

City of Johannesburg Council 2023-05-12

COJ : MAYORAL COMMITTEE 2023-04-24

GROUP FINANCE

4 SPECIAL ADJUSTMENT OF THE OPERATING AND CAPITAL BUDGETS FOR THE 2022/23 FINANCIAL YEAR AS A RESULT OF NATIONAL GOVERNMENT GRANT REVIEW

1 STRATEGIC THRUST

Well Managed and Governed City.

2 OBJECTIVE

To obtain approval to adjust the current approved budget for the 2022/23 financial year.

3 SUMMARY

In terms of Section 28 of the Municipal Finance Management Act 56 of 2003 (MFMA), a municipality may revise an approved budget through an adjustments budget. Only the Mayor may table an adjustments budget in the municipal council and may only be tabled within prescribed limitations as to timing or frequency.

In terms of Regulation 23(2) of the Municipal Budget and Reporting Regulations, only one adjustment budget may be tabled in Council during the financial year, except when additional revenues contemplated in section 28(2)(b) of the Act are allocated to a municipality in a national or provincial adjustment budget.

Regulation 23(3) of the Municipal Budget and Reporting Regulations states "If a national or provincial adjustment budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustment budget, table an adjustment budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues".

On 23 February 2023, the Council approved the 2022/23 Adjustment Budget in terms of Regulation 23(2) of the Municipal Budget and Reporting Regulations.

The following Government Gazette was issued by the National Government subsequent the approval of the 2022/23 Adjustment Budget on 23 February 2023:

- Division of Revenue Act (5/2022) as amended: Stopping of allocations and re-allocations and technical adjustments in terms of DORA 2022 (Act 5/2022) – Gazette 48327 dated 29 March 2023. The National Treasury adjusted the following grants:

4.2

City of Johannesburg Council 2023-05-12

COJ : MAYORAL COMMITTEE 2023-04-24

GROUP FINANCE

- The Urban Settlements Development Grant (USDG) was increased by R200 million;
- The Public Transport Network Grant decreased by R115.8 million;
- The Public Employment Grant (that is part of the Neighbourhood Development Partnership Grant - NDPG) decreased by R18 928 000. The grant was reduced by an amount of R18 884 000 in the 2022/23 Adjustment Budget that was approved by Council on 23 February 2023. The difference of R44 000 will be provided for in this special adjustment budget; and
- An amount of R13 458 000 was allocated for the Municipal Emergency Housing Grant. This is for the Kwa Mai Mai disaster, and it is split between the operating and capital budget as follows:
 - Operating expenditure - R2 950 000 (Contracted Services; and
 - Capital expenditure – R10 508 000 ((Inner – City Upgrading).

OPERATING ADJUSTMENT BUDGET FOR 2022/23

The table below reflects the high-level summary of the adjusted revenue and expenditure budgets of the City.

	Approved Budget 2022/23 R 000	Adjust- ments R 000	Adjusted Budget 2022/23 R 000
Revenue	67 209 557	2 906	67 212 463
Internal Revenue	8 583 349		8 583 349
	75 792 905	2 906	75 795 811
Expenditure	65 191 197	2 906	65 194 103
Internal Expenditure	8 583 349		8 583 349
	73 774 546	2 906	73 777 452
Surplus (Deficit) before capital grants and contributions	2 018 359		2 018 359
Capital Grants and contributions	2 754 188	94 708	2 848 896
Surplus (Deficit) after capital grants and contributions	4 772 548	94 708	4 867 256
Taxation	81 878		81 878
Surplus (Deficit) after taxation and capital grants and contributions	4 690 669	94 708	4 785 377

4.3

City of Johannesburg Council 2023-05-12

COJ : MAYORAL COMMITTEE 2023-04-24

GROUP FINANCE

The City's surplus remains the same at R2 billion (before capital transfers and taxation).

The table below reflects the summary of adjustments made to the revenue categories of the budget;

Description	Current Year 2022/23		
	Approved Budget	Adjustments	Adjusted Budget
	R 000	R 000	R 000
R thousand			
Revenue By Source			
Property rates	14 133 073		14 133 073
Service charges - electricity revenue	19 483 832		19 483 832
Service charges - water revenue	8 942 401		8 942 401
Service charges - sanitation revenue	6 525 841		6 525 841
Service charges - refuse revenue	2 387 376		2 387 376
Rental of facilities and equipment	505 846		505 846
Interest earned - external investments	160 487		160 487
Interest earned - outstanding debtors	435 012		435 012
Dividends received			
Fines, penalties and forfeits	396 993		396 993
Licences and permits	9 884		9 884
Agency services	367 039		367 039
Transfers and subsidies received	7 588 187	2 906	7 591 093
Other revenue	6 267 672		6 267 672
Gains	5 914		5 914
DIRECT REVENUE	67 209 557	2 906	67 212 463
Total Internal Transfers	8 583 349		8 583 349
TOTAL REVENUE excluding capital grants/contr,	75 792 905	2 906	75 795 811

Transfers and subsidies received increase by R2.9 million and it relates to -

- Economic Development, transfers and subsidies received (Public Employment Grant - PEP) decreases by R44 thousand to align it with the gazetted. The grant was reduced by an amount of R18 884 000 in the 2022/23 Adjustment Budget that was approved by Council on 23 February 2023. The Gazette is reflecting a reduction of R18 928 000. The difference or decrease of R44 000 is now provided for in this special adjustment budget; and
- Human Settlements, transfers and subsidies received increase by R2.95 million in line with the allocation of the Municipal Housing emergency grant.

4.4

City of Johannesburg Council 2023-05-12

COJ : MAYORAL COMMITTEE 2023-04-24

GROUP FINANCE

The table below reflects the summary of adjustments made to the expenditure categories of the budget;

Description	Current Year 2022/23		
	Approved Budget	Adjustments	Adjusted Budget
	R 000	R 000	R 000
R thousand			
Expenditure By Type			
Employee related costs	17 429 220		17 429 220
Remuneration of councillors	185 164		185 164
Debt impairment	5 072 127		5 072 127
Depreciation and asset impairment	4 545 798		4 545 798
Finance charges	2 681 121		2 681 121
Bulk purchases - electricity	14 165 609		14 165 609
Inventory consumed	4 888 427		4 888 427
Contracted services	6 900 602	2 950	6 903 552
Transfers and subsidies paid	141 173		141 173
Other expenditure	6 342 175	(44)	6 342 131
Losses	2 839 781		2 839 781
DIRECT EXPENDITURE	65 191 197	2 906	65 194 103
Total Internal Transfers	8 583 349		8 583 349
TOTAL EXPENDITURE	73 774 546	2 906	73 777 452

The adjustment on the expenditure is mainly as a result of the following:

- Economic Development, other expenditure decreases by R44 thousand in line with the reduction of the PEP grant; and
- Human Settlements, contracted services increase by R2.95 million for the Kwa Mai Mai disaster recovery.

The subsidies to the municipal entities were not adjusted and it remains as follows:

Vote	Approved Budget 2022/23	Adjustments	Adjusted Budget 2022/23
	R 000	R 000	R 000
Pikitup	1 026 268	-	1 026 268
Johannesburg Roads Agency	1 258 837	-	1 258 837
Metrobus	570 927	-	570 927
Johannesburg City Parks and Zoo	978 945	-	978 945
Johannesburg Development Agency	40 286	-	40 286
Johannesburg Property Company	500 680	-	500 680
Metropolitan Trading Company	247 979	-	247 979
Johannesburg Social and Housing Company	48 004	-	48 004
Joburg City Theatres	179 652	-	179 652
Joburg Tourism	63 163	-	63 163
Total subsidies to ME's	4 914 741	-	4 914 741

4.5

City of Johannesburg Council 2023-05-12

COJ : MAYORAL COMMITTEE 2023-04-24

GROUP FINANCE

CAPITAL ADJUSTMENT BUDGET FOR 2022/23

The table below reflects the high-level summary of the adjusted capital budget for the 2022/23 financial year.

Capital	2022/23		
	Approved Budget R 000	Adjustments R 000	Adjustment Budget R 000
COJ - Loans	1 830 000		1 830 000
COJ - Cash	1 791 032		1 791 032
COJ - Grants and contributions	2 754 188	94 708	2 848 896
Total	6 375 220	94 708	6 469 928

The capital budget increases by R94.7 million due to the increase of the Urban Settlement Development Grant (R200 million), increase of the Municipal Housing Emergency Grant (R10.5 million) and the decrease of the Public Transport Network Grant (R115.8 million).

The following projects have been adjusted to bring the capital budget in line with the Gazette:

Transport

The 2022/23 capital budget of the Transport department decreases by R115.8 million to R306.1 million in line with the reduction in the Public Transport Network Grant (PTNG).

4.6

City of Johannesburg Council 2023-05-12

COJ : MAYORAL COMMITTEE 2023-04-24

GROUP FINANCE

The following budgets adjustments were made:

- 2804_14_Signage, Demarcation blocks and Corridor Road Markings decreased by R13.3 million;
- 2804_02_Alex / Watt Interchange (Station Road Works and Bridges) increased by R300 thousand;
- 2804_18_Selby Bus Depot (Phase 2C – Administration Building) increased by R5 million;
- 2804_15_Rea Vaya BRT Land Acquisition decreased by R500 thousand;
- 2804_20 Rea Vaya BRT Phase 1 A and B Station Rehabilitation decreased by R11.5 million;
- Rea Vaya Auto Fare Collection System (AFCS) decreased by R22.5 million;
- BRT Phase 1C Roadways increased by R2.7 million;
- 2804_01_Rea Vaya BRT Guard Houses and Customer Care Centre's decreased by R7.6 million;
- Top Structures (Stations and Stops) Ghandi decreased by R25.3 million; and
- Depot Rehabilitation Phase 1 A decreased by R43.1 million.
- A funding swap between Transport and JDA (municipal entities portfolio account) has been made - NDPG grant funding of R30.4 million was reflected in the budget of Transport. The capital budget per department or entity did not change and it remains the same.

Human Settlements

The 2022/23 capital budget of the Human Settlements department increases by R210.5 million to R1.3 billion due to a receipt of R200 million and R10.5 million for the USDG and the Municipal Emergency Housing Grant respectively. The following budget adjustments were made:

- Lufhereng Mixed Development (Bulk, Link and Internal Infrastructure Roads, Storm Water Management Systems, Sewer and Water for 24 000 houses) increased by R74.4 million;
- Fleurhof Mixed Development increased by R72.7 million;
- Riverside View Ext 28 (Diepsloot Ext 12) increased by R52.9 million; and
- Inner City Upgrading (Transitional/Emergency and Rental Stock) Renewal Rental Flats Johannesburg F Regional increased by R10.5 million.

4 POLICY IMPLICATION

None.

City of Johannesburg Council 2023-05-12

COJ : MAYORAL COMMITTEE 2023-04-24

GROUP FINANCE

5 LEGAL AND CONSTITUTIONAL IMPLICATIONS

In terms of Section 28 of the Municipal Finance Management Act 56 of 2003, a municipality may revise an approved budget through an adjustment budget for tabling at Council.

6 FINANCIAL IMPLICATIONS

Operating Budget

<u>Consolidated Operating Budget</u> <u>(including internal transfers)</u>	Approved Budget R 000	Adjust- Ments R 000	Adjusted Budget R 000
Total Revenue	75 792 905	2 906	75 795 811
Total Expenditure	73 774 546	2 906	73 777 452
Capital Grants and Contributions	2 754 188	94 708	2 848 896
Taxation	81 878		81 878
Surplus (Deficit) for the year	4 690 669	94 708	4 785 377

Capital Budget

The 2022/23 capital budget increases by a total amount of R94 708 000 from R6 375 220 000 to R6 469 928 000 as reflected in the attached Annexure E.

7 COMMUNICATION IMPLICATIONS

In terms of Section 24 of the Municipal Finance Management Act, immediately after the approval of the adjustment budget, the accounting officer must inter alia, submit the adjustment budget to National Treasury and Provincial Treasury. The adjustment budget will be placed on the City's website after the approval.

8 OTHER DEPARTMENTS CONSULTED

Group Legal and affected Core administration departments and municipal entities.

9 KEY PERFORMANCE INDICATOR

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

City of Johannesburg Council 2023-05-12

COJ : MAYORAL COMMITTEE 2023-04-24

GROUP FINANCE

IT IS RECOMMENDED

- 1 That the Adjustment Operating Revenue and Expenditure Budget for Core Administration and Municipal Entities as set out in Annexure A, B, C and D be approved.**
- 2 That the Adjustment Capital Budget for 2022/23 amounting to R6 469 928 000 as set out in Annexure E and F be approved.**
- 3 That the supporting information contained in the 2022/23 Adjusted Revenue and Expenditure Budget document as required in terms of Section 17(3) of the Municipal Finance Management Act (Act 56 of 2003) be considered in conjunction with this report.**

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THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM