

City of Johannesburg Council 2020-06-17

COJ : MAYORAL COMMITTEE 2020-05-17

## **FINANCE**

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### **2 SPECIAL OPERATING 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 operating 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.

#### OPERATING ADJUSTMENT BUDGET FOR 2019/20

The revenue budget of the City reduces by R102.7 million due to government grant adjustments and R228 million due to revenue projections impacted by the COVID-19 pandemic (excluding internal revenue).

The expenditure budget reduces by R102.7 million in line with the revenue reductions for government grants and reduces by R43.1 million due to expenditure projections resulting from the COVID-19 pandemic (excluding internal expenditure).

The net effect of the adjustments results in a surplus (before capital transfers and taxation) of R71.1 million compared to the approved budgeted surplus of R255.9 million.

The table below reflects the high-level summary of the adjusted revenue and expenditure budget taking into account the adjustment on capital grants.

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	Approved Budget 2019/20 R 000	Sec 28 Adj R 000	Covid-19 Adj R 000	Adjusted Budget 2019/20 R 000
Revenue	56 964 811	(102 666)	(227 953)	56 634 192
Internal Revenue	7 870 096		288 206	8 158 302
	64 834 907	(102 666)	60 253	64 792 494
Expenditure	56 708 898	(102 666)	(43 086)	56 563 146
Internal Expenditure	7 870 096		288 206	8 158 302
	64 578 994	(102 666)	245 120	64 721 448
<b>Surplus (Deficit) before capital grants and contributions</b>	<b>255 913</b>		<b>(184 867)</b>	<b>71 046</b>
Capital Grants and contributions	3 165 458	385 540		3 550 998
Surplus (Deficit) after capital grants and contributions	3 421 371	385 540	(184 867)	3 622 044
Taxation	44 089		3 432	47 521
Surplus (Deficit) after taxation and capital grants and contributions	3 377 282	385 540	(188 299)	3 574 523

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

Description	Current Year 2019/20			
	Approved Budget R 000	Sec 28 Adj R 000	Covid-19 Adj R 000	Adjusted Budget R 000
<b>R thousand</b>				
<b>Revenue By Source</b>				
Property rates	12 292 550			12 292 550
Service charges - electricity revenue	16 171 871			16 171 871
Service charges - water revenue	7 888 696			7 888 696
Service charges - sanitation revenue	4 692 431			4 692 431
Service charges - refuse	1 829 949		504	1 830 453
Service charges - other	614 820		(37 764)	577 056
Rental of facilities and equipment	392 716		(30 473)	362 243
Interest earned - external investments	316 264		156	316 420
Interest earned - outstanding debtors	377 959		(4 495)	373 464
Fines, penalties and forfeits	1 004 523			1 004 523
Licences and permits	8 282			8 282
Agency services	779 451		(49 017)	730 434
Transfers and subsidies received	9 144 305	(102 666)		9 041 639
Other revenue	1 394 779		(50 649)	1 344 130
Gains on disposal of PPE	56 215		(56 215)	
<b>Revenue</b>	<b>56 964 811</b>	<b>(102 666)</b>	<b>(227 953)</b>	<b>56 634 192</b>
<b>Internal Transfers</b>	<b>7 870 096</b>		<b>288 206</b>	<b>8 158 302</b>
<b>Total Revenue</b>	<b>64 834 907</b>	<b>(102 666)</b>	<b>60 253</b>	<b>64 792 494</b>

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

- Service charges – refuse increase by R504 thousand due to projected income from domestic refuse collection rounds (RCR).

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- Service charges – other decrease by R37.8 million and it relates to:
  - Community Development, service charges – other decreased by R2 million due to current economic conditions and Covid-19 impact, facilities are not operational;
  - Development Planning, service charges-other decreased by R25 million as a result of a forecasted decline in building plan and land use application revenue due to the lockdown;
  - Pikitup, service charges - other decreased by R1.2 million as a result of a reduction on the City's cleaning levy based on current performance; and
  - Parks and Zoo, service charges - other decreased by R9.6 million due to a reduction in the number of admissions to the Zoo because of the closure to public admissions.
  
- Rental of facilities and equipment decreases by R30.5 million and it relates to:
  - JPC Portfolio, rental of facilities and equipment decreased by R24.9 million as most tenants wouldn't be in a position to honour their rental obligation in the last quarter of the financial year as their businesses are not generating any revenue and are closed for business. Tenants have requested a waiver of rental until such time as they are allowed to trade;
  - City Power, rental of facilities and equipment increased by R29 thousand in line with performance;
  - Parks and Zoo, rental of facilities and equipment decreased by R1.1 million due to a reduction on events bookings because of restrictions on social gatherings;
  - Joburg Market, rental of facilities and equipment decreased by R868 thousand due to the decrease in rental fees charged to tenants following a benchmarking process; and
  - JCT, rental of facilities and equipment decreased by R3.6 million mainly due to the theatres not operational as a result of the lockdown.
  
- Interest earned (investments and debtors) decreases by R4.3 million –
  - Joburg Market, interest earned - external investments interest received increased by R788 thousand due to the interest earned from the bank balance and buyer deposits;
  - JCT, interest earned - external investments decreased by R632 thousand mainly due to the theatres not operational as a result of the lockdown;
  - City Power, interest earned - outstanding debtors decreased by R3 million in line with performance;
  - Pikitup, interest earned - outstanding debtors increased by R1.3 million in line with year-to-date performance; and

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- JPC, interest earned - outstanding debtors reduced by R2.8 million as there are currently no interest bearing debtors and the revenue will not be realized.
- Agency services decrease R49 million –
  - JDA, agency services decreased by R31.6 million due the lockdown's negative impact on carrying out capital projects on behalf of the City;
  - Joburg Market, agency services decreased by R11.4 million as turnover is impacted negatively by the lockdown and the sales have decreased by 10%. Commission is based on turnover hence there will 10% decrease on the revenue; and
  - JOSHCO, agency services decreased by R6 million. The suspension of the construction of capital projects as a result of the Covid-19 lockdown regulations negatively affected the agency fees revenue.
- Transfers and subsidies received decrease by R102.7 million and it mainly relates to -
  - Transport, transfers and subsidies decreased by R102.7 million due to the reduction of R102.7 million on the Public Transport Network Grant: Opex (Gazette 43180 dated 30 March 2020).
- Other revenue decreases by R50.7 million and it mainly relates to –
  - Transport, other revenue decreased by R28.3 million as it was not feasible to collect the anticipated revenue with bus capacity limitations related to Covid-19 lockdown regulations;
  - JPC Portfolio, other revenue is reduced by R63 million mainly due to low advertising revenue projections as a result of the national lockdown;
  - City Power, other revenue decreased by R31.4 million due to the reduction in cut-offs and low numbers of new service connections;
  - Johannesburg Water, other revenue increased by R185.7 million due to bulk contributions received (R45.1 million) as well as developers funded network (R140.6 million);
  - Pikitup, other revenue increased by R1.3 million due to insurance proceeds received for damages to the Central camp depot;
  - Metrobus, other revenue is reduced by R38.2 million as a result of the decrease in passenger numbers due to the Covid-19 national lockdown regulations;
  - JPC, other revenue is reduced by R68.7 million due to lower third party facilitation fees as the construction industry has been hit hard by lockdown regulations and the entity's pipeline transactions could not be finalised before the implementation of the nationwide lockdown.

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Cell mast income is reduced by R1.6 million as it is limited to the potential base rental income expected to be generated during the last quarter of the financial year;

- JOSHCO, other revenue decreased by R801 thousand due to the decline in tender sales during lockdown; and
  - JCT, other revenue decreased by R7.2 million mainly due to the theatres not operational as a result of the lockdown.
- Gains and disposal of PPE decrease by R56.2 million and it mainly relates to:
    - JPC Portfolio, gains on disposal of assets is reduced by R56.2 million as this revenue would not be attainable as the Deeds office is currently closed for business due to lockdown restrictions and registration of properties would not happen in the remainder of the current financial year.
  - Internal transfers increase by R329.6 million 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 categories of the budget;

Description	Current Year 2019/20			
	Approved Budget	Sec 28 Adj	Covid-19 Adj	Adjusted Budget
	R 000	R 000	R 000	R 000
<b>R thousand</b>				
<b>Expenditure By Type</b>				
Employee related costs	15 303 199		(340 767)	14 962 432
Remuneration of Councillors	181 408			181 408
Debt impairment	4 121 463		884 296	5 005 759
Depreciation and asset impairment	4 266 823		(15 779)	4 251 044
Finance charges	2 807 622			2 807 622
Bulk purchases	18 062 889		(573 153)	17 489 736
Repairs and maintenance	2 155 255	(54 000)	(243 913)	1 857 342
Other materials	61 661			61 661
Contracted services	3 890 499	(23 666)	(19 269)	3 847 564
Transfers and subsidies paid	377 229	(25 000)	(10 100)	342 129
Other expenditure	5 510 267		276 227	5 786 494
Contributions to/(from) provisions	(29 417)		(628)	(30 045)
Loss on disposal of PPE				
<b>Expenditure</b>	<b>56 708 898</b>	<b>(102 666)</b>	<b>(43 086)</b>	<b>56 563 146</b>
<b>Internal Transfers</b>	<b>7 870 096</b>		<b>288 206</b>	<b>8 158 302</b>
<b>Total Expenditure</b>	<b>64 578 994</b>	<b>(102 666)</b>	<b>245 120</b>	<b>64 721 448</b>

The adjustment on the expenditure resulted from the following;

- Decrease in employee related cost by R340.8 million and it mainly relates to:
  - Economic Development, employee related costs reduced by R425 thousand based on the year-to-date performance;
  - EISD, employee related costs decreased by R477 thousand in line with year to date performance;
  - Transport, employee related costs decreased by R16.1 million of projected savings identified as per the March 2020 payroll;
  - Community Development, employee related costs decreased by R3.7 million in line with year to date performance;
  - Health, employee related costs decreased by R5.7 million in line with year to date performance;
  - Social Development, employee related costs decreased by R1.4 million in line with year to date performance;
  - GFIS, employee related cost decreased by R6.3 million in line with year-to-date performance as result of covid-19 outbreak and due to lockdown restrictions countrywide. The department won't be able to fill vacant positions in order capacitate its structure on time due to length recruitment process in the remaining two months;
  - Ombudsman, employee related cost decreased by R1 million in line with year-to-date performance;

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- City Manager, employee related cost decreased by R5.7 million in line with year-to-date performance;
- Speaker, employee related cost decreased by R43 thousand in line with year-to-date performance;
- GICT, employee related costs decreased by R20.4 million due to savings identified then transferred to contracted and other expenditure;
- Group Finance, employee related cost decreased by R12.8 million in line with year-to-date performance. The hiring processes was affected by country-wide shut down and the department won't be able to fill vacant positions in two remaining months;
- GCSS, employee related costs decreased by R29.5 million being the release of ex-Midrand workers fund (R36 million) of which R6.4 million was ring-fenced for personal protective equipment for employees that were physically required to work during the lockdown period;
- Housing, employee related costs reduced by R467 thousand in line with the city wide salary reduction;
- Development Planning, employment related costs decreased by R15.1 million mainly as a result of identified savings;
- Public Safety: HO, employee related costs increased by R2.9 million required for overtime costs for disaster management officers for COVID 19 response and outreach including mitigation preparedness;
- Public Safety: EMS, employee related costs decreased by R20.6 million of projected savings based on the year-to-date performance;
- Public Safety: JMPD, employee related costs decreased by R36.8 million due to the R94.7 million salary reduction in line with year-to-date performance and the increase of R57.9 million security budget transferred from JPC;
- City Power, employee related costs decreased by R14.1 million mainly due to the following:
  - R9.9 million reduction in overtime; and
  - R4.2 million savings in line with year to date performance.
- Johannesburg Water, employee related costs decreased by R1.7 million in line with year to date performance;
- Pikitup, employee related costs decreased by R19.1 million due to natural staff attrition and non-filling of vacancies;
- JRA, employee related costs decreased by R5.5 million in line with projected expenditure;
- Metrobus, employee related costs reduced by R33 million due to delays in the recruitment and filling of staff vacancies exacerbated by the Covid-19 national lockdown restrictions and the R1.3 million budget cut in line with year-to-date performance;
- Parks and Zoo, employee related costs decreased by R3.7 million in line with year to date performance;
- JDA, employee related costs decreased by R1.3 million in line with year to date performance;



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- JPC, employee related costs reduced by R67.2 million due to the R57.9 million security budget transferred to JMPD and a R9.3 million budget cut in line with year-to-date performance;
  - MTC, employee related cost decreased by R44 million in line with year-to-date performance;
  - Joburg Market, employee related costs reduced by R5.5 million due to projected savings based on the March 2020 payroll; and
  - JOSHCO, employee related costs decreased by R15.8 million as most of the appointments have been postponed to the following financial year following the lockdown and the budget cut in line with year-to-date performance.
- The provision for debt impairment increases by R884.3 million.
    - City Power, debt impairment increased by R143.9 million due to the revised payment levels from 97% to 96.1% because of the expectation that customers might not be able to service their debt because of the Covid-19 lockdown;
    - Johannesburg Water, debt impairment increased by R630 million due to the revised payment levels from 85% to 78.3% because of the economic downturn from Covid-19 pandemic; and
    - Pikitup, debt impairment increased by R106.4 million due to the reduction in collection levels as a result of customers and businesses inability to pay for services due to the impact of Covid-19 pandemic.
  - Depreciation in total reduces by R15.8 million and it mainly relates to the reduction in projected capital expenditure.
  - Bulk purchases decrease by R573.2 million –
    - City Power, bulk purchases decreased by R593.3 million as a result of a decrease in unit purchases by 3.9%;
    - Johannesburg Water, Bulk purchases increased by R20.1 million as a result of additional two million kilolitres to be supplied to informal settlements not billed (750 000kl at R7.6 million) and reconnection of supply to unmetered areas (1 250 000kl at R12.5 million) as part of the response to the Covid-19 pandemic.
  - Repairs and maintenance decrease by R297.9 million and it mainly relates to:
    - Economic Development, repairs and maintenance is reduced by R496 thousand in line with year-to-date performance;
    - EISD, repairs and maintenance decreased by R724 thousand due to savings on the existing contract for Queens Wetland;

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- Transport, repairs and maintenance is reduced by R62.1 million. R54 million to offset the reduction of grant revenue and R8.1 million as contractors could not commence with the implementation of projects before the national lockdown;
- Community Development, repairs and maintenance decreased by R8.4 million in line with year to date performance;
- Health, repairs and maintenance decreased by R675 thousand in line with year to date performance;
- Social Development, repairs and maintenance decreased by R493 thousand in line with year to date performance;
- Ombudsman, repairs and maintenance decreased by R85 thousand in line with year-to-date performance;
- City Manager, repairs and maintenance decreased by R8.4 million in line with year-to-date performance and to support efforts to combat Covid-19;
- Speaker, repairs and maintenance decreased by R212 thousand in line with year-to-date performance;
- Group Finance, repairs and maintenance decreased by R17.9 in line with year-to-date performance and to support efforts to combat Covid-19;
- GCSS, repairs and maintenance decreased by R3 million being identified savings due to the lockdown;
- Housing, repairs and maintenance reduced by R2.9 million due to projected savings based on the year-to-date performance;
- Development Planning, repairs and maintenance decreased by R500 thousand being identified savings due to the lockdown;
- Public Safety: HO, repairs and maintenance is reduced by R724 thousand in line with year-to-date performance;
- Public Safety: EMS, Repairs and maintenance reduced by R1.9 million in line with projected savings;
- Public Safety: JMPD, repairs and maintenance decreased by R1.7 million in line with year-to-date performance;
- City Power, repairs and maintenance decreased by R137.4 million in line with year to date performance;
- Pikitup, repairs and maintenance decreased by R7.3 million due to limited maintenance work to be implemented in the last quarter of the financial year;
- JRA, repairs and maintenance decreased in line with year-to-date performance by R1.1 million;
- Metrobus, repairs and maintenance decreased by R18.9 million due to savings on the repairs of machinery and fencing projects that are no longer a priority, and the budget cut in line with year-to-date performance;
- Parks and Zoo, repairs and maintenance decreased by R1.8 million in line with year to date performance;
- JPC, repairs and maintenance reduced by R4.1 million in line with year-to-date performance;

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- MTC, repairs and maintenance decreased by R627 million in line with year-to-date performance.
  - Joburg Market, repairs and maintenance decreased by R9.6 million. The budget is reduced in line with the projected savings based on the year-to-date performance;
  - JOSHCO, repairs and maintenance decreased by R6.6 million due to the decline in repair and maintenance jobs as a result of the national lockdown, and the budget cut based on year-to-date performance;
  - JCT, repairs and maintenance decreased by R159 thousand in line with year to date performance.
- Contracted services decrease by R42.9 million mainly due to the following:
    - Economic Development, contracted services increased by R97 thousand for the repairs and maintenance of opportunity centers;
    - EISD, contracted services decreased by R14.4 million due to savings identified from projects namely; Waste management, Air quality and Climate change, Water and Biodiversity and River clean-up, of which implementation will not be completed because of Covid-19 regulation restrictions and have been deferred to 2020/21 financial year;
    - Transport, contracted services decreased by R28 million. R23.7 million to offset the reduction in grant revenue and R4.4 million will not be spent due to curtailed activities as a result of the Covid-19 national lockdown;
    - Community Development, contracted service increased by R1.2 million due to a transfer from other expenditure to cover fleet payment shortfall;
    - GFIS, contracted services increased by R2.6 million due to movements of funds between line categories in order to pay for the work already done by service providers for Alexandra Renewal Projects;
    - Office of the Ombudsman, contracted Services decreased by R2 million in line with year-to-date performance and in support efforts to combat covid-19;
    - City Manager, contracted Services decreased by R24.8 million in line with year-to-date performance and due to lockdown restrictions. These funds were earmarked for the infrastructure planning, operation Buya Mthetho and strategic management for centre of excellence;
    - GICT, contracted services increased by R16.8 million due to increased costs that the department will face in light of keeping systems up and running remotely and the increased costs of security and networking;
    - Group Finance, contracted Services decreased by R27.8 million in line with year-to-date performance and due to lockdown restrictions. These funds were earmarked for tenders verification and investigation of state employees, procurement of banking services and procurement of financial information which have been deferred to the new financial year;

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- GCSS, contracted services increased by R4 million being budget reallocation to ensure that the fleet operation can be utilized for essential services;
  - Development Planning, contracted services decreased by R3.5 million being identified savings due to the lockdown;
  - Public Safety: HO, contracted services reduced by R5 million as the allocated budget will not be fully spent;
  - Johannesburg Water, contracted services decreased by R50 million due to savings identified in the procurement of services such as meter reading (R10 million), mobile plant by contract (R20 million) and water repairs (R20 million) because of Covid-19 regulations;
  - Pikitup, contracted services increased by R98.3 million mainly due to the following:
    - R93 million for additional fleet resources to focus mainly on refuse collection rounds, clearing of illegal dumping and improved services to informal settlements;
    - R5.3 million to cater for external service providers to assist with deep cleaning of streets during the Covid-19 period.
  - Metrobus, contracted services decreased by R8.3 million as the entity scaled down the budget for some of the contracted services in order to make savings to respond to the COVID-19 pandemic;
  - JDA, contracted services decreased by R2.9 million being identified savings due to the lockdown; and
  - Joburg Market, contracted services increased by R779 thousand as additional security staff is required for the enforcement of COVID -19 regulations.
- Transfers and subsidies paid decreases by R35.1 million and it mainly relates to:
    - Transport, transfers and subsidies paid reduced by R31.1 million, R25 million to offset the reduction in grant revenue and R6.1 million due to the delay in the approval of the taxi compensation contract; and
    - Social Development, transfers and subsidies paid decreased by R4 million due to the department not able to continue with the skills development programs for the beneficiaries exiting from the rehabilitation centers because of the contract terminated by the NGO.
  - Other expenditure increases by R276.2 million mainly due to the following:
    - Economic Development, other expenditure reduced by R97 thousand reallocated to contracted services above;
    - Transport, other expenditure decreased by R12.4 million in line with expenditure projections to yearend;

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- Community Development, other expenditure decreased by R11.2 million mainly as a result of assessment rate/departmental charges that were over budgeted for and a transfer of R1.2 million to contracted services for fleet;
- Social Development, other expenditure increased by R191 million mainly due to the following:
  - R175 million to cater for food vouchers for five hundred thousand indigent households to provide social relief during the lockdown; and
  - R16 million for establishment of the tent village for displaced persons.
- GFIS, other expenditure decreased by R2.1 million in line with year-to-date performance as a result of the covid-19 coronavirus outbreak and due to lockdown restrictions countrywide. These funds were earmarked for the electronic scanning of documents and fraud awareness outreach campaigns;
- Office of the Ombudsman, other expenditure decreased by R3.1 million in line with year-to-date performance as a result of the covid-19 coronavirus outbreak and due to lockdown restrictions countrywide. These funds were earmarked for the outreach awareness campaigns and legal expenses;
- City Manager, other expenditure decreased by R34.8 million in line with year-to-date performance and due to lockdown restrictions. These funds were earmarked for the IDP/Budget public participation, training of officials, travelling, events such as SA Open, diplomatic corps and marketing.
- GICT, other expenditure by R3.6 million due salary savings reprioritized to Rental expenses that are needed to ensure that the department keeps paying rent until year end;
- Group Finance, other expenditure increased by R15.2 million in order to cover costs relating to procurement of hygiene in order to curb coronavirus;
- GCSS, other expenditure decreased by R10.6 million being identified savings as a result of the lockdown;
- Development Planning, other expenditure decreased by R6 million being identified savings due to the lockdown;
- Public Safety: HO, other expenditure increases by R10.4 million with R8.4 million for the purchase of disaster relief material (Emergency tents, Food and hygiene packs, blankets and mattresses) and R2 million for the purchase of hygiene chemicals for the Licensing Offices;
- Public Safety: JMPD, other expenditure increased by R6.4 million due to the transfer of security related costs from JPC;
- JPC Portfolio, other expenditure increased by R36.9 million for the cleaning of all the taxi ranks and informal trading facilities in response to the COVID-19 pandemic;
- Pikitup, other expenditure decreased by R41 thousand due to savings on environmental educational campaigns;

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- Metrobus, Other expenditure increased by R17.1 million to purchase personal protective equipment and sanitizers to protect employees and customers in compliance with the Covid-19 lockdown regulations;
  - Parks and Zoo, other expenditure increased by R4.2 million to cater for the procurement of PPE, sanitation and other consumables to curb the spread of Covid-19 pandemic;
  - JDA, other expenditure decreased by R4.1 million being identified savings due to the lockdown;
  - JPC, other expenditure increased by R83.6 million due to the R70 million allocation for organisational readiness for health and safety of staff returning to work, access controls to city facilities to enable track and trace, management of members of the public accessing city facilities, daily cleaning of facilities and PPE for staff. Budget also reduced by R6.4 million for security related expenditure allocated to JMPD;
  - Joburg Market, other expenditure decreased by R3.1 million as some of procurement activities have been cancelled following the Covid-19 national lockdown regulations;
  - JOSHCO, other expenditure decreased by R1.2 million as training service providers are not available as a result of the national lockdown; and
  - JCT, other expenditure decreased by R3.5 million mainly due to the theatres not operational as a result of the lockdown.
- Contributions to provisions decrease by R628 thousand (Pikitup) in line with projections to yearend.

The subsidies to the MEs were adjusted by R329.6 million and are as follows:

Vote	Approved Budget 2019/20	Sec 28 Adj	Covid-19 Adj	Adjusted Budget 2019/20
	R 000	R 000	R 000	R 000
Pikitup	587 027	-	152 229	739 256
Johannesburg Roads Agency	1 176 531	-	-6 605	1 169 926
Metrobus	641 453	-	-4 920	636 533
Johannesburg City Parks and Zoo	875 745	-	9 410	885 155
Johannesburg Development Agency	37 181	-	23 344	60 525
Johannesburg Property Company	499 116	-	159 520	658 636
Metropolitan Trading Company	240 661	-	-671	239 990
Johannesburg Social and Housing Company	29 677	-	-10 579	19 098
Joburg City Theatres	120 628	-	7 841	128 469
Total subsidies to ME's	4 208 019	-	329 569	4 537 588

## 2.15

City of Johannesburg Council 2020-06-17

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### FINANCE

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#### Risk and Mitigation

##### Potential Risk

- Under performance on revenue;
- The reduction in surplus within the budget of Johannesburg Water and City Power.
- The increase in expenditure within the budget of Pikitup; and
- Increase in COVID-19 expenditure; and

##### Mitigation action

- Departments and entities must introduce efficiency measures within the existing budget to absorb any possible shortfalls;
- City Power and Johannesburg Water should make a concerted effort to increase surpluses in order to mitigate the risk of CoJ capital funding over the medium-term; and
- The City needs to request the National and Provincial government for additional funding.

#### 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".

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.

## 2.16

City of Johannesburg Council 2020-06-17

COJ : MAYORAL COMMITTEE 2020-05-17

### FINANCE

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#### 6 FINANCIAL IMPLICATIONS

<u>Consolidated Operating Budget</u> <u>(including internal transfers)</u>	Approved Budget R 000	Sec 28 Adj R 000	Covid-19 Adj R 000	Adjusted Budget R 000
Total Revenue	64 834 907	(102 666)	60 253	64 792 494
Total Expenditure	64 578 994	(102 666)	245 120	64 721 448
Capital Grants and Contributions	3 165 458	385 540		3 550 998
Taxation	44 089		3 432	47 521
Surplus (Deficit) for the year	3 377 282	385 540	(188 299)	3 574 523

#### 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, 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.

### 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 2019/20 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.**

(FINANCE)

(Ntuthuzelo April)

(Tel. (011) 358-3290)

(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM