%
5	Operating capital new operating Capex, citywide	500	125	248	-123	369	-131	74%
6	Implementation of Complete Streets in Orange Farm: Extension 4 (priority schools)	5 000	1 250	1 504	254	1 504	-3 496	30%
7	Designs for complete streets links to railway stations	15 000	3 750	1 707	-2 043	1 707	-13 293	11%
8	Construction of intermodal public transport holding facility at Kazerne	112 300	28 075	108 520	80 445	111 213	-1 087	99%
9	Designs for public transport facilities at Orange Farm	800	200	796	596	796	-4	100%
10	Designs for public transport facilities at Zakharia Park	800	200	733	533	733	-67	92%
11	Lehae new public transport facility, Lehae G, citywide	3 000	750	-	-750	-	-3 000	0%
12	Designs and construction of lay-byes	1 000	250	735	485	735	-265	74%

13	Designs for public transport holding facility in Roodepoort	800	200	532	332	532	-268	67%
14	Construction of: scholar transport interchange, Lenasia	6 000	1 500	263	-1 237	340	-5 660	6%
15	Rea Vaya roadways, depots, bridges and interchange	808 808	202 202	377 657	175 455	807 717	-1 091	100%
16	Design for small public transport facility at Emdeni	800	500	678	178	678	-122	85%
	Total	1 004 808	251 502	500 667	243 049	933 618	-71 190	92.92%

Table 40: Transportation Services Capital Expenditure

Employees: Transportation Services

Job level	2015/16 F/Y	2016/17 F/Y			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents)	Variiances (as a % total posts)
0-3	10	11	10	1	9.09
4-6	38	53	39	14	26.4
7-12	472	507	451	56	11.04
13-15	0	0	0	0	0
16-18	0	0	0	0	0
19-20	0	0	0	0	0
Total	520	571	510	61	10.68

Table 41: Transportation Services Employees

Metrobus

Metrobus provides reliable and safe bus transport services to the citizens of Johannesburg. Metrobus operates within the Greater Johannesburg metropolitan area in four business segments, namely:

- daily scheduled public transport;
- private-hire transport services;
- scheduled commercial contracts; and
- special contracts for the Gauteng Department of Transport in Eldorado Park.

Highlights

- Over 10 million passenger trips per working day
- Automated fuel system implemented to manage consumption, tank readings, ordering and environmental monitoring electronically, which realised year-on-year fuel consumption reduction of 26% (5 380 766 litres of diesel) despite buses travelling nearly 6 million kilometres further.
- Environmentally friendly fleet – on average, Metrobus achieved maximum emission opacity of 21% against the government specification of a maximum of 72.5% on the new busses. However, the average annual result for the 17-year-old 33 Volvo B7R double-deckers was unsatisfactory at 76%.

Summary of Performance

Performance against IDP Targets

PIP	Key Performance Indicator	2016/17 Performance Targets	2016/17 Performance
Transforming sustainable human settlements	Number of passengers ferried	15 million (56 800 Metrobus passenger trips per working day)	10 974 876 (42 703 Metrobus passenger trips per working day)
Climate change and resource resilience	% carbon emissions	Maintain Hartridge units measurement at 58%	Maintained Hartridge units measurement at 58%
Informal economy, SMME and entrepreneurial support	Total number of SMMEs supported	60 SMMEs supported	82 SMMEs supported
Financial sustainability	% of Auditor-General audit findings resolved	90% Auditor-General audit findings resolved	73% Auditor-General audit findings resolved
Good governance	% mitigation actions in the risk registers implemented or up to date	70% mitigation actions in the risk registers implemented or up to date	70% mitigation actions in the risk registers implemented or up to date
Smart City and innovation	% user satisfaction index	Achieved 50% user satisfaction index	Achieved 70% user satisfaction index
Financial resilience	% adherence to performance management system processes and deadlines	90% adherence to performance management system processes and deadlines	55% adherence to performance management system processes and deadlines

Table 42: Metrobus IDP Targets

Buses being not available due to frequent breakdowns was affected the number of passengers ferried. Marketing and communications have been intensified to communicate service improvements in an effort to retain and attract passengers. The impact of mitigation plans was low, as reflected in the number of partially addressed findings. The resolution of the Auditor-General's findings is going to be part of the individual management scorecard.

Financial Performance

Details	2015/16	2016/17		Actual	Variance to Budget
	Actual	Original Budget	Adjustment Budget		
Total operational revenue	546 045 358	640 407 000	674 416 000	633 688 075	(40 727 925)
Employees	282 554 327	300 923 000	301 123 000	299 389 595	1 733 405
Repairs and maintenance	52 682 456	61 186 000	61 821 000	48 609 286	13 211 714
Other	243 785 059	278 298 000	311 472 000	303 778 980	(7 693 020)
Total operational expenditure	579 021 842	640 407 000	674 416 000	651 777 861	22 450 884
Net operational expenditure	(32 976 484)	-	-	(20 338 394)	(20 338 394)

Capital Expenditure: Metrobus Services R'000

Capital Projects	2016/17			
	Budget	Adjustment Budget	Actual Expenditure	Variance from Budget
Total all	231 610	310 498	294 006	16 492
Building alterations	1 200	1 200	25	1 175
Engine and gearboxes overhaul	2 610	7 110	9 820	(2 710)

Office furniture	400	400	426	(26)
IT equipment	300	1 300	937	363
Purchase of new buses	226 500	277 500	275 051	2 449
Replace vehicle fleet	300	300	0	300
Plant and machinery	300	5 300	321	4 979
Gas refuelling station	0	7 000	7 425	(425)
Bus refurbishment (floors)	0	5 000	0	5 000
Bus refurbishment (body)	0	5 388	0	5 388

Table 43: Metrobus Capital Expenditure

The entity is overdrawn to a tune of R451.5 million. This position can be largely attributed to procurement of buses funded through loans, as well as a shortfall in fare revenue collection. The net liability position declined from R172 million in June 2016 to R197 million as at June 2017. Metrobus is negotiating with the shareholder to re-evaluate its funding structure. This will help to ensure that the organisation returns to profitability and that the use of the company's resources is optimised. Metrobus's liquidity is under strain with a ratio of 0.06:1 in 2016/17. Without shareholder support, the organisation will not be able to operate independently.

Employee Relations

Present and Expected		Male				Female				Total
		A	C	I	W	A	C	I	W	
All employees	Current	595	56	3	22	158	7	1	7	850
	Proposed	533	60	15	20	217	17	13	10	987

Table 44: Metrobus Employees

An analysis of the current workplace profile for Metrobus indicates that the entity must work towards fair racial and gender representation across the workforce.

Joburg Property Company (JPC)

The City of Johannesburg has an R8.6 billion property portfolio managed and developed through the Johannesburg Property Company (JPC). Through JPC, the City maximises the social, economic and financial value of the property portfolios and enhances the efficiency of their use. JPC provides asset management, property management, facilities management, and property development services. The company is dedicated to finding solutions to the developmental challenges facing the City, and uses council-owned land assets to leverage private-sector investment in public infrastructure.

Highlights

- JPC spent 100% of its capital expenditure budget of R271 700 000 allocated in the 2016/17 cycle.
- JPC achieved an unqualified audit report.
- It completed the new Council chamber, a flagship project within the Metro City Precinct that won the following awards:
 - Green Star Award, which recognises excellence in environmental leadership
 - SAPOA award
 - Public Service Development Award by Africa and Arabia Property Awards.

Summary of Performance

JPC was mandated to acquire six properties to support the Housing Masterplan, but only two were acquired as a result of adjustments made to the budget by the Planning Department at mid-term. Although the company planned to sign management agreements with four informal traders, it experienced internal logistical challenges, which hindered the process. Once these internal challenges have been overcome and a committee is in place to oversee the process, it will pursue this target. JPC's target of creating 8 000 jobs through property transactions constituted a 100% increase from the previous year's target of 4 000 jobs. The company was able to create only 5 005 jobs during the period.

Performance against IDP Targets

Service Objectives	Outline Service Targets	2016/17	2016/17
		Target	Actual
Sustainable Human Settlements	% implementation of facilities management prioritisation plan	100%	100%
Service Delivery Through Capex	% spent of allocated Capex	100%	100%
Informal Economy & SMME Support	Informal traders' management agreements signed	Hand over 4 facilities to facility users	0 facilities handed over to facility users
	Number of outdoor advertising indaba declarations implemented to transform the industry	10	10
	Number of jobs created through property transactions	8 000	5 005 Target not met
	Number of released work packages under Jozi@work programme	50	11 Target not met
	SMMEs supported through property transactions	4 000	4 059
Financial Sustainability & Resilience	Amount raised in rental income from leases and servitudes sales	R100 million	R113.1 million
TODs & Housing Masterplan	Acquisition of properties along TODs	20 properties acquired and lodged	50 properties acquired and lodged
	Acquisition of properties to support the Housing Masterplan	6 properties acquired	2 properties acquired and lodged

Investment Attraction, Retention & Expansion	Amount investment/rand value attraction on investment of CoJ property	R1.2 billion attractions of investment on CoJ property transaction (contract signed but no construction yet)	R1.3 billion attractions of investment on CoJ property transaction (contract signed but no construction yet)
	Rand value attraction of investment on CoJ property (construction value on ground)	R700 million	R1.1 billion
	Management assets/number of asset management plans formulated	200 asset management plans formulated	247 asset management plans formulated
Sustainable Human Settlements	8 property development projects completed	8 property development projects completed	8 property development projects completed

Table 45: JPC Performance against IDP Targets

Financial Performance: JPC

JPC raised R113 million in rental income from leases and servitude in 2016/17, and generated R432 million in revenue. The City's portfolio has a total balance sheet value of R8.9 billion, which comprised 29 939 properties in the financial year.

Capital Expenditure

JPC spent its CAPEX allocation of R271 million for 2016/17 on various projects, as outlined below:

Financial Expenditure

	Project Name	Approved Budget	YTD Actual	Percentage Spent
30364	Computer equipment – new computer upgrades. Braamfontein Werf ext 1F, city-wide	1 080 000	3 998 843	99%
33944	Erf 43-46 Victoria Ext 3 (Patterson Park node) – New housing development, Victoria Ext 3, regional	20 000 000	20 000 000	100%
26423	FMMU – New public toilets. Public conveniences, Johannesburg F ward	7 500 000	7 500 000	100%
2620	Upgrade of Hillbrow public facility linear market and taxi rank upgrade. New operational Capex, Johannesburg F ward	2 000 000	2 000 000	100%
2632	Kliptown Market and taxi rank – improving trading facilities. Renewal of informal trading stalls, Pimville Zone 9 ward	3 500 000	3 500 000	100%
2638	Dobsonville Informal Trading Market – upgrade and construction of informal trading facility. New informal trading stalls, Dobsonville D ward	2 000 000	2 000 000	100%
29392	Jabulani CBD precinct development. New operational Capex, Jabulani D ward	9 000 000	9 000 000	100%
33550	Land regularisation renewal. Operational Capex, Johannesburg F, city-wide	5 000 000	5 000 000	100%
33991	Office space optimisation programme. New precinct redevelopment, Johannesburg F, citywide	128 000 000	128 000 000	100%
29391	Orlando Ekhaya Waterfront development. Renewal Park, Orlando Ekhaya D, regional	8 000 000	8 000 000	100%
25002	Randburg CBD renewal. Building alteration, Ferndale B, regional	2 000 000	2 000 000	100%
26220	Revamping of informal trading stalls within the inner city. Johannesburg F ward	10 000 000	10 000 000	100%
33941	Rissik Street Post Office restoration project. New Heritage, Johannesburg F, regional	20 000 000	20 000 000	100%

33988	Rosebank linear park redevelopment. New precinct redevelopment, Rosebank B, regional	2 000 000	2 000 000	100%
29337	Sandown Extension 49 Erf575 renewal. Building alteration, Sandown Ext 49 E	35 000 000	35 000 000	100%
33692	Site development project. New land preparation, Johannesburg F, citywide	8 700 000	8 700 000	100%
33987	Walter Sisulu Square dedication (refurbishment)	8 000 000	8 000 000	100%
Total		271 700 000	274 698 843	99.99%

Table 46: JPC Capital Project Performance

Employees Relations

Table 47: JPC Employees

Occupation Levels	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Top management	2	0	0	1	0	1	0	0	4
Senior management	3	1	0	0	4	0	2	0	10
Professionally qualified and mid-management	4	0	0	1	6	0	2	1	14
Junior management, superintendents and skilled technical	36	3	5	3	24	1	1	0	73
Semi-skilled/ administration	60	4	2	3	17	8	3	1	98
Unskilled and defined decision-making	30	3	1	1	3	8	0	0	45
Total permanent staff	135	11	8	9	54	18	8	2	245
Temporary employees	0	0	0	0	1	1	0	0	2
Grand total	270	22	16	18	109	29	16	4	484

The JPC currently employs 484 staff members based at its head office and at various depots. For 2016/17, JPC's main human resources focus was to develop skills, and improve employee wellness and employee relations. During the year under review 247 employees were trained in various skills-development initiatives and 460 employees were celebrated as part of the change-management endeavour. Male employees are over-represented and female employees are under represented by 11%.

Economic Development Services – Johannesburg Development Agency (JDA)

The Department of Economic Development (DED) provides strategic economic direction to the City of Johannesburg and is responsible for economic growth and job creation objectives. It drives the implementation of the City's approved economic development strategy, which has a long-term outlook that reaches beyond the growth target of 5%. Through the DED, and through the JDA, the City is working towards:

- increasing the localisation of production by replacing imports with competitive suppliers in Joburg and South Africa;
- stimulating economic activity in different regions of the City by promoting increased economic growth relevant to the regions' different profiles and comparative advantages;
- supporting entrepreneurship through increased collaboration with the private-sector value chains and City-supported SMME hubs; and
- developing connectivity with the rest of Africa through increased trade and investment links, and targeting the development of economic precincts that reflect Joburg as the economic hub of Southern and East Africa.

Through the Johannesburg Development Agency, the City has prioritised the inner city, the Transport-Oriented Development (TOD) precincts, public transit and mobility infrastructure along the corridor routes, and ongoing investments in marginalised areas such as Alexandra, Ivory Park, Noordgesig and Westbury as critical drivers of economic growth in the City.

Highlights

- Obtained a clean audit opinion from the Auditor-General for 2016/17.
- Achieved an overall year-to-date Capex expenditure of R1.39 billion (2015/16: R1.481 billion) against an annual budget of R1.705 billion. However, this translates to 82% (2015/16: 91%) of the total budget of R1.7 billion (2015/16: R1.61 billion) and falls short of the year-to-date target of 95%, or R1.62 billion.
- For 2016/17, achieved an overall B-BBEE share of expenditure of R1.376 billion. This constitutes a 97% of target.

Summary of Performance

The major driver of JDA expenditure in the financial year under review was the Greenways programme, specifically the large construction works undertaken on the Rea Vaya 1C route along Louis Botha Avenue, and the projects to install pedestrian and non-motorised transport (NMT) infrastructure that serves to connect commuters with the Rea Vaya BRT system and commuter rail services. Most NMT projects were implemented by small construction companies, resulting in large-scale infrastructure spending also benefiting local businesses and creating local job opportunities.

In the period under review, JDA achieved 38% of it targeted performance, partially achieved 10%, and did not achieve 52%, mainly because of delays in creating a targeted 250 000 jobs and transforming urban spaces. JDA did, however, manage improve mobility, exceeding its targets in relation to those indicators. Targets for capital projects were only partially achieved as community issues caused delays.

Performance against IDP Targets

IDP PriorityA1:J11	IDP programme	Count of KPIs	KPI Number (Ref)	Target Achieved (95% - 100% rating)		Target Partially Achieved (80% - 94% rating)		Target Not Achieved (<79% rating)	
				Count	%	Count	%	Count	%
	Capital project management	1	1	0	0%	1	100%	0	0%
Priority 6: Financial Sustainability	Enhanced corporate governance, through 100% compliance with financial, risk and performance management guidelines	1	2	0	0%		0%	1	100%

Priority 4: Transforming sustainable human settlements	Improved Mobility	1	3	1	100%	0	0%	0	0%
	Compact, integrated and liveable urban form and spaces	9	4-5-6-7-8-9-10-11-12	2	22%	1	11%	6	67%
Priorities 1 and 2: Employment creation, investment attraction and retention; informal economy, SMME and entrepreneurial support	City-wide job creation programme - 250 000 jobs by 2016	2	13-14	0	0%	0	0%	2	100%
	Enterprise development	1	15	1	100%	0	0%	0	0%
Priority 12: Good governance	To improve governance profile of the City	1	16	0	0%	0	0%	1	100%
	To reduce the levels of corruption in the City	1	17	1	100%	0	0%	0	0%
Day-to-day Programmes	Other IDP or day-to day programmes	4	18-19-20-21	3	75%	0	0%	1	25%
		21		8	38%	2	10%	11	52%

Table 48: DED Performance against IDP Targets

Financial Performance

In the year under review, development management fees were the main revenue source for JDA, accounting for 71% of revenue, compared to 68% in the previous financial year. This was largely due to the capital expenditure achieved in the period under review, which was 82% compared to 91% in the previous period. The challenge, however, remains to spend the entire allocated capital budget in order to earn greater development management fees. This will be achieved through adequate capacitation of the organisation with individuals with the appropriate skills, as well as proper project planning.

Overall Programme Performance	2016/17 Annual Budget	Target YTD	Actual YTD	YTD Target %	% Actual / annual budget
		R' 000	R'000	%	%
Overall Programme Performance	1 705 000	1 620 000	1 396 628	95%	82%
Additional Projects	62 458	-	54 193	-	-

Overall Programme with Additional Projects Performance	1 767 458	1 620 000	1 450 821	95%	82%
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Table 49: JDA Financial Performance

JDA received additional capital budget during the mid-year adjustment process of R62.4 million, of which Capex expenditure comprised R54.2 million. The JDA spent R1.39 billion of its capital budget of R1.7 billion.

Per Programme Performance	2016/17	Actual YTD Expenditure	% Actual / annual budget Expenditure
	Annual Budget		
	R' 000	R' 000	%
Programme 1: Inner City transformation	217 612	186 180	86%
Programme 2: TOD Node developments	491 905	355 454	72%
Programme 3: GMS Priority development	197 166	136 821	69%
Programme 4: Greenways	707 017	653 033	92%
Programme 5: Alexandra Renewal Project	81 300	55 154	68%
Programme 7: Administrative	10 000	9 986	99%
Total	1 705 000	1 396 628	82%
Additional Projects	62 458	54 193	87%

Table 50: JDA 16/17 Budget

The capital expenditure of the JDA in 2016/17 was R1.39 billion, comprising 82% of the total annual budget against a target of 95%. JDA's primary source of operating revenue is the 5% development fee charged against all capital expenditure.

Employee Relations

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
	Top management	1	0	0	0	0	0	0	0	0	
Executive Management	2	0	0	2	1	0	0	0	0	0	5
Senior Management	5	1	1	2	7	0	2	0	0	0	18
Professionally qualified and experienced specialists and mid-management	12	0	0	1	13	2	1	2	0	0	31

Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	7	0	0	0	19	1	2	1	0	0	30
Semi-skilled and discretionary decision making	1	0	0	0	2	0	0	0	0	0	3
Unskilled and defined decision making	2	0	0	0	4	0	0	0	0	0	6
TOTAL PERMANENT	30	1	1	5	45	3	5	3	0	0	94
Temporary employees	1	0	0	0	1	0	0	0	0	0	2
GRAND TOTAL	31	1	1	5	47	3	5	3	0	0	96

Table 51: JDA Employees

With regard to race and gender breakdown, 81% of JDA’s employees are black and 45% are female; 30% of executive and senior management positions are held by black women. The company also has employees with physical disabilities, exceeding the CoJ’s strategic target of 2% by 0.3%. The agency is committed to improving the representation of people from designated groups across all occupational categories.

Joburg Market

Joburg Market is the largest fresh produce market in Africa, in terms of both volume and value. It provides an assortment of produce, including fish, vegetables, meat and general groceries, most of which are on sale to the public at wholesale prices. On an average trading day, Joburg Market services 35 000 people – with traffic including 3 500 pedestrians, 2 900 trucks and 5 000 light motor vehicles – and makes an estimated 16 000 sales transactions. Trade in the Joburg Market takes place using a commission-based system in three food hubs. The company’s operations are aligned with the City’s GDS 2040 and four of the Mayoral Priorities listed in the IDP, which speak to ensuring financial sustainability and resilience, support for SMMEs as well as for poor and indigent individuals, agriculture and food security, and the prioritisation of corruption and fraud as “public enemy number 1”.

Highlights

- A benchmarking exercise was initiated.
- The feasibility study into the utilisation and optimisation of the 24-hectare vacant land on the southern side of JM, and the development of an agro-processing hub has been concluded.
- An Agricultural Sector Education Training Authority-accredited training programme for emerging farmers was implemented.
- JM prepared and presented a report on the impact of inflation on business, which provided clarity on issues raised with regard to inflation and performance of the JM.

Summary of Performance

In 2016/17, JM exceeded the SDBIP target by supporting emerging farmers to gain 10.1% (market share) volume of produce traded. This number will grow in future as more urban farmers are introduced in other regions of the City.

Performance against IDP targets

IDP Programme	KPI	Baseline	2016/17 Target	Cumulative Achievement
Urban farmers support	% growth in market share of emerging producers	6%	8%	Target achieved and exceeded. 10.1% market share has been acquired at JM by emerging producers

Table 52: Joburg Market Performance against IDP Target

Financial Performance

The market's overall financial performance for the period that ended 30 June 2017 was satisfactory, and revenue performed marginally above target earlier in the year as a result of the oversupply of staple products such as potatoes and onions. However, the rise in supply of produce had a negative effect on prices. In the year under review, JM achieved a turnover of R6.787 billion against a targeted turnover of R6.9 billion, while the fresh produce throughput grew marginally by 1.23% to 1.311 million metric tons of fresh produce sold.

During this period, the average price per kilogram dropped from R5.23 to R5.18. At a turnover of R6.787 billion and a throughput of 1.311 million tons, the company reflects a growth of 0.16% and 1.23%, respectively, in turnover and mass compared to the previous year's performance. The table below depicts the statistical, comparative and year-on-year analyses of the sales performance of JM.

Financial Performance

	Turnover (R'000)			Mass ('000 Tons)			R/kg		
	FY16/17	FY15/16	Growth	FY16/17	FY15/16	Growth	FY16/17	FY15/16	Growth
Potatoes	2 205 748	2 268 613	- 2.77%	610	592	3.08%	3.61	3.83	- 5.68%
Fruit	2 152 552	2 107 484	2.14%	268	292	- 8.14%	8.02	7.21	11.19 %
Vegetables	2 429 106	2 400 719	1.18%	432	411	5.24%	5.61	5.84	- 3.86%
Total	6 787 406	6 776 816	0.16%	1 311	1 295	1.23%	5.18	5.23	- 1.07%

Table 53: Joburg Market Financial Performance

JM's revenue contributions from rental income, cold storage and banana-ripening facilities, as well as interest received, were 10%, 2% and 4%, respectively, with the remaining 1% of revenue coming from other sources.

The revenue posted by JM for 2016/17 amounted to R 415.2 million, an increase of 2.4% in comparison to the R405.6 million for 2015/16. Revenue was 1.2% below the budgeted R420.1 million for the year under review. The entity recorded a commission income of R342.5 million, representing a 2.9% decrease against

the revised budget. The commission income contributed 82% of the total revenue of JM, reflecting a 1% increase from R340 million in 2015/16.

The 2016/17 surplus of R76.7 million was R2.7 million higher than the R74 million recorded for the year that ended 30 June 2016, representing an increase of 4%. This increase was mainly attributable to the R9.7 million increase in revenue in 2016/17 in comparison to 2015/16, offset by the decrease in expenditure of R3.3 million and an increase of R12.4 million in loss of disposal of assets.

JM managed to spend R29.8 million of its total budget of R74.2 million. This represents an overall Capex spend of 40% for 2016/17.

Employee Relations

Description	2016/17			
	Approved No. of Posts	No. of Employees	No. of Vacancies	% Vacancies
Top management	1		1	100
Executive management	5	4	1	20
Senior management	18	15	3	16.6
Middle management	34	26	8	23.5
Skilled technical/junior management	107	74	33	30.8
Semi-skilled	187	168	19	10.2
Unskilled housekeepers	44	40	4	9.1
Total	396	327	69	17.4

Table 54: Joburg Market Employees

As at end of 2016/17, JM had 66 vacancies (17.4%) against the establishment of 396 positions in the organisational structure. JM has had two senior and key positions vacant for the past two years. The process of filling these critical vacancies of CEO and CFO was initiated after Board approval was granted in March 2017. The process of appointing staff for these positions could not be finalised before end of the period under review, and is expected to be finalised in the first quarter of the new financial year. As a result of budgetary constraints, JM is filling vacancies through a phased approach. In the current financial year, 17 critical positions were advertised in key strategic, statutory/compliance, key operational, and revenue-generating units.

Metropolitan Trading Company

Metropolitan Trading Company (MTC) was re-established as a Broadband Network Municipal Entity. The company is an open-access fibre operator designed to address the challenges of limited internet by providing free Wi-Fi hotspots and connections to libraries and clinics, as well as high-speed and high-quality bandwidth required by business, public institutions and citizens.

Highlights

- Providing CoJ Site Connectivity – 147 sites within the city have been provisioned and are active. Current interconnectivity between key city buildings was upgraded from 1G to 10G.
- Supporting SMART City and Innovation initiatives –40 clinics have been connected to support the EHealth project.
 - Bespoke solution supporting JMPD's IIOC connectivity needs designed and implemented
 - Engaged BRT on network redundancy
- Providing commercial fibre connectivity services – MTC continued to service current clients including MTN, Internet solutions, Jasco, Metro Fibre Networks, Link Africa and Cool Ideas.

Summary of Performance

A critical element of MTC operations is the ongoing maintenance and rehabilitation of the network. The current MTC network provides connectivity across the seven regions in the city to 147 City buildings. There is a need to expand the network to reach a further 181 buildings, which requires the completion of the core network. MTC has focused on providing the following network services to CoJ, beginning in the last quarter of the 2016/17 financial year:

- Fibre access
- Metro Ethernet access
- Managed Ethernet sites

The lack of maintenance performed on the network assets resulted in high expenditure on repairs, complaints from key customers and the cancellation of links by unsatisfied customers, and had a negative impact on the company's ability to meet its performance targets. MTC had set a target to rehabilitate 90 networks but managed to achieve only 20 work completion orders. MTC completed 147 connectivity site access work completion orders against a target of 400. The targets for Ethernet access, managed Ethernet sites targets and transition service were not met because the company experienced difficulties in hiring permanent staff, but plans to find creative ways to deliver these services to clients in the following period.

The objective of external connectivity for 2016/17 was linked to MTC's ability to effectively deliver wholesale services effectively at reduced prices to commercial entities. External revenue is generated from a combination of private sector companies and public-sector entities that can purchase services from MTC for resale. The revenue relates to the number of sites connected. However, MTC does not know what assets it owns, who has access to them or what condition its assets are in. This made it challenging to attract revenue and deliver services to external clients, resulting in poor performance in the area of external connectivity.

An important role of MTC is to support the City's Smart City initiatives. Connectivity is a critical enabler for e-health, transport and community development programmes. The company is expected to provide connectivity through its fibre network to these programmes, and support access network projects through the delivery of Wi-Fi. The role of MTC in developing the City's economic activity to reach 5% growth by 2021 involves providing broadband access; partnering with existing developmental programmes in the ICT sector; and developing local businesses in the ICT sector. The targets for development programmes targets were not met for the period under review largely because the supply-chain division did not have properly constituted bid committees and did not comply with policy. The finance and operations divisions also experienced

challenges in delivering on their mandates, resulting in management reviewing business processes in order to stabilise the company.

Performance against IDP Targets

The key performance indicators for the year under review have not been achieved because the entity did not have the tools to measure its achievements and report against the scorecard. However, the company has set out in a new direction with a new business plan that focuses on its commercial viability. The new digital strategy intends to secure the MTC as the preferred supplier for all ICT-related services in the City. Revenue estimated at R140 billion has been secured for the next three years from BRT route management and Metrobus for internet connections, and from the JMPD for CCTV cameras and fibre management.

IDP Programme	KPI	Target	Actual
Increased competitiveness of the economy	Network capital projects (kilometres)	90	20
Reduced cost	Internal connectivity (number of sites)	400	147
Increase economic growth	External connectivity (number of sites)	23	0
A "Smart" City that delivers in an efficient and reliable manner	Smart City Support (number of projects and access points)	12 (projects)	0
		300 (access points)	0
Promotion of and support for small businesses	Development programmes (number of programmes and suppliers)	51	6

Table 55: MTC Performance against IDP Target

Financial Performance

The company is insolvent as a result of its liability exceeding its assets by an amount of R242 618 (R265 214). This is mainly due to a loan received from a shareholder to enable the company to acquire the broadband network. This loan has not been repaid to date and is attracting interest at 8.81% per annum. The first repayment is due in September 2018. The shareholder has provided the company with a letter of guarantee. In addition, a loan of R1.3 billion from a shareholder remains unserviceable in its current form because the loan did not go through the necessary checks and balances prior to being granted to MTC. This has put extreme pressure on the company's balance sheet.

The operational results of the year under review indicate the company ended the financial year with a surplus of R22.6 million in comparison to a loss of R54 million incurred in the previous period. This surplus is mainly due to a subsidy received from the City coupled with under-spending, mostly on compensation of employees. The reduction in spending was a result of a moratorium placed on hiring. MTC has also struggled to recover monies from related party creditors, resulting in a negative working capital cycle. Although MTC had a positive bank balance as at 30 June, this resulted from the subsidy the company received.

MTC's financial health is precarious mainly because of business practices that have resulted in difficulty in collecting revenues, particularly from internal clients. The company has been largely dependent on the shareholder grant since its inception. As a result, many of its KPIs for 2016/17 were not achieved. Secondly, it did not have the tools to measure its achievements, leading to difficulties in reporting against the scorecard.

The company generated cash flows of R210 million in the form of a loan to the shareholder, resulting in an increase in shareholder loans during the year under review. This was due to the company's inability to spend its budget during the year as a result of the moratorium placed on it by the shareholder. At the end of 2016/17, the moratorium was pending the conclusion of both the feasibility study and the forensic investigation.

Employee Relations

The Metropolitan Trading Company (SOC) Limited Vacancies Year End June 2017					
Business Area	No. of Positions Structure	Filled	Acting	Vacant	%
Office of the Executive	5	1	1	4	80%
Legal & Governance	8	2	1	6	75%
Corporate Services	6	2	3	4	67%
Financial Services	8	2	2	6	75%
Business Development	4	0	1	3	75%
Network Operations	33	7	1	26	79%

Table 56: MTC Employees

MTC seconded management personnel from the City. It did not appoint anyone to a senior management position during the period under review. Changes in the executive management team also led to instability and low morale, and had a negative impact on the business operations. A feasibility study was conducted to establish the viability of MTC, placing significant strain on the company in terms of entering into long-term contracts, hiring key personnel and business operations, which resulted in a lack of clear separation of duties for staff.

Community Development Services

The City delivers community services through the Department of Community Development, focusing on the provision of services and programmes to support sporting, recreation, library and information services, and the arts, culture and heritage disciplines. The City also provides access to various community-based facilities including: multi-purpose centres; sporting grounds; museums; and public space enhancements such as public art and monuments. Community development services target various groupings in the City's regions: children, the youth, older persons, women, orphans and vulnerable children. Community development services contribute to the City's strategic objective of improving the quality of life for all; and development-driven resilience for all.

Summary of Performance

The City exceeded the target of 4 million users of sport and recreation facilities, and recorded more than 500 000 instances of use of community swimming pools during the 2016/17 swimming season (Sept 2016 – March 2017). More than 50 senior citizens clubs operated weekly across the City to give senior citizens the opportunity to do physical exercise, access support groups and services, and socialise with their peers. This

not only increases the elderly's quality of life, but also stimulates socialisation and social cohesion among these people.

The City proudly co-hosted the 5th International ACSA Wheelchair Tennis Tournament at the Standard Bank Arena this year, in which eight countries were represented. The Global Sport International Tournament, the Arnold Schwarzenegger Games, was hosted successfully in the City, promoting 18 different sporting codes. Annual events such as the 94.7 cycling race, 702 Walk the Talk, international rugby and football games at Ellis Park and FNB Stadium are hosted monthly at City facilities.

The CoJ increased its basket of services during the financial year. The tariff structure was adapted to provide easier access to communities by reducing entrance fees to swimming pools, allowing youth groups and clubs free access during off-peak hours, and increasing partnership agreements to allow community-based programmes free entry to City facilities.

During 2016/17, the City's library services as well as educational and developmental programmes were delivered in the 87 facilities across the CoJ and used by more than 5.7 million times. The availability of free Wi-Fi in libraries encouraged community members to use the internet via their own devices, which further increased the usage. Data allocation per user was initially set at 100MB per day, and was increased to 300MB per day in February 2016. The total number of individuals accessing the eLearning programmes in 2016/17 was 134 386. The eClassroom service provision continues to be the highlight of the year, recording a total of 11 675 new registrations for 2016/2017. In the area of the live arts, the Arts Alive Festival continues to be a major platform for promoting the creative industries in the month of September, which is also Heritage Month. Following on after the Arts Alive Festival is the Joburg Carnival to mark the end of the year. The Joburg Carnival is yet another platform for unearthing new talent. Heritage plaques were installed and unveiled at the following sites in 2016/17:

Heritage Plaques

NAME OF BLUE PLAQUE SITE	ADDRESS	INSCRIPTION
36 Houghton Drive	36 Houghton Drive, Houghton Estate	36 HOUGHTON DRIVE Designed in 1919, this is one of a pair of buildings (stands 1123 and 1125) with fine craftsmanship in the Arts and Crafts manner, attributed to the architect Piercy Patrick Eagle and commissioned by the original owner P.W. Mckie. A Transvaal government architect from 1904-1920, Eagle designed public buildings including Jeppe Boys High school and King Edward VII High School.
Lindfield House Museum	72 Richmond Avenue, Auckland Park.	LINDFIELD VICTORIAN HOUSE MUSEUM Filled with memorabilia amassed by generations of women, the museum was founded by Katharine Love from a collection of Victorian and Edwardian furniture, household and decorative items typical of middle class professional people of the time. The collection is housed in a 1910 residence from the Herbert Baker School of Architecture, with additions by A.J. Marshall and Nelly Edwards, the first known woman architect in Johannesburg.
Newclare Primary School	70 Welman Avenue, Newclare, Randburg	NEWCLARE PRIMARY SCHOOL Established in 1908 by the Founders' Memorial Congregational Church with only nine pupils, and expanded in 1913, this dual-medium school was the first in the Transvaal for coloured children. It was taken over by government in 1917. By 1960 it was the biggest school in South Africa. With a staff of 64 teachers, the principal, CJ Botha, ran a platoon system of two sessions a day.

Kingsway Mansions	41 Henley Road, corner of Kingsway Avenue, Newclare	KINGSWAY MANSIONS This landmark building is a fine example of residential units of the late 1920s, featuring Cape Dutch and classical design elements in the decoration of the gables and balconies. Tenants included members of the Johannesburg Country Club, and show-business personalities involved in radio and later TV productions. The architect was P. Rogers Cooke, who went on to design major Art Deco buildings in central Johannesburg, and theatres around the country.
Turffontein Race Course	14 Turffontein Road, Turffontein.	TURFFONTEIN RACE COURSE The Race Course was established in 1892 and the foundations for the original grandstands were laid in 1893. From 1897, the Turf Club pegged the entire course for mining, and gold was mined at 1.5km below the race course, while racing continued unabated on the course. During the South African War of 1899 – 1902, it was closed to be used as the biggest concentration camp in the Transvaal, accommodating over 5 000 Boer women and children.
Jake Tuli House	No. 28 Crestum Drive, Noordgesig. Stand 590 Noordgesig (old stand no. 452).	TULI HOUSE Jake Tuli (born Jacob Tuli, 1929-1998) was a South African professional fly, bantam and featherweight boxer. He was a British Empire flyweight titleholder, making him the first black South African to hold an Empire Championship title. He also held the Transvaal (non-white) bantamweight title, and South African (non-white) title. For Nelson Mandela, Tuli was simply “our greatest hero”. Tuli was posthumously awarded the Order of Ikhamanga in Silver.
Seth Mazibuko House	1806 Msimango Street, Orlando East, Soweto.	SETH MAZIBUKO HOUSE This site was a base for planning struggles against apartheid. It remained under surveillance by the Security Branch during and after June 1976. It was here that Seth Mazibuko, the youngest member of the Student Action committee, was arrested in July 1976, aged just 16. He was held in solitary confinement for 11 months at The Fort prison, in Braamfontein. Seth was then charged, tried and sent to Robben Island for seven years where he completed his matric in English and obtained his B.Ed. degree.

Table 57: Heritage Plaques

Employee relations

OCCUPATIONAL LEVELS	MALE				MALE TOTAL	FEMALE				FEMALE TOTAL	TOTAL
	A	C	I	W		A	C	I	W		
Top management						1				1	1
Snr management	10	1		2	13	5			3	8	21
Professionals and mid-management	19	1	2	4	26	24	4	3	13	44	70
Skilled and junior management	136	26	6	14	182	191	11	1	41	244	426
Semi-skilled	170	24	4	9	207	140	26	12	19	197	404
Unskilled	243	13	2	2	260	230	14		3	247	507
Temp	24			2	26	25	1	1	3	30	56
Grand total	602	65	14	33	714	616	56	17	82	771	1485

Table 58: Community Development Employees

Joburg City Theatres (JCT)

The City of Johannesburg operates the Joburg Theatre (Braamfontein), Roodepoort Theatre and Soweto Theatre through Joburg City Theatres as part of becoming an internationally recognised centre of excellence in the provision of world-class theatre entertainment to residents of Johannesburg.

Highlights

- 99% Capex spent from its allocated budget, which amounted to R6 183 000
- 66% spend on SMMEs, exceeding the annual target of 30%
- 92% of service delivery performance targets achieved
- Hosted Joburg International Arts Alive Festival on behalf of the City, which attracted about 24 000 people
- Presented mixed programming to attract new audiences and improve occupation of the venues, by launching the following flagship programmes
 - Soweto Theatre: A Tribute to the Manhattan Brothers
 - Mandela Theatre: Robin Hood and the Babes in the Wood
 - Roodepoort Theatre: The Big Bad Musical
- Successfully implemented the Newtown New Year's Eve Countdown and Carnival on 31 December 2016, to an audience of more than 30 000 people
- Achieved an unqualified audit opinion with no findings for the past three years

Summary of Performance

JCT achieved 22 out of its 25 performance targets for the period under review, representing an achievement of 92%. JCT produced 15 arts and cultural festivals in-house, offered 40 183 discounted tickets to learners, 12 095 tickets to disadvantaged communities and 7 233 discounted tickets to senior citizens. These activities were carried out in an effort to increase the accessibility of the theatres to build audiences in future years, and ensure that Joburg residents benefit from cultural experiences and opportunities.

Making the theatres available to learners is one of the strategic pillars of JCT to build future audience and contribute to the City's overall strategic thrust of building better communities. JCT plays a critical role in building social cohesion through arts and entertainment and ensuring, through partnerships with theatres in South Africa and THE African Diaspora, that more African stories are told.

JCT received a clean audit report for 2016/17 and spent 99% of its Capex budget. The entity has also exceeded targets in its drama and music tuition programmes. The company produced 70 new jobs and created 13 EPWP jobs. 47% of the entity's procurement spend went to women suppliers, while 12% of procurement spend went to youth suppliers.

Financial Performance: JCT

In 2016/17, JCT spent R152.4 million compared to R143 million in 2015/16. Income decreased by 3% to R68.1 million compared to R69.9million in the previous period. The total surplus for 2016/17 was R7 million. The entity generated revenue through:

- Ticket sales from in-house productions: R6.9 million
- Theatre rentals: R7.5 million
- Sponsorship from Department of Arts and Culture: R800 000
- Ticketing services: R1.1 million
- Retail income from hospitality, bars, restaurants, refreshments and merchandise: R21.9 million

- Interest earned: R4.6 million
- Other income: R12.1 million

The calculation for earned income excludes the City of Joburg subsidy of R94.1 million. During the year under review, earned income decreased by 3% to R68.1 million, as compared to the previous year (R69.9 million). This performance is attributable to the interest revenue, hospitality and catering, and management and ticketing fees. Expenditure totalled R152.4 million, an increase of 7% as compared to the previous year (R143 million).

	FY 2017	FY 2016	FY 2015	Movement
Assets				
Current assets	29 362 415	24 771 108	20 065 810	↑
Non-current assets	12 915 618	12 591 082	13 532 648	↑
Total assets	42 278 033	37 362 190	33 598 458	↑
Liabilities				
Current Liabilities	15 399 376	20 226 815	15 658 230	↓
Noncurrent liabilities	4 421 340	1 693 222	2 089 271	↑
Total Liabilities	19 820 716	21 920 037	17 747 501	↓
Net Assets	22 457 317	15 442 153	15 850 957	↑
Net Assets				
Share capital	10	10	10	↔
Investment	1 784 049	1 784 049	1 784 049	↔
Accumulated surplus	20 673 258	13 658 094	14 066 898	↑
Total Net Assets	22 457 317	15 442 153	15 850 957	↑

Table 59: Joburg city Theatres Financial Performance

Both liquidity and solvency ratios have increased, by 36% (from 1.22:1 in the previous year to 1.91:1 in the current year) and 25% (from 1.70:1 in the previous year to 2.13:1 in the current year), respectively, year on year. Current assets increased 19% year on year while current liabilities decreased by 24%. Total assets increased 13% year on year, while total liabilities decreased by 10%.

Capital Expenditure

Project	Expenditure (VAT Excl)	Budget After Adjustment	Available Balances
Joburg Theatre			
Building Renovations	2 264 467.22	2 278 261.50	13 794.28
Upgrade of Stage Machinery	697 570.41	700 000.00	21 126.22
Upgrading of technical equipment	748 765.85	750 000.00	1 234.15
Information technology	146 331.80	150 000.00	3 668.20
Total - Joburg Theatre	3 857 135.28	3 878 261.50	21 126.22
Roodepoort Theatre			
Building Renovations	299 884.19	300 000.00	115.81

Upgrading of technical equipment	715 070.26	720 000.00	4 929.74
Total - Roodepoort	1 014 954.45	1 020 000.00	5 045.55
Soweto Theatre			
Building Renovations	792 123.95	797 000.00	4 876.05
Upgrading of technical equipment	397 425.63	400 000.00	2 574.37
Total - Soweto	1 189 549.58	1 197 000.00	5 045.55
Hospitality and Catering Department			
Building Renovations	87 738.50	87 738.50	-
Total Hospitality and Catering	87 738.50	87 738.50	-
Total CAPEX JCT 2016/17	6 149 377.81	6 183 000.00	33 622.19

99%

Table 60: Johannesburg City Theatres Capital Budget Performance

Joburg City Theatres spent 99% of its Capex budget of its allocated budget, which amounted to R6 183 000 in the period under review. All the company's capital projects were completed within the allocated scope and budget.

Employee Relations

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1	0	0	0	3	0	0	1	0	0	5
Senior management	7	1	2	2	2	0	0	1	0	0	15
Professionally qualified and experienced specialists and mid-management	34	3	1	11	15	2	0	0	2	0	68
Skilled technical and academically qualified workers, junior management, supervisors	30	0	0	0	20	0	0	0	3	0	53
Semi-skilled and discretionary decision-making	0	0	0	0	4	0	0	0	0	0	4
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	72	4	3	13	44	2	0	2	5	0	145
Temporary employees	81	0	0	0	74	0	0	0	3	2	160
GRAND TOTAL	153	4	3	13	118	2	0	2	8	2	305

Table 61: Joburg Theatres Employees

JCT has 305 employees. The table above illustrates the entire staff complement by demographic. Job and skills development training were completed and will continue on an ongoing basis. The entity's employment equity programme was progressive and exceeded most of the targets set, with the exception of the target of 2% employment for people with disabilities.

With the recent integration of the three theatres, it became apparent that there is still some work to be done to achieve gender equity. The company plans to promote equal opportunity and fair treatment to balance

employment equity within the company by giving preference to females in middle, senior and executive management posts when they become available.

Johannesburg City Parks and Zoo (JCPZ)

Through Johannesburg City Parks and Zoo, the City develops, maintains and conserves public open spaces, cemeteries and animal life for present and future generations. JCPZ is mandated by the City to manage the following spaces and services: urban parks, recreation and leisure facilities; Johannesburg Zoo; zoo conservation and research; cemeteries and crematoria; botanical services; nature reserves, including bird sanctuaries, nature trails, dams and lakes; environmental education; biodiversity and conservation management; eco-tourism products and services; and trees and arboriculture services.

JCPZ in numbers:

- Approximately 3.2 million trees
- 6 603.3ha of developed parks and arterials
- 7 500ha of pavements
- 174ha of water surfaces
- 15 bird sanctuaries on 366ha
- 35 cemeteries on 1 088ha
- 22 nature reserves on 1 203ha
- 2 343 parks
- 1 302 specimens

Highlights

- JCPZ achieved 96% service delivery KPI on its corporate scorecard.
- It generated R93.5 million in revenue.
- 2 405 EPWP jobs were created in 2016/17.
- Through environmental awareness, food security and capacity-building programmes and projects, 17 082 beneficiaries were reached.
- 2 846 ornamental trees were planted in 2016/17, exceeding the target of 2 500, and 1 319 fruit trees were distributed.
- As part of the Climate Change Resilience and Environmental Protection programme, JCPZ cleared 235ha of alien plant and invasive species against a set target of 175 ha.
- It developed and empowered 37 co-operatives, in line with the City's commitment to address issues of inequality, unemployment and poverty. The number is set to increase in the next financial year.
- An outdoor gym was installed at Pieter Roos Park, donated by 702 Walk the Talk.
- Wi-Fi was installed at the Johannesburg Zoo; Zoo Lake; Thokoza Park; Metro Park, which included installation of smart benches; and George Hay Park.
- 22 554 learners and teachers were reached through school-aligned environmental education.
- 23 470 beneficiaries were reached through the Masibambisane project, exceeding the target of 20 000.
- Conservation advert, "If One Dies, Another Species Thrives", won 2 Bronze Lion Awards for the City of Johannesburg at this year's Cannes Lions Festival in France.

- The poster series featuring a frog, snake and bat was awarded Bronze in the Outdoor category for thought-provoking billboards and street posters.
- JCPZ, in collaboration with Gijima Technologies, Johannesburg Road Agencies, Joburg Water, City Power and the regional office, revamped the Eyethu Care Centre in Soweto.
- The Braamfontein Spruit Management Plan has been completed.

Summary of Performance

In 2016/17, JCPZ achieved a performance of 96% against its KPI targets as a result of the entity's sound project management, good governance and solid compliance policies. City Parks has a responsibility to educate and create awareness within the community about the environment. By encouraging the community to engage in activities that promote positive behaviour towards the environment, City Parks aimed to decrease the carbon footprint of the City. JCPZ exceeded its targets for the Greening the City initiative, planting 2 751 ornamental plants in the year under review against a target of 2 500. Conservation maintenance is another area in which the JCPZ outperformed on its target of cleaning 50 ha of alien vegetation, managing to clean an entire 235ha of alien plants.

A number environmental awareness campaigns were undertaken in the previous financial year, reaching a total of 17 082 beneficiaries through school programmes, 22 554 learners and educators through curricular-aligned environmental education, and 23 470 individuals through the Masibambane programme, resulting in an overall number of 63 106 beneficiaries reached.

Also, in line with JCPZ's supply chain management policy, 37 co-operatives were established, in which women and people with disabilities were encouraged to participate to be trained and up-skilled on business ownership. Participants were later allowed to tender for jobs with the entity, thereby boosting local economic development.

Performance against IDP Targets

Service Objectives	KPI	2015/16		2016/17		2018/19	2019/2020
		TARGET	ACTUAL	TARGET	ACTUAL	TARGET	TARGET
Service delivery	Number of maintenance cycles at flagship facilities	7 day cycle	6 day cycle	48	51	48	48
Greening the City	Number of ornamental trees planted	5 000 trees	7 121 trees	2 500	2 751	2 500	2 500
	Number of fruit trees distributed	3 000	3 779	1 000	1 205	1 000	1 000
Education and learning	Number of individuals reached through the Masibambane programme	16 000	26 897	20 000	23 470	Not in the 2018/19 corporate scorecard	Not in the 2019/20 corporate scorecard
Conservation areas maintenance	Number of hectares cleaned from alien vegetation	50ha	369ha	50ha	235ha	50ha	50ha
Long and healthy life for all	Number of walks in a safe, friendly environment in order to promote a healthy lifestyle to the citizens of the CoJ at the Zoo	24 walks	25 walks	24	26	Not in the 2018/19 corporate scorecard	Not in the 2019/20 corporate scorecard

Table 62: JCPZ Performance against IDP Targets

Financial Performance

Description	2016/17 Actual	2016/17 Budget	2016/17 Variance	2016/17 % Variance	2015/16 Actual	2015/16 Budget
	R'000	R'000	R'000	R'000	R'000	R'000
Employee-related costs	474 510	493 207	18 697	4%	451 238	493 207
Debt impairment	19 008	9 389	(9 618)	(102)%	5 518	9 389
Repairs and maintenance	20 141	32 748	12 607	39%	24 694	32 748
Depreciation	26 735	27 649	914	4%	22 853	27 469
Contracted services	44 566	40 882	(3 684)	(9%)	42 105	40 882
Other expenditure	264 120	219 383	(44 737)	(20%)	259 703	219 215
Internal charges	10 777	16 380	5 603	34%	13 713	16 380
Total expenditure	R859 857	R839 638	(20 218)	(2%)	819 824	R839 290

Table 63: JCPZ Financial Performance

The entity had an overall budget of R954 million for 2016/17, of which R839.4 million was for operational expenditure and R104.6 million was for capital expenditure. Total expenditure amounted to R857.6 million (102% of the budget). R93.5 million in revenue was generated against a target of R101 million.

Capital Expenditure

Capital Projects and Project Scope	2016/17				Total Project Value R'000
	Budget R'000	Adjustment Budget R'000	Actual Expenditure R'000	Variance from Original Budget R'000	
Total All	82 970	104 570	99 513	5 047	99 513
Louis Botha – TOD (CoJ) – Park Upgrade	3 000	3 000	3 000	0	3 000
IT equipment (CoJ) – IT equipment	1 500	1 500	1 519	(19)	1 519
Buildings (CoJ) – Buildings	1 000	1 000	1 233	(233)	1 233
Moletsane Park – Park upgrade	1 000	1 000	995	5	995
Inner City Parks (CoJ) – Park upgrade	6 000	6 000	5 996	4	5 996
JHB Botanical Gardens (CoJ) – Infrastructure Upgrade	2 000	2 000	2 000	0	2 000
Patterson Park – Park upgrade	4 000	4 000	4 000	0	4 000
Stretford Park – Park development	4 000	4 000	4 000	0	4 000
Olifantsvlei Cemetery (USDG) – Cemetery development	10 000	31 600	28 143	3 457	28 143
Road Islands Beautification (CoJ) – Infrastructure upgrade	1 000	1 000	964	36	964
Lenasia Cemetery – Infrastructure upgrade	500	500	500	0	500
Pioneer Park – Park upgrade	10 000	10 000	10 000	0	10 000
Westdene Park – Park upgrade	11 970	11 970	10 735	1 235	10 735
Oppenheimer Towers – Jabavu – Park development	1 000	1 000	983	17	983
Zoo – Animal purchases	2 000	2 000	1 947	53	1 947
Zoo – Parking area development	20 000	20 000	19 555	445	19 555
Zoo – Buildings	4 000	4 000	3 943	57	3 943

Table 64: JCPZ Capital Expenditure

The budget for Capex was adjusted by R21.6 million, increasing from R83 million to R104.6 million due to the approval of a rollover for the Olifantsvlei Cemetery development. JCPZ spent R68.5 million of the adjusted total, representing under-spending of 45%. To upgrade parking at the Joburg Zoo, JCPZ spent R19.56 million. The Zoo also spent R3.94 million on upgrades to infrastructure. Further Capex expenditure related to the upgrading of parks, in keeping with JCPZ ethos of conserving open spaces for future generations.

Employees Relations

JOB LEVEL	2016/17				
	Employees No:	Posts No:	Employees No:	Vacancies (Fulltime Equivalent) No:	Vacancies (as a % of Total Posts)
0-3	5	7	4	3	42.86%
4-6	1681	2320	1437	883	38.06%
TOTAL	1686	2327	1441	886	38.07%

Table 65: JCPZ Employees

The company's 2016/17 staff profile for Open Spaces (including management) shows a high vacancy rate in levels 4-6. There are 19 differently abled persons employed by JCPZ, 11 of whom are female and eight male, forming 1.32% of the total workforce.

JCP & Zoo Workforce Profile

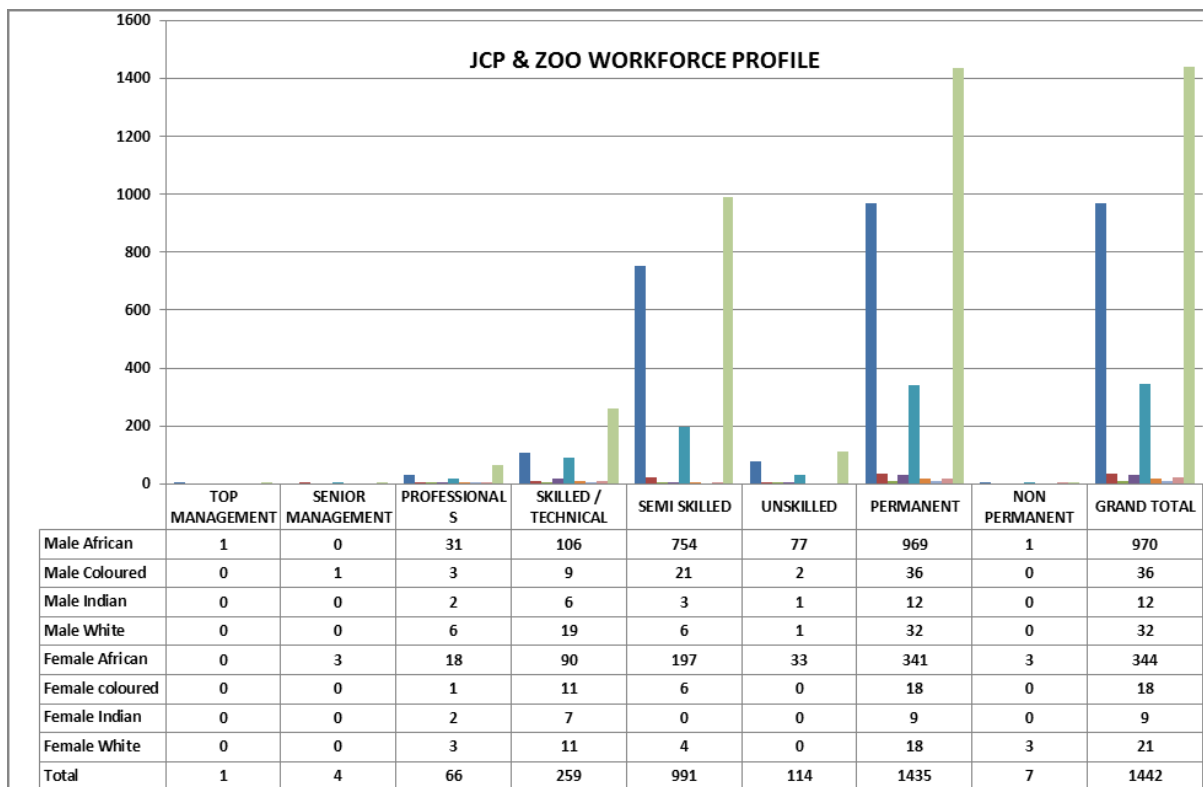


Table 66: JCPZ Workforce Profile

JCPZ's workforce is dominated by African males. This is the result of the entity's core business being of a physical nature, and traditionally physical labour activities have been seen as the domain of African males in our society. Major strides have been made by the company to address this and hire more females.

Public Safety

The City of Johannesburg strives to build caring, safe and secure communities through the work of Johannesburg Metropolitan Police Department (JMPD) and the emergency medical, fire and rescue management services of Emergency Management Services (EMS).

Summary of Performance

The table below outlines the 2016/17 service delivery levels for security and safety services of the Metropolitan Police Service (Metro Police). The Metro Police almost doubled the number of priority bylaws infringements attended to, in line with the Department's strategic objectives of increased bylaw compliance. The number of active police officers on duty remained the same as in the previous year. However, there was an increased budget allocation to train an additional 1 500 Metro police recruits for visible policing initiatives in identified areas in 2017/18.

	Details	2015/16 Actual No.	2016/17 Actual No.
1	Number of road traffic accidents during the year (serious accidents)	2 047	2 107
2	Number of priority by-law infringements attended	9 772 (4 382 illegal street trading 2 506 Illegal advertising 2 434 Illegal dumping)	16 546 (6 567 illegal street trading 4085 illegal advertising 5 894 illegal dumping)
3	Number of police officers in the field on an average day	796	796
4	Number of police officers on duty on an average day	796	796

Table 67: Service Delivery Data

The table below outlines the 2016/17 Licensing Service transaction performance. The increase in year-on-year numbers of driver's and learner's licence applications, and the number of licence cards issued, is in line with the strategic objective of compliance to traffic regulations to ensure road traffic safety.

Transaction	2009/10	2010/11	2011/12	2012/13	2013 /14	2014 /15	2015/16	2016/17
Learner's Licence Applications	96 373	107 368	120 063	122 318	123 626	99 136	105 541	115 062
Driver's Licence Applications	74 921	93 146	98 338	97 786	87 835	85 650	79 790	93 603
Professional Driving Permit Applications	37 428	36 860	41 461	30 186	29 611	26 099	26 351	20 192
Roadworthy Applications	13 218	15 687	9 662	1 945	1 925	3 707	7 216	9 066
Driver's Licence Cards Issued	204 073	205 071	216 129	270 284	265 608	175 903	127 830	174 079
Vehicles Registered	550 441	585 016	680 589	711 994	742 068	786 440	772 755	728 236
Vehicles Licensed	1 536 599	1 577 238	1 651 891	1 252 804	1 776 160	1 377 046	1 912 789	1 889 274

Vehicles Deregistered	30 310	24 570	24 650	23 002	18 864	15 218	12 647	12 401
Police Clearances	25 340	22 970	19 884	18 793	10 813	25 593	20786	21 376
Duplicate Registration Certificates	63 125	64 626	56 333	44 803	39 440	29 655	21071	23 544
Discontinued Notices	5 321	7 277	7 667	6 006	9 198	664	765	604

Table 68: Licensing Data

The table below outlines data for Metropolitan Fire Services in 2016/17. There was a reduction in the year-to-year number of fires attended to. However, more than double the total number of incidents were attended to, at over 240 000. The average turnout time in urban areas dropped from an 88% response within 9 minutes, to 53%.

	Details	2014/15	2015/16	2016/17	
		Actual No.	Actual No.	Target No.	Actual No.
1	Total fires attended in the year	9 547	(1 309) reduction as compared to this period in the last financial year	8 601	(946) reduction as compared to this period in the last financial year
2	Total incidents attended in the year	113 879	104 834	243 967	243 967
3	Average turnout time – urban areas	8 minutes	62.2% responded to within 9 minutes	88% responded within 9 minutes	53% responded to within 9 minutes
4	Average turnout time – rural areas	N/A	N/A	N/A	N/A
5	Fire fighters in post at year end	1 115		1 262	1 262
6	Total fire appliances at year end	102	316	102	34
7	Average number of appliances off road during the year	90	57	68	34

Table 69: Fire Services Service Delivery Data

The table below outlines Metropolitan Police Services policy objectives derived from the IDP. The Metropolitan Police met their 2016/17 target of a 5% reduction in the number of recorded road accidents, but road accident fatalities saw a 1% increase. Also, in terms of robberies and assaults in the City's areas covered by CCTV, there was only a 2% reduction, against a target of 5%.

Service Objectives/ Service Indicators	2012/13		2013/14		2014/15		2015/16		2016/17	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Reduction in road accidents	n/a	n/a	n/a	2 109 recorded accidents	5% reduction	1% increase	5% reduction	4% increase	5% reduction	5% reduction

						2 123 recorded accidents		2 211 recorded accidents		2 107 recorded accidents
Reduce assaults and robberies in areas covered by CCTV - common assault and common robbery	5%	3%	5%	23%	5%	10%	5%	25%	5%	2%
Decrease of road accident fatalities	5% reduction	6% reduction	5% reduction	18% increase	5% reduction	3% reduction	5% reduction	19% increase	5% reduction	1% increase

Table 70: Public Safety Performance against IDP Targets

The table below outlines Fire Services policy objectives derived from the IDP. In terms of building community resilience, 3 887 CERTs were created, exceeding the target of 1 600. Similarly, over 1 000 Emergency Compliance ECDs were established, against a target of 300, to create a safe and secure environment. However, only 38 School Emergency Response Teams were formed, against a target of 44.

Fire Services Policy Objectives derived from IDP

Service Objectives Service Indicators	Outline Service Targets	2014/15		2015/16		2016/17		2017/18
		Target	Actual	Target	Actual	Target	Actual	
Service Objective: The over-arching objective of this priority is the creation of a safe, secure and resilient City that protects and serves, builds, empowers and supports communities.								
Primary Based Emergency Response (CERT)	Building Community Resilience (3 000)	740	540	1 200	5 420	1 600	3 887	2 500 from 12 vulnerable areas
Support to Schools and Lifelong Learning	School Emergency Response Teams (160)	20	10	30	71	44	38	30 from 12 vulnerable areas
Creating a Safe & Secure Environment	Emergency Compliance ECDs (1 200)	200	120	300	508	300	1016	500 legally established ECDs
Early Emergency Detection & Warning	Disaster Preparedness & Evacuation (60)	10	5	15	17	20	20	

Table 72: Fire Services Policy Objectives

The table below outlines Disaster Management Services policy objectives derived from the IDP. In terms of building community resilience, the target of 1 600 CERTs was exceeded with an actual of 3 887. Similarly, over a thousand Emergency Compliance ECDs were established, against a target of 300, to create a safe and secure environment. However, only 38 School Emergency Response Teams were formed against a target of 44.

Financial Performance: Public Safety

The table below outlines the 2016/17 financial performance for Public Safety. Overall, the Department was under-budget by R318 282, with a marginal decrease in total operational expenditure.

Details	2015/16	2016/17			
	R'000	Original budget	Adjustment budget	Actual	Variance to budget
Total Operational Revenue	701 132	1 438 061	971 320	653 038	318 282
Expenditure:					
Other Employees	1 964 430	2 108 242	2 139 242	2 213 070	-73 828
Repairs & Maintenance	30 543	47 277	47 277	24 078	23 199
Other	694 029	1 150 304	994 856	670 248	324 608
Total Operational Expenditure	2 689 002	3 305 823	3 181 375	2 907 396	273 979
Net Operational Expenditure	-1 987 870	-1 867 762	-2 210 055	-2 254 358	44 303

Table 71: Public Safety Financial Performance

Capital Expenditure: Public Safety

The table below outlines 2016/17 capital expenditure for Public Safety. Capital expenditure includes spend on projects as well as safety equipment, repairs and upgrades.

PROJECTS	ADJ BUDGET R'000	ACT EXP R'000	COM EXP R'000	YTD EXP R'000	BAL OF BUDGET R'000	% EXP TO DATE
IOH	15 000 000.00		14 690 240.34	14 690 240.34	309 759.66	98%
Operational Capital (51 3815)	1 300 000.00	121 990.05	434 734.50	556 724.55	743 275.45	43%
Refurbishment of Roodepoort Drivers	2 290 000,00		2 290 000,00	2 290 000,00	0,00	100%
Renovation & Extension of Randburg	2 294 000.00		2 294 000.00	2 294 000.00	0.00	100%
Upgrading & Improving Security	3 500 000.00		3 490 582.84	3 490 582.84	9 417.16	100%
Air Conditioners in all EMS Buildings	250 000.00		224 210.32	224 210.32	25 789.68	90%

PROJECTS	ADJ BUDGET R'000	ACT EXP R'000	COM EXP R'000	YTD EXP R'000	BAL OF BUDGET R'000	% EXP TO DATE
Bay Doors Renewal Building Alterations	3 543 000.00		3 177 511.58	3 177 511.58	365 488.42	90%
Fire Station – Central Fire Station Renovation	1 000 000.00	-138 688.63		-138 688.63	1 138 688.63	-14%
Building a New Protea Glen Fire/Ambulance		-4 850.00	4 850.00	0.00	0.00	0%
USAR Equipment – New Computer Upgrades	300 000.00			0.00	300 000.00	0%
Fire Station – Cosmo City (New)	15 000 000.00	1 096 679.37	11 246 400.00	12 343 079.37	2 656 920.63	82%
Lehae Fire Station	4 000 000.00		4 000 000.00	4 000 000.00	0,00	100%
IT Needs – New Computer Hardware (Martindale)	1 500 000.00	557 594.35	546 196.70	1 103 791.05	396 208.95	74%
Furniture & Office Equipment	3 500 000.00	72 556.55	3 229 335.58	3 301 892.13	198 107.87	94%
Wash Bay Project New Building Alteration	8 350 000.00	433 531.71		433 531.71	7 916 468.29	5%
Lehae Training Academy	3 000 000.00		3 000 000.00	3 000 000.00	0.00	100%
Ambulance Equipment Replacement Programme	8 000 000.00	1 255 585.73	4 423 237.90	5 678 823.63	2 321 176.37	71%
Equipment For Urban Search & Rescue	5 000 000.00	4 228 333.11		4 228 333.11	771 666.89	85%
Fire & Rescue Equipment	8 000 000.00	7 100 677.87	259 913.64	7 360 591.51	639 408.49	92%
Standby Generators (Current Fire Stations)	5 000 000.00	967 585.76	2 903 463.20	3 871 048.96	1 128 951.04	77%
Medical Equipment New Operational Capital	2 000 000.00	1 928 149.58	5 324.50	1 933 474.08	66 525.92	97%
Fire Protective Clothing for 150 firefighters	1 900 000.00		1 369 328.00	1 369 328.00	530 672.00	72%
Langlaagte One Stop Shop – Licensing	7 350 000.00	21 361.40	6 168 343.50	6 189 704.90	1 160 295.10	84%
Supply Firearms to JMPD New Recruits	5 800 000.00		5 380 282.87	5 380 282.87	419 717.13	93%

PROJECTS	ADJ BUDGET R'000	ACT EXP R'000	COM EXP R'000	YTD EXP R'000	BAL OF BUDGET R'000	% EXP TO DATE
Upgrading of Weighbridges at JMPD Testing	1 800 000.00		1 800 000.00	1 800 000.00	0.00	100%
Improve Area Lighting At JHB, Midrand	5 000 000.00	1 801 044.66	2 683 165.86	4 484 210.52	515 789.48	90%
Installation of CCTV Cameras at JMPD HQ	4 133 000.00	2 419 746.93	1 637 482.77	4 057 229.70	75 770.30	98%
Horse Building for Additional JMPD horse	3 320 000.00	-1 313 873.68	4 071 181.21	2 757 307.53	562 692.47	83%
Storm Water Management Renewal Drainage	5 000 000.00		5 000 000.00	5 000 000.00	0.00	100%
Dog Kennel Hospital New Building Alterations	90 000.00	-85 000.00	165 764.49	80 764.49	9 235.51	90%
Horse Boxes for JMPD Horses	486 000.00		435 681.23	435 681.23	50 318.77	90%
Dube Holding Facility New Building Alterations	4 300 000.00	3 724 870.61	575 129.38	4 299 999.99	0.01	100%
Lighting Mast At Pounds New Building Alterations	1 600 000.00	1 381 249.51	53 697.87	1 434 947.38	165 052.62	90%
By-Law Management Unit – Unit Upgrade	2 800 000.00	1 548 681.89	1 251 318.10	2 799 999.99	0.01	100%
By-Law Management Unit – Upgrade Wemmer	2 800 000,00		2 793 297,02	2 793 297,02	6 702,98	100%
By-Law Management Unit – CCTV Cameras	7 800 000.00	1 107 558.76	6 597 890.89	7 705 449.65	94 550.35	99%

Table 72: Public Safety Capital Expenditure

Performance on Planned SDBIP targets in 2016/2017

This following section reports on the Municipality's actual performance against the planned targets as derived from the Municipality's IDP and SDBIP.

Priority 1: Economic Growth, Job Creation, Investment Attraction and Poverty Reduction

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
Economic Growth, Job Creation, Investment Attraction and Poverty Reduction	1. No. of community work opportunities created city-wide	51 977 community work opportunities created city-wide	51 977 community work opportunities created city-wide	23 227 community work opportunities created city-wide	<p>Target not met</p> <p>18820 community work opportunities created city-wide. Performance was affected by compliance requirements introduced by the new reporting requirements on EPWP</p> <p>Mitigation: Monitor implementation of the community work opportunities created city-wide. Alternative models of job creation to replace previous interventions will be implemented</p>
Economic Growth, Job Creation, Investment Attraction and Poverty Reduction	2. No. of jobs created city-wide	24 802 jobs created city-wide	24 802 jobs created city-wide	25 000 jobs created city-wide	<p>Target met</p> <p>25941 jobs created city-wide.</p>
Economic Growth, Job Creation, Investment Attraction and Poverty Reduction	3. % increase in the City's GDP growth	1.6% increase in the City's GDP growth	1.6% increase in the City's GDP growth	1.6% increase in the City's GDP growth	<p>Target met</p> <p>1.6% increase in the City's GDP growth</p>
Economic Growth, Job Creation, Investment Attraction and Poverty Reduction	4. Rand value investment attraction within the City	R3,26 billion investment attraction within the City	R3,26 billion investment attraction within the City	R4billion investment attraction within the City	<p>Target met</p> <p>R4.451 billion investment attraction within the City</p>
Economic Growth, Job Creation, Investment Attraction and Poverty Reduction	5. % reduction in household food insecurity in 39 most deprived wards through enabling qualifying households	New	-	0.5% reduction of poverty in the City	<p>Target not met</p> <p>0 % reduction of poverty in the City. However 3301 households benefitted from homestead gardens and 358 households benefitted from 9 communal gardens.</p> <p>Mitigation: The City has adopted pro-poor governance that will contribute to reducing poverty and its impact in designated wards in the City</p>

Priority 2: Informal Economy, Small Micro Medium Enterprise Support

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
Informal Economy, Small Micro Medium Enterprise Support	6. % spent on Broad-Based Black Economic Empowerment procurement system for all tenders city-wide	New	-	30% spent on Broad-Based Black Economic Empowerment procurement system for all tenders city-wide	Target met 69.58% spent on Level 1 Broad-based Black Economic Empowerment procurement. This performance is based on core departments' procurements.
Informal Economy, Small Micro Medium Enterprise Support	7. No. of SMMEs supported City-wide	4 681 SMMEs supported City-wide	4 681 SMMEs supported City-wide	10 000 SMMEs supported City-wide	Target met 11619 SMMEs supported City-wide

Priority 3: Green Economy

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
Green Economy	8. % implementation of the consolidated green economy implementation plan	60% implementation of the green economy implementation plan	60% implementation of the green economy implementation plan	100% implementation of the consolidated green economy implementation plan	Target not met 72% implementation of the consolidated green economy implementation plan. Performance was affected by inadequate management of project implementation plan. Mitigation: The City's to establish of steering committee that will track the implementation of the programme.

Priority 4: Transforming sustainable human settlements

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
Transforming sustainable human settlements	9. % of households in informal settlements with	85.45% of households in informal settlements	85.45% of households in informal settlements	97.84% of households in informal settlements with access to water at minimum LoS1	Target met 97.89% of households in informal settlements with access to water at minimum LoS1

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
	access to water at minimum LoS1	with access to water at minimum LoS1	with access to water at minimum LoS1		
Transforming sustainable human settlements	10. % of household in informal settlements with access to sanitation at minimum LoS1	40.21% of household in informal settlements with access to sanitation at minimum LoS1	40.21% of household in informal settlements with access to sanitation at minimum LoS1	47.01% of household in informal settlements with access to sanitation at minimum LoS1	<p>Target not met 46.5% of household in informal settlements with access to sanitation at minimum LoS1. Performance was affected by non-award based on the technical specifications of the bids which led to contractors not commencing with installation of sanitation services.</p> <p>Mitigation: City has improved the technical specifications to enable higher compliance levels with the bid requirements</p>
Transforming sustainable human settlements	11. Number of new houses electrified city-wide	2000 houses electrified city-wide	2000 houses electrified city-wide	4 000 houses electrified city-wide	<p>Target met 4850 new houses electrified city-wide</p>
Transforming sustainable human settlements	12. Number of informal settlements electrified beneficiaries	4 of 10 informal settlements electrified beneficiaries	4 of 10 informal settlements electrified beneficiaries	4 of 10 informal settlements electrified beneficiaries	<p>Target not met 1 informal settlement electrified (Kanana Extension 7). Performance was affected by community protests which negatively affected contractor performance.</p> <p>Mitigation: Improve community engagement processes to expedite project implementation.</p>
Transforming sustainable human settlements	13. No. of social housing unit developed for the disadvantage beneficiaries	548 social housing unit developed for the disadvantage beneficiaries	548 social housing unit developed for the disadvantage beneficiaries	1164 social housing unit developed for the disadvantage beneficiaries	<p>Target met 1172 social housing units developed for the disadvantage beneficiaries.</p>
Transforming sustainable human settlements	14. % implementation ¹ of the Corridors of Freedom implementation plan	60% implementation of the Corridors of Freedom implementation plan	60% implementation of the Corridors of Freedom implementation plan	80% implementation of the Corridors of Freedom implementation plan	<p>Target not met 60% implementation of the Corridors of Freedom implementation plan. Performance was affected by delays in the finalisation of the Spatial Development Zones, work-stoppages as a result of to community</p>

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
					<p>protests and termination of contracts due to poor contractor performance.</p> <p>Mitigation: JDA to develop acceleration programmes with contractors to complete the construction of projects already underway.</p>
Transforming sustainable human settlements	15. No. of lane km of road resurfaced	1 628km lane road resurfaced	1 628km lane road resurfaced	358km lane road resurfaced	<p>Target met 520,09 lane km lane road resurfaced</p>
	16. No. of gravel km upgraded and surfaced	82.5km of gravel upgraded and surfaced	82.5km of gravel upgraded and surfaced	35,92km of gravel km upgraded and surfaced	<p>Target not met 32.24km of gravel km upgraded and surfaced. Performance was affected by some projects being behind schedule due to extra ordinary rain, community unrest leading to work stoppages, late appointment of contractors, and high volumes of underground water.</p> <p>Mitigation: Proactive scheduling of project implementation</p>
	17. No. of km of open drains into underground at specific areas	11.6 km of open drains into underground at specific areas	11.6 km of open drains into underground at specific areas	1,6 km of open drains into underground at specific areas	<p>Target not met 0.3km km of open drains into underground at specific areas. Performance was affected by some projects being behind schedule due to extra ordinary rain, community unrest leading to work stoppages, late appointment of contractors, and high volumes of underground water.</p> <p>Mitigation: Proactive scheduling of project implementation</p>
	18. No. of Rea Vaya Bus passenger trips per working day	47 000 of Rea Vaya Bus passenger trips per working day	47 000 of Rea Vaya Bus passenger trips per working day	53 000 of Rea Vaya Bus passenger trips per working day	<p>Target not met 51 389 of Rea Vaya Bus passenger trips per working day. Performance was affected by service disruptions mainly in Soweto including Eldorado Park due to service delivery protests as well as student protests that affected student ridership.</p> <p>Mitigation: Rea Vaya service promotion, commuter engagement and contract management will be increased.</p>

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
Transforming sustainable human settlements	19. No. of Metro Bus passenger trips per working day	13 million (51 000 Metrobus passenger trips per working day)	13 million (51 000 Metrobus passenger trips per working day)	15 million (51 000 of Metro Bus passenger trips per working day)	Target not met 10 974 816 (42 775 of Metrobus passenger trips per working day). Performance was affected by non-availability of operational buses, defective fare collection and passenger count system, service disruptions mainly in Soweto and Roodepoort due to service delivery protests Mitigation: Metrobus is implementing a turn-around strategy that will improve marketing and communication of service improvements, system upgrade to support the ticket sales through an updated fare collection system.
Transforming sustainable human settlements	20. Non-motorised transport infrastructure plan	65 km of walkways and cycle lanes	65 km of walkways and cycle lanes	60km of walkways and cycle lanes	Target met 113.486 km of walkways and cycle lanes
Transforming sustainable human settlements	21. % implementation of freight management plan at identified economic zones	New baseline	-	20% implementation of freight management plan at identified economic zones	Target not met 13.2% implementation of freight management plan at identified economic zones. Performance was delayed by delays in signing of agreements and MoUs. Mitigation: Identify bottlenecks and expedite conclusion of outstanding agreements

Priority 5: Smart City and Innovation

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
Smart City and Innovation	22. Number of smart programme implemented towards the creation of smart Johannesburg	75% creation of a Smart City	75% creation of a Smart City	4 of smart programme implemented towards the creation of smart Johannesburg	<p>Target not met None of the smart programme were implemented to completion: Planning phase such as (JRA-appointment of a service provider for smart city software) while some were in execution phase such as (City Power installation of meters, e-health installation of electronic health recording system, JCPZ installation of Wi-Fi).</p> <p>Mitigation: Conclude appointment of service provider in JRA, improve connectivity and reduce downtime in eHealth</p>

Priority 6: Financial Sustainability

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
Financial Sustainability	23. % collection of debtors in respect to service billing	91.7% collection of debtors in respect to service billing	91.7% collection of debtors in respect to service billing	93% collection of debtors in respect to service billing	<p>Target met 94% collection of debtors in respect of service billing.</p>
Financial Sustainability	24. No. of National Treasury ratios achieved	8 National Treasury ratios achieved	7 National Treasury ratios achieved	8 National Treasury ratios achieved	<p>Target not met 6 out of 8 National Treasury Ratios achieved.</p> <p>Mitigation: Monitor and re-alignment of key ratios to City's Strategy.</p>
Financial Sustainability	25. % budget spent on city-wide infrastructure	95% budget spent on city-wide infrastructure	95% budget spent on city-wide infrastructure	95% budget spent on city-wide infrastructure	<p>Target not met 78% budget spent on citywide infrastructure.</p> <p>Mitigation: Monitor and reviewing of progress on Capital project through SPMO.</p>

Priority 7: Environmental sustainability and climate change

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
Environmental sustainability and climate change	26-29. Tons CO ₂ offset in greenhouse gas emissions based on sector-based projects	New		4 671 tons CO ₂ from: Biogas digester at WWTW	Target not met 625.74 tons CO ₂ from Biogas digester at WWTW. Performance was affected by insufficient/ inconsistent gas production at the WTTWs due to operational failures. Mitigation: The City will upgrade maintenance processes at the WWTW plant in the next financial year.
				986.99 tons CO ₂ off set in GHG emissions from the Energy Efficiency Programme	Target met 19 338.4 off set in GHG emissions from the Energy Efficiency Program
				40 000 tons CO ₂ offset in GHG emissions from the Transport sector	Target met 48 080 tons CO ₂ offset in GHG emissions from the Transport sector
				893 tons CO ₂ from waste diverted	Target met 15 977 tons CO ₂ from waste diverted.
Environmental sustainability and climate change	30. % diversion in waste disposed by landfill	20% diversion in waste disposed by landfill	20% diversion in waste disposed by landfill	20% diversion in waste disposed by landfill	Target not met 14.2% diversion in waste disposed by landfill. Performance was affected by decline in tonnage diverted by commercial/private sector attributed to improved market value of the recyclables. Pikitup green waste and builder's rubble diversion also declined. Mitigation: Improved implementation of separation at source and a new contract with private sector om green waste and builder's rubble.
Environmental sustainability and climate change	31. % Non-Revenue Water (NRW) reduction	Reduce to 35.8% NRW	Reduce to 35.8% NRW	Reduce to 30% NRW	Target not met 40.3 % NRW 5Final year-end figures will be reported together with the submission of financial statements by end August 2017. Mitigation:

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
					City is continuing to implement projects like Pressure Management, Soweto Infrastructure Upgrade and Renewal as well as mains replacement to reduce the water demand.
Environmental sustainability and climate change	32. % Reduction in total electricity losses	22% Reduction in total electricity losses	22% Reduction in total electricity losses	22% Reduction in total electricity losses	Target met 19.84% Reduction in total electricity losses

Priority 8: Safer Communities

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
Safer Communities	33. % reduction in criminal activities	5% reduction in criminal activities	5% reduction in criminal activities	5% reduction in criminal activities	Target not met 2.79% reduction in priority crimes activities. Performance was affected by inadequate human resource capacity. Mitigation : City to recruit additional 1 500 Metro Police Officers, intensify joint operations with the SAPS at targeted crime hotspots, intensify public awareness and education initiatives on safety.
Safer Communities	34. % reduction in mortality rate	5% reduction in mortality rate	5% reduction in mortality rate	5% reduction in mortality rate	Target met 15% reduction in mortality rate.

Priority 9: Social cohesion, Community building and engaged citizenry

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
Social cohesion, Community building and engaged citizenry	35. % improvement in the level of participation by the citizens of the City ²	New	-	5% improvement in the level of participation by the citizens of the City	Target met. 88% Improvement in the level of participation by the citizens of the City
Social cohesion, Community building and engaged citizenry	36. % delivery of community based planning projects city-wide	90% delivery of community based planning projects city-wide	90% delivery of community based planning projects city-wide	90% delivery of community based planning projects city-wide	Target not met 83% delivery of community based planning projects city-wide. Performance was negatively affected by poor contractor performance as well as late disbursement of funding. Mitigation: The City to fast track the implementation of 10 CBP in the next financial year.
Social cohesion, Community building and engaged citizenry	37. % points reduction of the information inequality gap	New	-	1% points reduction of the information inequality gap	Target met. 3%age point reduction of the information inequality gap
Social cohesion, Community building and engaged citizenry	38. % increase in customer satisfaction levels	Satisfaction index at 59%	Satisfaction index at 58%	2% increase in customer satisfaction levels	Target met. 2 % Increase in customer satisfaction levels

² Democratic process include: IDP and regional community meetings.

Priority 11: Good Governance

IDP Programme	Key Performance Indicator	Baseline	2015/16	2016/17 Target	Annual Performance
Good Governance	39. Proposition of municipal entities receiving clean audits	7 out of 13 Municipal entities receiving clean	7 out of 13 Municipal entities receiving clean	10 out of 13 municipal entities receiving clean	Target not met 5 municipal entities received clean audits. The City as a group received an unqualified audit opinion. Mitigation: Improve implementation of internal controls and the remedial action plan on AG findings
Good Governance	40. % of predetermined Objectives achieved	New	-	85% of predetermined Objectives achieved	Target not met 48% of predetermined objectives achieved ³ Mitigation: Robust monitoring and implementation City's SDBIP
Good Governance	41. % Implementation Of approved antifraud and corruption strategy / fraud prevention plan	New	-	85% Implementation Of approved Antifraud and Corruption strategy / fraud prevention plan	Target met. 85% Implementation of approved antifraud and corruption Strategy / fraud Prevention plan
Good Governance	42. % achievement Of performance index	New	-	85% achievement Of performance index	Target not met. 48% achievement of performance index. Mitigation: To accelerate on the programme in the next financial year.

Table 73: Performance against SDBIP

Organisational Development Performance

Every activity of the City of Johannesburg (CoJ), from minor to major, is fueled by the combined energies of its employees; every success can ultimately be traced back to their skill and attention to duty. It is the responsibility of the Group Corporate and Shared Services Department (GCSS) to ensure that the workforce contributes positively to the City's objectives.

One key emphasis in the Executive Mayor's 10-Point Plan is creating a professional public service that serves Johannesburg residents with pride. Johannesburg residents deserve a city which serves them with the highest standards, delivered by a civil service that is dedicated and proud. Providing professional, effective and efficient service delivery requires a skilled workforce. The City's recruitment and retention strategies must drive the attainment of this objective. A prerequisite of the City's success is ensuring that all employees uphold the value of 'service with pride'. The professionalism of civil servants will take the municipality to new levels of success – a proficient, committed and responsive civil service attracts investment, which in turn stimulates economic growth and job creation.

Therefore, the City of Johannesburg conducted an independent skills audit, to establish the level of competencies of all senior managers and to ensure that people are employed in appropriate positions according to their skillsets. The City of Johannesburg is proud of the renewed determination it has shown in the 2016/7 financial year to enhance the value that municipal employees bring to citizens' lives and to deal effectively with anything that diminishes that value.

Labour Relations

Labour stability in municipalities is strengthened at the national level by collective agreements between municipalities and trade unions, which are negotiated at the South African Local Government Bargaining Council (SALGBC). These include the Main Collective Agreement and a Salary and Wage Collective Agreement. The final salary increase of the current Salary and Wage Agreement was implemented on 1 July 2017 and expires on 30 June 2018. Negotiations will take place on a new agreement with effect from 1 July 2018. There are currently two factions in the South African Municipal Workers Union (SAMWU). The City manages this difficult issue by engaging with both until such time as it becomes clear which of the two factions is the official SAMWU representative.

Skills Development

Familiarity with the CoJ Code of Conduct is a basic requirement for all employees. The primary vehicle for creating awareness of the Code continues to be Municipal Systems Act Roadshows, presentations and internal publications. Beyond that, individuals are expected to develop and maintain skills and knowledge appropriate to their duties.

Skills audits and the subsequent identification of skills gaps lead to tailored development plans. The City regards this as a priority in the quest for increasing professionalism. In line with this, the Management and Leadership Development Programme continues to benefit senior and middle management.

Skills development consists of daily informal mentoring and coaching, as well as formal training via developmental programmes. **External Outreach Programmes contribute to the development of the**

community, with the accent on providing the youth with skills and experience that will render them employable.

The following employee-focused initiatives have been implemented:

- Subsidised Education to enhance City-specific skills and career development;
- Career path development for employees through performance management and individual learning-plan processes;
- Leadership and Management Development training programmes;
- Minimum Competency Training Programme in line with National Treasury Competency requirements;
- Adult Educational Training (AET) programmes for the previously disadvantaged;
- Matric Programme for the previously disadvantaged; and
- Skills Development Consulting Services to our internal clients (Business Units).

The following external Outreach Programmes were implemented:

- Internship Programme for students to complete the practical component linked to their studies, which enhances their employability;
- Learnership Programme to develop theoretical and practical skills to enhance the learners' employability; and
- A bursary scheme for the community with the strategic intent of focusing on City-specific skills requirements.

Employee Positioning, Vacancies and Staff Turnover

The City Group has an estimated 27 765 employees across the various departments and municipal entities. There are 1 733 vacancies at present with a vacancy rate of 4%. The table below depicts the City Group staff establishment and vacancies as at 30 June 2017.

Description	Year -1 (2015.16)	Year 0 (2016.17)			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
CM: Citizen Relationship & Urban MNGT	487	464	436	28	6%
CM: Executive Management Office (OCM & COO)	36	34	32	2	6%
CM: G/Strategic, Policy Co-ordination & Rel	43	52	46	6	12%
CM: Group Communication & Tourism	82	55	54	1	2%
CM: Group Governance	49	49	47	2	4%
CM: Group Legal & Contracts	46	49	46	3	6%
CM: Group Risk & Assurance Services(GRAS)	85	71	67	4	6%
CM: Private Office of the City Manager	0	2	2	0	0%
CM: Group Forensic & Investigation Services	0	26	26	0	0%
Community Development	1 577	1 603	1 494	109	7%
Development Planning	443	461	424	37	8%
Economic Development	85	111	102	9	8%
Environment & Infrastructure Service Department	99	102	95	7	7%

Group Corporate & Shared Services	523	504	475	29	6%
Group Finance	1 854	1 902	1 784	118	6%
Health	2 124	2 078	1 959	119	6%
Housing (Housing Department part of Johannesburg Core Administration)	495	483	443	40	8%
Legislature (Office of the Speaker)	264	198	189	9	5%
Office of the Executive Mayor	26	95	91	4	4%
Public Safety	5 640	5 742	5 565	177	3%
Social Development	260	291	261	30	10%
Transportation (Transportation Department part of Johannesburg Core Administration)	615	595	566	29	5%
Sport & Recreation (City Parks & Zoo – Municipal Entity)	1 535	1 690	1 441	249	15%
Electricity (City Power – Municipal Entity)	1 758	1 796	1 692	104	6%
Development Implementation (Johannesburg Development Agency – Municipal Entity)	80	102	97	5	5%
Housing (Johannesburg Social Housing Company [JOSHCO] – Municipal Entity)	99	106	106	0	0%
Johannesburg Property Company (Municipal Entity)	563	600	558	42	7%
Roads (Johannesburg Roads Agency – Municipal Entity)	1 595	1 612	1 558	54	3%
Water (Johannesburg Water – Municipal Entity – Water, Sanitation & Storm-Water Drainage)	2 548	2 862	2 646	216	8%
Johannesburg Market (Municipal Entity)	334	336	327	9	3%
Transport (Metrobus – Municipal Entity)	854	843	739	104	12%
Johannesburg Theatre (Municipal Entity)	147	135	135	0	0%
Waste Management (Pikitup – Municipal Entity)	4 454	4 449	4 262	187	4%
Totals	28 800	29 498	27 765	1 733	6%

Table 74: 2016/17 Employee Positioning

Staff turnover for the City Group decreased to 4.41% from 7.3% in the previous year, indicating a stable Labour environment. Resignations accounted for 1.5% of the turnover rate, with the balance comprising retirements, deaths, contract terminations, dismissals and medical boarding. The turnover rate for Section 56 Senior Managers was 16.7%. The relevant positions include City Manager, Heads of Departments and MDs/CEOs of ME. These managers are on five-year fixed-term contracts (FTCs), which normally expire after local government elections as new appointments at this level are generally made at that time. Local government elections took place in August 2016, explaining most of the turnover for this period at this level. Investigations into alleged fraud and corruption led to the suspension of some senior managers. Others resigned before the termination of their FTCs. It remains a challenge to appoint candidates with scarce and critical skills in certain career groups, for example nurses, medical doctors, emergency services trainers, valuers, town planners, environmental specialists, urban designers and engineers.

Vacancy Rate for 2016/17

Designations	*Total Approved Posts	*Vacancies (total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0.00
CFO	1	0	0.00
Other S57 Managers, excluding Finance Posts	31	5	17.71
Other S57 Managers Finance Posts	0	0	0.00
Police Officers	2 911	68	2.32
Fire Fighters	1 281	11	0.87
Senior Management, excluding Finance Posts	693	16	2.37
Senior Management: Finance Posts	92	4	4.43
Highly Skilled Supervision, excluding Finance Posts	1 826	84	4.60
Highly Skilled Supervision: Finance Posts	179	6	3.59
Total	7 015	194	2.78

Table 75: 2016/17 Vacancy Rate

Turnover Rate Comparison per Year

Details	Total Appointments as of Beginning of Financial Year (Excluding Temporary Employees)	Terminations During the Financial Year	Turn-Over Rate*
	No.	No.	%
Year -1(2014.15)	27 721	2 833	10.22
Year 0 (2015.16)	28 248	2 063	7.30
Year 1 (2016.17)	27 191	1 199	4.41

Table 76: 2016/17 Turnover Rate

Regulatory Compliance, Policy and Planning

The 12 MEs are expected to align their policies with those formulated by the City Group, thus contributing to a standardised human capital environment. The City is in the process of Institutional Review in line with legislative requirements. New structures will be implemented and maintained in the normal course of business through GHCM'S Organisational Development Directorate.

The City has ensured compliance with the legislative requirements of, for instance, the Employment Equity Act, Skills Development Act, Labour Relations Act and Collective Agreements. Specifically, for Employment Equity and Skills Development the City has provided progress reports to the applicable structures, such as the Department of Labour and the Local Government SETA. The approved Employment Equity Plan for 2016–2021 is being implemented.

A Parity Benchmarking exercise, started in 2016 with the establishment of common salary key scales across the City Group, is being implemented. Phase 1 for Pikitup on the A and B bands has been concluded.

The governing Policy Frameworks of GHCM are addressing inequality and poverty by:

- Incorporating employment equity elements and principles in all policies;
- Offering a bursary scheme and opportunities to interns and learners;
- Providing support to the Extended Public Works Programme (EPWP), in which temporary workers are sourced from the community;
- Addressing the issues of gender and disability management in GHCM policies;
- Providing GHCM Policy Frameworks to the MEs as a minimum standard for supporting the City; and
- Working in accordance with the Growth and Development Strategy (GDS).

The Human Capital Policy Frameworks are due for review and a need has been identified for additional Policy Frameworks. Research and preparatory work towards this is underway. The Frameworks will be affected by new Local Government Staff Regulations, which are being drafted by the Department of Cooperative Governance and Traditional Affairs (CoGTA), The Institutional Review of the City may also have an effect. The accompanying table shows outlines of approved Human Capital Policy Frameworks as well as those under development/review.

Human Capital Management Policies & Plans Completed and Reviewed during 2016/17

		Completed %	Reviewed %	Date Adopted by Council or Comment on Failure to Adopt
				Completed
1	Group Employment Equity & Transformation Policy Framework	100%	100%	Approved by MayCom on 04/12/2014
2	Group Talent Acquisition Policy Framework	100%	100%	Approved by MayCom on 04/09/2014
3	Group Employee Assistance Programme Policy Framework	100%	100%	Approved by MayCom on 04/12/2014
4	Group HIV and AIDS Policy Framework	100%	100%	Approved by MayCom on 04/12/2014
5	Group Management of Occupational Exposure to HIV Framework	100%	100%	Approved by MayCom on 04/12/2014
6	Group Training & Development Policy Framework	100%	100%	Approved by MayCom on 04/12/2014
7	Group Safety Health & Environment Policy Framework	100%	100%	Approved by MayCom on 04/12/2014
8	Group Employee Health & Wellness Policy Framework	100%	100%	Approved by MayCom on 04/12/2014
9	Group Medical Surveillance Policy Framework	100%	100%	Approved by MayCom on 04/12/2014
10	Group Vehicle & Driver Safety Policy Framework	100%	100%	Approved by MayCom on 04/12/2014
11	Sexual Harassment Policy	100%	100%	Approved 18/07/2011 [BY MAYCOM?]
12	Group Organisational Structure Development & Maintenance Policy Framework	100%	100%	Approved by MayCom on 04/09/2014
13	Group Employee Mobility	100%	100%	Approved by MayCom on 04/09/2014
14	Group Payroll Management	100%	100%	Approved by MayCom on 04/09/2014

		Completed %	Reviewed %	Date Adopted by Council or Comment on Failure to Adopt
				Completed
15	Group Substance Abuse Policy Framework	100%	100%	Approved by MayCom on 04/09/2014
16	Group Shared Services Policy Framework	100%	100%	Approved by MayCom on 04/09/2014
Under Review				
17	Group Performance Management System Policy Framework	100%	20%	Approved by MayCom on 07/12/2012, but on hold pending the promulgation of the new Local Government Staff Regulations.
18	Group Job Evaluation Policy Framework	100%	80%	Review is on hold pending the promulgation of the new Local Government Staff Regulations.
19	Group Remuneration Policy Framework	100%	80%	Review is dependent on the conclusion of the Parity Benchmarking exercise.
20	Group Strike Management Policy Framework	60%	New	Completion is dependent on the conclusion of the intended re-absorption process of MEs into the City.
22	Group Employee Relations Policy Framework	New	New	Completion is dependent on the conclusion of the intended re-absorption process of MEs into the City.
23	Group Competency Policy Framework	New	New	Development on hold pending the promulgation of the new Local Government Staff Regulations.
24	Group Incapacity Leave Policy Framework	90%	New	Development in progress and submission for consideration intended for the first half of the 2017/2018 financial year.
25	Group Recognition & Award Policy Framework	90%	New	Development in progress and submission for consideration intended for the first half of the 2017/2018 financial year.

Table 77: HR Policies and Plans Reviewed in 2016/1

Performance Management

Performance Management currently uses a manual system, which makes monitoring, evaluation and reporting difficult. The City needs an automated electronic system to enable efficiency, relieve the administrative burden, and improve reporting accuracy. An automated system could also be configured to implement time-driven action dates to force compliance within set timeframes. This will be a key factor in the successful integration of the MEs. Another challenge lies in the differences between rewards systems for MEs, Core Administration and Section 56 employees. The CoGTA Staff Regulations Performance Management Chapter will ensure standardised implementation of rewards across municipalities. However, differences are likely to remain between Section 56 senior managers and other employees, as the performance of the former is regulated through the Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Managers. A gratifying 16% of the City's employees received performance awards in this financial year.

Performance Rewards by Gender

Designations	Beneficiary Profile				
	Gender	Total Number of Employees in Group	Number of Beneficiaries	Expenditure on Rewards Year 0 (2016.17)	Proportion of Beneficiaries within Group
				R' 000	%
Unskilled	Female	3 043	300	1 178	10%
	Male	4 291	707	2 016	16%
Semi-Skilled	Female	1 322	304	4 597	23%
	Male	2 921	873	10 994	30%
Skilled & Junior Management	Female	5 991	437	14 992	7%
	Male	6 969	1 239	40 626	18%
Professionals & Mid-Management	Female	836	141	9 685	17%
	Male	1 042	270	20 630	26%
Senior Management	Female	281	40	5 194	14%
	Male	471	89	10 615	19%
Top Management	Female	8	6	1 090	75%
	Male	16	17	2 911	*106%
Total		27 191	4 423	124 528	16%

Table 78: Performance Rewards by Gender

*Note: The proportion of beneficiaries within the group is above 100% because the employment of some of the beneficiaries at this level terminated before the end of the financial year.

Capacitating the Municipal Workforce

Competency Development

A Skills Audit has begun with Section 56 Senior Managers in the City Core Administration and MEs, to be rolled out to all other levels during the term of the Integrated Development Plan (IDP). Action will be taken to address skills gaps identified. All levels of management benefitted from management and leadership development. Managers were also trained on Minimum Competency Levels this year in accordance with the National Treasury Regulation. Business unit-related training was implemented to improve productivity levels. Training included Adult Education Training (AET), the Matric Programme, Financial Life Skills, and Awareness Programmes on such issues as health.

Individual Learning Plans (ILPs) are linked to Performance Management for all employees, and all ILPs are considered when compiling the City's Workplace Skills Plan (WSP). Both the WSP and the Annual Training Report were timeously submitted to the Local Government SETA. Budget constraints mean that the City must prioritise training interventions, which must be implemented without disruption to service delivery. To be a true learning organisation, the CoJ must include coaching, mentoring and on-the-job training in the skills development processes. The return on investment (ROI) for training and development will be improved when all the components of a culture of learning are realised. The table below reflects the skills levels and number of skilled employees for 2016/2017.

Skills Matrix

Management Level	Gender	Employees in Post as at 30 June Year 0 (2016.17)	Number of Skilled Employees Required and Actual as at 30 June 2017											
			Learnerships			Skills Programmes & Other Short Courses			Other Forms of Training			Total		
			No.	Actual: End of Year - 1 (2015.16)	Actual: End of Year 0 (2016.17)	Year 0 Target (2016.17)	Actual: End of Year - 1 (2015.16)	Actual: End of Year 0 (2016.17)	Year 0 Target (2016.17)	Actual: End of Year - 1 (2015.16)	Actual: End of Year 0 (2016.17)	Year 0 Target (2016.17)	Actual: End of Year - 1 (2015.16)	Actual: End of Year 0 (2016.17)
MM & S56	Female	8	0	0	0	13	12	5	6	0	0	19	12	5
	Male	16	0	0	0	31	22	6	19	0	0	50	22	6
Councillors, Senior Officials & Managers	Female	960	0	0	0	462	536	331	244	18	0	706	554	331
	Male	1 247	0	0	0	700	823	258	220	12	0	920	835	258
Technicians & Associate Professionals *	Female	115	19	0	0	322	316	56	105	13	0	446	329	56
	Male	648	31	0	0	851	554	44	139	12	0	1 021	566	44
Professionals	Female	1 559	0	0	0	513	734	279	310	10	0	823	744	279
	Male	875	0	0	0	394	404	147	181	15	0	575	419	147
Sub Total	Female	2 642	19	0	0	1 310	1 598	671	665	41	0	1 994	1 639	671
	Male	2 786	31	0	0	1 976	1 803	455	559	39	0	2 566	1 842	455
Total		5 428	50	0	0	3 286	3 401	1 126	1 224	80	0	4 560	3 481	1 126

*Registered with professional Associate Body e.g. CA (SA)

T4.5.1

Table 79: Skills Matrix for CoJ Employees

Notes:

1. Permanent employees do not participate in Learnership Programmes and, therefore, the applicable columns in the above table are not populated.
2. For the current year the Subsidised Education for the Core Administration is included in the column headed "Skills Programmes and Short Courses", while the Municipal Entities Subsidised Education is recorded in the column headed "Other Forms of Training".

Training

The City of Johannesburg budgets 1% of employee remuneration for skills development. The skills development expenditure shown in the accompanying table reflects figures for the Core Administration only (see note 1), for which the skills expenditure ratio was at 1.2% of employee cost.

Skills Development Expenditure R'000

Management Level	Gender	Employee s as at the Beginning of the Financial Year	Original Budget and Actual Expenditure on Skills Development							
			Learnerships		Skills Programmes & Other Short Courses		Other Forms of Training		Total	
			No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget
MM & S57	Female	6			1 000 000	854 000			1 000 000	854 000
	Male	15			2 000 000	1 160 000			2 000 000	1 160 000
Legislators, Senior Officials and Managers	Female	492			4 965 000	4 155 000			4 965 000	4 155 000
	Male	557			3 300 000	3 480 000			3 300 000	3 480 000
Professionals	Female	726			4 185 000	8 640 000			4 185 000	8 640 000
	Male	511			2 715 000	2 010 000			2 715 000	2 010 000
Technicians & Associate Professionals	Female	85			2 000 000	2 510 000			2 000 000	2 510 000
	Male	190			3 000 000	3 795 000			3 000 000	3 795 000
Clerks	Female	1 289			7 120 000	6 990 000			7 120 000	6 990 000
	Male	931			4 690 000	3 880 000			4 690 000	3 880 000
Service & Sales Workers	Female	943			6 730 000	5 950 000			6 730 000	5 950 000
	Male	1 647			6 610 000	4 510 000			6 610 000	4 510 000
Plant & Machine Operators & Assemblers	Female	171			6 000 000	5 540 000			6 000 000	5 540 000
	Male	825			9 000 000	9 840 000			9 000 000	9 840 000
Elementary Occupations	Female	2 468			1 280 000	1 770 000			1 280 000	1 770 000
	Male	2 620			3 000 000	3 510 000			3 000 000	3 510 000
Sub Total	Female	6 180			33 280 000	36 409 000			33 280 000	36 409 000
	Male	7 296			34 315 000	32 185 000			34 315 000	32 185 000
Total		13 476			67 595 000	68 594 000			67 595 000	68 594 000

Table 80: 2016/17 Expenditure on Skills Development

Notes:

1. The below table refers to the City of Johannesburg Core Administration only. Municipal Entities operate as independent companies and do not necessarily report to a SETA. For this reason they cannot provide the required level of detail per individual.
2. Permanent employees do not participate in Learnership Programmes and, therefore, the applicable columns in the above table are not populated.

MFMA Competency Training – Financial Competency Development: Progress Report

Description	A. Total Number of Officials Employed by Municipality (Regulation 14(4)(a) and (c))	B. Total Number of Officials Employed by Municipal Entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A & B	Consolidated: Competency assessments completed for A & B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
<i>Accounting Officer</i>	1	0	1	1	1	1
<i>Chief Financial Officer</i>	1	0	1	1	1	1
<i>Senior Managers</i>	45	89	134	69	65	95
<i>Any other financial officials</i>	612	110	722	612	584	602
Supply Chain Management Officials						
<i>Heads of Supply Chain Management Units</i>	1	0	1	1	1	1
<i>Supply Chain Management Senior Managers</i>	14	9	23	18	5	12
TOTAL	674	208	882	702	657	712

Table 81: Financial Competency Development

Managing Municipal Workforce Expenditure

The table below outlines the 2016/17 financial performance for the City's operational services.

Financial Performance: Operational Services

Description	2013/14	2014/15			2014/15 Variance	
	Actual	Original Budget	Adjustmen ts Budget	Actual	Original Budget	Adjustment s Budget
Operating Cost						
Water	26 485	23 572	28 075	23 042	-2,30%	-21,84%
Waste Water (Sanitation)	8 541	8 285	9 054	8 456	2,02%	-7,07%
Electricity	12 355	10 254	12 478	13 219	22,43%	5,61%
Waste Management	14 232	13 235	13 662	12 097	-9,41%	-12,94%
Housing	6 542	5 496	5 954	6 346	13,40%	6,19%
Component A: sub-total	68 155	60 842	69 222	63 161	3,67%	-9,60%

Description	2013/14	2014/15			2014/15 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Waste Water (storm water drainage)	5 643	5 530	5 925	5 304	-4,26%	-11,70%
Roads	5 643	5 530	5 925	5 304	-4,26%	-11,70%
Transport	5 322	4 470	5 747	4 630	3,45%	-24,14%
Component B: sub-total	16 607	8 455	8 624	9 554	11,50%	9,73%
Planning	1 254	1 003	1 191	1 354	25,93%	12,04%
Local Economic Development	2 516	2 063	2 264	2 340	11,83%	3,23%
Component B: sub-total	3 769	3 066	3 455	3 693	17,00%	6,46%
Planning (Strategic & Regulatory)	12 546	10 413	11 793	11 542	9,78%	-2,17%
Local Economic Development	2 355	2 190	2 425	2 402	8,82%	-0,98%
Component C: sub-total	14 900	12 603	14 218	13 944	9,62%	-1,97%
Community & Social Services	4 565	3 698	4 337	4 291	13,83%	-1,06%
Environmental Protection	5 649	4 971	6 157	4 971	0,00%	-23,86%
Health	5 649	4 971	6 157	4 971	0,00%	-23,86%
Security & Safety	5 649	4 971	6 157	4 971	0,00%	-23,86%
Sport & Recreation	5 649	4 971	6 157	4 971	0,00%	-23,86%
Corporate Policy Offices & Other	5 649	4 971	6 157	4 971	0,00%	-23,86%
Component D: sub-total	32 808	28 552	35 122	29 145	2,04%	-20,51%
Total Expenditure	136 240	113 518	130 642	119 497	5,00%	-9,33%
Table 5.1.2						

Table 82: Operational Services Financial Performance

Municipal Employee Expenditure

The remuneration ratio is used to analyse municipal employee expenditure and determine whether employee cost is under control. It is calculated by dividing employee remuneration by total operating expenditure (OPEX). Some of its importance lies in the fact that investors use it as a measure of the attractiveness of the municipality as an investment destination. Guidelines are provided by National Treasury and it is expected to be below 30%. The City's remuneration ratio for 2016/2017 was 20.57%. (Note to GSPCR: this percentage was calculated on provisional financial statements and must be checked before this City Annual Report is published). Remuneration decisions beyond municipal control include the Salary and Wage Collective Agreement which determines salary increases at a national level and thus affects the remuneration ratio.

The table below reflects an increase in the number of employees whose salaries have been raised due to their positions being upgraded – in comparison, during 2015/2016 only seven employees benefited in this way. The implementation of parity for Bands A and B in 2016/2017 meant that a number of employees received a position upgrade. As parity is further rolled out for Bands C and D, the numbers reflected in the table will increase.

Number of Employees Whose Salaries were increased due to their positions being upgraded

Beneficiaries	Gender	Total
Unskilled	Female	2
	Male	1
Semi-Skilled	Female	36
	Male	48
Skilled & Junior Management	Female	4
	Male	0
Professional & Mid Management	Female	8
	Male	4
Senior Management	Female	0
	Male	0
Top Management	Female	0
	Male	1
Total		104

Table 83: Salary Increases due to Upgrading of Positions

Sick Leave

All categories of leave are regulated through the Main Collective Agreement and Collective Agreement Conditions of Service. Leave applications, attendance registers, activity reports and delivery of leave applications to the Transactions Processing Unit are handled manually and on hard copy, and only at the end of these processes is leave captured on the payroll system. This limitation in the processes has adverse results, including:

- Delays between the time when the leave is applied for and when it is captured;
- Inaccurate leave balances and subsequent accrual figures being reflected in the Annual Financial Statements because of these delays;
- Extensive and time-consuming control and monitoring mechanisms to ensure accuracy and prevent attendance fraud; and
- Unreliable attendance control through attendance registers in a system prone to fraud and corruption.

All of this increases the risk of audit findings against the City, which could result in a qualified audit. The automation of all leave processes and accurate attendance recording through biometric attendance systems linked to the payroll system is crucial for accurate administration. Automation will also reduce the risk of attendance fraud and adverse Auditor-General findings for incorrect leave accruals.

Further, the automation of HCM processes and systems is key to the successful reabsorption of the MEs and standardisation within the City Group. The reimplementation of the SAP (software) project across all MEs will allow for more regular and comprehensive reporting.

The average sick leave per individual employee for 2016/2017, as indicated in the table below, was three days. This is seen as positive.

Number of Days & Cost of Sick Leave

Salary Band	Total sick leave Days	Proportion of Sick Leave Without Medical Certification	Employees Using Sick Leave	Total Employees in Post*	*Average Sick Leave per Employees	Estimated Cost
		%	No.	No.	Days	R' 000
Lower Skilled	22 610	16%	3 151	7 334	3.08	10 535
Skilled	21 736	16%	3 514	4 243	5.12	19 356
Highly Skilled Production	30 188	21%	6 015	12 960	2.33	44 060
Highly Skilled Supervision	5 381	26%	1 001	1 878	2.87	14 991
Senior Management	1 569	22%	335	752	2.09	5 937
MM and S56	8	38%	6	24	0.35	69
Total	81 492	23%	14 022	27 191	3.00	94 949

Table 84: Number of Days and Cost of Sick Leave

The graph below outlines the average number of days of sick leave per employee category.

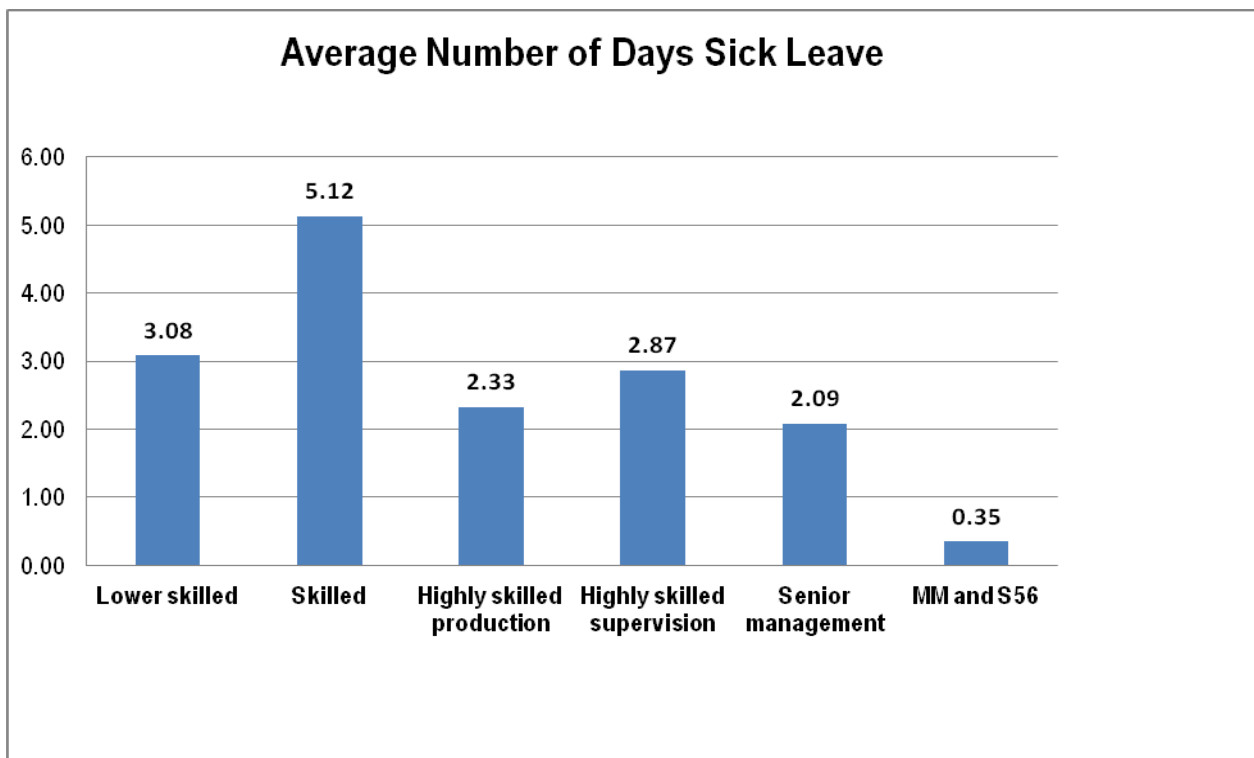


Table 85: Average Number of Days Sick Leave

Numbers & Costs of Injuries on Duty

Type of Injury	Injury Leave Taken	Employees Using Injury Leave	Proportion Employees Using Sick Leave	Average Injury Leave per Employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only		3 385			10 000
Temporary total disablement		850			6 603
Permanent disablement		10			298
Fatal		5			Awards not yet issued by Compensation Commissioner
Total	0	4 250		0	16 901

Table 86: Number and Cost of Injuries on Duty

Note: Due to the manual nature of the leave systems it is not possible for the MEs to provide leave statistics for Injury on Duty leave. The information in the table above reflects only the number of employees for whom injuries on duty were captured and the cost of such. The approximate cost was manually calculated by the Safety and Health Branch.

Disciplinary Action

The ramifications of dishonesty and crime within a municipality have far-reaching consequences, affecting the everyday well-being of the people who live in it. The City of Johannesburg has therefore placed a particular focus on achieving Priority 5 of the IDP: "Create an honest and transparent City that fights corruption". The adoption of Schedule 2 of the Municipal Systems Act (MSA) 32 of 2000 and Schedule 8 of the Labour Relations Act (LRA) 66 of 1995 as disciplinary codes and policies has set a standard of conduct requiring the City to follow a fair and reasonable process in instilling employee discipline.

Where an employee is a Municipal Manager or reports directly to a Municipal Manager, the Local Government Disciplinary Regulations for Senior Managers 2010 applies. These are, in many instances, similar to Schedule 2 of the MSA and Schedule 8 of the LRA.

The status of disciplinary proceedings in the City Group is as follows:

Core Administration

A total of 214 fraud and corruption cases are pending. There are two group disciplinary hearings stemming from investigations conducted by Group Risk and Assurance Services (GRAS) and an external service provider. Both hearings are scheduled up until September 2017.

Among the high-profile and special cases are those against three Section 56 Senior Management Officials who were placed on precautionary suspension pending disciplinary charges. One Section 56 Senior Management Official resigned in June 2017. Other disputes involving senior managers are *sub judice* at the South African Local Bargaining Council (SALGBC), the Commission for Conciliation, Mediation and Arbitration (CCMA) and the Labour Court.

Other special cases involving approximately 72 employees from Licensing Stations, as well as two Directors and one Deputy Director, stemmed from investigations conducted by external forensics companies. Disciplinary actions are being taken. Ten further cases involving Directors and Deputy Directors are ongoing. Pending and ongoing disciplinary hearings have resulted in 126 suspensions.

Municipal Entities

Fraud and corruption investigations resulted in 1 041 disciplinary cases. Of these, 624 were finalised and 417 are still in progress. Some of the 48 suspensions related to disciplinary cases are finalised, and others await further investigation and ongoing disciplinary hearings. The Labour Relations Department has observed that for both Core Administration and the MEs, major acts of misconduct involve corruption, fraud, dishonesty, maladministration, negligence, insubordination and absence without leave. An external service provider has been engaged to do further analysis. Although the LRA emphasises the importance of resolving a dispute promptly and expeditiously, some matters are technical and/or raise complex questions of law. These may take a long time to conclude, in comparison with more straightforward matters.

Group Chief Financial Officer's Report

This report highlights the City's financial position and financial performance for the year under review. The consolidated financial results herein presented are evidence of service delivery considering the financial performances of all the Departments (i.e. Core) and the Municipal Owned Entities (MoEs) collectively referred to as the Group Consolidated Financial Statements of the City. It therefore gives me great pleasure to present the highlights of the financial performance of the City of Johannesburg based on the Consolidated Annual Financial Statements for the year ended 30 June 2017.

These Annual Financial Statements were prepared in compliance with the provisions of the Generally Recognized Accounting Practice (GRAP), which is consistent with the prior year.

Financial overview

The City's financial management strategy is articulated in the Financial Development Plan. In the year under review the City achieved a surplus of R2.1 billion (2016: R3.5 billion) notwithstanding the economic climate which remained fragile throughout the financial year. Some of the salient features of our performance in the year under review include:

- Capital investment is a key tool for improving service delivery and transformation of the urban environment. In the year under review, the City spent 78% of the budgeted R9.9 billion capital budget.
- The City's cash and cash equivalents at year end amounted to R3.1 billion. Our focus has been, and remains, to maintain adequate cash reserves to fund service delivery programmes through an effective cash management approach.

The challenging macro-economic environment continues to negatively impact on our customers' ability to pay for services. In the year under review the City achieved a revenue collection rate of 94%. Despite the continued challenges faced in our billing environment, the City continues to intensify revenue enhancement initiatives which included billing open days, device management project, and legal collections amongst others. However, some customers have demonstrated affordability challenges due to the high levels of household debt in the country. To ensure the protection of our most vulnerable customers, we have intensified awareness of the City's Extended Social Package to ensure they are able to access free basic services without being targeted in our credit management processes. We have also ensured increased payment channels to customers to improve ease of effecting payments for municipal services. We have continued to encourage customers experiencing cash flow challenges to enter into alternative payment arrangements in order to improve the collection rate. In addition, the City continues to strengthen efforts to reduce electricity technical and non-technical as well as commercial water losses.

- The City has again achieved an unqualified audit opinion as was the case in the previous financial year. This is a firm indication of the dedicated leadership which drives governance, compliance and strategic financial management. Various cases have been under investigation through our newly established Group Forensic Investigation Services Unit, which ensures effective consequence management and recommendation of control environment improvements. We continue to strive towards clean administration and the highest standards of corporate governance.

The City's Credit rating based on the city-specific matrices has remained unchanged despite the Sovereign downgrade to sub-investment grade during the current financial year. Moody's Investors Service has Johannesburg's Global Scale Ratings at Baa2, while the National Scale Ratings is at Aa1.

The City remains committed to prudent management of its finances. Our Financial Development Plan will ensure continued financial sustainability and effective financial planning through prudent borrowing, generation of annual operating surplus, and the creation of cash reserves to increase the level of infrastructural spending to improve service delivery.

Analysis of the Annual Financial Statements for the Financial Year 2016/17

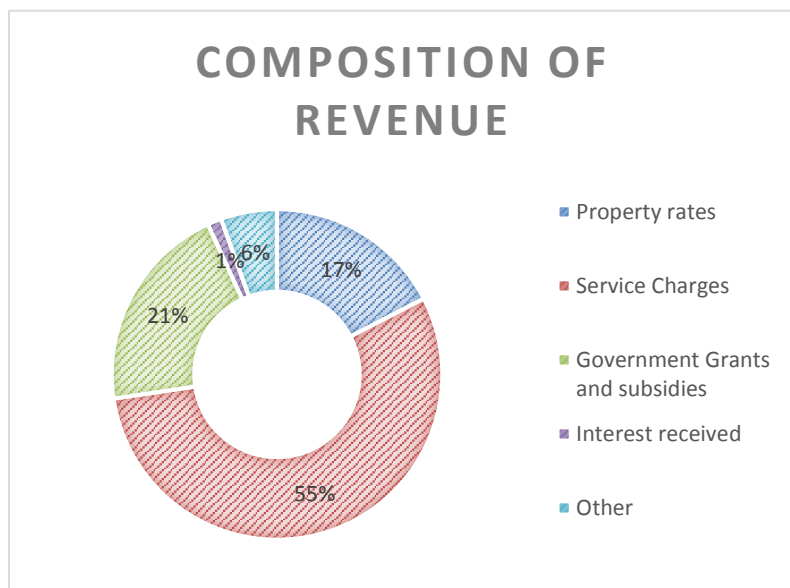
Statement of Financial Performance

	Jun-17			Jun-16	2016-2017
	Actual	Budget	Variance	Actual	Growth
	R'000	R'000	%	R'000	%
REVENUE					
Property rates	7 912 381	8 259 000	-4%	8 138 059	-3%
Service Charges	25 092 442	25 770 038	-3%	23 328 536	8%
Government Grants and subsidies	9 301 934	10 225 749	-9%	8 917 425	4%
Interest received	624 146	454 235	37%	636 949	-2%
Other	2 491 541	4 274 673	-42%	2 817 480	-12%
	45 422 444	48 983 695	-7%	43 838 449	4%
EXPENDITURE					
Employee related costs	9 996 446	10 719 448	-7%	9 133 225	9%
Debt impairment	3 723 735	3 088 401	21%	2 483 374	50%
Depreciation and amortisation	2 905 690	3 573 524	-19%	2 809 175	3%
Finance Costs	2 404 844	2 321 813	4%	1 880 553	28%
Bulk Purchases	14 978 933	15 206 278	-1%	13 747 732	9%
Contracted services	2 321 325	3 640 115	-36%	2 655 703	-13%
Other	7 431 498	6 743 571	10%	7 490 718	-1%
	43 762 471	45 293 150	-3%	40 200 480	9%
Operating Surplus	1 659 973	3 690 545	-55%	3 637 969	-54%
Fair value adjustments	377 220			385 848	-2%
Loss on non-current assets held for sale or disposal	(74 489)	25 000	-398%	(256 037)	-71%
Gain as a result of donated animals and new births	1 520			2717	-44%
Share of surpluses and deficits from associate and joint ventures accounted for using the equity method	158			4816	-97%
Taxation	160 617	413 831	-61%	(53 884)	-163%
NET SURPLUS / (DEFICIT) FOR THE YEAR	2 124 999	4 129 376	-49%	3 521 429	-40%

Table 87: Statement of Financial Performance

Revenue

Total revenue is under budget by 7%, however has increased by 4% when compared to 2016. The R45 billion revenue is derived largely from services rendered to the citizens of Johannesburg.



The major revenue streams that supported the City's programmes and activities are: service charges (water, electricity, refuse removal and sanitation), government grants and property rates respectively. The revenue composition shifted slightly when compared to previous financial year with services charges and property rates accounting for 72% [2016: 73%] of the total revenue generated.

Government grants for the current year contribute 21% to total revenue which is consistent with the prior year. Through budgeting for a surplus, the City has continued to self-generate a significant portion of funding for capital expenditure and is not just reliant on grants.

Analysis of Property Rates

	2017 Actual R'000	% of Total	2016 Actual R'000	% of Total
Property Rates Comprise				
Residential	3 114 579	39%	2 850 375	35%
Commercial	4 625 362	58%	5 114 128	63%
State	172 440	2%	173 556	2%
	7 912 381	100%	8 138 059	100%

Table 88: Analysis of Property Rates

The composition of property rates revenue has remained unchanged, with Commercial customers being the main contributors at 58%. The 3% (See table 3.1) year on year decrease in total property rates revenue is mainly attributable to a decrease in commercial property rates received because of implementation of changes necessitated by the outcomes of the appeals process on GV2013.

Analysis of Service Charges

Service charges increased by 8% (See Table 3.1) when compared to the previous year. The revenue increase is below the budgeted increases due to:

- Electricity - lower electricity sales due to declining billing volumes and variances in selling prices;
- Water - decrease in sales following the introduction of level 2 water restrictions;

- Sanitation - Revenue received from business billing continues to decline as a result of reductions on the amount of sludge, chemicals and acid water deposited in the networks.

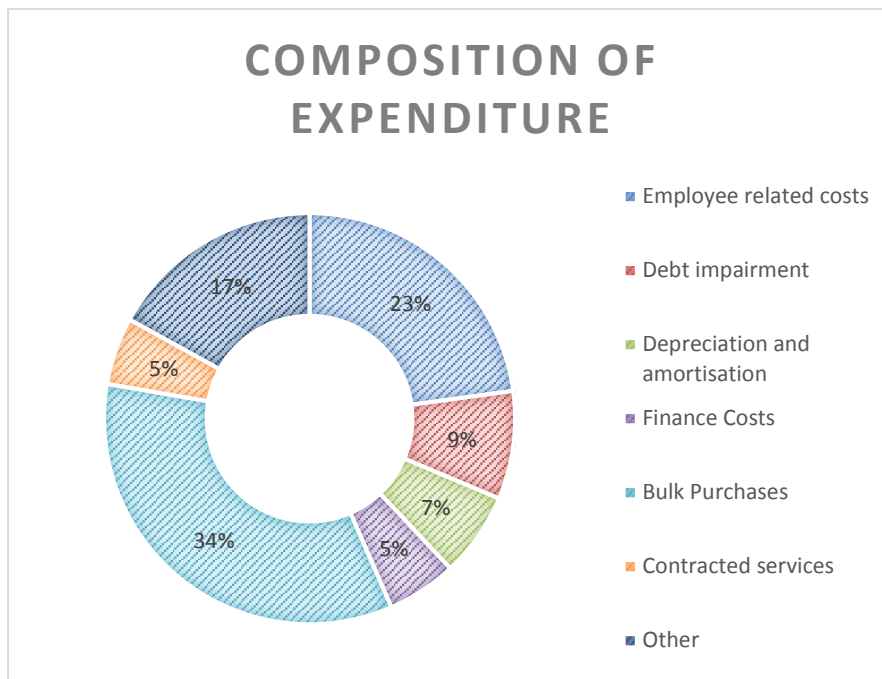
	2017 Actual R'000	% of Total	2016 Actual R'000	% of Total
Service Charges comprise				
Sale of electricity	14 813 762	59%	13 893 249	60%
Sale of water	5 071 323	20%	4 832 002	21%
Surcharges: Electricity	163 846	1%	151 582	1%
Surcharges: Water	47 281	0%	47 015	0%
Surcharges: refuse	5 014	0%	4 180	0%
Refuse removal	1 314 763	5%	1 217 609	5%
Sewerage and sanitation charges	3 201 756	13%	2 722 954	12%
Other services	474 717	2%	459 945	2%
	25 092 462	100%	23 328 536	100%

Table 89: Analysis of Service Charges

The composition of service charges has remained relatively unchanged when compared to the previous year. The main contributor for service charges is electricity at 59% with water being the second highest contributor at 20%.

3.1.2 Expenditure

Operational expenditure increased by 9% to R43.8 billion mainly due to inflationary pressures on other expenditure items.

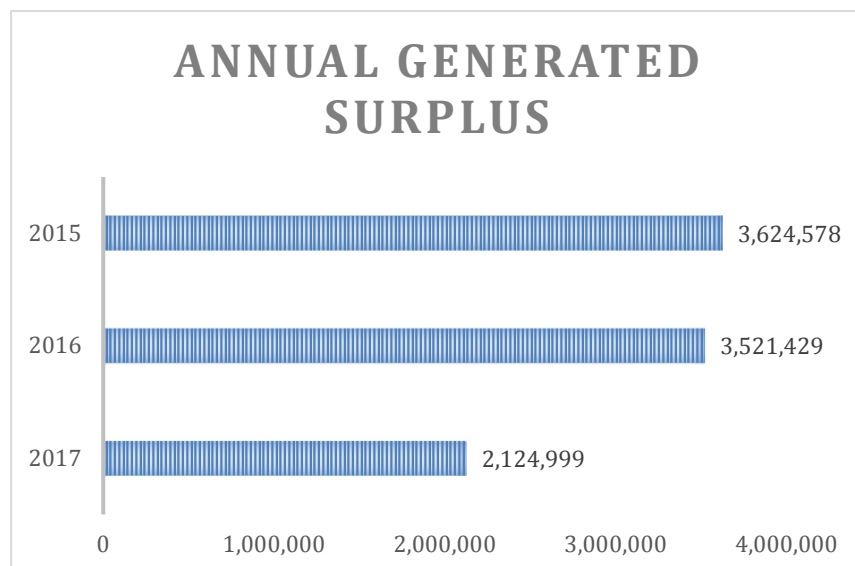


In the financial year under review, the City's major cost drivers were the bulk purchases, employee related cost and debt impairment respectively. Employee related costs increased by 9% when compared to the previous year. The increase is mainly due to

general annual increases of salaries as well as strategic decisions made during the adjustment budget

process for additional capacitation of areas such as public safety and building applications amongst others.

Annual Surplus Generated



Despite the challenging economic environment, the City was able to generate a net surplus of R2.1 billion. As indicated in the previous year, the city has adopted cost containment measures and in line with this we embarked on an expenditure review in order to analyze and evaluate the City's

cost structure. The outcomes of the expenditure review will be taken into consideration in the 2017/18 adjustment budget and the 2018/19 medium term budget process. The achievement of a surplus is in line with the City's Financial Development Plan and supports the commitment of our own funds alongside investor funding and government grants in order to invest in infrastructure.

Statement of Financial Position

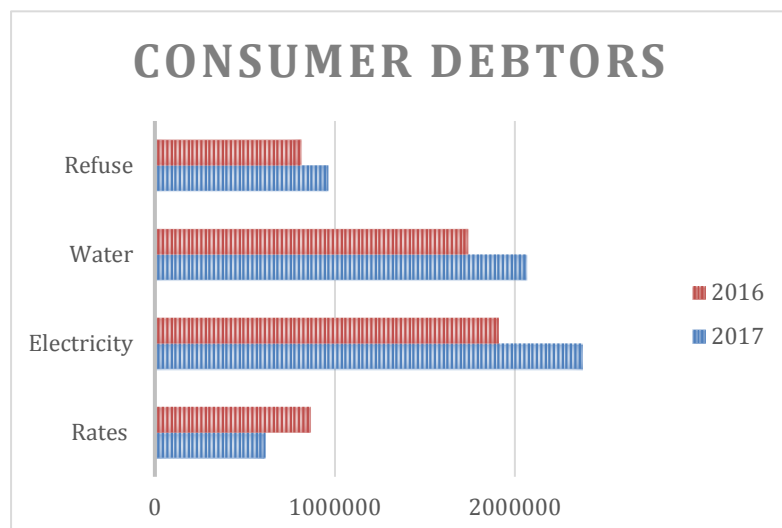
	Jun-17 Actual	Jun-16 Actual	2016- 2017 Growth	%Of Total	
				2017	2016
Net Assets and Liabilities					
Net Assets	44 170 760	42 041 777	5%	52%	52%
Non-current liabilities	23 555 893	24 050 246	-2%	28%	30%
Current liabilities	17 686 087	14 285 756	24%	21%	18%
	85 412 740	80 377 779	6%	100%	100%
Assets					
Non-current assets	71 610 657	68 002 059	5%	84%	85%
Current assets	13 802 083	12 375 720	12%	16%	15%
	85 412 740	80 377 779	6%	100%	100%

Table 90: Statement of Financial Position

The Statement of Financial Position presented reflects a solid financial position of the City with total assets increasing by 6% to R85 billion driven largely by annual capital expenditure in excess of R7.7 billion. The

City's net assets position has improved by 5% to R44 billion. The increase in net assets is attributable to the surplus generated during the year under review, of R2.1 billion.

CONSUMER DEBTORS



Net outstanding consumer debtors amounted to R6 billion as at 30 June 2017 [2016: R5.3 billion]. Electricity and water debtors account for 74% of the total net consumers debtors balance. This is in line with the revenue generated from these services. Total consumer debtors increased by 13% from the previous year, driven mostly by the

prevailing economic conditions. An amount of R1.4 billion relating to old debtors which were previously impaired and assessed as non-recoverable, were written off during the year under review.

CAPITAL EXPENDITURE

The 2016/17 financial year capital budget marked a significant milestone once again with an approved capital budget of R9.9 billion. Capital expenditure, as expressed by the additions capitalised in the current year amounted to R7.7 billion (78% of approved capital budget). The performance against budget was affected by various implementation challenges faced including disruptions to projects due to community protests.

FINANCIAL RATIOS

<i>Ratio summary</i>	<i>Target</i>	<i>Year end - June 17</i>
Debt (Total Borrowings) / Revenue	45%	45%
Repairs and Maintenance as a % of PPE and Investment Property (Carrying Value)	8%	4.3%
Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)-In Months	1-3 months	1
Current Ratio	1.5 - 2:1	0.78
Net Operating Surplus Margin	>0%	4%
Remuneration as % of Total Operating Expenditure	25%-40%	23%
Interest Expense to Total Operating Expenditure	8%	5.5%
Solvency	2.1: 1	2.1

Table 91: Financial Ratios

The above ratios, which are closely monitored during the year, ensure that at all times the City remains focused on ensuring continued financial sustainability. All the ratios except two are within the set targets.

AUDIT OPINION

The City's efforts and dedication towards achieving clean administration continue to bear fruits with the achievement of Unqualified Audit Opinion once more at a Group level. The audit report is included in the annual report.

I am pleased to report that the following MOEs have achieved clean audits in 2016/17:

- Johannesburg Social Housing Company (JOSHCO)
- Joburg Theatres
- Johannesburg Property Company (JPC)
- Johannesburg City Parks and Zoo (JCPZ)
- Johannesburg Development Agency (JDA)

The City is proud of this achievement and corrective measures and action plans have been put in place to ensure that the matters reported on by the Auditor General are remedied going forward to improve the current status.

CONCLUSION

Financial prudence remains a critical component of ensuring continued financial sustainability. The City's Financial Development Plan will continue to play an essential role of ensuring continued financial sustainability and effective financial planning through prudent borrowing, generation of annual operating surplus, and the creation of cash reserves to increase the level of infrastructural spending to improve service delivery. Furthermore, the City will yield additional capacity through Revenue Enhancement Projects in the new financial year, which will include amongst others, a city-wide verification of electricity and water meters.

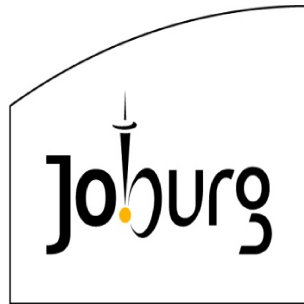
I wish to express my earnest appreciation to the Executive Mayor, Councilors, Member of the Mayoral Committee responsible for Finance, Mayoral Committee, Section 79 Oversight Committees, Group Audit Committee, Group Performance Audit Committee, Group Risk Governance Committee, Municipal Manager, Chief Operations Officer, Executive Management Team, Boards of Directors, Oversight Committees, Managing Directors and Chief Financial Officers of Municipal Owned Entities and their teams for the support they have provided during the 2015/16 financial year.

A sincere word of appreciation goes to the entire staff of the City and MoEs, who have played a role in making the financial year under review a success and ensuring that the financial statements are finalised on time. The hard work, sacrifices and intensive efforts throughout the year, have paid off and are much appreciated.

Going forward, I hope we all continue working together to ensure service delivery for the citizens City of Johannesburg. We remain committed to strengthening the City's financial position as we focus on ensuring that when Johannesburg works, South Africa works.

Lufuno Mashau

Acting Group Chief Financial Officer



CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

General Information

MAYORAL COMMITTEE

Executive Mayor

Herman Mashaba
(August 2016 - 30 June 2021)

Councillors

(August 2016 - 30 June 2021)
Vasco da Gama (Speaker of Council)
Dr Rabelani Dagada (Finance)
Sharon Peetz (Economic Development) - Resigned in August 2017
Leah Knott (Economic Development) -Appointed in August 2017
Richard Ngobeni (Development Planning and Urban Management)
Nonhlanhla Helen Makhuba (Transportation)
Nico De Jager (Environment and Infrastructure Services)
Dr Mpho Phalatse (Health and Social Development)
Dr Valencia Ntombi Khumalo (Corporate and Shared Services)
Michael Sun (Public Safety)
Nonhlanhla Sifumba (Community Development)
Mzobanzi Ntuli (Housing)
Dr Kevin Wax (Chief Whip)
Alex Christians (Chair of Chairpersons)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

General Information

GRADING OF LOCAL AUTHORITY

The City of Johannesburg Metropolitan Municipality is a Grade Six Local Authority in terms of Item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.

CITY MANAGER

Dr Ndivhoniswani Lukhwareni
Trevor Fowler (Contract expired December 2016)

CHIEF FINANCIAL OFFICER

Reggie Boqo (Resigned mid-June)

REGISTERED OFFICE

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2000

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Standard Bank

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The Office of the Auditor-General : Gauteng
Registered Auditors
61 Central Street
Houghton
2198
PO Box 91081
Auckland Park
2006

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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The reports and statements set out below comprise the Group Annual Financial Statements:

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Statement of Comparison of Budget and Actual Amounts	12 - 17
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City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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ABBREVIATIONS

AARTO	Administrative Adjudication of Road Traffic Offences
AUC	Assets Under Construction
CJMM	City of Johannesburg Metropolitan Municipality (CORE)
COID	Compensation for Occupational Injuries and Diseases
CRF	Contingency Reserve Fund
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
EPWP	Expanded Public Works Program
FRA	Forward Rate Agreement
FRN	Floating Rate Note
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IRS	Interest Rate Swap
JSE	Johannesburg Stock Exchange
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
NCD	Negotiable Certificate of Deposit
PAYE	Pay As You Earn
PN	Promissory Note
PPE	Property, Plant and Equipment
RMB	Rand Merchant Bank
SANAS	South African National Accreditation System
SARS	South Africa Revenue Services
SCM	Supply Chain Management
SOC	State Owned Company
SPTN	Single Public Transport Network
STD	Standard Bank
TCTA	Trans-Caledon Tunnel Authority
UIF	Unemployment Insurance Fund
USDG	Urban Settlement Development Grant
VAT	Value Added Taxation

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

City Manager's approval of the Group Annual Financial Statements

I am responsible for the preparation of the Group Annual Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The Group Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.



Accounting Officer
City Manager

31 December 2017

Date

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2017	2016 Restated*	2017	2016 Restated*
Assets					
Current Assets					
Inventories	3	319 320	318 756	84 076	119 429
Loans to Municipal entities	4	-	-	1 043 145	968 687
Other financial assets	5	18 576	18 576	18 576	18 576
Current tax receivable		19 334	18 955	-	-
Finance lease receivables	6	-	-	81 102	72 363
Receivables from exchange transactions	7	1 580 567	1 054 787	4 935 242	3 871 106
Receivables from non-exchange transactions	8	656 196	654 095	410 234	472 201
VAT receivable	9	566 018	253 967	211 173	171 744
Consumer debtors	10	6 015 670	5 330 264	615 278	865 684
Financial assets at fair value - Sinking fund	11	1 530 491	356 555	1 530 491	356 555
Cash and cash equivalents	12	3 095 911	4 369 765	2 781 090	4 182 055
		13 802 083	12 375 720	11 710 407	11 098 400
Non-Current Assets					
Zoo animals	13	26 736	25 645	-	-
Investment property	14	1 015 368	1 015 391	1 014 946	1 014 946
Property, plant and equipment	15	65 406 305	60 421 580	39 192 762	35 589 941
Intangible assets	16	886 245	1 077 385	312 527	461 187
Heritage assets	17	581 877	581 877	580 284	580 284
Investments in Municipal Entities	18	-	-	596 356	542 542
Investment in Joint Ventures	19	33 087	33 289	-	-
Investment in Associate	20	15 602	15 791	-	-
Loans to Municipal entities	4	-	-	6 743 942	7 057 144
Other financial assets	5	40 564	58 656	40 564	58 656
Deferred tax	21	1 335 971	933 401	-	-
Finance lease receivables	6	-	-	226 716	308 921
Financial assets at fair value - Sinking fund	11	2 268 902	3 839 044	2 268 902	3 839 044
		71 610 657	68 002 059	50 976 999	49 452 665
Total Assets		85 412 740	80 377 779	62 687 406	60 551 065

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2017	2016 Restated*	2017	2016 Restated*
Liabilities					
Current Liabilities					
Loans and borrowings	23	3 255 769	594 229	3 254 963	593 487
Current tax payable		569 096	519 029	-	-
Finance lease obligations	24	51 207	62 558	44 605	51 778
Financial liabilities at fair value - Sinking fund	30	150 387	444 674	150 387	444 674
Payables from exchange transactions	25	12 255 562	11 654 027	10 189 295	11 021 758
VAT payable	9	548 108	285 507	-	-
Unspent conditional grants and receipts	26	519 860	410 036	518 946	409 122
Provisions	27	272 377	269 922	-	-
Deferred income	29	4 418	3 952	-	-
Other financial liabilities at fair value - Swap	31	14 060	4 056	14 060	4 056
Consumer deposits	32	45 243	37 766	-	-
		17 686 087	14 285 756	14 172 256	12 524 875
Non-Current Liabilities					
Loans from Municipal entities	33	-	-	418 320	412 990
Loans and borrowings	23	16 855 880	17 474 609	16 840 775	17 458 698
Finance lease obligations	24	154 120	199 164	150 710	194 971
Financial liabilities at fair value - Sinking fund	30	672 074	725 729	672 074	725 729
Employee benefits obligations	28	1 526 221	1 602 623	1 205 441	1 254 455
Unspent conditional grants and receipts	26	216 272	59 331	-	-
Deferred tax	21	2 604 144	2 396 114	-	-
Provisions	27	604 545	718 450	53 994	136 800
Deferred income	29	49 126	46 344	49 126	46 344
Other financial liabilities at fair value - Swap	31	-	18 078	-	18 078
Consumer deposits	32	873 511	809 804	16 479	15 816
		23 555 893	24 050 246	19 406 919	20 263 881
Total Liabilities		41 241 980	38 336 002	33 579 175	32 788 756
Net Assets		44 170 760	42 041 777	29 108 231	27 762 309
Reserves					
Hedging reserve		(1 386)	(5 370)	(1 386)	(5 370)
Accumulated surplus		44 172 146	42 047 147	29 109 617	27 767 679
Total Net Assets		44 170 760	42 041 777	29 108 231	27 762 309

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2017	2016 Restated*	2017	2016 Restated*
Revenue					
Revenue from exchange transactions					
Rendering of services	36	25 092 442	23 328 536	462 683	429 427
Rental of facilities and equipment		294 181	246 553	129 296	89 725
Agency services		236 778	214 639	236 778	214 639
Licences and permits		3 648	1 211	3 648	1 211
Other revenue	35	1 199 849	1 551 396	684 886	1 038 716
Finance Income		624 146	636 949	1 374 052	1 196 130
Total revenue from exchange transactions		27 451 044	25 979 284	2 891 343	2 969 848
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	37	7 912 381	8 138 059	7 912 381	8 138 059
City cleaning levy		129 476	111 999	-	-
Transfer revenue					
Government grants and subsidies	38	9 301 934	8 917 425	8 986 924	8 599 922
Public contributions, donated and contributed property, plant and equipment		387 803	402 852	97 578	194 132
Fines, Penalties and Forfeits		239 806	288 830	239 806	288 830
Total revenue from non-exchange transactions		17 971 400	17 859 165	17 236 689	17 220 943
Total revenue		45 422 444	43 838 449	20 128 032	20 190 791
Expenditure					
Employee related costs	39	(9 856 853)	(8 999 338)	(5 632 814)	(5 155 438)
Remuneration of councillors	40	(139 593)	(133 887)	(139 593)	(133 887)
Depreciation and amortisation	41	(2 905 690)	(2 809 175)	(1 757 823)	(1 834 054)
Impairment losses	42	(48 681)	(2 929)	(102 312)	(434 643)
Finance costs		(2 404 844)	(1 880 553)	(2 449 399)	(1 944 068)
Debt impairment	43	(3 723 735)	(2 483 374)	(788 672)	(713 688)
Bulk purchases	44	(14 978 933)	(13 747 732)	-	-
Contracted services	45	(2 321 325)	(2 655 703)	(1 495 303)	(1 781 856)
Grants and subsidies paid	46	(500 747)	(484 417)	(3 874 419)	(3 552 139)
General expenses	47	(6 882 070)	(7 003 372)	(2 911 423)	(3 325 632)
Total expenditure		(43 762 471)	(40 200 480)	(19 151 758)	(18 875 405)
Operating surplus		1 659 973	3 637 969	976 274	1 315 386
(Loss)/gain on disposal of assets		(74 489)	(256 037)	(41 277)	(237 625)
Reversal of impairment	42	-	-	29 825	31 315
Fair value adjustments	48	377 220	385 848	377 116	385 787
Gain as a result of donated animals, new births and deaths		1 520	2 695	-	-
Share of surpluses and deficits from associate and joint ventures accounted for using the equity method		158	4 816	-	-
		304 409	137 322	365 664	179 477
Surplus before taxation		1 964 382	3 775 291	1 341 938	1 494 863
Taxation	65	160 617	(253 884)	-	-
Surplus for the year		2 124 999	3 521 407	1 341 938	1 494 863

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
GROUP				
Balance at 01 July 2015		(19 570)	38 525 740	38 506 170
Changes in net assets				
Amount recognised directly in net assets		14 200	-	14 200
Net revenue (expenditure) recognised directly in equity		14 200	-	14 200
Surplus for the year			3 521 407	3 521 407
Total recognised revenue and expenditure for the year		14 200	3 521 407	3 535 607
Total changes		14 200	3 521 407	3 535 607
Opening balance as previously reported		(5 370)	43 131 056	43 125 686
Adjustments				
Prior period restatement			(1 083 909)	(1 083 909)
Balance at 01 July 2016 as restated		(5 370)	42 047 147	42 041 777
Changes in net assets				
Amount recognised directly in net assets		3 984	-	3 984
Net revenue (expenditure) recognised directly in equity		3 984	-	3 984
Surplus for the year			2 124 999	2 124 999
Total recognised revenue and expenditure for the year		3 984	2 124 999	2 128 983
Total changes		3 984	2 124 999	2 128 983
Balance at 30 June 2017		(1 386)	44 172 146	44 170 760

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
CJMM				
Balance at 01 July 2015		(19 570)	26 025 871	26 006 301
Changes in net assets				
Amount recognised directly in net assets		14 200	-	14 200
Net revenue (expenditure) recognised directly in equity		14 200	-	14 200
Surplus for the year			1 494 863	1 494 863
Total recognised revenue and expenditure for the year		14 200	1 494 863	1 509 063
Gain on transfer of functions			246 945	246 945
Total changes		14 200	1 741 808	1 756 008
Balance at 01 July 2016		(5 370)	27 767 679	27 762 309
Changes in net assets				
Amount recognised directly in net assets		3 984	-	3 984
Net revenue (expenditure) recognised directly in equity		3 984	-	3 984
Surplus for the year			- 1 341 938	1 341 938
Total recognised revenue and expenditure for the year		3 984	1 341 938	1 345 922
Total changes		3 984	1 341 938	1 345 922
Balance at 30 June 2017		(1 386)	29 109 617	29 108 231

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2017	2016 Restated*	2017	2016 Restated*
Cash flows from operating activities					
Receipts					
Cash receipts from customers		30 336 286	29 795 686	7 197 873	8 877 538
Grants		9 568 698	8 821 798	8 992 774	8 797 621
Interest income		624 146	624 799	1 238 704	974 930
		40 529 130	39 242 283	17 429 351	18 650 089
Payments					
Cash paid to suppliers and employees		(34 565 129)	(30 959 275)	(14 982 296)	(12 856 588)
Finance costs		(2 404 884)	(1 941 504)	(2 365 106)	(1 906 087)
Taxes on surpluses		15 765	(32 932)	-	-
		(36 954 248)	(32 933 711)	(17 347 402)	(14 762 675)
Net cash flows from operating activities	49	3 574 882	6 308 572	81 949	3 887 414
Cash flows from investing activities					
Purchase of capital assets		(7 100 961)	(10 028 303)	(3 620 312)	(6 514 493)
Cash movements in sinking fund		400 000	1 100 000	400 000	1 100 000
Loans redeemed from Municipal entities	64	-	-	1 077 172	1 038 193
Finance lease receivables		-	-	68 432	(75 174)
Investment in Municipal entities		-	-	(53 814)	(46 182)
Other financial assets		18 092	-	18 092	-
Loans to Municipal entities		-	-	(1 235 108)	(1 540 568)
Net cash flows from investing activities		(6 682 869)	(8 928 303)	(3 345 538)	(6 038 224)
Cash flows from financing activities					
Proceeds from borrowings		2 626 000	3 940 000	2 626 000	3 940 000
Liabilities from Municipal entities		-	-	(3 803)	(6 506)
Repayment of borrowings		(593 484)	(1 565 027)	(593 484)	(1 564 348)
Finance lease obligations		(52 765)	(123 057)	(51 434)	(104 773)
Repayment of post-retirement benefits		(145 618)	(141 974)	(114 655)	(111 497)
Net cash flows from financing activities		1 834 133	2 109 942	1 862 624	2 152 876
Net (decrease)/increase cash and cash equivalents		(1 273 854)	(509 789)	(1 400 965)	2 067
Cash and cash equivalents at the beginning of the year		4 369 765	4 879 554	4 182 055	4 179 988
Cash and cash equivalents at the end of the year	12	3 095 911	4 369 765	2 781 090	4 182 055

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
GROUP						
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Rendering of services	26 119 629	(349 591)	25 770 038	25 092 442	(677 596)	
Rental facilities and equipment	321 242	(6 421)	314 821	294 181	(20 640)	
Agency services	663 431	13 103	676 534	236 778	(439 756)	2
Licences and permits	790	6 510	7 300	3 648	(3 652)	1
Other revenue	2 332 198	84 605	2 416 803	1 199 849	(1 216 954)	2
Finance Income	464 706	(10 471)	454 235	624 146	169 911	3
Total revenue from exchange transactions	29 901 996	(262 265)	29 639 731	27 451 044	(2 188 687)	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TAXATION REVENUE						
Property rates	8 189 000	70 000	8 259 000	7 912 381	(346 619)	
City cleaning levy	114 277	-	114 277	129 476	15 199	4
Government grants and subsidies	9 482 308	743 441	10 225 749	9 301 934	(923 815)	
TRANSFER REVENUE						
Public contributions, Donated and contributed property, plant and equipment	114 254	-	114 254	387 803	273 549	5
Fines	1 105 145	(475 450)	629 695	239 806	(389 889)	6
Total revenue from non-exchange transactions	19 004 984	337 991	19 342 975	17 971 400	(1 371 575)	
Total revenue	48 906 980	75 726	48 982 706	45 422 444	(3 560 262)	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
EXPENDITURE						
Employee related costs	(10 464 405)	(158 004)	(10 622 409)	(9 856 853)	765 556	
Remuneration of councillors	(153 699)	-	(153 699)	(139 593)	14 106	
Depreciation and amortisation	(3 567 343)	-	(3 567 343)	(2 905 690)	661 653	7
Impairment losses	-	-	-	(48 681)	(48 681)	
Finance costs	(2 321 693)	(35)	(2 321 728)	(2 404 844)	(83 116)	
Debt impairment	(3 286 247)	197 846	(3 088 401)	(3 723 735)	(635 334)	8
Bulk purchases	(15 323 211)	116 933	(15 206 278)	(14 978 933)	227 345	
Contracted services	(3 485 542)	(148 733)	(3 634 275)	(2 321 325)	1 312 950	9
Grants and subsidies paid	(464 426)	4 320	(460 106)	(500 747)	(40 641)	
General expenses	(6 238 825)	(87)	(6 238 912)	(6 882 070)	(643 158)	
Total expenditure	(45 305 391)	12 240	(45 293 151)	(43 762 471)	1 530 680	
Operating surplus	3 601 589	87 966	3 689 555	1 659 973	(2 029 582)	
Loss on disposal of assets and liabilities	(25)	25	-	(74 489)	(74 489)	
Fair value adjustments	-	-	-	377 220	377 220	10
Gain as a result of donated animals and new births	-	-	-	1 520	1 520	
Share of (deficit)/ surplus of associate or joint ventures accounted for under the equity method	-	-	-	158	158	
	(25)	25	-	304 409	304 409	
Surplus before taxation	3 601 564	87 991	3 689 555	1 964 382	(1 725 173)	
Taxation	416 943	(3 112)	413 831	(160 617)	(574 448)	
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	3 184 621	91 103	3 275 724	2 124 999	(1 150 725)	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

The comparison is between actual amounts as at 30 June 2017 and the 2016/2017 Adjusted Budget. Comments are provided on variances in excess of 10%.

1. Licences and permits

The variance is due to the Environment and Infrastructure department's overestimation of the earnings potential of their air permits and energy concession fee. These permits were issued as from October 2016, the actual amounts received represent three quarters of the year.

2. Other Revenue

The main contributors to the variance are as follows:

Lower unit sales to Eskom from electricity produced at Kelvin Power station. Arrangement with Eskom was also discontinued in April 2017.

The under-performance of income from jobbing is as a result of decrease in demand for the jobbing.

Under-performance of income from Johannesburg Metrobus services due to shortfall of buses. Some of the scheduled trips were not undertaken as old buses were out of commission.

3. Finance Income

The variance is as a result of interest charges on outstanding debtors. This is consistent with the lower payment levels of old debt.

4. City cleaning levy

The actual amount is greater than budget as a result of corrections and back billing of properties processed in the current year not previously budgeted for.

5. Public Contributions

Public contributions are based on voluntary donations from the public and therefore cannot be accurately budgeted for unless there is a commitment to donate by the public at the budgeting stage.

6. Fines

The under recovery is mainly due to the termination of electronic speed law enforcement contracts in February 2017, and the invalidation of traffic fines that do not comply with the Administration and Adjudication of Road Traffic Offences Act.

7. Depreciation and Amortization

The variance is due to assets being capitalised at different times during the financial year, whereas the budget assumes depreciation for the full year.

8. Debt Impairment

Collection levels were lower than expected due to the adverse economic conditions

9. Contracted services

The underspending on contracted services is due to the following reasons:

The delay in implementation and roll out of the auto-safe equipment and pre-negotiations with the taxi industry.

Fewer consultants utilised for specialised services.

The underspending as a result of the yellow plant contract which came to an end during the financial year. The current extension of the old contract is at lower rates than budgeted.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

10. Fair value adjustments

The following instruments contributed to the fair value movement:

The redemption fund contributed significantly to the fair value gains which can be attributed to the fund performance

In the current year, surplus cash was placed with asset managers The Interest Rate Swap also had some fluctuations in its fair value.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
CJMM						
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Rendering of Service	432 199	(3 630)	428 569	462 683	34 114	
Rental facilities and equipment	147 980	2 700	150 680	129 296	(21 384)	1
Agency services	238 788	-	238 788	236 778	(2 010)	
Licences and permits	790	6 510	7 300	3 648	(3 652)	2
Other revenue	901 926	40 631	942 557	684 886	(257 671)	3
Finance income	1 294 197	58 915	1 353 112	1 374 052	20 940	
Total revenue from exchange transactions	3 015 880	105 126	3 121 006	2 891 343	(229 663)	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TAXATION REVENUE						
Property rates	8 189 000	70 000	8 259 000	7 912 381	(346 619)	
TRANSFER REVENUE						
Government grants and subsidies	9 106 225	199 934	9 306 159	8 986 924	(319 235)	
Public contributions and contributed assets	-	1 296	1 296	97 578	96 282	4
Fines	990 868	(475 450)	515 418	239 806	(275 612)	5
Total revenue from non-exchange transactions	18 286 093	(204 220)	18 081 873	17 236 689	(845 184)	
Total revenue	21 301 973	(99 094)	21 202 879	20 128 032	(1 074 847)	
EXPENDITURE						
Employee Related costs	(5 780 538)	345	(5 780 193)	(5 632 814)	147 379	
Remuneration of councillors	(153 699)	-	(153 699)	(139 593)	14 106	
Depreciation and amortisation	(2 593 393)	166 012	(2 427 381)	(1 757 823)	669 558	
Impairment losses	-	-	-	(102 312)	(102 312)	
Finance costs	(2 468 618)	(13 227)	(2 481 845)	(2 449 399)	32 446	
Debt impairment	(1 076 679)	177 376	(899 303)	(788 672)	110 631	
Contracted services	(1 650 261)	(95 443)	(1 745 704)	(1 495 303)	250 401	6
Grants and subsidies paid	(3 489 919)	(340 877)	(3 830 796)	(3 874 419)	(43 623)	
General Expenses	(2 927 862)	(2 891)	(2 930 753)	(2 849 688)	81 065	
Total expenditure	(20 140 969)	(108 705)	(20 249 674)	(19 151 758)	1 097 916	
Operating surplus	1 161 004	(207 799)	953 205	976 274	23 069	
(Loss) gain on disposal of assets	25 000	-	25 000	(41 277)	(66 277)	
Reversal of Impairment	-	-	-	29 825	29 825	7
Fair value adjustments	120 000	-	120 000	377 116	257 116	8
	145 000	-	145 000	365 664	220 664	
Surplus before taxation	1 306 004	(207 799)	1 098 205	1 341 938	243 733	

Management considers 10% or more of variance as material. A detailed description of the variances is provided below

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

1. Rental of facilities and equipment

The under recovery is mainly in municipal portfolio account (Johannesburg Property Company) and is as a result of low occupancy rates of council owned properties and vacated properties. Occupancy rates and rental collections continue to be affected by the economic climate. Processes are in progress to renew the expired contracts.

2. Licences and permits

The large variance was attributable to the under-recovery experienced by Environment and Infrastructure department's overestimation of the earnings potential of their air permits and energy concession fee. These permits were issued as from October 2016, the actual amounts received represent three quarters of the year.

3. Other income

Main contributors to the variance are:

Housing - The under-recovery was in relation to hostel income. This is as a result of units in Region E and F that became vacant due to maintenance

.

Group finance - The under-recovery is as a result of non-payment of final and pre-termination notices being issued in accordance with the credit policy and is being influenced by the on-going billing reviews.

4. Public contributions, donated and contributed property, plant and equipment

The over-recovery was mainly attributable to the property value received by Joburg Property Company during the year.

5. Fines

The under recovery is mainly due to the termination of electronic speed law enforcement contracts in February 2017, and the invalidation of traffic fines that do not comply with the Administration and Adjudication of Road Traffic Offences Act.

6. Contracted services

Main contributors to the underspending in contracted services are:

Housing: A delay with regards to concluding the SLA for cleaning services. Further the procurement process has commenced with regards to expenditure on Consultant work to undertake Feasibility studies.

EISD: The following projects were not implemented:

- SANAS Calibration Meteorological Weather - SCM did not approve the central adjudication committee report as they argued that the department was attempting to circumvent the SCM policy.
- River clean-up and Waste Recycling projects which formed part of Jozi@work were cancelled in October 2016, this resulted in the department having insufficient time to spend their budget.

Group Finance: With regards to RSSC's enhancement of revenue project, budget was not spent due approval not yet granted in order to appoint a service provider. SCM processes are underway as additional budget was only approved during adjustment budget processor.

7. Reversal of impairment

Reversal of impairment on the loan to Metrobus.

8. Fair value adjustments

The following instruments contributed to the fair value movement:

The Redemption fund contributed significantly to the fair value gains which can be attributed to the fund performance.

In the current year, surplus cash was placed with asset managers.

The interest rate swap also had some fluctuations in its fair value.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
GROUP - 2017											
Financial Performance											
Property rates	8 189 000	70 000	8 259 000	-	-	8 259 000	7 912 381	-	(346 619)	96 %	97 %
Service charges	26 119 629	(349 591)	25 770 038	-	-	25 770 038	25 092 442	-	(677 596)	97 %	96 %
City cleaning levy	114 277	-	114 277	-	-	114 277	129 476	-	15 199	113 %	113 %
Finance income	464 706	(10 471)	454 235	-	-	454 235	624 146	-	169 911	137 %	134 %
Gains on disposal of PPE	25 000	-	25 000	-	-	25 000	1 520	-	(23 480)	6 %	6 %
Operational grants	6 725 515	1 248	6 726 763	-	-	6 726 763	6 740 131	-	13 368	100 %	100 %
Other income	4 422 806	(377 653)	4 045 153	-	-	4 045 153	2 351 640	-	(1 693 513)	58 %	53 %
Total revenue	46 060 933	(666 467)	45 394 466	-	-	45 394 466	42 851 736	-	(2 542 730)	94 %	93 %
Employee costs	(10 464 405)	(158 004)	(10 622 409)	-	-	(10 622 409)	(9 856 853)	-	765 556	93 %	94 %
Remuneration of councillors	(153 699)	-	(153 699)	-	-	(153 699)	(139 593)	-	14 106	91 %	91 %
Debt impairment	(3 286 247)	197 846	(3 088 401)	-	-	(3 088 401)	(3 723 735)	-	(635 334)	121 %	113 %
Depreciation	(3 567 343)	-	(3 567 343)	-	-	(3 567 343)	(2 954 371)	-	612 972	83 %	83 %
Finance charges	(2 321 693)	(35)	(2 321 728)	-	-	(2 321 728)	(2 404 844)	-	(83 116)	104 %	104 %
Bulk purchases	(15 323 211)	116 933	(15 206 278)	-	-	(15 206 278)	(14 978 933)	-	227 345	99 %	98 %
Other expenses	(6 238 825)	(87)	(6 238 912)	-	-	(6 238 912)	(6 882 070)	-	(643 158)	110 %	110 %
Grants paid	(464 426)	4 320	(460 106)	-	-	(460 106)	(500 747)	-	(40 641)	109 %	108 %
Contracted services	(3 485 542)	(148 733)	(3 634 275)	-	-	(3 634 275)	(2 321 325)	-	1 312 950	64 %	67 %
Loss on disposal of assets	(25)	25	-	-	-	-	(74 489)	-	(74 489)	- %	297 956 %
Total expenditure	(45 305 416)	12 265	(45 293 151)	-	-	(45 293 151)	(43 836 960)	-	1 456 191	97 %	97 %
Surplus/ (Deficit)	755 517	(654 202)	101 315	-	-	101 315	(985 224)	-	(1 086 539)	(972)%	(972)%

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers - capital	2 756 793	742 193	3 498 986	-	-	3 498 986	2 561 803		(937 183)	73 %	93 %
Contributions - capital assets	114 254	-	114 254	-	-	114 254	387 803		273 549	339 %	339 %
Surplus/ (Deficit) after capital contributions	3 626 564	87 991	3 714 555	-	-	3 714 555	1 964 382		(1 750 173)	53 %	54 %
Taxation	416 943	(3 112)	413 831	-	-	413 831	(160 617)		(574 448)	(39)%	(39)%
Surplus/ (Deficit) for the year	3 209 621	91 103	3 300 724	-	-	3 300 724	2 124 999		(1 175 725)	64 %	66 %
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-	-	-	7 727 950		7 727 950	- %	- %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
CJMM - 2017											
Financial Performance											
Property rates	8 189 000		8 259 000	-	-	8 259 000	7 912 381		(346 619)	96 %	97 %
Service charges	432 199	(3 630)	428 569	-	-	428 569	462 683		34 114	108 %	107 %
Finance income	1 294 197	58 915	1 353 112	-	-	1 353 112	1 374 052		20 940	102 %	106 %
Transfers - operational	5 437 171	199 045	5 636 216	-	-	5 636 216	6 713 778		1 077 562	- %	- %
Other revenue	2 425 352	(425 609)	1 999 743	-	-	1 999 743	1 701 359		(298 384)	85 %	70 %
Total revenue (excluding capital transfers and contributions)	17 777 919	(101 279)	17 676 640	-	-	17 676 640	18 164 253		487 613	103 %	102 %
Employee costs	(5 780 538)	345	(5 780 193)	-	-	(5 780 193)	(5 632 814)		147 379	97 %	97 %
Remuneration of councillors	(153 699)	-	(153 699)	-	-	(153 699)	(139 593)		14 106	91 %	91 %
Debt impairment	(1 076 679)	177 376	(899 303)			(899 303)	(788 672)		110 631	88 %	73 %
Depreciation and asset impairment	(2 593 393)	166 012	(2 427 381)			(2 427 381)	(1 860 135)		567 246	77 %	72 %
Finance charges	(2 468 618)	(13 227)	(2 481 845)	-	-	(2 481 845)	(2 449 399)		32 446	99 %	99 %
Transfers and grants	(3 489 919)	(340 877)	(3 830 796)	-	-	(3 830 796)	(3 874 419)		(43 623)	101 %	111 %
Other expenditure	(4 578 123)	(98 334)	(4 676 457)	-	-	(4 676 457)	(4 448 002)		228 455	95 %	97 %
Total expenditure	(20 140 969)	(108 705)	(20 249 674)	-	-	(20 249 674)	(19 193 034)		1 056 640	95 %	95 %
Surplus/(Deficit)	(2 363 050)	(209 984)	(2 573 034)	-	-	(2 573 034)	(1 028 781)		1 544 253	40 %	44 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	3 669 054	889	3 669 943	-		3 669 943	2 273 146		(1 396 797)	62 %	62 %
Contributions recognised - capital and contributed assets	-	1 296	1 296	-		1 296	97 578		96 282	- %	- %
Surplus (Deficit) after capital transfers and contributions	1 306 004	(207 799)	1 098 205	-		1 098 205	1 341 943		243 738	122 %	103 %
Surplus/(Deficit) for the year	1 306 004	(207 799)	1 098 205	-		1 098 205	1 341 943		243 738	122 %	103 %
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	5 298 494		5 298 494	- %	- %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Statement of compliance

Basis of Preparation and Presentation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise.

Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality

Going Concern

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements comprise the annual financial statements of CJMM and all entities controlled by CJMM, including special purpose entities, presented as those of a single entity.

Control exists when CJMM has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of the controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

An investment in an entity is accounted for in accordance with the Standards of GRAP on financial instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The fair value of any investment retained in the former controlled entity at the date when control is lost shall be regarded as the fair value on initial recognition of a financial asset in accordance with the Standard of GRAP on Financial Instruments or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Balances, transactions, revenues and expenses between entities within the group are eliminated in full on consolidation.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in conformity with GRAP, management is required to make judgements, estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Effect of changes in estimates are accounted for on a prospective basis in the statement of financial performance.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Significant judgements include:

Impairment of financial assets

Where objective evidence of impairment loss on financial assets measured at amortised cost exists, the present value of the future cash flows of the financial assets discounted at the financial asset's original effective rate is determined and compared to the carrying value of the financial assets. The carrying amount of asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognised in the statement of financial performance.

Allowance for slow moving, damaged and obsolete stock

Management makes an estimate of the selling price and direct cost to sell to determine the net realisable value of inventory items. Allowance for obsolete stock is recognised when stock is slow moving and/or will not be used. The difference between the cost of inventory and the net realisable value is recognised in the statement of financial performance.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market values of other similar instruments, discounted cash flow analysis and option pricing models.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Impairment of property, plant and equipment

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality then estimate the recoverable service amount of the asset.

The recoverable amounts of cash-generating units and individual assets are determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may then impact estimations and may then require a material adjustment to the carrying value of cash-generating units and individual assets.

The excess of the carrying amounts over the recoverable amount is recognised as impairment loss in the statement of financial performance.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions as well as contingent liabilities and contingent assets. Provisions are raised based on the information available to management, and past knowledge.

A provision is recognised when the municipality has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The estimates are discounted at a discount rate that reflects current market assessments of the time value of money

Payables (Consumers with credit balances)

City of Johannesburg (COJ) invoices clients for the following revenue components; electricity on behalf of City Power, water on behalf of Joburg Water, refuse on behalf of Pikitup and rates and taxes on behalf of COJ Core Administration. Revenue and corresponding debtor is allocated to each municipal entity based on the actual consumption/billing.

With regards to credit balances in consumer debtors, COJ allocates credit balances applicable to each entity using the billing trend, allocation takes into account that credit balances are typically utilised through consumption of services to be provided by COJ in the future. Management have applied judgment in determining the allocation basis, this is consistent with prior financial years.

Expected manner of realisation for deferred tax

Deferred tax is provided for based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/ (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment of receivables

Impairment of receivables represent management's best estimate based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This is performed on each category of debtors across all debtor classes.

Useful life of PPE

The useful life of assets are based on management's estimates. Management considers the impact of technology, service requirements and the required return on assets to determine the optimum useful life expectation, where appropriate. The estimated residual value of assets is also based on management's judgement which takes into account the condition of assets at the end of their useful lives.

Budget information

A difference of 10% or more between budget and actual amounts is regarded as material. This percentage is based on management's estimate and is considered to be appropriate. All material differences are explained in the notes to the annual financial statements.

1.3 Zoo animals

Zoo animals are accounted for in terms of GRAP 17 as items of property, plant and equipment. The majority of animals are received as donations and transfers from other similar institutions for no consideration or from procreation. These assets are recorded at a fair value at the time of donation or transfer, and are depreciated accordingly.

Market determined prices or values are not available for certain animals due to lack of market because they are not commodities, as well as restrictions on trade of exotic animals which precludes the determination of a fair value. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The Johannesburg Zoo also acquires animals through supply chain processes and these newly acquired animals are carried at cost less accumulated depreciation and any impairment losses. The offspring of newly acquired animals shall be recorded at a fair value at the time of birth and will also be depreciated accordingly.

The useful lives of zoo animals listed below reflect useful lives of the different classes of animals at the Johannesburg Zoo. Within the different classes of animals are a number of different species whose useful lives differ. Therefore the useful lives of zoo animals listed below reflect the useful lives of the different species contained within a specific class of animals.

The longevity of zoo animals has been assessed as follows:

Amphibia	4 -16 years
Arachnida	2 - 20 years
Aves	4 - 6 years
Mammalia	6 - 64 years
Pisces	1 - 35 years
Reptilia	7 - 80years
Insecta	4 years

1.4 Investment property

Investment properties are immovable land and/or buildings that are held to earn rental income and/or for capital appreciation. Investment property excludes owner-occupied property that is used in the production or supply of goods or services or for administrative purposes, or property held to provide a social service.

Investment property is recognised as an asset when and only when it is probable that future economic benefits or service potential that is associated with the investment property will flow to the entity and the cost or fair value can be reliably measured.

Investment property is initially measured at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Investment property (continued)

Subsequent measurement

Under the cost model, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties, with the exception of land, are depreciated on the straight-line basis over their expected useful lives as follows:

Item	Useful life
Property - Buildings	30 years

The useful life and the depreciation method for investment properties are reviewed at each reporting date.

Investment properties are tested for impairment whenever there is an indication that the asset may be impaired.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

Derecognition

An investment property is derecognised upon disposal or when it is permanently withdrawn from use, and when no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal is recognized in the statement of financial performance.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

All items of property, plant and equipment (PPE) are initially recognised at cost, which includes the purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Where an item of PPE is acquired through a non-exchange transaction (i.e. where a property is acquired for no or nominal value), its cost is measured at fair value as at the date of acquisition.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

Subsequent measurement

PPE are shown at cost, less accumulated depreciation and any accumulated impairment. Land is measured at cost, less any impairment in value and is not depreciated, since the useful life is considered to be indefinite.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready and available for its use as intended by management.

Property, plant and equipment with the exception of land are depreciated on the straight line basis over their expected useful lives to their estimated residual values. The depreciation method used for each asset reflects the pattern in which the asset's economic benefits or service potential has been expected to be consumed by the Municipality.

Assets held under finance leases are depreciated on the lower of lease term or expected useful lives in the same way as owned assets. When it is reasonable certain that ownership will be transferred to the lessee at end of lease term, then leased asset will be depreciated over the useful life of the asset which is consistent with that for depreciable assets that are owned. Depreciation is recognised in the statement of financial performance.

Subsequent expenditure is included in the cost of the asset when incurred, if it is probable that such expenditure will result in future economic benefits associated with the item flowing to the Municipality, and the cost can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and also depreciated separately.

The residual values, useful lives and depreciation methods applied to assets are reviewed at each financial year-end based on relevant market information and management consideration.

Property, plant and equipment are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (Years)
Buildings	5 - 60 years
Plant and Equipment	2 - 85 years
Furniture and fittings	2 - 25 years
Motor vehicles	3 - 20 years
Office equipment	2 - 20 years
Computer equipment	2 - 15 years
Bins and containers	5 - 10 years
Infrastructure	10 - 30 years
Community assets	3 - 30 years
Emergency Equipment	5 - 15 years
Wastewater and Water Network	.
Pump stations - Civil	60 - 100 years
Pump stations - Mechanical	5 - 15 years
Pump stations - Electrical	7 - 16 years
Water meters	4 - 13 years
Pipelines and other	60 - 100 years
Landfill Site	Determined annually based on the available space
Library Books	10 years
Specialised vehicles	2 - 40 years
Other	2 - 40 years

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the statement of financial performance.

The municipality derecognises property, plant and equipment on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the property, plant and equipment. Such difference is recognised in the statement of financial performance.

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the group or from other rights and obligations.

An intangible asset is recognised when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Subsequent Measurement

Under the cost model intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Amortisation commences when the intangible assets are available for their intended use. The amortisation period and method for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortised on the straight-line basis over the useful lives of assets.

For intangible assets with an indefinite useful life, no amortisation is provided but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. However, the Municipality reviews the useful life of an intangible asset that is not being amortised each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

Amortisation is provided to write down the intangible assets, on the straight line basis, to their residual values as follows:

Item	Useful life
Additional capacity rights	10 years
Servitudes	Indefinite
Computer software, internally generated	8 years
Computer software	2-8 years

By their nature, servitudes confer upon the holder a right in perpetuity over the property and as these rights have an indefinite useful life, they are not amortised.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset shall be measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement.

Heritage assets are recognised at cost less accumulated impairment. Due to high residual values and long economic lives, the Municipality does not depreciate heritage assets

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset, and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Principles of assets transferred to heritage assets apply up until the date of transfer.

Heritage assets are tested for impairment annually and whenever there is an indication that the asset may be impaired

Derecognition

The Municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from their use or disposal. The gain or loss arising from disposal and de-recognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in the statement of financial performance.

1.8 Investments in Municipal Entities

CJMM separate annual financial statements

In the municipality's separate annual financial statements, investments in municipal entities are carried at cost less any accumulated impairment.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Investment in Joint Ventures

Group annual financial statements

An investment in a joint ventures is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surpluses or deficits of the investee after acquisition date. The use of the equity method is discontinued from the date the group ceases to have joint control over a joint venture.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

An interest in a jointly controlled company is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on non-current assets held-for-sale and discontinued operations. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of Financial position at cost adjusted for post-acquisition changes in the company's share of net assets of the company, less any impairment losses. Surpluses and deficits on transactions between the company and a joint venture are eliminated to the extent of the company's interest therein.

The most recent available annual financial statements of the joint ventures are used by the investor in applying the equity method. When the end of the reporting period of the investor is different from that of the joint venture, the joint venture prepares for the use of the investor annual financial statements as of the same date as the group annual financial statements of the investor unless it is impracticable to do so.

Distributions received from the joint ventures reduce the carrying amount of the investment.

1.10 Investment in Associate

GROUP annual financial statements

An investment in an associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surpluses or deficits of the investee after acquisition date. The use of the equity method is discontinued from the date the group ceases to have significant influence over an associate.

Any impairment losses are deducted from the carrying amount of the investment in associate.

Distributions received from the associate reduce the carrying amount of the investment.

Surpluses and deficits resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

The excess of the group's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is excluded from the carrying amount of the investment and is instead included as revenue in the period in which the investment is acquired.

The most recent available annual financial statements of the associate are used by the investor in applying the equity method. When the end of the reporting period of the investor is different from that of the associate, the associate prepares, for the use of the investor, annual financial statements as of the same date as the annual financial statements of the investor unless it is impracticable to do so.

The recognition of the group's share of losses is discontinued once the group's share of losses of an associate equals or exceeds its interest in the associate.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.11 Financial instruments

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Financial Assets

A financial asset is a) cash; b) a residual interest of another entity; or (c) a contractual right to:

- (i) Receive cash or another financial asset from another entity; or
- (ii) Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Municipality has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

To the extent that a financial asset has a maturity period of longer than 12 months, the value of these instruments will be reflected as a non-current asset.

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition (trade date).

Investments at cost

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. These include investment in municipal entities. Financial instrument are initially held at cost and subsequently measured at cost less any impairment. Impairment losses are recognised in the statement of financial performance.

Financial assets at fair value

Financial assets at fair value comprise of derivatives and non-derivative financial instruments designated at fair value. On initial recognition the financial assets are measured at fair value. Subsequent to initial recognition, all changes to fair value are recognised through the statement of financial performance.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Receivables from exchange and non-exchange transactions

Trade receivables and consumer debtors are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of financial performance when there is objective evidence that the asset is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable and consumer debtors are impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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Accounting Policies

1.11 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in the statement of financial performance within operating expenses. When trade receivables and consumer debtors are uncollectible, it is written off against the allowance account for trade receivables and consumer debtors once council approval is obtained. Subsequent recoveries of amounts previously written off are credited in the statement of financial performance.

VAT

VAT is an indirect tax based on the consumption in the economy. Vendors act as the agent of the government in collecting the VAT charged on taxable transactions. SARS is a government agency which administers the VAT Act and ensures that the tax is collected and that the tax law is properly enforced.

VAT is currently levied at the standard rate of 14% on most supplies and importations, but there is a limited range of goods and services which are either exempt, or which are subject to tax at the zero rate.

The group accounts for VAT on a payment basis.

Financial liabilities

A financial liability is any liability that is a contractual obligation to: a) deliver cash or another financial asset to another entity; or b) exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Financial liabilities consist of interest-bearing borrowings, trade and other payables, bank overdrafts and interest-bearing money market borrowings, liabilities categorised at fair value through profit or loss and derivatives held for hedging (refer to accounting policy on hedge accounting).

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs.

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, except for financial liabilities at fair value through profit or loss or hedging instruments, which are measured at fair value.

Finance costs on financial liabilities at amortised cost are expensed in the statement of financial performance in the period in which they are incurred using the effective interest rate method. In addition, gains and losses on these financial liabilities are recognised in the statement of financial performance when the liability is derecognised.

Gains and losses on financial liabilities at fair value through profit or loss arise from fair value movements and related transaction costs on these liabilities. These gains and losses are recognised in the statement of financial performance in the period in which they are incurred.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

Loans from Municipal Entities

Loans from municipal entities are classified as financial liabilities which are initially recognised at fair value and subsequently measured at amortised cost.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Offsetting Financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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Accounting Policies

1.11 Financial instruments (continued)

Hedge accounting (derivatives)

The municipality holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the derivative as the hedging instrument, the municipality formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The municipality makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported statement of financial performance.

Derivatives are recognised initially at fair value, and attributable transaction costs are recognised in the statement of financial performance as incurred.

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect statement of financial performance, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in net assets. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of financial performance.

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the statement of financial performance.

1.12 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.12 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

CJMM recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

Finance leases - lessee

The municipality recognises assets and liabilities acquired under finance leases as assets and the associated obligation as liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The finance lease assets are depreciated at the same rates as owned property unless the Municipality will not obtain ownership. Where there is no reasonable certainty that the Municipality will obtain ownership by the end of lease term, the leased assets are depreciated over the shorter of the lease term and its useful life.

Minimum lease payments are apportioned between the finance charge and the outstanding capital portion, using the effective interest rate method. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on the straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on the straight-line

Leased assets are presented in the statement of financial position according to the nature of assets. The Municipality applies the same depreciation policy for leased assets (operating) as the normal depreciation policy for similar assets.

Operating leases - lessee

Operating lease payments are recognised as an expense on the straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on the straight-line basis.

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Accounting Policies

1.14 Inventories

Definition

Inventories are assets in the form of materials or supplies to be consumed in the production process or distributed in the rendering of services, held for sale or distribution in the ordinary course of operations, or in the process of production for sale or distribution.

Recognition

Inventory is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value can be measured reliably.

Initial measurement

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Subsequent measurement

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Management estimate, based on their assessment of quality and volume, the extent to which inventory on hand at the reporting date will be sold below cost.

Current replacement cost is the cost the group incurs to acquire the asset on the reporting date.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Derecognition

The municipality derecognises inventory on disposal, or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of inventory is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the inventory. Such difference is recognised in statement of financial performance.

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Accounting Policies

1.15 Impairment of cash and non-cash generating assets

Impairment of cash generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

A cash-generating asset is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

An impairment loss is recognised for cash-generating assets if the carrying amount is higher than the recoverable amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. Impairment loss is recognised in the statement of financial performance. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of financial performance.

The recoverable amount of the cash generating unit is the higher of its fair value less cost to sell, and its value in use.

Impairment of non- cash generating assets

Non-Cash generating assets are those assets held by the municipality with the primary objective other than generating a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment annually at the same time every year, as well as whenever there is an indication that the asset may be impaired.

At the end of each reporting period, carrying amounts of non-cash generating assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of a non-cash generating asset is the higher of fair value less costs to sell, and the value-in use. The value-in-use is the present value of the remaining potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of financial performance.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of financial performance.

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Accounting Policies

1.16 Internal reserves

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is aimed to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense.

The municipality is an exempt employer in terms of Section 84 (1) (a) (ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

The certificate of exemption issued by the Commissioner and prescribed by the COID Act requires the Municipality to deposit cash and/or securities with the Commissioner, the market values of which in aggregate shall not be less than the capitalised value of the Municipality's continuing liability as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner.

A COID reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner, and the Municipality is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds from the reserve to the expense account in the statement of financial performance.

1.17 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 July 2016 to 30 June 2017.

The group annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.18 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The Municipality recognises the expected cost of bonus, incentive and performance related payments when and only when: (a) it has a present legal or constructive obligation to make such payments as a result of past events, (b) a reliable estimate of the obligation can be made.

The City contributes to defined contribution plan and defined benefit plan.

Defined contribution plans

A defined contribution plan is a post-employment pension plan under which the municipality pays fixed contributions into a separate entity (a fund). The municipality has no further payment obligations once the contributions have been paid. Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees have rendered a service.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.18 Employee benefits (continued)

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit funds are actuarially valued on the projected credit method.

Consideration is given to any event that could impact the funds up to end of the reporting period where the valuation is performed at an earlier date.

Past service costs are recognised immediately in the statement of financial performance in the reporting period in which the plan is amended.

Actuarial gains and losses are recognised in full in the statement of financial performance when they arise.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement. The Municipality does not only account for the legal obligation under formal terms but also for any constructive obligation that arises from the entity's informal practices.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation less fair value of planned assets out of which obligations are to be settled directly, plus any liability that may arise as a result of the minimum funding requirement.

The Group provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some employees based on the qualification criteria.

Multi-employer plans

The municipality classifies a multi-employer plan either as a defined contribution plan or a defined benefit plan.

Under the defined benefit plan, the Municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

1.19 Provisions and contingencies

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and:

- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Where the effect of the time value of money is material, the amount of the provision is discounted to present value at the discount rate which is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.19 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the group

No obligation arises as a consequence of the sale or transfer of the operation until the group is committed to the sale or transfer, that is, there is a binding arrangement.

Additional disclosures of estimates of provisions are included in the provisions note.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The group recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the group for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the group considers that an outflow of economic resources is probable, a group recognises the obligation at the higher of:

- the amount determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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Accounting Policies

1.20 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners.

Revenue from exchange transactions are one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange

Revenue is recognised at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue from sale of Bus ticket points

Revenue from the sale of ticket points is accounted for as a separately identifiable component of a sale for normal points and bonus points. Each point is equivalent to the value of one rand. Bonus points are earned by customers only on purchase of points above the value of R50. Any bonus points not redeemed in 36 months (3 years) are subject to expiry thereafter any deferred revenue previously recognised is then recognised as revenue.

Revenue arising from sale of bus tickets for both normal and bonus points is initially accounted for as deferred revenue (liability) in the statement of financial position and only recognised as revenue upon redemption of normal or bonus points, or upon the expiry date.

Revenue is recognised at fair value for normal points. Bonus points are also recognised at fair value which is equivalent to the cost of transferring the points. The consideration allocated to the bonus points is measured by reference to the amount which the bonus points could be sold separately.

At the end of each period, deferred revenue is recognised which is measured at fair value of points earned which are yet to be redeemed.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on the straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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Accounting Policies

1.20 Revenue from exchange transactions (continued)

Income from agency services

Revenue arising from situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of commission or fee payable to the municipality for services performed.

Finance income

Interest revenue is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

Interest is recognised on a time- proportion basis, in surplus or deficit, using the effective interest rate method.

1.21 Revenue from non-exchange transactions

Revenue is a gross inflow of economic benefits or service potential received which represents an increase in the net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions are generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from non-exchange transactions recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The group has two types of fines:

- Traffic fines issued in terms of the Criminal Procedures Act
- Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO ACT).

Criminal Procedures Act fines:

These fines are issued in terms of the Criminal Procedures Act and are usually issued by way of notice to offenders, and can (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or (b) indicate that the offender must appear in Court on a specified day (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Initial recognition:

An asset acquired through a non-exchange transaction shall initially be measured at fair value at the date of acquisition which is the best estimate of the inflow of economic benefits. An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

There is uncertainty regarding the probability of the flow of economic benefits in respect of criminal procedure act fines. Legal processes have to be undertaken before the criminal procedure act fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Where a reliable estimate cannot be made of revenue from summonses, the Municipality cannot recognise revenue and receivable until this judicial process has been completed and a reliable estimate can be made.

Subsequent measurement

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition.

AARTO traffic fines

These are fines issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

Initial recognition

An asset acquired through a non-exchange transaction shall initially be measured at fair value at the date of acquisition which is the best estimate of the inflow of economic benefits. An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

The COJ is legally entitled to 50% of the face value of the fines, taking into account the best estimate of the inflow of economic benefits in terms of GRAP 23.

In terms of the AARTO ACT par 32(1) and (2), RTIA is legally entitled to receive 50% of the face value of such fine plus other administrative cost so incurred as compensation for their services in collecting and adjudication process.

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the group,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Conditional grants

Conditions on transferred assets (hereafter referred to as conditions) require that the entity either consume the future economic benefits or service potential of the asset as specified or return future economic benefits or service potential to the transferor in the event that the conditions are breached. Therefore, the Municipality incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition. This is because the Municipality is unable to avoid the outflow of resources as it is required to consume the future economic benefits or service potential embodied in the transferred asset in the delivery of particular goods or services to third parties or else to return to the transferor future economic benefits or service potential. Therefore, when a Municipality initially recognises an asset that is subject to a condition it also recognises a liability. Revenue on such grants is recognised when the qualifying expenditure has been incurred and to the extent that conditions have been complied with.

Unconditional grants

The Municipality recognises revenue from unconditional grants upon receipt and/or when resources transferred meet the criteria for recognition as an asset and there is also no present obligation to the Municipality to refund transferred resources to the transferor.

Unconditional grants also includes grants with restrictions since restrictions do not include a requirement that the transferred asset, or future economic benefits or service potential be returned to the transferor if the asset is not deployed as specified. Therefore, gaining control of an asset subject to a restriction does not impose on the Municipality a present obligation to transfer future economic benefits or service potential to third parties when control of the asset is initially gained. The Municipality recognises grants with restriction and unconditional grants as revenue upon receipt of the grant and no corresponding liability is recognised. Unconditional grants are measured at their fair value.

Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Revenue from rates is measured using gazetted tariffs.

Public contributions and donations including goods in-kind donations

Public contributions and donations are voluntary transfers of assets including cash or other monetary assets.

Goods in-kind are tangible assets transferred to an entity in a non-exchange transaction, without charge, but may be subject to stipulations.

Public contributions and donations (other than services in-kind) are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognised as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Public contribution and donations including goods in-kind are measured at their fair value as at the date of acquisition.

1.22 Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset. The standard gives the entity the option to either capitalise or to expense borrowing costs. All borrowing costs are recognised as an expense the statement of financial performance in the period in which they are incurred.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.23 In-kind services

The Municipality does not recognise services in kind as revenue or assets, but separately discloses the nature and type of major classes of services in-kind as a note to the financial statements.

1.24 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred by a municipality otherwise than in accordance with the approved budget as well as expenditure exceeding the limits of the amounts appropriated for in the different votes in the approved budget.

Depending on circumstances, identified unauthorised expenditure will be authorised by council in an adjustment budget, certified by municipal council as irrecoverable and written off by the council or recovered from a liable official or political office bearer. In cases where unauthorised expenditure is recoverable from an official or political office bearer resulting from necessary investigations, revenue and receivables are recognised. Unauthorised expenditure is disclosed in the notes to the financial statements.

1.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure which was incurred and identified during the financial year and also condoned by the council in terms of the MFMA, is only disclosed in the notes to annual financial statements. However, fruitless and wasteful expenditure which was incurred and identified during the financial year but failed to be condoned by the council is initially recognised as expenditure based on its nature and after further investigations classified to receivables and revenue. Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

1.26 Irregular expenditure

Irregular expenditure is expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the MFMA, the Municipal Systems Act, or the Public Office-Bearers Act, and which has not been condoned in terms of the MFMA.

Irregular expenditure which was incurred and identified during the financial year is disclosed in the annual financial statements. It will be accounted for as an expenditure in the statement of financial performance and disclosed separately in the notes to the financial statements.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Management is considered a related party, and comprises of the Councillors, Executive Mayor, Mayoral Committee Members, City Manager and all other section 56 and 57 employees as defined in the MFMA.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Municipality.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party relationships where control exists are disclosed. The municipality discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the financial statements.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.28 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Reporting date means the last day of the reporting period to which the financial statements relate. The entity adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

The group will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The group will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Commitments

A Commitment is a contract that is non-cancellable or only cancellable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

Commitments are further split into capital and operating commitments.

Capital commitments are amounts committed to acquire goods and services which are of capital in nature i.e. upgrading and/or construction of assets.

These commitments are disclosed in the notes to the annual financial statements.

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

2. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

In the current financial year, the Municipality has adopted effective revised standards and its interpretations issued by ASB. However, the municipality only adopted effective standards which are relevant to its business operations.

The following Standards and Interpretations were in issue but not yet effective:

<u>Name</u>	<u>Effective Date</u>
GRAP 20 - Related Parties	Not yet effective
GRAP 32 - Service Concession arrangements: Grantor	Not yet effective
GRAP 34 - Separate financial statements	Not yet effective
GRAP 35 - Consolidated financial statements	Not yet effective
GRAP 36 - Investment in associates and Joint ventures	Not yet effective
GRAP 37 - Joint Arrangements	Not yet effective
GRAP 38 - Disclosure in interest in other entities	Not yet effective
GRAP 108 - Statutory receivables	Not yet effective
GRAP 109 - Accounting by principles and agents	Not yet effective
GRAP 110 - Living and non-living resources	Not yet effective

IGRAP 17 - Interpretation of the standard of GRAP on service concession arrangements where a grantor controls a significant residual interest in an asset

IGRAP 18 - Interpretation of the Standard of GRAP on recognition and derecognition of land

IGRAP 19 - Liabilities to pay levies

The above-mentioned standards and interpretations which are relevant to the Municipality's business operations will be adopted once they become effective.

The municipality applied the principles established in the Standard of GRAP that has been issued, but not yet effective, in developing an appropriate accounting policy dealing with the Related Parties (GRAP 20).

3. INVENTORIES

Consumable stores	112 435	138 076	82 756	118 109
Spare parts	30 334	21 524	-	-
Consumables - Water	85 972	66 895	-	-
Housing stock	61 050	61 050	61 050	61 050
Work in progress	524	397	-	-
Consumables - Electrical	70 973	83 370	-	-
Consumables - Road	44 135	38 754	-	-
Fuel (Diesel, Petrol)	1 256	3 335	-	-
	406 679	413 401	143 806	179 159
Provision for inventory write downs	(87 359)	(94 645)	(59 730)	(59 730)
	319 320	318 756	84 076	119 429

3.1 Reconciliation of provision for inventory write-down

Opening balance	94 645	99 298	59 730	59 730
Inventory written down	4 018	5 545	-	-
Inventory derecognized	(11 304)	(10 198)	-	-
	87 359	94 645	59 730	59 730

Cost of inventory expensed is included under bulk purchases and cost of inventory expensed. Provision for inventory write-down comprises of the cumulative balance of inventory on hand that is written down to the net realisable value.

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
4. LOANS TO MUNICIPAL ENTITIES				
Shareholder loans				
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 17.5% Maturity = 30 June 2026	-	-	581 814	581 814
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2026.	-	-	42 979	42 979
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 15% Maturity 30 June 2018.	-	-	60 634	121 286
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2018.	-	-	4 338	8 681
	-	-	689 765	754 760
Concessionary Loans				
The Johannesburg Metro Trading Company(Pty) Ltd Terms and conditions: Rate range = 11.89% Maturity = 30 August 2035	-	-	1 421 132	1 302 551

The loan of R 1 302 551 354 was issued to Metro Trading company on the 1st of September 2015 with a capital and interest payment grace period of three years.

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Conduit loans				
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 11.23% Maturity = 30 June 2026	-	-	235 986	-
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	-	93 736
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2018	-	-	78 595	148 202
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	-	-	129 504	184 449
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	-	-	197 694	250 533
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	-	-	163 171	194 049
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2022	-	-	254 861	293 131
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2023	-	-	41 654	46 548
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate 10.18% Maturity = 30 June 2024	-	-	743 086	812 446
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate 9.88% Maturity = 30 June 2025	-	-	581 722	631 058
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2026	-	-	121 055	121 055
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2028	-	-	57 080	-
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 14.15% Maturity = 30 June 2026	-	-	628	628
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 12.42% Maturity = 30 June 2026	-	-	2 937	2 937
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2026	-	-	5 785	5 785
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2026	-	-	19 701	19 701
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.2% Maturity = 15 May 2026	-	-	30 171	30 171
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	-	-	14 379	14 379
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	-	-	7 885	7 885

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate range = 12.21 % Maturity = 30 June 2026	-	-	19 983	19 983
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate range = 10.78% Maturity = 15 May 2026	-	-	14 738	14 738
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.4% Maturity = 30 June 2026	-	-	15 309	15 309
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2026	-	-	22 398	22 398
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2026	-	-	27 265	27 265
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2027	-	-	104 982	104 982
Johannesburg Metropolitan Bus Services (SOC) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	-	1 303
Johannesburg Metropolitan Bus Services (SOC) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-	884	1 678
Johannesburg Metropolitan Bus Service (SOC) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2025	-	-	323 541	351 270
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2025	-	-	420 342	453 259
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 11.23% Maturity = 30 June 2026	-	-	430 283	-
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = Jibar less 35bp Maturity = 30 June 2026	-	-	36 280	72 560
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 10,9% Maturity = 30 June 2018	-	-	83 541	158 492
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 10,9% Maturity = 30 June 2019	-	-	120 693	171 899
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = Rate 10,9% Maturity = 30 June 2020	-	-	193 872	245 689
Johannesburg Water (SOC) Ltd Terms and conditions: Jibar plus 70pb Maturity = 15 May 2026	-	-	372 897	414 330
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 10,9% Maturity = 30 June 2021	-	-	163 456	194 387
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 9,31% Maturity = 30 June 2022	-	-	216 269	248 743
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 9,65% Maturity = 30 June 2023	-	-	496 773	555 141
Johannesburg Water (SOC) Ltd	-	-	672 184	734 925

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Terms and conditions: Rate = 10,18% Maturity = 30 June 2024 The Johannesburg Fresh Produce (SOC) Ltd	-	-	-	8 575
Terms and conditions: Rate = 10,2% Maturity = 30 June 2017 The Johannesburg Fresh Produce (SOC) Ltd	-	-	4 965	9 420
Terms and conditions: Rate = 11,9% Maturity = 30 June 2018 The Johannesburg Fresh Produce (SOC) Ltd	-	-	5 713	8 207
Terms and conditions: Rate = 9% Maturity = 30 June 2019 The Johannesburg Fresh Produce (SOC) Ltd	-	-	7 216	9 164
Terms and conditions: Rate = 10,4% Maturity = 30 June 2020 The Johannesburg Fresh Produce (SOC) Ltd	-	-	7 814	9 312
Terms and conditions: Rate = 10,4% Maturity = 30 June 2021 The Johannesburg Fresh Produce (SOC) Ltd	-	-	17 619	20 265
Terms and conditions: Rate = 9,31% Maturity = 30 June 2022	-	-	-	-
	-	-	6 464 911	6 729 987
Less impairment of loans to Municipal Entities	-	-	(788 721)	(761 467)
	-	-	5 676 190	5 968 520
Non-current assets	-	-	6 743 942	7 057 144
Current assets	-	-	1 043 145	968 687
	-	-	7 787 087	8 025 831

Reconciliation of provision for impairment of loans to municipal entities

Opening balance	-	-	761 467	326 824
Additional impairment - Johannesburg Metropolitan Bus Services (SOC) Ltd	-	-	-	329 661
Reversal of impairment - Johannesburg Metropolitan Bus Services (SOC) Ltd	-	-	(29 826)	-
Additional impairment - Pikitup Johannesburg (SOC) Ltd	-	-	57 080	104 982
	-	-	788 721	761 467

Impairment of loan to Pikitup Johannesburg (SOC) Ltd

The entity has entered into a contractual obligation with the CJMM to repay the amount that was lent to the entity. The reason for the impairment is due to the default in the repayments of the specific loans that were issued to Pikitup. As much as the entity has recovered financially they are still defaulting on the capital repayments of the loans.

Reversal of impairment - Johannesburg Metropolitan Bus Services (SOC) Ltd

The reversal of impairment merely relates to the amount recovered from the entity.

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
5. OTHER FINANCIAL ASSETS				
At amortised cost				
Housing Selling scheme loans	26 629	26 629	26 629	26 629
Other loans and receivables	32 511	50 603	32 511	50 603
	59 140	77 232	59 140	77 232
Non-current assets				
At amortised cost	40 564	58 656	40 564	58 656
Current assets				
At amortised cost	18 576	18 576	18 576	18 576
6. FINANCE LEASE RECEIVABLES				
Gross investment in the lease due				
- within one year	-	-	97 733	108 274
- in second to fifth year inclusive	-	-	272 614	369 463
- later than five years	-	-	-	1 072
	-	-	370 347	478 809
less: Unearned finance revenue	-	-	(62 529)	(97 525)
Present value of minimum lease payments receivable	-	-	307 818	381 284
	-	-	307 818	381 284
Present value of minimum lease payments due				
- within one year	-	-	81 102	72 363
- in second to fifth year inclusive	-	-	226 716	305 923
- later than five years	-	-	-	2 998
	-	-	307 818	381 284
Non-current assets	-	-	226 716	308 921
Current assets	-	-	81 102	72 363
	-	-	307 818	381 284

The CJMM entered into a finance lease on 1 March 2012 with various MEs for specialised vehicles. The interest rate implicit on the agreement is 10%.

The unguaranteed future values of assets leased under finance lease at the end of the reporting period amount to R 62 539 (2016: R 97 525). The fair values were determined at the date of issue of each specialised vehicle to the various MEs.

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
7. RECEIVABLES FROM EXCHANGE TRANSACTIONS				
Trade debtors	65 092	100 104	-	-
Prepayments	543 305	122 579	106 777	6 724
Operating lease receivables	19 888	18 579	19 734	18 008
Related party debtors	-	-	3 996 142	3 191 989
Fruitless and wasteful expenditure	5 196	4 474	5 196	4 474
Rental debtors	16 702	14 771	16 702	14 771
Accrued VAT	325 634	224 566	325 634	224 566
Sundry debtors	604 750	569 714	465 057	410 574
Total trade and other receivables	1 580 567	1 054 787	4 935 242	3 871 106
8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS				
Fines	115 614	200 120	115 614	200 120
Government grants and subsidies	294 620	272 081	294 620	272 081
Levies	245 962	181 894	-	-
	656 196	654 095	410 234	472 201
9. VAT				
Receivable	566 018	253 967	211 173	171 744
Payable	(548 108)	(285 507)	-	-
	17 910	(31 540)	211 173	171 744

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
10. CONSUMER DEBTORS				
Gross balances				
Rates	5 484 909	5 390 955	5 484 909	5 390 955
Electricity	3 904 638	2 594 425	-	-
Water	7 410 630	6 132 233	-	-
Refuse	1 723 273	1 456 262	-	-
	18 523 450	15 573 875	5 484 909	5 390 955
Less: Allowance for impairment				
Rates	(4 869 631)	(4 525 271)	(4 869 631)	(4 525 271)
Electricity	(1 531 786)	(684 902)	-	-
Water	(5 346 627)	(4 391 972)	-	-
Refuse	(759 736)	(641 466)	-	-
	(12 507 780)	(10 243 611)	(4 869 631)	(4 525 271)
Net balance				
Rates	615 278	865 684	615 278	865 684
Electricity	2 372 852	1 909 523	-	-
Water	2 064 003	1 740 261	-	-
Refuse	963 537	814 796	-	-
	6 015 670	5 330 264	615 278	865 684
Included in above is receivables from exchange transactions				
Electricity	2 372 852	1 909 523	-	-
Water	2 064 003	1 740 261	-	-
Refuse	963 537	814 796	-	-
	5 400 392	4 464 580	-	-
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	615 278	865 684	615 278	865 684
	6 015 670	5 330 264	615 278	865 684
Rates				
Current (0 -30 days)	396 568	843 137	396 568	843 137
31 - 60 days	195 652	183 911	195 652	183 911
61 - 90 days	134 980	184 100	134 980	184 100
91 - 120 days	193 349	165 271	193 349	165 271
121 - 365 days	922 756	816 526	922 756	816 526
> 365 days	3 641 604	3 198 010	3 641 604	3 198 010
	5 484 909	5 390 955	5 484 909	5 390 955
Electricity				
Current (0 -30 days)	2 121 965	1 833 776	-	-
31 - 60 days	250 173	269 205	-	-
61 - 90 days	160 667	87 631	-	-
91 - 120 days	239 460	78 088	-	-
121 - 365 days	1 094 736	290 355	-	-
> 365 days	37 637	35 370	-	-
	3 904 638	2 594 425	-	-

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Water				
Current (0 -30 days)	1 480 299	1 197 769	-	-
31 - 60 days	366 775	278 395	-	-
61 - 90 days	259 469	246 310	-	-
91 - 120 days	224 618	255 260	-	-
121 - 365 days	1 291 154	1 113 114	-	-
> 365 days	3 788 315	3 041 385	-	-
	7 410 630	6 132 233	-	-
Refuse				
Current (0 -30 days)	296 479	157 903	-	-
31 - 60 days	47 303	41 718	-	-
61 - 90 days	30 369	44 372	-	-
91 - 120 days	34 450	48 272	-	-
121 - 365 days	1 314 672	1 163 997	-	-
	1 723 273	1 456 262	-	-
Summary of debtors by customer classification				
Residential				
Current (0 - 30 days)	1 787 476	1 933 359	189 911	444 694
31 - 60 days	455 785	367 589	92 625	92 542
61 - 90 days	316 668	288 707	68 656	80 111
91 - 120 days	279 559	274 303	77 090	86 437
121 - 365 days	2 381 877	1 914 727	447 873	345 347
> 365 days	3 737 406	2 476 609	1 628 066	742 753
	8 958 771	7 255 294	2 504 221	1 791 884
Less: Allowance for impairment	(6 467 663)	(4 752 823)	(2 218 185)	(1 386 840)
	2 491 108	2 502 471	286 036	405 044
Residential - Past due and impaired				
Current (0 - 30 days)	236 463	179 743	73 624	119 331
31 - 60 days	168 465	172 449	63 623	80 955
61 - 90 days	161 527	135 608	65 270	70 100
91 - 120 days	261 824	230 492	73 955	79 951
121 - 365 days	2 016 737	1 598 557	427 671	328 971
> 365 days	3 622 647	2 435 974	1 514 042	707 532
	6 467 663	4 752 823	2 218 185	1 386 840
Residential - Past due and not impaired				
Current (0 - 30 days)	1 551 014	1 753 616	116 288	325 363
31 - 60 days	287 321	195 141	29 002	11 588
61 - 90 days	155 141	153 099	3 386	10 011
91 - 120 days	17 735	43 811	3 135	6 486
121 - 365 days	365 140	316 169	20 201	16 376
> 365 days	114 757	40 635	114 024	35 220
	2 491 108	2 502 471	286 036	405 044

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Industrial/ commercial				
Current (0 - 30 days)	2 274 577	2 021 276	197 947	370 413
31 - 60 days	373 775	385 337	95 530	78 012
61 - 90 days	248 955	258 403	61 405	98 371
91 - 120 days	382 756	246 771	108 908	70 675
121 - 365 days	2 084 236	1 341 660	442 374	411 937
> 365 days	3 451 622	3 482 802	1 868 796	2 264 691
	8 815 921	7 736 249	2 774 960	3 294 099
Less: Allowance for impairment	(5 662 256)	(5 045 667)	(2 465 545)	(2 868 798)
	3 153 665	2 690 582	309 415	425 301
Industrial/ commercial - Past due and impaired				
Current (0 - 30 days)	203 661	342 791	76 738	170 071
31 - 60 days	134 299	131 517	65 618	68 333
61 - 90 days	144 600	147 188	58 376	81 683
91 - 120 days	344 407	198 784	104 480	56 529
121 - 365 days	1 520 342	908 974	422 421	386 991
> 365 days	3 314 947	3 316 413	1 737 912	2 105 191
	5 662 256	5 045 667	2 465 545	2 868 798
Industrial/ commercial - Past due and not impaired				
Current (0 - 30 days)	2 070 916	1 678 485	121 208	200 335
31 - 60 days	239 476	253 821	29 912	9 678
61 - 90 days	104 355	111 215	3 029	16 688
91 - 120 days	38 348	47 987	4 429	14 146
121 - 365 days	563 895	432 687	19 953	24 946
> 365 days	136 675	166 387	130 884	159 508
	3 153 665	2 690 582	309 415	425 301

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
National and provincial government				
Current (0 - 30 days)	233 260	77 862	8 711	28 030
31 - 60 days	30 344	20 302	7 497	13 357
61 - 90 days	19 862	15 393	4 919	5 618
91 - 120 days	29 561	25 818	7 351	8 159
121 - 365 days	157 206	127 605	32 509	59 242
> 365 days	278 525	315 351	144 739	190 567
	748 758	582 331	205 726	304 973
Less: Allowance for impairment	(377 860)	(445 120)	(185 899)	(269 633)
	370 898	137 211	19 827	35 340
National and provincial government - Past due and impaired				
Current (0 - 30 days)	4 102	8 217	3 377	7 522
31 - 60 days	5 452	12 050	5 150	11 685
61 - 90 days	5 172	5 490	4 676	4 916
91 - 120 days	15 899	17 343	7 051	7 546
121 - 365 days	79 607	100 080	31 043	56 433
> 365 days	267 628	301 940	134 602	181 531
	377 860	445 120	185 899	269 633
National and provincial government - Past due and not impaired				
Current (0 - 30 days)	229 158	69 644	5 334	20 508
31 - 60 days	24 892	8 252	2 347	1 673
61 - 90 days	14 690	9 903	243	702
91 - 120 days	13 662	8 475	299	612
121 - 365 days	77 599	27 525	1 467	2 809
> 365 days	10 897	13 412	10 137	9 036
	370 898	137 211	19 827	35 340

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Total				
Current (0 -30 days)	4 295 314	4 032 497	396 568	843 137
31 - 60 days	859 904	773 229	195 652	183 911
61 - 90 days	585 485	562 502	134 980	184 100
91 - 120 days	691 876	546 891	193 348	165 271
121 - 365 days	4 623 320	3 383 992	922 756	816 526
> 365 days	7 467 551	6 274 764	3 641 605	3 198 010
	18 523 450	15 573 875	5 484 909	5 390 955
Less: Allowance for impairment	(12 507 780)	(10 243 611)	(4 869 631)	(4 525 271)
	6 015 670	5 330 264	615 278	865 684
Less: Allowance for impairment				
Current (0 -30 days)	444 226	531 286	153 739	296 932
31 - 60 days	308 216	316 016	134 391	160 973
61 - 90 days	311 299	288 285	128 323	156 699
91 - 120 days	622 129	446 618	185 485	144 027
121 - 365 days	3 616 686	2 607 612	881 136	772 395
> 365 days	7 205 224	6 053 794	3 386 557	2 994 245
	12 507 780	10 243 611	4 869 631	4 525 271
Total debtors past due but not impaired				
Current (0 - 30 days)	3 851 088	3 501 745	242 830	546 206
31 - 60 days	551 689	457 214	61 261	22 938
61 - 90 days	274 186	274 217	6 658	27 400
91 - 120 days	69 745	100 273	7 863	21 244
121 - 365 days	1 006 634	776 381	41 621	44 131
> 365 days	262 329	220 434	255 045	203 765
	6 015 671	5 330 264	615 278	865 684
Reconciliation of allowance for impairment				
Balance at beginning of the year	10 243 611	9 706 227	4 525 271	4 429 207
Contributions to allowance	3 618 406	2 510 119	472 027	534 844
Debt impairment written off against allowance	(1 411 848)	(1 972 735)	(127 667)	(438 780)
Reversal of allowance	57 611	-	-	-
Balance at the end of the year	12 507 780	10 243 611	4 869 631	4 525 271

The contribution to the allowance is included in the statement of financial performance under debt impairment at amounts exclusive of VAT.

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Group Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

11. FINANCIAL ASSETS AT FAIR VALUE - SINKING FUND

The Debt redemption fund is a financial solution to assist the CJMM meet its financial obligations to repay previously issued bonds. The CJMM pays contributions into the fund, which is managed by a 3rd party fund manager, so as to enable the Municipality to receive contributions plus growth to repay redemptions of the bonds when they fall due. This is part of the risk management framework adopted by the CJMM. The financial liabilities of the fund are disclosed in note 30.

The total investments pledged as collateral for CJMM Bonds.

The investments pledged as collateral cannot be sold until the related liability is settled in full.

The Terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.

Sinking Fund
Maturity - 5 June 2023

Other financial assets through profit or loss

Bonds	266 523	65 692	266 523	65 692
Bond options	-	19 525	-	19 525
Bond repos	188 081	-	188 081	-
Negotiable Certificate of Deposit	512 155	-	512 155	-
Cash	166 677	47 711	166 677	47 711
Cash collateral	17 485	251	17 485	251
Forward Rate Agreements	3 773	15 702	3 773	15 702
Swaps	29 942	5 100	29 942	5 100
Promissory Notes	-	202 574	-	202 574
Floating rate notes	345 855	-	345 855	-

Current Assets

1 530 491	356 555	1 530 491	356 555
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Other financial assets through profit or loss

Bonds	1 101 618	1 787 397	1 101 618	1 787 397
Floating rate notes	459 505	1 330 024	459 505	1 330 024
Forward rate Agreements	-	3 840	-	3 840
Amortising Swaps	220 778	206 078	220 778	206 078
Swaps	487 001	511 705	487 001	511 705

Non-Current Assets

2 268 902	3 839 044	2 268 902	3 839 044
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3 799 393	4 195 599	3 799 393	4 195 599
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Financial assets carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	2 247 090	2 091 974	2 247 090	2 091 974
Held for trading non-derivative financial assets	1 552 303	2 103 625	1 552 303	2 103 625
3 799 393	4 195 599	3 799 393	4 195 599	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
12. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	558	578	154	129
Bank	510 003	1 255 748	216 329	1 069 816
Call investment deposits	2 585 350	3 113 439	2 564 607	3 112 110
	3 095 911	4 369 765	2 781 090	4 182 055
Call investment deposits				
Call Deposits STD Bank Rating - (F1+)	1 466	1 363	1 466	1 363
Fixed Deposits STD Bank	-	584 300	-	584 300
Fixed Deposits ABSA Rating - (F1+)	-	956 891	-	956 891
Call Deposits ABSA Rating - (F1+)	824 240	134 444	824 240	134 444
Call Deposits RMB Rating - (F1+)	1 100	1 100	1 100	1 100
Call Deposits INVESTEC Rating - (F1)	17 422	-	-	-
	1 130	2 111	1 130	1 108
Fixed Deposits INVESTEC Rating - (F1+)	88 021	384 700	84 700	384 700
Call Deposits NEDBANK Rating - (F1+)	815 599	1 357	815 599	1 031
Fixed Deposit NEDBANK Rating - (F1+)	-	31 077	-	31 077
Call Deposits CITI BANK Rating - (F1)	1 473	1 993	1 473	1 993
Fixed Deposits CITI BANK Rating - (F1)	-	176 400	-	176 400
Call Deposits DEUTSCHE BANK Rating - (F1)	1 000	2 600	1 000	2 600
Call Deposits TCTA Rating - (None)	2 000	2 000	2 000	2 000
Call Deposits LANDBANK Rating - (F1+)	1 230	51 050	1 230	51 050
Stanlib Call Investment Rating - (F1+)	829 975	782 053	829 975	782 053
Argon Fund Invest	477	-	477	-
Sanlam Asset Managers	92	-	92	-
Prescient Investment Management	125	-	125	-
	2 585 350	3 113 439	2 564 607	3 112 110

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

13. ZOO ANIMALS

GROUP

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	31 008	(4 272)	26 736	28 800	(3 155)	25 645

Reconciliation of zoo animals - GROUP - 2017

	Opening balance	Additions	Adjustments arising from accounting for births and donations	Disposals	Depreciation	Total
Zoo animals	25 645	1 212	2 445	(1 255)	(1 311)	26 736

Reconciliation of zoo animals - GROUP - 2016

	Opening balance	Additions	Adjustments arising from accounting for births and donations	Disposals	Depreciation	Total
Zoo animals	23 741	2 373	3 025	(2 311)	(1 183)	25 645

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

14. INVESTMENT PROPERTY

GROUP	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 015 757	(389)	1 015 368	1 015 757	(366)	1 015 391

CJMM	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 014 946	-	1 014 946	1 014 946	-	1 014 946

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand thousand

Reconciliation of investment property - GROUP - 2017

	Opening balance	Transfers	Depreciation	Total
Investment property	1 015 391	-	(23)	1 015 368

Reconciliation of investment property - GROUP - 2016

	Opening balance	Additions	Transfers	Impairments	Depreciation	Total
Investment property	1 015 414	-	-	-	(23)	1 015 391

Reconciliation of investment property - CJMM - 2017

	Opening balance	Transfers	Impairments	Total
Investment property	1 014 946	-	-	1 014 946

Reconciliation of investment property - CJMM - 2016

	Opening balance	Additions	Transfers	Impairments	Total
Investment property	1 014 946	-	-	-	1 014 946

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand thousand

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 735 896	-	8 735 896	8 667 888	-	8 667 888
Buildings	15 131 684	(4 413 928)	10 717 756	14 766 705	(4 025 380)	10 741 325
Plant and machinery	18 468 900	(3 592 121)	14 876 779	17 372 277	(3 041 786)	14 330 491
Furniture and fixtures	647 090	(451 075)	196 015	615 460	(422 587)	192 873
Motor vehicles	708 769	(470 437)	238 332	712 423	(406 416)	306 007
Office equipment	1 122 128	(850 417)	271 711	1 065 457	(738 538)	326 919
Computer equipment	357 249	(218 349)	138 900	309 765	(187 172)	122 593
Leasehold improvements	29 757	(17 569)	12 188	26 503	(14 461)	12 042
Infrastructure	24 550 159	(5 730 662)	18 819 497	19 883 860	(4 826 152)	15 057 708
Community assets	2 518 882	(849 462)	1 669 420	2 486 870	(728 012)	1 758 858
Landfill sites	474 680	(288 654)	186 026	473 172	(212 973)	260 199
Other equipment	99 371	(58 304)	41 067	96 188	(26 381)	69 807
Bins and containers	200 432	(169 196)	31 236	69 550	(42 016)	27 534
Minor plant	199 752	(98 246)	101 506	201 739	(84 208)	117 531
Specialised vehicles	1 657 825	(514 005)	1 143 820	1 541 264	(423 777)	1 117 487
Wastewater network	2 700 996	(235 534)	2 465 462	2 479 801	(210 915)	2 268 886
Water network	5 823 234	(660 048)	5 163 186	5 496 460	(552 631)	4 943 829
Library books	657 832	(600 167)	57 665	651 709	(596 995)	54 714
Emergency equipment.	72 953	(25 346)	47 607	61 081	(21 768)	39 313
Other	499 372	(7 136)	492 236	11 669	(6 093)	5 576
Total	84 656 961	(19 250 656)	65 406 305	76 989 841	(16 568 261)	60 421 580

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand

CJMM

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 653 231	-	8 653 231	8 584 371	-	8 584 371
Buildings	13 370 279	(3 731 663)	9 638 616	13 040 299	(3 362 293)	9 678 006
Plant and equipment	315 490	(232 121)	83 369	297 632	(208 747)	88 885
Furniture and fittings	542 547	(394 376)	148 171	517 076	(372 060)	145 016
Motor vehicles	360 781	(272 261)	88 520	360 788	(260 073)	100 715
Office equipment	1 041 262	(795 683)	245 579	985 860	(689 545)	296 315
Infrastructure	23 743 615	(5 673 422)	18 070 193	19 106 428	(4 799 007)	14 307 421
Community assets	2 518 882	(849 462)	1 669 420	2 486 870	(728 012)	1 758 858
Bins and containers	20 402	(10 522)	9 880	12 449	(8 707)	3 742
Specialised vehicles	814 370	(338 024)	476 346	816 511	(286 795)	529 716
Library books	657 832	(600 167)	57 665	651 709	(596 995)	54 714
Emergency equipment	72 953	(25 346)	47 607	61 081	(21 768)	39 313
Other	5 565	(1 400)	4 165	3 589	(720)	2 869
Total	52 117 209	(12 924 447)	39 192 762	46 924 663	(11 334 722)	35 589 941

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of property, plant and equipment - GROUP - 2017

	Opening balance	Additions	Disposals	Transfers	Developer funded network	Depreciation	Impairment loss	Total
Land	8 667 888	103 399	(35 371)	(20)	-	-	-	8 735 896
Buildings	10 741 325	393 760	(6 443)	2 816	-	(411 578)	(2 124)	10 717 756
Plant and equipment	14 330 491	1 151 151	(23 154)	(34 179)	-	(547 530)	-	14 876 779
Furniture and fittings	192 873	54 184	(1 819)	(126)	-	(49 097)	-	196 015
Motor vehicles	306 007	4 438	(1 032)	-	-	(71 081)	-	238 332
Office equipment	326 919	83 669	(1 117)	6	-	(137 766)	-	271 711
Computer equipment	122 593	60 396	(1 815)	15	-	(42 289)	-	138 900
Leasehold improvements	12 042	3 254	-	-	-	(3 108)	-	12 188
Infrastructure	15 057 708	4 664 542	(238)	-	-	(859 407)	(43 108)	18 819 497
Community assets	1 758 858	32 569	(258)	-	-	(121 749)	-	1 669 420
Landfill sites	260 199	1 508	(45 049)	-	-	(30 632)	-	186 026
Other equipment	69 807	3 194	(11)	-	-	(31 923)	-	41 067
Bins and containers	27 534	28 014	(20 550)	-	-	(3 762)	-	31 236
Minor plant	117 531	225	(2)	-	-	(16 248)	-	101 506
Specialised vehicles	1 117 487	168 305	(4 792)	-	-	(133 731)	(3 449)	1 143 820
Wastewater network	2 268 886	138 301	(263)	-	83 681	(25 143)	-	2 465 462
Water network	4 943 829	251 333	(164)	2 544	77 307	(111 663)	-	5 163 186
Library books	54 714	6 123	-	-	-	(3 172)	-	57 665
Emergency equipment	39 313	13 155	(9)	-	-	(4 852)	-	47 607
Other	5 576	487 809	(48)	5	-	(1 106)	-	492 236
	60 421 580	7 649 329	(142 135)	(28 939)	160 988	(2 605 837)	(48 681)	65 406 305

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Figures in Rand thousand

Reconciliation of property, plant and equipment - GROUP - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Developer Funded network	Depreciation	Impairment loss	Total
Land	8 325 330	391 984	-	(49 454)	28	-	-	-	8 667 888
Buildings	10 117 459	952 635	-	(1 513)	103 107	-	(430 363)	-	10 741 325
Plant and machinery	13 267 660	1 799 060	-	(6 511)	(253 056)	-	(476 662)	-	14 330 491
Furniture and fixtures	217 742	27 045	-	(2 181)	6	-	(49 739)	-	192 873
Motor vehicles	320 884	69 296	-	(20)	(52)	-	(84 101)	-	306 007
Office equipment	319 039	146 881	-	(865)	(6)	-	(138 130)	-	326 919
Computer equipment	113 602	43 377	-	(613)	3 161	-	(36 934)	-	122 593
Leasehold improvements	14 182	937	-	-	-	-	(3 077)	-	12 042
Infrastructure	11 573 288	3 414 724	867 226	-	-	-	(796 061)	(1 469)	15 057 708
Community assets	1 618 479	264 182	-	-	-	-	(123 803)	-	1 758 858
Landfill sites	293 017	18 270	-	(9 718)	-	-	(41 370)	-	260 199
Other equipment	-	96 188	-	-	-	-	(26 381)	-	69 807
Bins and containers	30 528	13 551	-	(14 207)	-	-	(2 338)	-	27 534
Minor plant	44 770	12 148	-	(26)	71 272	-	(10 633)	-	117 531
Specialised vehicles	777 802	454 860	-	(2 448)	(5 000)	-	(106 267)	(1 460)	1 117 487
Wastewater network	2 135 187	60 636	-	-	359	96 506	(23 802)	-	2 268 886
Water network	4 395 780	574 116	-	-	(390)	70 065	(95 742)	-	4 943 829
Library books	57 357	8 796	-	-	-	-	(11 439)	-	54 714
Emergency equipment	39 646	4 144	-	(21)	-	-	(4 456)	-	39 313
Other	6 044	114	-	(24)	-	-	(558)	-	5 576
	53 667 796	8 352 944	867 226	(87 601)	(80 571)	166 571	(2 461 856)	(2 929)	60 421 580

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Reconciliation of property, plant and equipment - CJMM - 2017

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	8 584 371	103 399	-	(34 539)	-	-	-	8 653 231
Buildings	9 678 006	332 943	-	(2 557)	-	(367 652)	(2 124)	9 638 616
Plant and equipment	88 885	20 920	-	(462)	-	(25 974)	-	83 369
Furniture and fittings	145 016	45 037	-	(304)	-	(41 578)	-	148 171
Motor vehicles	100 715	-	-	-	-	(12 195)	-	88 520
Office equipment	296 315	76 168	-	(582)	-	(126 322)	-	245 579
Infrastructure	14 307 421	4 633 723	-	-	-	(827 843)	(43 108)	18 070 193
Community assets	1 758 858	32 569	-	(258)	-	(121 749)	-	1 669 420
Bins and containers	3 742	9 310	-	(852)	-	(2 320)	-	9 880
Specialised vehicles	529 716	-	-	(1 713)	-	(51 657)	-	476 346
Library books	54 714	6 123	-	-	-	(3 172)	-	57 665
Emergency equipment	39 313	13 155	-	(9)	-	(4 852)	-	47 607
Other	2 869	2 059	-	(1)	-	(762)	-	4 165
	35 589 941	5 275 406	-	(41 277)	-	(1 586 076)	(45 232)	39 192 762

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Reconciliation of property, plant and equipment - CJMM - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Depreciation	Total
Land	8 241 841	391 984	-	(49 454)	-	8 584 371
Buildings	9 244 776	823 774	-	-	(390 544)	9 678 006
Plant and equipment	92 195	22 855	-	(51)	(26 114)	88 885
Furniture and fittings	172 110	15 870	-	(313)	(42 651)	145 016
Motor vehicles	98 547	31 611	-	-	(29 443)	100 715
Office equipment	290 095	134 309	-	(534)	(127 555)	296 315
Infrastructure	11 573 288	3 504 518	867 226	(867 226)	(770 385)	14 307 421
Community assets	1 618 479	264 182	-	-	(123 803)	1 758 858
Bins and containers	5 178	75	-	-	(1 511)	3 742
Specialised vehicles	525 196	56 028	-	-	(51 508)	529 716
Library books	57 357	8 796	-	-	(11 439)	54 714
Emergency equipment	39 646	4 144	-	(21)	(4 456)	39 313
Other	2 981	-	-	-	(112)	2 869
	31 961 689	5 258 146	867 226	(917 599)	(1 579 521)	35 589 941

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Figures in Rand thousand

Work in progress breakdown

GROUP

	2017			2016		
	Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
Landfill	15 784	-	15 784	34 018	-	34 018
Building & Improvements	1 665 614	(2 124)	1 663 490	2 027 365	-	2 027 365
Plant and machinery	2 493 070	-	2 493 070	1 552 126	-	1 552 126
Water network	624 788	-	624 788	565 378	-	565 378
Wastewater network	191 445	-	191 445	130 685	-	130 685
Computer equipment	43 394	-	43 394	23 581	-	23 581
Other	568 923	-	568 923	322 329	-	322 329
Infrastructure	8 803 903	(43 108)	8 760 795	5 284 157	-	5 284 157
Community assets	591 421	-	591 421	608 157	-	608 157
Furniture and fixtures	28 620	-	28 620	-	-	-
Work in progress-Office equipment	60 654	-	60 654	-	-	-
Containers	6 702	-	6 702	6 603	-	6 603
Total	15 094 318	(45 232)	15 049 086	10 554 399	-	10 554 399

CJMM

	2017			2016		
	Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
Buildings	1 587 444	(2 124)	1 585 320	1 931 114	-	1 931 114
Community assets	591 421	-	591 421	608 157	-	608 157
Emergency equipment	9 260	-	9 260	-	-	-
Furniture and Fittings	28 620	-	28 620	-	-	-
Infrastructure	8 837 751	(43 108)	8 794 643	5 284 157	-	5 284 157
Office equipment	60 654	-	60 654	-	-	-
Plant and Machinery	8 408	-	8 408	-	-	-
Total	11 123 558	(45 232)	11 078 326	7 823 428	-	7 823 428

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment is included in the Statement of Financial Performance

2 874 379	2 743 563	446 559	413 993
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand thousand

16. INTANGIBLE ASSETS

GROUP

	2017			2016		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	235 867	(62 102)	173 765	235 867	(55 635)	180 232
Servitudes	1 727	-	1 727	1 727	-	1 727
Licences and franchises	531	(59)	472	285	(242)	43
Computer software, internally generated	13 832	(883)	12 949	14 581	(1 387)	13 194
Computer software	2 266 355	(1 656 260)	610 095	2 002 561	(1 235 158)	767 403
Intangible assets under development	137 743	(50 506)	87 237	137 743	(22 957)	114 786
Total	2 656 055	(1 769 810)	886 245	2 392 764	(1 315 379)	1 077 385

CJMM

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 673 638	(1 361 111)	312 527	1 485 061	(1 023 874)	461 187

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

Reconciliation of intangible assets - GROUP - 2017

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Additional capacity rights	180 232	-	-	-	(6 467)	173 765
Servitudes	1 727	-	-	-	-	1 727
Licences and franchises	43	532	-	-	(103)	472
Computer software, internally generated	13 194	-	(57)	-	(188)	12 949
Computer software	767 403	78 089	(124)	28 939	(264 212)	610 095
Intangible assets under development	114 786	-	-	-	(27 549)	87 237
	1 077 385	78 621	(181)	28 939	(298 519)	886 245

Reconciliation of intangible assets - GROUP - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Amortisation	Total
Additional capacity rights	186 717	-	-	-	-	(6 485)	180 232
Servitudes	1 727	-	-	-	-	-	1 727
Licences and franchises	95	285	-	-	-	(337)	43
Computer software, internally generated	12 964	358	-	-	-	(128)	13 194
Computer software	638 300	182 021	188 389	(5 672)	80 571	(316 206)	767 403
Intangible assets under development	-	137 743	-	-	-	(22 957)	114 786
	839 803	320 407	188 389	(5 672)	80 571	(346 113)	1 077 385

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of intangible assets - CJMM - 2017

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	461 187	23 087	-	-	(171 747)	-	312 527

Reconciliation of intangible assets - CJMM - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	434 348	93 012	188 389	(29)	-	(254 533)	-	461 187

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

17. HERITAGE ASSETS

GROUP	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	526 316	-	526 316	526 316	-	526 316
Historical monuments	14 457	-	14 457	14 457	-	14 457
Historical buildings	41 104	-	41 104	41 104	-	41 104
Total	581 877	-	581 877	581 877	-	581 877

CJMM	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	524 723	-	524 723	524 723	-	524 723
Historical monuments	14 457	-	14 457	14 457	-	14 457
Historical buildings	41 104	-	41 104	41 104	-	41 104
Total	580 284	-	580 284	580 284	-	580 284

Reconciliation of heritage assets - GROUP - 2017

	Opening balance	Total
Art collections, antiques and exhibits	526 316	526 316
Historical monuments	14 457	14 457
Historical buildings	41 104	41 104
	581 877	581 877

Reconciliation of heritage assets GROUP - 2016

	Opening balance	Total
Art collections, antiques and exhibits	526 316	526 316
Historical monuments	14 457	14 457
Historical buildings	41 104	41 104
	581 877	581 877

Reconciliation of heritage assets CJMM - 2017

	Opening balance	Total
Art collections, antiques and exhibits	524 723	524 723
Historical monuments	14 457	14 457
Historical buildings	41 104	41 104
	580 284	580 284

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

Reconciliation of heritage assets - CJMM - 2016

	Opening balance	Total
Art collections, antiques and exhibits	524 723	524 723
Historical monuments	14 457	14 457
Historical buildings	41 104	41 104
	580 284	580 284

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
18. INVESTMENTS IN MUNICIPAL ENTITIES				
Gross investment				
City of Johannesburg Property Company (SOC) Ltd		5 142		5 142
City Power Johannesburg (SOC) Ltd		112 466		112 466
Johannesburg City Parks NPC		29 958		29 958
Johannesburg Development Agency (SOC) Ltd		16 278		16 278
Johannesburg Metropolitan Bus Services (SOC) Ltd		54 774		54 774
Johannesburg Roads Agency (SOC) Ltd		281 441		227 627
Johannesburg Social Housing Company (SOC) Ltd		-		-
Johannesburg Water (SOC) Ltd		-		-
Metropolitan Trading Company (SOC) Ltd		97 972		97 972
Pikitup Johannesburg (SOC) Ltd		31 315		31 315
Johannesburg Civic Theatre (SOC) Ltd		1 784		1 784
The Johannesburg Fresh Produce Market (SOC) Ltd		20 000		20 000
		651 130		597 316
Impairments				
Johannesburg Metropolitan Bus Services (SOC) Ltd		(54 774)		(54 774)
Net investment				
		Carrying		Carrying
		amount 2017		amount 2016
City of Johannesburg Property Company (SOC) Ltd		5 142		5 142
City Power Johannesburg (SOC) Ltd		112 466		112 466
Johannesburg City Parks NPC		29 958		29 958
Johannesburg Development Agency (SOC) Ltd		16 278		16 278
Johannesburg Metropolitan Bus Services (SOC) Ltd		-		-
Johannesburg Roads Agency (SOC) Ltd		281 441		227 627
*Johannesburg Social Housing Company (SOC) Ltd		-		-
*Johannesburg Water (SOC) Ltd		-		-
Metropolitan Trading Company (SOC) Ltd		97 972		97 972
Pikitup Johannesburg (SOC) Ltd		31 315		31 315
The Johannesburg Civic Theatre (SOC) Ltd		1 784		1 784
The Johannesburg Fresh Produce Market (SOC) Ltd		20 000		20 000
		596 356		542 542

* CJMM has investments in the following ME's that have a carrying amount less than R1 000

Johannesburg Social Housing Company (SOC) Ltd - R120

Johannesburg Water (SOC) Ltd - R 200

Investments in ME's includes shareholder loans with no fixed repayment terms and interest.

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

19. INVESTMENT IN JOINT VENTURES

Name of company	2017	2016	2017	2016
Golden Triangle Development Company (Pty) Ltd	8 949	9 097	1	1
Joshco Madulamoho Joint Venture (JMJV)	24 138	24 192	-	-
	33 087	33 289	1	1

Principal activities and reporting dates of Joint Ventures

Name of entity	Holding	Reporting date	Period of results included
Golden Triangle Development Company (Pty) Ltd	50%	2017/06/30	01/07/2016 - 30/06/2017
Joshco Madulamoho Joint Venture (JMJV)	55%	2017/06/30	01/07/2016 - 30/06/2017

Golden Triangle Development Company (Pty) Ltd

The Golden Triangle is an investment between the CJMM and the Ovenstone Group. The separate annual financial statements of the joint venture are available for inspection at the registered office of the entity. The carrying amount of the investment and summary of assets are disclosed below

Opening balance	9 097	24 968
Share of surplus/(deficit)	(148)	9 129
Distributions	-	(25 000)
	8 949	9 097
Total assets	53 278	65 152
Total liabilities	(35 379)	(46 956)
Revenue	155 389	125 219
Surplus/(deficit)	(297)	18 258

Madulamoho Joint Venture (JMJV)

The JMJV is an investment between Joshco and Madulamoho for social rental housing. The separate Annual Financial Statements of the Joint Venture are available for inspection at the registered office of the entity. There are no contingent liabilities, contingent assets or commitments relating to the Joint Venture. The carrying amount of the investment and summary of assets are disclosed below

Opening balance	24 192	24 801
Share of (deficit)/ surplus	496	(59)
Distributions	(550)	(550)
	24 138	24 192
Total assets	49 403	50 191
Total liabilities	(5 515)	(6 205)
Revenue	8 171	7 603
(Deficit)/ surplus	902	(106)

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

20. INVESTMENT IN ASSOCIATE

Name of entity			Carrying amount 2016	
Friedshelf 128 (Pty) Ltd	15 602	15 791	-	-

The CJMM through Pikitup (SOC) holds 50% shares in Friedshelf 128 (pty) Ltd. The CJMM is only considered to have significant influence over the operations of the company.

Movements in carrying value

Opening balance	15 791	20 046		
Share of (deficit)/ surplus	(189)	(4 255)		
	15 602	15 791		

Principal activities, country of incorporation and voting power

The company is incorporated in South Africa and operating in the property industry.

Summary of controlled entity's interest in associate

Total assets	36 727	36 890		
Total liabilities	(4 382)	(4 376)		
Revenue	1 138	6 436		
(Deficit)/ surplus	(170)	(6 188)		

Associates with different reporting dates

The financial year-end of the associate is the last day of February. Since the year-end dates of the entity and the associate are more than three months apart, the entity made estimates to the accounts of the associate to bring the two year-ends in line with each other.

21. DEFERRED TAX

Deferred tax liability	(2 604 144)	(2 396 114)	-	-
Deferred tax asset	1 335 971	933 401	-	-
Total net deferred tax liability	(1 268 173)	(1 462 713)	-	-

Reconciliation of deferred tax asset / (liability)

At beginning of year	(1 462 713)	(1 245 183)	-	-
Taxable / (deductible) temporary differences	(384 448)	(155 331)	-	-
Arising / (Utilised) assessed losses	578 988	(62 199)	-	-
	(1 268 173)	(1 462 713)	-	-

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Figures in Rand thousand

22. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

GROUP - 2017

	Cost	At fair value	Total
Current Assets			
Current tax receivable	19 334	-	19 334
Other financial assets	18 576	1 530 491	1 549 067
Receivable from exchange	1 580 567	-	1 580 567
Receivables from non-exchange	656 196	-	656 196
VAT receivable	566 018	-	566 018
Consumer debtors	6 015 670	-	6 015 670
Call investment deposits	2 585 350	-	2 585 350
Bank balances and cash	510 561	-	510 561
Non-Current Assets			
Other financial assets	40 564	2 268 902	2 309 466
	11 992 836	3 799 393	15 792 229

GROUP - 2016

	Cost	At fair value	Total
Current Assets			
Current tax receivable	18 955	-	18 955
Other financial assets	18 576	356 555	375 131
Receivable from exchange	1 054 787	-	1 054 787
Receivables from non-exchange	654 095	-	654 095
VAT receivables	253 967	-	253 967
Consumer debtors	5 330 264	-	5 330 264
Call investment deposits	3 113 439	-	3 113 439
Bank balances and cash	1 256 326	-	1 256 326
Non-Current Assets			
Other financial assets	58 656	3 839 044	3 897 700
	11 759 065	4 195 599	15 954 664

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CJMM - 2017

	Cost	At fair value	Total
Current Assets			
Loans to Municipal Entities	1 043 145	-	1 043 145
Other financial assets	18 576	1 530 491	1 549 067
Finance lease receivable	81 102	-	81 102
Receivable from exchange	4 935 243	-	4 935 243
Receivables from non-exchange	410 234	-	410 234
Consumer debtors	615 278	-	615 278
Vat receivable	211 173	-	211 173
Call investment deposits	2 564 607	-	2 564 607
Bank balances and cash	216 483	-	216 483
Non-Current Assets			
Loans to Municipal Entities	6 743 942	-	6 743 942
Other financial assets	40 564	2 268 902	2 309 466
Investments in Municipal entities	596 356	-	596 356
Finance lease receivable	226 716	-	226 716
	17 703 419	3 799 393	21 502 812

CJMM - 2016

	Cost	At fair value	Total
Current Assets			
Loans to Municipal Entities	968 687	-	968 687
Other financial assets	18 576	356 555	375 131
Finance lease receivables	72 363	-	72 363
Receivable from exchange	3 871 105	-	3 871 105
Receivables from non-exchange	472 201	-	472 201
Consumer debtors	865 684	-	865 684
VAT receivable	171 744	-	171 744
Call investment deposits	3 112 110	-	3 112 110
Bank balances and cash	1 069 945	-	1 069 945
Non-Current Assets			
Loans to Municipal Entities	7 057 144	-	7 057 144
Other financial assets	58 656	3 839 044	3 897 700
Investments in Municipal entities	542 542	-	542 542
Finance lease receivables	308 921	-	308 921
	18 589 678	4 195 599	22 785 277

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
23. LOANS AND BORROWINGS				
Non-Current portion of loans and borrowings -				
At amortised cost				
Structured loans *	3 276	16 609	3 276	16 609
Development Bank of Southern Africa	7 860 528	5 342 227	7 845 423	5 326 316
Listed bonds	6 016 000	7 729 804	6 016 000	7 729 804
Other financial liabilities	2 976 076	4 385 969	2 976 076	4 385 969
	16 855 880	17 474 609	16 840 775	17 458 698
Current portion of loans and borrowings - At				
amortised cost				
Structured loans *	13 333	13 333	13 333	13 333
Development Bank of Southern Africa	107 698	73 959	106 892	73 217
Listed bonds	1 724 842	166 667	1 724 842	166 667
Other financial liabilities	1 409 896	340 270	1 409 896	340 270
	3 255 769	594 229	3 254 963	593 487
	20 111 649	18 068 838	20 095 738	18 052 185

* Structured loans are secured by an investment which will redeem the loan at maturity.

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
24. FINANCE LEASE OBLIGATIONS				
Minimum lease payments due				
- within one year	67 964	83 952	60 792	72 137
- in second to fifth year	181 623	216 082	178 070	211 537
- later than five years	-	27 999	-	27 999
	<u>249 587</u>	<u>328 033</u>	<u>238 862</u>	<u>311 673</u>
less: future finance charges	(44 260)	(66 311)	(43 547)	(64 924)
Present value of minimum lease payments	205 327	261 722	195 315	246 749
Present value of minimum lease payments due				
- within one year	51 207	62 558	44 605	51 778
- in second to fifth year inclusive	154 120	172 486	150 710	168 293
- later than five years	-	26 678	-	26 678
	<u>205 327</u>	<u>261 722</u>	<u>195 315</u>	<u>246 749</u>
Non-current liabilities	154 120	199 164	150 710	194 971
Current liabilities	51 207	62 558	44 605	51 778
	<u>205 327</u>	<u>261 722</u>	<u>195 315</u>	<u>246 749</u>

Office Equipment

The Group leases certain office equipment and these are classified as a finance lease. The lease terms range between 2 to 5 years. The implicit interest rate on the leases ranges between 7.35% and 19.25% per annum.

Plant and Equipment

The Group leases plant and equipment. The lease term is 3 years and the average implicit rate is 10%. The obligations under finance leases are secured by the lessor's charge over the leased assets.

Specialised vehicles

The Group leases certain BRT vehicles and emergency service vehicles. The lease terms for these vehicles range between 10 to 12 years. The effective interest rate on the leases are between 9.7% and 15.43%.

The carrying values of these leased assets are included under property, plant and equipment.

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
25. PAYABLES FROM EXCHANGE TRANSACTIONS				
Financial liabilities				
Accrued interest	160 135	167 883	159 798	167 530
Related party creditors	-	-	5 901 817	6 636 652
Credit balances in consumer debtors	1 880 748	1 697 687	1 105 436	1 057 887
Engineering fees	114 828	102 530	114 828	102 530
Operating lease payables	16 020	18 729	977	1 610
Other creditors	1 966 441	1 546 574	780 721	746 581
Eskom payable	1 285 757	1 369 748	-	-
Retentions	317 019	306 467	53 197	55 695
Trade payables	4 948 872	5 065 444	1 728 343	1 946 281
	<u>10 689 820</u>	<u>10 275 062</u>	<u>9 845 117</u>	<u>10 714 766</u>
Other liabilities				
Accrued bonus	97 644	93 782	-	-
Accrued leave pay	606 176	568 977	329 815	291 941
Payments received in advance	861 922	716 206	14 363	15 051
	<u>1 565 742</u>	<u>1 378 965</u>	<u>344 178</u>	<u>306 992</u>
	<u>12 255 562</u>	<u>11 654 027</u>	<u>10 189 295</u>	<u>11 021 758</u>

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
26. UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Provincial grants : Capital projects	182 774	174 148	157 646	174 148
Urban settlements development grant	266 825	94 985	266 825	94 985
Provincial grants : Operating projects	27 624	31 910	27 624	31 910
Public Transport Network Grant (Capital Projects)	3 852	2 475	3 852	2 475
Neighbourhood Development Partnership Grant (NDPG)	14 618	25 753	14 618	25 753
Integrated City Development Grant (ICDG)	4 762	31 805	4 762	31 805
Expanded Public Works Programme (EPWP)	4 402	910	4 402	910
Provincial grant : Jozi Ihlomihle (HIV/ AIDS)	384	-	384	-
Public Transport Network Grant (Operational Projects)	38 082	45 246	38 082	45 246
Social housing grant	136 532	23 985	-	-
Infrastructure skills development grants	-	6 452	-	-
Unspent public contributions and donations	56 277	31 698	751	1 890
	736 132	469 367	518 946	409 122
Non-current liabilities	216 272	59 331	-	-
Current liabilities	519 860	410 036	518 946	409 122
	736 132	469 367	518 946	409 122

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

A liability is recognised for any unfulfilled conditions, criteria, obligations and other contingencies attaching to government grants or assistance.

See note 38 for reconciliation of grants.

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27. PROVISIONS

Reconciliation of provisions - GROUP - 2017

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Bonus provision	166 014	158 168	(155 328)	-	168 854
Kelvin ash disposal	83 616	9 094	-	-	92 710
Provision for damages claimed	48 650	150	(2 035)	-	46 765
Provision for maintenance contract	14 000	-	-	-	14 000
Fleet Provision	19 677	-	(19 677)	-	-
Environmental rehabilitation: Closed landfill site	160 550	-	(3 476)	10 600	167 674
Environmental rehabilitation: Open landfill sites	401 423	-	(45 050)	26 504	382 877
Pension fund provision	89 836	-	(94 404)	4 568	-
Other provisions	4 606	-	(564)	-	4 042
	988 372	167 412	(320 534)	41 672	876 922

Reconciliation of provisions - GROUP - 2016

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Bonus provision	126 805	142 711	(103 502)	-	166 014
Kelvin ash disposal	75 832	7 784	-	-	83 616
Provision for damages claimed	49 910	3 509	(4 769)	-	48 650
Provision for cleaning services	-	14 000	-	-	14 000
Fleet Provision	19 677	-	-	-	19 677
Environmental rehabilitation: Closed landfill site	151 343	-	-	9 207	160 550
Environmental rehabilitation: Open landfill sites	387 877	-	(9 717)	23 263	401 423
Pension fund provision	84 226	5 610	-	-	89 836
Other provisions	3 179	1 464	(37)	-	4 606
	898 849	175 078	(118 025)	32 470	988 372

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Reconciliation of provisions - CJMM - 2017

	Opening Balance	Additions	Utilised/written back during the year	Interest	Total
Bonus provision	11 964	13 094	(5 064)	-	19 994
Provision for damages claimed	21 000	-	(1 000)	-	20 000
Provision for maintenance contract	14 000	-	-	-	14 000
Pension fund provision	89 836	-	(94 404)	4 568	-
	136 800	13 094	(100 468)	4 568	53 994

Reconciliation of provisions - CJMM - 2016

	Opening Balance	Additions	Utilised/written back during the year	Interest	Total
Bonus provision	11 496	468	-	-	11 964
Provision for damages claimed	20 000	1 000	-	-	21 000
Provision for cleaning services	-	14 000	-	-	14 000
Pension fund provision	84 226	5 610	-	-	89 836
	115 722	21 078	-	-	136 800

Non-current liabilities	604 545	718 450	53 994	136 800
Current liabilities	272 377	269 922	-	-
	876 922	988 372	53 994	136 800

Bonus provision

Bonus provision relates to the performance bonus for the section 57 employees. It also relates to performance bonuses of senior management of Municipal entities that is to be paid if certain conditions are met which are assessed after 30 June.

Kelvin ash disposal

Ash disposal provision has been provided for in respect of the Kelvin power station. There is a dispute as to which entity is responsible for these costs between Kelvin Power and City Power.

Provision for Damages Claimed

Provisions for damages relate to the following claims against the City:

1. A claim for damages was instituted by the Plaintiff as a result of the construction of the Grayston fly-over for loss of income. The total claim was R10 million plus interest of R10 million and is not insured. The Supreme Court of Appeal has ruled against the City on the matter of whether the construction amounted to a diversion.
2. A litigation in progress that is likely to be paid by Johannesburg Road Agency based on the previous legal actions taken against the entity. The Legal claims emanates from supply chain related matters which occurred in the past and the employment related matters from former and current employees against JRA. The legal claims for on-going cases have been reassessed in the current year based on new developments in the cases.

Provision for maintenance contract

An arbitration matter in which Questek, the claimant, claims that the City must pay it approximately R14 million for services rendered in a maintenance contract at the City's request. The City does not deny the services but submits that it overpaid the service provider in another contract and there should be a set off.

City of Johannesburg Metropolitan Municipality

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Fleet Provision

The provision relates to amounts owed by Pikitup (SOC) Ltd to Fleet Africa for the fleet lease contract that has since expired. A settlement amount was agreed based on negotiations with Fleet Africa. This will be paid once the agreement has been concluded.

Environmental rehabilitation: landfill sites (closed and open)

The provision relates to Pikitup (SOC) Ltd landfill sites. On an annual basis, management has to determine an accurate estimate of the environmental obligation to rehabilitate the various landfill sites upon closure. During this process management placed reliance upon the final Landfill Airspace Estimation Report as compiled by an independent consulting engineer for the technical data utilised in the provision and lifespan estimates.

The landfill airspace estimation as reported by the consulting engineer was performed by the Topographical surveyor who has extensive experience in the field with an Advance Mine Survey Certificate -M3.

The calculations of the landfill rehabilitation are based on the following assumptions in line with the permits requirements and consistent with prior years.

The final side slopes for each landfill is 1:3;

The cover to waste ratio is 1:5 for each site;

The growth rates for each site are based on zero growth;

The final landfill footprint extends over the entire landfill property size (excluding infrastructure and a 20m buffer zone between the site boundary and the toe of the landfill); and

The density of the waste is calculated using both the survey and weighbridge data.

Pension fund provision

The provision is for the settlement of the Soweto Pension Fund which was approved by the Mayoral Committee on the 2nd of December 2010. The Settlement amount should have been paid in cash on or before 30 June 2011, as a result the interest at the rate of 65% of the prime interest has been calculated.

The current year additions in the Soweto Pension fund provision relates to interest.

The amount was settled in full during the current financial year

Other Provisions

Provision for other creditors

The provision relates to amounts owed by Johannesburg City Parks (SOC) Ltd to various creditors. The amounts owed are under dispute. Management has estimated the provision to be R8 million, however there is uncertainty as to when the liability will be settled.

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

28. EMPLOYEE BENEFIT OBLIGATIONS

28.1 Post-retirement liabilities

Post-Retirement Medical Aid Plan	(1 130 587)	(1 179 351)	(1 059 955)	(1 103 327)
Post-Retirement Housing Subsidy Plan	(6 010)	(5 688)	(317)	(301)
Retirement Gratuity Plan	(389 624)	(417 584)	(145 169)	(150 827)
	(1 526 221)	(1 602 623)	(1 205 441)	(1 254 455)

28.1.1 Unfunded post-retirement medical aid plan

The CJMM has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. The subsidy is based on the age of each qualifying employee on the determined date. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

Amounts recognised in the Statement of financial position

Present value of unfunded obligation	1 130 586	1 179 351	1 059 955	1 103 327
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Movements for the year

Opening balance	1 179 351	1 320 453	1 103 327	1 240 425
Benefits paid	(109 160)	(102 929)	(104 428)	(100 369)
Net expense recognised in the statement of financial performance	60 395	(38 173)	61 056	(36 729)
	1 130 586	1 179 351	1 059 955	1 103 327

Net expense recognised in the Statement of financial performance

Current service cost	34	699	-	329
Interest cost	99 979	106 980	93 514	100 371
Actuarial gains	(39 560)	(145 852)	(32 458)	(137 429)
Curtailement or settlement	(58)	-	-	-
	60 395	(38 173)	61 056	(36 729)

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
28.1.2 Unfunded post-retirement housing subsidy plan				
The CJMM provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.				
Amounts recognised in the Statement of financial position				
Present value of unfunded obligation in respect of CJMM employees	6 009	5 688	317	301
Movements for the year				
Opening balance	5 688	4 450	301	238
Benefits paid	(72)	(85)	(72)	(85)
Net expense recognised in the statement of financial performance	393	1 323	88	148
	6 009	5 688	317	301
Net expense recognised in the Statement of financial performance				
Current service cost	1 344	187	-	-
Interest cost	3 148	375	23	18
Actuarial losses/ (gains)	(4 099)	761	65	130
	393	1 323	88	148
28.1.3 Unfunded post-retirement gratuity plan				
The CJMM provides gratuities on retirement or death in respect of certain qualifying staff members who have service with the CJMM when they were not members of one of the retirement funds and who meet certain service requirements in terms of the CJMM conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.				
Amounts recognised in the Statement of financial position				
Present value of unfunded obligation in respect of CJMM employees	389 626	417 584	145 169	150 827
Movements for the year				
Opening balance	417 584	439 552	150 827	163 947
Benefits paid	(36 386)	(38 960)	(10 155)	(11 042)
Net expense recognised in the statement of financial performance	8 428	16 992	4 497	(2 078)
	389 626	417 584	145 169	150 827
Net expense recognised in the Statement of financial performance				
Interest cost	35 150	35 370	12 685	13 029
Actuarial (gains)/ losses	(26 360)	(18 378)	(8 188)	(15 107)
Curtailement or settlement	(362)	-	-	-
	8 428	16 992	4 497	(2 078)

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	8.84 %	8.86 %	8.84 %	8.87 %
Health care cost inflation rate	7.14 %	8.01 %	7.15 %	8.01 %
Maximum subsidy inflation rate	4.98 %	5.63 %	4.99 %	5.63 %
Salary inflation	6.64 %	7.51 %	6.65 %	7.11 %
Net discount rate – health care cost inflation (PEMA)	1.58 %	0.79 %	1.57 %	0.79 %
Net discount rate – maximum subsidy inflation (PEMA)	3.68 %	3.06 %	3.67 %	3.06 %
(PEMA) Net discount rate – salary inflation (PEH & Gratuity)	2.06 %	1.26 %	2.05 %	1.26 %

Sensitivity analysis

- - -

GROUP

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		1 130 587	6 010	389 769	1 526 366	
Benefits inflation	+1%	1 158 036	6 746	415 181	1 579 963	4%
	-1%	1 096 552	5 375	366 441	1 468 368	-4%
Discount rate	+1%	1 048 763	5 392	367 094	1 421 249	-7%
	-1%	1 223 159	6 737	414 886	1 644 782	8%
Post-retirement mortality	- 1 Year	1 173 449	6 060	389 769	1 569 278	3%
		-	-	-	-	

CJMM

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		1 059 955	317	145 311	1 205 583	
Benefits inflation	+1%	1 084 864	322	155 197	1 240 383	3%
	-1%	1 029 085	312	136 281	1 165 678	-3%
Discount rate	+1%	984 675	312	136 532	1 121 519	-7%
	-1%	1 146 760	322	155 084	1 302 166	8%
Post-retirement mortality	- 1 Year	1 101 347	320	145 311	1 246 978	3%
		-	-	-	-	

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	2017	2016	2017	2016

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2017

GROUP

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		94 968	818	32 647	128 433	
Benefits inflation	+1%	97 369	929	34 906	133 204	4%
	-1%	91 986	724	30 574	123 284	-4%
Discount rate	+1%	97 752	782	34 093	132 627	3%
	-1%	91 534	857	30 942	123 333	-4%
Post-retirement mortality	- 1 Year	98 832	825	32 647	132 304	3%
		-	-	-	-	

CJMM

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		88 994	25	12 100	101 119	
Benefits inflation	+1%	91 173	25	12 974	104 172	3%
	-1%	86 288	24	11 302	97 614	-3%
Discount rate	+1%	91 667	27	12 608	104 302	3%
	-1%	85 721	22	11 496	97 239	-4%
Post-retirement mortality	-1 year	92 653	25	12 100	104 778	4%
		-	-	-	-	

Five years historical Post retirement obligations

GROUP

	2017	2016	2015	2014	2013
Total	1 526 221	1 602 623	1 764 455	1 842 379	1 865 790
Experience adjustment	2017	2016	2015	2014	2013
Total	23 460	(68 838)	114 354	-	-

CJMM

Post- retirement obligation	2017	2016	2015	2014	2013
Total	1 205 441	1 254 455	1 404 612	1 431 950	1 445 683
	2017	2016	2015	2014	2013
Total	27 220	(67 185)	(57 482)	-	-

The experience adjustments were calculated in the current and prior financial year however it was impracticable to calculate it for previous valuations

The CJMM and its ME's provide post-employment benefits to all other permanent employees through defined contribution funds.

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	2017	2016	2017	2016

29. DEFERRED INCOME

Bond tap

Balance unspent at beginning of year	42 046	45 637	42 046	45 637
Conditions met - transferred to revenue	(3 979)	(3 591)	(3 979)	(3 591)
Conditions still to be met - transferred to liabilities	38 067	42 046	38 067	42 046

The Bond tap is a Bond issued into the life of an existing Bond. The Tap was issued at a premium on the prevailing interest rate at the time of the Tap. The premium is amortised over the maturity of the Bond and released to interest income on an annual basis.

The Tap was issued on the 9th of December 2008 and is due to mature on the 5th of June 2023. The Tap was issued at a premium of R58,038,692 at an interest rate of 12.21% per annum. The notional amount was R468,000,000 and the issue price was R526,038,692.

Deferred income related to BRT points system

Balance at beginning of year	4 298	-	4 298	-
Current year receipts	6 761	4 298	6 761	4 298
Conditions still to be met - transferred to liabilities	11 059	4 298	11 059	4 298

Passenger trips received in advance

Balance unspent at beginning of year	3 952	4 264	-	-
Conditions met - transferred to revenue	466	(312)	-	-
Conditions still to be met - transferred to liabilities	4 418	3 952	-	-

Deferred income refers to the liability relating to passenger trips sold in advance through the Smartcards Multi-Journey Software. The deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket accordingly.

Commission received

Balance at beginning of year	-	4 702	-	-
Conditions met - transferred to revenue	-	(4 702)	-	-
Conditions still to be met - transferred to liabilities	-	-	-	-

The above deferred income relate to commission received on the conclusion of the 5 year lease agreement relating to outdoor advertising. The final amortisation occurred in March 2016.

Current liabilities	4 418	3 952	-	-
Non-current liabilities	49 126	46 344	49 126	46 344
	53 544	50 296	49 126	46 344

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	2017	2016	2017	2016

30. FINANCIAL LIABILITIES AT FAIR VALUE - SINKING FUND

The debt redemption fund is a financial solution to assist the CJMM meet its financial obligations to repay previously issued bonds. The CJMM pays contributions into the fund, which is managed by a 3rd party fund manager, so as to enable the Municipality to receive contributions plus growth to repay redemptions of the bonds when they fall due. This is part of the risk management framework adopted by CJMM. The financial assets in the fund are disclosed in note 11

The total investments are pledged as collateral for CJMM Bonds

The investments pledged as collateral cannot be sold until the related liability is settled in full.

The terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.

Sinking Fund Maturity - 5 June 2023

Other financial liabilities through profit or loss

Bonds	1 151	887	1 151	887
Floating rate note	2	376 139	2	376 139
Bond Options	-	41 045	-	41 045
Cash collateral	109 064	-	109 064	-
Forward Rate Agreement	9 761	18 394	9 761	18 394
Swaps	30 409	8 209	30 409	8 209
Current Liabilities	150 387	444 674	150 387	444 674

Other financial liabilities through profit or loss

Bond	184 798	-	184 798	-
Floating rate note	-	222 917	-	222 917
Forward Rate Agreement	-	7 516	-	7 516
Amortising Swap	6 615	15 824	6 615	15 824
Swaps	480 661	479 472	480 661	479 472
Non-Current Liabilities	672 074	725 729	672 074	725 729

822 461	1 170 403	822 461	1 170 403
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Financial liabilities carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	527 447	793 377	527 447	793 377
Held for trading non-derivative financial liabilities	295 014	377 026	295 014	377 026
822 461	1 170 403	822 461	1 170 403	

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

31. OTHER FINANCIAL LIABILITIES AT FAIR VALUE - SWAP

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for an 11.66% fixed interest rate.

Swap Details

Trade Date:	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1 billion
Fixed Rate:	11.66%
Payable:	Semi- annual

Opening balance	22 134	45 217	22 134	45 217
Net movement	(8 074)	(23 083)	(8 074)	(23 083)
Closing balance	14 060	22 134	14 060	22 134

Current liability	14 060	4 056	14 060	4 056
Non-Current liability	-	18 078	-	18 078
	14 060	22 134	14 060	22 134

32. CONSUMER DEPOSITS

Non-Current portion of Consumer deposits

Electricity and water deposits	857 032	793 988	-	-
Other deposits	16 479	15 816	16 479	15 816
	873 511	809 804	16 479	15 816

Current portion of Consumer deposits

Other deposits	45 243	37 766	-	-
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Other deposits relate largely to deposits held as part of rental agreements between tenants and JPC Portfolio, Joshco Community Development and the Housing Department.

33. LOANS FROM MUNICIPAL ENTITIES

Non-current liabilities	-	-	418 320	412 990
Current liabilities	-	-	-	-
	-	-	418 320	412 990

Notional Accounts

The liability with the municipality entities was undertaken by the City of Johannesburg Metropolitan Municipality to cover the portion of the post retirement liability accrued for the employees of City of Johannesburg Metropolitan Municipality who were transferred to municipal entities when they were established. The amount of the liability was determined at 1 July 2003 and has been accounted for in the form of a notional loan account which earned interest and against which the municipal entities may claim benefit payments.

Medical Aid Notional loan account

Opening balance	-	-	149 764	142 069
Finance cost	-	-	11 063	9 330
Payments	-	-	(1 823)	(1 635)
	-	-	159 004	149 764

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
33. LOANS FROM MUNICIPAL ENTITIES (continued)				
Gratuities Notional loan account				
Opening balance	-	-	263 227	269 733
Finance cost	-	-	18 921	17 442
Payments	-	-	(22 832)	(23 948)
	-	-	259 316	263 227
Notional accounts liability	-	-	418 320	412 990

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Figures in Rand thousand

34. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

GROUP - 2017

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
Current Liabilities			
Loans and borrowings	3 255 769	-	3 255 769
Current tax payable	569 096	-	569 096
Finance lease obligations	51 207	-	51 207
Financial liabilities - Sinking fund	-	150 387	150 387
VAT payable	548 108	-	548 108
Payable from exchange	12 255 568	-	12 255 568
Other financial liabilities- Swap	-	14 060	14 060
Consumer deposits	45 243	-	45 243
Non-Current Liabilities			
Loans and borrowings	-	-	-
Finance lease obligations	16 855 880	-	16 855 880
Financial Liabilities- Sinking fund	154 120	-	154 120
Other financial liabilities - Swap	-	672 074	672 074
Consumer deposits	-	-	-
	873 511	-	873 511
	34 608 502	836 521	35 445 023

GROUP - 2016

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
Current Liabilities			
Loans and borrowings	594 229	-	594 229
Current tax payable	519 029	-	519 029
Finance lease obligations	62 558	-	62 558
Financial liabilities - Sinking fund	-	444 674	444 674
Payables from exchange	11 654 012	-	11 654 012
VAT payable	285 507	-	333 258
Other financial liabilities - Swap	-	4 056	4 056
Consumer deposits	37 766	-	37 766
Non-Current Liabilities			
Loans and borrowings	-	-	-
Finance lease obligations	17 474 609	-	17 474 609
Finance lease obligations	199 164	-	199 164
Financial liabilities - Sinking fund	-	725 729	725 729
Other financial liabilities - Swap	-	18 078	18 078
Consumer deposits	809 804	-	809 804
	31 426 353	1 192 537	32 876 966

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Figures in Rand thousand

CJMM - 2017

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
Current Liabilities			
Loans and borrowings	3 254 963	-	3 254 963
Finance lease obligations	44 605	-	44 605
Financial liabilities - Sinking fund	-	150 387	150 387
Other financial liabilities - Swap	-	3 740	3 740
Payable from exchange	10 189 296	-	10 189 296
Non-Current Liabilities			
Loans to Municipal entities	418 320	-	418 320
Loans and borrowings	16 840 775	-	16 840 775
Finance lease obligations	150 710	-	150 710
Financial liabilities - Sinking fund	-	672 074	672 074
Other financial liabilities - Swap	-	10 320	10 320
Consumer deposits	16 479	-	16 479
	30 915 148	836 521	31 751 669

CJMM - 2016

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
Current Liabilities			
Loans and borrowings	593 487	-	593 487
Finance lease obligations	51 778	-	51 778
Financial liabilities - Sinking fund	444 674	-	444 674
Other financial liabilities - Swap	-	4 056	4 056
Payable from exchange	11 021 757	-	11 021 757
Non-Current Liabilities			
Loans from municipal entities	412 990	-	412 990
Loans and borrowings	17 458 698	-	17 458 698
Finance lease obligations	194 971	-	194 971
Financial liabilities - Sinking Fund	-	725 729	725 729
Other financial liabilities - Swap	-	18 078	18 078
Consumer deposits	15 816	-	15 816
	30 237 075	747 863	30 942 034

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
35. OTHER REVENUE				
Bulk contributions received	85 960	136 898	-	-
Commissions received	360 749	378 207	-	-
Cut-off fees	51 062	10 190	-	-
Demand side management levy	140 908	141 577	-	-
Gautrain maintenance fees	6 040	6 724	-	-
Internal recoveries - ME's	-	-	385 688	458 764
Cemetery fees	20 334	20 804	-	-
Theatre ticket sales	7 856	11 931	-	-
Recovery of insurance	4 242	12 409	1 436	2 451
Sundry revenue	509 959	815 091	282 974	559 412
Training revenue	12 739	17 565	14 788	18 089
	1 199 849	1 551 396	684 886	1 038 716
36. RENDERING OF SERVICES				
Other service charges	474 717	459 945	246 542	226 650
Refuse removal	1 314 763	1 217 609	-	-
Sale of electricity	14 813 762	13 893 249	-	-
Sale of water	5 071 323	4 832 002	-	-
Sewerage and sanitation charges	3 201 736	2 722 954	-	-
Surcharges : Electricity	163 846	151 582	163 846	151 582
Surcharges : Refuse	5 014	4 180	5 014	4 180
Surcharges : Water	47 281	47 015	47 281	47 015
	25 092 442	23 328 536	462 683	429 427

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

37. PROPERTY RATES

Rates received

Residential	3 114 579	2 850 375	3 114 579	2 850 375
Commercial	4 625 362	5 114 128	4 625 362	5 114 128
State	172 440	173 556	172 440	173 556
	7 912 381	8 138 059	7 912 381	8 138 059

Valuations

Residential	624 699 254	610 566 592	624 699 254	610 566 592
Commercial	303 906 608	300 732 277	303 906 608	300 732 277
State	34 523 310	33 937 999	34 523 310	33 937 999
	963 129 172	945 236 868	963 129 172	945 236 868

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
38. GOVERNMENT GRANTS AND SUBSIDIES				
Provincial grants : Capital projects	43 760	160 152	-	108 732
Urban settlements development grant	1 604 170	1 636 613	1 364 661	1 386 716
Financial management grant	1 050	1 050	1 050	1 050
Provincial grants : Top structure of houses	404 736	304 531	404 736	304 531
Provincial grants : Operating projects	40 325	20 319	40 325	12 619
Public Transport Network Grant (Capital Projects)	807 431	863 712	807 431	863 712
Neighbourhood development partnership grant	46 112	38 234	46 112	38 234
Integrated City Development Grant (ICDG)	54 942	32 692	54 942	32 692
Expanded Public Works Programme (EPWP)	39 040	35 937	30 522	33 363
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	19 926	19 709	19 926	19 709
Public Transport Network operations Grant	206 164	245 257	206 164	245 257
Social housing grant	914	914	-	-
Ambulance subsidy	117 321	111 416	117 321	111 416
Equitable share and fuel levy	5 777 859	5 331 848	5 777 859	5 331 848
Provincial health subsidies	115 875	110 043	115 875	110 043
Skills Development Grant	3 421	2 618	-	-
Other Grants	18 888	2 380	-	-
	9 301 934	8 917 425	8 986 924	8 599 922

Provincial grants : Capital projects

Balance unspent at beginning of year	174 148	169 383	174 148	167 788
Current year receipts	68 936	164 928	-	109 904
Paid back	(16 550)	(5 199)	(16 502)	-
Adjustment - Debtors	-	5 188	-	5 188
Conditions met - transferred to revenue	(43 760)	(160 152)	-	(108 732)
Conditions still to be met - transferred to liabilities	182 774	174 148	157 646	174 148

Urban settlements development grant

Balance unspent at beginning of year	94 985	2 260	94 985	-
Current year receipts	1 776 010	1 729 338	1 775 808	1 731 221
Transfers	-	-	(239 307)	(249 520)
Conditions met - transferred to revenue	(1 604 170)	(1 636 613)	(1 364 661)	(1 386 716)
Conditions still to be met - transferred to liabilities	266 825	94 985	266 825	94 985

This grant is made available to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households. The Urban Settlement Development Grant contributes towards the achievement of sustainable human settlements and improved quality of household life by implementing infrastructure development projects that work towards the realisation of adequate housing and improved quality environments and a functional residential property market. The infrastructure development projects include roads, bridges, water supply network, sanitation services, electrical reticulation, social and recreational services, cemeteries, markets as well as release of well-located land.

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Financial management grant				
Current year receipts	1 050	1 050	1 050	1 050
Conditions met - transferred to revenue	(1 050)	(1 050)	(1 050)	(1 050)
Conditions still to be met - transferred to liabilities	-	-	-	-
<p>The grant was to target training and capacitation of the staff in the Budget and Treasury offices. It targets systems for the implementation of the MFMA reporting requirements. The grant is mainly used to employ interns in the Finance Department and to fund the MFMA minimum competency level training.</p>				
Provincial grants : Top structure of houses				
Balance unspent at beginning of year	-	108	-	108
Current year receipts	382 197	348 759	382 197	348 759
Settled against debtors	-	(172 823)	-	(172 823)
Current year claims	22 539	128 487	22 539	128 487
Conditions met - transferred to revenue	(404 736)	(304 531)	(404 736)	(304 531)
Conditions still to be met - transferred to liabilities	-	-	-	-
Provincial grants : Operating projects				
Balance unspent at beginning of year	31 910	9 383	31 910	9 383
Current year receipts	43 539	36 149	43 539	36 149
Paid Back	(7 500)	(1 003)	(7 500)	(1 003)
Adjustments	-	7 700	-	-
Conditions met - transferred to revenue	(40 325)	(20 319)	(40 325)	(12 619)
Conditions still to be met - transferred to liabilities	27 624	31 910	27 624	31 910
<p>To transform urban and rural community library infrastructure, facilities and services through a recapitalised programme at provincial level in support of local government and national initiatives. The funding is intended to address backlogs and disparities in ongoing provision and maintenance of community library services across municipalities and enable provincial departments to provide strategic guidance and alignment with national priorities.</p>				
Public Transport Network Grant (Capital Projects)				
Balance unspent at beginning of year	2 475	326 581	2 475	326 581
Current year receipts	808 808	864 368	808 808	864 368
Grants paid back	-	(324 762)	-	(324 762)
Conditions met - transferred to revenue	(807 431)	(863 712)	(807 431)	(863 712)
Conditions still to be met - transferred to liabilities	3 852	2 475	3 852	2 475

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Neighbourhood development partnership grant				
Balance unspent at beginning of year	25 753	9 047	25 753	9 047
Current year receipts	79 172	54 940	79 172	54 940
Paid back	(44 195)	-	(44 195)	-
Conditions met - transferred to revenue	(46 112)	(38 234)	(46 112)	(38 234)
Conditions still to be met - transferred to liabilities	14 618	25 753	14 618	25 753

The purpose of this grant is to stimulate and accelerate private sector investment in poor and underserved neighbourhoods. It is an Infrastructure Development grant focusing on township development, for the purpose of attracting private investment and for Government agencies to be able to provide basic services.

Integrated City Development Grant (ICDG)

Balance unspent at beginning of year	31 805	10 111	31 805	10 111
Current year receipts	59 704	54 386	59 704	54 386
Paid back	(31 805)	-	(31 805)	-
Conditions met - transferred to revenue	(54 942)	(32 692)	(54 942)	(32 692)
Conditions still to be met - transferred to liabilities	4 762	31 805	4 762	31 805

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	910	-	910	-
Current year receipts	43 442	36 847	47 613	38 447
Paid back	(910)	-	(910)	-
Transfers	-	-	(12 689)	(4 174)
Conditions met - transferred to revenue	(39 040)	(35 937)	(30 522)	(33 363)
Conditions still to be met - transferred to liabilities	4 402	910	4 402	910

The Grant assists in providing an important avenue for labour absorption and aids transfers of income to poor households. It uses expenditure on goods and services to create work opportunities for the unemployed. EPWP Projects employ workers on a temporary or on-going basis either by government, by contractors, or by other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions.

Provincial grant : Jozi Ihlomihle (Hiv/Aids)

Balance unspent at beginning of year	-	95	-	95
Current year receipts	20 310	19 614	20 310	19 614
Conditions met - transferred to revenue	(19 926)	(19 709)	(19 926)	(19 709)
Conditions still to be met - transferred to liabilities	384	-	384	-

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Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Public Transport Network Grant (Operational projects)				
Balance unspent at beginning of year	45 246	3 502	45 246	3 502
Current year receipts	206 700	287 001	206 700	287 001
Paid	(7 700)	-	(7 700)	-
Conditions met - transferred to revenue	(206 164)	(245 257)	(206 164)	(245 257)
Conditions still to be met - transferred to liabilities	38 082	45 246	38 082	45 246
Social Housing grant				
Balance unspent at beginning of year	23 985	74 857	-	-
Current year receipts/Repayments	79 085	(49 958)	-	-
Adjustments	34 376	-	-	-
Conditions met - transferred to revenue	(914)	(914)	-	-
Conditions still to be met - transferred to liabilities	136 532	23 985	-	-

The grants relate to funds received by Johannesburg Social Housing Company namely:

- Social Housing Foundation
- Provincial grant - Kliptown Golf Course
- Gauteng Provincial grant - JMJV

Ambulance subsidy

Current year receipts	117 321	111 416	117 321	111 416
Conditions met - transferred to revenue	(117 321)	(111 416)	(117 321)	(111 416)
Conditions still to be met - transferred to liabilities	-	-	-	-

Gauteng province pays an annual grant to EMS for providing an ambulance service for the City of Johannesburg. This grant covers less than half of the cost of the vehicles, the manning of the vehicles and all other costs associated with providing the service by the City.

Equitable share and fuel levy

Current year receipts	5 682 596	5 331 848	5 682 596	5 331 848
Transfers	108 663	-	108 663	-
Allocation reduction	(13 400)	-	(13 400)	-
Conditions met - transferred to revenue	(5 777 859)	(5 331 848)	(5 777 859)	(5 331 848)
Conditions still to be met - transferred to liabilities	-	-	-	-

Municipal Equitable Share is the share of Local Government Sphere's share of revenue raised nationally. The equitable share allocation is a subsidy received from National Treasury and is mainly for RSC levies replacement, special support for councillors' remuneration, ward committees and funding for free basic services (Basic Social Services Package) for the registered indigent households.

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Provincial health subsidies				
Current year receipts	115 875	110 043	115 875	110 043
Conditions met - transferred to revenue	(115 875)	(110 043)	(115 875)	(110 043)
Conditions still to be met - transferred to liabilities	-	-	-	-

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 20% of total expenditure incurred. These funds have been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
39. EMPLOYEE RELATED COSTS				
Employee related costs : Salaries and wages	6 949 666	6 365 845	3 952 252	3 712 807
Employee related costs : Pension contributions	959 059	897 419	566 616	522 784
Employee related costs : Gratuities	21 026	27 844	-	-
Employee related costs : Medical aid contributions	414 949	368 283	349 962	309 216
Employee related costs : Skills development levy	73 362	66 613	47 524	43 867
Housing benefits and allowances	49 686	49 121	35 801	32 218
Overtime payments	375 453	338 823	87 802	81 572
Bonus	475 363	444 418	242 972	214 627
Travel, motor car, accommodation, subsistence and other allowances	441 411	421 900	284 244	277 006
Post-Retirement Benefits	50 768	(33 809)	65 641	(38 659)
Other employee benefits	46 110	52 881	-	-
	9 856 853	8 999 338	5 632 814	5 155 438

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

2017

Key management	Annual salary	Car allowance	Social contribution	Bonuses	Other benefits	Total
City manager (former - contract ended December 2016)	1 437	64	1	-	276	1 778
City manager (current -appointed December 2016)	1 519	28	-	-	-	1 547
Group head: Risk Assurance Services (resigned October 2016)	618	100	20	89	-	827
Group: Chief Financial officer	2 754	141	2	408	1 572	4 877
Executive Director: Economic Development	1 180	-	1	290	179	1 650
Executive Director: Community Development	1 699	103	307	173	-	2 282
Executive Director: Development Planning and Urban development	2 147	97	48	217	120	2 629
Executive Director: EISD	1 873	97	48	271	-	2 289
Executive Director: Housing (vacant from December 2016)	765	48	77	155	-	1 045
Executive Director: Transportation	2 004	73	302	213	-	2 592
Executive Director: Health	2 089	108	2	431	141	2 771
Executive Director: Corporate Services	1 554	-	1	-	-	1 555
Executive Director: Office of the Manager	1 496	-	79	170	-	1 745
Group Head: Urban Management and Citizen Relationship Management	1 732	101	183	95	11	2 122
Group Head: Governance	1 525	96	87	149	-	1 857
Chief Operations Officer(contract ended March 2016)	2 204	116	131	406	121	2 978
Secretary of Council	1 490	107	86	85	1 665	3 433
Executive Director: Public Safety	1 174	86	1	89	-	1 350
Executive Director: Social Development	944	69	52	253	-	1 318
Core total	30 204	1 434	1 428	3 494	4 085	40 645
Managing Director - JRA	1 811	372	302	-	-	2 485
Managing Director - Joshco	584	-	-	-	-	584
Chief Executive Officer - Joburg Theatre	1 558	-	470	212	65	2 305
Managing Director - City Parks & Zoo	1 880	94	86	201	-	2 261
Chief Executive Officer - JPC	1 982	250	21	295	-	2 548
Ex-Managing Director - Metrobus	1 078	-	8	-	216	1 302
Acting Chief Executive Officer - Joburg Market	1 475	-	-	92	470	2 037
Chief Executive Officer - JDA	1 805	-	-	-	-	1 805
Managing Director - Pikitup	298	58	47	-	-	403
Managing Director - Joburg Water	1 679	299	205	-	-	2 183
Managing Director- City Power	2 190	128	-	220	638	3 176
	46 544	2 635	2 567	4 514	5 474	61 734

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Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

2016

Key management	Annual salary	Car allowance	Social contribution	bonuses	Other benefits	Total
City manager (former)	2 705	128	2	-	276	3 111
Group head: Risk Assurance Services	1 653	288	48	-	-	1 989
Group: Chief Financial officer	2 640	144	2	-	-	2 786
Executive Director Economic Development	2 227	-	2	-	-	2 229
Executive Director: Community Development	1 599	103	160	-	-	1 862
Executive Director: Development Planning and Urban development	2 020	144	121	-	180	2 465
Executive Director: EISD	1 759	97	48	-	-	1 904
Executive Director: Housing	1 439	96	143	-	-	1 678
Executive Director: Transportation	1 887	73	285	-	-	2 245
Executive Director: Health	1 965	108	2	-	-	2 075
Executive Director: Corporate Services	1 576	-	2	-	-	1 578
Executive Director: Office of the Manager	1 413	-	73	-	-	1 486
Group Head: Urban Management and Citizen Relationship Management	843	50	58	-	21	972
Group Head: Governance	1 435	96	81	-	-	1 612
Chief Operations Officer	2 567	144	145	177	-	3 033
Secretary of Council	1 681	128	95	-	-	1 904
Executive Director: Public Safety	1 653	128	2	-	-	1 783
Executive Director: Social Development	1 332	104	73	-	-	1 509
Core total	32 394	1 831	1 342	177	477	36 221
Managing Director - JRA	1 096	188	163	141	-	1 588
Managing Director - Joshco	959	-	-	173	-	1 132
Chief Executive Officer - Joburg Theatre	1 470	-	316	201	61	2 048
	1 786	110	79	191	-	2 166
Chief Executive Officer - JPC	1 484	250	29	280	770	2 813
Ex-Managing Director - Metrobus	1 738	-	19	-	-	1 757
Acting Chief Executive Officer - Joburg Market	1 411	-	-	-	506	1 917
Chief Executive Officer - JDA	1 704	-	-	-	-	1 704
Managing Director - Pikitup	1 900	343	164	-	-	2 407
Managing Director - Joburg Water	1 662	358	231	126	-	2 377
Managing Director- City Power	2 457	128	-	-	218	2 803
	50 061	3 208	2 343	1 289	2 032	58 933

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
40. REMUNERATION OF COUNCILLORS				
Executive Mayor	1 227	1 284	1 227	1 284
Mayoral Committee Members	9 164	11 530	9 164	11 530
Speaker	1 003	1 027	1 003	1 027
Councillors	103 854	89 347	103 854	89 347
Councillors' pension contribution	9 067	11 768	9 067	11 768
Chairpersons	15 278	18 931	15 278	18 931
	139 593	133 887	139 593	133 887

Remuneration of the Executive Mayor - Herman Mashaba

Annual Remuneration	1 084	-
Cell phone Allowance	36	-
	1 120	-

New appointment from August 2016.

Remuneration of the Executive Mayor - Parks Tau

Annual Remuneration	80	959
Car Allowance	11	128
Contributions to UIF, Medical and Pension Funds	13	155
Cell phone Allowance	3	42
	107	1 284

Contract terminated September 2016.

In-kind benefits

The Council elected a new Executive Mayor and Speaker in August 2016

The Executive Mayor has four full-time bodyguards. The Speaker has two full-time bodyguards.

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

41. DEPRECIATION AND AMORTISATION

Property, plant and equipment	2 605 837	2 461 856	1 586 076	1 579 521
Investment property	23	23	-	-
Zoo animals	1 311	1 183	-	-
Intangible assets	298 519	346 113	171 747	254 533
	2 905 690	2 809 175	1 757 823	1 834 054

42. IMPAIRMENT LOSSES

Impairments

Property, plant and equipment	48 681	2 929	45 232	-
Loans to Municipal Entities	-	-	57 080	104 982
The Pikitup Johannesburg (SOC) Ltd refer to Note 4				
Loans to Municipal Entities Johannesburg Metro Bus company (SOC) Ltd	-	-	-	329 661
	48 681	2 929	102 312	434 643

Reversal of impairments

Loans to Municipal Entities	-	-	(29 825)	-
Johannesburg Metro Bus Services (SOC) Ltd				
Investment in Municipal Entities	-	-	-	(31 315)
The Pikitup Johannesburg (SOC) Ltd				
	-	-	(29 825)	(31 315)

Total impairment losses recognised (reversed)

	48 681	2 929	72 487	403 328
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43. DEBT IMPAIRMENT

Receivables from non-exchange	195 893	50 789	195 893	50 789
Consumer Debtors	3 262 451	2 340 891	472 027	534 884
Receivables from exchange	265 391	91 694	120 752	128 015
	3 723 735	2 483 374	788 672	713 688

Allowance for receivables from non-exchanges relates to the impairment of traffic fines.

44. BULK PURCHASES

Electricity	10 696 792	9 871 044	-	-
Water	4 259 064	3 849 698	-	-
Sewer purification	23 077	26 990	-	-
	14 978 933	13 747 732	-	-

The bulk purchases for the year includes electricity distribution losses and water losses.

Electricity distribution losses

Technical losses	878 234	906 280	-	-
Non-Technical losses	1 092 712	1 353 834	-	-
	1 970 946	2 260 114	-	-

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

The electricity energy losses can be classified into technical losses and non-technical losses. The technical losses for the year are measured at 9% and these relate to energy that is lost in the transportation of electricity from the point of supply to point of distribution through evaporation.

The entity's non-technical losses decreased from 13.44% to 11.2%. The non-technical losses are attributable mainly to the following:

- Theft and bypass of meters
- Illegal decalibration of meters
- Damaged meters and faulty voltage and current transformers
- Billing errors
- Customers without meters

Water Losses

Physical losses	787 400	645 900	-	-
Commercial losses	306 000	249 600	-	-
	1 093 400	895 500	-	-

The level of physical and commercial losses for the year under review is 26.8%. The level of physical losses for the year under review is 19.3%, (2016: 16.3%). The level of commercial losses for the year under review is 7.5%, (2016: 6.3%).

It is acknowledged and accepted that a certain level of water losses cannot be avoided from a technical perspective and is considered acceptable from an economic perspective. This means the cost of interventions to reduce water losses from a technical perspective should be less than the savings to be realised. The industry norm for water losses is 18%. Taking consideration hereof would result in a reduction of the level of water losses for the year under review to 8.8% [R359.0 million], (2016: 4.6% [R182.2 million]). The industry norm of 18% applied is 2% more stringent than the benchmark of 20% as published by the South African Water Research Commission.

45. CONTRACTED SERVICES

Information Technology Services	175 123	260 497	212 880	260 497
Fleet Services	685 656	639 632	60 827	55 588
Operating Leases	242 846	206 470	242 848	206 765
Specialist Services	887 535	1 168 558	955 320	1 235 911
Other Contractors	330 165	380 546	23 428	23 095
	2 321 325	2 655 703	1 495 303	1 781 856

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
46. GRANTS AND SUBSIDIES PAID				
Grants paid to ME's				
City of Joburg Property Company SOC Limited	-	-	327 568	340 630
Johannesburg City Parks NPC	-	-	688 207	711 957
Johannesburg Development Agency SOC Limited	-	-	26 695	22 382
Johannesburg Metro Bus Services SOC Ltd	-	-	506 354	432 693
Johannesburg Roads Agency SOC Limited	-	-	816 774	746 409
Johannesburg Social Housing Company SOC Limited	-	-	13 100	19 952
Metropolitan Trading Company SOC Limited	-	-	211 158	84 546
Pikitup Johannesburg SOC Limited	-	-	694 762	643 651
Joburg Theatre SOC Limited	-	-	94 072	73 502
	-	-	3 378 690	3 075 722
Other subsidies				
Grant paid : Housing top structures	407 577	322 984	410 559	322 984
Grant paid : Other	93 170	161 433	85 170	153 433
	500 747	484 417	495 729	476 417
	500 747	484 417	3 874 419	3 552 139

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
47. GENERAL EXPENSES				
Advertising	44 966	252 279	11 398	204 617
Auditor's remuneration	55 604	49 573	22 195	19 723
Bank charges	95 508	86 982	86 974	78 511
Billing and meter reading charges	24 390	30 801	-	-
Cut-off fees	40 478	46 158	-	-
Cleaning	37 385	44 777	-	-
Commission paid	49 059	49 123	-	-
Computer expenses	38 786	45 426	-	-
Conferences and seminars	21 607	32 764	16 480	24 099
Consulting and professional fees	341 775	457 009	97 090	111 406
Cost of inventories expensed	346 478	415 313	29 821	20 772
Debt collection	63 754	206 406	63 754	206 406
Free electricity	6 676	6 251	-	-
Hire of equipment and buses	27 972	17 404	27 302	18 076
Incident management fund	40 304	41 273	40 304	41 273
Insurance	226 456	139 953	108 632	135 598
Lease rentals on operating lease	981 471	818 871	61 735	57 587
Marketing	58 272	126 799	27 993	93 392
Motor vehicle expenses	236 943	69 628	-	-
Other expenses	774 280	779 255	617 896	661 620
Postage and printing stationery	109 605	147 483	87 491	127 623
Productions	27 725	42 280	-	-
Repairs and Maintenance	1 867 828	1 808 236	446 559	398 993
Security (Guarding of municipal property)	527 829	509 574	267 029	211 893
Software expenses	239 585	287 814	127 031	257 611
Staff welfare	63 142	26 147	33 701	-
Subscriptions and membership fees	20 050	24 278	15 021	17 541
Telephone and fax	160 222	154 992	57 329	54 141
Training	54 167	59 212	33 463	31 178
Travel - local	11 460	20 545	5 327	13 117
Travel - overseas	3 594	28 285	2 617	24 679
Utilities - Other	284 699	178 481	624 281	515 776
	6 882 070	7 003 372	2 911 423	3 325 632

Included in other expenses are guarantee fees relating to the COJ2 bond which is held at amortised cost.

-	3 655	-	3 655
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48. FAIR VALUE ADJUSTMENTS

• Fair value movement on the sinking fund	351 736	365 504	351 736	365 504
• Cash flow hedge (Ineffective portion)	4 018	20 283	4 018	20 283
• Other fair value adjustments	21 466	61	21 362	-
	377 220	385 848	377 116	385 787

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
49. CASH GENERATED FROM OPERATIONS				
Surplus	1 964 371	3 775 269	1 341 938	1 494 863
Adjustments for:				
Depreciation and amortisation	2 905 690	2 809 027	1 757 823	1 834 054
Public contributions, Donated and contributed property	(387 803)	(402 852)	(97 578)	(194 632)
Fair value adjustments	(377 220)	(546 031)	(377 116)	(385 787)
Reversal of Impairment	-	-	(29 825)	(31 315)
Finance costs: liabilities from Municipal entities	-	-	9 240	7 695
Debt impairment	3 723 735	2 483 374	788 672	713 688
loss/gain on sale of Assets	74 389	256 037	41 277	237 593
Impairment losses	48 681	2 929	102 312	434 643
Post-retirement benefits net expenditure	69 216	(19 858)	65 641	(38 658)
Gain/ Loss from equity accounted investments	(158)	(4 816)	-	-
Gain on donated animals	(1 520)	(2 717)	-	-
Changes in working capital:				
Inventories	(564)	(1 584)	35 353	(60 103)
Receivables	(1 342 082)	(1 650 425)	(1 925 704)	(817 242)
Current tax	(50 446)	292 262	-	-
Adjustment of impairment of current receivable	(3 723 735)	(2 483 374)	(788 672)	(713 688)
Payables from exchange transactions	601 556	1 554 116	(832 451)	1 176 893
VAT receivable	(312 051)	113 428	(39 429)	112 592
VAT payable	262 601	(168 895)	-	-
Unspent conditional grants and receipts	109 824	126 610	109 824	189 701
Increase/(Decrease) in Loan to Municipal entities	-	-	-	(91 287)
Increase/(Decrease) in deferred income	2 455	(4 307)	2 782	707
Increase/(Decrease) in Provision	466	81 741	(82 806)	19 169
Increase/(Decrease) in Consumer deposits	7 477	98 638	668	(1 472)
	3 574 882	6 308 572	81 949	3 887 414

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

50. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for

• Capital Commitments	5 536 704	6 264 081	1 599 261	2 887 038
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This committed expenditure relates to fixed assets and will be financed by government grants, existing cash resources and external loans etc.

Operating leases - as lessee (Fleet)

Minimum lease payments due

- within one year	161 287	172 079	145 272	106 665
- in second to fifth year inclusive	5 446	66 465	5 419	46 509
	166 733	238 544	150 691	153 174

The Group leases vehicles from Avis Fleet Services. In terms of the agreement, all rentals due on vehicles leased are payable monthly in arrears and are linked to the prime overdraft rate. Furthermore the agreement places restrictions on maximum number of kilometres which can be travelled over the lease term and specifies the rate at which excess kilometres will be billed.

Operating leases – as lessee (Buildings)

Minimum lease payments due

- within one year	99 244	103 343	7 055	30 100
- in second to fifth year inclusive	93 500	139 306	9 774	2 187
- later than five years	1 071	3 267	1 071	1 742
	193 815	245 916	17 900	34 029

Leases for buildings are negotiated for a term of 2 to 5 years for department occupied buildings and the ME's head offices. JPC head office lease term is 10 years. Some leases are subject to yearly escalations at an average of 9%.

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

Operating leases – as lessee Land (Soccer City)

Minimum lease payments due

- within one year	75	75	75	75
- in second to fifth year inclusive	299	299	299	299
- later than five years	6 495	6 495	6 495	6 495
	6 869	6 869	6 869	6 869

Operating leases - as lessee (Equipment)

Minimum lease payments due

-within one year	484 844	474 889	-	-
-In second to fifth year	1 472 209	1 957 055	-	-
	1 957 053	2 431 944	-	-

Operating lease payments represent rentals payable in future by Johannesburg Water and Johannesburg City Power for certain equipment. Leases are negotiated for an average term of seven years.

Operating leases – as lessor (income)

Minimum lease payments due

- within one year	17 080	25 152	14 851	15 292
- in second to fifth year inclusive	56 265	61 939	55 818	59 185
- later than five years	159 495	171 151	159 495	170 705
	232 840	258 242	230 164	245 182

The operating lease income relates to rental of buildings. The average lease agreements are three years and are based on a rental fee per square metre of rental space.

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51. CONTINGENCIES

GROUP

Legal Claims by residents/companies

	Name of the company responsible	Estimated Amount in Rands
Claim for breach for allegedly failing to provide sufficient electricity for development after rezoning a property. Claim is defended on the basis that sufficient electricity is available and plaintiff was aware of available supply.	CJMM	6 289 510
A claim relating to alleged damages for loss of amenity due to COJ approving certain land uses adjacent to the plaintiff's property.	CJMM	17 000 000
Claim for monies to be paid by City for tickets. The plaintiff is a ticket vendor hence claiming the loss of business. The City does not deny the money for the ticket but has an issue with the claim for loss of business by the plaintiff.	CJMM	1 401 738
Claim relating to loss of profit as a result of alleged diversion/ permanent closure of a road next to the plaintiff's filling station. The City cited with the Johannesburg Development Agency and Johannesburg Road Agency regarding this matter. The plaintiff removed the matter from the roll in January 2014 and a new date was set for 02 March 2016. The matter was removed from the roll again therefore the City awaits a new trial date.	CJMM	17 830 000
A claim for damages against the City where the Plaintiff alleges that when the City implemented Rea Vaya system in Soweto, they permanently closed the highway or portions thereof and/or diverted traffic in so doing caused the plaintiff to suffer damages.	CJMM	17 589 910
The applicant has applied for a High Court order against the City and other respondents to comply with AARTO Act in serving infringement notices by registered mail; and that the City should be ordered to refund all monies paid by infringers since the inception of AARTO. There is no basis for claiming refund of monies already paid by infringers. There is a high possibility that the court will dismiss this claim.	CJMM	-
JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. Eviction proceedings have been instituted in the South Gauteng High Court. Negotiations are underway with illegal occupants to settle the matter out of court. Progress made since 2012 - Some of the illegal occupants have agreed to be reallocated to properties operated by the Johannesburg Social Housing Company. The few that would be left because of inability to meet monthly rental payments will be accommodated by the Department of Housing. Since this, no progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accommodation is found by the JDA and CJMM. The parties are working together to reach agreement without a protracted litigation processes.	Johannesburg Development Agency (SOC) Ltd	-
JDA has been served with summons for loss of income and damages to property by the operators of the establishment known as Ubuntu Kraal in Soweto, Johannesburg. The damages were alleged to have been caused by flooding due to the JDA activities in the construction of the Rea Vaya BRT infrastructure along Klipspruit Valley Road. The matter is now being handled by CJMM insurer attorneys.	Johannesburg Development Agency (SOC) Ltd	23 500 000
JDA disputed the matter and indicated to the Plaintiff that it was incorrectly cited as a party. The plaintiff has to date not responded to pleadings by JDA. A letter has been addressed by JDA attorneys to the plaintiff to the effect that should the company not receive feedback from the plaintiff, JDA will continue to seek court approval to withdraw the matter.	Johannesburg Development Agency (SOC) Ltd	-
The matter relates to the fiber optic cable that was damaged by opening a trench in the road reserve with a TLB Machine along the road carriage way of Orlando east. The plaintiff, Dark Fiber Africa (Pty) Ltd is suing JDA (2nd Defendant) on the basis that JDA used the services of Easyway Tarmac Pave and Projects CC to manage and control the execution of the water pipeline project and to do the drilling and excavation along the road carriage way of Orlando east. The matter is being defended by JDA lawyers.	Johannesburg Development Agency (SOC) Ltd	45 256
The scaffolding work into the Grayston Drive Pedestrian and Cyclist structural bridge collapsed on 14 October 2015 which resulted in the loss of life and other damages. Due to the nature of the incident, the Department of Labour (DOL) has to conduct a formal inquiry to determine the causes for the collapse of the scaffolding works. The inquiry commenced on 7 July 2016 and a Commissioner appointed by the DOL. The matter is still ongoing.	Johannesburg Development Agency (SOC) Ltd	-

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Lucienne Nanetter Raab & Others v JRA & Others (The applicants for an order directing the respondents not to allow construction vehicle to gain access to a construction site from Fulwell road in Bryanston. The JRA has issued a wayleave to the developers to conduct the work.	Johannesburg Road Agency (SOC) Ltd	-
Applemint vs JRA. JRA was served a letter of demand to do work on his property which has experienced a sinkhole as a result of the storm-water drain running through his property.	Johannesburg Road Agency (SOC) Ltd	
Bernard Mew vs COJ/ JRA. The applicant brought an application for an enclosure of alleged COJ land which is used by the public as a thoroughfare and illegal taxi parking. Amount claimed is not quantifiable.	Johannesburg Road Agency (SOC) Ltd	-
Freehold land, buildings and servitudes purchased from The City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement, have not as yet been transferred into the name of Pikitup Johannesburg SOC Ltd. Transfer duties might be payable by the company on the transfer of property. It is not possible to estimate an expected amount.	Pikitup (SOC) Ltd	-
The plaintiff is claiming for damages for injuries allegedly sustained at or near Orange farm garden site. The entity is defending the matter. The matter is set for interlocutory application and the trial is anticipated in the later part of 2018. The likelihood of the recovery of costs should the entity succeed are extremely remote.	Pikitup (SOC) Ltd	400 000
I Nicholson is claiming damages from the entity arising from electrocution from a smart meter installation.	City Power (SOC) Ltd	100 000
Woods (a customer) is claiming delictual damages arising from a loss suffered as a result of an alleged robbery by City Power contractors	City Power (SOC) Ltd	1 271 290
A summons was issued in favour of a customer Dlamini for delictual damages. The matter is defendant by the entity.	City Power (SOC) Ltd	267 600
SBV Services (Pty) Ltd a customer is claiming R800 000 for overstated bills already paid to the entity. The amount is based on the difference in actual meter readings and estimates including all interest which has accrued during the period the funds where in the entity possession is.	City Power (SOC) Ltd	800 000
The entity received a letter of demand from the lawyers of Sarah Elizabeth Bosch after she fell in to the orchestra pit. Bosch's attorneys claim that the incident was caused due to negligence by Joburg Theatre. The matter has not yet gone to court. The amount has not been provided for as this is considered as a potential obligation that may be incurred depending on the outcome of a future event.	Joburg Theatre (SOC) Ltd	9 020 000

Contractual Disputes with service providers

Detail of contingencies	Name of the company responsible	-
The plaintiff instituted action against the City of Johannesburg for wrongful termination of contract. It sought relief two fold, to uphold the contract, alternatively damages to be paid by the City. The matter was referred to arbitration; the plaintiff is however refusing to sign the arbitration agreement. The City is prepared to proceed with the arbitration however the plaintiff has not taken any further steps.	CJMM	33 150 639
Claim against the COJ for an amount relating to an overrun of costs emanating from a contract for the upgrade of the Johannesburg Central Library.	CJMM	5 200 000
The claim is relating to damages suffered by plaintiff arising from the COJ not following proper procurement processes in a contract between second defendant and COJ. The City is required to prove the existence of such contract.	CJMM	19 500 000
Claim for damages arising out of work done but not paid for. Negotiations are on-going.	CJMM	3 000 000
Developmentnoms (Pty) Ltd Claim against CoJ, The plaintiff claims to have suffered damages to the extent of lost income for the full duration of the agreement concluded with the City.	CJMM	2 640 419
On the 12 December 2016 COJ received Notice of Motion instituted by MVS, in terms of which Moving Violations Systems (MVS) is claiming for services rendered to the COJ. COJ is yet to file its notice to oppose.	CJMM	8 086 770
Fundi Communications claim against COJ for services rendered	CJMM	952 126
Claims for Maintenance of Rea Vaya IT infrastructure Matter is still being defended.	CJMM	11 428 533
Telkom SA SOC Ltd vs JRA (A special plea has been filed and awaiting the plaintiff to apply for a trial date herein	Road Agency (SOC) Ltd	24 999

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A potential claim for the rendering of services. Management is of the view that the appointment was irregular and unlawful and that there is no valid claim for payment.	Metro Bus (SOC) Ltd	3 000 000
The plaintiff is claiming retention payments held by Pikitup for services provided. The total amount claimed is R104 526. The entity is in negotiations with the plaintiff for a settlement. The matter is anticipated to be settled by December 2017. There is no likelihood of recovering the legal costs	Pikitup (SOC) Ltd	104 526
The plaintiff is claiming monies for services rendered which it is alleged Pikitup has not paid. The matter is at discovery stage and it is expected that the trial date will be set for the latter part of 2018. The likelihood of recovering legal costs should the entity succeed are remote.	Pikitup (SOC) Ltd	33 790
The plaintiff is claiming that his former company contracted with the entity and alleges that the entity is in breach of the contract by failing to pay for the equipment purchased by the plaintiff in fulfilment of the contract. The said company is liquidated. The plaintiff in this matter is not acting and therefore the matter has remained dormant. The likelihood of recovering costs should the entity succeed are remote.	Pikitup (SOC) Ltd	10 000 000
Sunayla Trading and Projects is claiming an amount in terms of non-payment from the entity for canteen goods supplied to the entity. The matter is being defended and settlement negotiations are underway	City Power (SOC) Ltd	500 000
Mndhahazi Trading Enterprise cc is claiming damages for non-payment from the entity for canteen goods supplied to the entity. The matter is being defended and settlement negotiations are underway.	City Power (SOC) Ltd	383 119
PJ Bezuidenhout a supplier is claiming an amount for services rendered from the entity and other defendants. The matter is at a pleading stage	City Power (SOC) Ltd	35 000 000
Izubuko the Bridge a supplier is claiming an amount in terms of non-payment from the entity for services rendered to the entity. The matter is being defended and settlement negotiations are underway.	City Power (SOC) Ltd	1 366 268
JAR Electrical a supplier is claiming an amount in terms of non-payment from the entity for services rendered. The non-payment of the invoices are due to internal processes and no valid argument can be made regarding the dispute.	City Power (SOC) Ltd	3 000 000
MAC Consulting Pty Ltd a supplier is claiming an amount in terms of non-payment from the entity for services rendered. Summons have been received and the matter is being defended.	City Power (SOC) Ltd	583 217
Divinity Trading a supplier has lodged legal proceedings against the entity. The claim arising from supply chain processes where there was a passing over of bid due to none functional of protective proto type during site visits by Bid Evaluation Committee. The potential liability is the Bid value.	City Power (SOC) Ltd	200 000
Disputes with service provider - Security Consultations & Advanced Implementations "Scai"	Joburg Market (SOC) Ltd	7 717 732
Disputes with service provider - Energy Management	Joburg Market (SOC) Ltd	200 000

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Disputes/legal claims by employees

Detail of contingencies	Name of the company responsible	-
SALA pension fund was the old pension fund for South African Local Authority employees, with the amalgamation of different municipalities to form City of Joburg employees were migrated the new eJoburg pension fund. There is a dispute the members lodged with the City of Joburg subsequent to their transfer to eJoburg pension fund.	CJMM	21 958 709
Mokomela vs JRA. The Applicant referred the matter to the Labour Court for conciliation to the effect that the dismissal was not fair.	Johannesburg Road Agency (SOC) Ltd	-
Liepollo Selatile vs JRA. The employee referred a dispute of unfair dismissal to the South African Local Government Bargaining Council (SALGBC). Amount claimed is not quantifiable	Johannesburg Road Agency (SOC) Ltd	-
F Makhari / JRA - The employee's contract expired and was not renewed and wants to be reinstated.	Johannesburg Road Agency (SOC) Ltd	266 616
4 alleged unfair dismissal cases against Metrobus currently under consideration by the CCMA. Management is confident that awards in this regard will be in favour of Metrobus. However should awards be against Metrobus, the entity may be liable to pay.	Metro Bus (SOC) Ltd	100 000
A case of unfair labour practice is under consideration by the labour court. Management and external lawyers are confident that an award will be made in favour of Metrobus in this regard. However should such award be made in favour of the employee the entity will be liable for back pay.	Metro Bus (SOC) Ltd	814 000
The applicants alleges that they are not paid the same salaries as HR Officers and therefore needs Labour Court to rule in the harmonisation of the said salaries and the entity must pay them similar salaries from their date of employment similar to the employees they are benchmarked with . The directive was provided and parties have filed their heads of argument. The hearing is expected to start in the early part of 2018. The likelihood of recovering the costs from the applicants are minimal.	Pikitup (SOC) Ltd	1 995 151
The entity is reviewing the arbitration award in favour of an employee where CCMA ruled that the employee was unfairly dismissed. The amount to be paid in terms of the arbitration award should the review fail is R 2 838 333. The directive was provided and parties have filed their heads of arguments. The hearing is expected to be in 2018. The likelihood of recovering the costs from the applicants are remote.	Pikitup (SOC) Ltd	2 838 333
An amount of R 1 252 757 is held in a trust account pending the finalisation of accelerated termination of service of an ex-employee. It is anticipated that the matter will be finalised once the court process has been completed.	Pikitup (SOC) Ltd	1 252 757
The entity is involved in three (3) litigious matters with former employees. The directors are of the opinion that the claims can be successfully defended by the company.	Joburg Market (SOC) Ltd	-

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Contingent Asset

Detail of contingencies	Name of the company responsible	-
Claim instituted by the COJ and Bus Operating Company and others against an attorney who misappropriated money to be used by the operators to invest in BOC.	CJMM	20 000 000
Claim relating to summons issued against Graffiti Impact. The defendant has raised an issue that the City is not entitled to that money and has asked the court to declare that section of the By-Laws to be null and void. A consultation has been scheduled with the junior and senior counsel to prepare a replication.	CJMM	1 698 400
Security cost claim against William James Kirk. The matter is at the pleading stage.	CJMM	500 000
JRA vs Nomakhephu - The JRA is suing the defendant for the payment of monies erroneously deposited into the supplier's account. The assessment by JRA legal unit for winning the case is medium.	Johannesburg Road Agency (SOC) Ltd	316 926
The company is currently pursuing claims relating to contractual disputes with the service providers.	Johannesburg City Parks NPC	3 384 000
Johannesburg City Parks and ZOO is a beneficiary to the land donated from a deceased estate. The process is ongoing and the value nor date of transfer is currently unknown.	Johannesburg City Parks NPC	-
Subsequent to the disciplinary hearing in respect of the irregular expenditure disclosed in Note 32 of Joburg Market, civil proceedings have commenced against the employees concerned to recover all amount. According to entity's legal advisors, it is probable that the proceedings will result in the recovery of the full amount	Joburg Market (SOC) Ltd	1 870 107

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Notes to the Group Annual Financial Statements

52. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments

Statement of financial position

GROUP

		As previously reported	Reclassification	Correction of error	Restated
Consumer debtors	1	6 177 748	(167 123)	(680 361)	5 330 264
Property, plant and equipment	2	60 572 816	-	(151 236)	60 421 580
Intangible assets	10	1 098 835	-	(21 450)	1 077 385
Deferred Tax Asset	9	514 398	-	419 003	933 401
Receivables from exchange transactions	3	1 933 430	(286 852)	(591 791)	1 054 787
Receivables from non exchange transactions		200 120	453 975	-	654 095
Trade and Other payables	4&7	(12 431 840)	171 697	606 116	(11 654 027)
VAT payables	5	(183 447)	-	(102 060)	(285 507)
Current tax payable		(902)	-	(518 127)	(519 029)
Deferred tax liability		(2 398 950)	-	2 836	(2 396 114)
Provisions	7	(733 060)	(171 697)	(83 615)	(988 372)
Other balance sheet items not listed		(11 618 092)	-	36 776	(11 581 316)
Accumulated surplus		(43 131 056)	-	1 083 909	(42 047 147)
		-	-	-	-

CJMM

		As previously reported	Reclassification	Correction of error	Restated
CJMM - Trade and other receivables		4 847 465	(4 847 465)	-	-
CJMM - Consumer debtors		887 113	(887 113)	-	-
CJMM - Receivables from exchange transactions		-	4 390 035	(518 934)	3 871 101
CJMM - Receivables from non exchange transactions		-	1 344 543	(6 658)	1 337 885
CJMM - Property, plant and equipment		35 662 469	-	(72 528)	35 589 941
CJMM - Intangible assets		496 678	-	(35 491)	461 187
CJMM - Trade and other payables		(11 220 385)	-	198 638	(11 021 747)
CJMM - Other		6 832 244	-	(21 090)	6 811 154
CJMM - Accumulated Surplus		(28 223 680)	-	221 164	(28 002 516)
		9 281 904	-	(234 899)	9 047 005

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Statement of financial performance

GROUP

		As previously reported	Reclassification	Correction of error	Restated
Rendering of services	1	23 477 479	-	(148 943)	23 328 536
Rental of facilities and equipment		290 699	-	(44 146)	246 553
City Cleaning levy	6	-	-	111 999	111 999
Debt impairment		(2 492 311)	-	8 937	(2 483 374)
Depreciation and amortisation		(2 794 027)	-	(15 148)	(2 809 175)
Repairs and maintenance	8	(1 282 056)	1 282 056	-	-
General expenditure		(5 565 453)	(1 282 056)	(155 863)	(7 003 372)
Fair value adjustment		546 031	-	(160 183)	385 848
Other		(8 363 171)	-	107 563	(8 255 608)
Surplus (deficit) for the year		3 817 191	-	(295 784)	3 521 407

CJMM

		As previously reported	Reclassification	Correction of error	Restated
CJMM - Rental of facilities and equipment		(133 566)	-	43 841	(89 725)
CJMM - Contracted services		1 724 656	-	57 200	1 781 856
CJMM - Repairs and Maintenance		398 993	(398 993)	-	-
CJMM - Provision		15 000	(15 000)	-	-
CJMM - General Expenses		2 809 377	413 993	102 325	3 325 695
CJMM - Other		(7 571 110)	-	31 533	(7 539 577)
(deficit) Surplus for the year		(2 756 650)	-	234 899	(2 521 751)

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Group

Errors

Management provides explanations for prior period adjustments which are considered material.

1. Consumer debtors & rendering of services

The City has recalculated the accrual amount for the revenue for the 2015 and 2016 financial years. This has resulted in a decrease in the consumer debtors' balance.

2. Property, plant and equipment (PPE)

The error on PPE arises from the vehicles that were not previously capitalised. Correction of this error resulted in adjustments of 2016 depreciation and accumulated surplus for previous financial years. Refuse bins were initially accounted for as PPE instead of consumables. Management established that there was no control over these bins. Prior year adjustment was processed to correct this error.

3. Receivables from exchange transactions

The restatement is as a result of an adjustment of debtors which were incorrectly recognised. There was a reversal of provision for doubtful debt which were incorrectly accounted for in the previous financial year.

4. Trade and other payables

Retrospective adjustment for accruals not accounted for in the previous financial period.

5. VAT payables

Sale of electricity to Eskom was misstated in 2016. Restatement of these sales transactions also resulted in adjustment of VAT output

6. City cleaning levy

Income and expenditure line items - including "clean levy" were fair valued and aggregated using SAICA circular 9 , which was later found not to be applicable to municipalities. To correct prior year error, fair value adjustment amount was reversed to all line-items affected by valuation.

7. Provisions

Reclassification of bonus provision which was initially classified as accruals.

8. Repairs and maintenance

Repairs and maintenance was reclassified to general expenditure

9. Deferred Tax Asset

Penalties and interest arising from taxation liability with South African Revenue Services has been accrued in the respective financial years starting in 2015 financial year. The SARS current tax liability has been reclassified from deferred tax liability

10. Intangible asset.

The error on the intangible assets and general expenses relates to previous expenditure incorrectly capitalised as intangible asset.

Notes to the Group Annual Financial Statements

Reclassifications

Trade and other receivables, Receivable from exchange non-transactions & Consumer debtors.

The reclassification was to ensure that debtors are classified as either exchange or non-exchange

Consumer debtors were reclassified to receivables from non-exchange transaction.

City cleaning levy was reclassified from consumer debtors to receivables from exchange transactions.

Reclassification 1

Repairs and maintenance and General Expenses

The reclassification was to ensure that the income statement line items are all presented in their nature not function.

Repairs and maintenance has been reclassified into general expenses as it is a function of expenditure rather than nature thereof.

53. RISK MANAGEMENT

The CJMM, through Group Treasury and Finance Strategy unit (Treasury) manages financial risks through usage of two portfolios comprising of financial instruments. For purposes of this disclosure, portfolios are assigned Portfolio 1 and 2. Portfolio 1 is managed internally by the CJMM while Portfolio 2 is outsourced to a specialist Fund/Portfolio Manager.

Portfolio 1 Overview

Effective financial risk management is imperative to CJMM. The realisation of the CJMM's objectives toward service delivery depends on CJMM's sound management of financial risks which enable the City to anticipate and respond to changes in the market environment as well as making informed decisions under conditions of uncertainty.

The CJMM is exposed to the following financial risks from the use of financial instruments:

- Liquidity risk and Concentration risk (including integrated cash flow management)
- Market risk.
- Credit/Counterparty risk

To ensure the execution of and compliance to overall risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on financial assets and liabilities, CJMM plays a focal role in:

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized.
- Ensuring that CoJ's Credit rating is maintained or improved by ensuring that financial risk ratios fall within required limits.
- Ensuring the sustainable financial viability of COJ by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting CJMM's financial position.
- To provide Council with reasonable assurance that financial risks the CJMM is exposed to are identified and, to the best extent possible, mitigated and controlled.

The Treasury Unit in close co-operation with operation units, identifies, quantifies and sets up control measures to mitigate financial risks to an acceptable level. Treasury executes its responsibility in line with the approved Treasury and Assets and Liabilities Management (ALM) policies.

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Figures in Rand thousand

Financial Risk Management Framework

The Risk Management Framework serves to raise awareness and inform and guide the Group on its approved approach to risk management. The framework, which is reviewed on a continuous basis in line with best market practices, seeks to assist the Group in the effective identification, evaluation and control of financial risks that may impact upon the realization of corporate, mayoral and service delivery objectives and priorities that the Group has set itself to achieve.

Council, through the CFO's forum, has overall responsibility for the establishment and oversight of the CJMM's risk management framework. CFO's forum, in this regard, is responsible for developing and monitoring the CJMM's financial risk management policies. CFO's forum reports regularly to the Mayoral Committee and Section 79 on its activities.

The CJMM's financial risk exposures are managed by the Treasury Unit. The CJMM's activities expose it to a variety of financial risks. The municipality's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the CJMM's financial performance. The group recognises that an effective risk management function is fundamental to its business. Risk awareness, control and compliance are embedded in Treasury's day-to-day activities.

The CJMM's Treasury unit reports its risk management activities to the Mayoral Council and CFO's forum on a regular basis. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the CJMM's activities.

Liquidity and Concentration Risk

Liquidity Risk, in this instance, refers to the risk that CJMM may not meet its periodic obligations with respect to its liabilities when they fall due. Management of liquidity risk is particularly important as it ensures that capital and operating expenditure is met. Treasury enters into liability obligations to bridge funding gaps arising from both capital and operational expenditure with the aim of ensuring that CJMM meets its liability obligations when they fall due.

For each financial year, Council approves a funding plan that minimizes liquidity risk. Treasury manages both the long-term and short-term cash requirements, with surplus funds from operations of the City invested in short term money market instruments.

Long-term liquidity risks arising from capital project initiatives are managed through the issuance of long-term debt in the form of COJ bonds or long term loans or a combination of the two.

Both Short-term and Long-term borrowings are approved as per the budget and the banking services contract. The table below indicates approved facilities as at end of June 2017:

Details	Approved Funding	Total Utilised	Available for use
Short-Term Borrowings			
Short term Borrowings	2 175 000	1 725 000	675 000
Long-Term Borrowings			
Long term borrowing	2 626 000	2 626 000	-
Total	4 801 000	4 351 000	675 000

Short-term liquidity constraints are managed through two types of short-term funding methods:

- i) General Banking Facilities; and
- ii) Commercial Paper Issuance.

CJMM's Treasury ensures that all short term facilities utilized within the financial year are paid before the end of the financial year in line with Section 45(4) (a) of the MFMA. A cash management policy for managing its short-term cash flows and cash balances in a cost-effective manner is in place. The cash management policy assists the Group in managing its liquidity risk through the use of cash projection models with the aim of minimizing variances between projected and actual cash usage.

Liquidity risk is also linked to Concentration risk which could be defined as the probability of high cash outflow arising from concentration of debt obligations payable around the same period, resulting in risk of default and the inability to evenly spread liability obligations.

In line with GRAP 104, the tables below show CJMM's contractual maturity analysis of its interest rate swap and non-derivative financial liabilities.

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Figures in Rand thousand

Funding Debt Maturities

The Group funds its coupon, interest and capital payments for all liabilities, other than bonds, from a Contingency Reserve Fund (CRF). Operational surpluses generated by the City are channelled into the CRF. Capital redemptions for bonds are funded from the Sinking Fund. The CJMM's annual budget contains provisions for coupon, interest and capital payments.

Swap Redemption Analysis

Instrument	Maturity date	Due in 2017/18					
Interest Rate Swap	29-Mar-18	-	14 584	-	-	-	-
R1bn Loan							

Capital Redemption Analysis of Non Derivative Liabilities as at 30 June 2017

Class	Balance	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Floating Rate Loans		1 114	68 386	65 111	57 528	55 000	14 628
Fixed Rate Loans		2 148	490 562	566 912	1 462	658 117	29 109

Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 30 June 2017

Investment type	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Call Deposits	2 480	-	-	-	-	-
Short Term Investments	85	-	-	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the CJMM's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimising the CJMM's service delivery objectives. GRAP 104 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the Group.

Interest rate risk

This refers to the risk that the value of a financial instrument will change due to a change in i) the absolute level of interest rates; ii) in the spread between two rates; and iii) in the shape of the yield curve or in any other interest rate relationship. CJMM's floating rate liabilities are exposed to interest rate risk in terms of both cash flow and fair values.

Interest Rate Fair Value Sensitivity Analysis

The fair values of the CJMM's floating rate liability portfolio are sensitive to interest rate changes. The fair values of these liabilities are based on projected cash flows calculated using market projected forward rates. The projected cash flows are then discounted using market implied discount factors. The table below shows how the fair values of floating rate liabilities change on the basis of the following assumptions:

- The base case interest rate is at current levels (0%)
- A range of values between two upward percent and one downward percent movement in interest rates. Management generally expects interest rates to rise in the future.

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Fair value sensitivity to the interest rate movement/shift for Floating Rate Loans

Class	Fair Value	-1%	-0.50%	0	0.50%	1%	1.50%	2%
Floating Rate Loans	1 821	1 805	1 813	1 821	1 828	1 836	1 843	1 851

Fair Value Sensitivity Analysis of Variable Rate Liabilities

The fair value sensitivity analysis of variable rate liabilities shows that a 1 percentage point increase in interest rates will increase the fair value of floating rate liabilities by 15.2 million and a 1 percentage point decrease in interest rates will decrease the fair value of floating rate liabilities by R15.2 million. Based on the above analysis, it is notable that the floating rate loans are more sensitive to a downward movement in interest rates.

Interest Rate Cashflow Sensitivity Analysis

The Floating rate tables below shows the cash flow sensitivity analysis for floating rate liabilities. The sensitivity analysis is based on the following assumptions:

- The base case interest rate is at current levels (0% changes)
- A two percent upward and one percent downward movement in interest rates.

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Cash flow sensitivity analysis

Loan name	Institution	Nominal	Issue date	Cash Flow	Rate	Rate option	Interest rate shift						
							-1%	-0.50%	0%	0.50%	1%	1.50%	2%
DBSA 13541-1	DBSA	35 337	31 Mar-02	30-Sep-17	3 months JIBAR + 2.535%	Floating	3 262	3 304	3 345	3 387	3 428	3 469	3 511
				31-Dec-17			3 197	3 235	3 274	3 312	3 350	3 388	3 426
				31-Mar-18			3 121	3 156	3 190	3 225	3 259	3 293	3 327
				30-Jun-18			3 067	3 098	3 130	3 161	3 193	3 224	3 256
DBSA 102761-1	DBSA	325 000	20-Aug-09	31-Dec-17	6 months JIBAR + 2.85%	Floating	26 996	27 783	28 571	29 359	30 146	30 934	31 722
				30-Jun-18			25 881	26 625	27 369	28 113	28 857	29 601	30 344
				30-Dec-18			25 465	26 190	26 915	27 639	28 364	29 089	29 813
				30-Jun-19			24 855	25 537	26 219	26 901	27 582	28 264	28 946
DBSA 103345-1	DBSA	375 000	17-Apr-09	31-Dec-17	6 months JIBAR + 2.96%	Floating	31 899	32 806	33 713	34 621	35 528	36 436	37 434
				30-Jun-18			30 577	31 432	32 288	33 143	33 999	34 854	35 709
				31-Dec-18			30 065	30 897	31 728	32 560	33 392	34 224	35 056
				30-Jun-19			29 324	30 105	30 886	31 667	32 448	33 229	34 010
CALYON	CALYON	45 350	05-Sep-06	30-Sep-17	3 months JIBAR less0.35%	Floating	9 611	9 657	9 702	9 747	9 792	9 838	9 883
				31-Dec-17			9 468	9 502	9 536	9 570	9 604	9 638	9 672
				31-Mar-18			9 328	9 351	9 373	9 395	9 418	9 440	9 463
				30-Jun-18			9 199	9 211	9 222	9 234	9 245	9 257	9 268
NEDBANK 1b	NEDBANK	1 000 000	04-Mar-10	30-Sep-17	3 months JIBAR + 2.8%	Floating	46 149	48 700	51 255	53 813	56 374	58 938	61 505
				31-Mar-18			1 045 045	1 047 582	1 050 121	1 052 663	1 055 209	1 057 757	1 060 309
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
SCMB 200m	SCMB	23 333	19-Sep-03	30-Sep-17	CPI plus Margin	Floating	3 300	3 316	3 333	3 350	3 366	3 383	3 400
				31-Dec-16			3 300	3 316	3 333	3 350	3 366	3 383	3 400

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				31-Mar-17		3 300	3 316	3 333	3 350	3 366	3 383	3 400
				30-Jun-17		3 300	3 316	3 333	3 350	3 366	3 383	3 400

Swap Cashflow Sensitivity

The table below shows how the cashflow resulting from the swap would respond to changes in interest rates assuming:

- The base case interest rate is at current levels (0.00%)
- A two percent upward and one percent downward movement in interest rates

SWAP CASHFLOW SENSITIVITY ANALYSIS

Date	-1%	-0.50%	0	0.50%	1%	1.50%	2%
29-Sep-17	(6 885)	(6 885)	(6 885)	(6 885)	(6 885)	(6 843)	(6 885)
29-Mar-18	(12 518)	(10 102)	(7 699)	(5 288)	(2 889)	(497)	1 890
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	(19 403)	(16 987)	(14 584)	(12 173)	(9 774)	(7 340)	(4 995)

From the above table we note that a 1 percentage point decrease in interest rates would increase swap Cashflow by R4.8 million. A 1 percentage point increase in interest rates will decrease the swap cash R9.5 million (-46.11%). The cash flow are more sensitive to a rise in the interest rate.

Swap Fair Value Sensitivity

The table below shows how the fair value of the swap would respond to changes in interest rates assuming:

- The base case interest rate is at current levels
- A two percent upward and one percent downward movement in interest rates.

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Instrument	Maturity date	Swap Fair Value Sensitivity						
		Fair value sensitivity to the interest rate shift						
		-1%	-0.50%	0%	0.50%	1%	1.5%	2%
Interest Rate Swap on R1bn loan	29-Mar-18	(18 729)	(16 380)	(14 060)	(11 748)	(9 462)	(7 162)	(4 962)

On the basis of the above assumption, a 1% point increase in interest rates will result in a R4.6 million positive movement in the swap value. While 1% basis point decreases in the interest rates would result in 4.7 million increase in the value of the swap liability.

Estimation of Fair Values

The fair value of financial instruments that are not traded in an active market (for example, trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the municipality is the current bid offer price. The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques.

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

To determine the fair values of floating rate instruments, the municipality uses market forward rates to estimate future interest and capital cashflows, and then utilises market implied discount rates to calculate their present values. To determine the fair values of fixed rate instruments, the municipality uses market implied discount factors to calculate their present values.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Fair Value Hierarchy

In terms of GRAP 104, paragraph .118 and .119 there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The fair value hierarchy applies to instruments reported at fair value on the statement of financial position. The interest rate swap is the only instrument reported at fair value and therefore needs to be classified as per fair value hierarchy.

Level 1: Fair value are based on quoted prices (unadjusted) in an active market for identical financial instruments.

Level 2 Fair values are calculated using valuation techniques based on observable inputs either directly or indirectly other than level 1 inputs.

This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

The Level 2 all-inclusive fair value of the swap stood at -R14 million as at the end of 30 June 2017.

Level 3: This category uses inputs for the asset or the liability that are not based on observable market data (unobservable inputs).

Credit/Counterparty Risk

The Group deposits surplus funds with financial institutions to take advantage of potential growth in the market and these funds are diversified around different investment type and institutions.

The credit limit exposure table below depicts all investments with various counterparties as at the 30 June 2017 Treasury constantly monitors the percentage limit utilised.

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COUNTERPARTY CLASS	Approved Limit	Operational		Ring-fenced		Total Exposure	Available for use	Percentage Utilised
		Call Deposits	Fixed Deposits	Call Deposits	Term Deposits			
Domestic Banks	4 825 000	1 643 535	84 700	-	-	1 728 234	3 096 764	36 %
International Banks	1 050 000	2 473	-	-	-	2 473	1 047 527	- %
Public Sector	1 200 000	3 230	-	-	-	3 230	1 196 770	- %
Asset management firms	4 600 000	830 669	-	-	-	830 669	3 769 332	18 %
	11 675 000	2 479 907	84 700	-	-	2 564 606	9 110 393	22 %

Portfolio 2

Introduction and overview

In order for the CJMM to meet its debt redemption obligations specific to its long-term borrowing and to mitigate the related risks, the CJMM has mandated a fund manager to operate its Debts Redemption Fund (The Fund).

The key objectives central to the fund included in the mandate are:

- Immunise the liability, in principle eliminating interest rate risk, as well as eliminating reinvestment risk by matching the investment horizon of funds with their anticipated utilization;
- Enable the CJMM to meet their redemption obligations

The fund has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

Risk Management Framework

The Fund maintains positions in a variety of derivative and non-derivative financial instruments in accordance with its investment management strategy. The Liability Plus approach entails a risk-based investment strategy that manages the fund's assets appropriately, relative to its liabilities. The strategy focuses on mitigating the risks surrounding the liability, whilst at the same time seeking a return from the asset base. Conservative hedges can be employed to provide protection against the risks embodied in the liability. An asset strategy deployed is designed to deliver above-benchmark returns, and this is overlaid on the protective derivative structures. The integrated solution mitigates risks and improves performance.

The Fund's investment manager has been given a discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the Fund's risk management framework is monitored quarterly by the Fund's Risk Committee which is chaired by the City Treasurer. Other committee members include senior treasury officials and the investment management team. Overall governance is monitored by the CJMM's CFO's forum whose primary objective is to manage financial risk emanating from the City's operational and borrowing initiatives.

Credit Risk

Credit Risk, in the instance of Portfolio 2, is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from derivative financial assets, cash and cash equivalents, balances due from agencies and receivables from reverse repurchase agreements.

Management of credit risk

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The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's risk management policy. Credit risk is monitored on a daily basis by the investment manager in accordance with policies and procedures in place. Any deviations on the expected parameters of the Fund's credit risk are acted upon immediately.

In terms of this mandate, the acceptable credit exposures are:

- Government
- Parastatals
- Highly-Rated Corporate, Banks and Institutions

Exposure limits are determined as a function of the primary capital of the issuer, the credit rating provided by a rating agency and the liquidity of the instrument.

Exposure to credit risk

The Fund's maximum credit risk at the reporting date is represented by the respective carrying amount of the relevant financial assets in the statement of financial position at 30 June 2017. The Fund was invested in securities with the following credit quality:

Instrument Type	Fair Value
Bonds	1 182 192
Bond Repurchase Agreement	188 079
Floating Rate Note	805 360
Forward Rate Agreements	(5 987)
Bond options	-
Cash	166 677
Cash Collateral	(91 579)
NCD	512 155
Swaps	5 871
Promissory note	-
Amort swaps	214 162

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Fund's policy and the investment manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of bonds, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. The Fund's overall liquidity risk is monitored on a quarterly basis by the Fund's Risk Committee and CJMM's CFO forum. Six months prior to any CJMM upcoming bond redemptions, the liquidity of the Fund is assessed in relation to the required redemption amount and necessary measures to meet the obligations are undertaken if necessary.

Maturity analysis for financial instruments

The following are the contractual maturities of financial assets and liabilities, including estimated interest payments:

Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Settled Bond Assets	1 368 140	266 523	87 623	-	92 464	-	921 530
Settled Bond Liabilities	(184 798)	-	-	-	-	-	(184 798)
	1 183 342	266 523	87 623	-	92 464	-	736 732

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Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Unsettled Bond Assets	-	-	-	-	-	-	-
Unsettled Bond Liabilities	(1 151)	(1 151)	-	-	-	(1 151)	-

Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRN Assets	805 360	-	345 855	153 424	306 081	-	-
FRA Assets	3 773	3 773	529	-	-	-	-
FRA Liabilities	(9 760)	(9 760)	-	-	-	-	-
Swap Assets	737 721	29 942	38 506	4 109	153 877	-	511 287
Swap Liabilities	(517 689)	(27 832)	(4 347)	(1 041)	(5 419)	(8 171)	(470 877)
Cash Collateral assets	17 485	17 484	-	-	-	-	-
Cash Collateral Liabilities	(109 064)	(109 064)	-	-	-	-	-
Bond Repos Asset	188 081	188 081	-	-	-	-	-
Bond Repos Liabilities	(1 590)	(1 590)	-	-	-	-	-
NCDs Assets	512 155	-	-	-	-	-	-
	1 626 472	91 034	380 543	156 492	454 539	(8 171)	40 410

Market Risk

Market Risk is the risk that changes in market prices such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the issuers credit standing) will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Management of market risk

The Fund's strategy for the management of market risk is driven by the Fund's objective. The Fund deploys asset-liability matching principles to design an asset management strategy to immunise the portfolio from the underlying risks inherent in the liability. In addition, an active portfolio management strategy that rebalances the assets in order to take advantage of market mispricing opportunities is followed. Directional trades are overlaid on the asset strategy to provide yield enhancement.

The Fund's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. The Fund manager monitors the market risk in real time using the Rand per-Point metric which defines the profit or loss that would be generated by a one basis point move in the underlying interest rate curve.

The Fund's market positions are monitored on a quarterly basis by the Fund's Risk Committee and CFO forum.

The Fund uses derivatives to manage its exposure to interest rate and other price risks. The instruments used include interest rate swaps, forward contracts, futures and options.

Interest rate risk sensitivity analysis

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. With respect to the Fund's interest-bearing financial instruments, the Fund is subject to exposure of fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The sensitivity analysis reflects how changes in underlying interest rates affect the fair value of the financial instruments.

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Fair Value Sensitivity Analysis

Asset Class	Fair Value Sensitivity to the interest rate movement/shift						
	R'000s -1%	R'000s -0.5%	R'000s 0	R'000s 0.5%	R'000s 1%	R'000s 1.5%	R'000s 2%
Bond	1 182 431	1 212 462	1 182 192	1 152 804	1 121 266	1 096 549	1 096 627
Bond repos	188 115	188 093	188 079	188 066	188 052	188 038	188 024
Floating Rate Note	806 750	805 918	805 360	804 803	804 248	803 694	803 141
Bonds Repurchase Agreement	(9 690)	(9 614)	(5 987)	(2 384)	1 196	4 752	8 286
Interest Rate Swaps	209 307	254 829	220 034	186 282	153 555	121 808	90 998
ABSA Call	166 677	166 677	166 677	166 677	166 677	166 677	166 677
Reg Sec Collateral	17 485	17 485	17 485	17 485	17 485	17 485	17 485
Nedbank Collateral	(109 064)	(109 046)	(109 064)	(109 046)	(109 046)	(109 046)	(109 046)
NCDs	513 483	512 680	512 155	511 631	511 108	510 587	510 066
Net	2 965 494	3 039 484	2 976 931	2 916 318	2 854 541	2 800 544	2 772 258

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The primary responsibility for the development and implementation of controls over operational risk rests with the Fund's Risk Committee. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;
- ethical and business standards;
- risk mitigation

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to CJMM.

The Fund as provided the custodian a general lien over the financial assets held in custody for the purpose of covering the exposure from providing custody services. The general lien is part standard contractual terms of the custody agreement, at present, ABSA Bank Limited provide custody services.

Valuation of financial instruments

Availability of observable market prices and model inputs reduces the need for management opinion and estimation. This also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions of financial markets.

The Fund has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function which is independent of front office management and reports to the Funds Risk committee which has overall responsibility of significant fair value measurements. Specific controls include: verification of observable pricing inputs and re-performance of model valuation; a review and approval process for new models and changes to such models; analysis and investigation of significant daily valuation movement and reporting of significant valuation issues to the Funds Risk committee.

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The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in the measurements:

- Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs either directly i.e. (as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data
- Level 3: Valuation techniques using significant, unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations.

The Fund uses widely recognised valuation models for determining the fair value of common and simpler financial instruments, or estimation. Observable prices and model inputs are usually available in the market for listed debt, exchange like interest swaps that use only observable market data and require little management, judgement and/ traded derivatives exchange and simple over the counter derivatives like interest rate swaps.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Bonds	1 182 192	-	-	1 182 192
SDK Collateral	17 485	-	-	17 485
Bond repos	-	188 080	-	188 080
Floating Rate Notes	-	805 360	-	805 360
Forward Rate Agreement	-	(5 987)	-	(5 987)
Interest Rate Swaps	-	220 034	-	220 034
Nedbank Collateral	(109 064)	-	-	(109 064)
Current Account	166 677	-	-	166 677
NCD's	-	512 155	-	512 155
	1 257 290	1 719 642	-	2 976 932

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	2017	2016	2017	2016
54. FRUITLESS AND WASTEFUL EXPENDITURE				
Reconciliation of fruitless and wasteful expenditure				
Opening balance	45 405	39 005	4 474	2 351
Fruitless and wasteful expenditure current year	147 931	7 441	869	2 248
Fruitless and wasteful expenditure identified in the current year but incurred in prior year	14 796	-	-	-
Approved or condoned by Council	(53)	(162)	-	(125)
Written-off/Condoned by the board	(2 379)	(879)	-	-
	205 700	45 405	5 343	4 474

The fruitless and wasteful expenditure disclosed in the opening balance is currently under investigation. Pending the results of the investigation this figure might be condoned or recovered in the next financial year.

GROUP - 2017

Description of the incident	ME/Department	Amount in Rands
Interview travel cost reimbursement - interviews cancelled due to irregularities caused by HR official	JRA	4 450
Interest on late payment of workers contribution - National Fund for Municipal Workers	JRA	43
Interest on late payment of pension fund contributions - Joburg Retirement Fund	JRA	128
Interest on Eskom account due to late allocations of payment remittances by Eskom.	JRA	4 531
Interest on Telkom account due to late allocations of payment remittances by Telkom.	JRA	202
Interest levied on overdue accounts - due to disputes with creditors over contracts and invoices	JPC	42 268
		-
Audit fees - Information systems audit scheduled by the AGSA and MTC Acting CTO was not honoured by MTC Acting CTI	MTC	11 000
VAT penalties - Registration of the entity for e-filing was only concluded in September 2016. This has resulted in penalties being incurred for VAT returns not submitted since the inception of the company	MTC	1 211 000
Interest incurred for late payment of AGSA invoice in December due to the company not having CFO or financial manager.	MTCMTC	3 000
Recruitment costs - recruitment process for executive position halted due to irregularities	MTC	234 000
Rental paid for two buildings from 1 March - 31 May 2017, due to renovations taking place at Braampark offices.	MTC	460 000
The entity is incurring hosting fees for Teraco to host certain Ericsson equipment however the link is not connected due to the Ericsson investigation underway	MTC	131 000
Expenditure incurred on contract JW 12007 for standing time on superbloc 13b covering the Braamfisherville and Tshepisoong where the entity delayed in executing shut downs of water supply to enable the contractor to complete tie-ins on the network.	Joburg Water	2 929 000
Interest paid to eJoburg pension fund as a result of late payments that were made by the entity	Joburg Water	8 000
Compost screens acquired for the treatment works in 2009/2010 which were not taken into use until recently	Joburg Water	338 000
Settlement costs for re-instated employees and associated legal costs	Joburg Market	25 219 982

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Event cancelled at last minute due to City Officials unavailability	Joburg Market	126 800
Fines paid for late renewal of bus licences as well as buses which were out of commission as licenses had to be paid.	Metrobus	316 877
Interest charged on VAT shortfall payment.	City Parks	7 000
Traffic infringement fines paid and not recovered	Pikitup	3 500
Interest charged on late payment of Eskom account	CJMM	865 898
Interest charged on late Telkom account	CJMM	2 922
Interest payable to SARS	City Power	94 681 000
Court settlement was agreed for cell masts installations	City Power	36 127 000
		162 727 601

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	2017	2016	2017	2016

55. UNAUTHORISED EXPENDITURE

Reconciliation of unauthorised expenditure

Opening balance	3 581 537	2 725 022	3 581 537	2 725 022
Unauthorised expenditure current year	674 653	856 515	520 726	856 515
	4 256 190	3 581 537	4 102 263	3 581 537

Name of Vote	Amount
Group Forensic Investigation	12 078
Housing Department	138 535
Johannesburg Water	244 797
Johannesburg City Parks and Zoo	19 686
Group Finance	138 971
Metrobus	48 370
Emergency Management Services	72 216
	674 653

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
56. IRREGULAR EXPENDITURE				
Reconciliation of irregular expenditure				
Opening balance	1 818 048	1 577 399	1 150 022	994 133
Irregular expenditure current year	1 255 569	245 275	705 941	155 889
Approved or condoned by Council	(348)	(757)	-	-
Written-off by the board	-	(3 869)	-	-
	3 073 269	1 818 048	1 855 963	1 150 022

GROUP - 2017

Description of the incident	ME/Department	Amount in Rands
The appointment of a service provider for construction and civil work done outside the normal procurement process	JRA	1 358 500
Non-compliant tax status on award date	JRA	326 551
Possible splitting of tenders	JRA	524 419
Missing documents of unsuccessful bidder	JRA	27 732
Service rendered without a formal purchase order	City Power	250 000
Other irregularities	City Power	10 438 000
The entity incurred services with a sub-contractor (Patterson Park) without a contract	JDA	4 260 658
Appropriate SCM procedures were not followed for the appointment of professional accounting firm to sought opinion on the application and requirements of GRAP 105. The opinion was required within 72 hours in order to meet the deadline for submission of AFS to AGSA.	MTC	77 000
A deviation from normal procurement processes was used in contracting a service provider to supply network infrastructure and install services and software for the completion and refurbishment of the active and passive MTC network. This deviation was justified through the use of regulation 36 of SCM (sole provider). This has been challenged hence the classification as irregular expenditure	MTC	6 661 000
As part of renting new premises MTC required installation of certain infrastructure and did not go out on 14 day tender instead obtained 3 quotes erroneously.	MTC	673 000
A supplier contracted to the entity to perform civil works (new bulilts) performed repairs and maintenance on network breakages which fell outside signed contract.	MTC	2 537 000
Farm operator contract - For continued payments in respect of different types of expenditures (security, installation of water saving cisterns, etc.) relating to operation of the Northern Farm. The contract has since expired in March 2017.	Joburg Water	2 617 000
For the continued payments in respect of the supply and installation of water cisterns, in which the criteria applied in the evaluation and adjudication of the competitive bidding process for the contract differed from the original bid specifications initially approved by the bid specifications committee. This project has since being completed	Joburg Water	16 115 000
For the continued payments in respect of the provision of human resources based security services, in which service providers who were recommended for further evaluation as per the compliance evaluation sheets were not evaluated further based on site visit outcomes which were not properly highlighted as disqualification criterion in the bid documentation	Joburg Water	43 058 000
The entity did not follow the required deviation processes of obtaining the requisite approval from the Accounting Officer for the procurement to restore stolen power cable at the Northern works unit 5 biological reactor aerator	Joburg Water	238 000
Prior year - The farm operator contract was assessed and found to have irregularities which extended beyond the security element as previously reported	Joburg Water	5 848 000
In respect of a bidder who was unfairly eliminated on functionality even though they met minimum requirement for further consideration in the award of the contract.	Joburg Water	5 381 000
In respect of request for quotations not awarded to the bidder with the highest scoring points and reason for disqualification was because the quality of brand name offered was deficient.	Joburg Water	365 000
In respect of goods and services procured by splitting quotations instead of following the tender process and considering that the total value of the transactions with the service provider procured exceeded the R200 000 threshold.	Joburg Water	1 557 000

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

In respect of goods and services procured via the deviations process which does not meet the deviation requirements as per SCM regulations.	Joburg Water	53 000
In respect of goods and services procured via the deviations process which does not meet the deviation requirements as per SCM regulations.	Joburg Water	5 041 000
The irregular expenditure relates to procurement on the following:		-
Rocker Bins	Market	530 075
washbasins project	Market	1 340 032
Transformers (multi-year)	Market	15 010 341
Non-compliance with SCM Policy - The irregular expenditure relate to proper tender procedures not being followed.	Metrobus	1 278 668
Contract amount exceeded - The expenditure is directly related to unexpected or unplanned bus breakdowns which cannot be foreseen, but which have to be fixed.	Metrobus	5 084 469
Local content criteria not included in the advert for tender process	City Parks	2 500 000
Service provider appointed without tender process - special projects	City Parks	420 000
Awards made on incorrect points	City Parks	661 000
Strike costs incurred by Pikitup during 2015/16 financial year	Pikitup	101 312 467
Provision of risk management	Pikitup	146 000
Consultants	Pikitup	220 688
Occupational Hygiene Surveys at Pikitup depots	Pikitup	141 475
Procurement of fire-fighting equipment and health and safety signage	Pikitup	12 035
Document storage	Pikitup	52 300
Hygiene services	Pikitup	48 004
Provision of yellow plant, operations and maintenance	Pikitup	128 898 901
Environmental education	Pikitup	50 000
Printing	Pikitup	493 076
Training Landfill Engineering Design & Maintenance Workshop.	Pikitup	37 495
Contracts identified as irregular (non-compliance with section 116 and section 62 of the MFMA)	CJMM	654 345 000
Splitting of orders, quotes and invoices	CJMM	60 000
Poor performance, BEE certificate, tax invoice, tax clearance - not submitted, not original or invalid.	CJMM	175 000
Awards to persons in the service of state	CJMM	49 059 000
Non-compliance with SCM policy	CJMM	2 302 000
Expenditure incurred without purchase order	City Power	183 984 000
		1 255 568 886

Due to time limitations and the extent of the population it was Impracticable to quantify the full extent of the irregular expenditure. Instances of possible irregularities shall be properly assessed, investigated and where appropriate, corrective action taken and reported to Council

The irregular expenditure in the opening balance is being investigated.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

57. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

Council subscriptions	11 923	11 329	11 923	11 329
Amount paid - current year	(11 923)	(11 329)	(11 923)	(11 329)
	-	-	-	-

Skills development levy

Opening balance	3 672	3 449	3 672	3 449
Current year subscription / fee	67 886	62 786	47 466	44 414
Amount paid - current year	(63 946)	(59 114)	(43 526)	(40 742)
Amount paid - previous years	(3 672)	(3 449)	(3 672)	(3 449)
	3 940	3 672	3 940	3 672

Audit fees

Opening balance	7 058	2 860	2 080	2 291
Current year audit fee	55 633	50 226	22 067	19 700
Amount paid - current year	(50 816)	(45 822)	(23 304)	(19 911)
Amount paid - previous years	-	(206)	-	-
	11 875	7 058	843	2 080

PAYE and UIF

Opening balance	82 483	76 226	65 348	59 659
Current year payroll deductions	1 479 468	1 324 982	872 109	793 473
Amount paid - current year	(1 393 863)	(1 247 407)	(799 703)	(728 125)
Amount paid - previous years	(76 626)	(71 318)	(65 348)	(59 659)
	91 462	82 483	72 406	65 348

Pension and Medical Aid Deductions

Opening balance	444 653	61 025	111 542	60 927
Current year payroll deductions and Council contributions	2 200 588	2 059 145	1 491 126	1 390 188
Amount paid - current year	(2 022 712)	(1 614 492)	(1 369 371)	(1 278 646)
Amount paid - previous years	(111 674)	(61 025)	(111 542)	(60 927)
	510 855	444 653	121 755	111 542

VAT

VAT receivable	566 018	253 967	211 173	171 744
VAT payable	(548 108)	(285 507)	-	-
	17 910	(31 540)	211 173	171 744

VAT output payables and VAT input receivables are shown in note 9.

All VAT returns have been submitted by the due date throughout the year.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2017	Outstanding less than 90 days Rands	Outstanding more than 90 days Rands	Total R
Bapela C B	2 130	41	2 171
Louw M A	818	2 577	3 395
Pietersen	86	9	95
Zondo V E	1 011	59 828	60 839
Dewes D	1 287	42 217	43 504
Dewes D	8 264	31 245	39 509
Thomo N J	826	1 610	2 436
Zulu M H	407	127	534
Monakale S K	58	8 005	8 063
Dhlamini M T	530	5 288	5 818
Clarke J B and S N M	1 607	1 412	3 019
Madisakoane E and S	998	2 655	3 653
Dewes D S and De Wet C W	7 891	283 482	291 373
Dammie J S	4 875	19 685	24 560
Dammie J S and B H	2 443	558	3 001
Mulauzi M S	681	88	769
Maisha N P	363	148	511
Netnown T and D M	9 409	207 217	216 626
Mofokeng J	380	2 499	2 879
Saohatsi B M	-	3 032	3 032
Abdullah F	2 331	27 362	29 693
Mahlangu G and V	428	6 686	7 114
Tsotetsi E M	2 219	5 203	7 422
Ndlela M C	-	256	256
Molete J	25 852	319 417	345 269
McBason M	751	11 803	12 554
Makamo S S and N M	163	718	881
Saohatsi B M	602	6 677	7 279
Mazibukwana M	255	745	1 000
Mathang F	825	5 390	6 215
Shezi N B	854	9 498	10 352
Nawane T	17 977	21 820	39 797
Ngwenya M L	41 007	49 093	90 100
Xaba N A	575	2 810	3 385
Ngalonkulu J M	21 611	15 847	37 458
	159 514	1 155 048	1 314 562

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

30 June 2016	Outstanding less than 90 days (Rands)	Outstanding more than 90 days (Rands)	Total R
A Cadman	40 845	30	40 875
M Louw	638	4 285	4 923
D Dewes	52 725	287 724	340 449
IR Mathebula & SM Gwala	532	13 268	13 800
JM Valentine	-	16	16
D M & T Netnow	261 293	2 243	263 536
F Abdullah	802	22 819	23 621
AM Sefoloko	846	7 218	8 064
M Mazibukwana	239	517	756
	357 920	338 120	696 040

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

58. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

During the year under review the municipality gave the following award to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state for the previous twelve months

Name of the person (Service of the State)	"Name of the person (entity receiving award)"	Capacity in which that person is in the service of the state	Amount in Rands
Moleboge Motsoetla	(RebaHloniPhi Pty Ltd), Oupa Ephraim Motsoetla	Permanent employee- Health Department	158 890
Juliet Simango	Siyakwe General Works (Raul Mosse)	Operational Manager(Supervisor)	69 248
Nyiko Gudlhuza	Gudlhuza Development Solutions	Spouse works for Eskom but not a member of the CC	300 000
Nyiko Gudlhuza	Gudlhuza Development Solutions	Spouse works for Eskom but not a member of the CC	808 000
Clive September	GIBB (Pty) Ltd	Daughter employed by Health Infrastructure PWGWC as a State Accountant	656 263
		Another Daughter employed by the City of Cape town as a Project Administrator	
Darren Pillay		Parent employed by the Dept of Education KZN as a data capture	
Jenny Moon		Another parent employed by the Dept of Education as an Educator	
Jo-Anne Stolworthy		Spouse works for the City of Cape Town as Head: Business Continuity	
Lize de Beer		Spouse works for the City of Cape Town as Principle Professional officer	
Mthokozisi Selby Mkhize		Spouse works for Eskom as Chief Engineer	
		Spouse works for the National Department of water Affairs and Forestry as an Accounting Clerk	
Neville Randall		Department of Education as a Senior Educator	
Nomasithini Mzayiya		Spouse works for the Dept of Correctional Services as Correctional Officer	
Penny Smith		Partner works for the Department of transport and Public Works as DDG	
Rorisang Lekonyana		Spouse work for Department of National Treasury as Deputy Director	
Douglas Kiewiet		Parent works for Department of Water Affairs and Forestry	
CAJ van Coillie	CSM Consulting Services	Brother works for City Engineers as Architect/town Planner	1 700 425
CAJ van Coillie	CSM Consulting Services	Son is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2 053 480
Nokuthula Sedumedi	Delta Built Environment	Wife is employed by DBSA and Sister is employed by SAA	1 839 600

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the Group Annual Financial Statements.

In terms of Section 36 (2) of the supply chain management regulation.

Details of Deviations

	2017	2016
Sole Supplier - Reg(1)(ii)	421 594 367	23 180 016
Emergency - Reg (1)(i)	56 817 634	195 437 975
Special work of art - Reg (1)(iii)	42 266 404	28 238 850
Acquisition of animals - Reg (1)(iv)	1 493 275	1 931 955-
Other Deviation in terms of - Reg 36(1)(a)(v) and 36(b)	164 954 543	498 827 119
Extension of lease contract	118 988 938	210 021 094
Other contract extension	6 426 048	34 802 329
	<u>812 541 209</u>	<u>152 962 453</u>

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand

60. HEDGING ACTIVITIES

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for an 11.66% fixed interest rate.

Swap Details

Trade Date:	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1 billion
Fixed Rate:	11.66%
Payable:	Semi- annual

The cash flow hedge was ineffective for the year ended 30 June 2015 and it no longer met the criteria for hedge accounting as per IAS 39 par 88. The City of Johannesburg has therefore discontinued applying hedge accounting. .

CASH FLOW RESERVE

Opening Balance	5 370	19 570	5 370	19 570
Distribution to profit and loss	(3 984)	(14 200)	(3 983)	(14 200)
	1 386	5 370	1 387	5 370

Interest expense recognised in the statement of financial performance during the financial period	13 977	21 868	13 977	21 868
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Note that the SWAP value represents the clean fair value as at 30 June 2017 (All inclusive price less any SWAP interest accrual outstanding)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand

61. RELATED PARTIES

Relationships

CORE

Other members of the group

City of Johannesburg Metropolitan Municipality
 Johannesburg City Parks NPC
 Johannesburg Metropolitan Bus Services (SOC) Ltd
 Johannesburg Social Housing Company (SOC) Ltd
 City Power Johannesburg (SOC) Ltd
 Johannesburg Development Agency (SOC) Ltd
 Johannesburg Roads Agency (SOC) Ltd
 Johannesburg Water (SOC) Ltd
 The Johannesburg Civic Theatre (SOC) Ltd
 The Johannesburg Fresh Produce Market (SOC) Ltd
 Pikitup Johannesburg (SOC) Ltd
 City of Johannesburg Property Company (SOC) Ltd
 Johannesburg Metro Trading Company (SOC) Ltd
 Golden Triangle Development Company (Pty) Ltd 19
 Madulamoho JMJV
 Friedshelf 128 (Pty) Ltd 20
 CJMM - Refer to note 39

Joint ventures

Associates

Members of key management

Related party balances

Amounts included in Loans, Trade and other receivables regarding related parties

City Power Johannesburg (SOC) Ltd	3 995 692	4 190 326
City of Johannesburg Property Company (SOC) Ltd	324 816	69 494
Johannesburg City Parks NPC	48 141	57 146
Johannesburg Development Agency (SOC) Ltd	321 632	145 327
Johannesburg Metropolitan Bus Services (SOC) Ltd	863 150	799 629
Johannesburg Roads Agency (SOC) Ltd	77 567	82 937
Johannesburg Social Housing Company (SOC) Ltd	33 082	29 976
Johannesburg Water (SOC) Ltd	4 712 898	4 626 541
Metropolitan Trading Company (SOC) Ltd	1 457 559	1 338 346
Pikitup Johannesburg (SOC) Ltd	1 012 677	879 253
The Johannesburg Civic Theatre (SOC) Ltd	933	401
The Johannesburg Fresh Produce Market (SOC) Ltd	59 141	76 537
	12 907 288	12 295 913

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand

61. RELATED PARTIES (continued)

Amounts included in Loans,

Trade and other payables regarding related parties

City Power Johannesburg (SOC) Ltd	702 968	2 394 166
City of Johannesburg Property Company (SOC) Ltd	614 401	139 879
Johannesburg City Parks NPC	668 629	652 479
Johannesburg Development Agency (SOC) Ltd	1 109 294	856 119
Johannesburg Metropolitan Bus Services (SOC) Ltd	49 484	217 487
Johannesburg Roads Agency (SOC) Ltd	1 022 335	840 174
Johannesburg Social Housing Company (SOC) Ltd	248 009	322 356
Johannesburg Water (SOC) Ltd	388 556	581 734
Metropolitan Trading Company (SOC) Ltd	294 313	24 775
Pikitup Johannesburg (SOC) Ltd	1 180 325	914 078
The Johannesburg Civic Theatre (SOC) Ltd	2 168	18 437
The Johannesburg Fresh Produce Market (SOC) Ltd	82 161	65 777
	6 362 643	7 027 461

Related party transactions

Revenue from related parties

City Power Johannesburg (SOC) Ltd	494 140	506 146
City of Johannesburg Property Company (SOC) Ltd	11 225	5 940
Johannesburg City Parks NPC	7 745	16 009
Johannesburg Development Agency (SOC) Ltd	6 482	8 855
Johannesburg Metropolitan Bus Services (SOC) Ltd	74 451	40 042
Johannesburg Roads Agency (SOC) Ltd	8 862	24 037
Johannesburg Social Housing Company (SOC) Ltd	921	1 264
Johannesburg Water (SOC) Ltd	553 143	561 328
Metropolitan Trading Company (SOC) Ltd	118 581	91 287
Pikitup Johannesburg (SOC) Ltd	77 348	68 070
The Johannesburg Civic Theatre (SOC) Ltd	672	412
The Johannesburg Fresh Produce Market (SOC) Ltd	7 305	10 829
	1 360 875	1 334 219

Operating Expenditure

City Power Johannesburg (SOC) Ltd	153 472	203 643
City of Johannesburg Property Company (SOC) Ltd	648 510	425 602
Johannesburg City Parks NPC	753 846	764 118
Johannesburg Development Agency (SOC) Ltd	27 441	22 382
Johannesburg Metropolitan Bus Services (SOC) Ltd	508 824	434 580
Johannesburg Roads Agency (SOC) Ltd	856 785	795 150
Johannesburg Social Housing Company (SOC) Ltd	19 119	23 541
Johannesburg Water (SOC) Ltd	276 986	260 406
Metropolitan Trading Company (SOC) Ltd	265 646	105 931
Pikitup Johannesburg (SOC) Ltd	748 012	703 256
The Johannesburg Civic Theatre (SOC) Ltd	115 944	99 063
The Johannesburg Fresh Produce Market (SOC) Ltd	12 566	18 730
	4 387 151	3 856 402

Commitments

Johannesburg Development Agency (SOC) Ltd	264 046	1 137 800
Johannesburg City Parks & Zoo NPC	49 239	66 899
Johannesburg property Company (SOC) Ltd	-	8 717
Johannesburg Roads Agency (SOC) Ltd	3 263	-
	-	716

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand

61. RELATED PARTIES (continued)

316 548 1 214 132

These commitments with related parties are also included in note 43

62. CHANGE IN ESTIMATE

Property, plant and equipment

The useful lives of certain property, plant and equipment have been reviewed and reassessed by management during the current reporting period to reflect a more accurate pattern of consumption expected to be derived from these assets. The changes were made prospectively from the beginning of the reporting period. Depreciation should be accounted for over the remaining useful lives.

Property rates

During the current reporting period, revenues from property rates and taxes were revised by management. The revision was mainly attributable to; changes in property values, the implementation of an appeal board's decisions, property subdivisions and consolidations and property categories.

The effect of the changes was:

Increase in property rates and taxes revenue of R455 303 820 (2016: R129 114 346).

Traffic fines

A change in accounting estimate is when newer and more reliable information informs the municipality that the previous amounts used to measure fines and receivables need to be adjusted. If after initial recognition, it becomes clear that cash has been received from offenders, then revenue recognised initially is adjusted accordingly in the Statement of Financial Performance and this change is accounted for as a change in accounting estimate.

The change in estimates for fines amounted to R 22 459 678 (2016: R 32 233 380)

63. EVENTS AFTER THE REPORTING PERIOD

Bad debts write-off

As per the delegation given to the Mayor by council, debtors write off can only be processed once they are approved by the Mayor. As at 30 June 2017 there were debtors fully provided that met all the requirements to be written off in accordance with CJMM credit control policy, however the approval process from the Mayor was pending. Subsequent to year end the Mayor approved debtors write off on the 1st of November 2017. The Financial Statements were adjusted accordingly to factor the write off as the approval took place during the subsequent events period, which is the period between year-end and before Financial Statement are authorised for issue.

refer to note 10

City Parks & Zoo

Amount claimed by the Claimant from Johannesburg City Parks & Zoo (JCPZ - Defendant) of R74 400 105.56 (made up of Claim A – R6 330 549.56 and Claim B – R68 069 556.00) Claim B has been withdrawn by the Claimant. Therefore, JCPZ was then defending a claim of only R6 330 549.56. The matter went to Arbitration and the award was made in favour of the Claimant in the amount of R5 032 866.86 plus interest and costs to be determined. The Appeal hearing was held on the 22nd June 2017. The Defendant has been ordered to pay the Claimant R342 492.10 with interest at 15.5% per annum calculated from 13 July 2013. The matter was finalised after the 30th June 2017 and the annual financial statements were adjusted to reflect the amount owed.

Johannesburg Development Agency

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

A litigation matter whereby the CJMM and the JDA were served with a summons by Tembu Convenience Centre CC, for loss income estimated at R17.8 million as a result of BRT construction works has been finalised as a judgement was passed in September 2017. The judgement was in the favour of the JDA and the CJMM and resulted in no financial liability. This was subsequently removed from the contingent liability disclosure which resulted in an adjusting event.

Metrobus

There was an amount of R1.7 million paid to the previous Managing Director as a result of contract litigation. This case was awarded in favour of the previous Managing Director after 30 June 2017 and the amount was paid in August 2017.

64. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Johannesburg Broadband Network (JBN)

The Johannesburg Broadband network (JBN) was transferred from B Wired to the City of Johannesburg. The initial accounting of the transfer of function was incomplete as at 30 June 2016. The account balances affected are Property, plant and equipment and intangible assets. The amounts recognised are therefore provisional amounts as per paragraph 40 of GRAP 105.

The transfer of function took place during the 2016 financial year and was finalised on Friday, September 4, 2015.

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed

Property, plant and equipment	-	867 226	-	867 226
Intangible assets	-	188 389	-	188 389
	-	1 055 615	-	1 055 615

Acquisition related costs

The acquisition related costs amounted to R42 551. These costs have been expensed in the year of acquisition and are included in general expenses in statement of financial performance.

Revenue and surplus or deficit of the Johannesburg Broadband network (JBN)

Revenue of R 48 117 and loss of R 52 690 of Johannesburg Broadband network (JBN) under Metropolitan Trading Company has been included in the group's results since the date of acquisition.

Initial accounting incomplete

Assets were accounted for at provisional amounts at acquisition date, the municipality is still embarking on a valuation exercise to confirm the Asset values.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

65. TAXATION

Major components of the tax (income) expense

Current

Local income tax - current period	33 923	36 099	-	-
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Deferred

Originating and reversing temporary differences	(194 540)	217 785	-	-
	(160 617)	253 884	-	-

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus	1 964 382	3 775 291	-	-
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Tax at the applicable tax rate of 28% (2016: 28%)	550 027	1 057 081	-	-
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Tax effect of adjustments on taxable income

Non-taxable and non-deductible items	(487 993)	(820 375)	-	-
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(Over)/ under provision of prior years	(210 203)	16 797	-	-
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Tax effect of previously unused tax losses	(12 445)	387	-	-
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	(160 614)	253 890	-	-
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66. CASH MANAGEMENT

Since 2013 financial year, Transport department within City of Johannesburg had cash losses due to alleged fraudulent activities and theft amounting to R24 948 million (2016: R31 194 million). These losses incurred led to monies which were never credited into the City's bank account. Management is in the process of prosecuting personnel alleged to have undertaken fraudulent activities and/or have been negligent in the execution of their duties. Cases have also been opened with the SAPS with a view inter alia to recovering the monies. Investigations are almost complete and based on the outcome of these investigations actions have already been taken and will continue to be taken to improve controls and hold the relevant parties accountable.

Heading

Opening Balance	46 858	15 664	46 858	15 664
Current year losses	24 948	31 194	24 946	31 194
	71 806	46 858	71 804	46 858

Report of the auditor-general to the Gauteng Provincial Legislature and the council on the City of Johannesburg Metropolitan Municipality

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the City of Johannesburg Metropolitan Municipality (CJMM) and its subsidiaries (the group) set out on pages xx to xx, which comprise the consolidated and separate statement of financial position as at 30 June 2017, the consolidated and separate statement of financial performance, the statement of changes in net assets, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group as at 30 June 2017, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2016 (Act No. 3 of 2016) (DoRA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

6. Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming my opinion thereon and I do not provide a separate opinion or conclusion on these matters.

Key audit matter	How the matter was addressed in the audit
Significant difficulties encountered in obtaining information requested for audit purpose	
<p>The engagement letter signed with the accounting officer agreed to provide requested documents within three working days. The municipality was unable to provide in some cases the requested documents within the agreed time. These significant difficulties adversely impacted the allocated time for audit execution and the evaluation of audit evidence. Accordingly, the significant difficulties in providing requested information and the impact thereof, is considered a key audit matter.</p>	<p>To monitor the submission of documents in response to the request for information, a tracking mechanism was set up between the municipality and senior members of the audit team. Where information was not provided timeously, concerns were escalated to leadership at various platforms as follows:</p> <ul style="list-style-type: none"> • Regular audit steering committee meetings were held to assess the significant difficulties encountered in obtaining information not provided. The impact on the financial statements was assessed and reported accordingly. • Escalation of significant difficulties encountered in obtaining information to the accounting officer and those charged with governance during status of records review; and • Submitting progress reports to the accounting officer on a regular basis. <p>I am satisfied that all material outstanding information has been provided and sufficient time was available to assess and report where applicable.</p>
Revenue recognition	
<p>Revenue from service charges for water and electricity, as disclosed in note 36 in the consolidated annual financial statements, was recognised based on actual meter readings or estimates of consumption. The revenue is recognised by City Power Johannesburg and Johannesburg Water, who are the municipal entities responsible for billing service charges.</p> <p>Revenue recognition for water and electricity service charges has been identified as a key audit matter due to the significant judgement applied in calculating</p>	<p>My procedures included the following:</p> <ul style="list-style-type: none"> • Understanding and evaluating the flow of information, the information technology (IT) system and the controls relating to the meter reading process, the billing process and the systems interface process, which included involving my IT audit specialists. • Identifying the significant risks associated with service billing and designing specific procedures to address the risks identified. • Performing substantive test of detail using computer assisted audit

the estimations of consumption used and the significant volume of transactions processed and interfaced through a complex information system, creating a risk that revenue is incorrectly recognised at entity and group level.

techniques by IT audit specialists on the water and electricity consumption billed to identify estimations used, that exceeded the City's' by-laws.

- Performing substantive tests of detail on a sample basis on the estimation and meter reading process.
- Performing procedures to determine the appropriateness of assumptions made by management to determine the estimate.
- Physical inspection of a sample of meter readings to validate the meter readings captured.
- I further assessed the adequacy of disclosures in respect of revenue by reference to the applicable accounting standards.

I found that manual and IT controls were designed, however these controls were not adequately implemented and did not operate effectively throughout the year. I found that the significant judgement made by management in calculating the estimate was reasonable. My substantive procedures revealed that the extent of estimated readings were significant, resulting in material adjustment journals post year end and amendments in the two separate entities' and consolidated annual financial statements. I was thereafter satisfied that the revenue recognised was fairly stated.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 52 to the consolidated and separate financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors discovered in the financial statements of the group for the year ended 30 June 2017.

Material uncertainties

9. With reference to note 51 to the consolidated and separate financial statements, the municipality is the defendant in various lawsuits. The outcome of these matters cannot presently be determined and/or reliably measured; therefore, no provision for any

liabilities that may result has been made in the consolidated and separate financial statements.

Material impairments

10. As disclosed in note 10 to the consolidated and separate financial statements, the consumer debtors' balance has been significantly impaired. The allowance for impairment of consumer debtors amounts to R12 507 780 000 (2015-16: R10 243 611 000) which represents 68% (2015-16: 66%) of total consumer debtors. The contribution to the provision for debt impairment was R3 618 406 000 (2015-16: R2 510 119 000).

Material electricity losses

11. As disclosed in note 44 to the consolidated and separate financial statements, material losses amounting to R1 970 946 000 (2015-16: R2 260 114 000) were incurred which represent 18% (2015-16: 23%) of total electricity purchased. Technical losses amounted to R878 234 000 (2015-16: R906 280 000). Non- technical losses amounted to R1 092 712 000 (2015-16: R1 353 834 000) and were due to theft, bypass of meters, illegal de-calibration of meters and damaged.

Material underspending of the capital budget

12. As disclosed in the appropriation statement, the municipality has materially underspent their capital budget to the amount of R2 177 620 000 which represents 22% of the capital budget.

Transfer of functions

13. As disclosed in note 64 to the consolidated and separate financial statements, the initial accounting of the transfer of function between the CJMM and the Metropolitan Trading Company was incomplete as at 30 June 2017 and the assets acquired from the transfer of function were recognised at provisional amounts.

Other matters

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

15. In terms of section 125(2)(e) of the MFMA, the group is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the accounting officer for the consolidated and separate financial statements

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

17. In preparing the financial statements, the accounting officer is responsible for assessing the CJMM's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

18. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

20. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
21. My procedures address the reported performance information, which must be based on the approved performance planning documents of the group. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
22. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the group for the year ended 30 June 2017:

Programmes	Pages in the annual performance report
Programme 1: Sustainable services cluster	x – x
Programme 2: Economic growth cluster	x – x
Programme 4: Good governance cluster	x – x

23. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

24. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 2: Economic growth cluster

25. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of these indicators.

Performance indicator	Reported achievement
Number of community work opportunities created	18 703
Number of jobs created city-wide	25 503
% implementation of consolidated green economy	72%

Programme 4: Good governance cluster

% spent on level 1 broad-based black economic empowerment procurement system for all tenders city-wide

26. The systems to enable reliable reporting of the indicator were not adequately designed and implemented as required by the Framework for managing programme performance information. There were no processes in place to ensure that information was collected consistently throughout the financial year. As a result, only the performance for the CJMM was reported while the key performance indicator requires actual performance to be reported for CJMM and its' entities. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicator. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 69% spent on level 1 broad-based black economic empowerment procurement system for all tenders city-wide.

27. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programme:

- Programme 1: Sustainable service cluster

Other matters

28. I draw attention to the matters below.

Achievement of planned targets

29. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year and explanations provided for the under achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs x to x of this report.

Adjustment of material misstatements

30. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the following programmes:

- Programme 1: Sustainable services cluster
- Programme 2: Economic growth
- Programme 4: Good governance cluster

31. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

32. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the group with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance

33. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

35. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) the MFMA.
36. Effective steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R3 073 269 000, as disclosed in note 56 to the financial statements, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the disclosed irregular expenditure was caused by non-compliance with the Municipal Supply Chain Management Regulations (SCM regulation).

Budgets

37. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R674 653 000, as disclosed in note 55 to the financial statements, in contravention of section 62(1)(d) of the MFMA.

Consequence management

38. Some of the irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Procurement and contract management

39. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c).
40. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
41. Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations. This non-compliance was identified in the procurement processes for the Systems, Applications and Products (SAP) upgrade.
42. Some of the contracts were awarded to bidders and some of the quotations were accepted from bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its regulations. This non-compliance was identified in the procurement processes for the SAP upgrade.
43. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by Preferential Procurement Regulation 9(1).

44. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by Preferential Procurement Regulation 9(1).
45. Persons in the service of the municipality and whose close family members who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of code of conduct for councillors and the code of conduct for staff members and councillors issued in terms of the Municipal Systems Act, 2000 (Act No. 32 of 2000). Similar non-compliance findings were reported in the prior year.
46. Awards were made to providers who were in the service of other state institutions or whose directors or principal shareholders were in the service of other state institutions, in contravention of section 112(j) of the MFMA and SCM regulation 44.
47. Contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.
48. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.

Revenue management

49. An adequate management, accounting and information system which accounts for revenue when earned was not in place, as required by section 97(1)(h) of the MFMA.

Other information

50. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
51. My opinion on the consolidated and separate financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
52. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
53. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

Internal control deficiencies

54. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

55. The accounting officer did not adequately exercise oversight responsibility regarding financial and performance reporting and compliance with legislation. The municipality did not have sufficient monitoring controls to ensure that financial and performance reports submitted for audit were accurate and complete.

Financial and performance management

56. Senior management did not implement adequate control disciplines over financial and performance reporting and compliance with key legislation. There was a lack of a proper records management system that could support the information reported in the consolidated and separate financial statements and annual performance report and as a result material errors and omissions were identified during the audit process.

Governance

57. Internal audit processes did not always identify internal control deficiencies and recommend appropriate corrective action effectively. This resulted in significant and recurring control deficiencies relating to the preparation of financial and performance reports and compliance with legislation.

Other reports

58. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the group's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

59. Two hundred and fifty cases of alleged irregularities relating to financial misconduct, fraudulent acts, theft and non-compliance were investigated during the financial year. The majority of these cases were investigated internally by the group's forensic department. All the cases are in progress and are planned to be issued in the following financial year.

Auditor - General

Johannesburg

31 December 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Corrective Action Taken / To Be Taken To Resolve Auditor General Findings

Emphasis of Matters / Additional Matters	Finding	Action Taken / To be Taken	By When	Responsible Department and Official
1. Restatement of corresponding figures	As disclosed in note 52 to the consolidated and separate financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors discovered in the financial statements of the group for the year ended 30 June 2017.	Financial information will be reviewed by Core accounting on a month to month basis through monthly reporting to ensure that information is accounted for correctly. This process involves extracting a TB and extensively reviewing all supporting documents to ensure that financial information is supported by valid evidence. This process will be aligned with requesting departments with quarterly financial statements in line with the statutory quarterly reporting processes. An Interim hard close will be prepared and reviewed extensively. Core Accounting will then follow up on all issues raised by the AG at interim and escalate where necessary. We will further identify risk areas and place stringent timeliness and processes to ensure that all information is recorded correctly and timeously at year end.	Second and third quarter reporting	Group CFO
2. Material uncertainties	With reference to note 51 to the consolidated and separate financial statements, the municipality is the defendant in various lawsuits. The outcome of these matters cannot presently be determined and/or reliably measured; therefore, no provision for any liabilities that may result has been made in the consolidated and separate financial statements.	This is an emphasis of matter paragraph which highlights Contingent Liabilities already included in the Annual Financial Statements, no management action is required as disclosure has been made in line with the standards. We will continue to monitor developments around reported cases of litigation working with Group Legal and Contracts to ensure that financial risks are being mitigated.	Ongoing	Group CFO
3. Material impairments	As disclosed in note 10 to the consolidated and separate financial statements, the consumer debtors' balance has been significantly impaired. The allowance for impairment of consumer debtors amounts to R12 507 780 000 (2015-16: R1 024 311 000) which represents 68% (2015-16: 66%) of total consumer debtors. The contribution to the provision for debt impairment was R3 618 406 000 (2015-16: R2 510 119 000).	The City together with the Municipal Entities have implemented credit control processes with a view of recovering outstanding debts. The debtor's book is reviewed on a regular basis in order to identify irrecoverable debt in order to write off such debt.	Ongoing	Group CFO
4. Material electricity losses	As disclosed in note 44 to the consolidated and separate financial statements, material losses amounting to R1 970 946 000 (2015-16: R2 260 114 000) were incurred which represent 18% (2015-16: 23%) of total electricity	From January 2018, The City is embarking on multi-departmental operations to ensure amongst other things that there is by-law enforcement for electricity and water connections. Revenue assurance teams have also been setup to insure that illegal	Ongoing	City Power (MD)

Emphasis of Matters / Additional Matters	Finding	Action Taken / To be Taken	By When	Responsible Department and Official
	purchased. Technical losses amounted to R878 234 000 (2015-16: R906 280 000). Non- technical losses amounted to R1 092 712 000 (2015-16: R1 353 834 000) and were due to theft, bypass of meters, illegal de-calibration of meters and damaged.	connection and reconnections are reduced. These efforts are expected to reduce non-technical losses for City Power and Commercial losses for Johannesburg water.		
5. Material underspending of the capital budget	As disclosed in the appropriation statement, the municipality has materially underspent their capital budget to the amount of R2 177 620 000 which represents 22% of the capital budget.	The City remains to be the highest investor in Capital infrastructure of the Metros in South Africa. The underspending on Capex is however a matter which management is concerned about and measures have been put in place to address this. The City has for the first in 2017/18 implemented an Interim Reporting System called IRIS. The system is used to track expenditure and delivery of all capital projects in the City. Dashboards are then shared with management as a management and oversight tool. The implementation of IRIS is expected to improve not just expenditure but also the quality of delivery of capex projects.	Done	Group CFO
6. Transfer of functions	As disclosed in note 64 to the consolidated and separate financial statements, the initial accounting of the transfer of function between the CJMM and the Metropolitan Trading Company was incomplete as at 30 June 2017 and the assets acquired from the transfer of function were recognised at provisional amounts.			Group Head Governance
7. Unaudited disclosure	In terms of section 125(2)(e) of the MFMA, the group is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and accordingly I do not express an opinion thereon.	This line item does not require an action plan, The disclosures in terms of S125 (2)(e) do not form part of the audit but are however reviewed by the AG as part of the annual pack.	Done	Group CFO
8. Annual financial statements	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	Management will enforce strict adherence to timelines ensuring timely submissions and intensive reviews are conducted prior to the Financial Statements being submitted to the Auditor General. The Financial Statements will also be subjected to a quality review by Internal Audit. Management will be following up on all material adjustments as part of the monthly reporting process. Group Finance will also be circulating standard reporting templates to be completed by the various Departments and Entities within COJ, which will	Ongoing	Group CFO

Emphasis of Matters / Additional Matters	Finding	Action Taken / To be Taken	By When	Responsible Department and Official
		ensure consistency in reporting. This process will reduce the risk of material adjustments.		
9. Expenditure management	Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) the MFMA. Effective steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R3 073 269 000, as disclosed in note 56 to the financial statements, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the disclosed irregular expenditure was caused by non-compliance with the Municipal Supply Chain Management Regulations (SCM regulation).	Core on a monthly bases performs an analysis all payments made monthly and a report is sent to the departmental executive directors and finance heads of all payments made after 30 days requesting reason for late payments and measures put in place to rectify this. This process will be included in the Executive Directors score cards as part of the KPI's. The irregular Expenditure aspects will be addressed with the Supply Chain Findings in paragraphs 12 (a) to (h), below.	Ongoing	Group CFO
10. Budgets	Reasonable steps were not taken to prevent unauthorised expenditure amounting to R674 653 000, as disclosed in note 55 to the financial statements, in contravention of section 62(1)(d) of the MFMA.	The gaps found in the internal controls geared towards preventing irregular expenditure resulting from the procurement processes have been identified: These gaps relate mainly to lack of follow through in respect of compliance documents which cannot be produced as evidence during the audit. Corrective measures have been put in place through the establishment of a Compliance Unit to address such gaps. Such measures will be communicated to the end user departments in order to ensure compliance to laws and regulations. HODs should take responsibility to ensure that practices that might result in irregular expenditure are identified and not allowed to occur. This will form part of the HODs scorecards. Quarterly reports on irregular expenditure to be compiled for assessment.	30 June 2018	Group CFO
11. Procurement and contract management	Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c).	The evaluation report of the quotation will provide evidence that the process was open, transparent and fair. It should be noted that all the requirements above R30 000 threshold are advertised on the noticeboard and also on the website. It is possible to get only one response on certain requirements.	Ongoing	Group CFO: SCM
	Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation	A compliance checklist will be circulated to all user departments to ensure completeness of documents submitted by bidders	February 2018	Group CFO: SCM

Emphasis of Matters / Additional Matters	Finding	Action Taken / To be Taken	By When	Responsible Department and Official
	13(c). Similar non-compliance was also reported in the prior year.			
	Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of SCM regulations 21 (b) and 28(1)(a) and the Preferential Procurement Regulations. This non-compliance was identified in the procurement processes for the Systems, Applications and Products (SAP) upgrade.	GSSCM will issue a practice note guiding business on the practices of the bid evaluation committees (BEC) members to ensure fairness and consistency	Ongoing	Group CFO: SCM
	Some of the contracts were awarded to bidders and some of the quotations were accepted from bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its regulations. This non-compliance was identified in the procurement processes for the SAP upgrade	With the teething challenges experienced with the latest Preferential Procurement Regulations 2017, the unit is implementing, through interaction with National Treasury and workshops being provided for compliance. Furthermore, there is a planned workshop on the Preferential Procurement Regulations 2017 which will include SCM practitioners and project managers drawn from end user departments and Municipal Entities.	Ongoing	Group CFO: SCM
	Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by Preferential Procurement Regulation 9(1).	For all designated items, advice will be solicited and that Provincial DTI will be involved to ensure that considerations of the Preferential Procurement Regulation (PPR) 9(1) are correctly implemented and adhered to. Furthermore, training will be undertaken for SCM practitioners who evaluate bids and quotations to ensure compliance with regulations thereof.	Ongoing	Group CFO: SCM
	Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by Preferential Procurement Regulation 9(1).	The BEC will ensure that all compliance documentation are submitted, making reference to the list of returnable documentation. Hence, the checklists and compliance schedules utilised by the GSSCM should not be generic, by focusing on returnable documents as listed on the bid document.	Ongoing	Group CFO: SCM
	Persons in the service of the municipality and whose close family members who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of code of conduct for councillors and the code of conduct for staff members	GSSCM has commenced with the process of acquiring a system that will monitor and manage potential conflict of interest.	June 2018	Group CFO: SCM

Emphasis of Matters / Additional Matters	Finding	Action Taken / To be Taken	By When	Responsible Department and Official
	and councillors issued in terms of the Municipal Systems Act, 2000 (Act No. 32 of 2000). Similar non-compliance findings were reported in the prior year.			
	Awards were made to providers who were in the service of other state institutions or whose directors or principal shareholders were in the service of other state institutions, in contravention of section 1120) of the MFMA and SCM regulation 44.	GSSCM is undertaking to procure a system that will detect potential conflict of interest as well as any misrepresentations.	June 2018	Group CFO: SCM
12. Revenue management	An adequate management, accounting and information system which accounts for revenue when earned was not in place, as required by section 97(1)(h) of the MFMA.	At Group level the City is able to adequately manage, account and report on revenue when it is earned. A decision was taken at the Mayoral Lekgotla to move the billing function to MEs to ensure that there is accountability for revenue earned at that level.	30 June 2018	Group CFO: SCM
13. Leadership	The accounting officer did not adequately exercise oversight responsibility regarding financial and performance reporting and compliance with legislation. The municipality did not have sufficient monitoring controls to ensure that financial and performance reports submitted for audit were accurate and complete.	Management will enforce strict adherence to timelines ensuring timely submissions and intensive reviews are conducted prior to the Financial Statements being submitted to the Auditor General. The Financial Statements will also be subjected to a quality review by Internal Audit Management will be following up on all material adjustments as part of the monthly reporting process (Refer to paragraph on finding 1-3 above). Group Finance will also be circulating standard reporting templates to be completed by the various Departments and Entities within COJ, which will ensure consistency in reporting. This process will reduce the risk of material adjustments.	Ongoing	City Manager
14. Financial and performance management	Senior management did not implement adequate control disciplines over financial and performance reporting and compliance with key legislation. There was a lack of a proper records management system that could support the information reported in the consolidated and separate financial statements and annual performance report and as a result material errors and omissions were identified during the audit process.	Management will enforce strict adherence to timelines ensuring timely submissions and intensive reviews are conducted prior to the Financial Statements being submitted to the Auditor General. The Financial Statements will also be subjected to a quality review by Internal Audit. Management will be following up on all material adjustments as part of the monthly reporting process (Refer to paragraph on finding 1-3 above). Group Finance will also be circulating standard reporting templates to be completed by the various Departments and Entities within COJ, which will ensure consistency in reporting. This process will reduce the risk of material adjustments.	Ongoing	City Manager

Emphasis of Matters / Additional Matters	Finding	Action Taken / To be Taken	By When	Responsible Department and Official
15. Governance	Internal audit processes did not always identify internal control deficiencies and recommend appropriate corrective action effectively. This resulted in significant and recurring control deficiencies relating to the preparation of financial and performance reports and compliance with legislation.	The review of performance reports is conducted on a quarterly basis and the outcome of the review discussed with management, and subsequently submitted to GPAC. The implementation of the recommended action by management is key in enhancing the internal control environment. The identification of internal control deficiencies is an ongoing process through the execution of internal audit reviews. Management, as level 1 assurance provider has a responsibility to ensure that adequate internal controls are in place.	Ongoing	GRAS

Pre-Determined Objectives

Cluster	Root Cause	Action Taken / To be Taken	By When	Responsible Department and Official
16. Economic growth cluster	<p>I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of these indicators.</p> <ul style="list-style-type: none"> Number of community work opportunities created - 18 703 Number of jobs created city-wide - 25 503 % implementation of consolidated green economy- 72% 	<p>Listings of reported information updated. In future all SDBIP indicator will have a Standard Operating Procedure (SOP) as well as evidence. Internal Controls for: community work opportunities, jobs created city-wide and implementation of green economy reporting established and (from 2017/18) to Include:</p> <ul style="list-style-type: none"> Reports from COJ departments; Municipal entities (MOEs) to be supported by an evidence file containing: All supporting documents i.e. copies of employment contracts, copies of valid IDs, attendance registers and payment registers Evidence files for Community work opportunities, jobs created and green economy to be kept at the DED (#66 Jorissen Place, Braamfontein) Work Opportunities (EPWP) coordinators to conduct regular project site visits to verify information Only compliant Work Opportunities reported Department to capture green economy inputs in the repository 	<p>Ongoing</p> <p>Quarterly</p>	ED : DED

Cluster	Root Cause	Action Taken / To be Taken	By When	Responsible Department and Official
<p>17. Good governance cluster: % spent on level 1 broad-based black economic empowerment procurement system for all tenders city-wide</p>	<p>The systems to enable reliable reporting of the indicator were not adequately designed and implemented as required by the Framework for managing programme performance information. There were no processes in place to ensure that information was collected consistently throughout the financial year. As a result, only the performance for the CJMM was reported while the key performance indicator requires actual performance to be reported for CJMM and its' entities. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicator. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 69% spent on level 1 broad-based black economic empowerment procurement system for all tenders city-wide.</p>	<p>GSSCM has developed a reporting template that will be consolidated to improve reporting expenditure on the different B-BBEE levels City wide. Each HOD will take accountability of the figures submitted.</p>	<p>Ongoing</p>	<p>GROUP CFO : SMC</p>

Group Audit Committee Report

We are pleased to present the Annual Group Audit Committee Report for City of Johannesburg Municipality for the financial year ended 30 June 2017. The Group Audit Committee is an independent statutory committee appointed by the Council. Duties performed by the committee are in line with the approved GAC Terms of Reference as articulated in section 166 of the Municipal Finance Management Act.

Integrated Independent Oversight

The City established three different advisory committees because of its size and complexity i.e. Group Audit Committee, Group Risk Governance Committee and Group Performance Audit Committee. To ensure continuity and feedback, dual membership system was adopted. Two members from each committee represent their committee on the other committees to enable feedback on what transpired in the meetings of the committees they are deployed to, back to their main committee. None of these members shall be the Chairpersons of the respective Committees.

Audit Committee Responsibility

The GAC reports that it has complied with its responsibilities arising from section 166 of the Municipal Finance Management Act and Treasury Regulation 3.1. The GAC also reports that it has adopted appropriate formal terms of reference as its GAC Charter, has regulated its affairs during the past financial year in accordance with these terms of reference and has discharged all its responsibilities as contained therein.

Group Audit Committee Members and Attendance

The Group Audit Committee consists of seven independent members who collectively have sufficient qualifications and experience to fulfil their duties. Six members retired during the period under review.

In terms of the approved Terms of Reference, eight meetings were held during the period under review, i.e. four meetings to consider the Quarterly Performance Reporting and further four meetings to review and discuss the Core Annual Financial Statements and the Auditor-General of South Africa's (AGSA) Audit and Management Reports as well as consolidated Annual Financial Statements and the Annual Report.

The management team, representatives from the internal auditors and external auditors attended the GAC meetings by invitation. The GAC also met with the external auditors and internal auditors, without management being present. The internal and external auditors have unrestricted access to the GAC.

The table below lists membership of the committee as well as attendance of the meetings:

Member Name	Qualification	Appointment date	Retirement Date	Meetings attended
Ms. Z Manase (Chairperson)	CA (SA), H Dip Tax	01 Apr 2015		8
Dr L Konar	CA (SA), Cert Tax Law, D.Com, Cert in Electricity Tariffs	01 Apr 2015	31 Mar 2017	7
Mr. B Smith	CA (SA)	01 Apr 2015	31 Mar 2017	8
Ms. P Sibiya	CA (SA)	01 Apr 2015	31 Mar 2017	7

Member Name	Qualification	Appointment date	Retirement Date	Meetings attended
Mr. N Mhlongo	CA (SA), CGMA, ACMA, Adv Cert. in Tax	01 Apr 2015		8
Prof B Max	CA (SA), M.Compt, D.Com	01 Apr 2015	31 Mar 2017	5
Mr G Zabala	Diploma in Social Development, B.A. Social Work, Cert in Small, Medium & Micro-Enterprises, Master of Management in the Human Resources Area	01 Apr 2015	31 Mar 2017	8
Mr. A Schofield Cross member	FIITPSA, PMIITPSA ICT Governance	01 Apr 2017		2
Ms. K Muthen Cross member	CA(SA), MBA, LLM	01 Apr 2017		2
Mr. Z Fihlani	CA (SA)	01 Apr 2017		2
Ms. G Ngwenya	Masters in Economics	01 Apr 2017		2
Mr. I Sehoole	CA (SA)	01 Apr 2017		0

The effectiveness of internal control and Information and Communication Technology (ICT) Governance

The GAC has observed that the overall control environment of the City has not improved during the year under review as compared to the previous financial years. It is noted that the resolution of audit findings for both the AGSA and Internal Audit unit are not attended to adequately. Internal Audit needs to provide further support in this regard to Supply Chain Management by increasing the number of audits in that environment so that deficiencies can be identified and implementation of the corrective action taken timely. Management is implored to implement the recommendations by AGSA and Internal Audit without delay.

The Committee has noted a huge number of findings on non-compliance with the Supply Chain policy contributing to the non-achievement of the clean administration. The escalating Unauthorized, Irregular and Fruitless and Wasteful expenditure (UIFW) has become a matter of concern to the Committee resulting in the Committee requesting explanatory notes in the financial statements regarding progress that has been made in resolving UIFW.

The GAC also reviewed the progress with respect to the ICT Governance. Although there was some progress on the ICT internal control, the GAC reports its dissatisfaction with minimal progress made on the implementation of the Disaster Recovery Plan and the Business Continuity Plan. This remains a high risk area for the City.

Internal Audit

- The GAC is satisfied that the Internal Audit plan represents a clear alignment with the key risks, has adequate information systems coverage, and a good balance across the different categories of audits, i.e. risk-based, mandatory, performance, computer and follow-up audits.
- The GAC strongly encourages active communication between the Executive Management, the AGSA and the Internal Audit function, in order to strengthen the Corporate Governance within the City.
- Internal audit work conducted during the year included focus on financial control process reviews, SCM compliance reviews, an assessment of IT processes and security, and a review of performance management information. Weaknesses revealed have been raised with management. An action plan

on all findings raised by Internal Audit and AGSA in 2016/17 financial year is being developed for follow up with Management in 2017/18 financial year. Progress will be reported to the GAC on quarterly basis.

- The GAC raised a concern related to high vacancy rate in the Internal Audit unit currently at 48% and wishes to stress that in order for the Internal Audit Function to operate at optimal level as expected, the shortage in human resources should be addressed without delay.

Audit review of predetermined objectives

The reliability and usefulness of performance information remains a concern to the GAC. As a result, the Committee requested that a Progress Report on Reliability of Performance Information is to be submitted to the GAC on a quarterly basis, detailing how the reliability and usefulness of performance information is being addressed.

The AGSA's review of performance against predetermined objectives has highlighted the inadequacy of the supporting documentation provided by the City leading to unreliability of reported performance information. However only KPIs from three out of four clusters were examined and further attention is needed to ensure that the City identifies and retains sufficient evidence across all its performance programmes. It is anticipated that the Auditor-General will extend the scope of the performance management information review in the future.

Risk Management

Progress on the City's risk management was reported to the Group Risk Governance Committee on a quarterly basis, and the GAC was apprised progress and matters of significance through cross membership. A concern was raised by the Committee that mitigation of the top ten risks was declining and enquired as to the measures management has put in place to address the downturn in risk mitigation efforts.

Group Combined Assurance

The Committee raised concerns over the slow implementation and embedding of the Combined Assurance Framework by the entities and encouraged the Group Risk and Assurance Services to promote this through its forums to ensure that entities implement the framework and proceed to the embedment stage. The Committee recommended that timeframes of when the entities will have their Combined Assurance Framework approved for submission to the Mayoral Committee be indicated.

Implementation of corrective actions

Group Internal Audit conducts follow-up audit to ensure that the recommendations of the reported audit findings both internal and AGSA's are implemented. The committee has noted the slow rate of resolution of these findings and implores Management to attend to this issue urgently to improve the control environment. The City needs to ensure that it takes sufficient and effective steps to introduce all the improvements and corrections that are identified.

Implementation of Consequence Management in the City

The Committee has noted an increase in the number of investigations conducted where wrong doing was identified.

MSCOA Implementation

Due to a concern that the implementation of MSCOA is behind schedule, the Committee has requested the MSCOA implementation to be a standing agenda item in its meetings so that it is kept abreast with its implementation status.

Filling of the CIO position

The Committee has noted with concern that the position of the CIO remains vacant despite repeated assurances by management that the position will be filled. The Committee has since been informed of the change in the organizational structure which has resulted in the position of the CIO reporting directly to the City Manager. This has brought about changes in the responsibilities of the CIO, as such the position has to be re-advertised to accommodate these changes.

Filling of the CRO position

The Committee has noted with concern that the position of the CRO remains vacant despite repeated assurances by management that the position will be filled. However, the Committee has been informed that the interviews have already been held and the position will be filled by March 2018.

Evaluation of Financial Statements

The Group Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General SA and the Accounting Officer;
- Reviewed the Audit Report of the Auditor-General SA;
- Reviewed the Auditor-General SA's Management Report and Management's response thereto;
- Noted and reviewed the Auditor-General's assessment of the usefulness and reliability of performance information examined
- Reviewed the City's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.

The Audit Committee noted with concern that material misstatements of assets, liabilities and disclosure items were identified by the auditors in the submitted financial statements, and subsequently corrected by management. The Committee urges management to improve compliance with the requirements of section 122 of the MFMA in the preparation of the financial statements.

The Audit Committee concurs with and accepts the AGSA's conclusions on the Annual Financial Statements and other legal and regulatory matters, and recommends that the audited Annual Financial Statements be accepted and read together with the report of the AGSA.

Auditor-General South Africa

The Audit Committee confirms that it has met with the Auditor-General and that there are no unresolved issues.

Ms Zodwa Manase

Chairperson of the Group Audit Committee