City of Johannesburg Council 2025-02-27 2025-03-13

COJ : MAYORAL COMMITTEE 2025-02-20

GROUP FINANCE

55A OPERATING ADJUSTMENT BUDGET FOR THE 2024/25 FINANCIAL YEAR

1. STRATEGIC THRUST

Good Governance and Financial Sustainability.

2. OBJECTIVE

To obtain approval for the Adjustment Operating Budget for the 2024/25 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 section 28 of the Municipal Finance Management Act, an adjustment budget, amongst others:

a) Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
b) May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
c) May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
d) May authorise the utilisation of projected savings in one vote towards spending under another vote;
e) May correct any errors in the annual budget; and
f) May provide for any other expenditure within a prescribed framework.

In terms of Municipal Budget and Reporting Regulations, only one adjustment budget may be tabled in Council during the financial year, after tabling of the mid–year budget and performance assessment, but not later than 28 February 2025.

MID TERM ASSESSMENT

Section 72 of MFMA also stipulates that the Accounting Officer must by 25 January of each year assess the performance of the municipality during the first half of the financial year and as part of the assessment or review recommend whether the adjustment budget is necessary.

A report on the assessment of service delivery performance is submitted separately by Group Strategy, Policy Co-ordination and Relations to Mayoral Committee and Council.

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OPERATING ADJUSTMENT BUDGET FOR 2024/25

Assumptions on the adjustment budget:

Revenue

- Revenue was adjusted where necessary in line with the mid-year operating expenditure and revenue assessment; and
- Grant funding adjustments, including approved roll-overs (both revenue and expenditure) were allocated.

Expenditure

- Budget reallocations up to 31 December 2024 have been taken into account;
- Reallocation between revenue and expenditure categories were allowed where bottom line is not affected;
- Budget requests for the filling of vacancies or additional salaries requests were not allocated - departments and entities must still provide for a two percent natural attrition rate;
- Salaries transfers between departments/MEs were allowed due to staff transfers;
- Salary reallocations to other expenditure categories were allowed where over expenditure was reflected in the mid-year financial performance assessment;
- The centralised budget for the Politically Facilitated Agreement (PFA) has been reallocated in line with GCSS instructions; an additional amount of R482.9 million was allocated for PFA;
- The centralised budget for strategic appointments has been kept within the budget of GCSS;
- An amount of R38.5 million was allocated to cater for the SALGA employee related cost increase shortfall;
- Additional expenditure allocations were not allowed where additional revenue had been allocated in line with the mid-year financial performance assessment;
- Debt impairment was allowed in line with the revenue collection initiatives and mid-year performance assessment;
- Depreciation is allowed in line with the mid-year financial assessment;
- Budget movements between expenditure categories were allowed in line with the mid-year performance assessment;
- Additional expenditure budget requests have not been allowed;
- Internal charges adjustment between departments were allowed (where the bottom line is not affected); and
- The adjustment budget is not meant to address additional funding requirements and accordingly departments and municipal entities will be required to reprioritise within their existing budget allocations to address any service delivery pressure.

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Overview of the Operating Adjustment Budget

On 22 May 2024, the Council approved operating revenue of approximately R75.4 billion and operating expenditure of approximately R73.3 billion (excluding internal transfers and taxation) for the 2024/25 financial year.

In the 2024/25 Adjustment Budget the revenue budget increases by R1.2 billion, and the expenditure budget decreases by R257.8 million (excluding internal transfers). The net effect of the adjustments resulted in a surplus (before capital transfers and taxation) of R2.2 billion compared to the approved budgeted surplus of R701.1 million.

Adjustments Budget - Financial Performance

The table below reflects the high-level summary of the proposed adjustment budget.

	Approved Budget 2024/25 R 000	Adjust-ments R 000	Adjusted Budget 2024/25 R 000
Revenue	76 368 851	1 206 656	77 575 507
Internal Revenue	10 283 441	1 363 683	11 647 124
	86 652 292	2 570 339	89 222 631
Expenditure	75 668 756	(257 766)	75 410 990
Internal Expenditure	10 283 441	1 363 683	11 647 124
	85 952 197	1 105 917	87 058 114
Surplus (Deficit) before capital grants and contributions	**700 096**	**1 464 422**	**2 164 517**
Capital Grants and contributions	3 694 726	118 591	3 813 317
Surplus (Deficit) after capital grants and contributions	4 394 822	1 583 013	5 977 835
Taxation	41 160	970	42 130
Surplus (Deficit) after taxation and capital grants and contributions	4 353 662	1 582 044	5 935 705

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

Description	Current Year 2024/25		
R thousand	Approved Budget R 000	Total Adjust-ments R 000	Adjusted Budget R 000
EXCHANGE REVENUE			
Service charges - Electricity	21 467 342	1 273 551	22 740 893
Service charges - Water	10 632 200		10 632 200
Service charges - Waste Water Management	7 246 316		7 246 316
Service charges - Waste Management	3 094 069	42 280	3 136 349
Sale of Goods and Rendering of Services	1 163 316	(354 698)	808 619
Agency services	389 321		389 321
Interest earned from Receivables	491 423	57 778	549 201
Interest earned from Current and Non Current Assets	194 484	(3 371)	191 113
Rental from Fixed Assets	431 636	6 761	438 397
Operational Revenue	929 604	(6 181)	923 423
NON-EXCHANGE REVENUE			
Property rates	16 988 687	350 000	17 338 687
Surcharges and Taxes	317 445		317 445
Fines, penalties and forfeits	168 996		168 996
Licences or permits	3 606	211	3 817
Transfer and subsidies - Operational	8 593 891	(155 922)	8 437 969
Interest	121 825		121 825
Fuel Levy	4 127 608		4 127 608
Operational Revenue			
Gains on disposal of Assets	7 082	(3 754)	3 328
TOTAL DIRECT REVENUE excl. capital grants/contr.	**76 368 851**	**1 206 656**	**77 575 507**
Total Internal Transfers	10 283 441	1 363 683	11 647 124
TOTAL REVENUE excl. capital grants/contributions.	**86 652 292**	**2 570 339**	**89 222 631**

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

<u>Exchange Revenue</u>

- Service charges – electricity revenue increased by R1.3 billion as a result of an increase in units sold by 6% due to a reduction in load shedding, implementation of revenue enhancement initiatives and reduction in losses of 1% from 29.07% to 28%.

- Service charges – waste management revenue increase by R42.3 million in line with mid-year performance.

- Sale of goods and rendering of services decrease by R354.7 million and it relates to –

- Transport Department, sale of goods and rendering of services decreased by R93.4 million mainly due to the decrease in Phase 1A passenger numbers as a result of Piotrans challenges, and the delay in the commencement of Phase 1C(a) interim services;
- Development Planning, sale of goods and rendering of services increased by R3 million as a result of the following;
  - R3.5 million due to an increase in building development sign-fees collection as a result of the implementation of new outdoor advertising policy; and
  - R500 thousand reduction on sale of building plans due to the closure of metro offices which resulted in a decline of copies of building plans applied for by customers.
- Public Safety: EMS, sale of goods and rendering of services decreased by R481 thousand. Public Safety anticipated collecting arrear debt on ambulance fees post the provincialization of the ambulance service. The debt is now prescribed;
- Municipal Entities Accounts, sale of goods and rendering of services reduced by R300 million due to delays in by-laws approvals by Development Planning and EAC approvals of new contracts;
- Pikitup, sale of goods and rendering of services decreased by R3 million as no large scale clean-up campaigns are expected to be funded by external parties;
- Metrobus, sale of goods and rendering of services increased by R15.1 million. Budget adjustment increase comes following initiatives which have been implemented including cashless mobility, EYE on the bus system and the new AFC and increased inspection;
- Johannesburg City Parks and Zoo, sale of goods and rendering of services increased by R10.5 million in line with mid-year performance; and
- Johannesburg Development Agency, sale of goods and rendering of services increased by R13.5 million as a result of additional funding requests from projects that will increase revenue for operations.

• Interest earned from receivables increase by R57.8 million and it relates to –

  - City Power, interest earned from receivables increased by R38.1 million in line with mid-year performance; and
  - Pikitup, interest earned from receivables increased by R19.7 million in line with mid-year performance.

• Interest earned from current and non-current assets decreases by R3.4 million and it relates to –

  - Johannesburg City Parks and Zoo, interest earned from current and non-current assets increased by R506 thousand in line with mid-year performance; and

- Johannesburg Tourism Company, interest earned from current and non- current assets is reduced by R3.9 million transferred to interest earned from receivables inter-company to reflect the budget on the correct line-item.

• Rental from fixed assets increases by R6.8 million and it relates to –

- JOSHCO, rental from fixed assets increased by R6.8 million in line with mid-year performance.

• Operational revenue decreases by R6.2 million and it relates to –

- Environment and Infrastructure and Services, operational revenue increased by R2 million due to additional revenue from Kelvin Power for water concession fees and pipeline usage;
- Transport Department, operational revenue decreased by R19.7 million due to the delay in the appointment of a management service provider for operationalization of the Johannesburg International Transport Interchange (JITI);
- City Manager, operational revenue increased by R107 thousand due to insurance replacement of assets;
- Group Corporate and Shared Services, operational revenue increased by R88 thousand as a result of insurance proceeds received;
- Development Planning, operational revenue decreased by R1.2 million due to the closure of Metro Offices which resulted in a decline in geo informatic services being requested by CGIS customers as well as sundry revenue generated;
- Johannesburg City Parks and Zoo, operational revenue increased by R250 thousand as a result of bad debts recovered; and
- Joburg Market, operational revenue increased by R12.2 million anticipated to be earned for hosting the World Union of Wholesale Markets (WUWM) conference in May 2025.

<u>Non-Exchange Revenue</u>

• Property rates increased by R350 million in line with mid-year performance.

• Licenses or permits increase by R211 thousand and it relates to –

- Environment and Infrastructure and Services, licenses or permits increased by R211 thousand in line with mid-year performance.

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- Transfer and subsidies - operational decreased R155.9 million and it relates to –

  - Economic Development, transfer and subsidies received decreased by R25 million. This is due to the transfer of the Public Employment Program (PEP) grant to the departments for the creation of job opportunities. CRUM is allocated R12 million, Social Development is allocated R6 million, and EISD is allocated R7 million.
  - Environment and Infrastructure and Services, transfer and subsidies - operational increased by R7.5 million mainly as a result of the following:
    - R7 million PEP grant allocation (Public Employment Programme) from the Department of Economic Development; and
    - R446 thousand grant rollover from the South African National Biodiversity Institute (SANBI) for the Groen Sebenza internship programme.
  - Transport Department, transfers and subsidies decreased by R150 million in line with the reduction in the Public Transport Network Grant as per the Government Gazette No 51428 of 24 October 2024;
  - Community Development: Libraries, transfer and subsidies - operational decreased by R11 million due to a transfer of the grant allocation from the National Department of Arts and Culture and the Gauteng Provincial Library and Archive Services to the capital budget for the Library and Information Services (LIS);
  - Social Development, transfer and subsidies - operational increased by R6 million as a result of PEP grant allocation (Public Employment Programme) from the Department of Economic Development;
  - City Manager, transfer and subsidies - operational increased by R12.3 million. The R12 million grant is transferred from Economic Development department in order to implement a project known as PEP General Workers and R287 thousand is for rollover for the Programme and Project Preparation Support Grant (PPPSG); and
  - Johannesburg City Parks and Zoo, transfer and subsidies - operational increased by R4.3 million due to the South African National Biodiversity Institute (SANBI) grant to cater for the Groen Sebenza internship programme.

- Gains on disposal of assets decrease by R3.8 million and it relates to –

  - Johannesburg City Parks and Zoo, gains on disposal of assets decreased by R3.8 million in line with mid-year performance.

- Internal transfers increase by R1.4 billion on both revenue and expenditure however the bottom-line of the city is not affected.

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

Description	Current Year 2024/25		
R thousand	Approved Budget R 000	Total Adjust-ments R 000	Adjusted Budget R 000
EXPENDITURE			
Employee related costs	19 994 316	571 205	20 565 521
Remuneration of councillors	191 409	353	191 762
Bulk purchases - electricity	15 377 574	500 000	15 877 574
Inventory consumed	6 378 911	81 913	6 460 825
Debt impairment	8 679 482	(1 334 934)	7 344 548
Depreciation and amortisation	5 179 147	119 544	5 298 690
Interest	2 511 836	123	2 511 959
Contracted services	7 507 848	(145 119)	7 362 729
Transfers and subsidies	135 387	(35 640)	99 747
Operational costs	6 761 401	(49 897)	6 711 504
Losses on disposal of Assets	7 205	(3 065)	4 140
Other Losses	2 944 240	37 751	2 981 991
TOTAL DIRECT EXPENDITURE	75 668 756	(257 766)	75 410 990
Total Internal Transfers	10 283 441	1 363 683	11 647 124
TOTAL EXPENDITURE	**85 952 197**	**1 105 917**	**87 058 114**

It is recommended that departments and entities manage their expenditure within the adjusted budget allocation to ensure that they do not overspend their adjusted budget allocation.

The adjustment on the expenditure resulted from the following;

- Employee related cost increases by R571.2 million, and it mainly relates to –
  - Economic Development, employee related cost increased by R5.2 million. Budget increased by R2 million in line with the Politically Facilitated Agreement (PFA) allocation, R3 million in line with the strategic appointments' allocation, and the R191 thousand Salga salary increase shortfall;
  - Environment and Infrastructure and Services, employee related costs increased by R8.6 million as a result of the following:
    - R6.5 million transfer from Group Corporate and Shared Services to cater for strategic appointments;
    - R627 thousand transfer from Group Corporate and Shared Services to cater for Politically Facilitated Agreement (PFA);
    - R1.5 million additional allocation to cover the PFA shortfall;
    - R206 thousand to cater for the 1.5% SALGA increase agreement;
    - R24 thousand transfer to inventory consumed; and

  - R206 thousand transfer to Ombudsman Office due to personnel transfer.
- Transport Department, employee related cost increased by R14.8 million due to the R14.3 million PFA allocation, and the R490 thousand allocation for the Salga salary increase shortfall;
- Community Development: Head Office, employee related costs increased by R20.4 million as a result of the following:
  - R516 thousand transfer from Group Corporate and Shared Services to cater for the Politically Facilitated Agreement (PFA);
  - R19.7 million additional allocation to cover the PFA shortfall; and
  - R168 thousand to cater for the 1.5% SALGA increase agreement.
- Community Development: Libraries, employee related costs increased by R746 thousand as a result of the following:
  - R3.2 million transfer from Group Corporate and Shared Services to cater for the Politically Facilitated Agreement (PFA);
  - R423 thousand to cater for the 1.5% SALGA increase agreement;
  - R50 thousand transfer to contracted services;
  - R2.5 million transfer to operational costs; and
  - R294 thousand transfer to ComDev: Head Office.
- Community Development: Sports and Recreation., employee related costs increased by R4.6 million as a result of the following:
  - R4.1 million transfer from Group Corporate and Shared Services to cater for the Politically Facilitated Agreement (PFA); and
  - R539 thousand to cater for the 1.5% SALGA increase agreement.
- Community Development: Heritage, employee related costs increased by R795 thousand as a result of the following:
  - R683 thousand transfer from Group Corporate and Shared Services to cater for the Politically Facilitated Agreement (PFA); and
  - R112 thousand to cater for the 1.5% SALGA increase agreement.
- Health Services, employee related costs increased by R39.5 million as a result of the following:
  - R1.5 million transfer from Group Corporate and Shared Services to cater for strategic appointments;
  - R10.6 million transfer from Group Corporate and Shared Services to cater for Politically Facilitated Agreement (PFA);
  - R24.7 million additional allocation to cover the PFA shortfall; and
  - R2.7 million to cater for the 1.5% SALGA increase agreement.
- Social Development, employee related costs increased by R12.9 million as a result of the following:
  - R6 million PEP grant allocation (Public Employment Programme) from the Department of Economic Development;
  - R1.9 million transfer from Group Corporate and Shared Services to cater for the Politically Facilitated Agreement (PFA);
  - R4.5 million additional allocation to cover the PFA shortfall; and
  - R472 thousand to cater for the 1.5% SALGA increase agreement.

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- Group Forensic Investigation Services, employee related costs increased by R5.3 million. The R247 thousand was transferred from Group Corporate Shared Services for the implementation of the Politically Facilitated Agreement (PFA), R147 thousand allocated to cover a shortfall of 1.5% in line with SALGA agreement, with R4.3 million allocated to fill critical positions and further allocated R575 thousand to cover a shortfall of Politically Facilitated Agreement (PFA);
- Ombudsman, employee related cost increased by R654 thousand. The R116 thousand was transferred from Group Corporate Shared Services for the implementation of the Politically Facilitated Agreement (PFA), R63 thousand allocated to cover a shortfall of 1.5% in line with SALGA agreement, R206 thousand was transferred from the Environment and Infrastructure Department as a result of personnel transfer and further allocated R269 thousand to cover a shortfall of Politically Facilitated Agreement (PFA);
- City Manager, employee related costs increased by R37.6 million. There were transfers of R5 million to contracted services to cover legal expenses, and R1.4 million to Group Corporate Shared Services due to an employee transfer. R6.2 million was moved from Group Corporate Shared Services to implement the Politically Facilitated Agreement (PFA), with R18.8 million allocated to fill critical positions, further allocated R14.3 million to cover a shortfall of Politically Facilitated Agreement (PFA) and R7.9 million transferred from other categories to address the shortfall;
- Speaker: Legislative Arm of Council, employee related cost decreased by R607 thousand. The R1.2 million was transferred from Group Corporate Shared Services for the implementation of the Politically Facilitated Agreement (PFA), with R1.3 million allocated to fill critical positions, R485 thousand allocated to cover a shortfall of 1.5% in line with SALGA agreement and further allocated R2.8 million to cover a shortfall of Politically Facilitated Agreement (PFA). However, the department has recognized savings and decided on to redirect R1.9 million towards operational costs;
- Group Information and Communication Technology, employee related cost increased by R2 million as a result of the following:
    - R538 thousand transfer from Group Corporate and Shared Services to cater for the Politically Facilitated Agreement (PFA);
    - R1.3 million additional allocation to cover the PFA shortfall; and
    - R175 thousand to cater for the 1.5% SALGA increase agreement.

- Group Finance, employee related costs increased by R56.2 million. The R12.7 million was transferred from Group Corporate Shared Services for the implementation of the Politically Facilitated Agreement (PFA), R2.2 million allocated to cover a shortfall a shortfall of 1.5% in line with SALGA agreement, with R11.7 million allocated to fill critical positions and further allocated R29.5 million to cover a shortfall of Politically Facilitated Agreement (PFA);
- Group Corporate and Shared Services, employee related costs decreased by R272.3 million as a result of the following:
  - R216.3 million transfer to Core departments and ME's for the Politically Facilitated Agreement (PFA);
  - R85.2 million transfer to Core departments and ME's for strategic appointments;
  - R1.5 million transfer from the City Manager's Office;
  - R8.5 million to cater for the Politically Facilitated Agreement (PFA);
  - R16.1 million additional allocation to cover the PFA shortfall;
  - R1.3 million to cater for the 1.5% SALGA increase agreement; and
- R1.7 million to correct the budget omission in the current financial year. Human Settlements, employee related cost increased by R8.3 million. Budget increased with the R7.9 million PFA allocation and the R424 thousand allocation for the Salga salary increase shortfall;
- Development Planning, employee related costs increased by R17.8 million as a result of the following:
  - R3.9 million transfer from Group Corporate and Shared Services to cater for strategic appointments;
  - R2.8 million transfer from Group Corporate and Shared Services to cater for Politically Facilitated Agreement (PFA);
  - R6.5 million additional allocation to cover the PFA shortfall;
  - R626 thousand to cater for the 1.5% SALGA increase agreement; and
  - R4 million to cater for vacant positions of Senior Law Enforcement Officers required to assist with increased law enforcement complaints.
- Public Safety: HO, employee related costs increased by R17 million due to the Politically Facilitated Agreement (PFA) allocation of R12 million, the R4.4 million strategic appointments allocation, and the R614 thousand allocation for the Salga salary increase shortfall;
- Public Safety: EMS, employee related costs increased by R52.3 million. The budget increased by R44 million Politically Facilitated Agreement allocation, R6.1 million strategic appointments allocation, and the R2.1 million allocation for the Salga salary increase shortfall;

- Public Safety: JMPD, employee related cost increased by R156.2 million. The increase relates to the R134.3 million allocated in terms of the Politically Facilitated Agreement (PFA), the R15.5 million strategic appointments allocation, and the R6.3 million allocation for the Salga salary increase shortfall;
- City Power, employee related costs increased by R48.9 million as a result of the following:
    - R11.8 million transfer from Group Corporate and Shared Services to cater for Politically Facilitated Agreement (PFA);
    - R25.6 million additional allocation to cover the PFA shortfall;
    - R3.6 million to cater for the 1.5% SALGA increase agreement; and
    - R8 million PEP grant allocation (Public Employment Programme) for infrastructure skills development.
- Johannesburg Water, employee related costs increased by R61.7 million as a result of the following:
    - R18.3 million transfer from Group Corporate and Shared Services to cater for Politically Facilitated Agreement (PFA);
    - R40.1 million additional allocation to cover the PFA shortfall; and
    - R3.3 million to cater for the 1.5% SALGA increase agreement.
- Pikitup, employee related costs increased by R107.6 million as a result of the following:
    - R31.9 million transfer from Group Corporate and Shared Services to cater for Politically Facilitated Agreement (PFA);
    - R72.3 million additional allocation to cover the PFA shortfall; and
    - R3.4 million to cater for the 1.5% SALGA increase agreement.
- Johannesburg Roads Agency, employee related cost increased by R38.4 million. Budget increased by R35.5 million of the PFA allocation, R1.9 million Salga salary shortfall, and R889 thousand reallocated from operational costs;
- Metrobus, employee related cost increased by R15 million due to the R14.4 million PFA allocation and the R668 thousand allocation for the Salga salary increase shortfall;
- Johannesburg City Parks and Zoo, employee related costs increased by R48.1 million as a result of the following:
    - R9.2 million to cater for the Politically Facilitated Agreement (PFA);
    - R17.5 million to cover the PFA shortfall;
    - R1.4 million to cater for the 1.5% SALGA increase agreement; and
    - R19.9 million to correct the budget omission in the previous financial year.
- Johannesburg Development Agency, employee related costs increased by R2.9 million as a result of the following:
    - R1.9 million transfer from Group Corporate and Shared Services to cater for strategic appointments;

    - R270 thousand transfer from Group Corporate and Shared Services to cater for the Politically Facilitated Agreement (PFA);
    - R520 thousand additional allocation to cover the PFA shortfall; and
    - R182 thousand to cater for the 1.5% SALGA increase agreement.
- Johannesburg Property Company, employee related cost increased by R19.3 million due to the R18.3 million PFA allocation, and the R1 million allocation for the Salga salary increase;
- Metropolitan Trading Company, employee related costs increased by R240 thousand. The R163 thousand was transferred from Group Corporate Shared Services for the implementation of the Politically Facilitated Agreement (PFA) and R77 thousand allocated to cover a shortfall a shortfall of 1.5% in line with SALGA agreement;
- Joburg Market, employee related cost increased by R9.7 million. The increase is due to the R7.3 million of the Politically Facilitated Agreement (PFA) allocation, the R434 thousand allocation for the Salga salary increase shortfall, and R2 million for the PEP grant;
- JOSHCO, employee related cost increased by R21.5 million. The budget increased with the R6 million PEP grant transfer from DED, the R6.2 million allocation for strategic appointments, the PFA allocation of R2 million, the R585 thousand Salga salary increase shortfall, and the R6.7 million increase in rental revenue;
- Joburg City Theatres, employee related costs increased by R3.1 million as a result of the following:
    - R1 million transfer from Group Corporate Shared Services to cater for the Politically Facilitated Agreement (PFA);
    - R1.8 million additional allocation to cover the PFA shortfall: and
    - R226 thousand to cater for the 1.5% SALGA increase agreement.
- Johannesburg Tourism Company, employee related cost increased by R6.8 million. The budget increased with R6.3 million of the Public Employment Programme (PEP), R428 thousand for the PFA allocation, and R98 thousand for the Salga salary increase shortfall.

• Remuneration of councillors increase by R353 thousand. The R353 thousand is required to cover a shortfall and align with the latest gazette of increases released by COGTA.

• Bulk purchases – electricity increased by R500 million due to an increase in purchases from Eskom.

• Inventory consumed increases by R81.9 million and it relates to –

- Economic Development, inventory consumed increased by R110 thousand. This increase is the net-off of the R239 thousand increase in consumables required, and the R129 thousand reallocation to contracted services;

- Environment and Infrastructure and Services, inventory consumed increased by R31 thousand due to a transfer from employee related costs and operational costs to cater for stores and materials;
- Transport Department, inventory consumed – stores and materials - decreased by R427 thousand in line with mid-year performance;
- Community Development: Head Office, inventory consumed decreased by R140 thousand due to a transfer to contracted services;
- Community Development: Heritage, inventory consumed decreased by R120 thousand due to a transfer to operational costs;
- Health Services, inventory consumed decreased by R886 thousand due to a transfer to contracted services;
- Social Development, inventory consumed increased by R2 million due to a transfer from operational costs to cater for fertilizers;
- City Manager, inventory consumed increased by R273 thousand. The R79 thousand was transferred from other line categories to offset the shortfall of tools of trade, and it increased by R194 thousand in accordance with the mid-year performance;
- Speaker: Legislative Arm of Council, inventory consumed decreased by R23 thousand due to movements of funds between line categories to contracted services;
- Group Finance, inventory consumed increased by R1 million due to transfer from operational costs in order to pay the costs associated with office machines;
- Group Corporate and Shared Services, inventory consumed increased by R23 thousand due to a transfer from operational costs to cater for stores and materials costs;
- Human Settlements, inventory consumed decreased by R250 thousand due to a budget reallocation to contracted services for the transfer of tittle deeds;
- Public Safety: EMS, inventory consumed decreased by R1.5 million in line with the mid-year performance review;
- Public Safety: JMPD, inventory consumed decreased by R7 million to provide for the JMPD land invasion contract shortfall and the skill audit. R50 thousand was also reallocated from this category of expenditure;
- City Power, inventory consumed increased by R147 thousand to cater for a shortfall on stores and materials costs;
- Johannesburg Water, inventory consumed decreased by R34.5 million due to a transfer to operation costs and other losses;
- Pikitup, inventory consumed increased by R20 million as a result of the following:
    - R6 million to cater for 240L bins shortfall which needs to be replaced and provided in new areas;
    - R8 million to cover fleet fuel costs of 111 vehicles that have been delivered through the non-specialized fleet contract; and
    - R6 million to cater for Bin liners shortfall due to an increase in contract pricing.

- Johannesburg Roads Agency, inventory consumed increased by R8.5 million reallocated from operational costs to cater for expenditure relating to raw materials, tools of trade, safety equipment and other essentials;
- Metrobus, inventory consumed increased by R37 million for diesel and operational repair and maintenance of buses;
- Johannesburg City Parks and Zoo, inventory consumed decreased by R3.4 million due to a transfer to operational costs;
- Joburg Market, inventory consumed decreased by R431 thousand due to a budget re-allocation to cater for the JCT hospitality and catering services;
- Joburg City Theatres, inventory consumed increased by R61.3 million to correct entertainment expenditure classifications error that is in line with Auditor General's finding for the 2023/24 financial year; and
- Johannesburg Tourism Company, inventory consumed increased by R172 thousand due to the increase in the cleaning and stationery consumables required by the entity. The R172 thousand was reallocated from contracted services.

• Debt impairment decreases by R1.3 billion and it relates to –

- Group Finance, debt impairment decreased by R350.1 million due to the anticipated revenue collection initiatives;
- City Power, debt impairment decreased by R560.9 million due to the anticipated revenue collection initiatives;
- Johannesburg Water, debt impairment decreased by R363.9 million due to the anticipated revenue collection initiatives;
- Pikitup, debt impairment decreased by R64.1 million due to the anticipated revenue collection initiatives;
- Johannesburg City Parks and Zoo, debt impairment increased by R4.4 million in line with mid-year performance.

• Depreciation in total increases by R119.5 million, however there were adjustments made within the budgets of the various departments and municipal entities in line with mid-year performance.

• Interest increases by R123 thousand and it relates to –

- Transport Department, interest decreased by R2 thousand in line with projected expenditure;
- City Manager, interest increased by R2 thousand due to movements of funds between line categories to pay interest charges for Telkom; and
- Johannesburg City Parks and Zoo, interest increased by R123 thousand in line with mid-year performance.

GROUP FINANCE

- Contracted services decrease by R145.1 million and it relates to –

  - Economic Development, contracted services increased by R1.1 million due to budget reallocations from operational costs (R999 thousand) and from inventory consumed (R129 thousand);
  - Environment and Infrastructure and Services, contracted services increased by R1.3 million as a result of the following:
    - R1 million for the development of an Environmental and Social Management System (ESMS) in terms of IFC loan conditions;
    - R446 thousand grant rollover from the South African National Biodiversity Institute (SANBI) for the Groen Sebenza internship programme;
    - R228 thousand transfer from operational costs to cater for contract specialists; and
    - R409 transfer to operational costs - inter-company.
  - Transport Department, contracted service decreased by R342.3 million in line with the decrease in revenue. The Public Transport Network Grant (PTNG) is reduced by R150 million, revenue from the Sale of goods and rendering of services is reduced by R93.3 million, and Operational revenue is reduced by R19.7 million. R89 million is transferred to Operational Costs Inter-Company for JPC cleaning services, and R3 million is reallocated from this line item to operational costs;
  - Community Development: Head Office, contracted services increased by R353 thousand as a result of the following:
    - R140 thousand transfer from inventory consumed to cater for contracted specialists; and
    - R213 thousand transfer from employee related costs of ComDev: Libraries to cover buildings repairs and maintenance.
  - Community Development: Libraries, contracted services increased by R50 thousand due to a transfer from employee related costs to cater for a shortfall on traveling costs;
  - Health Services, contracted services increased by R1.7 million due to a transfer from inventory consumed and operational costs to cater for a shortfall on medical waste costs, medical requisites, gas supply and pesticides;
  - Social Development, contracted services increased by R2 million due to a transfer from operational costs to cater for contracted specialists;
  - Group Forensic Investigation Services, contracted services decreased by R200 thousand due to movements of funds between line categories to operational costs in line with budget management policy;

- Ombudsman, contracted services decreased by R6.3 million. The R6.9 million reduction is due to movements of funds between line categories to operational costs and the increase of R690 thousand is due to transfer from internal charges as the department's information technology services is transitioning from MTC IT services to COJ domain;
- City Manager, contracted services increased by R6.6million. The movement of R6.6 million was transferred between line categories to cover cost in relation to legal expenses, increased by R1.2 million to cover cost in relation to communication and marketing for the U20 Summit and further reduced by R1.2 million which has been transferred to operational costs inter-company to correct an error;
- Speaker: Legislative Arm of Council, contracted services decreased by R272 thousand. The increase of R728 thousand was transferred from other line categories had been made to compensate a shortfall in regional office repairs and maintenance, as well as the migration to Braampark offices. The additional reduction of R1 million is transferred to operational costs;
- Group Information and Communication Technology, contracted services increased by R15 million to cater for SAP revenue enhancement support post Go Live (for system and smart meter narrowband connectivity as well as digitalisation change management and ERP training).
- Group Finance, contracted services increased by R9.6 million. The R9.6 million was transferred between line categories from operational costs in accordance with the budget management policy to cover costs of specialised services for project income generation;
- Group Corporate and Shared Services, contracted services increased by R26 thousand due to a transfer from operational costs to cater for contractor’s specialist services and medical examinations costs;
- Human Settlements, contracted services increased by R18.7 million due to a budget reallocation from operational costs to cater for the transfer of title deeds;
- Development Planning, contracted services decreased by R3.3 million as a result of the following:
  - R600 thousand to cater for Public Participation and promulgation set to conclude in January 2025;
  - R379 thousand transfer from operational costs to cater for transport and travelling costs;
  - R1.3 million savings for building maintenance; and
  - R3 million savings for Automation/Digitisation of Records Management System (RMS).
- Public Safety: HO, contracted services decreased by R200 thousand reallocation toward the JMPD land invasion contract shortfall;
- Public Safety: EMS, contracted services decreased by R13.6 million as a result of the R14 million reduction in line with the mid-year performance review, and the R400 thousand reallocation increase;

- Public Safety: JMPD, contracted services increased with a R54 million. The budget is increased with a R44 million reallocation from operational costs. An additional R10 million is also allocated from inventory consumed (R7 million) and operational costs (R3 million);
- Johannesburg Water, contracted services decreased by R25.8 million as a result of the following:
  - R24.4 million due to a transfer to operational costs and other losses; and
  - R1.4 million transfer to operational costs inter-company.
- Pikitup, contracted services increased by R8.6 million due to R3 million for fleet repairs now that the number of vehicles has increased as well as R5.6 million to cater for legal expenses;
- Johannesburg Roads Agency, contracted services increased by R9.3 million. This is due to the R10.7 million budget re-allocated from operational costs and the R850 thousand reallocation to operational costs inter-company for hospitality and catering services offered by the Johannesburg City Theatre (JCT);
- Johannesburg City Parks and Zoo, contracted service increased by R18.4 million as a result of the following:
  - R3.4 million transfer from inventory consumed to cater for security costs;
  - R8 million PEP grant allocation (Public Employment Programme) for greening and cleaning programme;
  - R2 million to purchase seeds and plants for the Executive Mayor's one million trees campaign; and
  - R5 million for historical site beautification.
- Johannesburg Development Agency, contracted services increased by R996 thousand as a result of the following:
  - R984 thousand for security costs to cater for additional 13th cheque requirements and leave encashment; and
  - R12 thousand to cater for printing services.
- Johannesburg Property Company, contracted services increased by R88.9 million due to the R88.9 million allocation for the Transport department’s cleaning services, and the R227 thousand transfer to operational cost- Inter company; Operational costs increased by R20 million for rental office accommodation lease renewals for placement of displaced employees;
- Joburg Market, contracted services increased by R12.2 million in line with the revenue increase for hosting the WUWM conference in May 2025; and

- Johannesburg Tourism Company, contracted services decreased by R2 million. Budget reduced by R1.1 million re-allocated to depreciation (R523 000), inventory (R172 000) and operational costs (R446 000) to align budget with the approved Demand Management Plan. R1.1 million was reallocated to operational costs inter-company for the JCT hospitality and catering costs.

- Transfers and subsidies decrease by R35.6 million and it relates to –

  - Economic Development, transfers and subsidies reduced by R56 million with the transfer of the PEP grant to the departments and entities. CRUM is allocated R12 million, JTC is allocated R7 million, JCPZ is allocated R8 million, JOSHCO is allocated R6 million, Social Development is allocated R6 million, City Power is allocated R8 million, Joburg Market is allocated R2 million, and EISD is allocated R7 million;
  - Health Services, transfers and subsidies increased by R360 thousand to align with the SPCA Service Level Agreement amount; and
  - City Manager, transfers and subsidies paid increased by R20 million. The R12 million increase is due to grant transferred from Economic Development department in order to implement a project known as PEP General Workers and R8 million was transferred from operational costs to correct the annual budget for the transfer of grants for the sponsorship of events.

- Operational costs decrease by R49.9 million and it relates to –

  - Economic Development, operational costs decreased by R1. 5 million. Budget reduced by the R999 thousand reallocation to contracted services and the R473 thousand transfer to operational costs inter-company for JCT hospitality and catering services;
  - Environment and Infrastructure and Services, operational costs decreased by R235 thousand due to a transfer of R228 thousand to contracted services and R7 thousand to inventory consumed;
  - Transport Department, operational costs increased by R3 million due to the reallocation from contracted services;
  - Community Development: Head Office, operational costs decreased by R949 thousand as a result of the following:
    - R81 thousand transfer from employee related costs of ComDev: Libraries to cater for entertainment; and
    - R1 million transfer to operational costs inter-company.
  - Community Development: Libraries, operational costs decreased by R5.9 million as a result of the following:
    - R2.5 million transfer from employee related costs to cater for a shortfall on book purchases and entertainment costs;

  - R6.5 million transfer of the grant allocation to the capital budget for the Library and Information Services (LIS); and
  - R1.9 million transfer to operational costs inter-company.
- Community Development: Sports and Recreation, operational costs decreased by R15 million due to a transfer to operational costs inter-company;
- Community Development: Heritage, operational costs decreased by R6.5 million as a result of the following:
  - R120 thousand transfer from inventory consumed to cover a shortfall on advertising costs; and
  - R6.6 million to operational costs inter-company.
- Health Services, operational costs decreased by R2.8 million due to a transfer of R853 thousand to contracted services as well as R1.9 million transfer to operational costs inter-company;
- Social Development, operational costs decreased by R6.2 million as a result of the following:
  - R2 million transfer to contracted services;
  - R2 million transfer to inventory consumed; and
  - R2.2 million transfer to operational costs inter-company.
- Group Forensic Investigation Services, operational costs increased by R200 thousand to cover cost for awareness initiatives;
- Ombudsman, operational costs increased by R6.6 million. The R6.9 million was transferred across line categories from contractual services to cover the costs related to lease charges, and further lowered by R344 thousand, which has been transferred to operational costs inter-company to correct an error;
- City Manager, operational costs increased by R11.5 million. There was a movement of R4.1 million which was transferred to other line categories cover cost relating to legal expenses and to cover a shortfall on salaries and R8 million was transferred to transfer and subsidies paid for sponsorship events. There was further R24.4 million which was allocated for a marketing campaign to raise awareness of the U20 Summit and G20 Summit, as well as public relations, strategic communication, security venues, accommodations, and social activities to be led by the Executive Mayor. The R806 thousand has been transferred to operational costs inter-company to correct an error;
- Speaker: Legislative Arm of Council, operational costs decreased by R15.7 million. The movement of R705 thousand was transferred between line categories to contracted services in line with budget management policy. It was increased by R6.4 million to advertise bylaws before their expiration dates, as well as to cover increases in catering due to high food prices and increases in equipment hire and further reduced by R22.1 million has been transferred to operational costs inter-company to correct an error;

GROUP FINANCE

- Group Finance, operational costs decreased by R11.9 million. The R10.6 million was transferred between line categories to contracted services and inventory consumed. The R1.3 million has been transferred to operational costs inter-company to correct an error;
- Group Corporate and Shared Services, operational costs decreased by R260 thousand as a result of the following:
    - R49 thousand transfer to inventory consumed and contract services;
    - R223 thousand transfer to operational costs inter-company; and
    - R12 thousand transfer from the City Manager's Office to cater for skills development levy.
- Human Settlements, operational costs decreased by R18.6 million due to the R18.7 million reallocation to contracted services and the R81 thousand reallocation to JCT hospitality and catering services;
- Development Planning, operational costs decreased by R179 thousand as a result of the following:
    - R215 thousand to cater for 29 City Transformation software licenses;
    - R379 thousand transfer to contracted services; and
    - R15 thousand transfer to operational costs - inter-company.
- Public Safety: HO, operational costs increased by R9.9 million. Budget increased by R10.5 million reallocated from JMPD to cater for bank charges, and R501 thousand was reallocated to operational costs inter-company for JCT hospitality and catering services;
- Public Safety: EMS, operational costs increased by R10.3 million to cover the assessment rates, water supply and electricity supply and sewerage as well skill development levy;
- Public Safety: JMPD, operational costs decreased by R57.7 million. R44 million was allocated to contracted services, R10.5 million allocated to Public Safety: Head Office for bank charges, R3 million reallocated to contracted services for land invasions, and R200 thousand reallocated to contracted services EMS;
- City Power, operational costs decreased by R89 thousand due to a transfer to operational costs inter-company;
- Johannesburg Water, operational costs increased by R21.1 million due to a transfer from inventory consumed to align expenditure;
- Johannesburg Roads Agency, operational costs decreased by R14.5 million. The budget reduced with an R18 million reallocation to contracted services (R10.7 million), inventory consumed (R6.5 million), and employee costs (R889 thousand). An additional R5.9 million was allocated in line with the mid-year performance;
- Metrobus, operational cost decreased by R479 thousand due to a budget re-allocation to cater for Hospitality and Catering services by JCT;

- Johannesburg City Parks and Zoo, operational costs increased by R21.7 million as a result of the following:
  - R7 million PEP grant allocation (Public Employment Programme) for the wetland river clean-up programme;
  - R4.4 million to cater for fleet lease costs;
  - R145 thousand transfer to operational costs - inter-company; and
  - R10.5 million to cater for the hosting of the African Forum on Urban Forests.
- Johannesburg Development Agency, operational costs increased by R3.1 million as a result of the following:
  - R3 million to cover the advertising charges on the CIDB website;
  - R150 thousand to cater for the JDA website upgrade to integrate social media management, cross media, SEO and multimedia services; and
  - R38 thousand transfer to operational costs inter-company.
- Johannesburg Property Company, operational cost increased by R20 million for rental and office accommodation. The adjustment is due to leases that have reached their lease term, and the entity will renew the leases in the current financial year;
- Johannesburg Tourism Company, operational costs increased by R987 thousand. R446 thousand was reallocated from contacted services in order to align the approved budget with the approved Demand Management Plan, and R541 thousand is allocated in line with the mid-year performance.

• Losses on disposal of assets decrease by R3.1 million, Johannesburg City Parks and Zoo, in line with mid-year performance.

• Other losses increase by R37.8 million, Johannesburg Water, due to a transfer from inventory consumed and contracted services to align the water losses percentage from 34.05% from the original budget to the AFS outcome that was at 34.5%.

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The subsidies to the MEs were adjusted upwards by R199.1 million and are as follows:

Vote	Approved Budget 2024/25	Adjust-ments	Adjusted Budget 2024/25
	R 000	R 000	R 000
Pikitup	1 207 377	5 698	1 213 075
Johannesburg Roads Agency	1 394 601	37 474	1 432 075
Metrobus	622 766	36 894	659 660
Johannesburg City Parks and Zoo	1 098 723	73 085	1 171 808
Johannesburg Development Agency	72 166	-6 451	65 715
Johannesburg Property Company	656 397	39 335	695 732
Metropolitan Trading Company	224 616	240	224 856
Johannesburg Social and Housing Company	133 501	10 362	143 863
Joburg City Theatres	205 358	3 085	208 443
Joburg Tourism	91 320	-669	90 651
City Power	304 375	-	304 375
Total subsidies to ME's	6 011 201	199 052	6 210 253

Risk and Mitigation

Potential Risk

- Over expenditure on employee related cost, YTD 31 December 2025 reflects over expenditure of R1.1 billion;
- The non-achievement of the two percent natural attrition rate;
- Projected revenue improvements not being sustained thereby putting at risk any expenditure matched against such revenue;
- Revenue collection levels not meeting budgeted targets;
- Bulk purchases and non-technical losses exceeding budgeted levels;
- Interest on loans exceeding budgeted levels;
- Water purchases (inventory consumed and losses) exceeding budgeted levels; and
- The current ratio is below 1:1 and therefore creditors cannot be paid within 30 days.

Mitigation action

- Departments and entities must introduce efficiency measures within the existing budget to absorb any possible shortfalls;
- Introduce a collective adoption of more stringent expenditure management practices: and
- A financial recovery plan needs to be developed to improve the liquidity of the City over the medium-term.

GROUP FINANCE

4. POLICY IMPLICATION

None

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

Consolidated Operating Budget (including internal transfers)	Approved Budget R 000	Adjust-Ments R 000	Adjusted Budget R 000
Total Revenue	86 652 292	2 570 339	89 222 631
Total Expenditure	85 952 197	1 105 917	87 058 114
Capital Grants and Contributions	3 694 726	118 591	3 813 317
Taxation	41 160	970	42 130
Surplus (Deficit) for the year	4 353 662	1 582 044	5 935 705

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

Legal Department, all 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 2025-02-27 2025-03-13

COJ : MAYORAL COMMITTEE 2025-02-20

GROUP FINANCE

IT IS RECOMMENDED

1. **That the Adjustment Operating Revenue and Expenditure for Core Administration and Municipal Entities as set out in Annexure A, B, C and D be approved.**

2. **That the supporting information contained in the 2024/25 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.**

3. **That the risks highlighted in the body of the report be noted and mitigated.**

4. **That efficiency measures to manage expenditure within the final adjusted budget allocations be continued by all Departments and Entities.**

(GROUP FINANCE)
(Ntuthuzelo April)
(DIRECTOR: GROUP BUDGET AND PLANNING)
(Tel. (011) 358 3290)

THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM