

City of Johannesburg Council 2020-06-17

COJ : MAYORAL COMMITTEE 2020-05-17

FINANCE

3 SPECIAL CAPITAL ADJUSTMENT BUDGET FOR THE 2019/20 FINANCIAL YEAR AS A RESULT OF NATIONAL GOVERNMENT GRANT REVIEW AND THE COVID-19 PANDEMIC

1 STRATEGIC THRUST

Well managed and governed city.

2 OBJECTIVE

To obtain approval to adjust the capital budget for the 2019/20 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.

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 27 February 2020, the Council approved the 2019/20 Operating Adjustment Budget, however, the proposed 2019/20 Capital Adjustment Budget was not approved.

The following Government Gazettes were issued that was not included in the budget that was approved by Council on 27 February 2020:

- Gazette 43039 dated 21 February 2020 – whereby the Neighbourhood Development Partnership grant (NDPG) has been increased by an amount of R15 million and the Urban Settlement Development Grant (USDG) increased by R341.7 million.
- Health - USDG increased by R6.3 million due to the roll-over of funds being approved by the National Department of Human Settlements;

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- Gazette 43180 dated 30 March 2020 - The Public Transport Network Grant: Opex (PTNG) has decreased by an amount of R118.8 million to R432.1 million (Gazette 43180 dated 30 March 2020). An amount of R16.1 million was already factored into the operating adjustment budget that was approved by Council on 27 February 2020 therefore the reduction of only R102.7 million on both revenue and expenditure.

On 15 March 2020, the COVID-19 pandemic has been declared as a national disaster.

A Government Gazette No.43181 was issued on 30 March 2020 that allows municipalities to pass a special adjustment budget before the end of the 2019/20 financial year to authorise all expenditure linked to the emergency to address the COVID-19 pandemic.

The proposed 2019/20 Special Adjustment Budget includes both the additional revenues allocated to the City by government and the budget adjustments required in terms of the COVID-19 pandemic.

ADJUSTMENT CAPITAL BUDGET

The proposed 2019/20 Special Capital Adjustment Budget reflects a total increase of approximately R493 million in the current financial year.

The table below reflects the high-level summary of adjustments made to the 2019/20 financial year.

Capital	2019/20 R 000
Approved Budget	7 754 430
Adjustments (Sec 28)	363 030
Adjustments (Covid-19)	130 000
Total adjustments	493 030
Adjustment Budget	8 247 460
Adjustments to loans and cash surplus	130 000
Adjustments to grant funding and public contributions	363 030
Adjustments	493 030

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The table below reflects the adjustments made per vote and per source of finance for the 2019/20 financial year.

DEPARTMENT VOTE	2019/20 CHANGE R 000	2019/20 - SOURCE OF FINANCE				
		COJ Funding (Loans) 350 R 000	CRR (Cash) 360 R 000	National Grant 374 R 000	USDG 373 R 000	Other & BSC 376 R 000
CORE ADMINISTRATION:						
Economic Development						
Environment and Infrastructure						
Transportation						
Community Development						
Health	6 323				6 323	
Social Development						
Group Forensic Investigation Services						
Office of the Ombudsman						
City Manager						
Speaker: Legislative Arm of Council						
Group Information and Communication Technology	80 000		80 000			
Group Finance						
Group Corporate and Shared Services						
Housing	331 707				331 707	
Development Planning	15 000			15 000		
Public Safety						
TOTAL CORE ADMINISTRATION	433 030		80 000	15 000	338 030	
MUNICIPAL ENTITIES:						
City Power						
Johannesburg Water	10 000				10 000	
Pikitup						
Johannesburg Roads Agency						
Metrobus						
Johannesburg City Parks and Zoo						
Johannesburg Development Agency						
Johannesburg Property Company	50 000		50 000			
Metropolitan Trading Company						
Joburg Market						
Johannesburg Social and Housing Company						
Joburg City Theatres						
TOTAL ME's	60 000		50 000		10 000	
TOTAL CITY OF JOHANNESBURG	493 030		130 000	15 000	348 030	

... The detail adjustments per capital project are reflected in Annexure B attached to the report.

The adjustments per department and municipal entity are as follows:

CORE ADMINISTRATION:

Health Services

The 2019/20 capital budget for Health Department increased by R6.3 million from R92.7 million to R99 million as a result of the following:

- Bophelong Clinic increased by R2.4 million due to the USDG roll-over of funds being approved by the National Department of Human Settlements; and

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- Florida New Clinic increased by R3.9 million due to the USDG roll-over of funds being approved by the National Department of Human Settlements.

Group Information Communication Technology

The capital budget increased by R80 million from R406.6 million to R486.6 million. The following budget adjustment was made:

- Upgrading of Security Hardware Equipment Johannesburg R15 million due to critical processes going digital as a result of the 4th Industrial revolution and the new reality of global pandemics, the securing of the City of Johannesburg ICT environment becomes very critical;
- Wi-Fi increased by R45 million. The Wi-Fi project will enable City of Johannesburg citizens especially in previously disadvantaged areas, to have access to information and learning/educational materials. The other vital element of which the project seek to address was job search for unemployed youth of Johannesburg to be easier and free. The current pandemic and the "new normal" has resulted in the country and its cities and municipalities having to fast track ICT projects that have a direct impact on the lives of citizens. The provision of Wi-Fi services will have unlimited benefits to citizens including new schooling and learning opportunities that can be used by Johannesburg learners and students. The Braamfontein Mash has just gone online which will assist residents and students in the Braamfontein precinct; and
- Video conferencing and Legislature received an amount of R20 million. Due to COVID 19 there's need to limit physical contact for a prolonged period of 2 to 3 years based on leading experts opinions, the need for intelligent systems for virtual meetings and gathers has become imperative and is no longer a nice to have tool. This way of convening meetings will be a regular in the current pandemic period and the post pandemic period. This will also take in account the regional offices where most councillors use the AV/VC functionality.

Housing

The 2019/20 capital budget of Housing increased by R331.7 million to R1.5 billion. The following budget adjustments were made:

- Kya Sands / Lion Park New Bulk Infrastructure Kya Sand Ext.20 A Ward decreased by R10 million as the amount was transferred to Johannesburg Water;
- TransRelocation Area - Marlboro and Marlboro Gardens - 2295 units increased by R147.8 million;
- Trans Relocation Area - Madala Sports Field - 1233 units increased by R79.4 million;
- Trans Relocation Area - Alexandra Extension 52 - 144 units increased by R9.3 million;

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- Trans Relocation Area - Zandspruit Extension 84 - 701 units increased by R45.1 million; and
- Trans Relocation Area - Lufhereng - 2000 units increased by R60.1 million.

Development Planning

The capital budget increased by R15 million from R248.7 million to R263.7 million. The following budget adjustment was made:

- Jabulani increased by R15 million. The NDPG has been increased by an amount of R15 million - Gazette 43039 dated 21 February 2020.

MUNICIPAL ENTITIES

Johannesburg Water

The 2019/20 capital budget for Johannesburg Water increased by R10. Million. The following budget adjustment was made:

- Lion Park Bulk Water and Sewer Infrastructure Upgrade increased by R10 million. The amount was transferred from Housing to Johannesburg Water.

Johannesburg Property Company

The 2019/20 capital budget increased by R50 million to R160.1 million. The following budget adjustment was made:

- Secure taxi and informal trading facilities in response to Covid-19 increases by R50 million.

4 POLICY IMPLICATION

None.

5 LEGAL AND CONSTITUTIONAL IMPLICATIONS

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".

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6 FINANCIAL IMPLICATIONS

The 2019/20 capital budget decreases by a total amount of R493 million from
... R7 754 430 000 to R8 247 460 000 as reflected in the attached Annexure A.

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.

IT IS RECOMMENDED

That the Adjustment Capital Budget for 2019/20 amounting to R8 247 460 000 as set out in Annexure A and B be approved.

(FINANCE)

(Ntuthuzelo April)

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(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM