



a world class African city

# Integrated Annual Report 2015/2016

*'Turning Challenges into Opportunities'*

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# About this report

## Statutory annual reporting process

The Municipal Finance Management Act (MFMA), the Municipal Systems Act (Section 46) and National Treasury's MFMA Annual Report Circular 63 require the City of Johannesburg (also referenced as "the City" or "CoJ") and its municipal entities to prepare an annual report for each financial year covering both financial and non-financial performance. The report is informed by guidelines provided by the International Integrated Reporting Council (IIRC) and also considers the reporting priorities outlined in the King Code of Governance for South Africa (2009) (King III). This report is structured as follows;

- About the Integrated Report;
- Chapter 1: Executive Mayor's Foreword and Executive Summary
- Chapter 2: Governance
- Chapter 3: Service delivery performance
- Chapter 4: Organisational development performance
- Chapter 5: Financial performance
- Chapter 6: Auditor-General Audit Findings
- Appendices

This Integrated Annual Report covers the period 1 July 2015 to 30 June 2016

## Referencing content online



The CoJ 2015/16 Integrated Annual Report is available at [www.joburg.org.za](http://www.joburg.org.za) and where applicable in this report, detailed information is referenced on the City's website.

## Scope and boundary of the Integrated Report

The boundary of this report is limited to performance reporting as it relates to the City of Johannesburg during the 2015/16 financial year. Where applicable, the boundary extends to reporting on performance by Municipal Entities (MEs) that facilitate service delivery on behalf of the City, and as mandated by the City. The City Integrated Report was approved by Council in March 2017 for the period 1 July 2015 to 30 June 2016.

## Reporting philosophy and Alignment to leading practice frameworks

CoJ subscribes to Integrated Annual Reporting. As such, the report aims to reflect its commitment to a measured and integrated approach to its strategy and operational practices; as well as the reporting of its economic, social and environmental impacts. Through the use of an integrated reporting format, and application of globally recognized governance and sustainability reporting frameworks, this report aims to offer stakeholders a clear view of how CoJ strategy, governance, performance and prospects – in the context of its external environment – leads to the creation of value over the short, medium and long term.

## Key features of this report

Key features of this year's report include:

- Illustrating how CoJ derives "material issues" and how they inform the City's strategy.

- Introducing a diagrammatic representation of CoJ’s sustainability-driven business model to demonstrate the visible links between strategy and sustainability priorities.
- Harnessing the principle of ‘materiality’ to inform report content.
- Linking, as far as possible, CoJ’s material risks to strategy and material issues, as well as providing mitigation activities to manage risk exposure.
- Presenting a high-level diagrammatic representation of the linkages between the company’s business model, operational structure, strategic objectives, capital inputs and business outcomes to demonstrate the connectivity between strategy, operations and performance;
- Using icons as a navigation feature of this report and to reference online resources on the company’s website.

#### Feedback

CoJ aims to establish and maintain constructive and informed relationships with its stakeholders. Accordingly, please direct any feedback on this report to [hlulanic@joburg.org.za](mailto:hlulanic@joburg.org.za)

#### Assurance

The integrity of the integrated annual report is overseen by the City’s independent oversight committees (Group Performance Audit Committee and Group Audit Committee). The CoJ Council through its Municipal Public Accounts Committee also considered this report as part of Council’s oversight process between February and March 2017. The Auditor General (South Africa) audited the city’s reported financial and non-financial performance. The report has also been made available to all City stakeholders.

#### Approval of the Integrated Report

The Council of the City of Johannesburg acknowledges its responsibility to ensure the integrity of the 20115/16 Integrated Annual Report. Council confirms having collectively reviewed the content of the Report and agree that it addresses issues that are material and that it provides a fair representation of the integrated performance of the City for the period 1 July 2015 to 30 June 2016.

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# Executive Mayor's Foreword

## Introduction

In August 2016, residents of Johannesburg gave a coalition of parties under the leadership of the Democratic Alliance a mandate to lead the City for the next five years. It is a mandate that we have accepted and therefore I am very pleased to present the Integrated Annual Report of the City of Johannesburg for 2015/16.

This annual report represents a financial year under the previous administration in the City. It represents the baseline against which the new administration will measure its improvements in the lives of the residents of the City.

## Past performance

We have inherited a City that has excelled in certain areas but is still faced with many challenges. Despite the City's efforts to create jobs, unemployment in the City still lies around 31% while youth unemployment is close to 40%. Over the past five-year term, the ranks of the unemployed swelled by 190 000 people.

The City has much to do in respect of its revenue collection in order to fund its mandate of delivering change. With the City close to its prescribed debt ceiling, more revenue needs to be raised through improvements in efficiencies. Massive capital investment is required to address a ten-year, R170 billion backlog in infrastructure, essential to enabling a growing economy. The pace of service delivery in the City remains far below the expectation of its communities. Complicated and inefficient governance decision-making processes, impact on the rollout of service delivery. The City's backlog stands at 300 000 with an annual rollout of housing that is inadequate.

## Future Outlook

Looking ahead we have put together a Mayoral Committee capable of delivering on the mandate of the coalition government. It is composed of men and women committed to improving the lives of the residents of Johannesburg. Together we will re-organise the City to ensure it works, and when Johannesburg works South Africa will work. Our approach is about getting the basics right in the City, because the role of local government has to be delivering services, stopping corruption and achieving the enabling environment that creates jobs. This requires us to get the basics right.

We have appointed the new City manager, Dr. Ndivhoniswani Lukhwareni, a seasoned local government administrator who is capable of helping us drive the new strategic priorities over the next five years. A crack team of investigators is being set up, ably led by Shadrack Sibiya, with the sole purpose of pursuing cases of fraud and corruption within the City. Council is set to approve policy that will allow for the very first open tender system in the City of Johannesburg, which will pave the way towards transparency and openness. We are currently finalising the City's first open housing list which will allow applicants to know where they stand on the housing list, provide them with the peace of mind knowing that the list cannot be manipulated.

We have a mandate to lead the City for the next five years. The over-arching approach has to be about achieving a minimum of 5% economic growth which creates jobs in our City, liberating the nearly 900 000 unemployed people in the City. Our focus in the following years will be on;

- Improving decision making and service delivery through re-absorption of municipal entities into the core and decentralising service delivery into the regions;
- Addressing the R170 billion infrastructure backlog with the help of the private sector that has balance sheets capable of investing about R20 billion a year;
- Improving the maintenance of our existing infrastructure to acceptable levels;
- Regeneration of the Inner City through partnering with private developers and investors to create an Inner City which can address our housing, economic and spatial development challenges;
- Professionalising the civil services and improving the experience of our residents by instilling the principle of 'Serving our Residents with Pride.'
- Eliminating billing problems, improving customer satisfaction and increasing our revenue collection;
- Working with the private sector to innovate solutions to the City's ability to meet the demands of the housing backlog;
- Routing out corruption and running a professional administration committed to the highest corporate governance standards.
- Achieving a turn-around in the state of the Rule of Law in the City by increasing the number of JMPD Officers, and implementing Municipal Courts to address by-law infringements.

#### **Gratitude**

I would like to thank the outgoing City Manager Mr. Trevor Fowler who assisted in managing the transition in a professional manner. I would also like to thank many of the City's employees, who have demonstrated their willingness to serve residents of Johannesburg regardless of their political inclinations.

To achieve these plans, I would like to call upon all staff who are committed to serve, to join us in delivering a working Johannesburg. Together, we look forward to serving the residents of Johannesburg with pride. I would also like to call upon all councilors, Members of the Mayoral Committee, Oversight Committees, and Group Advisory Committees to join hands and put Johannesburg first and deliver the change the residents voted for.

In the coming financial year, I implore our approximately 33 000 employees to work with the new administration to fast-track service delivery and bring about change to our residents and our country.

Because when Johannesburg works, South Africa will work!



**Cllr Herman Mashaba**

**Executive Mayor of the City of Johannesburg**

## Statement by City Manager

It gives me great pleasure to present the City of Johannesburg's 2015/16 Integrated Annual Report for the period July 2015 to June 2016. In this report we account for the progress towards the achievement of the 2011/16 Integrated Development Plan. 2015/16 is the final year of the 2011/16 IDP period and while this report focuses on the 2015/16 financial year, we also take the opportunity to reflect the work of the City over the five year period.

In 2011, we reviewed the City's long-term Growth and Development Strategy and developed a (2040) vision as well as a strategic plan which defined our goals and targets for the five-year term. We committed to building a resilient, liveable and sustainable Johannesburg, a spatially transformed City to enable residents to live and enjoy an improved quality of life. We based our plans on the demands and aspirations of our residents as well as our understanding of the operating context of the City. We have come to the end of the five year term 2011/16, for each year we made significant progress and achieved critical milestones towards the City's long term and five year objectives.

In 2011, we set ourselves a target of ensuring that Johannesburg was financially sustainable and resilient. The City adopted a financial development plan (FDP) to dynamically monitor and evaluate progress towards placing the city in a positive financial position. The financial performance of the City over the last five years bears testimony that the City's finances have been transformed and the City is in a better position than at the beginning of the term. This represents a strong foundation for the City's future plans.

Johannesburg also set a target of providing a safe, reliable and affordable public transport system as the backbone of the Corridors of Freedom programme towards spatially integrated communities. The City's Rea Vaya programme has been a critical driver of this objective as reflected in massive infrastructure investments to support this public transport system. In 2015/16 alone, on average, the BRT Rea Vaya systems delivered above 45 000 passenger trips daily. This public transport system remains a flagship programme in the City and continues to provide dignified public transport means for Johannesburg residents.

As part of a medium term objective, the City sought to spatially transform Johannesburg, to create new liveable communities closer to basic services and jobs. The flagship Corridors of Freedom programme is the key driver to achieve this objective. Backed by high levels of capital investment, the City has been able to support potential private sector investment in corridors by providing bulk infrastructure and basic amenities in corridors. This public funded initial investment in corridors will support private sector investment in the corridors.

The City also committed to improve the quality of life for Johannesburg residents. Our efforts in the public health portfolio show that over the five years, life expectancy has increased as a result of a combination of the City's efforts at primary health care level in partnership with other stakeholders in the health sector, including provincial and national government. The City has ensured roll out of anti-retroviral treatment at all its medical facilities as part of the fight against HIV/AIDS. Not only did the City improve access to medical facilities, it sought to improve the management of the delivery of those services through technological interventions aimed at shortening the time patients spend in City health facilities, while also allowing the City clinics to develop health profiles of residents.

The City's programme to address food security significantly reduced the number of poor people who go to bed hungry. The number of people who have access to basic services increased over the period. The establishment of the Integrated Intelligent Operating Centre as well as the JMPD 10 programs contributed to reduced violent crime and improved safety.

It is apparent that we have recorded a number of successes, however, we acknowledge the challenges that still confront the City, such as poverty, unemployment, sustaining and improving service levels, low economic growth, drug abuse, crime, corruption and urban management among others. These continue to be focus of our plans in the next political term. The City will continue to be seized with these challenges.

It's been a great pleasure to serve in the City of Johannesburg. I would like to take this opportunity to express my deep appreciation for the support received from the out-going and in-coming political leadership in Council, both past and present Executive Mayors Tau and Mashaba, Members of the Mayoral Committee, Speakers of Council and Section 79 Committees; the City's advisory committees which encompass the Group Audit Committee, Group Performance Management Committee and Group Risk Committee as well as the Chairpersons and Members of the Boards of the municipal-owned entities.

Administratively, I would like to thank the Chief Operations Officer, Gerald Dumas, Group Chief Financial Officer, Reggie Boqo, Group Heads, Cluster Conveners, Executive Heads, Managing Directors and the entire staff of the City and its entities for their continued support. Collectively the City remains committed to efficient service delivery and the attainment of a liveable, sustainable and resilient Johannesburg.

I would also like to welcome the new City Manager of Johannesburg, Dr Ndivhoniswani Lukhwareni. I would like to wish him all the best as he leads the administration into the next phase of the City's development.

A handwritten signature in black ink, appearing to read 'Trevor Fowler', with a stylized flourish at the end.

**Trevor Fowler**

**City Manager**

# Executive summary

## **Our Operating Environment**

The year 15/16 continued to present difficult economic conditions, which when coupled with the triple challenge of poverty, unemployment and inequality, contributed to residents and businesses encountering economic and social challenges. Johannesburg's population continues to grow, and is estimated at about 4.9 million people, making it the biggest metro by population size in South Africa. The City's challenges of poverty, unemployment and inequality are linked to the City's position as the economic and financial hub of South Africa presenting many migrants with the possibility of an opportunity for economic prosperity in Johannesburg. The City's socio-economic, and environmental context was a key driver and influence on the City's strategic plans and budget for 2015/16. This report demonstrates how the City has responded to this environmental context, how it has allocated resources to confront these challenges as well as how the City has performed against the targets set. The City will continue to innovate and be resourceful in dealing with the challenges of our operating context

## **Financial Sustainability and Resilience**

The City's financial management strategy, as articulated in the Financial Development Plan, and continues to deliver positive results. In 2015/16 the City achieved a surplus of R4.1 billion as compared to R3.6 billion in 2014/15 notwithstanding the economic climate which remained fragile throughout the financial year. The City's multi-year capital budget appropriation is beginning to yield benefits for the City as evidenced in the ability of the departments and entities to spend the capital budget appropriated. In the year under review, the City spent 90% of the budgeted R9.3 billion capital budget. The City's cash and cash equivalents at year end amounted to R4.4 billion. The focus remained to maintain adequate cash reserves to fund service delivery programmes through a stringent cash management approach. The challenging macro-economic environment continues to negatively impact on our customers' ability to pay for services. In the year under review the City achieved a revenue collection rate of 94.7%. The City continues to intensify credit control function however some customers have demonstrated affordability challenges due to, in some instances, the high level of household debt levels in the country. The City has maintained healthy levels of liquidity notwithstanding the successful redemption of debt amounting to R1.6 billion, including listed bonds and loans received from investors. Due to a sound credit record, the City successfully raised R3.9 billion long-term borrowings to fund infrastructure investments to improve the lives of Joburg citizens. The City again achieved an unqualified audit opinion as was the case in the previous financial year. This is a firm indication of the dedicated leadership which drives governance, compliance and strategic financial management. We continue to strive towards clean administration and the highest standards of corporate governance. During the year, Moody's Investors Service upgraded both the Global Scale Ratings and National Scale Ratings of the City of Johannesburg. The Global Scale Ratings was raised from Baa3 to Baa2, the same level as the sovereign rating while the National Scale Ratings was raised by four notches up from A2.za to Aa1. The Global Scale Rating of Baa2 is the highest possible rating that can currently be achieved by institutions with the best credit quality in South Africa.

## **Agriculture and Food Security**

This focus area is seen as a fundamental building block of enhancing the resilience levels of those who are most vulnerable in society. Resilience is seen as a critical for the achievement of other goals of social inclusion, engagement and citizen participation and overall engagement and participation in mainstream economic activities. The City has focussed on developing agri-business, helping to create sustainable livelihoods and eradicating food insecurity. As part of these interventions, the City has implemented a food parcel distribution network to address the immediate food needs of the vulnerable poor in society as well as actively supporting and providing incentives for small scale farmers / growers as new entrants into the food supply chain system. These farmers are also provided with assistance to access markets, strengthen their business models and stabilize as business enterprises. To this end the City can report a reduction of overall food insecurity in the identified vulnerable wards, the range and quality of support provided to emerging farmers who were part of the City's Food Resilience Programme, as well as achievements made in respect of the Agri-resource centres in the identified primary corridors.

### **Sustainable Human Settlements**

The City's approach to creating sustainable human settlements is driven by the need to achieve developmental goals. The City is moving people closer to jobs to give a greater number of poor people access to markets and jobs, through developing transit nodes in underdeveloped areas to create a spatial environment conducive to the agglomeration of economic activity, higher residential density and more intensive land use. This is being achieved through the City's transit-oriented node development programme and the inner-city transformation programme. The development of selected nodes in marginalised areas to stimulate local economies, increase competitiveness and broaden access to markets and jobs that are nearby is an important strategy towards making the space economy more efficient. This is being achieved through the Priority Areas Development Programme. The City is also linking jobs and people through the greenways programme that develops high-density movement corridors anchored by transit nodes to restructure the city form, promote efficient land use and improve transport energy consumption.

### **Job Creation, SMME and Entrepreneurial Support**

The challenge of unemployment in Johannesburg is significant. This priority targets the provision of support to Small, Medium and Microenterprises (SMMEs) and entrepreneurs – recognising the importance of these role-players in absorbing labour, and in developing, growing and improving the health of the urban economy. The City has implemented a number of interventions, i.e. the Expanded Public Works Programme (EPWP), Jozi@Work, Vulindlele'eJozi (VeJ) and ICT programmes, amongst others. In addition, this priority targets the establishment of the necessary conditions and support for SMMEs and entrepreneurs to flourish. With regard to EPWP, the City has created over 50 000 Expanded Public Works jobs in the year contributing significantly to giving residents an opportunity at decent employment. The City's entities continue to be a major contributor towards this effort.

The Jozi@Work programme has been implemented; an innovative job creation initiative where community based companies compete via a transparent process to partner with the City in carrying out work packages in their neighbourhood. This is done under the supervision of Capability Support Agents. Municipal entities also contribute to the Jozi@Work programme, for example Metrobus has given back significantly to the programme, both financially and through creating jobs such as the washing of buses at depots. The City has supported SMMEs and cooperatives in a range of areas

boosting the City's job creation capacity as well as its capacity to support entrepreneurial development in the city.

### **Eco-mobility**

Johannesburg Roads Agency, Rea Vaya and Metrobus remain critical drivers in the City's quest for sustainable public transportation towards making public transport, walking and cycling the mode of choice in the City in the future. Metrobus is taking the lead in contributing to the City's green economy agenda through ensuring that new and recapitalized buses use a combination of biogas and diesel thus emitting significantly less greenhouse gasses. The City managed to convert over thirty buses reducing emissions on those buses by over 20% on the average substitution of 15% diesel. Better, more efficient and more comfortable buses are being procured. JRA continued to provide quality public transport infrastructure in the form of 'Complete streets' that constructed or retrofitted to accommodate all road users (pedestrians, cyclists, public transport and motorists). During the year the cycling and complete streets projects at the Westbury/UJ/Wits route was completed. The City has also focussed on 'Open Streets' a programmes to support eco-mobility including road closures on certain days and times for public use. During the year there were twelve open streets activities, which included two freedom ride events. The Rea Vaya BRT system continued to provide fast, safe, affordable and convenient public transport in a network of bus routes across Johannesburg. Rea Vaya is the end product of an extensive process of consultation with a vast range of interested parties. A critical aspect of Rea Vaya is that it is an inclusive and integrated project. The project includes extensive efforts to integrate with a wide range of other services, including feeder vehicles, pedestrian corridors, bicycles, metered taxis and private cars. Further, Rea Vaya has the potential to contribute substantially towards the environmental sustainability of the City of Johannesburg.

### **Smart City**

The Smart City priority is aimed at growing the City's ability to provide the citizens of Johannesburg with affordable and universal access to communication services. This will assist the City to enhance service delivery through interventions such as smart metering for water and electricity services, e-services and widespread access to broadband. The programme will improve City decision-making as a result of the integration of city-wide data, while also increasing economic activity through providing the technology and connectivity necessary for businesses and entrepreneurs to thrive. The City implemented four main smart programmes in the City, although a smart approach is encouraged across all aspects of the City. These programmes are; the Smart Access Programme (for example, broadband, libraries and Wi-Fi hotspots); Smart Institution Programme (for example, the Enablement Programme and the Intelligent Operations Centre); Smart Technology Programme (for example, smart meters and the freeway management system); and Smart Citizen Programme (for example, Electronic Health Record System, MOOV, and the Joburg Application tool, a citizen engagement mobile platform).

### **Safer City**

The intention of the City is to create a safe and secure city that builds and empowers communities. This is linked to improved quality of life and resilience for all, including those more vulnerable to safety concerns. A number of elements make up this priority. These include traffic safety, the mitigation of hazards such as fire and weather-related or environmental hazards, countering conditions of deprivation, and fostering more supportive family systems and community networks. Through this priority, the City aims to achieve a city where all of its citizens are safe from crime, feel safe while

travelling and in public spaces, are safe from fires and other emergencies, and behave in a way that limits harm to themselves and others. The City has focused on reducing levels of crime in the city, through joint operations with various law enforcement agencies as well as bringing metro policing closer to communities through ward-based deployment. Investment in the CCTV system has also seen a decrease in serious crime (e.g. bank robberies, ATM/cash heists). Safe urban design and management is also a priority, with a multi-level project in place to develop a park safety framework and guidelines to enhance management and maintenance of parks in the city.

# Overview of City of Johannesburg

## ABOUT JOHANNESBURG

Johannesburg is home to about 4.9 million people, making it the biggest metro by population size in South Africa. It is the economic and financial hub of South Africa<sup>1</sup>. Johannesburg's population grew by 514 520 (11.6%) from 4 434 827 between 2011 census and 2016. Projections show, Johannesburg's population could increase to about 5.43 million in mid-2021, presenting significant implications in the form of threats, opportunities and challenges for the City. Johannesburg has a friendly business environment and has been successful in attracting business investment. Johannesburg's central location in South Africa's geography among other factors influence the dominance of trade and finance in the City economy.

## UNDERSTANDING JOHANNESBURG'S CHALLENGES

### Demographics

Johannesburg has high proportions of persons in the working age group (15-64 years) averaging much higher than corresponding proportions in the national population, implying that the City of Johannesburg has a major job creation and employment responsibility. Figure 1 below shows a large youth population (persons aged 14-35 years) which constitute over 40%, largely as a result of young people migrating to Johannesburg looking for better opportunities. While this large youth population presents potential for skills and higher productivity ratios associated with youthful economically active population, it has resulted in high youth unemployment of approximately 35%.

Johannesburg has 1.8 million households.<sup>2</sup> If assumptions underlying the projections hold, the City's projections indicate the number of households could increase from about 1.8 million to about 2.16 million in 2021. There will be however smaller households as the household size has declined from 3 persons per household to 2.7 persons per household in 2016. These are critical indicators for Johannesburg's current and future strategic plans and priorities.

While the projected future growth of Johannesburg population may be lower than during the period 2001 and 2016, the projected future growth (in excess of 2% per annum) still poses a challenge for planning and development in the City. The projected growth rates imply the City's population will double in less than 35 years if present trends continue with implications for provision of services as well as economic implications.

The proportion of the population aged 0-14 years has declined in the City, the survivors of this cohort will in the next 1-15 years will be potential entrants into the labour market. With continuing migration, the youth population and corresponding unemployment rate will remain high in the short to medium term. However, youth population is regarded as a production population which the City could tap into.

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<sup>1</sup> StatsSA Community Survey, 2016

<sup>2</sup> StatsSA Community Survey 2016

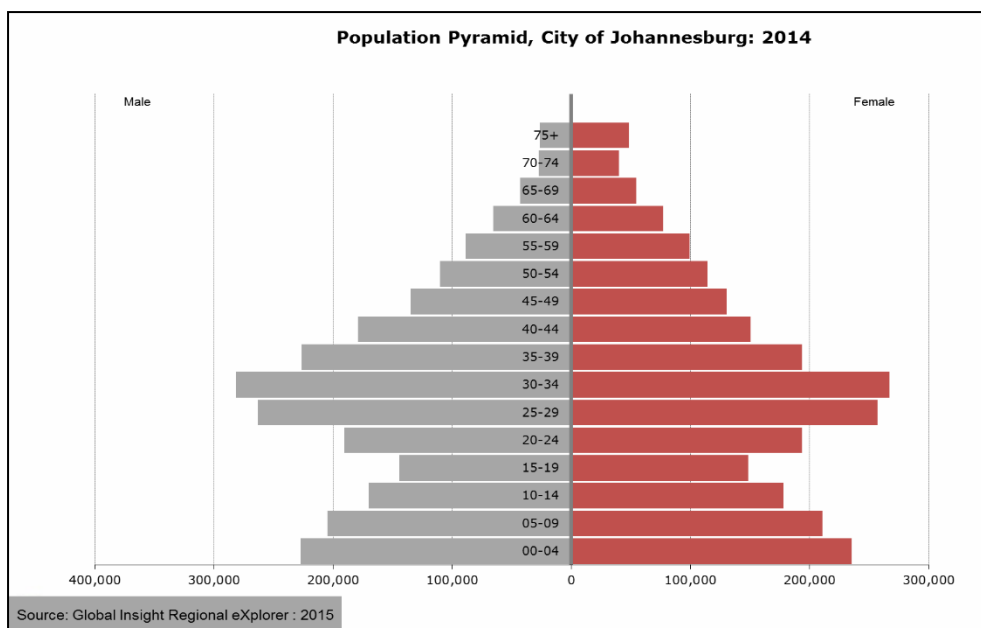


Figure 1: Age structure of CoJ population<sup>3</sup>

### Unemployment

The City of Johannesburg continues to fight high unemployment, which is one of the major problems facing South Africa as a whole. Overall, the City's unemployment in the first quarter of 2016 was 29.8% based on a narrow definition (StatsSA Quarterly Labour Force Survey May 2016). If the expanded definition is taken into account, unemployment in the City rises to approximately 40%. Youth unemployment is of particular concern and is estimated to be above 35%. The finance sector is the biggest employer in Johannesburg accounting for 26.6% of total employment, followed by the trade sector which employs 21.1% of the formal sector workers. The agricultural sector employs the least share of the formal sector workers with only 0.4%, while the informal economy employs 12.4% of the total employment in Johannesburg. The biggest number of informal economy jobs is generated in trade. (Global Insight, 2015). The structure of the economy influences employment patterns in the City creating a need to stimulate other dormant sectors of the Johannesburg economy.

Unemployment and, in particular, youth unemployment, will not only be one of the City's most pressing social and economic challenges, but also a major obstacle to transformation, growth and development. When almost half of a City's youth is unemployed, prospects for the future look grim. Unemployment also affects economic welfare, production, the erosion of human capital, social exclusion, crime and social instability

### Poverty and inequality

Poverty remains one of the city's biggest challenges influenced largely by factors such as spatial inequality and jobless growth, reinforced by low skills levels. Despite facing a number of economic challenges, the City has made great progress in social and economic issues. As such, the City has been one of the great economic development success stories, with sustained strong growth and impressive poverty reduction over the past 10 years. In the last five years the poverty headcount has declined by

<sup>3</sup> Global Insight, 2015

0.2 percentage points from 3.7% in 2011 to 3.5% in 2016. However, poverty level is still a concern as it increases social unrest and has a bearing on wellbeing and the dignity of the poor.

In Johannesburg: Region G (See figure 8 above) has the highest number of people living in poverty followed by Regions D and A, while Region B has the lowest number of people living in poverty. Although a considerable number of Johannesburg's residents are poor, there is a substantial middle and upper class which competes in the global financial and trade markets and adheres to international norms of urban consumption and culture. In addition, the city has a growing middle class which presents opportunities in terms of economic growth as well as the City's ability to improve its revenue base. This means that there needs to be a variety of services (both level and type) and amenities available to all citizens.

There is evidence of a growing middle class in Johannesburg. A growing middle class in Johannesburg can be positive in the following ways;

- The growth of middle class presents better prospects for economic growth;
- A strong middle class is essential for robust entrepreneurship and innovation.
- Promoting better governance is a key way the middle class grows the economy i.e. the middle class promotes efficient and honest delivery of government services.
- A stronger middle class also invests more in education.

## OUR STRATEGIC RESPONSE

The above socio-economic conditions raise a number of implications regarding the City's approach to strategic planning and local economic development, given competing allocation of scarce resources.

- If present growth rates in the CoJ continue, innovative or smart approaches will be required to accelerate improvement in residents' welfare;
- There is a credible implication for improved electricity provision for housing, health and other services as population and households increase over time;
- In view of the declining trend in the size of the 0-14 age group with accompanying increase in the working age group, there will be implications for the education sector in absorbing the potential increase in entrants to tertiary institutions.
- There will be implications of the increase in the size of the working age group for employment and job creation, savings, capital formation and investment if there are more new entrants into the labour market than those that exit.
- There will be implications for resource allocations with regard to different forms of old age support by government and support for the indigent, specifically for the City, in view of the high growth rate of the elderly population in the City.

These demographics and the accompanying socio-economic environment present challenges for the City, in the form of increased demand for services, jobs and infrastructure and. The City's plans and strategies respond to these challenges.

## STRATEGIC PLANNING FRAMEWORK

To respond to these challenges, opportunities and threats the City implements different, linked processes focusing on short, medium, and long-term planning. In summary, the City undertakes;

- Long-term planning: The City's Growth and Development Strategy – Joburg 2040
- Medium-term planning: The City's five-year Integrated Development Plan (IDP); and

- Short-term planning: The City's annual Institutional Service Delivery and Budget Implementation Plan (SDBIP). This is illustrated in figure 2 below.

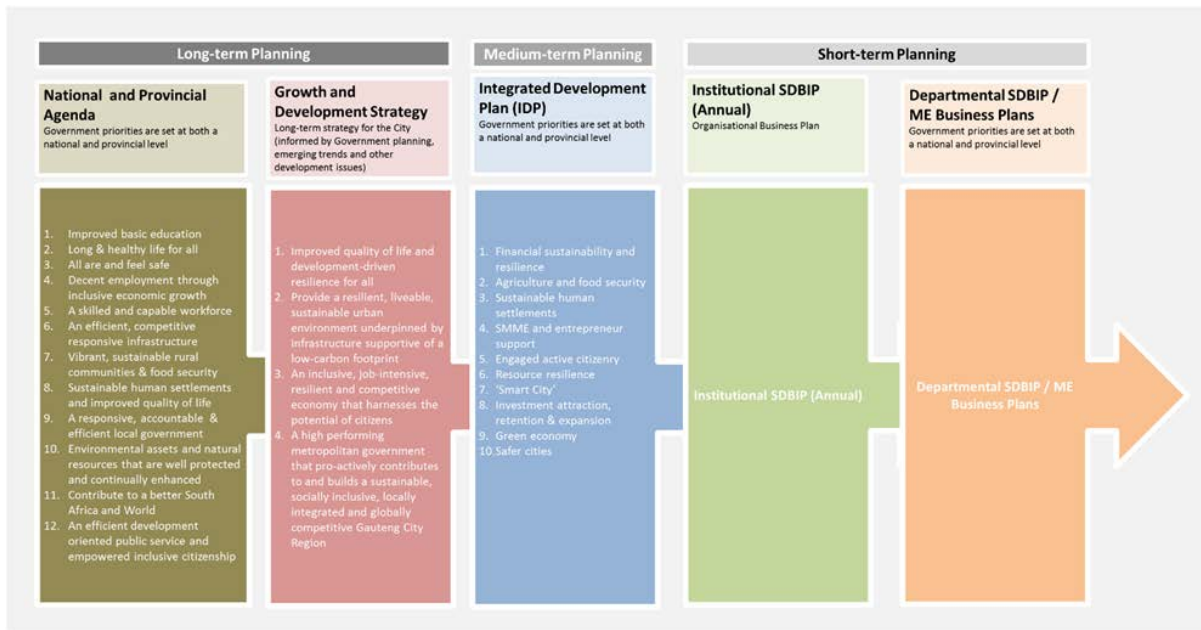


Figure 2: City of Johannesburg strategic planning framework

Growth and Development Strategy – Joburg 2040: Is the City's long-term aspirational strategy driven through four outcomes namely:

1. Improved quality of life and development-driven resilience for all.
2. A resilient, liveable, sustainable urban environment – underpinned by infrastructure supportive of a low-carbon economy.
3. An inclusive, job-intensive, resilient and competitive economy.
4. A leading metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive GCR.

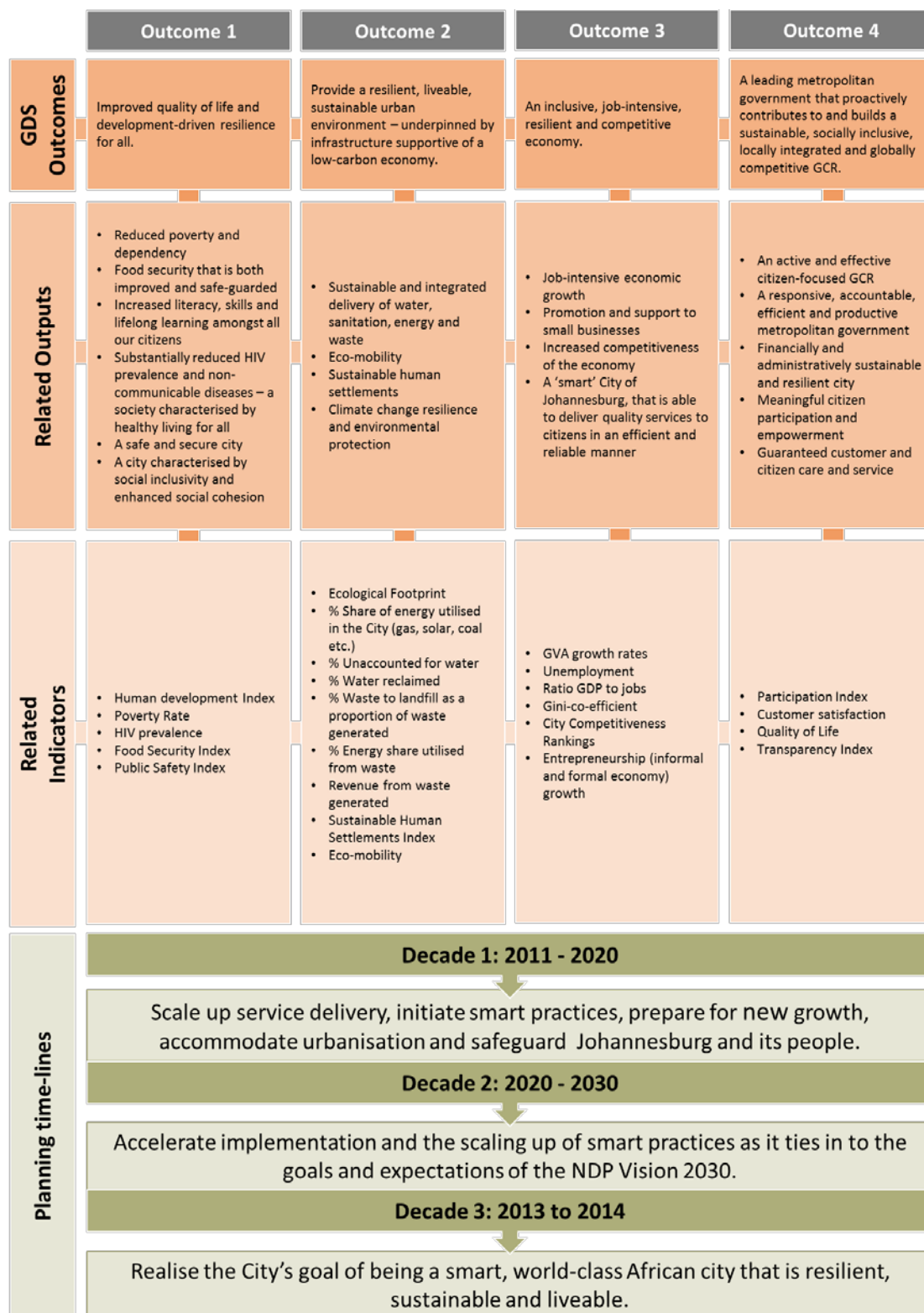


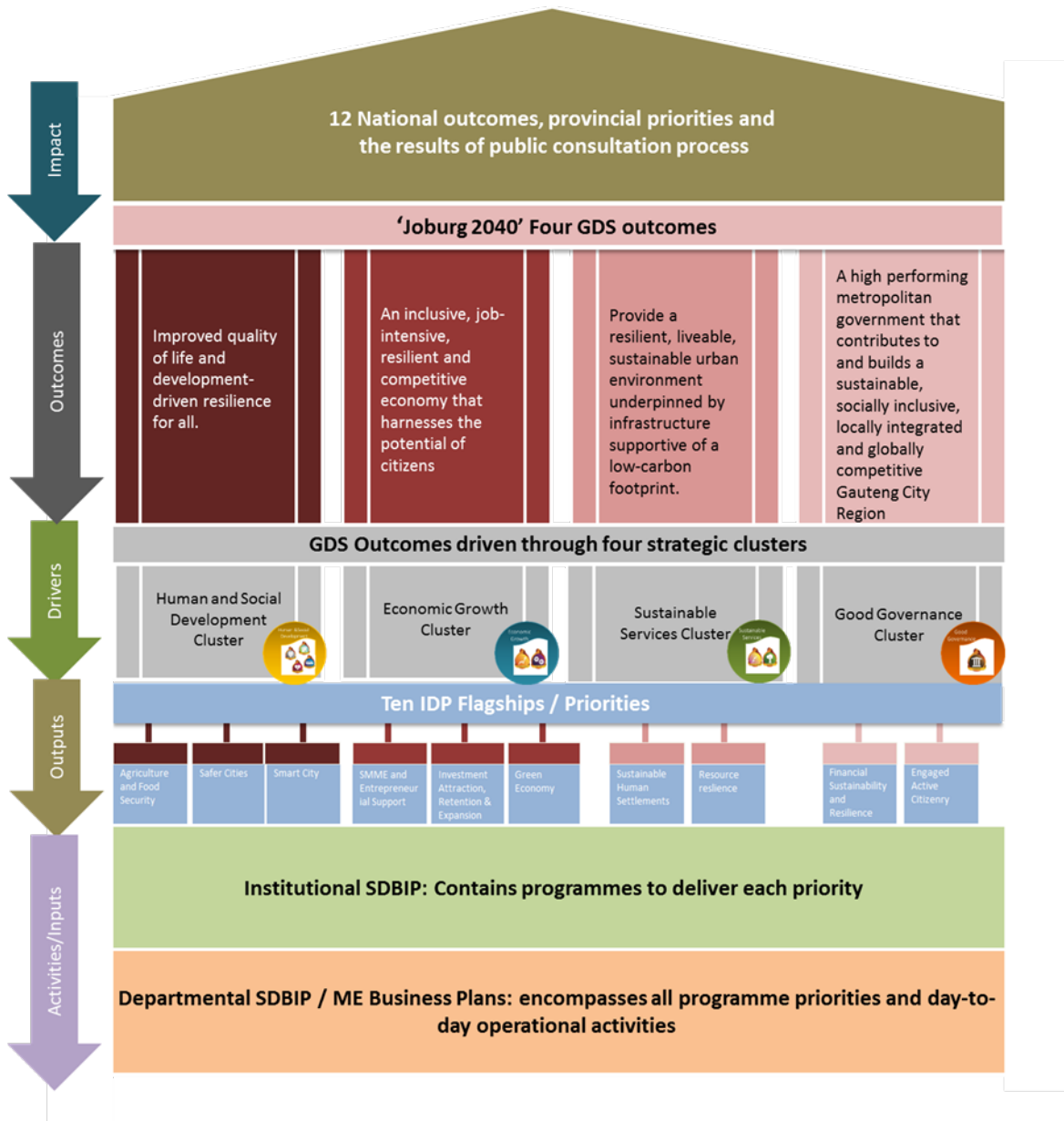
Figure 3: GDS Outcomes, Outputs and Indicators

These four outcomes, outputs and relevant indicators inform the City's medium term planning as encompassed in the City's five-year Integrated Development Plan (IDP). The 2015/16 IDP had ten priorities as listed in Table 1 below;

Programme Priorities	Programme enablers
Financial Sustainability and Resilience. 	Enhancing revenue; Optimising customer service centres and channels to enhance customer care; Creating a sound financial management environment.
Agriculture and Food Security. 	Subsidising food programmes to ensure safe, affordable food for all (people's restaurants, new markets, food exchanges; Introducing Agri-resource centres.
Sustainable Human Settlements. 	Providing basic services to vulnerable households; Upgrading marginalised areas/ areas of high deprivation; Formalisation and security of tenure; Enabling housing typologies (e.g. social housing, revitalisation of rental stock) that support Transit Orientated Development.
SMME and Entrepreneurial Support. 	Accelerating the implementation of a skills hub. Promoting area-based development.
Engaged Active Citizenry. 	Promoting community-based planning and budgeting. Reviving 1-stop Centres targeted at citizen partnerships and engagements and citizen empowerment.
Resource Sustainability. 	Reducing water losses; Maintaining storm-water management programmes; Implementing water demand management strategies; Diversifying sources of water (e.g. rain water harvesting) to address water scarcity and to increase revenue; Separating waste at source; Composting of organic waste; Recycling initiatives.
Smart City. 	Leverage optimum value from city-owned assets; Transform the Inner City through the Inner City Property Scheme, transfer properties in the Greater Soweto, Area, Greater Orange Farm, Ivory Park and Alexandra; and promote mixed development projects; Resuscitate declining and decaying economic nodes within the city.
Investment Attraction, Retention and Expansion. 	Devising an integrated communication and marketing strategy to support the City Strategy; Promoting the 'Buy, Sell, Invest and Visit' initiative; Entrenching and positioning Johannesburg as an ideal destination; Introducing efficiency and productivity benchmarks, assessment and monitoring instruments; Creating labour stability; Integrating the COJ Group Human Capital Governance Framework and strategy; Aligning talent management in support of the City's imperatives through a skilled workforce (by developing, retaining and acquiring the appropriate skills); Establishing a municipal academy / university.
Green Economy. 	Quality service delivery of Rea Vaya BRT; Restoring pedestrian bridges and dams to protect lives and livelihoods; Re-sealing of roads and promoting road safety and public transport usage; Upgrading gravel roads; Introducing managed lanes, walking, cycling and other recreational activities; Integrating different modes of public transport – especially with rail; Promoting 'Demand Side Management'; Smart metering; Energy generation and sales (energy mix); and Gas to landfill; Timing of use management at household level.
Safer Cities. 	Promoting community-based policing and partnerships; Implementing 'smart technology' (implement disaster management centres); Promoting and facilitating life-long learning. Introducing safe social spaces for cultural interaction; Promoting public safety;

**Table 1: List of priorities and interventions**

The ten IDP priorities are translated into key annual programmes and targets in the Service Delivery and Budget Implementation Plan, Business Plans of departments and entities. The SDBIP is the annual implementation plan supported by financial allocations. The figure below illustrates how the three strategic plans (GDS, IDP and SDBIP) align in the City of Johannesburg



**Figure 4: City of Johannesburg strategic planning model**

## THE CITY'S VALUE CREATION PROCESS

### Vision

Johannesburg – a World Class African City of the Future – a vibrant, equitable African city, strengthened through its diversity; a city that provides real quality of life; a city that provides sustainability for all its citizens; a resilient and adaptive society

## Mission

Johannesburg has committed to pro-active service delivery and the creation of a city environment that is resilient, sustainable and liveable by 2040. We aim to achieve this through long-term, targeted 2040 plans and programmes, as well as quality service delivery and by providing enabling support that drives economic growth. We further aim to promote optimal management of our natural resources and encourage careful consideration for the environment, whilst developing a non-racial and culturally diverse society. We will only succeed in these endeavours if we commit to sound financial management and governance in all the City does.

## Values

- Proactively assisting the poor;
- Involving more citizens to ensure the sharing of economic opportunities;
- Building 'equality neighbourhoods' and integrating communities;
- Protecting the natural environment for future generations;
- Promoting unity and togetherness to ensure a collective sense of belonging; and
- Encouraging meaningful interactions between the City and its citizens.

The figure below provides an overview of the City's 'value creation process' and shows how the City's various capital inputs (i.e. financial, manufacturing, human, intellectual, relationship and environmental) are transformed into financial returns as well as non-financial sustainability outcomes.

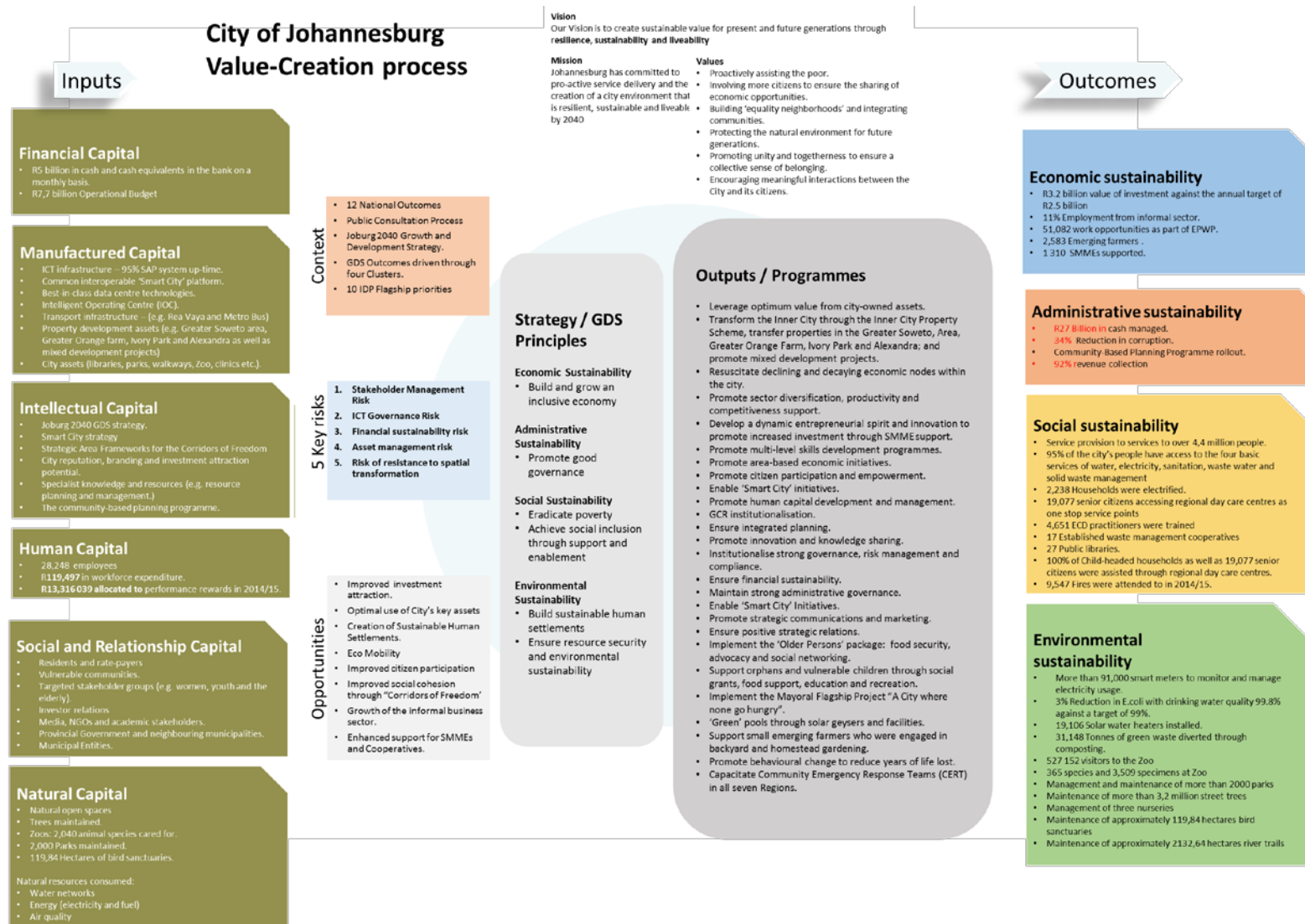


Figure 5: City of Johannesburg integrated value creation model

## THE CLUSTER SYSTEM

To better coordinate programme implementation and manage interdependencies, the City implements a cluster system with four clusters, namely Human and Social Development, Economic Growth, Sustainable Services and Governance. The figure below provides detail of the cluster system;



Figure 6: City of Johannesburg cluster system

The table below provides an overview of the City's cluster composition, including the cluster focus areas and the responsible departments and entities that facilitate the delivery of cluster services.

Cluster	Department and Entity	Focus Area
<b>Sustainable Services</b> 	<b>Departments:</b> Environment and infrastructure Services department; Housing department  <b>Entities:</b> Joburg Water; City Power; PIKITUP; Johannesburg Social Housing Company (JOSHCO)	Resource management of (water, energy); Sustainable Human Settlements; Mass public transport and non-motorized transport; Climate change resilience; Waste minimization; Informal Settlement Upgrading
<b>Economic Growth</b> 	<b>Departments:</b> Economic Development department; Transportation department; Development Planning department  <b>Entities:</b> Johannesburg Property Company; Joburg Market; Johannesburg Roads Agency;	Activist Government; Job Intensive economic growth; Small business, entrepreneurship and informal economy; Competitiveness Support; Smart City; Financial Sustainability

	METROBUS; Johannesburg Development Agency	
<b>Human and Social Development</b> 	<b>Departments:</b> Social development department; Community development department; Health department; Public Safety department  <b>Entities:</b> City Parks and Zoo; Joburg City Theatres	Cohesion and inclusion; Community Safety; HIV/AIDS and non-communicable diseases; ECD, ABET and learning; Food Security and poverty Support
<b>Governance</b> 	<b>Departments:</b> Group Corporate and Shared Services; Office of the Speaker: Legislature; Office of the Mayor/City Manager; Group Finance	Clean, accountable and productive Governance; Civic collaboration and Participation; Citizen and Customer Care

**Table 2: Cluster membership and focus areas**

### Cluster Materiality Issues

The following tables show the material issues relating to each cluster, issues that inform the City's strategic plans.

<b>Sustainable Services Cluster</b>		
<b>GDS Principle</b>	<b>Material issue</b>	<b>Key aspects of our management approach</b>
Build sustainable human settlements	Promote sustainable human settlements	<ul style="list-style-type: none"> <li>Promote sustainable human settlements.</li> <li>Ensure effective land management and acquisition.</li> <li>Promote priority area planning and implementation.</li> </ul>
	Promote eco-mobility	<ul style="list-style-type: none"> <li>Promote greenways and mobility.</li> <li>Promote Transit Oriented Development.</li> <li>Facilitate a shift to low carbon economy.</li> </ul>
Ensure resource security and environmental sustainability	Ensure the sustainable and integrated delivery of water, sanitation, energy and waste.	<ul style="list-style-type: none"> <li>Ensure efficient urban water management (reduce water demand supply).</li> <li>Promote integrated waste management.</li> </ul>
	Address climate change and ensure environmental protection	<ul style="list-style-type: none"> <li>Promote integrated planning, policy development and standard setting in terms of environmental considerations.</li> <li>Prioritise area planning and implementation.</li> </ul>

<b>Economic Growth Cluster</b>		
<b>GDS Principle</b>	<b>Material issue</b>	<b>Key aspects of our management approach</b>
Build and grow an inclusive economy	Ensure optimal use of the City's assets to create a 'Smart City'	<ul style="list-style-type: none"> <li>Leverage optimum value from city-owned assets.</li> <li>Transform the Inner City through the Inner City Property Scheme, transfer properties in the Greater Soweto, Area, Greater Orange Farm, Ivory Park and Alexandra; and promote mixed development projects.</li> <li>Resuscitate declining and decaying economic nodes within the city.</li> </ul>
	Ensure support for entrepreneurs and SMMEs	<ul style="list-style-type: none"> <li>Promote sector diversification, productivity and competitiveness support.</li> <li>Develop a dynamic entrepreneurial spirit and innovation to promote increased investment through SMME support.</li> </ul>

	Reduce unemployment through job-intensive economic growth	Promote multi-level skills development programmes.
	Ensure financial stability	Promote area-based economic initiatives.

<b>Human and Social Development Cluster</b>		
<b>GDS Principle</b>	<b>Material issue</b>	<i>Key aspects of our management approach</i>
Eradicate poverty	Address poverty and dependency	Implement the 'Older Persons' package: food security, advocacy and social networking. Support orphans and vulnerable children through social grants, food support, education and recreation.
	Ensure food security whilst promoting a 'green economy'	Implement the Mayoral Flagship Project "A City where none go hungry". 'Green' pools through solar geysers and facilities. Support small emerging farmers who were engaged in backyard and homestead gardening.
Achieve social inclusion through support and enablement	Build a safe and secure city	Promote behavioural change to reduce years of life lost. Capacitate Community Emergency Response Teams (CERT) in all seven Regions.
	Promote health, literacy, skills and cultural diversity	Promote social cohesion through access to common social spaces and common cultural opportunities. Promote social cohesion through dialogue, engagement and outreach. Empower and support learners.

<b>Administrative sustainability</b>		
<b>GDS Principle</b>	<b>Material issue</b>	<b>GDS Principle</b>
Promote good governance	Ensure active citizen participation and empowerment	Promote citizen participation and empowerment. Enable 'Smart City' initiatives.
	Promote a responsive and accountable, efficient and productive metropolitan government	Promote human capital development and management. GCR institutionalisation. Ensure integrated planning. Promote innovation and knowledge sharing. Institutionalise strong governance, risk management and compliance.
	Promote a financially and administratively sustainable resilient city	Ensure financial sustainability. Maintain strong administrative governance.
	Ensure guaranteed customer / citizen care and service	Enable 'Smart City' Initiatives.
	Promote an active and effective citizen-focused GCR	Promote strategic communications and marketing. Ensure positive strategic relations.

# Governance, compliance and risk management

## INTRODUCTION TO GOVERNANCE

The City of Johannesburg Metropolitan Municipality (“CoJ”) is a Category A Municipality in South Africa as defined in the Municipal Structures Act, No. 117 of 1998 as amended. The City has a well-defined political and administrative governance system supported by implementation of principles of King III on Corporate Governance.

2015/16 was the final year of the 2011/2016 IDP cycle and in the City witnessed a change in the political leadership of the City in August 2016. Given that the report is considered seven months after the end of the financial year, the report makes reference to both the outgoing and incoming political leadership. However, there weren’t any major changes pertaining to the governance structure and service delivery model during the reporting year. Figure 7 below provides a summary of the City’s Governance function and oversight.

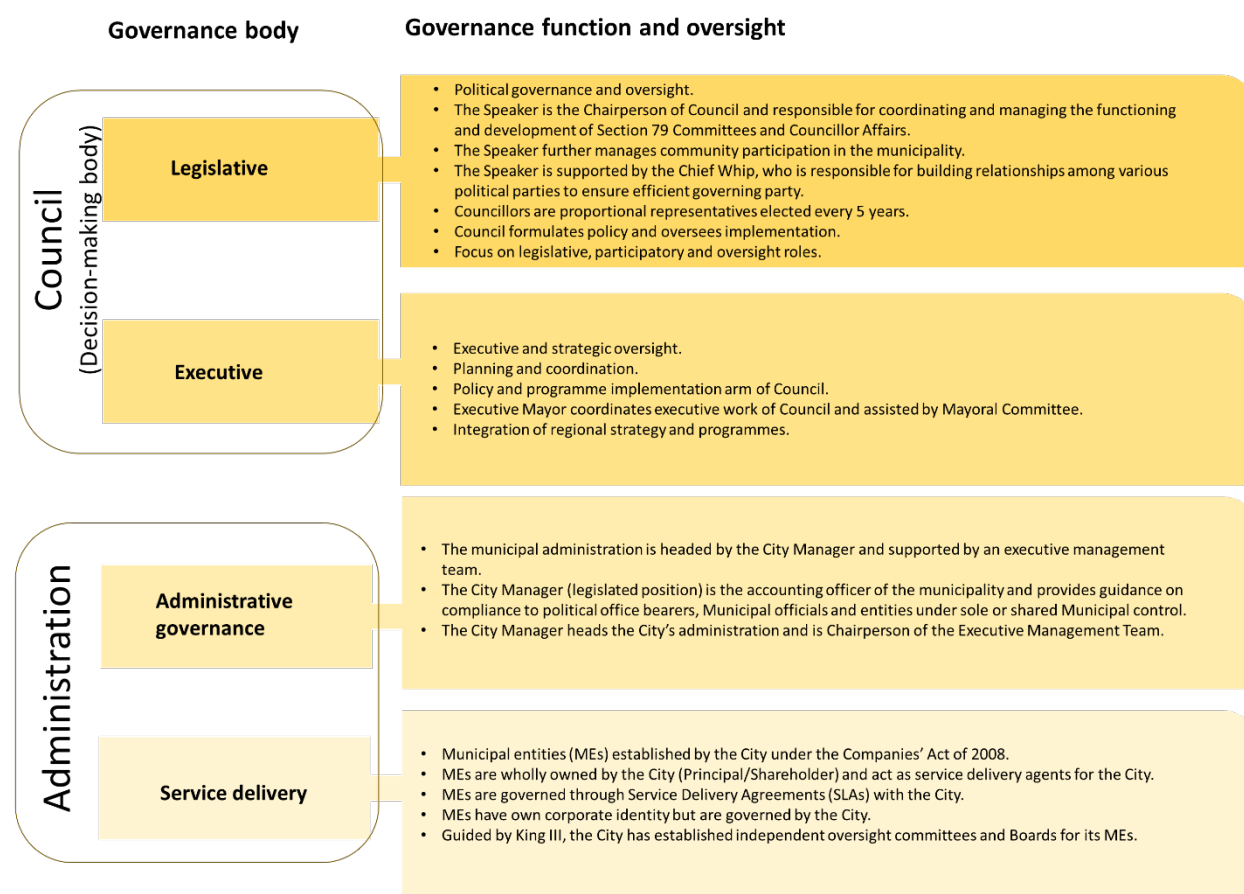


Figure 7: Summary of governance arrangements

## GOVERNANCE BODIES, GOVERNANCE FUNCTIONS AND OVERSIGHT

Council is the decision making structure of the City. It is composed of both legislative and executive functions. The Administration is responsible for service delivery, policy-making and regulation. The City uses Municipal Entities (MEs) as implementation arms, creating focused, specialised and non-bureaucratic processes. There are also regional structures that monitor service delivery and citizen

care, which evaluate service delivery on the ground. They provide a link between the City, its citizens and other stakeholders.

Currently, the City implements a model similar to that of provincial and national Parliament, emphasising the separation of executive and legislative functions to promote oversight, accountability and public participation. The separation of functions between legislative and executive arms of Council is a governance innovation implemented to enhance oversight and public participation in Council programmes. This is achieved through the delegation of legislative and executive functions of Council to the legislative and executive arms respectively. Service delivery implementation and policy issues such as Integrated Development Planning and tariffs are delegated to the Executive (led by the Executive Mayor). Legislative functions are delegated to Council and its committees and these include oversight and public participation. The latter is fundamental to successful delivery of services, accountability and public consultation in local government.

The City established independent oversight committees and Boards for its Municipal Entities. These arrangements enable improved political and administrative oversight, as well as greater scrutiny and increased accountability within Council and its entities. This improved oversight has improved the levels of clean governance in the City as well as the levels and intensity of citizen engagement through processes of consultation and communication. The City's governance and institutional arrangements are critical to achieving its vision of a world class African city.

The 2011-16 Council had 260 Councillors split equally between ward Councillors and proportional representation Councillors. Councillors are allocated to various committees established in terms of Section 79 of the Municipal Structures Act. The committees exercise functions delegated to them by Council, primarily oversight and public participation. **Appendix A** provides a full list and breakdown of Councillors, including committee allocations.

## POLITICAL GOVERNANCE STRUCTURE

### **Political Leadership – Legislative**

The political leadership of the city is organized based on legislative and executive functions, i.e. the legislative function of Council is implemented by Council and its committees, led by the Council Speaker, supported by the Chief Whip of Council. The Speaker of Council is the Chairperson of Council presiding over Council meetings in accordance with Council's Standing Rules. The Speaker has a responsibility for Section 79 oversight committees and for Councillor Affairs to develop political governance capacity among Councillors. The Chief Whip is an official office bearer, who is a member of the majority party and also Chief Whip of the Majority Party. The Chief Whip ensures proportional distribution of Councillors to various Committees of Council. The Chief Whip maintains sound relations among the various political parties by attending to disputes among political parties. In 2015/16 the mandate of the Legislative Arm of Council focused on; accountability, oversight and scrutiny; strengthening the capacity of the Legislative Arm of Council; public participation to safeguard local democratic processes; and sound financial management.

### **Political Leadership - Executive**

The Executive Mayor appointed a Mayoral Committee from among elected Councillors. The City's Mayoral Committee performs those elements of the Executive Mayor's powers and functions as may

be designated by the Municipal Council, exercising and performing them in support of the Executive Mayor. The City's Mayoral Committee ensures that service delivery takes place, including but not limited to improving efficiency, credit controls and revenue, and administration of the municipality. Annually, the Committee reports on community involvement and ensures regard is given to public views during consultations. In 2015/16 the political leadership of the City was composed as follows:



Parks Tau  
Executive Mayor



Connie Bapela  
Speaker of Council



Prema Naidoo  
Chief Whip



Mally Mokoena  
Corporate and Shared  
Services



Chris Vondo  
Community  
Development



Dan Bovu  
Housing



Roslyn Joan Greef  
Development Planning



Geoffrey Makhubo  
Finance



Sello Lemao  
Public Safety



Matshidiso Mfikoe  
Environment,  
Infrastructure & Services



Christine Walters  
Transportation



Ruby Mathang  
Economic Development



Nonceba Molwele  
Health and Social  
Development

**Incoming Mayoral Committee**

Being the end of the 2011/2016 Mayoral Term, the August 3, 2016 elections led to a new political leadership for the 2016/2021 IDP period. The in-coming political leadership of the City is composed as follows:



Herman Mashaba  
Executive Mayor



Speaker of Council  
Vasco da Gama



Chief Whip of Council  
Dr Kevin Wax



Dr Valencia Ntombi  
Khumalo  
Corporate and Shared  
Services



Nonhlanhla Sifumba  
Community  
Development



Mzobanzi Ntuli  
Housing



Richard Ngobeni  
Development Planning



Dr Rabelani Dagada  
Finance



Michael Sun  
Public Safety



Anthony Still  
Environment,  
Infrastructure & Services



Nonhlanhla Makhuba  
Transportation



Sharon Peetz  
Economic Development



Dr Mpho Phalatse  
Health and Social  
Development

## COUNCIL OVERSIGHT AND SCRUTINY

Political oversight functions of Council are exercised primarily through Section 79 Committees. Clear guidelines on how these committees address oversight responsibilities are outlined in the Oversight and Scrutiny Framework. Councillors also physically visit sites where projects are implemented - especially service delivery projects - so as to fulfil their oversight roles. Other oversight tools include the use of questions by individual Councillors to hold the Executive to account, as well as motions to ensure debate on Council issues. To promote oversight and accountability, committees determine priority areas for oversight in respect of each portfolio, which are guided by the priorities of the City as contained in its strategic agenda. Oversight reports are submitted to Council on a quarterly basis and are based on departmental quarterly reports. In addition, committee visits to projects and service delivery sites assist and complement the Committees' oversight function.

### Chairpersons of Section 79 Portfolio Committees

Section 79 committees are established in terms of Section 79 of the Municipal Structures Act and are chaired by non-executive councillors from the majority party. These committees assist Council in executing its responsibilities such as oversight by monitoring the delivery and outputs of the Executive. Committees do not have any delegated decision-making powers. Their functions include; Reviewing, monitoring and evaluating departmental policies; Reviewing and monitoring city plans and budgets; Considering quarterly and annual departmental reports; Examining the link between the strategy, plans and budgets of the City; and, Holding the political Executive accountable for performance against policies and City priorities. In 2015/16 the following were Chairpersons of Section 79 committees.

**Table 3: Chairpersons of Section 79 committees**

Committee	Chairperson
Chair of Chairs	ClIr Solly Mogase
Rules Committee	ClIr Jeanette Putsoa
Ethics/Disciplinary Committee	ClIr Zodwa Nxumalo
Housing Committee	ClIr Jacqui Lekgetho
Petitions and Public Participation Committee	ClIr Lebohang Tshabalala
Corporate and Shared Services Committee	ClIr Cathy Seefort
Environment, Infrastructure and Services Committee	ClIr Ursula Lichaba
Finance Committee	ClIr Boyce Gcabashe
Transport Committee	ClIr Bafana Sithole
Economic Development Committee	ClIr Willie van der Schyf
Community Development Committee	ClIr Jacqui Lekgetho

Municipal Public Accounts Committee	CLlr Sol Cowan
Development Planning Committee	CLlr Salphina Mulaudzi
Health and Social Development Committee	CLlr Morithi Matlou
Oversight Committee on Gender, Youth and People with Disabilities	CLlr Franscinah Mashao
Oversight Committee on Governance	CLlr Rosemary Thobejane-Ndoqo
Oversight Committee on the Legislature	CLlr Justice Ngalonkulu
Public Safety Committee	CLlr Oupa Tolo
Community Development Committee	CLlr Zarina Motala

## Administrative Governance Structure

### Executive Management Team (EMT)

The EMT under the leadership of the City Manager, Mr Trevor Fowler, led the City's drive to achieve its strategic objectives, as outlined in the SDBIP and IDP each year. The EMT is made up of Executive Heads, Group Heads, Managing Directors and Chief Executive Officers of the City's departments and entities. Figure 8 provides an overview of the structure of the Office of the City Manager (OCM).

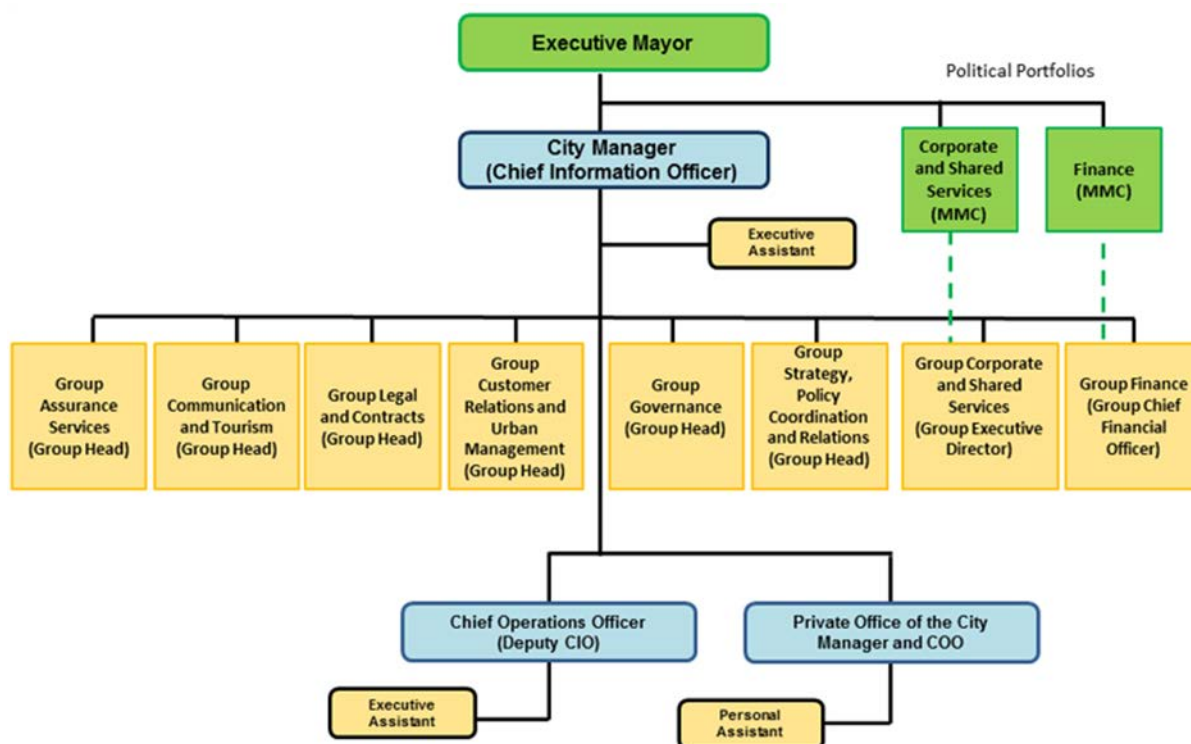


Figure 8: Office of the Executive Mayor, City Manager and Group Functions

The table below shows the individuals who constituted EMT in 2015/16, responsible for implementing Mayoral Committee resolutions on a day-to-day basis as well as managing the municipal strategy, budget, major procurement, and Group policies.

Designation	Incumbent
City Manager	Trevor Fowler
Chief Operations Officer	Gerald Dumas
Group Chief Financial Officer	Reggie Boqo
Group Head: Group Internal Audit	Vusumuzi Justice Ndlovu

<b>Designation</b>	<b>Incumbent</b>
City Manager	Trevor Fowler
Group Head: Group Legal and Contracts	Mbulelo Ruda
Group Head: Group Strategy, Policy Coordination and Relations	Blake Mosley-Lefatola
Group Executive Director: Corporate and Shared Services	Vuyo Mlokothi
Group Head: Group Communications and Tourism	Makhudu Sefara
Group Head: Governance	Bryne Maduka
Group Head: Citizen Relations and Urban Management	Vicky Shuping
Group Head: Group Risk and Assurance Services	Sinaye Nxumalo
Executive Director: Health	Refik Bismilla
Executive Director: Development Planning	Yondela Silimela
Executive Head: Social Development	Wandile Zwane
Executive Director: Environment and Infrastructure Services	Tiaan Ehlers
Executive Director: Transportation	Lisa Seftel
Executive Director: Community Development	Dudu Maseko
Executive Director: Housing	Thabo Maisela*
Executive Director: Economic Development	Ravi Naidoo
Executive Director: Public Safety	Hlula Msimang

**Table 4: 2015/16 Executive Management Team** \*Left the position during the course of the year

### Municipal entities (MEs)

The City established wholly-owned municipal entities under the Companies' Act of 2008. Entities exist purely as service delivery agents for the City, who in this case is the principal or shareholder. The entities are governed through Service Delivery Agreement (SDA) signed between the shareholder (City) and the entity. Although entities have an individual corporate identity, they remain fully controlled by the Council. The table below describes the mandate of each entity:

<b>City Power</b>	City Power provides electricity supply that contributes to improved quality of life, educating customers about the safe use of electricity, participating in renewal projects that empower entire communities, and providing and maintaining public lighting so as to reduce crime and keep communities safe.
<b>Johannesburg Development Agency (JDA)</b>	JDA stimulates and supports area-based economic development in support of the long-term Growth and Development strategy.
<b>Johannesburg Market (JM)</b>	Johannesburg Market is South Africa's major centre for the marketing of fresh produce and largest fresh produce market in Africa, dealing in fruit, vegetables, meat, fish and general groceries, most of them on sale to the public at wholesale prices.
<b>Johannesburg Property Company (JPC)</b>	JPC does property development; alienation of Council properties; property management services; and all ancillary services to the above, maximising both social and commercial opportunities for the Council in the short and long term.
<b>Johannesburg Social Housing Company (Joshco)</b>	Joshco provides and manages affordable rental housing stock for the lower income market as part of its contribution to eradicating the housing backlog.
<b>Johannesburg Roads Agency (JRA)</b>	JRA is responsible for the design, maintenance, repair and development of Johannesburg's road network and storm water infrastructure, including bridges and culverts, traffic lights and signage.
<b>Johannesburg Tourism Company (JTC)</b>	JTC is a destination marketing organisation, dedicated to promoting tourism growth in Johannesburg and to promote Johannesburg as a business, lifestyle, and sport and leisure destination both locally and internationally.
<b>Johannesburg Water</b>	Johannesburg Water provides water and sanitation services to residents of Johannesburg,

<b>Johannesburg City Parks and Zoo</b>	Johannesburg City Parks and Zoo develops and maintains all city parks, open spaces, cemeteries and conserved areas and is responsible for the accommodation, enrichment, and animal husbandry and medical care of wild animals. It also offers a variety of educational and entertainment programmes
<b>METROBUS</b>	METROBUS provides customer-friendly public bus transport within greater Johannesburg.
<b>Metro Trading Company</b>	The Metro Trading Company is responsible for the City's broadband infrastructure network as well as a key driver of a SMART Johannesburg
<b>PIKITUP</b>	PIKITUP is keeps the city clean and preserves an attractive and hygienic environment for residents and visitors.
<b>Joburg Theatre Company</b>	The Joburg Theatre is Africa's leading home of live entertainment, presenting world-class international and home-grown theatre, providing venues where performing arts professionals and amateurs alike can showcase their work.

In 2015/16 the city's entities were led by:

<b>Designation</b>	<b>Incumbent</b>
Joburg Water: Managing Director	Lungile Dlamini
Pikitup: Acting Managing Director	Lungile Dhlamini
City Power: Managing Director	Sicelo Xulu
Joshco: Acting Chief Executive Officer	Mpolai Nkopane
Johannesburg Roads Agency: Managing Director	Dr Sean Phillips
Johannesburg Development Agency: Chief Executive Officer	Thanduxolo Mendrew
Joburg Theatres Chief Executive Officer	Xoliswa Nduneni-Ngema
Metrobus: Managing and Executive Director	Mavela Dlamini
Joburg Market: Acting Chief Executive Officer	Josiah Mazibuko
Joburg City Parks and Zoo: Managing Director	Bulumko Nelana
Johannesburg Property Company: Chief Executive Officer	Helen Botes
Metropolitan Trading Company: Acting Chief Executive Officer	Gerald Dumas

**Table 5: Executive management of City Entities**

Figure 9 below provides an overview of the structure of Departments and Municipal Entities.

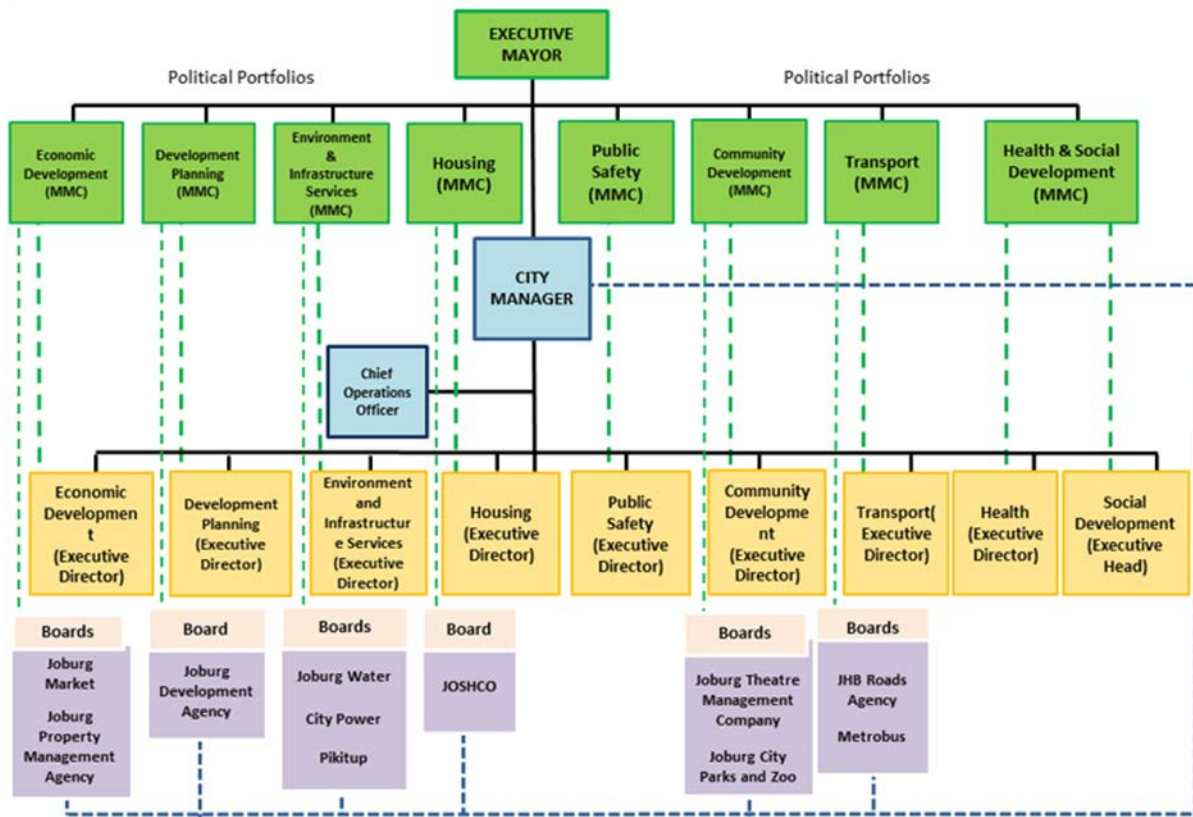


Figure 9: City organisational structure

## CLEAN ACCOUNTABLE GOVERNANCE

The City of Johannesburg prioritises values of clean governance and in line with applicable legislation and best practice, the City has independent structures that serve the objective of giving an unbiased opinion and advice to Council. These include:

- Group Audit Committee
- Group Performance Audit Committee
- Group Risk Governance Committee
- Municipal Entity Board of Directors
- Municipal Entity Audit and Risk Committee
- Municipal Entity Social & Ethics Committee
- Municipal Entity Human Resources and Remuneration Committee

These Committees are capacitated by individuals who are not employees of the City with wide skills sets, including, specialised fields of strategy, institutional performance, finance, accounting, legal, risk management, ICT governance, engineering, and human resources.

### Group Audit Committee (GAC)

The Group Audit Committee's (GAC) primary role is to provide oversight with respect to the financial control environment and to advise the Mayoral Committee in this regard. The GAC approves and monitors the Auditor General (AG) and Internal Audit Strategy, the review and recommendation for adoption of the CoJ Annual Financial Statements (AFS) and providing assurance within the Combined

Assurance Framework, on the adequacy and effectiveness of the CoJ's Internal Control Environment as well as the CoJ policies and procedures in this regard. In 2015/16 membership was as follows;

Member	Date of appointment	Qualification(s)
Zodwa Manase (Chairperson)	01 April 2015	Chartered Accountant CA (SA), B.Compt (Hons), H Dip Tax
Griffiths Zabala	01 April 2013	Diploma in Social Development, B.A. Social Work, Certificate in Small, Medium & Micro-Enterprises, Master of Management in the Human Resources Area
Brian Smith	01 April 2014	Chartered Accountant CA (SA)
Dr. Len Konar	01 April 2014	Chartered Accountant CA (SA), MAS, CERT IN TAX LAW, D.COM, CERT IN ELECTRICITY TARIFFS
Precious Sibiyi	01 April 2015	Chartered Accountant CA (SA)
Professor Ben Marx	01 April 2015	Chartered Accountant CA (SA), MCompt, DComm
Nala Mhlongo	01 April 2015	Chartered Accountant CA (SA), Chartered Global Management Accountant-CGMA, Chartered Management Accountant-ACMA (2002), Advanced Taxation Certificate

Table 6: Group Audit Committee membership

#### Group Performance Audit Committee (GPAC)

GPAC amongst other responsibilities, assesses and oversees the organisational performance management system and service delivery performance of the City including the Municipal Entities. The other primary objective of the GPAC is to assist the Mayoral Committee in fulfilling its oversight responsibilities and reviewing the performance targets as set out in the Business Plans, Integrated Development Plan (IDP), and the Service Delivery and Budget Implementation Plan (SDBIP). In 2015/16 membership was as follows;

Member	Date of appointment	Qualification(s)
Professor Patrick Fitzgerald (Chairperson)	01 April 2013	Bachelor of Arts (Philosophy, Politics), Master in Public Administration and Management
Griffiths Zabala	01 April 2013	Diploma in Social Development, B.A. Social Work, Certificate in Small, Medium & Micro-Enterprises, Master of Management in the Human Resources Area
Precious Sibiyi	01 April 2015	Chartered Accountant CA (SA)
Carol Roskrige Cele	01 April 2014	BSc Honours (Molecular Engineering), MSc (Biochemical Sciences), MBL (Governance & Leadership)
Reginald Haman	01 April 2014	NDip Environmental Health, Dip in Company Direction, PDBA, MBA
Khanyiso Mguni	01 April 2013	MBA, Honours Degree (Electrical Engineering), HND Electrical Engineering,
Peta Nonceba Mashinini	01 April 2014	MBA, Post Graduate Diploma in Human Resources Management, Diploma-Projects Management,

Table 7: Group Performance Audit Committee membership

#### Group Risk Governance Committee (GRGC)

GRGC provides oversight advisory services to the City on matters relating to Risk Governance and Compliance as well as overseeing Enterprise Risk Management System. The committee also ensures that all risks that might affect the service delivery level and attainment of clean audit are addressed and measures are put in place to prevent future occurrences. In 2015/16 membership was as follows;

Member	Date of appointment	Qualification(s)
Joseph Makoro (Chairperson)	01 April 2014	M.Com (Business Management), B.Com (Hons) (Financial Management), B.Com, Postgraduate Graduate Diploma in Company Direction, Business Leader Development Programme, Certificate Programme in Business Project Management, Diploma in Managing Risk
Reginald Haman	01 April 2014	NDip Environmental Health, Dip in Company Direction, PDBA, MBA
Professor Ben Marx	01 April 2014	Chartered Accountant CA (SA), MCompt, DComm
Priscilla Nkwinika	01 April 2015	B Proc
Nades Kandan	01 April 2014	Dip IT, MDP, HDip IT Audit, Certified in Risk and Information Systems Control (CRISC)
Peta Nonceba Mashinini	01 April 2014	MBA, Post Graduate Diploma in Human Resources Management, Diploma-Projects Management,
Dr. Len Konar	01 April 2014	Chartered Accountant CA (SA), MAS, CERT IN TAX LAW, D.COM, CERT IN ELECTRICITY TARIFFS

**Table 8: Group Risk Governance Committee membership**

All Group Advisory Committees have Terms of Reference (ToRs) which assist them in delivering their legislative and advisory mandate. The ToRs are reviewed annually by the Committees and recommended to Mayoral Committee for approval. Group Advisory Committees held the following number of meetings during the 2015/16 financial year;

Advisory Committee	Number of meetings
Group Audit Committee	9
Group Performance Audit Committee	7
Group Risk Governance Committee	4

**Table 9: Group Advisory Committee meetings**

The City has ensured the stability of the Entity Boards and Group Advisory Committees in 2015/16. This was done through retaining experienced members to ensure that strategic direction is uninterrupted. The City continued its developmental approach to capacitation of the boards and Oversight Committees, where the annual rotation of seasoned members creates a balance and opportunity for new and less experienced individuals to serve with experienced members in the boards and committees. This creates an enormous platform for growth of young professionals. The focus on corporate governance and activism of the shareholder has seen sustained and improved performance in the audit outcomes at a number of Municipal Owned Entities as well as at core. The table below illustrates the City's governance performance;

ENTITY	2011/12	2012/13	2013/14	2014/15	2015/16
COJ GROUP	Clean	Qualified	Unqualified	Unqualified	Unqualified
CITY POWER	Qualified	Unqualified	Unqualified	Unqualified	Unqualified
JOBURG WATER	Qualified	Unqualified	Unqualified	Unqualified	Unqualified
PIKITUP	Unqualified	Unqualified	Unqualified	Clean	Unqualified
JOSHCO	Clean	Clean	Clean	Clean	Clean
JCT	Unqualified	Unqualified	Clean	Clean	Clean
JCPZ	Qualified	Unqualified	Unqualified	Unqualified	Unqualified

JRA	Unqualified	Unqualified	Clean	Clean	Unqualified
JPC	Unqualified	Unqualified	Unqualified	Clean	Clean
JDA	Unqualified	Unqualified	Unqualified	Clean	Clean
METROBUS	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
JOBURG MARKET	Clean	Clean	Clean	Unqualified	Unqualified
MTC					Unqualified

Table 10: Group audit outcomes

## RISK MANAGEMENT: ALIGNMENT OF RISKS TO STRATEGY

The objective of risk management is to enhance standardised decision making and integrated planning on risk management principles and practice across the City, in order to;

- ensure efficient, effective and economic mitigation of risks City-wide;
- achieve a better understanding of risk management for competitive advantage;
- ensure safeguarding of assets (tangible and intangible);
- improve capabilities for resilience;
- allocate and manage resources more efficiently.

Through Group Risk and Advisory Services Department (GRAS) the City receives independent advisories and assurance services promoting good governance practices in relation to effective implementation of Enterprise Risk Management principles across the City. The City has developed and implemented Risk Management Plan, Risk Management Framework and Policy in order to enhance effective embedding of Risk Management processes in the City. The Risk Management Framework and Policy are aligned to international best practice such as Committee of Sponsoring Organisation (COSO) and International Organisation for Standardization (ISO), this is to ensure a holistic approach on risk management environment, including improvement of risk treatments/response strategies across the City. In 15/16 the focus on risk management processes within the City has been;

- Risk profiles at organizational level (City level)
  - Core Departments and Municipal Owned Entities strategic risk profiles
- Information and Communication technology (ICT) governance risk
  - Fraud risk profiles
  - Compliance risk profiles
  - Risk Appetite and Risk Tolerance Statement for the City
  - Property Risk Assessment

The City applies an integrated approach to enterprise risk management (ERM) by linking the significant risk exposures to City's strategic objectives/long-term goals, Mayoral priorities and GDS2040 outcomes. The risks are categorised and prioritized in accordance to probability and severity. The City utilises risk matrix to guide the priority levels for each risk as outlined below;

Figure 10: City of Johannesburg risk matrix

IMP AC	5 Critical	LOW	MEDIUM	HIGH	VERY HIGH	VERY HIGH

			10	15	20	25
4 Major	LOW	MEDIUM	8	12	16	20
3 Moderate	LOW	MEDIUM	6	9	12	15
2 Minor	LOW	LOW	6	8	10	
1 Rare	LOW	LOW	LOW	LOW	LOW	LOW
	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain	
<b>LIKELIHOOD</b>						

The table below reflects the City’s integrated approach to enterprise risk management (ERM) by linking the top five identified risks to the City’s strategic outcomes and Mayoral priorities. It ranks each risk according to the relative priority settings within the overall hierarchy of risks. The table further highlights the potential sources of risks and provides a view of established controls and on-going mitigation activities. The residual risk ‘heat map’ is a guide to the priority levels for each of the risks outlined in the table that follows.

City of Johannesburg’s top risks linked to long term goals

Ref:	Clusters impacted	Strategic Perspective		
		Risk description	Strategic outcomes	Mayoral Priority Programmes
1	Sustainable Services	<b>Service Delivery Risk: Security of Supply (Water, Electricity, Food security)</b>	A sustainable city which protects its resources for future generations and a city that is built to last and offers a healthy, clean and safe environment.	Resource sustainability
2	Human and Social Development	<b>Service Delivery Risk: Illegal occupation of land and buildings</b>	Improved quality of life and development-driven resilience for all.	Transforming sustainable human settlements
3	Governance	<b>Information security risk:</b> • Cyber threats • ICT governance risk	A leading metropolitan government that pro-actively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive GCR	Smart City and innovation
4	Economic Growth	<b>Economy risk:</b>  <b>Inadequate economic growth</b>	An inclusive, job-intensive, resilient and competitive economy that harnesses the potential of citizens'	Economic growth, job creation, investment attraction and poverty reduction
5	Sustainable Services	<b>Environmental risk:</b>  <b>Climate change, floods, fire, Acid mine drainage, wastage</b>	A sustainable city which protects its resources for future generations and a city that is built to last and offers a healthy, clean and safe environment.	Environmental sustainability and climate change

Table 11: City of Johannesburg top 5 risks

## SUPPLY CHAIN MANAGEMENT

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

The SCM Policy ascribes to a procurement system which:

1. Is fair, equitable, transparent, competitive and cost effective in terms of Section 217 of the Constitution of South Africa No 108 of 1996;
2. Enhances uniformity in Supply Chain Management systems between organs of state in all spheres;
3. Is consistent with the Supplier Management and Development Policy;
4. Is consistent with the enterprise development programmes as approved by the City which are not limited to EPWP, Indigence Policy, job pathway and other policies and programmes that seeks to aggressively advance the empowerment of the SMMEs and previously disadvantaged communities;
5. Embraces the principles of efficient environmental management;
6. Is consistent with the Broad Based Black Economic Empowerment Act 53 of 2000 and any Codes promulgated thereunder in the Government Gazette; and

7. Is consistent with the Preferential Procurement Policy Framework Act 5 of 2000 and its Regulations as promulgated.

Figure 11 below provides an overview of the core aspects of the City’s SCM system and policy

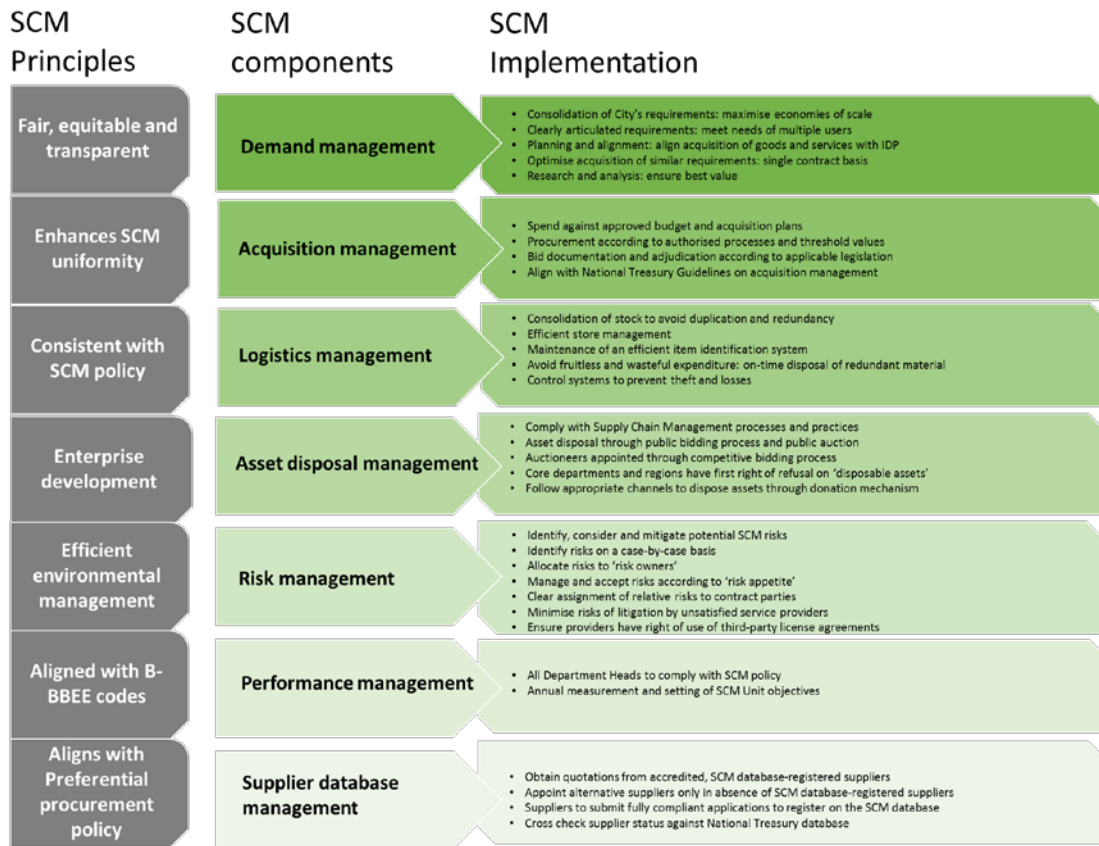


Figure 11: Core aspects of City SCM system and policy

## Stakeholder engagement

The City continued its tradition of engaging extensively with its stakeholders using a ward-cluster approach. The ward cluster community engagements were a prelude to regional stakeholder summits, during which the City presented the draft IDP and Budget. Twenty four regional ward cluster community engagement sessions took place enabling residents at the community level to engage and make valuable inputs in the City's plans. The target audience were general community members, NGOs, CBOs, ward councillors and committees, and other interested stakeholders. The outcome of the stakeholder engagement process informed the city's strategic plans. Table 14 below outlines the issues raised by the communities and how the City responded to them in 2015/16.

<b>Economic Growth</b>	<b>How the City responded</b>
<ul style="list-style-type: none"> <li>Lack of skills development</li> </ul>	Vulindlela e'Jozi; Massive Open Online University
<ul style="list-style-type: none"> <li>Building investor confidence through collaborative partnerships</li> </ul>	Partnerships with HEIs; Discovery; Ford Foundation; NGOs; Healthy lifestyle skills programme; Health Information system partnership with Anglo American
<ul style="list-style-type: none"> <li>Unemployment and Job creation</li> </ul>	High EPWP opportunities created to compliment city-wide job creation
<b>Sustainable Services</b>	
<ul style="list-style-type: none"> <li>Lack of service infrastructure maintenance</li> </ul>	Spent 3.27% of total expenditure on repairs and maintenance
<ul style="list-style-type: none"> <li>Storm water drainage</li> </ul>	JRA focussed on transforming the construction, maintenance and management of storm water to respond to climate change and water scarcity and ensure the safety of residents and infrastructure.
<ul style="list-style-type: none"> <li>Upgrading and extension of bridges and tarring of roads</li> </ul>	Significant progress been made on Sandspruit and Grayston pedestrian/cycle bridges. Partial upgrading of West Street from Rivonia to Freidman roads completed. 26.98 kilometres of gravel roads were upgraded and 4814 LKM maintained during this financial year.
<ul style="list-style-type: none"> <li>Illegal land use and occupation</li> </ul>	Development Planning Department through JDA focussed on effective and efficient land use and building control service
<ul style="list-style-type: none"> <li>Deterioration of city facilities</li> </ul>	Maintenance programme of the City covered all public infrastructure including street lights, roads, community facilities such as swimming pools and community centres
<ul style="list-style-type: none"> <li>Traffic and by-law enforcement</li> </ul>	JRA focussed on upgrading traffic signals, maintenance of traffic lights and managing traffic flows
<ul style="list-style-type: none"> <li>Lack of proper housing, electricity and sanitation</li> </ul>	EISD, City Power, Joburg Water and Pikitup sustained high levels of delivery of basic services. In instances coverage was expanded
<b>Human and Social Development</b>	
<ul style="list-style-type: none"> <li>Drug abuse and its effect on youth</li> </ul>	Skills training for unemployed youth took place via the Vulindlela / Harambee program (more than 600 youth trained in digital systems).
<ul style="list-style-type: none"> <li>Lack of proper functioning ambulances and clinics</li> </ul>	EMS in Johannesburg invested 4million in ambulance equipment replacement
<ul style="list-style-type: none"> <li>Learnerships and employment opportunities</li> </ul>	Skills training for unemployed youth took place via the Vulindlela / Harambee program (more than 600 youth trained in digital systems).
<b>Governance</b>	
<ul style="list-style-type: none"> <li>Enhancement of the consultation process</li> </ul>	24 regional conversations held as part of the annual consultation process

Table 12: City response to stakeholder issues

# Service Delivery Performance

## BASIC SERVICES

The City of Johannesburg provides basic services that include water, waste water (sanitation), electricity, waste management and housing. The City of Johannesburg values a positive environmental footprint and therefore aims to ensure that communities and stakeholders are increasingly aware of the risks of over-utilisation and unsustainable industrial practices. The City aims to meet the needs of the present without sacrificing the ability of future generations to meet their own needs. This is key to achieving the long term vision of a resilient, liveable and sustainable city. The City is pushing for the efficient use of land and energy resources through a most efficient urban form of compact, with mixed land-use and an extensive public transport network that includes high intensity movement corridors, with attractive environments for walking and cycling.

The work of the Sustainable Services Cluster and linked departments and entities contributes directly to the physical adaptation and transformation of the City, with the prime objective of creating a progressive metropolitan environment that is resilient, liveable and sustainable both for Johannesburg and the greater city-region of which it is a part. The outputs for the Sustainable Service Cluster are:

- Sustainable and integrated delivery of water, sanitation, energy and waste
- Eco-mobility
- Sustainable human settlements
- Climate change resilience and environmental protection

## Water services

Johannesburg Water has a customer base of approximately 3.8 million and provides water and sanitation services to approximately 1.4 million households through a network of 11,896 kilometres of water pipes, 88 water reservoirs and 34 water towers. In 2015/16 an average of 1.6 billion litres of water, complying with acceptable drinking water standards (SANS 241), was distributed to the households within the city on a daily basis. This is the same daily volume as for the 2014/15 and the 2013/14 financial years which indicates improved water demand management to sustain population and economic growth with the same water volume year on year. The 2011 census results showed that 96,7% of households in the Johannesburg Metropolitan Municipality have access to piped water through a minimum of a community standpipe less than 200 meters from their dwellings, or piped water inside a yard, or piped water inside a dwelling. In 2015/16 Joburg Water provided 3,038 households with first-time access to basic water, taking the total number of households provided access to basic water to date to 1,429,373 households city-wide and 136,802 in informal settlements thereby increasing the coverage to 99.62% citywide and 96.14% in informal settlements. The current backlog is at 5,483 households.



In 2015/16, Joburg Water achieved a profit of R672 million, capital expenditure of R772 million, representing 98% of the capital budget of R 792 million. The response time to water bursts restored within 48 hours of notification were 84.29% against a target of 95%, and for sewer blockages cleared within 24 hours of notification 93.46% against a target of 96%. This was an improved performance against the previous year given the increased failure rate of water infrastructure during the year. The response times improved when compared to 2014/15 financial year. The number outstanding works order longer than 7 days decreased by 34% year on year which is a positive continuation from last year’s 40% reduction.

### Water Demand Management

The Non-Revenue Water (NRW) for 2015/16 is 35.3% which shows a decreasing trend compared to the previous financial year (35.8%). The billing ratio is 0.7 which is similar to a year ago. Johannesburg Water is committed to maintain the billing ratio at 0.8 or better. JW is currently engaging the billing department to address this decrease as well as implementing interventions like the metering and revenue project towards improved 2016/17 performance.

### Waste water (sanitation) provision

Waste water services relate to the minimum levels of sanitation (sewerage removal) offered across the city. One of the main features of this service are the flush toilets (LoS 3) provided to more than 91% of households across the city; ventilated improved pit (VIP) latrines and chemical toilets constitute additional services provided to citizens by the City. Johannesburg Water also provides onsite water and sanitation services to households residing in informal settlements. These services include desludging of VIP toilets, provision and servicing of chemical toilets and transporting of drinking water. During the year under review, over 55,000 ventilated improved pit toilets were desludged, 4,985 chemical toilets were provided and serviced on average twice a week and 100 million litres of water was transported to stationary tanks in the informal settlements. In 2015/16 2 833 cumulative number of households received access to basic sanitation in the past financial year resulting in increasing the coverage to 96.71% city wide and 46.59% in informal settlements. The current backlog is 75,990 households.

### Effluent Quality

Figure 12 below illustrates effluent quality performance trend for the last five years. In the latter years, 2014/15 and 2015/16, there has been a new regulatory framework that has influence the performance regarding compliance to effluent quality. Johannesburg Water managed to achieve 74.7% compliance during the 2015/16 financial year. The drop in performance is attributed to new compliance measures introduced in the financial that the City is adjusting to.

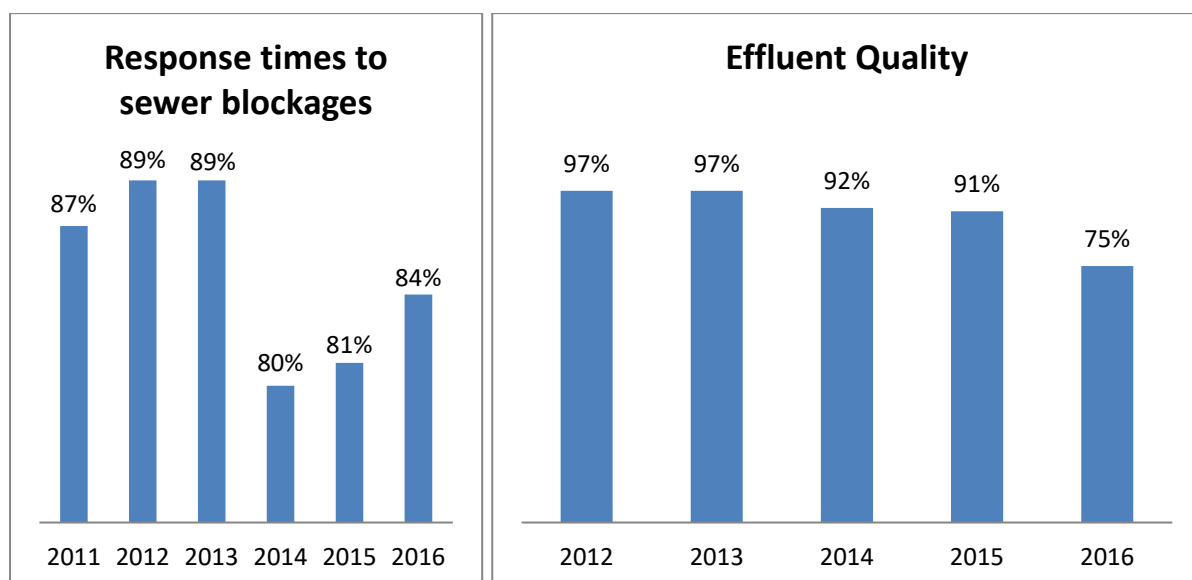


Figure 12: Response times and effluent quality

#### Water services: Capital investment and asset management

Joburg Water's capital expenditure for the year was R772 million, which represents 98% of the capital budget of R 792 million. The entity delivered capital projects to the value of R772 million against a total budget of R792 million. This translates to an achievement of 98% against the target of 95%. The table below reflects expenditure break down and level of spending per capital budget category.

Category	2015/16 Budget (R'000)	Expenditure at end June 2016 (R'000)	% Expenditure
Corporate Requirements	31,278	32,513	103.9%
Unaccounted for Water	59,215	59,752	101%
Operate and Maintain	47,246	47,246	100.0%
Upgrading and Renewal	392,665	374,578	95.0%
New Infrastructure	9,858	7,536	76.4%
Planning and Engineering Studies	10,501	10,501	100.0%
Information Technology	23,006	23,006	100.0%
Special Projects	113,845	113,899	100.0%
Bulk Wastewater	103,911	103,360	99.3%
<b>Total</b>	<b>792,525</b>	<b>772,392</b>	<b>98%</b>

Table 13: Water services expenditure per budget category

In 2015/16 Joburg Water managed to complete a total of 27 projects, Table 17 below provides detailed projects completed during 15/16 showing a high completion rate.

Table 14: Water Services - completed projects

#	Project description	Value (R,000)	Completion Date
1	Bryanston Pipe replacement Phase 5:PRV	5 379	Jun-16
2	Morningside Ext 1 & Wendywood	13 233	Apr-16
3	Bramley North Ext 1 & Lombard East	5 123	Apr-16
4	Randpark Ext 4 Water pipe replacement	8 276	Jun-16
5	Randpark, Bokskruin ext1 & Northwold Ext2	3 499	Jun-16
6	Dunkeld & Dunkeld West Pipe replacement - Part 1	13 725	Apr-16
7	Dunkeld & Dunkeld West Pipe replacement - Part 2	7 280	Apr-16
8	Gallo Manor Water Pipe Replacement	7 333	Jun-16
9	Kelvin Water Pipe Replacement PH1	10 929	Jun-16
10	Kelvin Water Pipe Replacement PH2	7 692	Jun-16
11	Brixton Water Pipe Replacement	5 374	May-16
12	Lonehill Phase 1: Water Pipe Replacement Projects	15 804	Apr-16
13	Bryanston water upgrade - Phase III (Riverclub Phase 2)	7 570	Jun-16
14	Lonehill Phase 4: Water Pipe Replacement Projects	4 694	Sep 2015
15	Lining and Repair of Parktown Reservoir # 2	25 222	Aug 2015
16	Purchase of Skid Steers (BWW 903)	76 839	March 2016
17	Northcliff Ext 10, 22 23 water Main replacement	12 219	Nov 2016

#	Project description	Value (R,000)	Completion Date
18	Lonehill PH 3 Water Replacement	15 779	Feb 2016
19	Lonehill PH 2 Water Replacement	11 880	Feb 2016
20	Duxberry & Morningside Ext 01	5 694	March 2016
21	Eccleston Cres & Strathoven	5 542	Feb 2016
22	Boksruin Northwold & Randparkrif Water pie Replacement	3 499	June 2016
23	Morningside Ext 40 & Riverclub	13 199	Nov 2015
24	Meredale & Bassonia Pipe Replacement	2 930	Dec 2015
25	Strijdom Park Water Upgrade	5 728	Feb 2016
26	SB 12 Bulk Pipeline	49,148	Dec 2015
27	Supply, Deliver and Technical Support of Prepayment Water Meters – Lesira -Teq	75,400	Sep 2015

#### Water Services: Bulk Wastewater Major Capital Projects

The table below provides some of major bulk wastewater capital projects that JW implemented in 2015/16 and their progress status. Most of these capital projects have a multi-year status and therefore implementation is on-going.

Project Description	Project Objective	Estimated Completion Date	Cost (R,000)	Progress Status
Dam 01: Construction of high rate settling tanks, pumping mains, Dam liner, M&E and C&I equipment for pumping installations. Northern WWTW.	To de-sludge Dam 01 at Northern WWTW and to reduce the rate of future sludge ingress.	Dec 2016	R138 000	The project is in construction stage and 83% physical progress has been achieved to date.
Digester heating and mixing upgrade at Olifantsvlei WWTW.	To ensure a sustained and improved sludge treatment capacity.	Oct 2019	R115 000	The project is at 26% physical progress.
Refurbishment of 2 Digesters, at Unit 2 at Northern WWTW.	To ensure that the sludge from the biological process is conditioned and treated to comply with DWS standards.	Oct 2016	R32 000	The project is at 64% physical progress.

Table 15: Major Bulkwater capital projects

#### Water Services: Water Reservoirs

Table 17 below provides detailed reservoir projects undertaken in 2015/16. Joburg Water embarked on the construction of new reservoirs to increase the storage capacity within the City. In 2015/16 construction of new Orange Farm and Diepsloot reservoirs commenced.

Name and Capacity	R Value (000)	Status	Estimated Completion Date	Comments
Diepsloot Reservoir (25MI)	R45,000	65% Construction	Sept 2016	Construction in progress.
Lenasia 12.5(MI) High Reservoir	R38,000	Planning	Still to be determined	Design Stage. Land-availability is a concern but engagement with the Provincial and CoJ to release the land has started.
Orange Farm 33.5 (MI) High Level Reservoir	R66,000	60% Construction	Apr 2017	Contract awarded May 2015, however sub-contracting issues are drastically affecting progress.
Erand Tower 0.75(MI)	R30,000	Procurement	Jun 2017	Project to be retendered
Crown Gardens Tower 1.1 (ML)	R26,000	Design Stage	Nov 2017	Designs have been completed ; project to proceed to procurement stage in 2016/17 FY

Table 16: Reservoir projects

#### Employees: Water services

As at 30 June 2016 Johannesburg Water employed 2509 staff members in the operational areas listed in the table below. A total of 66% of employees are involved at the operational level in the Networks Department with the main function water and waste water reticulation. A total of 10% of employees

are operationally involved with the treatment of waste water. Staff turnover is low with the retention for all staff for the year at 97.84% whilst the retention for scarce skills categories is 97.31%.

<b>Personnel Area</b>	<b>Total filled Positions</b>	<b>Vacancies</b>	<b>Funded Vacancies from the total number of vacancies</b>
Managing Director's Office	3	0	
Capital Projects & Infrastructure	104	39	25
Operations	7	3	1
Operations Networks & Technical Services	1,653	267	185
Operations Bulk Wastewater	253	81	50
Operations Support	66	20	12
Operations Monitoring & Evaluation Unit	6	1	1
Stakeholder Relations & Communication	21	10	9
Company Secretariat	16	8	6
Human Resources (inclusive of Apprentices, Bursars & Learners)	87	32	28
Contracts and Fleet	17	0	0
Corporate Services	24	7	6
Finance	41	5	5
Information Technology	22	3	3
Supply Chain Management	18	1	1
Meter Reading	137	89	78
Internal Audit	13	0	0
Risk and Compliance	0	4	4
Superblocks	18	0	0
Strategic Planning	3	0	0
<b>Grand Total</b>	<b>2,509</b>	<b>570</b>	<b>414</b>

Table 17: Number of employees per operational area

## Electricity services

### Performance Highlights: Electricity services

- Setjwetla informal settlement was electrified and Lawley informal settlement energy mix project i.e. gas, PV and grid successfully completed and respectively switched on. Thembelihle informal settlement energy mix project i.e. gas, PV and grid 1st phase successfully completed and switched on.
- Progress has been made on the construction of substations Sebenza, Roodepoort, Cleveland, Heriotdale, Nirvana, Wilropark, Kloofendal, and Qatro Phase 1.
- Overhead line project between Kelvin and Sandringham is 100% complete.
- Transformer replacement projects at, Westfield, C De Wet, Nancefield, Mondeor and Robertsham in progress.
- Installation and reinstatement of ripple relays to sectional title properties have achieved an installation of 14 974 exceeding the target of 10 000.

City Power also successfully executed a number of service delivery initiatives and projects in the 2015/16 financial year, the five key projects are listed below:

- Installation of 3 160 Public Lighting in a number of areas including Morningside, Sandton, Lawley, Thembelihle and Blue Hills.
- Electrification of 5 438 households and informal settlements in a number of areas including Law-ley, Lehae, Setjwetla, Devland and Thembelihle.
- City Power created in excess of 5 410 job opportunities through the Expanded Public Works Programme (EPWP)

City power continued its interventions to improve meter reading performance which improved from 67% in 2015 to almost 80% in 2016 towards the target of 98%. Some of the interventions seek to respond to challenges such as faulty meters that contribute the highest portion of unread meters; inaccessible meters (which contribute 33.4% of unread meters); and system Updates (which contribute 16.91% unread meters) and generally combating theft and vandalism. Electricity services were on track to achieving IDP targets as outlined below

ITEM	PROJECT CATERGORY	PRIORITY	GDS OUTPUT	2016/17 BUDGET R'000	2017/18 BUDGET R'000	2018/19 BUDGET R'000
1	BULK INFRASTRUCTURE	Investment, Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R705 941	R727 533	R581 350
2	DSMLOAD MANAGEMENT	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R15 000	R500	R5 000
3	ELECTRIFICATION	Sustainable human settlements	Sustainable human settlements	R201 000	R80 000	R115 288
4	FIRE & SECURITY	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R5 000	R38 000	R27 500
5	INFORMATION TECHNOLOGY	Smarty City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and resilient manner	R39 000	R45 790	R45 646
6	METERS	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R148 955	R124 888	R54 699
7	OPERATIONAL CAPITAL	Investment, Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R10 000	R5 000	R 5 000
8	PROTECTION	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R10 810	R5 500	R 9 000
9	PUBLIC LIGHTING	Safer City	A safe and secure City	R43 125	R10 000	R10 000

ITEM	PROJECT CATERGORY	PRIORITY	GDS OUTPUT	2016/17 BUDGET R'000	2017/18 BUDGET R'000	2018/19 BUDGET R'000
10	SCADA	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R10 000	R10 500	R10 000
11	SERVICE CONNECTIONS	Investment, Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city.	R71 000	R66 005	R89 315
12	TELECOMMUNICATIONS	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R7 500	R12 000	R19 000
13	UPGRADE OF ELECTRICAL NETWORK	Investment, Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city.	R126 000	R214 000	R163 500
	TOTAL			R1393 331	R1339 716	R1 135 298

**Table 18: Electricity services - performance against IDP targets**

City Power is accountable for providing electricity services to all City of Johannesburg customers. City Power purchases, distributes and sells electricity within its geographical footprint. City Power has approximately 410 000 customers; ranging from domestic to commercial and industrial properties. City Power is accountable to provide network services to all its customers, which include:

- purchasing and distribution and sale of electricity
- constructing networks
- connecting customers
- repair and maintenance of networks
- installation and maintenance of public lighting.

City Power is currently reviewing its business model, moving towards being an energy company. The drive for the change is:

- Increasing and securing the supply of energy
- Acquiring electricity from renewable and alternative sources
- Reducing greenhouse gas emissions
- Strategic use of a mix of technologies and energy sources to achieve goals

The drive towards becoming an energy company must be achieved whilst:

- Reducing the burden of cost on the consumer
- Balancing the financial sustainability of the business, delivery of services and Shareholder goals

- Moving to the “Smart City” concept via a Smart Grid and integration with other City initiatives (e.g. transport).

The City provides both conventional electricity and prepaid electricity services to city residents. There are approximately 396 000 households that receive electricity from the City’s electricity services. The number of prepaid users increased by 1% in the last financial year. In 2015/16 the split between conventional and prepaid users was 37% and 63% respectively. The table below outlines 2015/16 service delivery levels for electricity usage.

Electricity service delivery levels - Households					
Description	2011/12	2012/13	2013/14	2014/15	2015/16
	Actual no.	Actual no.	Actual no.	Actual no.	Actual no.
Electricity - conventional	263,163	268,285	187,257	156,492	146,585
Electricity - prepaid	147,516	161,003	242,031	246,435	249,719
Service delivery level sub-total	410,679	429,288	429,288	402,927	396,304
Conventional as a percentage (%)	64%	62%	44%	38%	37%
Prepaid as a percentage (%)	36%	38%	56%	62%	63%
Total number of households	410,679	429,288	429,288	402,927	396,304

Table 19: Electricity service delivery levels

#### Electricity service IDP policy objectives

The table below outlines electricity services policy objectives derived from the IDP. The table reflects generally positive performance even though targets such as payment levels and meter reading performance were slightly not achieved.

Electricity Service Policy Objectives derived From the IDP									
Service Objectives	Outline Service Targets	2013/14		2014/15		2015/16		2016/17	2017/18
		Target	Actual	Target	Actual	Target	Actual	Target	Target
Service Indicators									
Improve Revenue Collection	Payment Levels (Current consumption)	96%	100.3%	94%	95.66%	96%	95.05%	96%	96%
	Meter Reading performance	96%	66%	98%	64.55%	96%	79.91%	98%	98%
Reduce losses	Losses (Technical/ & Non-Technical)	14.5%	31.75%	15%	22.76%	22%	23,22	21.5%	19%
	Electrification (number of households electrified)	2 000	2 151	3 000	2 238	1 000	5 438	2 000	2 000
	Provision of public lights	7 000	7 027	4 200	4 687	3 000	3 160	3 000	500

Electricity Service Policy Objectives derived From the IDP									
Service Objectives	Outline Service Targets	2013/14		2014/15		2015/16		2016/17	2017/18
		Target	Actual	Target	Actual	Target	Actual	Target	Target
Service Indicators									
	(number of public lights installed)								
Improve Network Performance	NRS 048 (quality of supply)	95%	99.12%	100%	98.90%	95%	99.44	95%	95%
Smart City	Meter Roll out (number of smart meters installed)	100 000	91 228	20 000	73 271	40 000	33 619	200 000	
Promote energy efficiency	Mega Watts of energy from alternative sources	Project				979	2 688	879.1	879.1
	Solar Water Heaters (number of solar water heaters installed)	19 962	30 008	30 000	19 106	5 000	1 118	5 000	5 000

Table 20: Electricity IDP objectives

#### Employees: Electricity services

The table below outlines 2015/16 staff positioning for Electricity services

Table 21: Employees: Electricity Services for 2015/16

Employees: Electricity Services											
Job Level	Male					Female					Total
	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total	All
Top management	3	0	0	1	4	1	0	0	0	1	5
Senior management	14	1	2	4	21	7	0	1	0	8	29
Professionally qualified and experienced specialists and mid-management	160	9	4	64	237	128	4	0	10	142	379
Skilled technical and academically	61	16	1	30	108	26	2	2	8	38	146

Employees: Electricity Services											
Job Level	Male					Female					Total
	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total	All
qualified workers, junior management, supervisors and technicians											
Artisans (all types)	276	16	3	52	347	47	1	0	0	48	395
Administrative	63	1	1	0	65	102	6	0	16	124	189
Semi-skilled and discretionary decision-making	475	6	0	2	483	59	1	0	1	61	544
Elementary positions	15	0	0	0	15	43	2	0	0	45	60
<b>Total (Permanent and Contract)</b>	<b>1067</b>	<b>49</b>	<b>11</b>	<b>153</b>	<b>1280</b>	<b>413</b>	<b>16</b>	<b>3</b>	<b>35</b>	<b>467</b>	<b>1747</b>

**Financial performance: Electricity services**

City Power posted revenue of R14,675 million for the year, an increase of 8,38% over the previous year. The result is due to a tariff increase of 7%, this has been offset by a decrease in units sold due to billing and meter errors. Operational costs increased by 7,94% on the previous year to R13 910 million during this period (2015: R12 887 million). Fleet costs exceed prior year expense due to additional vehicles(generators) Stores and material are less than the prior year expense as the installation of solar water heaters were delayed. Bad debts have decreased by R217 million against the prior year. Bulk purchases exceeds prior year expense by 9% as a result of the tariff increase from Eskom and the decrease in units purchased. The City Power posted a surplus of R546 million for the period under review, against a surplus of R424 million for the previous year. Fixed assets increased by a net R1, 220 million. This increase was due to the replacement of aging and obsolete equipment.

The table below outlines the 2015/16 financial performance for electricity services.

Financial Performance: Electricity Services R'000						
Details	2013/14	2014/15	2015/16			
	Actual	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	13 060 936	13 705 625	16 548 279	16 277 711	14 674 672	(1 603 039)
<b>Expenditure:</b>						
Employees	741 987	879 170	906 000	949 304	923 822	(25 482)

		Financial Performance: Electricity Services R'000				
Details	2013/14	2014/15	2015/16			
	Actual	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Repairs and Maintenance	556 186	540 289	819 830	675 087	709 143	34 056
Other	10 612 104	11 696 475	13 706 805	13 376 982	12 276 642	( 881 508)
Total Operational Expenditure	11 910 277	13 115 934	15 432 635	15 001 373	13 909 607	(872 934)
Net Operational Expenditure	(1 150 659)	(589 691)	(1 115 644)	(1 276 338)	(546 233)	(730 105)

Table 22: Financial performance - electricity services

#### Capital expenditure: Electricity services

The table below outlines 2015/16 capital expenditure for electricity services showing where the areas city has invested in infrastructure.

PROJECT CATEGORIES	ORIGINAL ANNUAL BUDGET	REVSED ANNUAL BUDGET	YTD ACTUAL	FULL YEAR VARIANCE
ELECTRIFICATION	R281 000 000	R 307 500 000	R311 938 850	-R4 438 850
SERVICE CONNECTIONS	R118 615 000	R 118 615 000	R 71 834 071	R 46 780 929
UPGRADE OF ELECTRICATION NETWORK	R 185 500 000	R 112 000 000	R 189 057 926	-R 77 057 926
BUILDING	R 2 142 500	R2 142 500	R 2 151 764	-R 9 264
COMPUTERS	R 1 412 500	R 1 412 500	R 2 448 884	-R 1 036 384
OFFICE EQUIPMENT	R 271 750	R 271 750	R 792 377	-R 520 627
COMPUTER SOFTWARE	R 53 500 000	R 61 500 000	R 73 782 403	-R 12 282 403
TOOLS	R 2 378 249	R 2 378 249	R 1 850 334	R 527 915
PLANT AND MACHINERY	R 3 225 000	R 3 225 000	R 0	R 3 225 000
TELECOMMUNICATION	R 16 000 000	R 15 000 000	R 14 790 034	R 209 966
FIRE AND SECURITY	R 12 00 000	R 10 000 000	R 7 115 801	R 2 884 199
METERS	R 206 915 750	R 165 956 250	R 220 268 594	-R54 312 344
LOAD MANAGEMENT	R 40 000 000	R 18 000 000	R 16 477 801	R 1 522 199
PROTECTION	R 10 000 000	R 9 000 000	R 8 974 900	R 25 100
FURNITURE	R 570 001	R 570 001	R 1 493 204	-R 923 203
PUBLIC LIGHTING	R 30 394 000	R 30 394 000	R 27 018 832	R 3 375 168
BULK INFRASTRUCTURE	R 761 555 250	R 671 742 750	R 565 431 630	R 106 311 120
INSURERANCE	R 0	R 0	R 456 608	-R 456 608
<b>TOTAL</b>	<b>R 1 734 480 000</b>	<b>R 1 538 208 000</b>	<b>R 1 523 729 645</b>	<b>R 14 478 355</b>

Table 23: Capital expenditure - electricity services

#### Refurbishing of bulk infrastructure

Good progress was made on the construction of substations Sebenza, Roodepoort, Cleveland, Heriotdale, Nirvana, Wilropark, Kloofendal, and Qatro Phase 1. Sebenza is ahead of schedule as the programme has been compressed and fast-tracked by doing other activities in parallel. The overhead line project between kelvin and Sandringham is 100% complete. Transformer replacement projects at, Westfield, C De wit, Nancefield, Mondeo and Robertsham as prioritized by Operations group are being implemented.

### Upgrading of electrical network

The programme involves upgrading projects included mini-substations, ring main units (RMUs), and cables. Electrical infrastructure requires the upgrade of electrical networks, network development, meters and load management. Expenditure on upgrading the electrical network was just under R112 million. The theft of electrical network infrastructure remains a challenge for the City.

### WASTE MANAGEMENT SERVICES

Pikitup Johannesburg (SOC) Limited (Pikitup) was established by the City to provide sustainable integrated waste management services to all residential areas (formal and informal) and business in the CoJ. It services the entire 1 625km<sup>2</sup> of the CoJ, collecting and disposing of the 1.5 million tons of domestic waste generated in 2015/16 by 4.7 million residents. The mandate includes the provision of services to ensure the overall cleanliness of the CoJ's streets (9 000 kilometres), open spaces, and certain public areas. It also offers commercial services to 17 000 businesses in the city. PIKITUP provides a wide range of waste management services to approximately 4.7 million people. Service priorities include:

- Waste minimisation
- Management and establishment of garden sites
- Separation at source
- Food for waste
- Round collected refuse
- Prevention of illegal dumping
- Serving informal settlements
- Hostel cleaning

Pikitup has developed various integrated waste facilities to enable recycling and easy disposal of waste and owns and operates 12 waste management depots strategically located across CoJ's seven regions. It manages 42 garden sites, four operational landfill sites, and two closed landfill sites in CoJ. In addition, some waste is disposed at two privately owned landfill sites (Mooiplaats and Chloorkop). All landfill sites comply with permit requirements and are licensed by the national Department of Water Affairs and Forestry.

The customer base consists of 1 016 919 domestic customers, 1 785 Business Round Collected Refuse (RCR) customers, 1 065 Bulk service customers, 705 dailies and 522 institutions. Pikitup continues to deliver on its mandate to provide sustainable integrated waste management services whilst introducing a shift towards addressing the imperatives of the Growth and Development Strategy (GDS 2040), the Integrated Waste Management Policy, and the National Waste Management Strategy. As such, Pikitup seeks to reduce the waste stream going to landfills, while extracting maximum value from the waste stream at all stages of collection and disposal.

### Performance highlights: Waste management Services

- Total waste diverted away from landfills increased year-on-year from 81 000 tons to 170 501 tons made up of combined builders rubble 83 028 tons; total green waste 50 098; dry waste 37 373
- An actual capital expenditure of 97.5% of the total budget, exceeding the target of 96%;

- Compliance of landfill sites to permit and license conditions increased to a total compliance of 92.2%.
- Increasing focus on partnerships and stakeholder involvement in order to change behaviour and create awareness.
- 831 352 formal households received waste collection services on a weekly basis an 8.6% growth in houses serviced;
- 10 220 240L bins delivered the majority in formalised areas such as Kraaifontein in Midrand, Cosmo City in Randburg and Alexandra in Marlboro.
- Pikitup is providing a waste refuse management service to 164 informal settlements consisting of 183 895 structures.
- Query resolution rate is 72.49% within 7 days.

#### Capital projects: Waste management services

2015/16 actual capital expenditure closed at 97.5% (106.2m), which exceeds the annual target of 96%. The table below illustrates some of the projects where a significant amount of expenditure was made.

Item	Budget	Actual
Springfield Plant (Incinerator)	1,500,000.00	1,500,000.00
Separation at Source	11,000,000.00	10,838,443.39
Purchase of 240L bins	12,000,000.00	11,998,830.14
Garden Sites and EIA's	1,000,000.00	928,193.62
New Plant and Equipment	10,000,000.00	9,964,556.17
Facilities, renewals and upgrades	28,045,000.00	27,353,862.16
Garden Sites Including Sorting Buyback Centre	10,000,000.00	9,938,179.89

Table 24: Capital Expenditure - Waste management services

The table below reflects 2015/16 solid waste service delivery levels for PIKITUP.

Service delivery levels			
Description	2013/14	2014/15	2015/16
	Actual no.	Actual no.	Actual
% landfill compliance to Gauteng Department of Agriculture and Rural Development (GDARD) regulations and permit conditions as issued by the Department of Environmental Affairs (DEA) and Department of Waste and Water Affairs (DWAF)	80.2%	90.5%	92.2%
% round collected refuse (RCR) rounds completed on time (15h30-17h00)	95%	99.7%	98%
Cleanliness level of inner city as determined by GDARD Gauteng Waste Management Standards 4	Level 2	Level 2	Level 2
Cleanliness level in outer city based on street cleaning as determined by GDARD Gauteng Waste Management Standards	Level 3	Level 2	Level 2
Cleanliness levels of hostels as determined by GDARD Gauteng Waste Management Standards	Level 3	Level 3	Level 3

<sup>4</sup> Cleanliness levels as defined in Section 8.6 of the business plan

Table 25: Pikitup service levels

PIKITUP service policy objectives derived from the IDP

The table below outlines PIKITUP policy objectives derived from the IDP and compares performance for the past two financial years and the future three financial years as envisaged in the IDP.

Service policy objectives derived from the IDP									
Service objectives	Key Performance Indicators	2013/14		2014/15		2015/16		2016/17	2017/18
		Target	Actual	Target	Actual	Target	Actual	Target	Target
City wide job creation programme – 250 000 jobs by 2016	No of new jobs created through co-operatives established <sup>5</sup>	250 jobs created by cooperatives in Separation at Source (S@S) project	500	200 new jobs created	450 new jobs created (100 new jobs created in S@S, 350 new jobs created in Jozi@Work)	1 000 new jobs created	1324	1070 new jobs created	1144 new jobs created
	No of new co-operatives established to collect and sell recyclables and do waste management <sup>6</sup>	15 cooperatives established	24	24 new co-operatives established	17 new cooperatives established	37 new co-operatives established	34	23 new co-operatives established	4 new co-operatives established
	No of Expanded Public Works Programme (EPWP) jobs created	162	137	400 community workers employed to clean informal	1474 EPWP workers	450	1420	800	800

<sup>5</sup> This indicator refers to all jobs created i.e. in Separation@Source and Jozi@Work

<sup>6</sup> This indicator refers to all cooperatives established i.e. in Separation@Source and Jozi@Work

Service policy objectives derived from the IDP									
Service objectives	Key Performance Indicators	2013/14		2014/15		2015/16		2016/17	2017/18
		Target	Actual	Target	Actual	Target	Actual	Target	Target
				settlements					
Integrated Waste Management	Increased participation rate in targeted areas where separation at source is implemented	20% <sup>7</sup> participation	20%	50% participation rate	21%	50%	18.38%	30%	40%
Reduction in waste to landfill <sup>8</sup>	Tonnes of green waste diverted through composting	15 000 <sup>9</sup>	17 487	40 000	35 148	60 000	50 098	120 000	170 000
	Tonnes of builder's rubble diverted <sup>10</sup>	New Indicator	New Indicator	20 000	25 059	50 000	83 029	100 000	150 000
	Tonnes of dry waste diverted through S@S project (paper, plastic, glass, cans)	20 000	13 591	30 000	20 808	60 000	37 374	80 000	100 000

Table 26: Pikitup IDP objectives

## Employees: PIKITUP

The table below outlines 2015/16 staff positioning for PIKITUP.

<sup>7</sup> Calculated based on the tonnage of recyclables collected as percentage of total domestic waste, at an assumed average of 12kg/household/month yield for recyclables.

<sup>8</sup> At IDP level the KPI refers to % waste diverted, at entity level there are various KPIs focusing on each waste stream to achieve waste diversion. EISD reports collectively on waste diversion percentage, including information from private sector as well as Pikitup.

<sup>9</sup> Reduced green waste tonnage due to Panorama Composting facility reaching capacity. Ballyclare garden site diverts green waste to private composting facility that is included in the tonnages reported.

<sup>10</sup> New indicator and therefore no baseline exists

OCCUPATIONAL LEVELS	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Top management	2	0	1		1	0	1	1	6
Senior management	13	4	2	3	3		2	4	31
Professionally qualified and experienced specialists and mid-management	33	5	2	10	33	4	0	1	88
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	92	9	0	8	87	4	2	2	204
Semi-skilled and discretionary decision making	392	11	0	0	127	0	0	1	531
Unskilled and defined decision making	1803	13	1	0	1749	12	0	0	3578
<b>TOTAL PERMANENT</b>	<b>2335</b>	<b>42</b>	<b>6</b>	<b>21</b>	<b>2000</b>	<b>20</b>	<b>5</b>	<b>9</b>	<b>4438</b>
Temporary employees	4	2	0	2	6	2	2	0	18
<b>GRAND TOTAL</b>	<b>2339</b>	<b>44</b>	<b>6</b>	<b>23</b>	<b>2006</b>	<b>22</b>	<b>7</b>	<b>9</b>	<b>4456</b>

### Financial performance: Solid waste management services

The table below outlines the 2015/16 financial performance for solid waste management services.

			Financial performance			
			R'000			
Details	2013/14	2014/15	2015/16			
	Actual	Actual	Original budget	Adjustment budget	Actual	Variance from adjusted budget
Total operational revenue	1,791,727	1,911,510	1,994,912	2,011,741	2,119,777	108,036
Expenditure:						
Employees	754,356	826,106	843,493	887,296	858,204	29,092
Repairs and Maintenance	2,374	3,200	7,855	6,659	5,109	1,550
Other	492,425	1,146,727	1,143,564	1,117,786	837,494	280,292
Total operational expenditure	1,249,156	1,976,032	1,994,912	2,011,741	1,700,808	310,933
Net operational expenditure	542,572	(64,522)	-	-	418,969	418,969

Table 27: Financial performance: solid waste management

### Capital expenditure: Solid waste management services

The table below outlines 2015/16 capital expenditure for solid waste management services.

Item	Budget	Actual
Springfield : Plant (Incinerator)	1,500,000.00	1,500,000.00
Separation at Source	11,000,000.00	10,838,443.39
Purchase of 240L bins	12,000,000.00	11,998,830.14
Garden Sites and EIA's	1,000,000.00	928,193.62
Ennerdale Landfill Site	4,850,000.00	4,330,383.84
Goudkoppies Landfill Site	4,850,000.00	4,796,091.08
Marie Louise Landfill Site	4,850,000.00	4,530,728.06
Robinson Deep Landfill Site	4,850,000.00	4,838,019.49
Garden Sites Including Sorting Buyback Centre	10,000,000.00	9,938,179.89
Linbro Park Transfer Station	500,000.00	499,909.44
Kerbside Collection	3,000,000.00	2,915,378.52
Waste Bulk Container	1,500,000.00	1,488,811.60
Street Furniture	1,000,000.00	992,645.91
New Plant and Equipment	10,000,000.00	9,964,556.17
Landfill New Cell Development	4,500,000.00	4,500,000.00
Facilities, renewals and upgrades	28,045,000.00	27,353,862.16
Branding and signage	500,000.00	258,547.70
IT Hardware and Software	5,000,000.00	4,561,013.05
<b>Grand total</b>	<b>108,945,000.00</b>	<b>106,233,594.06</b>

Item	Budget	Actual
% Capex Expenditure		97.5%

Table 28: Capital expenditure - solid waste management

## HOUSING SERVICES

Housing delivery in the City has been primarily focused on demand. The City through the Department of Housing delivers housing opportunities that provide alternative tenure options located close to economic opportunities, are adequately serviced, affordable, and are preferably found in high-density environments.

### Financial performance: Housing services

#### JOSCHO

At the end of the financial year R132 million (100%) of the annual budget of R132,3 million was spent on service delivery and administrative costs. In considering the amount spent on core delivery versus administrative costs the ratio is 55:45. Total revenue and expenditure amounted to R137, 9 million and R132 million respectively, resulting in a net surplus of R5.9 million. JOSCHO's working capital (short-term assets) adequately covers the short-term liabilities. The entity therefore has sufficient liquidity in the short-term to cover its debt i.e. 1.07 times.

The going concern of JOSCHO over the short-term (12 months) is demonstrated by considering the positive balance of the accumulated reserves - R12.5m. It is further supported by the current ratio which shows the liquidity of the entity as 1.07:1 (current assets to current liabilities). The entity is able to continue its operations over the foreseeable future. Cash and cash equivalents balance at the end of June 15 was R12.5m. These funds relate to tenant's deposits which are held in trust.

Description	2015/16 Financial Year			
	Actual R'000	Budget R'000	Variance R'000	Variance %
<b>Revenue</b>	<b>137 981</b>	<b>134 393</b>	<b>3 588</b>	<b>3%</b>
<b>Less: Total expenditure</b>	<b>-132 111</b>	<b>-132 333</b>	<b>-222</b>	<b>-0%</b>
<b>Core Mandate (Deliverables):</b>	<b>-73 776</b>	<b>-74 816</b>	<b>-1 037</b>	<b>-1%</b>
Repairs & Maintenance - Flagship 1	-49 183	-50 470	-1 287	-3%
Utility Costs - Flagship 2	-9 267	-11 640	-2 373	-26%
Other project related costs - Flagship 3	-15 326	-12 706	2 623	17%
<b>Administrative Costs</b>	<b>-58 335</b>	<b>-57 517</b>	<b>819</b>	<b>1%</b>
Governance & staff costs - Enabler 1	-37 020	-36 181	838	2%
General Expenses - Enabler 2	-21 315	-21 336	-21	0%
<b>Surplus before tax</b>	<b>5 870</b>	<b>2 060</b>	<b>3 366</b>	<b>65%</b>

Table 29: JOSCHO financial performance

The following table shows how JOSHCO's revenue was made up for the period up to June 2016. 73% of JOSHCO's revenue was generated from its core mandate of developing, rehabilitating, converting and managing housing stock on behalf of the City of Johannesburg. Subsidies from the City made up 14% of total revenue. The collection rate on billings closed at 91%, 2% ahead of targeted projections of 89%.

#### Capital Expenditure: JOSHCO

JOSHCO received a capital budget of R493 403 000 from a number of sources including City of Johannesburg, Urban Settlements Development Grant and National and Provincial Government Grant. At the end of June 2016, JOSHCO had spent 100% of its CAPEX budget against a projected spending of 95%. The bulk of the expenditure was on the corridors of freedom. JOSHCO spent R159 737 776.47 on the Soweto to CBD corridor along and Perth roads. This included expenditure on Dobsonville Social Housing Project, Golden Highway Social Housing, Ikhwezi Rental Housing, Jabulani, Lufhereng Social Housing, Nancefield Station and Pennyville New Canada Transit Oriented Development. On the CBD to Alexandra along Louis Botha Avenue TOD, JOSHCO spent money on Hoek Street, Inner City Housing, Lombardy East, Nederburg Building and 80 Plein Street. On Alexandra, Malboro to Sandton route, JOSHCO invested in Randburg Selkirk. JOSHCO also invested in the mining belt, on the Kliptown Housing Project, Princess Plots, Fleurhof Riverside Ridge and Roodepoort phase 2. Towards stock capitalisation, JOSHCO invested in Antea, Bothlabela, Chelsea, City Deep, Kliptown Golf Course and Pennyville rooms. As a result of these investments, JPSHCO spent 96% of its capex in service delivery categories, 48% of budget was spent on construction, 41% on the Inner City (including purchasing of buildings and 7% was spent on existing projects.

#### Overall performance commentary: Housing services

During the last quarter of the year JOSHCO pushed its capital expenditure from 41% to 99%. This was achieved through the procurement of various Inner City buildings. The company further successfully handled 60% of legal cases. The Jozi@Work programme delivered 45 work packages for cleaning and planned maintenance. Cumulative revenue collection at the end of June 2016 stood at 91%, which was 2% over the target of 89%. This performance was achieved on the back of improved revenue collection strategies.

Approximately R274 million of the R294 million expenditure during the fourth quarter (93% of expenditure) was procured from BBBEE compliant and small to medium enterprises (SMME). Across the full 12 months of the financial year R498 million of the R544 million was procured from SMME contractors, thereby representing 92% of all expenditure procured by JOSHCO in 2015/16. JOSHCO performed well in terms of most of the service standard KPIs under housing management. Overall KPI achievement was 32 out of 38, which is 84%.

#### Housing management

The functions of JOSCHO's Housing Management Department are separated between three programmes:

1. Leasing;
2. Property Management and Maintenance Programmes; and
3. Community Development.

As at the end of financial year a total of 6850 units were under management and JOSHCO achieved an overall occupancy level of 98% across all projects at year end.

- **City Deep (Greenfields)** – 196 Units were handed over for allocation in September 2015, and the balance of 133 units were handed over in October and November 2015 a total of 329 units.
- **Orlando (Greenfields/Conversion)** – 190 Units were handed over in November 2015, as at the end of December, 131 leases were signed, 107 tenants took occupation in December 2015 and the remaining 24 tenants took occupation in January 2016. The balance of the 59 units were allocated in January 2016.
- **Kliptown Golf Course** – JOSHCO was appointed by Provincial government to complete all outstanding work in the project, including the completion of Phase 5 units.
- **Soweto Hostels (CRU)** – The Soweto Hostels remain a challenge. In Diepkloof 60 units were handed over in November 2015 as at the end of December 60 units were signed. An additional 16 units were handed over during the third quarter and all leases signed. 140 units remain outstanding and the City, JOSHCO continues to find solutions to the problems that prevent the handover and allocation of these units and those in Dube and Meadowlands.
- **Staff Hostels** – Staff Hostels have been a challenge largely as a result of unemployed dependants taking over the units. These units remain vacant on the system as JOSHCO cannot sign leases with the dependents. An occupancy and lease audit was undertaken to ascertain the status of the units. The dependents that generate an income and met the criteria according to JOSHCO policy signed lease agreements and were regularised, however many dependents are unemployed and JOSHCO is forced to follow the lengthy eviction process in these cases.
- **Fleurhof** – 252 units were handed over at the end of June 2016, the application process for occupancy to commence in the first quarter 2016/2017
- **Orlando Ekhaya New** – At the Orlando West Flats 535 applications were taken, with the planned hand-over of 88 units in 2015/16.
- **Diepkloof Flats** - Overall 95 applications were taken for the 1st phase of allocations, from which eight units were handed over.
- **Maintenance** - A total of 6336 jobs were logged between July 2015 and June 2016 and 99% of maintenance complaints logged as at 30 June 2016 were resolved. JOSHCO achieved its “maintenance cases closed within turnaround targets” performance measure 95.6% performance attained. The refinements to the maintenance processes, continual communication with contractors monitoring of performance and commitment to service delivery has assisted in the performance levels being sustained.

JOSHCO fully implemented its planned maintenance programme at a total cost of R 7 931 384.20. The building condition assessments conducted during the first quarter has been actioned and remedial work done over the third and continued in the fourth quarters of 2015/2016. Overall Forty-four percent (44%) of jobs were related to plumbing, sixteen percent (16%) related to electrical, and the remaining forty percent (40%) to general repairs and maintenance.

**Summary Report on Repairs and Maintenance:** - In the financial year 2014/15 JOSHCO spent just under R22million of its operational expenditure on repairs and maintenance to buildings under management. Over and above the R22 million an additional R23 million was spent on capital upgrades.

During the 2015/2016 financial year, a great deal of emphasis was placed on the upgrade and maintenance of JOSHCO buildings and infrastructure. Increased budget allocation to repairs and planned maintenance programmes has enabled JOSHCO to make remarkable improvements to deteriorating projects. Tenants have been thrilled and immensely satisfied with the enhancements. The customer satisfaction survey proved this with a rating of 84% being achieved for the 2015/2016 financial year.

#### Employees: JOSHCO

The table below shows the employee positioning of JOSHCO, reflecting a 50% split in the gender composition of staff.

OCCUPATIONAL LEVELS	STATUS AS AT JUNE 2016								
	MALE				FEMALE				Total
	A	C	I	W	A	C	I	W	
Top management (E)	0	0	0	0	0	0	0	0	0
Senior Manager (E)	1	0	0	0	1	1	0	0	3
Middle Management (D)	10	0	0	4	8	1	0	0	23
Supervisory / Skilled (C)	23	1	1	0	26	2	1	1	30
Semi-skilled (B)	9	0	0	0	5	1	0	0	15
Unskilled (A)	1	0	0	0	3	0	0	3	4
<b>TOTAL</b>	<b>44</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>43</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>100</b>

Table 30: Employee positioning: JOSHCO

#### TRANSPORT SERVICES

The Transportation Department, Johannesburg Roads Agency (JRA), and the Metropolitan Bus Service (Metrobus) make up the City of Johannesburg's transportation sector. The Department is responsible for setting the strategic direction and policy framework; transport planning; the promotion of road safety and transport values; and the provision of public transport, including the rollout of Rea Vaya BRT services. Core to the transport strategy is to make walking, cycling and public transport the modes of choice. Efforts towards the reduction of carbon emissions are high on the sector's agenda and work towards achieving this objective is in progress including the Metrobus refueling programme.

The JRA is responsible for the planning, design, construction, operation, control, rehabilitation and maintenance of the roads and storm water infrastructure in the City of Johannesburg. This responsibility includes the construction and/or maintenance of bridges/culverts, traffic signals/traffic signal systems, footways, road signage and road markings. This entity's delivery agenda is also informed by their Ten (10) Year Roads Development Plan.

The Johannesburg Metropolitan Bus Services (Metrobus) is responsible for the provision of quality Metrobus bus services to Johannesburg residents. The entity aims to provide affordable and safe public transport services to Johannesburg residents. The entity is currently undergoing a

transformation process which is aimed at increasing efficiencies and capabilities towards realising its strategic mandate. This transformation agenda includes refueling of current fleet with green buses.

The City's transport system is central to its economy and people. The approach which is biased towards making walking, cycling and public transport the modes of choice is also aimed at addressing various transport challenges including:

- The legacy of apartheid spatial planning;
- Urban sprawl and traffic congestion as a result of a historical focus on private car use as a main means of transport;
- Commuter pain as a result of long times of travelling especially in respect of those who continue to live on the periphery and furthest areas of the City due to the apartheid legacy;
- Increasing air pollution and carbon emissions due to high levels of private car use and trucks as well as the ongoing use of high carbon emitting fuel sources to mention a few.

Despite ongoing engagement of the taxi industry, there are still areas of instability as a result of poor regulation of and support provided to the privately owned mini bus and metered taxi industry and new modes of transport – especially for the last mile – which is not regulated appropriately. Work is in progress towards regulation of these new modes including the engagements with the province and the finalisation of the Transport Governance Framework.

The transport sector's goals are:

- Building a leading, responsive and activist transportation sector in the City which works in partnership with stakeholders and residents;
- Planning, policies and co-ordination for integrated and sustainable transport;
- Promoting public transport, walking and cycling as modes of choice in Johannesburg;
- Building co-responsibility and a value based culture to enable behavioural change towards transport issues;
- Providing high quality, safe, accessible, affordable and environmentally friendly public transport services;
- Building, maintaining and managing our road infrastructure and systems to ensure safety, accessibility and mobility for all road users including pedestrians;
- Transforming the construction, maintenance and management of storm water to respond to climate change and water scarcity and ensure the safety of residents and infrastructure; and
- Building, maintaining and managing public transport and non-motorised transport infrastructure to support walking, cycling and the use of public transport.

#### [Performance Highlights: Transportation services](#)

Through Rea Vaya BRT System City of Johannesburg is providing fast, safe, affordable, effective, efficient and convenient public transport services in areas of high demand. The City is improving the quality of life of Johannesburg residents by reducing travelling times, costs and commuter pain. In 2015/16;

- An annual average of 48 269 passenger trips per working day.
- Smooth operations (both phase 1A and 1B) run through two BOC (Bus Operating Companies), namely, Piotrans and Litsamaiso.

- Cumulatively 14.6km of roadways completed along Louis Both Avenue and Catherine Drive.
- Significant progress been made on Sandspruit and Grayston pedestrian/cycle bridges.
- Partial upgrading of West Street from Rivonia to Freidman roads completed.
- The construction of the Sandton Rea Vaya public transport loop at 85% completion.
- Implementation of a prototype Smart Rea Vaya passenger information sign (Totem pole) was constructed at Westgate station.

The table below displays the Rea Vaya Bus rapid Transit (BRT) operational service statistics.

<b>Municipal Bus Service Data: Transport Department (Rea Vaya BRT)</b>					
		2014/15 F/Y	2015/16 F/Y		2016/17 F/Y
		Actual No.	Target	Actual no.	Estimate No.
1	Passenger journeys	Rea Vaya : 34,500	42 500	48 271	50 000
2	Seats available for all journeys	Rea Vaya : 108,801	108,801	108,801	108,801
3	Average Unused Bus Capacity for all journeys	Rea Vaya : 18,6%	54 %	60%	44%
4	Size of bus fleet at year end	Rea Vaya : 277	277	277	277
5	Average number of Buses off road at peak	Rea Vaya : 27	27	27	27
6	Proportion of the fleet off road at peak	Rea Vaya : 9%	9.7%	9.7%	9.7%
7	No. of Bus journeys scheduled per day	Rea Vaya : 2561	2561	2561	2561
8	No. of journeys cancelled per day	Rea Vaya : N/A	52	21	52
9	Proportion of journeys cancelled	Rea Vaya N/A	2%	0.8%	2%

**Table 31: Rea Vaya BRT operational statistics**

#### Public Transport Facilities

The following progress was registered in the provision of public transport facilities

- Construction of public transport facility at Slovoville was completed.
- Progress on the construction of public transport facility at Lehae is at 65%.
- Appointment of contractor to construct a scholar public transport facility at Lenasia completed.
- Redevelopment of Kazerne public transport facility on course.
- New model for commuter shelters was developed and a public participation process undertaken.

#### Complete streets

The City of Johannesburg, through JRA is also constructing and retrofitting to accommodate all road users (pedestrians, cyclists, public transport and motorists) to enhance the safety of road users. The following projects were undertaken;

- **Ivory Park** – This project entails the construction of sidewalks on Freedom Drive and 8km was completed.
- **Auckland Park** – The project entails the construction of NMT (Non-motorised transport) including the construction of sidewalks and bicycle lanes. Two (2) km of NMT was completed in Auckland Park.

- **Park Station to Doornfontein** – This project entails the construction of 5km of cycle lanes on the route between Park station to Doornfontein and it was completed.
- **Orange Farm** – This project entails the construction of 10km of non-motorised transport infrastructure and construction is commencing.

A feasibility study was undertaken and completed for the implementation of cycle lanes on the route between Rosebank and Sandton. This project is being implemented over two financial years and the designs were completed. The construction of the cycle lanes will commence in the new financial year.

#### **Metrobus**

In 2015/16, Metrobus undertook a restructuring process and recapitalisation of its buses with green buses. This process is being undertaken through a facilitated negotiations process between the City and Metrobus Company. The procurement process for Metrobus and Rea Vaya ITS (Intelligence Transport Systems) is in progress.

#### **Public transport operations**

In terms of public transport operations, the work of the Transport Department is geared towards transformation and empowerment of previously disadvantaged operators. The previously disadvantaged operators including mini bus taxi operators are now owners of the Bus Operating Companies (Piotrans and Litsamaiso) entrusted with the responsibility of running the Rea Vaya operations.

The development of public transport operational plans for the North East Quadrant is in progress and seventy percent (70%) progress was achieved. Another operational plan is being developed for the greater Soweto area with progress sitting at sixty percent (60%).

An empowerment programme which include entrepreneurial training for previously disadvantaged public transport operators is being developed in partnership with Wits University and implementation is earmarked to commence in the new financial year.

#### **Cycling promotion**

Johannesburg encourages cycling through the construction of cycle infrastructure as part of complete streets, safety, promotion, bike distribution and Eco-mobility service providers' programme. The following progress was recorded in this regard;

- Cycle safety outreach with Wits and the University of Johannesburg is ongoing.
- Ongoing cycle safety with schools in Orlando has been initiated.
- An MOU (Memorandum of Understanding) with the JMPD (Johannesburg Metropolitan Department) aimed at enforcement to address cycle lanes encroachment is in place and being implemented.
- A cycling promotion programme was launched towards the end of the financial year through partnership at the University of Johannesburg and it included cycling training spearheaded by professional cyclists, cycle promotion and UJ/ Wits cycle lane activation. This was a partnership implementation with the University of Johannesburg (UJ) and the private sector.

- A bench marking study through the University of Johannesburg is in progress. The study is looking at issues such as who is currently using cycle lanes in the selected corridor, what and where are the obstacles etc.
- An SLA (Service Level Agreement) with Qhubeka (an NGO) was signed which includes the distribution of bikes at schools etc. Part of their responsibility includes in terms of sourcing private sector funding including with respect to bike training for learners and bike mechanics etc.
- Bicycle supervisory committees are in place at both Alexandra and Orlando comprising CPF, SAPS, schools, JMPD, GDE, and Qubheka etc.
- During the period under review, hundred and forty one (141) bikes were distributed in Alexandra, Orlando and Noordgesig.

#### Road safety education, behavioural change, open streets and partnerships

The city is committed to reclaiming City roads as public spaces and conducts Open Streets activities where the roads are closed on certain days and time for public use. This is to demonstrate that streets can be used as public spaces and not only for vehicular traffic. Cumulatively ten open streets activities including Freedom Rides were implemented or supported including through partnerships with other Departments and the community during the 2015/2016 financial year.

As part of promoting safety of road users and behavioural change, the City implemented hundred road safety education and outreach programmes in partnership with stakeholders and the community. The areas covered for the period under review included Nasrec, Dobsonville, Orange Farm, Alexandra, Brixton, Doornfontein, Parktown, Orlando, Jabulani, Yeoville, Westbury to mention a few.

A successful second Eco-mobility World Festival was held in Sandton during October 2016. The programme was implemented in partnership with various local and international stakeholders and experts and below is a summary of the festival programme:

- Over 15 000 people attended at least 10 different large scale events on the streets of Johannesburg, including the Freedom Ride where over 4000 cyclists participated.
- The EcoMobility World Dialogues was addressed by 47 speakers from more than 20 countries and attended by approximately 500 local government leaders, experts and practitioner. The address by 47 speakers produced a Johannesburg Declaration of Ecomobility in Cities which was being endorsed by Cities and international organisations to be taken forward into the climate talks at COP 21 in December 2016.
- The EcoMobility World Exhibition was hosted in three places, Sandton, Alexandra and online. The online exhibition showcased over 350 vehicles and received 10 000 visitors. The local exhibition included 30 exhibitors, many innovative entrepreneurs. In Alexandra, over 250 learners visited the exhibition daily over the last week of the Festival.
- Commuters who used public transport from Randburg or Fourways and/or used the express services from the Park and Rides supported by the contra flow lanes into Sandton from the west were able to save 15 minutes per trip.
- Five times more people walked along West Street during the Festival based on a survey undertaken in 2013.

The main objective of the Ecomobility Festival was to promote the City long term agenda of walking, cycling and public transport.

#### Parking interventions

The Department identified various areas for implementation of parking interventions and this is ongoing. The Infrastructure interventions which have been identified for implementation at Greenside have been discussed with stakeholders, in particular how the plans for the Greenside node should take cognisance of the wider cycle network planning to the Rosebank CBD (Central business District). The planned interventions will include park and rides and the discussions on land for these park and rides are in progress.

A facility was secured and refurbished for long term parking at Florida CBD. Engagements are in progress in terms of how the facility should be managed and implementation of other parking interventions.

The paid parking plan for Rosebank was publicised for public comments which have been incorporated. Road markings were completed and the installation of bollards and signage is being carried out. Bollards are also being implemented in Craighall as part of parking interventions for the area.

#### Park and rides

Park and ride was implemented during the Eco-mobility festival at Monte Casino and Brightwater Commons. Another park and ride was introduced at Ndingilizi and currently operational. More are being planned including along the Phase 1C corridor.

#### Precinct plans

The City engaged various stakeholders to mobilise resources for the development of precinct plans at identified areas. This partnership is ongoing and for the period under review the following can be reported:

- A process has been initiated to develop a multimodal transport plan for Turfontein, as well as a comprehensive non-motorised transport plan for the Greater Ivory Park precinct and traffic and transport study for the Greater Diepsloot and Braamfontein areas. The interventions in Braamfontein will include paid parking to address issues of congestion in that precinct. A precinct plan is also being developed for Main Street.

#### Employees: Transport Department (including Rea Vaya) Bus Services

The below table depicts the Transport Department (including Rea Vaya) Staff Establishment.

Employees: Transport Services					
Job level	2014/15 F/Y	2015/16 F/Y			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents)	Variances (as a % total posts)
0-3	10	11	10	1	8.33
4-6	38	53	41	12	21.73
7-9	228	393	369	24	11.44
10-12	120	190	168	22	11.58

13-15	0	0	0	0	0
16-18	0	0	0	0	0
19-20	0	0	0	0	0
<b>Total</b>	<b>586</b>	<b>647</b>	<b>588</b>	<b>59</b>	<b>9.11</b>

Table 32: Transportation services - employees

Financial Performance: Transportation services

Revenue and Operational Expenditure

Description	Original Budget	Adjusted Budget	4rd Quarter	YTD Actual	YTD Budget	YTD Variance	% Variance
	'000	'000	'000	'000	'000	'000	
Operating Grants	287 000	290 500	102 000	245 255	290 500	45 245	0
Rea Vaya fare revenue	141 499	102 588	39 000	100 100	102 588	2 488	0
<b>Total Revenue</b>	<b>428 499</b>	<b>393 088</b>	<b>141 000</b>	<b>345 355</b>	<b>393 088</b>	<b>47 733</b>	<b>12%</b>
Employee related costs	152 278	155 998	37 207	155 796	155 998	202	0%
Depreciation & asset impairment	492 169	492 169	57 237	320 547	492 169	171 622	35%
Repairs and Maintenance	161 964	159 464	60 255	116 931	159 464	42 533	27%
Contracted services	609 862	592 172	172 516	549 203	592 172	42 969	7%
Other expenditure	54 741	35 431	10 898	31 444	35 431	3 987	11%
Internal Charges	1 045	1 045	199	9 414	1 045	-8 369	
<b>Total</b>	<b>1 472 059</b>	<b>1 436 279</b>	<b>338 313</b>	<b>1 183 335</b>	<b>1 436 279</b>	<b>252 944</b>	<b>18%</b>

Table 33: transportation services - revenue and operational expenditure

Transport Capital expenditure R'000

#	Details	Total Revised Budget '000	Budget for Quarter '000	Actual for Quarter '000	Variance for Quarter '000	Actual for year '000	Variance for year '000	% Spending
1	Comp: UJ Cycle Lanes : UJ-Wits Route	15 500	3 875	-	3 875	14 802	698	95%
2	COMPL: Parking Solutions for small nodes New Complete Streets JOHANNESBURG	2 000	500	-	500	16	1 984	1%
3	Complete Street feasibility study and designs: Sidewalks improvement Rosebank, Tyrwhitt & Cradock Avenues New Complete Street Rosebank	4 000	1 000	2 082	-1 082	3 038	962	76%
4	PTF: Holding Facilities: Kazerne Redevelopment New Public Transport Facility JOHANNESBURG	59 530	14 883	57 005	-42 123	57 836	1 694	97%
5	PTF: Small Public Transport Facilities: Drieziek New Public Transport Facility DRIEZIEK EXT.3 City Wide	500	125	288	163	356	144	71%
6	Operational Capital New Operational Capex JOHANNESBURG City Wide	470	118	112	6	334	136	71%
7	PTF: Small Public Transport Facilities: Lehae New Public Transport Facility LEHAE City Wide	13 000	3 250	10 823	-7 573	10 986	2 014	85%
8	PTF: Small Public Transport Facilities: Slovoville Ext 1 New Public Transport Facility SLOVOVILLE EXT.1 City Wide	5 000	1 250	1 287	37	4 289	711	86%
9	PTF: Transfer Facility: Scholar Transport Interchange- Lenasia New Public Transport Facility LENASIA City Wide	5 000	1 250	735	515	944	4 056	19%
10	Rea Vaya New Bus Rapid Transit JOHANNESBURG City Wide	864 368	216 092	128 500	87 592	863 712	656	100%
11	COMPL: Cycling Lanes: Orange Farm: Priority Schools Zones New Complete Streets Orange Farm Ext.4	10 000	2 500	-	2 500	-	10 000	0%

12	PTF : Small public transport Facilities Design and Construction of Laybys	1 000	250	630	-250 000	630	370	63%
13	COMPL: Design of NMT links to Public Transport Facilities	2 000	500	-	500	-	2 000	0%
14	Construction of Complete street in Ivory Park	15 000	3 750	7 586	-3 836	14 851	149	99%
		997 368	249 342	209 048	-209 326	971 794	25 574	97%

Table 34: transportation services - total capital expenditure

## ROAD AND STORM WATER MANAGEMENT SERVICES

The City provides and maintains the road infrastructure through the Johannesburg Roads Agency (JRA). The Johannesburg Roads Agency, a wholly municipal-owned entity, is responsible for the planning, design, construction, operation, control, rehabilitation and maintenance of the roads and storm water infrastructure in the City of Johannesburg. The main responsibilities include the construction and maintenance of: bridges and culverts; traffic signals and traffic signal systems; footways; road signage and road markings.

### Road infrastructure service levels

The table below represents the service levels relating to gravel roads within the limits of the City of Johannesburg during 2015/16 26.98 kilometres of gravel roads were upgraded and 4814 LKM maintained during this financial year. This represents a marginal increase in comparison to previous years (7.9% increases on the target for the previous year).

<b>Gravel Road Infrastructure (Kilometres)</b>				
	<b>Total gravel roads</b>	<b>New gravel roads constructed</b>	<b>Gravel roads upgraded to tar (Gravel Roads to surfaced)</b>	<b>Gravel roads graded/maintained (L/km) (blading, re-graveling, rip and re-shaping)</b>
2012/13	145 (909)	15	10	100
2013/14	160 (1 250)	20	12	120
2014/15	166 (1 250)	25	14	140 (800)
2015/16	1 250	0	26.98	814.5

Table 35: Service levels: gravel roads

### Tarred road infrastructure

The table below represents the service levels relating to tarred roads during the 2015/16 financial year. The table shows a total of 13,428 kilometres tarred roads, with 587.69 lane kilometres of existing roads being resurfaced

<b>Tarred Road Infrastructure (Kilometres)</b>					
	<b>Total tarred roads</b>	<b>New tar roads (Gravel to surfaced)</b>	<b>Existing tar roads re-tarred (resurfacing)</b>	<b>Existing tar roads re-sheeted (Reconstructed/Rehabilitated)</b>	<b>Tar roads maintained</b>
2012/13	85 (8704)	10	10 (77.02)	18	100
2013/14	98 (8704)	14	12 (402.21)	15	120
2014/15	114 (8704)	20	14 (675.57)	25	140
2015/16	13,428	26,98km	587,69	31,17	13,428

Table 36: Service levels: tarred roads

### Storm water

The table below represents the service levels relating to storm water during the 2015/16 financial year. The table shows a total of 180 storm water measures taken, with 7 measures upgraded and 36431 maintained.

<b>Storm water Infrastructure – Network Development &amp; Upgrading (Kilometres)</b>

	<b>Total Storm water measures</b>	<b>New storm water measures (installations/ network development)</b>	<b>Storm water measures upgraded (conversions to underground systems)</b>	<b>Storm water measures maintained</b>
2012/13	145	15	10	100 (250)
2013/14	160	20	12	120 (154)
2014/15	166	25	14	140 (233)
2015/16	180	0	7	348,23

Table 37: Service levels: storm water

### Road infrastructure service policy objectives derived from the IDP –

The table below outlines road infrastructure services policy objectives derived from the IDP. The table compares performance for the past two financial years with envisaged performance as per the IDP for the next three financial years.

Table: Road infrastructure service policy objectives derived from the IDP

Road Service Policy Objectives derived from the IDP								
Service Objectives	Service target	2014/15		2015/16		2016/17	2017/18	2018/19
		Target	Actual	Target	Actual	Target	Target	Target
Sustainable Services Greater Ivory Park (marginalised area)	Road constructed with sidewalks; Gravel Roads Upgrade	R60 million Detailed design and road construction	2.0 km	R60 million Detailed design and road construction	1.96km	R60 million Detailed design and road construction	20.68 km	Not yet available
	R15,5 million Construction of bridges	R5m for 1 pedestrian bridge	0	-	0	R5 million for one Pedestrian bridge	1 km	Not yet available
Diepsloot (marginalised area)	Upgrade 80% of gravel roads in five year period	R44 million in roads upgrades	1.37 km	R44 million in roads upgrades	6.42km	R44 million in roads upgrades	22.76km	Not yet available
	Three pedestrian bridges constructed	R3 million One bridge constructed	0	R3 million One bridge constructed	0	R3 million One bridge constructed	1 km	Not yet available
Greater Orange Farm (marginalised area)	81 km of road constructed Gravel Roads Upgrade	75% - 30km constructed	1.38 km	100% - 31km constructed	8.2km		25.80 km	Not yet available
Urban Water Management Program; Promote and pilot new storm water	100% development of Manual and incorporation into project	50% of manual developed	0% of the manual was developed due to the Service Level Agreement	100% of manual developed	0% of manual developed	50% application within CoJ projects and development approvals	70% application within CoJ projects and development approvals	Not yet available

management Strategies	requirement and development approvals		ent not being finalised					
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#### Financial performance: roads and storm water services (JRA)

The table below outlines JRA's financial performance with respect to roads and storm water services as of June 2016.

Financial Performance: Road and storm water services					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	30,059	35,000	41,965	67,444	25,479
Expenditure:					
Employees	221,841	240,000	253,587	240,670	12,917
Repairs and Maintenance	2,311	6,720	6,720	4,220	2,500
Other	148,150	201,000	188,681	190,545	(1,864)
Total Operational Expenditure	372,302	447,720	448,988	435,435	13,553
Net Operational Loss	342,243	412,720	407,023	367,991	39,032

Table 38: Financial performance: JRA and storm water services

The table below outlines the cost of construction and maintenance with respect to storm water infrastructure as of June 2016. It shows a progressively increasing expenditure on maintenance in the IDP term.

Cost of storm water construction/maintenance (R'000)			
Storm water measures			
Year	New (installations)	Improved / converted (upgraded)	Maintained
2011/12	51,460	24,140	20,856
2012/13	15,960	11,640	22,921
2013/14	27,500	9,090	2,235
2014/15	35,203	2,54	25,643
2015/16	3,198	25,032	520 343,97

Table 39: Cost of storm water construction / maintenance

#### Capital expenditure: roads and storm water services

The table below outlines JRA's capital expenditure with respect to roads and storm water services as of June 2016.

Capital expenditure: Roads and storm water services			
R'000			
Programme	2015/16 Budget	Expenditure as at 30 June 2016	Variance from original budget (%)
Gravel roads	278,000	214,843	22,7
Storm water	135,200	107,083	20,8
Road rehabilitation and reconstruction	549,697	511,605	6,9

Bridges	154,350	124,307	19,4
Mobility	90,000	73,457	18,3
*Overall Total	1,207,247	1,031,295	14,5

Table 40: Capital expenditure: roads and storm water services

Overall performance commentary: roads and storm water services

During the year the JRA developed its Service Delivery Improvement Plan (SDIP) in order to escalate and improve performance in key areas. Of significance was the alignment of the JRA improvement activities to the Service Delivery Standards, as expressed in the Customer Charter and Service Level Agreement with the City of Johannesburg. The company continued its operational activities, with these being aligned to the JRA Key Delivery Pillars as follows:

- Traffic Regulatory Infrastructure
- Road Infrastructure
- Storm water Infrastructure

The City's commitment to investment in road infrastructure has been evident over the past 2 years with a substantial increase in the CAPEX budget allocation since the 2014/15 financial year. During the year, implementation of the capital programme continued and multi-year projects awarded in the previous financial year were progressing well.

For the period under review, the JRA managed to spend 83% (i.e. R1.114 billion) of the allocated R1.340 billion compared to 75% (i.e. R919 000 million) of the allocated R1.297 billion in the 2014/15 financial year. The JRA has managed to commit 66% of the 2016/17 budget of R1, 4 billion.

**Major projects implemented during the year include:**

- Upgrading of gravel roads to surfaced roads.
- Conversion of open storm water drains to underground system
- Completion of Naledi bridge
- Commencement of Construction of 3 bridges upgrade in Soweto (completion in 2016/17 financial year)
- Commencement of Repairs to the double decker section of M1 (completion July 2017)
- Commencement of Rehabilitation of Oxford and Federation Road bridges on M1 (completion in 2016/17 financial year)
- Completion of Rehabilitation of Emmarentia Dam wall
- Road resurfacing city wide, and the upgrading and installation of traffic signals
- Road Reconstruction and rehabilitation city wide

For the 2015-16 financial year, focus was also placed on the completion of Storm Water Master Plan and identified target areas for 2015/16 have been serviced 100%. We are planning on developing a storm water master plan for three townships during 2016/2017 financial year based on the available budget.

To date a total of 98 SMME's were appointed and 1545 jobs created and a total amount of R37, 092,103.30 has been committed during the 2015/16 financial year on this programme. Management will prioritise the scaling up of Jozi@Work, to mobilise community capacity to augment JRA capacity.

This will involve rebalancing of the internal maintenance teams so that better staffed maintenance units focus on smaller geographical areas of work, and allocating the remaining geographical areas to Jozi@Work contractors.

A programme management system has also been implemented and external capacity sourced to supplement existing internal programme management capacity, to effectively and efficiently manage the Capex programme. The continuous improvement in Capex expenditure levels over the past two financial years is indicative of progress being made and will continue into the future years.

## PLANNING AND DEVELOPMENT SERVICES

The Department of Development Planning is responsible for formulating medium to long-term spatial strategies and policies to guide and direct development in the City towards the achievement of the Joburg GDS 2040 Vision and Outcomes.

The Department therefore provides the regulatory policy framework for development decision-making in the City, to which all other Departments and Municipal Entities are to align so that the future City vision is achieved. This robust strategic urban planning function of the Department is supported by the statutory operations of land use and building development management. These daily operations are critical to economic growth as property development, improvement and regulation is a key determinant of investment in the City, and revenue to the City.

As property is the primary building block for urban development, the Department is also the custodian of the City's property information as well as other core data-sets, such as street addresses and aerial photography. The property lifecycle is managed through the Property Value Chain and maintained in the Land Information System (LIS), which is the source of property information for billing, amongst others.

Through the department the City provides the following services;

- Strategic metropolitan planning and spatial development;
- Land use development management and statutory enforcement;
- Building development management and statutory enforcement;
- Spatial data, spatial mapping and spatial information dissemination; and
- City-wide capital investment prioritisation and coordination

Due to its role and function in the City, the Department plays an 'enabling' role in the City as it is the key driver of the location, type and scale of city-wide development. At the same time, the Department has to manage these developments so that the City's goals of urban restructuring are achieved. By providing an effective and efficient land use and building control service, the Department plays a pivotal role in the management of the built environment to support the sustainable economic growth of the City.

### Land use development planning service levels

The table below outlines 2014/15 service delivery levels for land use development and planning services.

Main service	Actual customers	Potential customers	Standard of service	Actual achievements	
				Improved turnaround time by end of the FY	Total Number or percentage of applications processed for the FY
Processing of Rezoning Applications	Citizens of Johannesburg; Private Sector Entities; Investors from within & outside the country; People from other provinces; Government Departments; NGOs	New Developers; New home owners; New residents of the City	Turnaround time (excluding post-decision legal administration)	4.1 months	392
Processing of Consent (Land Use) Applications			Turnaround time (excluding post-decision legal administration, and only for applications that trigger bulk contributions)	2 months	284
Township Applications			Turnaround time (excluding post-decision legal administration)	2.4 months	72
Processing of Building Plan Applications			Turnaround time for first assessment building plans within 28 days of submission	Within 28 days	66.5%
Processing of monthly deeds transfers on Land Information System (LIS)			Turnaround time to process monthly deeds transfer on LIS	Within 3 days	90%
New mismatches between Geographic Information Systems (GIS) and monthly deeds downloads resolved			Turnaround time to resolve the new mismatches between GIS and monthly	Within 3 days	90%

			deeds downloads		
Processing of Outdoor Advertisement Applications	Private Sector Entities;  Public entities and State Owned Companies (SOCs)	Existing and New Private Sector Entities;  Existing and New Public Entities and SOCs	Turnaround time for Outdoor Advertising	Within 14 days	68%

Table 41: Land use development planning service level

## ECONOMIC DEVELOPMENT SERVICES

The City of Johannesburg constitutes the core of the country's financial sector, which includes the Johannesburg Stock Exchange (Africa's largest stock exchange); and head offices of many domestic and international banks, accounting and auditing firms, legal firms, consulting firms, mining houses and multinationals. The vision for economic growth for the City of Johannesburg, as per the Joburg 2040 Strategy, is "an economy that is inclusive, liveable and prosperous for all". Johannesburg is the commercial and economic hub of South Africa (and of southern and eastern Africa). Johannesburg accounts for 47% of the provincial economy. The City strives to promote economic growth and sustainability through the meaningful mobilisation of the people of Johannesburg, and through improving the city's offerings to investors and economic stakeholders. The City has demonstrated its commitment to economic growth and established a Department of Economic Development to provide strategic economic direction towards an inclusive, job-intensive, resilient, competitive economy.

### Optimal use of the City's assets

#### Johannesburg Development Agency (JDA)

JDA was established by the City of Johannesburg in April 2001 to initiate, stimulate and support development projects and rejuvenate economic activity throughout the Johannesburg metropolitan area. JDA aspires to create an environment that attracts new investment, increase occupancy levels, and enhance the City's cultural and tourism potential within defined areas. JDA also focusses on developing strategic areas across the City. This includes establishment of integrated sport precincts in Nasrec and Ellis Park; the implementation of dedicated bus-ways and bus stations for the new Rea Vaya BRT system; and the development of historically marginalised areas such as Orlando West, Orange Farm and Diepsloot.

In the current mayoral term (2011–2016) the role of JDA was extended to include the management and facilitation of area-based developments in efficient and innovative ways to build an equitable, sustainable and resilient City. JDA achieves this by restructuring the City by developing defined, strategic geographic areas around the City and the movement corridors that link them. It will promote economic growth by creating efficient and competitive business environments that cluster industries and functions in these areas.

Through JDA, the City is;

- Restructuring the city by developing defined, strategic geographic areas and the movement corridors that link them.
- Promoting economic growth by creating efficient and competitive business environments that cluster industries and function in these areas.
- Turning around declining investment trends in these areas by upgrading public spaces, generating shared visions for future development and encouraging urban management partnerships.
- Developing local economic potential in marginalised areas to promote access to jobs and markets.
- Encouraging sustainable energy consumption and land use in the city by developing strategic transit nodes and corridors.

- Promoting economic empowerment through the structuring and procurement of JDA developments.
- Supporting productive development partnerships and cooperation between all stakeholders in these areas.

To achieve the above strategic objectives and priorities and to give effect to its new business model, in 2015 the JDA structured its operations around the following five substantive programmes and two operational programmes whose cross-cutting functions;

- Inner-city transformation;
- Transit-oriented node development;
- GMS priority area planning and implementation;
- Greenways;
- Alexandra renewal project
- Administration and management; and
- Development facilitation.

Collectively these five substantive programmes aim to restructure the spatial economy to give poor households better access to well-located accommodation, jobs and markets; to optimise land use and energy consumption; and to improve living standards and mobility for large numbers of people in well-serviced and well-managed transit neighbourhoods. Taken together, the transit-oriented node development and greenways programmes comprise the transit oriented development intervention that will give effect to the Corridors of Freedom initiative.

### Performance Highlights: JDA

- Overall expenditure for the year was R1.482 billion against an adjusted budget of R1.60 billion which was 92% of the overall budget.
- JDA achieved 53% performance, 10% partially achieved and 38% not achieved.
- The overall BBBEE share of expenditure was R1,275,963,352. This constitutes an achievement of 90 per cent.
- The SMME share of JDA's operating and capital expenditure was R 202,110,997 for the 2015/2016 financial year, constituting an achievement of 16%
- JDA implemented CSI projects through the Jozi@Work Programme, which included installation, maintaining and monitoring of an alarm system for a year at Reshomile Primary School in Diepsloot, Region A following the installation of an alarm system at the school. The second Work Package consisted of a completion of painting of the 36 classrooms, ceilings and doors at Realogile Secondary School in Alexandra at Region E.
- Major driver of capital expenditure was greenways, specifically the large construction works undertaken on the Rea Vaya trunk routes and the projects to install pedestrian and cycle paths (non-motorised transport [NMT] infrastructure) along the Corridors of Freedom.
- Most of the NMT projects are being implemented by small construction companies, which mean that the large-scale infrastructure spending is also benefiting local businesses and creating local job opportunities.
- A total of 1219 EPWP opportunities were created.

### Inner-city Transformation

The programme seeks to manage the development of Johannesburg's inner city through capital investment in selected areas by overseeing integrated investment and by facilitating partnership initiatives. Guided by the CoJ's inner-city transformation roadmap, the JDA focuses on strengthening the position of the inner city as a critical business and residential node and the primary gateway to transit networks for the CoJ; financial services networks for the city region; and cross-border trade networks for the African continent. The City uses a phased approach aimed at strengthening inner-city precincts, addressing movement challenges, and improving the quality of the built environment across the inner city. Key components of the programme are;

- **Park Station Precinct** – Inner City Commuter Links / Jack Mincer Taxi Facility Extension – In 2015/16 the extension of the Jack Mincer (Noord Street) taxi facility was prioritised and a two year construction programme decided upon. Phase 5 & 6 began in 2015/16 with the completion of upgrade of the markets project along Noord Street between Twist and Klein Streets, Jack Mincer taxi facility (Noord Street taxi rank).

- **Hillbrow Tower precinct** – The precinct is defined by the walking radius of approximately 1km around the Hillbrow Tower and transects the Hillbrow and Berea areas which are roughly bounded by Clarendon and Willie Streets in the north, Joe Slovo Drive in the east, Smit Street in the south and Hospital Street in the west. In 2015/16 Phase 2 of the project focused on the public environment upgrade of Goldreich and Nugget Streets in Hillbrow. As a key part of the development facilitation work in this area, the JDA has engaged Telkom in a property development to establish an enterprise hub at the base of the Hillbrow Tower; and to create economic development opportunities for the creative industries in Hillbrow. This includes opening the Tower as a tourist attraction, enabling visitors to travel to the top of the tower for breath-taking views of the City.
- **Inner City Core Public Environment Upgrade** –The project area covers De Villiers Street in the North, Commissioner Street in the South, Sauer Street in the West, and End Street in the East. In 2015/16 the project focused on the public environment upgrade of Wolmarans and Plein Streets between Eloff and Klein Streets.
- **Kazerne Property Development** – A new integrated transport facility with good access to Park Station will improve the quality of life of commuters, streamline the flow of traffic and strengthen the commuting connections with the rail service. The underdeveloped Kazerne taxi facility provides an opportunity for such a facility. This site is of strategic importance as it is close to Park Station and the proposed project to deck the railway line and connect Braamfontein with the inner city. There is thus an opportunity to increase the scale of this development and optimise the land use by including other land uses such as retail, hotel and residential. Designs for the new intermodal public transport facilities were approved and construction commenced in January 2015. It is anticipated that the new facility will be completed over three years.
- **Johannesburg Art Gallery Upgrade** – In 2015/16, the JDA undertook to complete the structural repairs to the roof. This work included obtaining the necessary Heritage approvals.
- **Eastern Gateway** – In 2015/16, an urban design framework of the Eastern Gateway concentrated on the Region F's eastern boundary including linkages and the identification of catalytic projects in the area.

#### Transit-oriented node development

The City manages the development of strategic transit nodes through capital investments by overseeing integrated investment by other departments and entities, and by facilitating partnership initiatives. The programme involves targeted investment in transit nodes such as Gautrain stations, commuter rail stations, BRT stations and key taxi facilities. In addition to public investment, the development of transit oriented precincts requires substantial development facilitation to re-orientate property values and land use towards agglomerated and high-intensity uses and functions (including high-density, affordable housing and suitable office and retail activities). The programme prioritises; Transit precincts in established corridors, such as the Nancefield Railway Station precinct, the Orlando East Station precinct and the Jabulani node along the commuter railway line in Soweto; Transit precincts on the new BRT corridors such as the Empire–Perth, Alexandra–Randburg and Louis Botha trunk routes and the key development areas are Alexandra and the Randburg CBD. The following progress was made in 2015/16;

- **Nancefield Station Precinct** – At Nancefield Station precinct the City focussed on the completion of Phase 3 and Phase 4. Phase 3 entails the construction of new roads and storm water infrastructure, the construction of new water and sewer infrastructure and the construction of two new roads. Project phase 3 reached practical completion stage in December 2015. Phase 4 entails the construction of the multi-purpose sport centre which commenced on the 5th February 2016.
- **Jabulani node** – Jabulani Node is a key focus area for the City. Current projects include the construction of a new storm water system and the construction of a new link road. Works on both projects was completed during February 2016. Current focus is also on planning and designing of a second link road, the remodelling of the Bolani High Street and a new multi-purpose soccer and learning centre.
- **Randburg CBD** – Despite its potential as a key regional transit node, Randburg CBD continues to function as a mid-level retail and office node, with less than optimal residential land usage and limited public amenities. The original scope of work included detailed designs for the larger capital expenditure programme in 2014/15 and 2015/16 and the first phase of construction. This includes three blocks on Hill Street Mall and public environment upgrade work was completed in 2015/16. The second phase extends into 2016/17 and will focus on restructuring the streets to introduce a public transport link and improve mobility.
- **Orlando East Station precinct** – The project entails the development of a high density, mixed-use facility along the Mooki Street public transport corridor in Orlando East. The scheme consist of a dual rugby and soccer field, an indoor sports facility, approximately 120 social housing units and 500m<sup>2</sup> of retails space. The first phase of the project entails the construction of the sports component of the scheme.
- **Rotunda Park precinct** – The Turffontein strategic area framework identified Rotunda Park as a potential transit node. In 2015/16 Phase 1 of the project was completed in January 2016. Phase 1 of the project entailed the development of the gateways to the precinct. An extensive stakeholder process was undertaken from June 2015 to August 2015 to ensure that the community participates meaningfully in the planning of the intervention. It is envisaged that construction of Phase 2 of the project will start in the 1st quarter of 2016/17.
- **Westbury development** – In 2015/16 the public environment upgrading and complete streets projects were completed and designs were prepared for housing upgrades and improvements. Westbury is a residential neighbourhood along the Empire–Perth corridor. Westbury is well located regionally, but its legacy as a racially segregated area means that its connection to surrounding suburbs is weak, enforced by significant buffer spaces – especially in the northern interface with Sophiatown. Westbury is well served by a range of transport opportunities and social infrastructure but, despite the ease of access to these services, the urban frame in which they are located is fragmented.
- **Knowledge precinct – NMT infrastructure and bridge:** The Knowledge precinct incorporates the nodes of Auckland Park and Milpark on the Empire–Perth corridor, as identified in the Empire-Perth strategic area framework. NMT infrastructure linking the University of Johannesburg and the University of the Witwatersrand to the inner city was completed. Designs for a pedestrian bridge and public environment upgrade to provide safe pedestrian crossing from the University of Johannesburg to Campus Square were completed.

The City aims to manage the development of strategic economic nodes in marginalised areas through capital investments by overseeing integrated investments by other departments and entities, and by facilitating partnership initiatives in the following areas;

- **Kliptown development** – The City elected to prioritise the upgrade of the interface between the WSSD and Union Road, defining trading spaces and enable better movement for pedestrians and visitors. The scope of work also includes limited remodelling works at the Kliptown Hotel and the rollout of Wi-Fi. The upgrading of the informal trading section was deferred as the scope of works is yet to be agreed upon. The new phase of construction will started in the fourth quarter of 2016.
- **Diepsloot development** – The CoJ's development programme for Diepsloot aims to establish the area as a socially, economically and environmentally sustainable human settlement that is spatially integrated into the city, with access to basic services and opportunities for social mobility and economic development. The CoJ was allocated a multi-year capital grant through the National Treasury's neighbourhood development partnership grant (NDPG). In 2015/16 the focus was on the completion of phases 2 and 3 of the Ingonyama Road Upgrade.

#### Technical assistance projects

- **Sol Plaatjie Road construction** – In 2015/16 the last phase of this project entailed the construction of a link road between Sol Plaatjie and Dobsonville. Construction of this phase of the project started on the 3rd November 2015 and was completed in June 2016.
- **CoJ clinics programme** – The CoJ's Directorate of Health appointed the JDA to manage its capital works programme and in 2015/16 the JDA implemented development projects for various clinics on behalf of the Directorate of Health, these included; Noordgesig; Orchards; Westbury; Claremont; Ennerdale; River Park; Ebony Park (Concept Design); Esselen Street; Florida (Concept Design); Golden Harvest Rehabilitation Centre; and Langlaagte Pharmacy Depot
- **Cosmo City fire station** – The JDA is an implementing agent to construct a new fire station in Cosmo City for Emergency Management Services. In 2015/16 the project entailed the construction of a new quality fire station to service Cosmo City. Construction commenced in October 2015 when the budget confirmation was received on the 8th of September from the client department.
- **Alexandra and Bambanani automotive property developments** – The City initiated two property development projects to expand the automotive industry cluster in Gauteng; the Bambanani automotive node in Ivory Park and the Alexandra automotive industrial node. Construction of the Alexandra Automotive Park started in June 2015, with the aim of completing the construction works by end December 2016. There has been no development progress for the Bambanani automotive node in Ivory Park as no suitable site has been made available for the development.

- **Golden Harvest Rehabilitation Centre** – JDA is planning and designing the Golden Harvest Rehabilitation Centre upgrade. The centre is located in Randburg and can currently accommodate only 20 patients at any time. The project aims to increase capacity by providing additional facilities on the premises, including a new detox unit, additional accommodation and extensive refurbishments to the administrative centre. In 2015/16 and 2016/17 this project will focus on construction of a detox centre and the administration wing of the facility with the aim to deliver the completed project by August 2016.

### Greenways

Through this programme the City manages the development of strategic mass transit services and corridors through capital investments by overseeing integrated investments and by facilitating partnership initiatives. There are a number of projects implemented as follows;

- **Section 15 Phase 1 and 2** – This phase is part of the Rea Vaya Phase 1C Section 15 trunk route. Section 15 starts at the corner of Empire and Victoria Avenue, turns left at Empire Road and Clarendon Road and traverses along Louis Botha Avenue until the intersection of Pretoria Main and Lees Street and is approximately 12 km long. During 2015/16 the scope of work entailed completion of the Phase 1 construction. Phase 1 entails pavements strengthening of the BRT lanes, service relocation and upgrades, resurfacing of affected streets, street lights and traffic lights upgrades. Also done this financial year was continuation of the Phase 2 construction which entails construction of mixed traffic lanes, pedestrian walkways, services upgrades, and road widening, street light and traffic light upgrades.
- **Section 15 – Great Walk Pedestrian Bridge:** The Great Walk Pedestrian Bridge is part of the high quality pedestrian infrastructure that includes cycle lanes, from Alexandra to Sandton. It is a dedicated pedestrian bridge over the Grayston Interchange and is meant to facilitate an easy and safe crossing point to about 10 000 pedestrians that walk between Alex and Sandton daily.
- **Section 8A – M1 Flyover Bridge:** The M1 Flyover Bridge is part of the Rea Vaya Phase 1C Section 8 trunk route. The scope of works for this project entailed construction of a new BRT dedicated bridge over the M1 Highway. During the 2015/16 financial year the scope of works entailed continuation of the construction stage up to 55% complete. The overall completion is planned for March 2017.
- **Section 8B – Sandspruit Bridge and Marlboro Road widening:** This project is part of the Rea Vaya Phase 1C Section 8 trunk route. The scope of works for this project entails widening of the Sandspruit Bridge from two-lanes to six lanes, with the two inside side lanes dedicated for BRT. Included in the scope of works is the construction of a new right turning lane off Katherine Drive into Marlboro Drive and a new lane off Marlboro Drive onto the M1 North On-Ramp. The project also involves street light upgrade, soft and hard landscaping. All public consultation processes were completed. During the 2015/16 financial year the scope of works entailed continuation of the construction stage up to 80% completion. The overall completion is planned for November 2016.

- **Section8C – BRT Lanes and mixed traffic lanes between Grayston and West Street:** This project is part of the Rea Vaya Phase 1C Section 8 trunk route. The scope of works for this project entails widening of certain sections of Katherine Drive, pavement strengthening, construction of pedestrian walkways and cycle lanes, street light upgrade and upgrade of infrastructure services. During the 2015/16 financial year the scope of works entailed the continuation of the construction stage up to practical completion.
- **Sandton Loop** – This project is part of the Rea Vaya Phase 1C Section 8 trunk route. The project aims to provide a dedicated public transport circulation link in the Sandton CBD which will include BRT and non-BRT modes of public transport. The project entails the design and construction of a dedicated public transport lane along Katherine Street between West and Fifth Streets, along Fifth Street between Katherine Street and Rivonia, along Rivonia Road between West Street and Freidman Drive and along Fifth Street between Freedman and Rivonia Road. Included in this project is the design and construction of high quality Non-Motorised Transport (NMT) infrastructure along West Street between Rivonia Road and Grayston Drive and along Maude Street, from Rivonia Road to Fifth Street. During the 2015/16 financial year the scope of works entailed commencement of the construction stage up to 45% completion. The overall completion is planned for January 2017.
- **Alexandra Public Environment Upgrade** – The Alexandra Public Environment Upgrade project is part of the Rea Vaya Phase 1C operations. It aims at developing high quality pedestrian walkways and connects the greater Alexandra to all key public transport nodes and areas of economy that surrounds it. This project is based on the strategy of liveable Cities. The project entails design and implementation of NMT strategies that connect the greater Alex communities to all areas of public interests including the Rea Vaya Phase 1C. The scope of works entails design and implementation of high quality walkways, cycling lanes, speed calming measures, soft and hard landscaping and street lighting. For implementation purposes the project has been divided into three phases. During the 2015/16 financial year the scope of works entailed continuation of the construction stage until final completion. Phase 2 was completed in February 2016.
- **Section 9 Sandton to Randburg** – This project is part of the Rea Vaya Phase 1C. The Section 9 trunk route aims at connecting Randburg CBD, Monte casino to Sandton CBD. It starts at the corner of Fifth Street and Rivonia Road in Sandton, traverses along Sandton Drive, William Nichol and Republic Road to both Randburg and Monte casino. The route is being implemented as a High Occupancy Vehicle (HOV) first to determine and develop demand for future comprehensive BRT operations. During the 2015/16 financial year the scope of works entailed detailed Traffic Impact Assessment (TIA) to assess the project viability and concept development. The implementation of this project is planned to commence next financial year.
- **BRT Alex Loop** – This project is one of the Rea Vaya Phase 1C complementary routes. It aims at providing BRT services into the greater Alex on non-dedicated BRT lanes. This complementary route will commence at the intersection of Louis Botha Avenue and Vasco Da Gama Road, it will traverse along Vasco Da Gama Road, Lombardy Road into London Road and back to Louis Botha Avenue. During the 2015/16 financial year the scope of works entailed a detailed Traffic Impact Assessment (TIA) to assess the viability of this complementary route and concept development.

This programme manages the development of Alexandra through capital investments, overseeing integrated investments by other departments and entities, and facilitating community-based initiatives and local economic development strategies. The project entails upgrading of the existing Banakekeleni Hospice Clinic facility. At 4th Avenue Clinic, the contractor commenced with the construction of the new 4th Avenue Clinic in February 2016. The development of Open Spaces focused on design and construction of a community park in Maputo Park. Other planned projects include the Old Ikage Housing Development, the Vincent Tshabalala Pedestrian Bridge and the construction of Thoko Mngoma Clinic.

#### JDA Performance against IDP objectives

The table below shows that JDA achieved its targets of kilometres of walkways and cycle lanes completed according to the 15/16 IDP and SDBIP

KPI	Institutional SDBIP (City Wide) 2015/16 Target	JDA Contribution to SDIP Target. 2015/16 Progress			
		Project	Km		
Number of kilometres of walkway and cycle lanes completed	60km kilometres of walkway and cycle lanes completed	Westbury NMT Phase 2	3.2		
		Westbury Pedestrian Bridge	0.5		
		Phase 1C Sandton CBD Loop	7.26		
		Inner City Core Projects (Plein Street; Wolmarans, Goldreich)	5		
		Nancefield Station Precinct	3		
		Jabulani TOD Node			
		Rotunda Park Precinct Phase 1	0.5		
		Diepsloot Development Ngonyama Road Upgrade Phase 2	0.5		
		Phase 1C Section 15 (Phase 2) – Sidewalks	16		
		Phase 1C Great Walk Section 15H Phase 1	8		
		Park Station to Doornfontein Cycle Lanes	4		
		Lakeview and Klipspruit Valley NMT Strategies Phase1	8.08		
		Lakeview and Klipspruit Valley NMT Strategies	7.7		
		Phase 2			
		Hillbrow to Park Station NMT	5.5		
		UJ to Langlaagte NMT	4		
		Phase 1C Section 8C (Alex to Sandton)	4		
				<b>Total</b>	<b>77.24km</b>

#### Employees: the JDA

The JDA's staff complement increased from 55 permanent staff in 2012/13 to 86 permanent staff (including staff for the Alexandra renewal project) in 2014/15. This is a 60% increase in staff to deliver a capital expenditure budget that increased in the same period by close to 440%. The JDA Board, at its

meeting in June 2015, agreed that nine additional staff be appointed to improve the agency's operational capacity. The table below outlines 2015/16 staff positioning for the JDA.

Description	2015/16			
	Approved no. of posts	No. of employees	No. of vacancies	% of funded vacancies
Top management	1	1	0	0
Executive management	8	7	1	13
Senior management	22	17	5	23
Middle management	34	25	9	26
Skilled technical/junior management	31	25	6	19
Semi-skilled	4	3	1	25
Unskilled housekeepers/cleaners	6	6	0	0
Learners and temps	3	3	0	0
<b>Total</b>	<b>109</b>	<b>87</b>	<b>22</b>	<b>20</b>

Table 42: Employees - JDA

#### Financial Performance: JDA

The JDA recorded a surplus of R2.8 million for the financial year ended 30 June 2016. The JDA earned revenue of R104.8million against a budget of R105.2million. The negative variance of R348 000 is a combination of some income items that exceeded what was originally budgeted for and some items where there was an under recovery. The organisation was able to earn 87% of the budgeted management fees. This was as a result of actual capital expenditure of 92% against total allocated budget being achieved. The budgeted management fees for the year under review were originally based on 88% of the allocated approved capital budget being spent; however, during the mid-year adjustment process this was increased to cover the increase in the operational expenditure.

Actual operating expenses were R102.1 million against a budget of R105.2million. The under expenditure of 3% related to budgeted but vacant positions, that were not filled in the current year. The JDA spent R1.48 billion of its capital budget of R1.60 billion.

Table 45 below illustrates that JDA's revenue is mainly generated from service charges, investments and transfers.

R thousands	Original budget	Budget adjustments	Final adjustments budget	Final budget	Actual outcome
	1	2	3	6	7
<b>Financial performance</b>					
Property rates			-	-	
Service charges	74 559	5 234	5 234	79 793	70 741
Investment revenue	1 065	(1 065)	(1 065)	-	36
Transfers recognised – operational	22 382	-	-	22 382	22 382
Other own revenue	1 010	2 000	2 000	3 010	11 687

Total revenue (excluding capital transfers and contributions)	99 016	6 169	6 169	105 185	104 837
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Table 43: JDA revenue composition

***“Let us meet at Bruma...”<sup>11</sup>***

*Bruma Lake – one of Joburg’s best-known recreational and leisure landmarks – is open to receive visitors and shoppers following a comprehensive make-over. Through the year it has become one of the city’s most popular landmarks, located at the eastern entrance to the City and in close proximity to the Gauteng freeway network.*

*“Meet us at Bruma,” was a popular saying among Joburgers looking for an easily accessible spot to rendezvous before leaving for the nearby O R Tambo International airport. Through the years, however, severe pollution has disturbed the pristine environment resulting in a heavy build-up of sludge from discarded motor oil, washing powders, plastic bags and other litter flowing into it from the Jukskei River.*

***Timely intervention to halt pollution***

*The lake turned into a polluted eyesore and the stench rising up from its water drove away visitors and customers who frequented the flea markets in the neighbourhood during weekends. Bruma became a source of frustration for many small business owners and residents living close to its banks. Serious concerns were raised about the long-term impacts on the eco-system of the area and the health of residents.*

*The Johannesburg Development Agency stepped in and, in mid-2014, started with a R65-million programme to renew the lake and upgrade the surrounding environment. The first step was to drain the lake and to allow the silt bed to dry out completely. The Jukskei River was diverted from the centre of the lake to allow for the construction of a new channel. A **major milestone** was reached in December 2014 when the channel was completed and the Jukskei – Joburg’s premier river system – was again allowed to flow unimpeded through the newly completed water way.*

***Nature took its course***

*The Member of the Mayoral Committee for Environment and Infrastructure, Cllr Matshidiso Mfikoe, says the City took a **far-sighted decision** to let nature take its course to restore the surroundings to their natural order. The project has fully restored the river’s flow while the plants along the vegetated banks contribute to **natural processes** of aeration and water filtration.*

*During the second phase of the rehabilitation further landscaping will be done and sections of the Lake will be converted into a **recreational park**. The well-known pedestrian bridge – first built in the 1980s – will be restored to its original condition. The City is confident that a rehabilitated Bruma Lake will attract leisure visitors and contribute to the **economic regeneration** of the precinct centered on a state-of-the-art park. Bruma is well-located in close proximity to the emerging “Chinatown” developments in neighbouring Cyrildene.*

## PROMOTION AND SUPPORT OF SMALL BUSINESSES

### Joburg Market (JM)

A critical driver of economic growth and the promotion of small businesses in the City is Johannesburg Market. JM seeks to;

- Operate a sustainable resilient world-class marketing and trading facility
- Create and sustain an enabling environment for business partners
- An agent for socio-economic transformation
- Create a centre of excellence empowering and developing our stakeholders/human resources;
- Operational excellence; and,

<sup>11</sup> The Loop, May 2016

- Competitiveness.

The company is mandated to manage and operate a market facility through the provision of world class facilities and complementary services to the fresh produce industry. This includes the following;

- Provision and management of profitable facilities and services for the distribution of fresh produce;
- Ensuring a competitive trading platform for fresh produce trading;
- Enabling market access, sustainable availability and affordable fresh produce;
- Ensuring of food safety and quality standards thus promoting healthy lifestyles

#### Performance Highlights: Joburg Market

- Record Turnover achieved: In spite of the drought, only a slight drop in tonnage (0.3%) was experienced by the market.
- A record R 6.778 Billion turnover;
- Improved financial performance against some key targets
- Joburg Market approached by the Department of Agriculture, Fisheries and Forestry, as part of Project Rebirth to assist four ailing national produce markets
- JM laboratory sustained its ISO 17025 accreditation
- Food bank pack line is fully operational

#### Employees: Joburg Market

The table reflects the total number of employees delivering JM services. There was a slight increase in staff numbers when compared to 2014/15

OCCUPATIONAL LEVELS	TARGET AS AT JUNE 2015									STATUS AS AT JUNE 2016									
	MALE				FEMALE				TOTAL	MALE				FEMALE					
	A	C	I	W	A	C	I	W		A	C	I	W	A	C	I	W		
Top management	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0
Senior Manager	2	0	0	1	2	0	0	1	6	3	0	0	0	2	0	0	0	0	5
Mid Manager/ Professional	10	2	3	8	10	0	0	4	37	14	2	2	7	7	0	0	2	2	34
Skilled Tech/ Junior Manager	25	0	1	3	24	1	1	5	61	34	1	1	2	27	2	1	7	7	75
Semi-skilled	78	3	0	5	68	8	2	16	180	73	2	0	3	75	6	0	9	9	168
Unskilled	8	0	0	2	11	0	0	2	23	18	0	0	0	21	0	0	0	0	39
<b>TOTAL</b>	<b>123</b>	<b>5</b>	<b>4</b>	<b>19</b>	<b>116</b>	<b>9</b>	<b>3</b>	<b>29</b>	<b>308</b>	<b>142</b>	<b>5</b>	<b>3</b>	<b>12</b>	<b>132</b>	<b>8</b>	<b>1</b>	<b>18</b>	<b>18</b>	<b>341</b>

## COMMUNITY DEVELOPMENT SERVICES

### Overview

The City delivers community services through the Department of Community Development focussing on the provision of services and programmes to support sporting, recreation, libraries, information services, arts, and culture and heritage disciplines. The City also provides access to various community-based facilities including: multi-purpose centres; sporting grounds; museums; and public space enhancements such as public art and monuments. Community Development services target various

groupings in the City's regions: children, the youth, older persons, women, orphans and vulnerable children. Community development services contribute to the City's strategic objective of improving the quality of life for all; and development-driven resilience for all. Community services focus primarily on the following priorities;

- **Engaged and Active Citizenry:** this priority ensures that the City's programmes are efficiently provided to all communities across the City's Regions.
- **Promote library and information services:** the City facilitates the provision of books and other resources including: reading development support programmes; eLearning programmes (e.g. eWorld, remote access to Symphony, techno literacy skills); WiFi access in libraries; and information services at the City's public libraries.
- **Promote art, culture and heritage:** the City provides support to emerging artists through artistic development programmes. Access of communities to galleries, museums, tours and events is facilitated for communities, including orphans and vulnerable children. The City promotes heritage programmes by developing an adequate and well maintained built environment for social interaction and identity preservation through monuments, plaques and public art. It fosters cultural dialogues through exhibitions and workshops and tours. Commemorative events also promote common citizenship through National Remembrance Sunday, Youth Day, Africa day and Heritage Day. Naming and renaming of streets and places to promote social identity also fall within this mandate.
- **Promote sport and recreation:** the City promotes sport and recreation through recreation activities, competitive sports and mass participation at recreation facilities. It also promotes community access to facilities and major events such as, Mayoral Cup, Kiddies Olympics, Gauteng Future Champions Challenge and so forth.
- **Safe City:** this priority ensures that facilities management, design and refurbishment of community facilities is implemented to enable easy community access.
- **Green economy:** the Department has moved towards 'green' strategic projects by upgrading and retrofitting community facilities, such as the greening of pools through solar geysers and facilities.

The key focus in 2015/16 has been predominantly on promoting social cohesion and inclusivity amongst all Johannesburg communities; especially the vulnerable. Some of the progress achieved is as follows;

#### Library and Information Services

During the 2015/16 financial the City's library services and educational/developmental programmes delivered in all 87 facilities across the CoJ were accessed more than 5,7 million times. The access to amenities is enhanced by the delivering of reading development programmes in partnership with more than 500 schools/crèche's to inculcate a reading culture amongst children, youth and families, literacy training for all, including the migrants who need to be proficient in the English language, provision of study space for learners and students, research and reference support, business support and services to vulnerable groups such as children, people with disabilities, places of safety, senior citizens and correctional services.

The City's LIS contributes to the Smart City through the eLearning programme geared towards increasing literacy skills and lifelong learning and to bridge the digital divide. City libraries are being turned into "**Street Corner**" universities, by opening their doors to various children and youth skills

development programmes and supporting all forms of education, be it formal, informal and non-formal. Technology has become an important vehicle to not only deliver information but also assist community members to access the computers and the Internet to do business, apply for jobs, receive education and training and participate in the global economy.

The Public Access to Internet (eWorld) was further enhanced through the implementation of Wi-Fi facilities in libraries, which encouraged community members to use the Internet via their own devices “**Bring Own Device**” and this further increased the usage. Data allocation was initially set at 100MB per day; this was increased to 300MB per day in February 2016. By June 2016, all 87 of the City’s libraries had public WiFi hotspots installed, thereby increasing the number of community members accessing internet in libraries. Although it was known that the Wi-Fi would be popular, usage exceeded the expectations with 70152 individuals accessing the Internet via WiFi this year. This usage amounted to 325,260 sessions over 332,376 hours and 19 TB of data was transferred.

The **MOOV (Massive Open Online Varsity) eClassrooms** have been the highlight of the year. A first for public libraries in South Africa, these state-of-the-art eClassrooms provide free online courses from the global MOOV partnered universities / institutions in a physical classroom environment. A blended eLearning approach, with courses providing market related skills are identified by the MOOV education specialists and the learners are assisted and guided by the MOOV staff throughout their coursework. After the successful pilot project at the Sandton Library in 2014/15, the City committed to developing 11 more classrooms through the City’s Vulindl’eJozi project. Seven (7) classrooms are already operational in the following libraries: Alexandra 8<sup>th</sup> Avenue, Emndeni, Sandton, Jabavu, Johannesburg City Library, Orange Farm and Westbury with the remaining five (5) under construction, to be opened by August 2016. More than 5000 learners registered with MOOV since October last year and 200 learners have received internationally recognized certificates in basic computer coding, Web-design and Marketing. The impact of this programme is already evident. Many learners have, after completing their first course, found employment and others have become entrepreneurs, forming partnerships to create small web-design businesses. Through these three projects, 88196 individuals accessed eLearning in libraries.

#### Arts, Culture and Heritage Services

This creative agenda includes re-stitching the identity of the city through street naming and re-naming of streets and public places. Recent initiatives have included the re-naming of Streets in Orlando West after struggle heroes, involving the re-naming of Thabethe Street to Hastings Ndlovu Street, and of Pela Street to Zephania Mothopeng Street.

#### New monuments

During 2015/16 two major new monuments were added to the civic precinct in the city centre. A bronze statue honouring women as drivers of social and political change was unveiled by the Executive Mayor on 24 August 2015. Entitled “Democracy is Dialogue”, the artwork engages with the heritage of the site at Beyers Naude Square, which has been a venue for protest movements for over a century. Across the road from the Square, a new monument to honour O.R. Tambo was unveiled by the Executive Mayor on 7 June 2016. A large-scale concrete sculpture entitled “The Colossus” celebrates the legacy of Tambo as the leader the exiled movement from the 1960s until the early 1990s.

### Heritage Impact Assessments – Corridors of Freedom

Heritage Impact Assessments (HIA) reports were completed for the three major corridors (Perth-Empire, Louis Botha Corridor and Turffontein). Information was captured on structures older than 60 years, important heritage sites, monuments and memorials, architectural features and social history, and relationships of resources (heritage clusters) and streetscapes. For each sites a data form was created with the following information: name of site, street address, erf number, identifying photographs, locality map, site description and statement of significance. Heritage grading of sites was applied in accordance with the NHRA 25 of 1999. Public participation meetings were held as per statutory requirements, prior to submission to the Provincial Heritage Resources Authority – Gauteng (PHRA-G). HIA reports with conservation management guidelines have been completed for the three corridors and five priority precincts, which are made up as follows:

- Empire-Perth Corridor: Brixton Precinct and the Knowledge Precinct
- Louis Botha Corridor: Orange Grove Precinct
- Turffontein Corridor: Turffontein Precinct and Rosettenville Precinct

Thirteen heritage plaques were developed during 2015/16 along the three major Corridors of Freedom, namely the Empire Perth Corridor, the Louis Botha Corridor and the Turffontein Corridor. Among the historic sites which received plaques were the offices and printing press of the newspaper Bantu World - the first national publication aimed at a black readership.

### Museums and Galleries

The museums and gallery portfolio of the city is growing and making strides to reach out to the communities of Johannesburg and in attracting all who interact with the city from different parts of the world. The museums have made significant advances in attracting world class exhibitions as well as high-profile curators, photographers, artists side by side with aspirant practitioners thus meeting the development agenda of the city. A few highlights include a series of exhibitions to celebrate the Lutyens Building which is the first component of the Johannesburg Art Gallery building that was originally “completed” in 1915. Exhibitions that were part of the centenary included Historical South African contemporary masters; work from the Traditional African Collection; Prints and work on paper and the Pre-Raphaelites. Museum Africa hosted a major exhibition by world renowned photographer Peter Magubane titled “June 16 Images” as part of the historic commemorations of the 40<sup>th</sup> anniversary of the 1976 uprising. The mobile museum of James Hall Museum of Transport visited various parts of the city as part of the commitment to reach out to all people of Johannesburg irrespective of geographic location. The city’s museums attracted 500 000 visitors to view exhibitions, to participate in exhibitions walk-about, dialogues and commemorative events. Further, the museum’s gallery spaces were made accessible to independent curators, artists and historians to showcase their creative work in addition to the various platforms for performance arts like the Arts Alive International Festival.

### Sport and Recreation

The City manages 113 recreation centres, 57 swimming pools and more than 300 sporting facilities. Some elements of the National Sports Plan have been adopted in order to align City Sport and Recreation interventions, and to inform a turnaround strategy to fulfil the City’s vision of a World Class African City. Furthermore, the Departments’ interventions are aimed at placing Joburg as the home of sport and host world class sporting events and creating an enabling environment for sporting excellence, talent identification and the nurturing thereof. The City delivered sport promotion

programmes such as: the aerobic marathon, 50 hour sport challenge where 2000 kids from all regions participated in various sporting codes, swimming gala for the PWD's and sport activities in celebration of June 16, 1976 to the local communities. The June 16 youth month celebration was coordinated at NASREC expo centre and Alexandra stadium with youth as predominant participants.

Skills training for unemployed youth took place via the Vulindlela and Harambee programmes (more than 600 youth trained in digital systems). Training in first aid, music, dancing, singing, drama and different sporting codes as well as training for people with disabilities in IT skills was facilitated. Other programs focusing on skills development include mastering chess, cooking, flower arranging, language classes, domestic training, child minding, bread making, entrepreneurship skills as well as coaches and instructors in different sporting codes.

The City also actively used facilities for support groups such as:

- Youth, rehabilitated from Nyaope addiction are engaged in to sporting activities like boxing to become fit and adopt a positive lifestyle (Dube Boxing).
- Burn Survivors in Orange Farm are involved in sport and recreation programs as a means to socialize, interact and be re- instated into society.
- Support groups like Alcoholics Anonymous, Gamblers Anonymous and Narcotics Anonymous, Stroke aid as well as alternative health groups are utilising City facilities to provide services to communities.
- More than 50 senior citizens clubs are operating weekly across the City to give senior citizens the opportunity to do physical exercise, access support groups and services i.e. health testing and screening, socialize and recreate with their own peer groups.

In addition, the City has seen an increase in the use of swimming pools. Swimming pools were visited 619 612 times during the 2015/16 swimming season (Sept 2015 – March 2016), which is 30 000 more users than the previous financial year.

#### Competitive and Elite Sport

Programmes such as the International Wheelchair Tennis Championships at Standard Bank Arena and Community based development games i.e. Maimane Phiri, Steven Pienaar and the Meadowlands Zone 11 Boxing Tournament took place. The Department's main focus in relation to competitive sports is to afford aspiring individuals a conducive environment to participate in their sporting areas of choice/ boost career opportunities and to simultaneously promote the City's position as internationally renowned sport hosts. Furthermore, the Department has promoted relations with external stakeholders through partnerships .e.g. partnering in the hosting of the ACSA South African Open wheelchair tennis championships.

#### Financial performance: Sport and recreation

The table below outlines 2015/16 financial performance for sport and recreation.

Financial Performance: Sport and recreation R'000					
Financial Performance: Sport and recreation R'000 Details	2015/16	2015/16	Adjustment Budget	Actual	Variance to Budget

	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	95	50 055	66 478	23 133	26 922
Expenditure:		498 543	619 922	584 595	35 327
Employees	248	169 861	181 857	183 802	1 946
Repairs and Maintenance	248	1 773	1 773	321	1 452
Other	248	115 627	224 520	203 518	21 002
Total Operational Expenditure	744	498 543	619 922	584 595	35 327
Net Operational Expenditure	649	448 488	569 747	561 462	8 285

Table 44: Financial performance - sports and recreation

## PUBLIC SAFETY

The City's strategic objectives for Public Safety are;

- Prevent and reduce crime, injury and loss of life through integrated multi-agency interventions including social and rehabilitative enforcement
- Decrease selected contact crimes, such as assaults and robberies
- Increase the level of compliance to City by-laws with respect to street trading, waste management, water, electricity, and advertising
- Increase the level of compliance to traffic regulations and improve traffic management
- Provide a proactive and well-capacitated disaster management and emergency response service, with a sustained 100% state of readiness
- Facilitate community awareness regarding dangers and empower communities in the mitigation of disasters
- Provide efficient and effective responses to emergency incidents
- Be a vigilant custodian of safety prescripts

The City currently has 28 fully operational fire stations that provide fire and rescue services in the municipal area. The city is also currently building two new fire station Protea Glen Fire station. The building of Cosmo City Fire Station has commenced. The City implemented a number of interventions to achieve its strategic objectives.

### Primary Based Emergency Response Teams

Through this intervention, communities are taught various fire and emergency response techniques so as to handle the risks associated with fire, and other emergencies, before external assistance arrives. This also brings communities together to assist one another in case of emergencies, and to understand the risks. One outcome is that, through community fire bucket brigade teams and first aiders, many fire incidents are either prevented or put out before damage to property and loss of life occurs.

### Early Emergency Detection and Early Warning

This programme is supported by the training of communities and schools in order to expand and strengthen Community Emergency Response Teams (CERTs) and School Emergency Response Teams (SERTs). The aim of the programme is to facilitate the early identification of risks and hazards in wards, and introduce contingency plans to address them, thereby minimising injury and the loss of life and property. The programme is facilitated through the identification of emergency ward champions, who act as leaders in case of an emergency evacuation.

The overarching objective of the City's fire and rescue management services is to promote and create a safe, healthy, secure and resilient environment for all citizens. Further, the fire and rescue services have the following objectives:

- To increase emergency rapid response
- To keep citizens safe from fires and emergencies
- To keep citizens safe from the effects of natural and un-natural disasters
- To reduce the mortality rate of citizens
- To reduce fire incidents

#### Security and safety service levels

##### Police

The table below outlines 2015/16 service delivery levels for security and safety services (Metropolitan Police Service).

<b>Metropolitan Police Service Data</b>			
No	Details	2014/15	2015/16
		Actual No.	Actual No.
1	Number of road traffic accidents during the year (serious accidents)	2 285	2047
2	Number of priority by-law infringements attended	12 978 (8 348 Illegal Street Trading; 2 478 Illegal Advertising; 2 152 Illegal Dumping)	9772 (4382 Illegal Street Trading; 2506 Illegal Advertising; 2434 Illegal Dumping)
3	Number of police officers in the field on an average day	796	796
4	Number of police officers on duty on an average day	796	796

Table 45: Metropolitan police service data

##### Licensing

The table below outlines 2015/16 Licensing service transaction performance.

Transaction	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Learners License Applications	96 373	107 368	120 063	122 318	123 626	99 136	105541
Driver's License Applications	74 921	93146	98 338	97 786	87 835	85 650	79790
Professional Driving Permit Applications	37 428	36 860	41 461	30 186	29 611	26 099	26351
Roadworthy Applications	13 218	15 687	9 662	1 945	1 925	3 707	7216
Driver's License Cards Issued	204 073	205 071	216 129	270 284	265 608	175 903	127830
Vehicles Registered	550 441	585 016	680 589	711 994	742 068	786 440	772755
Vehicles Licensed	1 536 599	1 577 238	1 651 891	1 252 804	1 776 160	1 377 046	1912789
Vehicles Deregistered	30 310	24 570	24 650	23 002	18 864	15 218	12647
Police Clearances	25 340	22 970	19 884	18 793	10 813	25 593	20786

Duplicate Registration Certificates	63 125	64 626	56 333	44 803	39 440	29 655	21071
Discontinued Notices	5321	7277	7667	6 006	9 198	664	765

Table 46: Licensing transaction performance

#### Metropolitan Fire service levels

The table below outlines service data for Metropolitan Fire Services in 2015/16. In particular it reflects an improved reduction in occurrence of fires attended in the year.

Metropolitan Fire Service Data				
	Details	2014/15	2015/16	
		Actual No.	Target No.	Actual No
1.	Total fires attended in the year	9,547	Reduction by 5%	(1309) reduction as compared to this period in the last financial year. The overall reduction translates to 11.8%
2.	Total of incidents attended in the year	113879	50%	104 834
3.	Average turnout time – urban areas	8 minutes	84% responded to within 9 minutes	62.2%

Table 47: Service levels - metropolitan fire services

## Security and safety service IDP policy objectives

The table below outlines Metropolitan Police services policy objectives derived from the IDP. The table shows that the City achieved a reduction in common assaults and common robbery while death by road accident fatalities increased.

Police Policy Objectives derived from the IDP										
Service Objectives / Service Indicators	Outline Service Targets	2012/13		2013/14		2014/15		2015/16		2016/17
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Reduce assaults and robberies in areas covered by CCTV		5%	3%	5%	23% reduction	5%	11% reduction in common assault 3% common robbery	5%	19% reduction in common assaults 27% reduction in common robbery	5%
Decrease of road accident fatalities in the City		5%	6% reduction	5%	18% increase	5%	3% reduction	5%	18% increase	5%

Table 48: Metropolitan police IDP objectives

## Employees: Fire services

The table below outlines 2015/16 staff positioning for Fire Services. There were one thousand two hundred and one (1201) Fire Fighters, sixty six (66) Platoon Commanders, twenty two (22) station commanders, five (5) divisional chiefs, a deputy director and one Director

## Financial performance: Security and safety

### Police

The table below outlines the 2015/16 financial performance for the Metropolitan Police services showing that the revenue generation targets were slightly missed. The rest of the budget lines performed close to expectations

Financial Performance: Metropolitan Police					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	1 272 159	1 163 037	1 042 759	915 946	126 813
Expenditure:					
Police Officers	1 221 839	1 281 256	1 294 228	1 292 170	2 058

Repairs and Maintenance	3 583	4 947	2 878	2 516	362
Other	1319064	1 092 696	924 925	826 568	98 357
Total Operational Expenditure	2 544 486	2 378 899	2 222 031	2 121 254	100 777
Net Operational Expenditure	1 272 327	1 215 862	1 179 272	1 205 308	-26 036

Table 49: Financial performance - metropolitan police

### Licensing

The table below outlines 2015/16 financial performance for licensing services showing revenue was also below expectations while significant adjustments were made to repairs and maintenance.

Financial Performance: Licensing					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	204 111	253 960	225 484	214 639	10 845
Expenditure:					
Other employees	95 943	101 700	121 604	64 653	56 951
Repairs and Maintenance	1 4335	19 790	11 514	10 066	1 448
Other	13 514	32 545	32 545	25 927	6 618
Total Operational Expenditure	123 792	154 035	165 663	100 646	65 017
Net Operational Expenditure	-80 319	-99 925	-59 821	-113 993	-54 172

Table 50: Financial performance - licensing

### Capital expenditure: Security and safety

#### Police

The table below outlines 2015/16 capital expenditure for the Metropolitan Police Services and reflects critical projects invested in.

Capital Expenditure: Metropolitan Police					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	41 626 000	25 616 000	22 522 143.62	-16 010 000	87.9%
Marlboro Holding Facility	5 000 000	0	25 147.17	-5 000 000	-100%
Dog Kennel Hospital	85 000	85 000	85 000	0	100%
Supply Firearms to MPOs (Metro Police Officers)	2 822 000	2 822 000	2 479 787.85	0	87.9%
Upgrading Wemmer Pound	2 600 000	2 600 000	2 600 000	0	100%
Horse Building for Additional Horses and Dogs	3 260 000	1 960 000	1 313 873.68	-1 300 000	67%
Dube Holding Facility	3 200 000	3 200 000	2 674 197.12	0	83.6%
Command Vehicles	0	10 500 000	9 364 580.98	10 500 000	89.2%
Fennel Road Pound	2 600 000	300 000	269 052.63	-2 300 000	89.7%

Upgrade Shooting Range	3 200 000	3 200 000	3 200 000	0	100%
Furniture	5 000 000	0	0	-5 000 000	0
New Tetra Radios for MPOs	12 910 000	0	0	-12 910 000	0
Capital Replacement Reserve	949 000	949 000	510 504.19	0	53.8%

Table 51: Capital expenditure - metropolitan police

### Licensing

The table below outlines 2015/16 capital expenditure for licensing services and reflects the key projects where capital expenditure was made. The largest investment was made in refurbishing of Roodepoort.

Capital Expenditure: Licensing					
R' 000					
Capital Projects	Year 2015/16				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	13 926 000	11 026 000	8 949 968.21	-3 000 000	81.9%
Langlaagte One Stop	6 250 000	3 350 000	3 112 209.30	-3 000 000	92.9%
Refurbishment of Roodepoort	520 000	520 000	520 000	0	100%
Renovation and Extension of Randburg	556 000	556 000	494 154.98	0	88.9%
Upgrading Cash Sites	3 000 000	3 000 000	2 973 693.35	0	99.1%
Install CCTV at Cash Sites	3 600 000	3 600 000	1 849 910.58	0	51.4%

Table 52: Capital expenditure licensing services

The table below outlines the revenue as well as the expenditure composition for Fire Services in 2015/16.

Financial Performance: Fire Services					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	125 112	163 645	163 645	147 554	16 452
Expenditure:	685 141	858 464	823 001	747 006	44 868
Fire fighters	3 950	4 435	4 435	4 797	311
Other employees	25 313	26 682	26 682	26 266	9 740
Repairs and Maintenance	15 010	24 222	19 222	18 282	1 665
Other – General Expenditure	21 759	49 361	46 361	40 165	4 450
Total Operational Expenditure	667 357	834 319	798 856	788 449	10 407
Net Operational Expenditure		196	192	178	113

Table 53: Financial performance - fire services

### Capital expenditure: Emergency management services (EMS)

The table below outlines the projects in which capital expenditure was made for Emergency Management Services in 2015/16.

<b>EMS Capital expenditure 2015/16</b>					
<b>R'000</b>					
<b>Projects</b>	<b>Budget</b>	<b>Expenditure to date</b>	<b>Variance</b>	<b>%</b>	<b>Comments</b>
Ambulance equipment replacement Programme Renewal Plant and Equipment MARTINDALE City Wide	R 4 000 000.00	R 4 000 000.00	R 0.00	100%	100% budget spent
Equipment for Urban Search and Rescue RESCUE(jaws of life, breathers for Gautrain)and Air lifting equipment New Plant and Equipment MARTINDALE City Wide	R 2 600 000.00	R 2 600 000.00	R 0.00	100%	Three containers have been delivered.
Fire and Rescue Equipment New Plant and Equipment MARTINDALE City Wide	R 3 000 000.00	R 3 000 000.00	R 0.00	100%	The Fire and rescue equipment order has been placed commitments made
Fire and Rescue Medical Equipment Tracking System New Plant and Equipment MARTINDALE City Wide	R 3 000 000.00	R 0.00	R 3 000 000.00	0%	Procurement processes underway
Fire protective clothing for firefighters New Operational Capex MARTINDALE City Wide	R 1 800 000.00	R 1 800 000.00	R 0.00	100%	Uniform has been ordered and commitments made.
Fire Station - Cosmo City New Cosmo City Land acquisition COSMO CITY	R 29 750 000.00	R 29 750 000.00	R 0.00	100%	The contractor is on site and the project is continuing.
Fire Station - Protea Glen New Building New Building Alterations PROTEA GLEN EXT.1	R 13 615 000.00	R 13 615 000.00	R 0.00	100%	The contractor is onsite and the project is continuing.
Furniture and office equipment, work stations New Furniture MARTINDALE City Wide	R 3 000 000.00	R 687 148.00	R 2 312 852.00	23%	Procurement processes underway
Level 3 Incident Command Vehicle	R 10 000 000.00	R 7 584 635.00	R 2 415 365.00	76%	The final payment has been done for the settlement of all vehicles.
IT Needs New Computer Hardware MARTINDALE City Wide	R 1 800 000.00	R 722 075.00	R 1 077 925.00	40%	40% has been spent on this line item. Further allocations made to install CCTV cameras in Jabulani, Mellville, Brixton, Fairview, Florida and Sandton.
Operational Capital (EMS): New Operational Capex MARTINDALE City Wide	R 200 000.00	R 200 000.00	R 0.00	100%	The order has been placed and commitments made.
STANDBY GENERATORS for current fire stations and replacement New Plant and Equipment MARTINDALE City Wide	R 1 000 000.00	R 1 000 000.00	R 0.00	100%	100% complete
Telephone System and Alarm bell system New Operational Capex MARTINDALE City Wide	R 600 000.00	R 0.00	R 600 000.00	0%	The project will be cancelled and re-advertised.

The implementation of phase II of the integrated operational centre( IOC) new computer software Johannesburg city wide	R 70 000 000.00	R 67 596 133.00	R 2 403 867.00	97%	The contractor is on site for refurbishment of the building
USAR Equipment New Computer Upgrades MARTINDALE City Wide	R 300 000.00	R 300 000.00	R 0.00	100%	The order has been placed and committed.
Tetra upgrade communication and despatch	R 250 000.00	R 213 286.00	R 36 714.00	85%	85% complete
Wash Bay Project New Building Alterations MARTINDALE City Wide	R 4 250 000.00	R 4 250 000.00	R 0.00	100%	Excavations have been made on all 6 sites and re enforcement bars have been laid.
<b>EMS TOTAL</b>	<b>R 149 165 000.00</b>	<b>R 137 318 277.00</b>	<b>R 11 846 723.00</b>	<b>92%</b>	

Table 54: Capital expenditure - EMS services

## JOHANNESBURG CITY PARKS AND ZOO (JCPZ)

The City, through JCPZ aims to develop, maintain and conserve public open spaces, cemeteries and animal life for present and future generations. JCPZ is mandated by the City of Johannesburg to manage the following products and services: Urban parks, recreation and leisure facilities; Johannesburg Zoo; Zoo conservation and research farm; Cemeteries and crematoria; Botanical services; Nature reserves, including bird sanctuaries, nature trails, dams and lakes; Environmental education; Biodiversity and conservation management; Eco-tourism products and services and Trees and arboriculture services.

Public Open Spaces relate to management and maintenance of both developed and undeveloped public spaces; including parks, reserves, sanctuaries, nature trails, botanical gardens, rivers, wetlands, dams, lakes, recreation and leisure facilities, green heritage of street verges and pavements. Cemeteries: relates the provision of committal and burial options in the city, the provision and maintenance of cemeteries, crematoria and memorial gardens. Animal Life: refers to protection, preservation and conservation of fauna and related habitats in the city.

### Cemeteries and crematoriums

Cemeteries & Crematoria are responsible for the interments of mortal remains within the City of Johannesburg, together with cremations. A critical challenge is the inadequate burial space available. Two cemeteries were recently declared full with respect to new burials i.e. Avalon and Eldorado Park Cemeteries resulting in the bulk of funerals intended for the aforementioned facilities being redirected to Lenasia Cemetery. It is projected that an additional 1,500 hectares of suitable land is required for use as cemeteries to meet the needs of the community up to 2050. The average burial/cremation rate has stabilised to +/- 20,000 per year over the last four (4) years. As a result of redirecting burials, Elandsfontein who normally conduct 8-10 burials per weekend, have increased to 20 – 22 burials per weekend. The overcrowding at Lenasia and other cemeteries has forced the spread to the extent that even smaller cemeteries experience challenges of congestion. Outlined below is the available burial space in all active cemeteries within the City of Johannesburg:

FACILITY	AVAILABLE BURIAL SPACE	APPROXIMATELY BURIAL \ LIFESPAN OF THE CEMETERY
Lenasia	2 Hectares	1 000
Elandsfontein	0.6 Hectares	0
New Roodepoort	0.6 Hectares	600
Doornkop	2 Hectares	10 000
Waterval	180 Hectares	360 000
Diepsloot	40 Hectares	80 000
Westpark	25 Hectares	30 000

Table 55: Available space of active cemeteries

### Burials statistics for 2015/16

A total amount of 14 339 burials were undertaken in the period under review compared to the 12 706 for the same period in the previous financial year. A total of 472 social burials undertaken in the reporting period of which 85 were indigent burials and 387 were pauper burials compared to 175 for the same financial period of 2014/15 (FY) as represented in the graphic below:

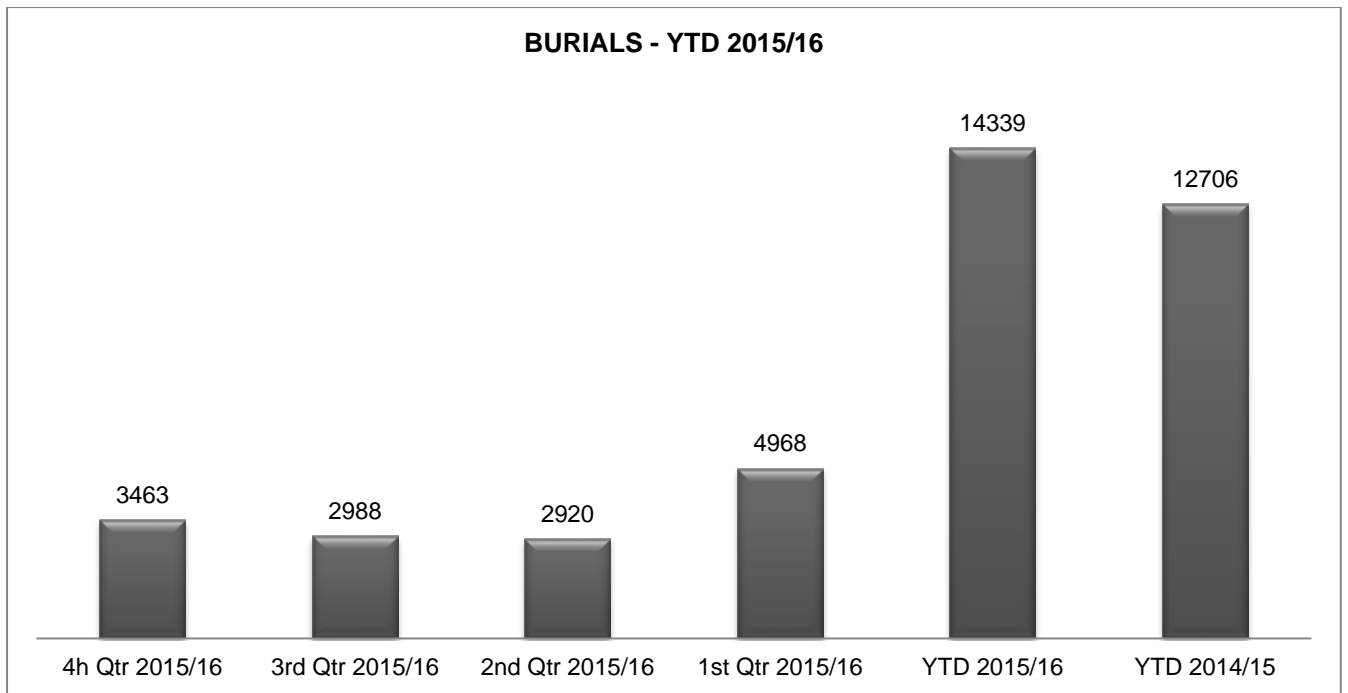


Figure 13: Burial summary

#### Cremation statistics for 2015/16

In the period under review, a total of 2 317 cremations were carried out at Braamfontein, Brixton and Lenasia Crematoria compared to 2 284 for same comparative period of 2014/15 (FY).

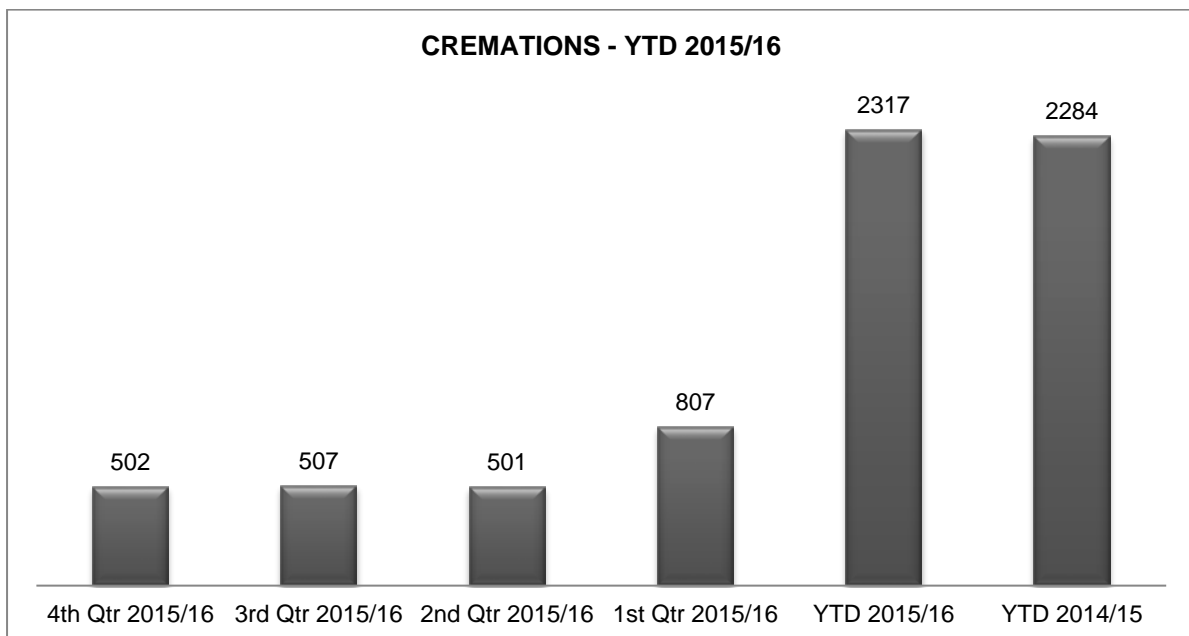


Figure 14: Cremations summary

### Open spaces performance towards IDP objectives

The table below outlines open spaces (including zoo management) service objectives derived from the IDP. The table shows that in this financial year all targets relating to IDP objectives were achieved.

Open spaces objectives derived from the IDP							
Service Objectives	Outline Service Targets	2014/15		2015/16		2016/17	2018/19
		Target	Actual	Target	Actual	Target	Target
Service Indicators							
Service delivery	Maintenance: Flagship Parks 7 day cycle	7 day cycle	6 day cycle	7 day cycle	6 day cycle	48 maintenance cycles	48 maintenance cycles
A safe, secure and resilient city that protects, serves, builds and empowers communities	Masibambisane programme Target 15 000 visitors	15 000 learners	21 523 learners	16 000 learners	26 897 learners	20 000 learners	20 000 learners
	Number of trees planted	10 000 trees	19 906 trees	5 000 trees	7 121 trees	2 500 trees	2 500 trees
	Number of fruit trees distributed	-	-	3 000 trees	3 779	1 000 trees	1 000 trees
Conservation areas maintenance	Number of hectares cleaned from alien vegetation	1 402 ha	1 707 ha	50 ha	369ha	50 ha	50 ha
Long and healthy life for all	Provision of walks in a safe, friendly environment, to enhance a longer, healthier lifestyle. Zoo walks	24 walks	111 walks	24 walks	25 walks	24 walks	24 walks

Table 56: Attainment of IDP objectives - open spaces

### Employees: Open spaces (including zoo management)

The table below outlines 2015/16 staff positioning for opens spaces (including zoo management), showing a high vacancy rates in levels 4 - 6.

Job Level	2015/16			
	Posts No:	Employee No:	Vacancies (fulltime equivalents) No:	Vacancies (as a % of total posts) %
0 - 3	6	6	0	0
4 - 6	2 320	1 560	760	32.76%
Total	2 326	1 566	760	32.76%

Table 57: Employees - Open spaces (including Zoo)

### Capital expenditure: Open spaces (including zoo management)

The table below outlines 2015/16 capital expenditure illustrating specific capital investments made for open spaces management and the management of the zoo.

Capital Expenditure: Open spaces (Bio-Diversity; Landscape and Other) R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	84 500	84 500	60 065	24 435	84 500
Brixton Park	3 000	3 000	2 956	44	3 000
Inner City Parks	4 000	4 000	3 710	289	4 000
JHB Botanical Gardens	4 000	4 000	3 296	704	4 000
Kliprivier Nature Reserve	2 000	2 000	2 000	0	2 000
Stretford park	3 000	3 000	2 752		3 000
Olifantsvlei Cemetery	25 000	25 000	3 539	21 461	25 000
Upgrade Existing Parks to OHASA Standard	2 000	2 000	1 351	649	2 000
Lenasia Cemetery	500	500	500	0	500
Pioneer Park	8 500	8 500	7 935	565	8 500
Westdene park	8 000	8 000	7 889	111	8 000
Zoo - Animal Purchases	2 000	2 000	1 695	305	2 000
Zoo - Parking Area Development	12 000	12 000	11 998	2	12 000
Zoo – Animal hospital	3 500	3 500	3 451	49	3 500
Zoo - Buildings (Infrastructure)	5 000	5 000	4 995	5	
Zoo – Conservation and Research Farm	2 000	2 000	1 998	2	

Table 58: Capital expenditure - open spaces including Zoo

## CHILD CARE, AGED CARE AND SOCIAL PROGRAMMES

The City through the Department of Social Development empowers the poor, as a crucial component of ensuring a sustainable solution to poverty and hunger in the long term. The City's targeted interventions focus on poverty reduction, food security and developmental initiatives that enable self-sustainability and social inclusivity. These interventions respond to the conditions of both individual and household poverty by providing a broad variety of programmes and support services. A critical enabling milestone in addressing the inter-generational poverty confronting many poor households is food and nutrition security. To this end the City supports small-scale farmers so that they can contribute to the City's food trade surplus through the Agriculture and Food Security Priority Implementation Plan. The City's service offering can be summarised as follows:

- **Livelihood and skills development:** the City facilitates and develops livelihood opportunities linked to food resilience and income-generating opportunities so as to further develop skills, thereby improving quality of life.
- **Social protection:** benefits flowing from the enrolment in the Expanded Social Package include rebates on city services, food support, and social burial support.
- **Re-integration of the socially excluded:** the City facilitates social support, such as the integration and re-integration of ex-offenders, ex-combatants, migrants, and people with disabilities (PWD), homeless people, substance abusers and addicts into community life to play a positive role.

- **Provision of grants and non-financial assistance (NGOs):** the Department facilitates funded and non-financial assistance and capacity building for non-governmental organisations (NGOs).
- **Advocacy and community mobilisation:** the city conducts outreach programmes to educate the community on the inclusion of the vulnerable and marginalised in economic and social opportunities.
- **Regulatory action:** the City monitors and ensures compliance with policy and legislation and the progressive enforcement of standards.

The graph below shows the increasing numbers of Orphans and Vulnerable Children (OVCs) that the City is assisting through its basket of social services

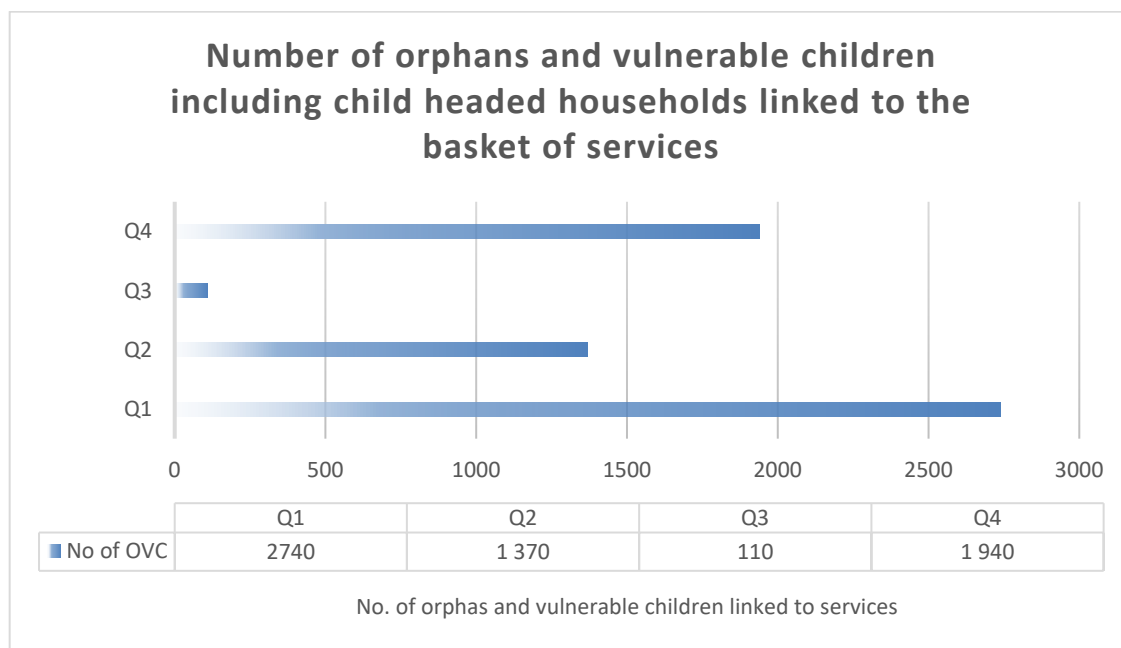


Figure 15: Number of OVCs linked to City basket of services

Graph 16 below shows the number of ECD practitioners the City has empowered through educational and skills development support to meet the requirements of the Enforcement Standard Framework.

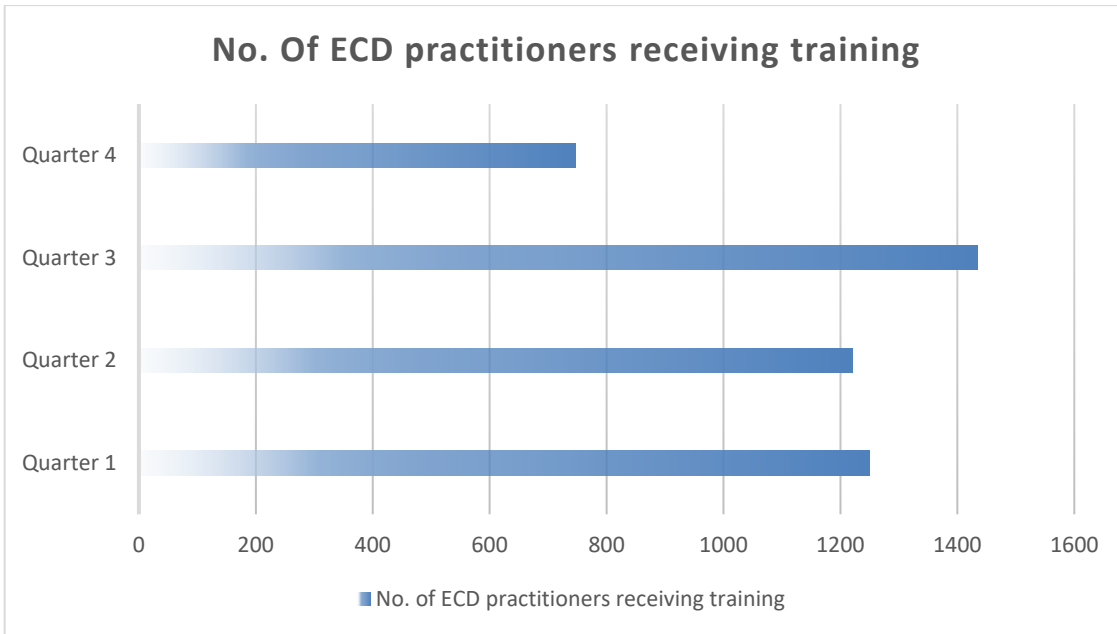


Figure 16: Number of (untrained) practitioners receiving ECD training

Graph 17 below shows the yearly service statistics for assistance provided to displaced persons by the City. This includes statistics for the number of individuals removed from the street and placed in shelters or appropriate programmes. The breakdown of all the quarters includes: family re-unification, 3 Kotze Street Night Shelter for Adults placements, participating shelters and appropriate programmes.

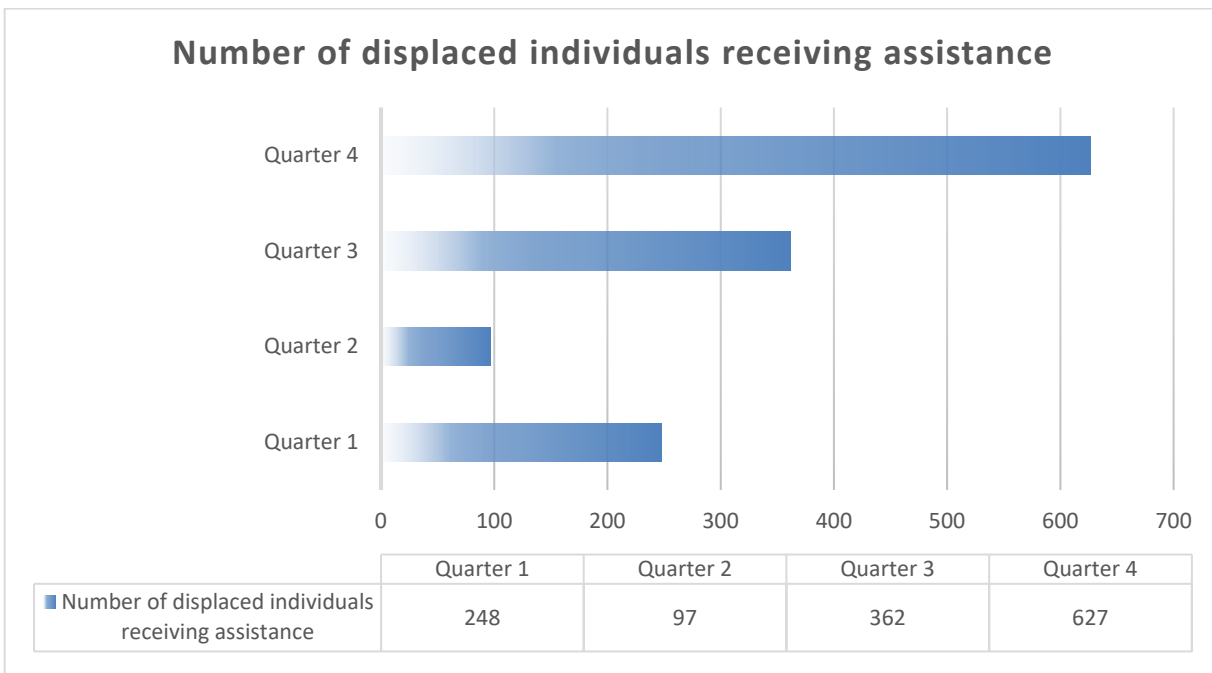
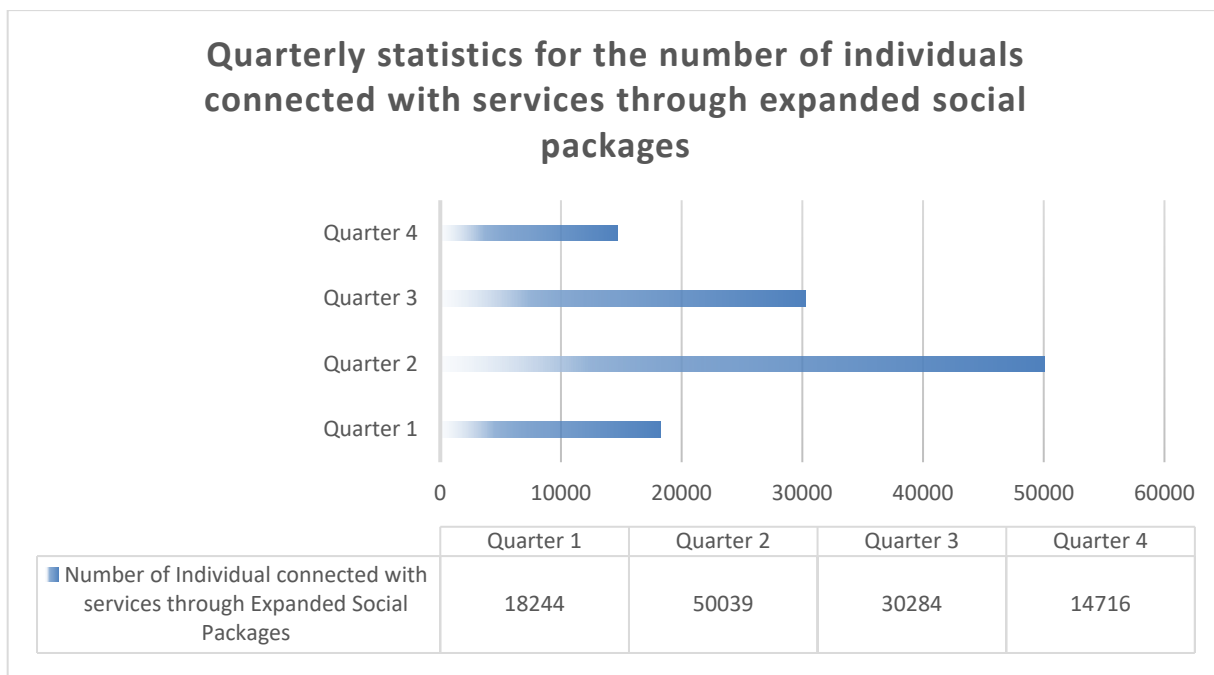


Figure 17: Number of displaced individuals receiving City assistance

#### Expanded Social Package

The City continues to provide assistance to the indigent through a basket of services delivered through the City's Expanded Social Packages.



**Figure 18: Number of individuals receiving services under the Expanded Social Package**

## HEALTH SERVICES

The City of Johannesburg through its health department develops high quality, efficient, equitable health systems that are accessible to Johannesburg's residents. The City is responsible for the provision of primary health care services in the COJ through its network of 81 clinics (80 fixed and 1 satellite) as well as municipal health services (environmental health services).

The City's clinics operate in conjunction with health facilities managed by the Gauteng Department of Health, which include: 28 fixed clinics; 10 community health centres; 2 district hospitals (South Rand and Bheki Mlangeni); 3 regional hospitals (Coronation, Helen Joseph and Edenvale), 2 tertiary hospitals (Chris Hani Baragwanath, Charlotte Maxeke); and 2 specialised hospitals (Tara and Sizwe Tropical). There is also one non-governmental organisation that renders primary health care services, namely Witkoppen Clinic.

Environmental health programmes encompass those aspects of human health that are determined by physical, chemical, biological, social and psycho-social factors in the environment. Environmental Health (Municipal Health Services) is therefore mandated to protect the environment and to safeguard the public from contracting communicable diseases from food, water and other environmental impacts. This service is an obligatory service to be rendered by the municipalities and is defined in the National Health Act, 2003, as "Municipal Health Services".

Municipal Health Services are listed as:

- Water quality monitoring
- Food control
- Waste management
- Health surveillance of premises
- Surveillance and prevention of communicable diseases, excluding immunisation
- Vector control

- Environmental pollution control
- Disposal of the dead
- Chemical safety

The City's Health Department is further mandated to strengthen primary healthcare by:

- Strengthening district health systems through improved access to primary health care services
- Training and deploying municipal, ward-based outreach teams (WBOT)
- Improving health literacy levels
- Community participation and co-operative governance in Health
- Improving access to antenatal care services
- Improving the TB success rates
- Increasing the number of clinics providing ARV and HIV treatment service
- Consolidating the City's focus on Environmental Health Services (Municipal Health Services) through promotional, educational and enforcement programmes
- Introducing the electronic health card system in 14 clinics

#### Financial performance: Clinics

The table below outlines the 2015/16 revenue and expenditure performance for City clinics.

<b>Financial Performance 2014/15: Clinics</b>				
<b>R'000 Details</b>	<b>2015/16</b>			
	<b>Original Budget R'000</b>	<b>Adjustment Budget</b>	<b>Actual R'000</b>	<b>Variance to Budget</b>
Total Operational Revenue	140 982	0	148 900	-7 918
Expenditure:				
Employees	586 391	15 051	622 500	-21 058
Repairs and Maintenance	11 148	(413)	8 300	(2 435)
Other	154 469	(9 241)	111 900	33 328

Table 59: Financial performance - clinics

## OVERALL PERFORMANCE AGAINST SDBIP TARGETS

### Priority 1: Financial sustainability and resilience

IDP Programme	Key Performance Indicator	Baseline	Target 2015/16 FY	Cumulative Achievement as at 30 June 2016
Optimal revenue collection	1. % collection of debtors in respect of service billings <sup>12</sup>	93.7% collection of debtors in respect of service billings	95% collection of debtors in respect of service billings	<b>Target not Achieved</b> The City achieved a revenue collection rate of 94.7% missing its annual target by 0.3%. The City continues to intensify its credit control function
% reduction in the debtors book	2. % reduction in the debtors book (Accelerated revenue collection initiatives e.g. ring-fence old debt)	1.5% reduction in the debtors' book	3.5% of R20.1 billion reduction in the debtors' book (cumulative target)	<b>Target Achieved</b> The debtor's books decreased by 31%.
Capital project management	3. % budget spent on city-wide infrastructure	92% budget spent on city-wide infrastructure	95% budget spent on city-wide infrastructure	<b>Target not achieved</b> The City had a capital expenditure, of 90% of approved capital budget amounting to R8.4 billion.  Mitigation: The City will use its capital expenditure programme for engineering and infrastructure to improve CAPEX expenditure

<sup>12</sup> Calculations excluding LTA, ESP Deceased Estates and estimations longer than 6 months

IDP Programme	Key Performance Indicator	Baseline	Target 2015/16 FY	Cumulative Achievement as at 30 June 2016
Disciplined expenditure management	4. Achievement of selected profitability and liquidity ratios	Current ratio: 1:1 Solvency ratio: 2:1 Debt to Revenue: 49.7% Remuneration to Expenditure: 36.6% Maintenance to Expenditure: 3.6.6% Interest to Expenditure: 5% Net Operating Margin: 10% Cash coverage (days): 74.1 days	Current ratio: 1:1 Solvency ratio: 2.2:1 Debt to Revenue: below 45% Remuneration to Expenditure: below 35% Maintenance to Expenditure: 5.3% Interest to Expenditure: 5% Net Operating Margin: 13% Cash coverage (days): 50 days	Current ratio: 0.95 Solvency Ratio: 2.13 Debt to Revenue: 44.51% Remuneration to Expenditure : 22.74% Maintenance to Expenditure: 2.08% Interest to Expenditure 4.83% Net Operating Margin : 13.09% Cash coverage (days): 57.13 Days
Enhanced corporate governance, through 100% compliance with financial, risk and performance management guidelines	5. Unqualified audit opinion	Unqualified audit opinion with matters of emphasis	Unqualified audit opinion with at least 85% of internal and external audit findings resolved	<b>Target Achieved</b> Management resolved 70% of the 2014/2015 matters raised by the AG.

**Priority 2: Agriculture and food security**

IDP Programme	Key Performance Indicator/s	Baseline	Target 2015/16 FY	Cumulative Achievement as at 30 June 2016
Access to food	6. % reduction of food insecure households in all deprived areas <sup>13</sup>	40% reduction in food insecure households in the deprived areas(as outline in the Dept. of Social Development deprivation index report)	20% (29 280) reduction in food insecure households in the most deprived areas (23 wards) (cumulative target)	<b>Target achieved</b> A reduction of 27.1% amounting to 39 507 food insecure households in deprived areas (23 wards) was achieved
Urban farmers support	7. % growth in market share of emerging producers at Johannesburg Market	6% growth in market share of emerging producers at Johannesburg Market	8 % growth in market share of emerging producers at Johannesburg Market	<b>Target achieved</b> 10% growth in market share
	8. Number of emerging farmers involved in diversified farming activities	77 emerging farmers involved in diversified farming activities	91 farmers involved in diversified farming activities	<b>Target achieved</b> A total of 93 additional farmers involved in diversified farming activities
Long and healthy life for all	9. % of hypertensive patients controlled	28% of hypertensive patients controlled	70% increase of hypertensive patients controlled	<b>Target achieved</b> 73% control in hypertensive patients

### Priority 3: Sustainable human settlements

IDP Programme	Key Performance Indicator/s	Baseline	Target 2015/16 FY	Cumulative Achievement as at 30 June 2016
Improved Mobility	10. Number of Rea Vaya Bus Rapid Transport passenger trips per working day	32 000 passenger trips per average working day	45 250 passenger trip per average working day	<b>Target achieved</b> An average of 48 270 passenger trips per average working day was achieved

<sup>13</sup> 39 of the City's Wards are ranked as most deprived areas (rank 8-10 on the City's poverty index) with a total population of 1 556 744 citizens (1 127 533 working age): 72% of each ward on average under age of 35. 23 of these wards (selected according to highest levels of deprivation and highest population) account for the 60 % most deprived areas to be targeted over remainder of mayoral term. The total population living in these 60 % targeted wards is 897 577 – with 146 398 households accounting for 441 191 individuals estimated to be food insecure. 60 % of this food insecure target group is 87 839 food insecure households (an estimated 264 714 individuals). This target group is to be assisted over the remainder of the mayoral term, in 3 equal annual tranches of 29 280 households per year (88 238 individuals assisted annually). (As outlined in the Dept. of Social Development deprivation index report).

IDP Programme	Key Performance Indicator/s	Baseline	Target 2015/16 FY	Cumulative Achievement as at 30 June 2016
	11. Number of kilometres of walkway and cycle lanes completed	5km of kilometres of walkway ad cycle lanes completed	70km kilometres of walkway and cycle lanes completed	<b>Target achieved</b> 109.16 kilometres of walkway and cycle lanes completed
Transit Oriented Development – Priority areas	12. Number of lane km of roads resurfaced	323.51 km of roads resurfaced	506.96 lane km of roads resurfaced city-wide as per Pavement Management system (PMS)	<b>Target achieved</b> 587.69 lane km of roads resurfaced city-wide as per Pavement Management system (PMS)
	13. Kilometres of gravel roads upgraded to surfaced roads	43.8 km of gravel roads upgraded to surfaced roads	47.90 of gravel roads upgraded to surfaced roads	<b>Target not Achieved</b> 26.98 km of gravel roads upgraded to surfaced roads  Mitigation: City developed recovery plans to improve gravel road upgraded to surface roads performance.
	14. Kilometres of Open drains into underground at specified areas	5.8km of open drains into underground at specified areas	5.45 km of open channels converted to underground system at specified areas	<b>Target not achieved</b> 4.9 km of open channels converted to underground system at specified areas.
Compact, integrated and liveable urban form and spaces	15. % expenditure spent on the coordination of R230 million CoF capex allocation	95% expenditure spent on the coordination of R130 million CoF capex allocation	95% expenditure spent on the coordination of R230 million CoF capex allocation	<b>Target not Achieved</b> The City budgeted R230 million for the coordination of Corridors of Freedom. Of this, the City spent 93.06%  Mitigation: Improved project management of implementing agents
Mix of housing options <sup>3</sup>	16. Number of CoJ housing units developed for the underprivileged <sup>14</sup>	3750 COJ housing units developed for the underprivileged	3484 COJ housing units developed for the underprivileged	<b>Target achieved</b> 3569 housing developed for the underprivileged
	17. Number of social housing units developed	1000 Construction of quality social housing and rentals places	800 social housing units developed	<b>Target achieved</b> 818 social housing units developed

<sup>14</sup> Underprivileged refers to beneficiaries captured in the housing database, compiled under the housing regime.

**Priorities 4, 8 and 9: Economic growth**

IDP Programme	Key Performance Indicator/s	Baseline (2006/11)	Target 2015/16 FY	Cumulative Achievement as at 30 June 2016
City wide job creation programme – 250 000 jobs by 2016	18. Number of EPWP opportunities created	55 082 EPWP opportunities created	50 000 EPWP opportunities created citywide	<b>Target Not Achieved</b> 24 971 EPWP work opportunities created  Mitigation: Mobilise municipal entities to increase the EPWP opportunities
	19. Number of jobs created city-wide <sup>15</sup>	13 329 jobs created city-wide	500 000 jobs created city-wide	<b>Target Achieved</b> 59 433 Jobs created city-wide
Enterprise Development Programme	20. Number of SMMEs supported by the City	1000 SMMEs supported by the City	2000 SMMEs supported by the City	<b>Target Achieved</b> 6 402 SMMEs supported by the City
	21. Rand value investment and/ or business transactions attracted and retained within the City	R 1 billion value of investment and/ or business transactions facilitated	R 3 billion value of investment and/ or business transactions facilitated	<b>Target achieved</b> R4.538 billion value investment or business transactions facilitated

**Priority 5: Engaged and active citizenry**

<sup>15</sup> Paid work for an individual for any period of time, the same individual can be employed on different projects and each period of employment will be counted as work opportunity. The definition as per national employment indicator.

IDP Programme	Key Performance Indicator/s	Baseline	Target 2015/16	Cumulative Achievement as at 30 June 2016
Citizen participation, empowerment and customer care	22. Improvement in citizen satisfaction levels	62% rating in household satisfaction index	Household satisfaction index at 65%	<b>Target Not Achieved</b> Household satisfaction index at 62.7% representing an improvement of 0.7%.  Mitigation: To develop and implementation plans to improve on the targeted services deliver areas.
Customer Service Charter	23. % achievement Service Level Standards	41.07% Service Level Standards	90% achievement Service Level Standards	<b>Target not achieved</b> 70% achievement Service Level Standards  Mitigation: Fast track and monitor implementation of the services level standards.
Engaged, active citizenry	24. % of 47 approved CBP community projects implemented	New	90% of 47 approved CBP community projects <sup>16</sup> implemented	<b>Target not Achieved</b> 89% of 47 approved CBP community projects implemented Mitigation: City to intensify the rollout of CBP community projects

<sup>16</sup> As outlined in the CBP priority projects report adopted by Mayoral committee in 2015. Vegetable garden; resurface and stabilise gravel roads – gravelling; resurfacing of Nanyuki Rd from Sunninghill Hospital to Malindi Rd; vegetable garden at Skills Centre, Diepsloot; tarring and completion of tarring of Bulelwa Makomane str, tarring of Phakwe and Xinimbela streets; Street calming measures in Ebony Park Primary; multi-purpose sports facility in Rivelea; municipal hall in region C; RDP/informal settlement (installation of water pipes);tunnel farming in Meadowlands Zone 10; park development in Meadowlands Zone 3;Installation of Traffic Signals in Protea Glen on the Major Impala intersection; park development in Dobsonville Ext 3; installation of Traffic Signals in Glen Ridge Ext 16 on Randfontein Road Intersection; establishment of a buy back centre and sorting facility for reclaimers; upgrading of Blandford Rd between Hyperion and Witkoppen Rd; refurbishment of staircases for 47 blocks of flats in Alexandra; multipurpose court: Klipfontein View; Upgrade of Glenhazel Park; upgrading of foot bridges in region E; gabions in Region E; purchase of 3000 240l bins; upgrading of Phase 1 Park IN Region E; Procurement of caravans as mobile police units in the Region E; building of a small bridge in Region F; Food Production Program in Region F; Agents of Change women’s development centre in Region G ; Go Green and Clean (Youth Organisation) Centre in Region G; multi-purpose sports field in Region G; Sincediseni Women Organisation (women’s centre) in Region G; revive sports field in Region G; community vegetable Garden in Region G; develop a Community park in Orange Farm; multi-purpose sports field in Region G; development in Thulamntwana; sports field development in Finetown; roads maintenance in Region G; develop community park in Region G; develop multi-purpose sports facility in Region G; develop multi-purpose sports facility including Swimming Pool in Region G; revamp community Centre in Region G; develop Dzadza community parks Projects in Region G; road maintenance in Region G; upgrade community garden in Region G; purchase mobile theatre; hostel upgrading project; and upgrade Avalon cemetery fence.

IDP Programme	Key Performance Indicator/s	Baseline	Target 2015/16	Cumulative Achievement as at 30 June 2016
	25. Number of dialogue and education sessions implemented in the identified high risk areas for xenophobic attacks	Regional workshops	7 Regional dialogue and education sessions implemented in the identified high risk areas for xenophobic attacks	<b>Target Achieved</b> 7 regional dialogue and education sessions implemented in the identified high risk areas for xenophobic attacks: <ul style="list-style-type: none"> <li>• Region A – Ward 95</li> <li>• Region B – Ward 69</li> <li>• Region C – Ward 70</li> <li>• Region E – Ward 105</li> <li>• Region D - Ward 28</li> <li>• Region G - Ward 03 and Ward 06</li> <li>• Region B - Ward 68</li> </ul>
	26. % increase media awareness of the City Strategic direction	New	80% media awareness of the City strategic direction	<b>Target not Achieved</b> The City achieved 49.2% increase in media awareness.  Mitigation: City developed media plans to improve media awareness of the City Strategic Direction in the next financial year.

#### Priority 6: -Financial Sustainability

IDP Programme	Key Performance Indicator/s	Baseline	Target 2015/16	Cumulative Achievement as at 30 June 2016
Biodiversity conservation	27. km2/ hectares Alien and invasive species infested land cleared	300 ha of alien and invasive species (AIS) infested land cleared	700 ha of alien and invasive species (AIS) infested land cleared	<b>Target not achieved.</b> 324 hectares of alien and invasive AIS infested land cleared  Mitigation: The City will appoint Capacity Support Agents for this Jozi@Work intervention in 2016/17.
Climate Change and Air Quality	28. % reduction in GHG emissions as a result of mitigation projects	10 % reduction in GHG emissions as a result of mitigation projects	15% reduction in GHG emissions as a result of mitigation projects	<b>Target not achieved.</b> No reduction was established.  Mitigation:

IDP Programme	Key Performance Indicator/s	Baseline	Target 2015/16	Cumulative Achievement as at 30 June 2016
				The City identified four sector-based projects and associated targets to track and report GHG emissions in "Tonnes of CO2e offset in GHG emissions" per sector project.
Urban Water management programme	29. Demand-side Management: % reduction in water losses (non-revenue water) <sup>17</sup>	35% Non-revenue water losses	32 % Non-revenue water losses	<b>Target not Achieved</b> 35.3% non-revenue water losses  Mitigation: Continue replacement of 900 km pipelines and implementation of other interventions to reduce non-revenue water losses.
	30. Number of schools retrofitted for water leaks	New Indicator	500 schools retrofitted for water leaks	<b>Target not Achieved</b> 0 Schools retrofitted for water leaks.  Mitigation: City finalised the appointment of the three CSA's for War on Leak project for improved implementation in 2016/17
Integrated Waste Management Programme	31. Increased participation rate in targeted areas where separation at source is implemented	20% participation rate in targeted areas where separation at source is implemented	70% participation rate in targeted areas where separation at source is implemented	<b>Target not Achieved</b> Lower than 18 % participation rate in targeted areas where separation at source is implemented  Mitigation: City to intensify the rollout of an extensive communication, education and awareness campaign programme in the new financial year to improve S@S participation.
Integrated Waste Management Programme	32. % reduction in waste to landfill	8 % of 356 170 tons reduction in waste to landfill	20 % of 356 170 tons reduction in waste to landfill	<b>Target Achieved</b> The City achieved 20.2% reduction in waste to landfill

### Priority 7: Smart City

<sup>17</sup> (NRW) is water that has been produced and is "lost" before it reaches the customer. Losses can be real losses (through leaks, sometimes also referred to as physical losses) or apparent losses (losses that result through theft or metering inaccuracies).

IDP Programme	Key Performance Indicator/s	Baseline	Target 2015/16	Cumulative Achievement as at 30 June 2015
Smart Institution Programme	33. % implementation of Smart City ICT Enablement Programme	75% implementation of Smart City ICT Enablement Programme	100% Implementation of Smart City ICT Enablement Programme <sup>18</sup>	<b>Target not achieved</b> 98% implementation of Smart City ICT Enablement Programme <sup>8</sup>
Access and Connectivity	34. Number of connections to WiFi hotspots connectivity in City owned facilities <sup>19</sup>	500 Wi-Fi Hotspots connectivity at City-owned facilities	1000 WiFi Hotspots connectivity at City-owned facilities	<b>Target achieved</b> 2122 WiFi hotspots at City owned facilities.
Smart Citizen Programme	35. Number of libraries with internet connection	35 libraries with internet connection (2013/14 results)	30 libraries with internet connection	<b>Target achieved</b> 52 Libraries with Internet connection

#### Priority 10: Safer City

IDP Program	Key Performance Indicator/s	Baseline	Target 2015/16	Cumulative Achievement as at 30 June 2016
Policing and management of public spaces	36. %reduction of Common robbery, assault GBH, common assault, theft of motor vehicles, burglary residential/business	Common Robbery = 6604 Assault GBH = 17413 Common Assault = 20766 Theft of Vehicle = 10406 Burglary Residential = 21421 Burglary Business = 5551	5% reduction of Common robbery, assault GBH, common assault, theft of motor vehicles, burglary residential/business	<b>Target achieved</b> 15.95% reduction in common robbery, assault GBH, common assault, theft of motor vehicles, burglary residential/business crimes

<sup>18</sup> 100% achievement implementation; The e-health system has been launched and it is up and running in the identified clinics, 849 machines have been deployed. Which represent 100%, 849 configurations were done which represent 100%, 10 servers have been provisioned which represent 100% of work done. 83 clinics, provided WAN stable which represent 100% work done. 83 Clinic LAN were refreshed

<sup>19</sup> Implementation of the Smart City Programme entails WI-FI rollout within City-owned buildings, the migration of applications to E-services and document managing with a view of creating a paperless organisation and Local Area Network (LAN) infrastructure renewal programmes across the city Affordable internet connectivity refers to internet access accessed through the City-wide hotspots.

IDP Program	Key Performance Indicator/s	Baseline	Target 2015/16	Cumulative Achievement as at 30 June 2016
	37. % reduction in mortalities linked to medical emergencies	5% reduction in the mortality rate in fire and pedestrian accidents through rendering emergency quality service	5% reduction in the mortality rate in fire and pedestrian accidents through rendering emergency quality	<b>Target achieved</b> 9% reduction in the mortality rate
	38. increase in number of citations issued for illegal dumping in order to improve compliance to City's by-law	895 Citations issued	10% Increase (985 citations issued) in citations issued for illegal dumping in order to improve compliance to City's by-law	<b>Target Achieved</b> 58% Increase (4753 citation issues) in citations issued for illegal dumping in order to improve compliance to City's by-law
	39. % implementation of substance abuse programme through social (a 3 tier programme targeting youth at risk) <sup>20</sup>	100% implementation of the substance abuse programme	100% implementation of 3 tier programme targeting youth at risk.	<b>Target Achieved</b> 100% implementation of 3 tier programme targeting youth at risk through multi media campaign and 29 Local Drug action committees

<sup>20</sup> Local action drug committee, youth programme, case work, positive lifestyle programme

# Organisational Development Performance

## Introduction to the municipal workforce

The City of Johannesburg aims to be an employer of choice. This is supported by the our overall objective, as set out in its Employment Policy, to ensure that our employment practices and remuneration policies motivate and retain talented employees and create an attractive work environment. The City of Johannesburg periodically reviews all its employment policies and practices in line with applicable prescripts to ensure that it remains relevant and practical for the changing world of work and is attractive to potential employees.

The City's commitment to providing world-class services to all its residents is achieved through its employees whom are viewed as the City's greatest asset. The City aims to foster a high-performance ethos by attracting and retaining exceptionally skilled and qualified people. The vision of delivering professional, diverse and competent human capital for a World-class African City is achieved through the Human Capital Management Programmes that are implemented across the City. The Programmes focus on the development of Human Capital in all aspects with a specific focus on the development and enhancement of skills to ensure a competent workforce. Employees are encouraged to develop their skills and further their careers through individual development analyses and plans as well as Performance Management.

## Employee positioning, vacancies and turnover

The City has 28 800 employees across the various sections, with 1 552 (5%) vacancies at present. The table below depicts the City's entities, city-wide turnover and vacancies as at 30 June 2016. Departments like Public Safety, Community Development, Finance, Health and the Office of the Executive Mayor have, comparatively, more vacancies.

Department / Unit	Employees				
	Year -1 (2014.15)	Year 0 (2015.16)			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
CM: Citizen Relationship & Urban MNGT	461	513	487	26	5%
CM: Executive Management Office(OCM & COO)	33	36	36	0	0%
CM: G/Strategic, Policy Co-ordination & Relations	39	47	43	4	9%
CM: Group Communication & Tourism	63	87	82	5	6%
CM: Group Governance	35	51	49	2	4%
CM: Group Legal & Contracts	45	48	46	2	4%
CM: Group Risk And Assurance Services(GRAS)	87	86	85	1	1%
Community Development	1 554	1 937	1 577	360	19%
Development Planning	383	461	443	18	4%
Economic Development	80	85	85	0	0%
Environment & Infrastructure Service	85	109	99	10	9%
Group Corporate & Shared Services	471	553	523	30	5%
Group Finance	1 832	1 943	1 854	89	5%
Health	1 607	2 239	2 124	115	5%

Housing (Housing Department part of Johannesburg Core Administration)	538	535	495	40	7%
Legislature (Office of the Speaker)	182	272	264	8	3%
Office of the Executive Mayor	19	32	26	6	19%
Public Safety	5 243	5 878	5 640	238	4%
Social Development	272	278	260	18	6%
Transportation (Transportation Department part of Johannesburg Core Administration)	593	626	615	11	2%
Sport and Recreation (City Parks and Zoo - Municipal Entity)	1 542	1 642	1 535	107	7%
Electricity (City Power - Municipal Entity)	1 853	1 808	1 758	50	3%
Development Implementation (Johannesburg Development Agency - Municipal Entity)	74	83	80	3	4%
Housing (Johannesburg Social Housing Company (JOSHCO) - Municipal Entity)	91	103	99	4	4%
Johannesburg Property Company (Municipal Entity)	639	563	563	0	0%
Roads (Johannesburg Roads Agency - Municipal Entity)	1 622	1 672	1 595	77	5%
Water (Johannesburg Water - Municipal Entity - Water, Sanitation and Storm water Drainage)	2 518	2 788	2 548	240	9%
Johannesburg Market (Municipal Entity)	387	357	334	23	6%
Transport (Metrobus - Municipal Entity)	837	919	854	65	7%
Johannesburg Theatre (Municipal Entity)	323	147	147	0	0%
Waste Management (Pikitup - Municipal Entity)	4 740	4 454	4 454	0	0%
<b>Totals</b>	<b>28 248</b>	<b>30 352</b>	<b>28 800</b>	<b>1 552</b>	<b>5%</b>

Table 60: Employee positioning

The staff turnover for the City Group for 2015/2016 was 7.30% per annum. The turnover has gone down due a stable labour environment. Resignations comprised 2% of the 7.3% Turnover Rate and the balance is made up of Retirements, Deaths, Contract Terminations, Dismissals and Medical Boarding. For Senior Management and Critical positions the turnover rate was 2.53%.

The acquisition of highly skilled employees, specifically scarce and critical skills within certain career groups e.g. Nursing, Medical Doctors, Emergency Services Trainers, Valuers, Town Planners, Environmental Specialists, Urban Designers and Engineers remains a challenge.

During the period under review two Senior Management positions (Section 56) became vacant i.e. CEO of Joburg Market and the CEO of Joburg Social Housing Company. Due to an ongoing disciplinary enquiry the recruitment process for the position of CEO Joburg Market could not be embarked upon. The recruitment process for the position of CEO of Joburg Social Housing Company is in progress. The Metro Trading Company is a newly established Municipal Entity for which the CEO will be recruited during 2016/2017.

Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0.00
CFO	1	0	0.00
Other S56 Managers (excluding Finance Posts)	31	2	6.55
Other S56 Managers (Finance posts)	1	0	0.00
Police officers	2 965	72	2.42
Fire fighters	1 308	34	2.59
Senior management: Levels 13-15 (excluding Finance Posts)	806	10	1.24
Senior management: Levels 13-15 (Finance posts)	136	6	4.67
Highly skilled supervision: levels 9-12 (excluding Finance posts)	2 666	68	2.56
Highly skilled supervision: levels 9-12 (Finance posts)	362	18	4.85
<b>Total</b>	<b>8 277</b>	<b>210</b>	<b>2.53</b>

Table 61: Vacancy rate

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year (Excluding Temporary Employees)	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
2013/14	27 936	1 792	6.41
2014/15	27 721	2 833	10.22
2015/16	28 248	2 063	7.30

Table 62: year-on-year turn-over rate

### Managing the Municipal Workforce

In order to ensure an efficient and effective organisation an appropriate Institutional Structure was developed and maintained. Skills Development initiatives were implemented and Talent Acquisition processes ensured the recruitment of City Specific Skills to further enhance Human Capital Capacity in the City. The stability of the Organisation was managed through engagement with Stakeholders on different levels and forums, the delivery of employee services such as Leave and Remuneration as well as collaboration and consultation with Core Departments and Municipal Entities. Transformational initiatives such as the implementation of the Employment Equity Plan, Workplace Skills Development Plan, Gender Mainstreaming and Management of People with Disabilities further contributed to Organisational Stability.

These initiatives all contribute to effective and efficient Service Delivery to the Johannesburg Community and they ensure the City Group's compliance to Legislative requirements as well as the role-out of National, Provincial and City imperatives. Programmes for the Community for education and the development of skills

(Bursaries, Internships and Learnerships) enhance employability and contributes to a sustainable economy.

Regulatory Compliance, Policy and Planning

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
Completed				
1	Group Employment Equity and Transformation Policy Framework	100%	100%	Approved by Maycomb on 04/12/2014
2	Group Talent Acquisition Policy Framework	100%	100%	Approved by Maycomb on 04/09/2014
3	Group Employee Assistance Programme Policy Framework	100%	100%	Approved by Maycomb on 04/12/2014
4	Group HIV and AIDS Policy Framework	100%	100%	Approved by Maycomb on 04/12/2014
5	Group Management of Occupational Exposure to HIV Framework	100%	100%	Approved by Maycomb on 04/12/2014
6	Group Training and Development Policy Framework	100%	100%	Approved by Maycomb on 04/12/2014
7	Group Safety Health and Environment Policy Framework	100%	100%	Approved by Maycomb on the 04/12/2014
8	Group Employee Health and Wellness Policy Framework	100%	100%	Approved by Maycomb on the 04/12/2014
9	Group Medical Surveillance Policy Framework	100%	100%	Approved by Maycomb on the 04/12/2014
10	Group Vehicle and Driver Safety Policy Framework	100%	100%	Approved by Maycomb on 04/12/2014
11	Sexual Harassment Policy	100%	100%	Approved 18/07/2011
12	Group Organisational Structure Development & Maintenance Policy Framework	100%	100%	Approved by Maycomb on 04/09/2014
13	Group Employee Mobility	100%	100%	Approved by Maycomb on 04/09/2014
14	Group Payroll Management	100%	100%	Approved by Maycomb on 04/09/2014
15	Group Substance Abuse Policy Framework	100%	100%	Approved by Maycomb on 04/09/2014
16	Group Shared Services Policy Framework	100%	100%	Approved by Maycomb on 04/09/2014
Under Review				
17	Group Performance Management System Policy Framework	100%	20%	Approved by Maycomb on 07/12/2012 and currently under review
18	Group Job Evaluation Policy Framework	100%	80%	Depending on the Parity Benchmarking progress the policy will be submitted for approval.
19	Group Remuneration Policy Framework (inclusive of Rewards)	100%	80%	Depending on the Parity Benchmarking progress the policy will be submitted for approval.

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
Completed				
20	Group Strike Management Policy Framework		60%	In progress and dependent on the finalisation of the Demarcation Agreement
22	Group Employee Relations Policy Framework		60%	In progress and dependent on the finalisation of the Demarcation Agreement

Table 63: Human capital management policies and plans completed / reviewed

#### Performance Management

The implementation of an Individual Performance Management System has been challenging due to the lack of understanding of the system by employees as well as the fact that it is a manual system. The manual nature of the system limits the ability to monitor, evaluate and accurately report on the level of implementation of the Performance Management System.

In order to make the Performance Management System understandable and easy to implement, the approved Group Performance Management Policy Framework is under review to simplify the Policy Framework and streamline applicable processes. The Performance Management Training will be re-evaluated specifically with regard to a component that addresses the practical implementation of the system in the City context.

The way that the City rewards must be evaluated and attention given to a reward and recognition system that addresses individual performance as well as team rewards and recognition of individuals for special contributions and behaviour. This is not necessarily covered in the formal performance management process. In a Group context attention will be given to the development of a standard reward system for individual performance across the City.

The automation of the Performance Management Process is critical to ensure timeous and accurate reporting on the implementation. The successful implementation of this process is key to levels of productivity and also serves as a management tool to inform Skills Development i.e. City specific Training, Subsidised Education and Career Development. Performance is one of the elements that may allow an employee to progress within the applicable Salary Keyscale linked to the current Salary Progression project. This further underscores the need to automate the Performance Management Process to ensure accurate movement and remuneration accordingly. The table below outlines performance rewards for the City's employees for 2015/16 by gender.

Performance Rewards By Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards Year 1(2015.16) R' 000	Proportion of beneficiaries within group %
F)Unskilled	Female	3 048	277	889	9%
	Male	3 953	688	1 686	17%
E)Semi-skilled	Female	2 374	289	3 819	12%
	Male	3 957	921	8 314	23%
D)Skilled & Jnr Management	Female	4 697	342	8 664	7%
	Male	6 355	1 090	23 073	17%
C)Professional & Mid Management	Female	793	158	6 554	20%
	Male	1 138	320	14 989	28%
B)Senior Management	Female	208	24	3 075	12%
	Male	384	43	4 153	11%
A)Top Management	Female	8	0	0	0%
	Male	22	2	366	9%
Total		26 937	4 154	75 580	15%

Table 64: Performance rewards by gender

#### Capacitating the municipal workforce

During the past financial year the City continued to train its employees on interventions aimed at closing gaps identified through the Skills Audit process. Finance officials and Senior Managers were trained on Minimum Competency Levels. Other forms of training were aimed at gaps identified through the performance review process and career development. The Workplace Skills Plan compiled was used to identify the trainings required and both the Workplace Skills Plan and the Annual Training Report were submitted to the Local Government SETA.

The budget constraints within the City is challenging as not all interventions to improve the competencies of employees can be implemented. Another challenge is the competing priorities in the City and the determination of which must be attended to first. It is sometimes difficult to ensure that employees nominated to attend City specific training do attend. This is as a result of a number of urgent and strategic projects being implemented in the City and employees have difficulty to leave their place of work to attend classroom based training during office hours.

The City's culture towards Skills Development and subsequent training must be addressed as it should be that of a learning organisation. Human Capital Management is still seen as being solely responsible for Skills Development processes and training, which makes it difficult to have training impact and achievement of Return on Investment (ROI).

The table below reflects the skills levels and number of skilled employees for 2015/2016

Skills Matrix														
Management level	Gender	Employees in post	Number of Skills Developments Required and Actual as at 30 June Year 0 (2015.16)											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual 2014/15	Actual 2015/16	Target 2015/16	Actual 2014/15	Actual: 2015/16	Target 2015/16	Actual 2014/15	Actual 2015/16	Target 2015/16	Actual 2014/15	Actual 2015.16
MM and s56	Femal	8	0	0	0	8	13	15	0	0	2	8	13	17
	Male	22	0	0	0	11	31	36	3	0	6	14	31	42
Councillors, senior officials and managers	Femal	996	0	0	0	466	462	1010	9	0	10	475	462	1020
	Male	1126	0	0	0	441	700	980	12	0	12	453	700	992
Technicians and associate professional	Femal	172	19	0	0	105	322	169	4	0	4	128	322	173
	Male	384	31	0	0	433	851	261	16	0	18	480	851	279
Professionals	Femal	1467	0	0	0	512	513	753	47	0	20	559	513	773
	Male	1101	0	0	0	335	394	441	38	0	15	373	394	456
Sub total	Femal	2643	19	0	0	1091	2087	2467	60	0	36	1170	2087	2503
	Male	2633	31	0	0	1220	2198	1512	69	0	51	1320	2198	1563
Total		5276	100	0	0	4622	7571	7644	258	0	174	4980	7571	7818

Table 65: Skills matrix for City employees

Note:

The City does not have Permanent Employees participating in Learnership programmes and therefore the applicable columns in the above tables are not populated.

### Training

The City of Johannesburg budgets 1% of Employee Remuneration for Skills Development. The 1% set aside for training is insufficient to cover the training requirements. The City has addressed most of the Minimum Competency Level training requirements for individual employees inclusive of Top and Senior Management and more than 650 employees have been trained and most are deemed competent. There are some employees that have been trained and are in the process of being declared competent.

The table below reflects expenditure on skills development during 2015/16.

Skills Development Expenditure										
									R'000	
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.			Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female	6			2 000	1 000			2 000	1 000
	Male	15			3 000	3 000			3 000	3 000
Legislators, senior officials and managers	Female	492			3 980	11 457			3 980	11 457
	Male	557			2 550	2 000			2 550	2 000
Professionals	Female	726			5 680	5 639			5 680	5 639
	Male	511			4 011	4 011			4 011	4 011
Technicians and associate professionals	Female	85			3 978	10 000			3 978	10 000
	Male	190			4 231	4 100			4 231	4 100
Clerks	Female	1 289			9 785	9 785			9 785	9 785
	Male	931			4 234	4 234			4 234	4 234
Service and sales workers	Female	943			12 422	6 000			12 422	6 000
	Male	1 647			14 569	6 000			14 569	6 000
Plant and machine operators and assemblers	Female	171			1 679	1 679			1 679	1 679
	Male	825			2 790	1 790			2 790	1 790
Elementary occupations	Female	2 468			2 117	2 117			2 117	2 117
	Male	2 620			2 596	1 976			2 596	1 976
Sub total	Female	6 180			41 640	47 677			41 640	47 677
	Male	7 296			37 981	27 111			37 981	27 111
<b>Total</b>		<b>13 476</b>			<b>79 621</b>	<b>74 787</b>			<b>79 621</b>	<b>74 787</b>

Table 66: 15/16 Expenditure on skills development

**Note:**

1. The above table refers to the City of Johannesburg Core Administration only. Municipal Entities operate as independent companies and do not necessarily report into a SETA and for this reason they cannot provide the required level of detail per individual.
2. The City does not have Permanent Employees participating in Learnership programmes and therefore the applicable columns in the above tables are not populated.

MFMA Competency Training

A significant number of City officials have undertaken the basic competency training as required by the MFMA

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>						
Accounting officer	1	0	1	1	1	1
Chief financial officer	1	0	1	1	1	1
Senior managers	45	89	134	28	28	82
Any other financial officials	612	110	722	519	529	582
<b>Supply Chain Management Officials</b>						
Heads of supply chain management units	1	0	1	1	1	1
Supply chain management senior managers	14	9	23	14	5	12
<b>TOTAL</b>	<b>674</b>	<b>208</b>	<b>882</b>	<b>564</b>	<b>565</b>	<b>679</b>

Table 67: Progress report on MFMA competency training

<b>Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded</b>		
<b>Beneficiaries</b>	<b>Gender</b>	<b>Total</b>
Unskilled	Female	-
	Male	-
Semi-skilled	Female	1
	Male	0
Skilled & Jnr Management	Female	2
	Male	1
Professional & Mid Management	Female	1
	Male	0
Senior Management	Female	1
	Male	0
Top Management	Female	0
	Male	1
<b>Total</b>		<b>7</b>

Table 68: Employees whose salaries increased due upgrading of positions

#### Sick leave

The Main Collective Agreement regulate Sick leave and day-to-day management of such absenteeism and associated processes i.e. attendance registers, leave forms, activity reports and the accurate update of information on the Payroll System takes place.

All Leave processes inclusive of Sick leave are manual up to Payroll processing and this can result in delayed processes, late capturing of information, attendance fraud and inaccurate Leave Accruals, which increases the risk of Auditor General Findings against the City. Line Management must accept accountability and responsibility for these processes within their own business units, as this can negatively influence the process for which Human Capital Management is responsible.

The automation of all leave processes and accurate attendance recording through biometric attendance systems linked to the Payroll Systems is crucial for accurate administration thereof and to reduce the risk of Attendance Fraud and Auditor General Findings for incorrect Leave Accruals.

The table below outlines the number of days and cost related to sick leave for municipal employees for 2015/16.

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employee	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	9 729	13%	2 067	7 001	1.39	2 543
Skilled (Levels 3-5)	24 219	16%	3 349	6 331	3.83	17 697
Highly skilled production (Levels 6-8)	91 905	16%	8 067	11 052	8.32	127 711
Highly skilled supervision (Levels 9-12)	11 403	19%	935	1 931	5.91	29 972
Senior management (Levels 13-15)	2 950	15%	401	592	4.98	10 982
MM and S56	62	15%	11	30	2.07	477
<b>Total</b>	<b>140 267</b>	<b>16%</b>	<b>14 830</b>	<b>26 937</b>	<b>5.21</b>	<b>189 381</b>

Table 69: Number of days and cost of sick leave

The graph below shows that the highly skilled production and the highly skilled supervision levels having on average higher sick leave occurrences.

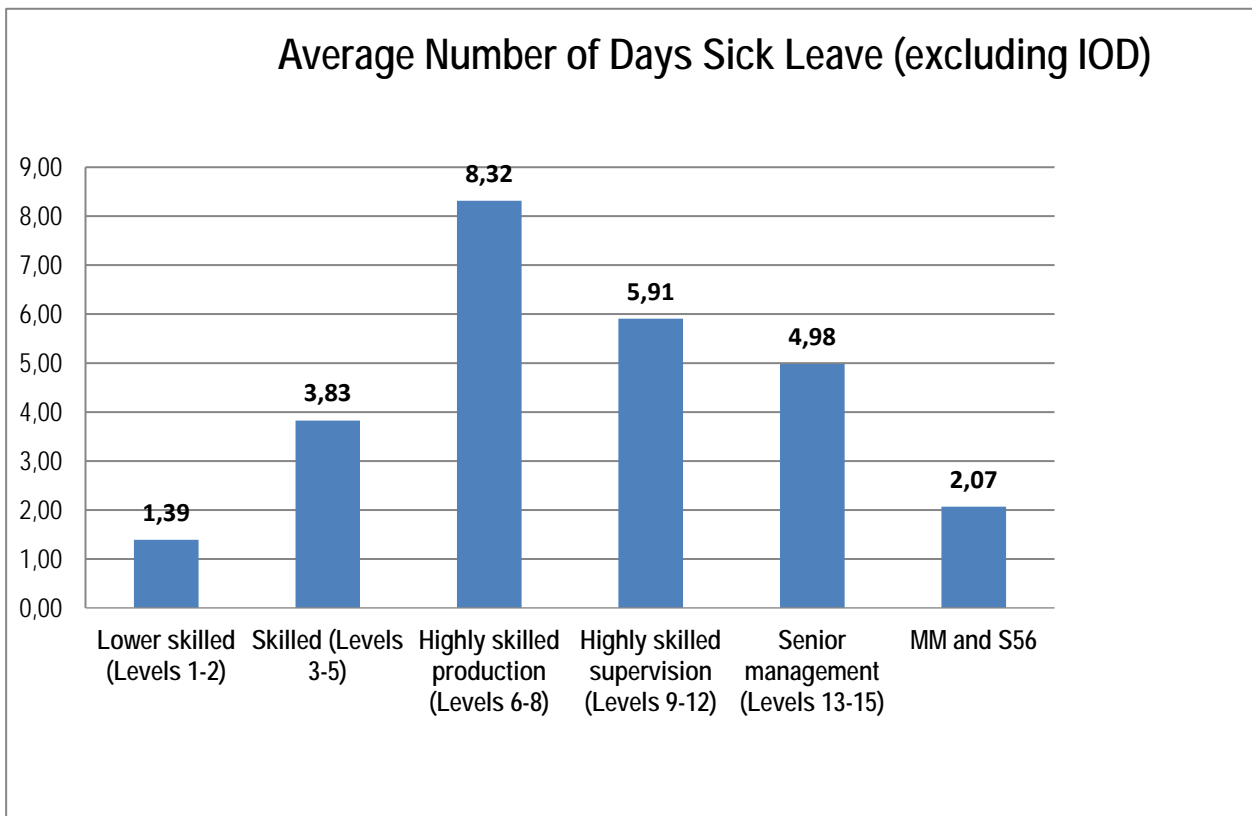


Figure 19: Average number of sick leave per employee category excluding injury on duty

The table below outlines the number and cost of injuries for municipal employees on duty for 2015/16.

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only		986			14 587
Temporary total disablement		3			88
Permanent disablement		1			157
Fatal		6			150
Total	9877	996	10%	1975	14982

**Table 70: Number and cost of injuries on duty**

Note:

When Injury on Duty Sick leave is captured no distinction is made as to the category as detailed in the table above therefore it is not possible to provide a breakdown of Injury Sick Leave days per Category of Injury but the total are provided.

#### Disciplinary Action

The City manages disciplinary issues in line with the applicable legislation and policy frameworks. There has been consistent application in line with these frameworks to all disciplinary cases and specifically those related to financial misconduct and serious misconduct which resulted in suspensions and/or dismissals.

There were 40 reported cases of disciplinary action resulting in suspensions and 20 disciplinary cases of financial misconduct for which the employees are not on suspension which were facilitated against employees across the City Group. These cases are at various stages within the disciplinary process. There are pending investigations where the suggested recommendations will determine whether further disciplinary action will be taken.

Suspensions are done with full remuneration to employees in line with the applicable frameworks and can be viewed as costly to the City due to the fact that employees cannot perform their official duties. It must however be noted that in some cases the presence of these employees may negatively influence the investigation, witnesses and subsequently the outcome of such disciplinary enquiry. Also in most of these cases the trust relationship has been broken and the effect is that the employee cannot be allowed to perform a particular function within a particular environment. The table below reflects the number and period of suspensions.

<b>Number and Period of Suspensions</b>				
<b>Position</b>	<b>Nature of Alleged Misconduct</b>	<b>Date of Suspension</b>	<b>Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised</b>	<b>Date Finalised</b>
Electrician	Fraud	2014/08/14	Resigned	2016/05/05
Maintenance Clerk	Fraud	2014/08/14	Resigned	2016/05/05
Electrician	Fraud	2015/02/04	Charged	
Manager: Commodity Non Production	Fraud	2015/06/24	Charged	
General Manager: Security Risk Mgmt.	Fraud	2015/08/12	Resigned	2016/05/31
Supervisor: Midrand	Fraud	2015/11/07	Charged	
General Manager: Relationship Management	Insubordination	2015/12/24	Charged	
Buyer: Commodity Non-Production	Fraud	2016/04/18	Charged	
Senior Buyer: Commodity Non-Production	Fraud	2016/04/18	Charged	
Administrator: Canteen	Fraud	2016/04/19	Charged	
OHS Manager (acting)	Other	2015/07/21	Dismissed	2016/04/08
Chief Executive Officer (JHB Market)	Fraud and Corruption	2014/11/01	Dismissed	2015/12/04
Chief Financial Officer (JHB Market)	Fraud and Corruption	2015/02/01	Dismissed	2016/06/30
Security Officer	Dishonesty	2015/11/02	Investigation completed and finalising the charge sheet, the disciplinary enquiry to be held in July 2016	
Property Administrator	Maladministration	2016/03/03	Investigation to be finalised by end of June 2016	
General worker	Alleged intimidation	2015/07/22	Matter in progress.	
Manager: Contracts	Insubordination and absenteeism	2015/07/29	Matter in progress.	
General worker	Alleged theft of truck batteries	2015/08/04	Matter in progress.	
Driver/ messenger	Alleged theft of copy paper	2015/10/05	DC date will be scheduled once the employee has testified in another DC.	
Admin officer	Alleged theft of copy paper	2015/10/09	Matter in progress.	
General worker	Alleged recruitment fraud	2015/11/05	Matter in progress.	

<b>Number and Period of Suspensions</b>				
<b>Position</b>	<b>Nature of Alleged Misconduct</b>	<b>Date of Suspension</b>	<b>Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised</b>	<b>Date Finalised</b>
Assistant Manager: HCM	Alleged recruitment fraud (Selling of jobs) and negligence	2016/03/18	In Progress	
Admin officer: HCM	Negligence	2016/03/29	In Progress	
Assistant Manager: Compliance	Alleged recruitment fraud (Selling of jobs)	2016/04/15	In Progress	
Bus Operator	Failure to fulfil statutory obligations	2016/03/22	Final Written Warning	2016/03/24
Director: SRM	Insubordination, failure to comply with SCM and AWOL	2014/11/14	Disciplinary processes ongoing	
Fire Fighter	Unauthorised Media Briefing	2015/07/01	Disciplinary processes ongoing	
Fire Fighter	Unauthorised Media Briefing	2015/07/01	Disciplinary processes ongoing	
Fire Fighter	Unauthorised Media Briefing	2015/07/01	Disciplinary processes ongoing	
Fire Fighter	Accident Negligence	2015/12/01	Disciplinary processes ongoing	
Fire Fighter	Accident Negligence	2015/12/01	Disciplinary processes ongoing	
Fire Fighter	Failure to obey instruction	2015/09/01	Disciplinary processes ongoing	
Fire Fighter	Failure to obey instruction	2015/08/01	Disciplinary processes ongoing	
Deputy Director EMS	Insubordination	2015/11/26	Disciplinary processes ongoing	
Platoon Commander	Insubordination	2015/10/01	Disciplinary processes ongoing	
Fire Fighter	Insubordination	2015/10/01	Disciplinary processes ongoing	
Assistant Director Internal audit	AWOL	2015/11/01	Disciplinary processes ongoing	
Deputy Director: Organisational Design	Insolent/ Insubordination	2015/06/13	Finalised	2016/04/11
Unit Head: SMS	Gross insubordination	2015/11/01	Disciplinary processes ongoing	
Deputy Director: Internal Audit	Gross insubordination	2015/11/01	Disciplinary processes ongoing	

**Table 71: Number and period of suspension**

The table below reflects disciplinary action taken on cases of financial management.

*Disciplinary action taken on cases of financial misconduct*

<b>Disciplinary Action Taken on Cases of Financial Misconduct</b>			
<b>Position</b>	<b>Nature of Alleged Misconduct and Rand value of any loss to the municipality</b>	<b>Disciplinary action taken</b>	<b>Date Finalised</b>
Manager Accounts Receivables	Fraud	Investigation	2016/04/20
Manager Fixed Assets and Insurance	Fraud	Investigation	2016/04/20
Accountant Sundry Payables	Fraud	Investigation	2016/04/20
Manager Gen Ledger & Treasury	Fraud	Investigation	2016/04/20
Artisan Fitter	Fraud	Employee notified	2015/11/26
Operator Systematic Cleaning	Fraud	Notification of enquiry	2015/03/10
Procurement Officer	Fraud and Corruption	Informal disciplinary action - issued with a written warning by line manager.	2016/06/08
Contracts Manager	Fraud and Corruption	Investigation underway	
Leasing Administrator X6	Fraud and Corruption	Disciplinary Hearing underway	
MPO	Corruption	Guilty - Dismissed	2016/01/21
MPO	Fraud	Finalised	2016/01/27
MPO	Fraud	Pending/Postponed	
MPO	Fraud	Guilty - Suspension without pay for 10 Days	2016/01/26
MPO	Fraud	Guilty - Employee resigned	2016/08/03
MPO	Corruption	Pending/Postponed	
MPO	Corruption	Pending/Postponed	
MPO	Fraud	Pending/Postponed	
MPO	Corruption	Pending/Postponed	
MPO	Fraud	Pending/Postponed	
MPO	Fraud	Pending/Postponed	

**Table 72: Disciplinary action taken on cases of financial misconduct**

## Group Chief Financial Officer's Report

Joburg has truly delivered to its Citizens throughout the 2015/16 financial year. This is evident in the consolidated financial results herein presented which include the financial performances of all the Departments (i.e. Core) and the Municipal Owned Entities (MoEs) collectively referred to as the Group. The consolidated financial results of the City for the year ended 30 June 2016 further attest to this. It therefore gives me great pleasure to present the highlights of the financial performance of the City of Johannesburg based on the consolidated Annual Financial Statements for the year ended 30 June 2016.

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

### Financial overview

The City's financial management strategy, is articulated in the Financial Development Plan, and continues to deliver positive results. In the year under review the City achieved a surplus of R4.1 billion (2015: R3.6 billion) in line with the approved budget notwithstanding the economic climate which remained fragile throughout the financial year. We have remained focused on our targets and accomplished what we set out to achieve. Some of the key achievements include:

- Capital investment is a key tool for improving service delivery and transformation of the urban environment. Our multi-year capital budget appropriation is beginning to yield benefits for the City as evidenced in the ability of the departments and MoEs to spend the capital budget appropriated. In the year under review, the City spent 90% of the budgeted R9.3 billion capital budget.
- The City's cash and cash equivalents at year end amounted to R4.4 billion. Our focus has been, and remains, to maintain adequate cash reserves to fund service delivery programmes through a stringent cash management approach.
- The challenging macro-economic environment continues to negatively impact on our customers' ability to pay for services. In the year under review the City achieved a revenue collection rate of 94.7%. We continue to intensify our credit control function however some customers have demonstrated affordability challenges due to, in some instances, the high level of household debt levels in the country. Our propensity-to-pay model that we adopted has contributed in achieving the current collection rate and this should continue into the following financial year. As a result, the allowance for impairment of consumer debtors as a percentage of total consumer debtors has reduced from 67% in 2014/15 to 63% in 2014/15. We will increase payment channels to customers to improve ease of effecting payments for municipal services. We encourage customers

experiencing cash flow challenges to enter into alternative payment arrangements in order to improve the collection rate.

- The City has maintained healthy levels of liquidity in the financial year under review, notwithstanding the successful redemption of debt amounting to R1.6 billion, including listed bonds and loans received from investors, during the year under review. Due to our sound credit record, the City successfully raised R3.9 billion long-term borrowings to fund infrastructure investments to improve the lives of Joburg citizens.
- The City has again achieved an unqualified audit opinion as was the case in the previous financial year. This is a firm indication of the dedicated leadership which drives governance, compliance and strategic financial management. We continue to strive towards clean administration and the highest standards of corporate governance.

During the year, Moody's Investors Service upgraded both the Global Scale Ratings and National Scale Ratings of the City of Johannesburg. The Global Scale Ratings was raised from Baa3 to Baa2, the same level as the sovereign rating while the National Scale Ratings was raised by four notches up from A2.za to Aa1. The Global Scale Rating of Baa2 is the highest possible rating that can currently be achieved by institutions with the best credit quality in South Africa.

In upgrading the ratings, Moody's notes the City's prudence and consistency in managing its finances as evidenced by the following:

- The City's financial performance has improved in the last three years.
- Net direct debt has declined from 35% of operating revenue in 2011 to 30% in 2015.
- The City has maintained its good liquidity position despite funding 30% of capital expenditure from own sources.
- During the 2015 financial year the City invested ZAR10.2 billion on capital infrastructure, an increase of 37% from 2014.

The City remains committed to prudent management of its finances. Our Financial Development Plan will ensure continued financial sustainability and effective financial planning through prudent borrowing, generation of annual operating surplus, and the creation of cash reserves to increase the level of infrastructural spending to improve service delivery. The recent positive rating action serves as an endorsement to the effectiveness of our financial strategy.

## ANALYSIS OF THE ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2015/16

### Statement of Financial Performance

Jun-16

Jun-15

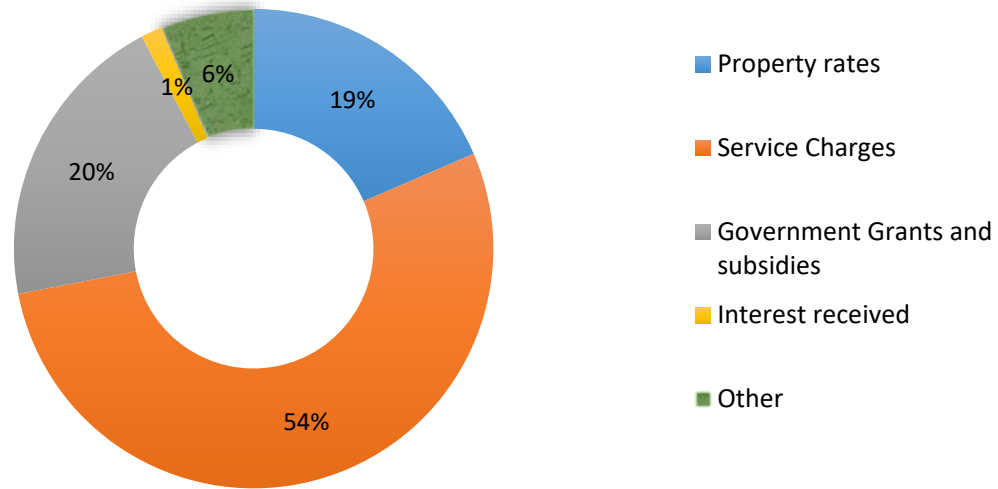
2015-2016

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Actual</b>	<b>Growth</b>
	R'000	R'000	%	R'000	%
<b>REVENUE</b>					
Property rates	8 138 059	7 633 216	7%	7 674 889	6%
Service Charges	23 477 479	24 357 330	-4%	21 504 935	9%
Government Grants and subsidies	8 919 903	9 293 821	-4%	8 847 075	1%
Interest received	624 799	569 774	10%	606 093	3%
Other	2 766 975	4 734 239	-42%	2 808 782	-1%
	<b>43 927 215</b>	<b>46 588 380</b>	<b>-6%</b>	<b>41 441 774</b>	<b>6%</b>
<b>EXPENDITURE</b>					
Employee related costs	9 132 896	9 863 784	-7%	8 716 605	5%
Debt impairment	2 492 311	2 963 556	-16%	3 862 791	-35%
Depreciation and amortisation	2 794 027	3 255 764	-14%	2 388 636	17%
Finance Costs	1 941 504	1 893 993	3%	1 580 009	23%
Bulk Purchases	13 860 724	14 562 486	-5%	12 562 745	10%
Contracted services	2 602 192	4 043 603	-36%	2 601 751	0%
Other	7 331 981	6 386 357	15%	6 180 220	19%
	<b>40 155 635</b>	<b>42 969 543</b>	<b>-7%</b>	<b>37 892 757</b>	<b>6%</b>
<b>Operating Surplus</b>	<b>3 771 580</b>	<b>3 618 837</b>	<b>4%</b>	<b>3 549 017</b>	<b>6%</b>
Fair value adjustments	546 031			323 518	69%
Loss on non-current assets held for sale or disposal	-254 027	27 979	-1008%	-23 606	976%
Gains/(loss) on biological assets and agriculture produce	2 695			5 901	-54%
Income from equity accounted investments	4 816			8 436	
Taxation	253 904	557 412	-54%	238 788	6%
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>3 817 191</b>	<b>3 089 404</b>	<b>24%</b>	<b>3 624 478</b>	<b>5%</b>

### Revenue

Total revenue is under budget by 6%, however has increased by 6% when compared to 2015. The R43.9 billion revenue is derived largely from services rendered to the citizens of Johannesburg.

## COMPOSITION OF REVENUE



The major revenue streams that supported the City's programmes and activities are: service charges (water, electricity, refuse removal and sanitation), government grants and property rates respectively. The revenue composition shifted slightly when compared to the previous financial year with services charges and property rates accounting for 73% [2015: 70%] of the total revenue generated.

Government grants for the current year contribute 20% to total revenue which is consistent with the prior year. Even though the city's capital budget decreased in the financial year under review, the City has again shown less reliance on grants. This was achieved through the Financial Development Plan initiatives which have ensured continued generation of surpluses which are a key component of the City's capital budget funding sources.

### Analysis of Property Rates

	2016		2015	
	Actual R'000	% of Total	Actual R'000	% of Total
<b>Property Rates Comprise</b>				
Residential	2 850 375	35%	2 639 198	35%
Commercial	5 114 128	63%	4 870 736	63%
State	173 556	2%	164 955	2%
	<b>8 138 059</b>	<b>100%</b>	<b>7 674 889</b>	<b>100%</b>

The composition of property rates revenue has remained unchanged, with Commercial customers being the main contributors at 63%. The 6% (See Table 3.1) year on year increase in total property rates revenue is mainly attributable to the inflationary increase in tariffs.

#### Analysis of Service Charges

Service charges increased by 9% (See Table 3.1) when compared to the previous year. The revenue increase is mainly attributable to the tariff increases on service charges - electricity, water and refuse removal.

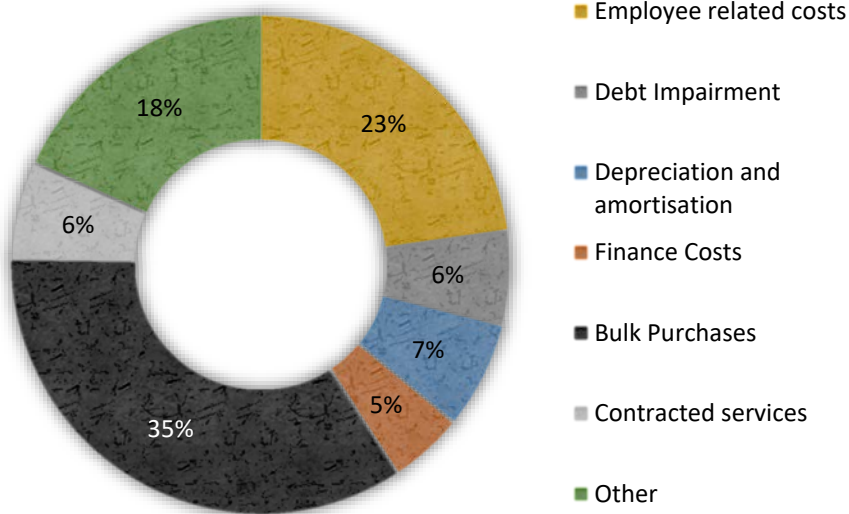
	2016		2015	
	Actual R'000	% of Total	Actual R'000	% of Total
<b>Service Charges comprise</b>				
Sale of electricity	13 908 429	59%	12 743 765	59%
Sale of water	4 969 085	21%	4 147 061	19%
Surcharges: Electricity	151 582	1%	134 686	1%
Surcharges: Water	47 015	0%	46 637	0%
Surcharges: refuse	4 180	0%	3 844	0%
Refuse removal	1 298 224	6%	1 202 553	6%
Sewerage and sanitation charges	2 739 019	12%	2 716 878	13%
Other services	459 945	2%	509 511	2%
	<b>23 577 479</b>	<b>100%</b>	<b>21 504 935</b>	<b>100%</b>

The composition of service charges has remained relatively unchanged when compared to the previous year. The main contributor for service charges is electricity at 59% with water being the second highest contributor at 21%.

#### Expenditure

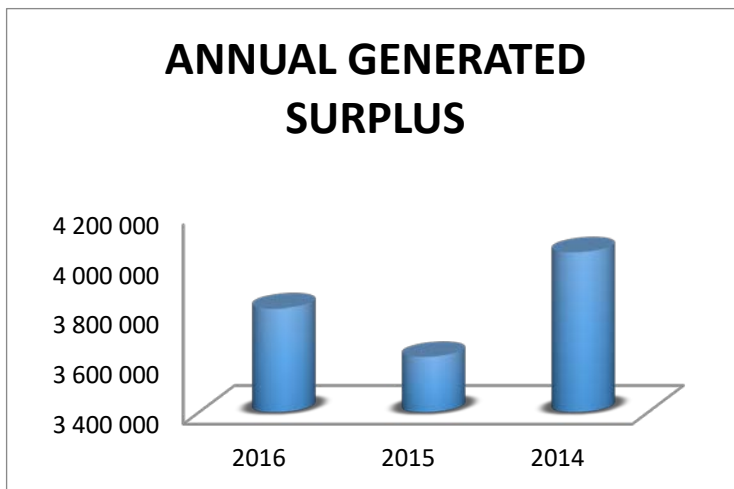
Operational expenditure increased by 6% to R40.2 billion mainly due to bulk purchases of electricity and water as well as inflationary pressures on other expenditure items.

## COMPOSITION OF EXPENDITURE



In the financial year under review, the City's major cost drivers were the bulk purchases, employee related cost and depreciation respectively. Employee related costs increased by 5% when compared to the previous year. The increase is mainly due to general annual increases of salaries. As in the previous financial year, employee related costs are closely monitored as we strive towards improving staff productivity levels.

### Annual Surplus Generated



Despite the challenging economic environment, the City was able to generate a net surplus of R3.8 billion which is a 5% increase from the previous year's R3.6 billion. As indicated in the previous year, the city has adopted cost containment measures as well as prudent spending of approved budget whilst

optimising revenues. The achievement of a surplus is in line with the City’s Financial Development Plan and again indicates that the City is doing well in its efforts of maintaining financial sustainability and resilience as a key priority. The City commits its own funds generated through surpluses alongside investor funding and government grants in order to deliver its accelerated capital expenditure programme.

Statement of Financial Position

	Jun-16 Actual	Jun-15 Actual	2015-2016 Growth	%Of Total	
				2016	2015
<b>Net Assets and Liabilities</b>					
Net Assets	43 125 686	39 294 295	10%	53%	51%
Non-current liabilities	23 999 114	24 637 483	-3%	30%	32%
Current liabilities	14 226 529	13 594 522	5%	17%	18%
	<b>81 351 329</b>	<b>77 526 300</b>	<b>5%</b>	<b>100%</b>	<b>100%</b>
<b>Assets</b>					
Non-current assets	67 780 720	61 343 993	10%	83%	79%
Current assets	13 570 609	16 182 307	-16%	17%	21%
	<b>81 351 329</b>	<b>77 526 300</b>	<b>5%</b>	<b>100%</b>	<b>100%</b>

The Statement of financial position presented reflects a solid financial position of the City with total assets increasing by 5% to R81.4 billion driven largely by annual capital expenditure in excess of R8 billion as well as a healthy cash position of R4.4 billion.

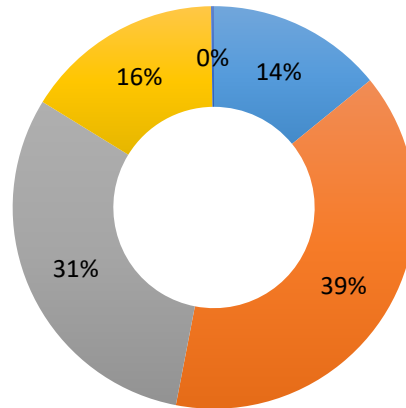
The City’s net assets position has improved by 10% to R43.1 billion. The increase in net assets is attributable to the surplus generated during the year under review of R3.8 billion.

Consumer debtors



## Composition of Consumer Debtors

■ Rates ■ Electricity ■ Water ■ Refuse ■ Housing rental



Net outstanding consumer debtors amounted to R6.2 billion as at 30 June 2016 [2015: R5 billion]. Electricity and water debtors account for 70% of the total net consumers debtors balance. This is in line with the revenue generated from these services. Total consumer debtors increased by 24% from the previous year, driven mostly by the prevailing economic conditions. Old debtors which were previously impaired and assessed as non-recoverable were written off during the year under review.

### Capital expenditure

The 2015/16 financial year capital budget marked a significant milestone once again with an approved capital budget of R9.3 billion. Capital expenditure, as expressed by the additions capitalised in the current year amounted to R8.4 billion (90% of approved capital budget).

Although the capital budget decreased by 14%, informed by the FDP, the City's level of expenditure reflects continuing improvement in capacity to spend its capital budget.

### Financial ratios

Financial Ratios	Target	Actual 30-Jun-16
Current Ratio	1:1	0.95
Solvency Ratio	2:1	2.13
Debt-to-Revenue Ratio	Below 45%	44.51%
Cash Cost Coverage Ratio	Above 50 days	57.13 days
Remuneration to Expenditure Ratio	25% - 40%	22.74%

Repairs & Maintenance to PPE Ratio(including JRA repairs and Maintenance)  
 Repairs & Maintenance to PPE Ratio  
 Interest Expense to Expenditure Ratio  
 Operating Margin

5%	3.27%
5%	2.08
Below 5%	4.83%
Above 13%	13.09%

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

### Audit opinion

The City’s efforts and dedication towards achieving clean administration continue to bear fruits with the achievement of an Unqualified Audit Opinion once more at a Group level am pleased to report that the following MOEs achieved clean audits in 2015/16:

- Johannesburg Social Housing Company “JOSHCO”
- Joburg Theatres
- Johannesburg Property Company “JPC”
- Johannesburg Development Agency “JDA”

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

### Conclusion

Financial prudence remains a critical component of ensuring continued financial sustainability. The City’s Financial Development Plan has played an essential role of ensuring continued financial sustainability and effective financial planning through prudent borrowing, generation of annual operating surplus, and the creation of cash reserves to increase the level of infrastructural spending to improve service delivery. The recent positive rating action serves as an endorsement to City’s prudent management of its finances, ensuring that we are able to continue delivering on our commitments to the residents of Johannesburg.

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

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

Going forward, I hope we all continue working together to ensure service delivery for the citizens of City of Johannesburg. We remain committed to strengthening the City's financial position as we focus on achieving the long term goal of a City to live, work and play.



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*Reggie Boqo*

*Group Chief Financial Officer*

*City of Johannesburg Metropolitan Municipality*



**a world class African city**

**CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY  
GROUP ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## General Information

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### MAYORAL COMMITTEE

Executive Mayor

Mpho Franklin "Parks" Tau (Chairperson)  
(1 JUNE 2011 - 30 JUNE 2016)

Councillors

(1 JUNE 2011 - 30 JUNE 2016)  
Constance Bapela (Speaker of Council)  
Geoff Makhubo (Finance)  
Ruby Mathang (Economic Development)  
Rosslyn Greeff (Development Planning and Urban Management)  
Christine Walters (Transportation)  
Matshidiso Mfikoe (Environment and Infrastructure Services)  
Nonceba Molwele (Health and Social Development)  
Mally Mokoena (Corporate and Shared Services)  
Sello Lemao (Public Safety)  
Chris Vondo (Community Development)  
Daniel Bovu (Housing)  
Prema Naidoo (Chief Whip)

### MAYORAL COMMITTEE

Executive Mayor

Herman Mashaba  
(AUGUST 2016 - 30 JUNE 2021)

Councillors

(AUGUST 2016 - 30 JUNE 2021)  
Vasco da Gama (Speaker of Council)  
Dr Rabelani Dagada (Finance)  
Sharon Peetz (Economic Development)  
Richard Ngobeni (Development Planning and Urban Management)  
Nonhlanhla Helen Makhuba (Transportation)  
Anthony William Still (Environment and Infrastructure Services)  
Dr Mpho Phalatse (Health and Social Development)  
Dr Valencia Ntombi Khumalo (Corporate and Shared Services)  
Michael Sun (Public Safety)  
Nonhlanhla Sifumba (Community Development)  
Mzobanzi Ntuli (Housing)  
Dr Kevin Wax (Chief Whip)

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## General Information

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### GRADING OF LOCAL AUTHORITY

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

### CITY MANAGER

Trevor Fowler

### CHIEF FINANCIAL OFFICER

Reggie Boqo

### REGISTERED OFFICE

Metropolitan Centre,  
Loveday Street,  
Johannesburg  
2001  
Telephone:  
+27 (0)11 407 - 6111  
Facsimile:  
+27 (0)11 339 - 5704

### POSTAL ADDRESS

P O Box 1049  
Johannesburg  
2000

### PRIMARY BANKER

Standard Bank

### AUDITORS

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Index

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

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# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Index

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### ABBREVIATIONS

AARTO	Administrative Adjudication of Road Traffic Offences
AUC	Assets Under Construction
BESA	Bond Exchange South Africa
CJMM	City of Johannesburg Metropolitan Municipality (CORE)
CMP	Corporate Media Platforms
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
DMTN	Domestic Medium Term Note
EPWP	Expanded Public Works Program
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
JSE	Johannesburg Stock Exchange
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
NDR	Non-distributable Reserve
PAYE	Pay As You Earn
PPE	Property, plant and equipment
RMB	Rand Merchant Bank
SARS	South Africa Revenue Services
SCA	Supreme Court of Appeal
SPTN	Single Public Transport Network
SOC	State Owned Company
STD	Standard Bank
TCTA	Trans-Caledon Tunnel Authority
UIF	Unemployment Insurance Fund
USDG	Urban Settlement Development Grant
VAT	Value Added Taxation

# City of Johannesburg Metropolitan Municipality

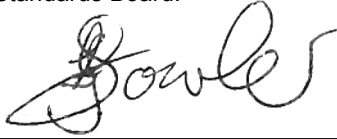
Group Annual Financial Statements for the year ended 30 June 2016

## **Municipal Manager's approval of the Group Annual Financial Statements**

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

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



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**Accounting Officer**  
**City Manager**

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2016	2015 Restated*	2016	2015 Restated*
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	3	316 836	315 252	119 429	59 326
Loans to Municipal entities	4	-	-	968 687	1 009 887
Other financial assets	5	18 576	13 486	18 576	13 486
Current tax receivable		18 955	21 220	-	-
Finance lease receivables	6	-	-	72 363	60 357
Trade and other receivables	7	1 933 430	1 355 982	4 647 351	4 014 419
Receivables from non-exchange transactions	8	200 120	112 487	200 120	112 487
VAT receivable	9	178 624	292 052	171 744	284 336
Consumer debtors	10	6 177 748	5 001 394	887 113	813 190
Financial assets at fair value - Sinking fund	11	356 555	4 190 880	356 555	4 190 880
Cash and cash equivalents	12	4 369 765	4 879 554	4 182 055	4 179 988
		<b>13 570 609</b>	<b>16 182 307</b>	<b>11 623 993</b>	<b>14 738 356</b>
<b>Non-Current Assets</b>					
Zoo animals	13	25 623	23 741	-	-
Investment property	14	1 015 391	1 015 414	1 014 946	1 014 946
Property, plant and equipment	15	60 572 816	53 748 313	35 662 469	31 971 436
Intangible assets	16	1 098 835	821 925	496 678	439 925
Heritage assets	17	581 877	583 153	580 284	581 560
Investments in Municipal entities	18	-	-	542 542	465 045
Investment in Joint Ventures	19	58 289	49 769	-	-
Investment in Associate	20	15 791	20 046	-	-
Loans to Municipal entities	4	-	-	7 056 974	5 645 661
Other financial assets	5	58 656	49 889	58 656	49 889
Deferred tax	21	514 398	443 108	-	-
Finance lease receivables	6	-	-	308 921	278 502
Financial assets at fair value - Sinking fund	11	3 839 044	4 588 635	3 839 044	4 588 635
		<b>67 780 720</b>	<b>61 343 993</b>	<b>49 560 514</b>	<b>45 035 599</b>
<b>Total Assets</b>		<b>81 351 329</b>	<b>77 526 300</b>	<b>61 184 507</b>	<b>59 773 955</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2016	2015 Restated*	2016	2015 Restated*
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Loans and borrowings	23	594 229	1 574 094	593 487	1 573 418
Current tax payable		902	-	-	-
Finance lease obligations	24	62 558	116 016	51 778	100 173
Financial liabilities at fair value - Sinking fund	30	444 674	137 930	444 674	137 930
Trade and other payables	25	12 431 840	11 124 171	11 232 349	10 297 157
VAT payable	9	183 447	352 342	-	-
Unspent conditional grants and receipts	26	430 787	213 512	393 613	203 912
Provisions	27	32 318	32 342	-	-
Deferred income	29	3 952	8 966	-	-
Other financial liabilities at fair value - Swap	31	4 056	6 856	4 056	6 856
Consumer deposits	32	37 766	28 293	-	-
		<b>14 226 529</b>	<b>13 594 522</b>	<b>12 719 957</b>	<b>12 319 446</b>
<b>Non-Current Liabilities</b>					
Loans from Municipal entities	33	-	-	412 990	411 802
Loans and borrowings	23	17 474 609	14 109 897	17 458 698	14 093 244
Finance lease obligations	24	199 164	242 647	194 971	234 218
Financial liabilities at fair value - Sinking fund	30	725 729	4 881 893	725 729	4 881 893
Employee benefits obligations	28	1 602 623	1 764 455	1 254 455	1 404 610
Unspent conditional grants and receipts	26	23 071	73 943	-	-
Deferred tax	21	2 398 950	2 109 855	-	-
Provisions	27	700 742	659 630	119 156	99 987
Deferred income	29	46 344	45 637	46 344	45 637
Other financial liabilities at fair value - Swap	31	18 078	38 361	18 078	38 361
Consumer deposits	32	809 804	711 165	15 816	17 288
		<b>23 999 114</b>	<b>24 637 483</b>	<b>20 246 237</b>	<b>21 227 040</b>
<b>Total Liabilities</b>		<b>38 225 643</b>	<b>38 232 005</b>	<b>32 966 194</b>	<b>33 546 486</b>
<b>Net Assets</b>		<b>43 125 686</b>	<b>39 294 295</b>	<b>28 218 313</b>	<b>26 227 469</b>
<b>Net Assets</b>					
Reserves					
Hedging reserve		(5 370)	(19 570)	(5 370)	(19 570)
Accumulated surplus		43 131 056	39 313 865	28 223 683	26 247 039
<b>Total Net Assets</b>		<b>43 125 686</b>	<b>39 294 295</b>	<b>28 218 313</b>	<b>26 227 469</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2016	2015 Restated*	2016	2015 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Rendering of services	36	23 477 479	21 504 935	429 427	380 840
Rental of facilities and equipment		290 699	229 329	133 566	96 622
Agency services		214 639	204 111	214 639	204 111
Licences and permits		1 211	1 121	1 211	1 121
Other revenue	35	1 601 653	1 312 817	1 038 717	802 251
Finance Income		624 799	606 093	1 195 960	1 102 586
<b>Total revenue from exchange transactions</b>		<b>26 210 480</b>	<b>23 858 406</b>	<b>3 013 520</b>	<b>2 587 531</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	37	8 138 059	7 674 889	8 138 059	7 674 931
<b>Transfer revenue</b>					
Government grants and subsidies	38	8 919 903	8 847 075	8 607 731	8 489 353
Public contributions, donated and contributed property, plant and equipment		363 909	475 453	194 132	323 357
Fines, Penalties and Forfeits		294 864	585 951	294 864	585 951
<b>Total revenue from non-exchange transactions</b>		<b>17 716 735</b>	<b>17 583 368</b>	<b>17 234 786</b>	<b>17 073 592</b>
<b>Total revenue</b>		<b>43 927 215</b>	<b>41 441 774</b>	<b>20 248 306</b>	<b>19 661 123</b>
<b>Expenditure</b>					
Employee related costs	39	(8 999 009)	(8 589 106)	(5 155 438)	(4 883 914)
Remuneration of councillors	40	(133 887)	(127 499)	(133 887)	(127 499)
Depreciation and amortisation	41	(2 794 027)	(2 388 636)	(1 817 666)	(1 645 598)
Impairment losses	42	(55)	(2 382)	(434 643)	(145 645)
Finance costs		(1 941 504)	(1 580 009)	(1 942 628)	(1 647 307)
Debt impairment	43	(2 492 311)	(3 862 791)	(713 688)	(1 345 451)
Repairs and maintenance		(1 282 056)	(1 007 658)	(398 993)	(312 122)
Bulk purchases	44	(13 860 724)	(12 562 745)	-	-
Contracted services	45	(2 602 192)	(2 601 751)	(1 724 656)	(1 877 397)
Grants and subsidies paid	46	(484 417)	(577 071)	(3 552 139)	(3 083 614)
General expenses	47	(5 565 453)	(4 593 109)	(2 824 378)	(2 437 477)
<b>Total expenditure</b>		<b>(40 155 635)</b>	<b>(37 892 757)</b>	<b>(18 698 116)</b>	<b>(17 506 024)</b>
<b>Operating surplus</b>		<b>3 771 580</b>	<b>3 549 017</b>	<b>1 550 190</b>	<b>2 155 099</b>
(Loss)/gain on disposal of assets		(254 027)	(23 606)	(237 593)	(11 139)
Reversal of impairment		-	-	31 315	-
Fair value adjustments	48	546 031	323 518	385 787	259 765
Gain as a result of donated animals and new births		2 695	5 901	-	-
Share of surpluses or deficits from associate or joint ventures accounted for using the equity method		4 816	8 436	-	-
		<b>299 515</b>	<b>314 249</b>	<b>179 509</b>	<b>248 626</b>
<b>Surplus before taxation</b>		<b>4 071 095</b>	<b>3 863 266</b>	<b>1 729 699</b>	<b>2 403 725</b>
Taxation	66	253 904	238 788	-	-
<b>Surplus for the year</b>		<b>3 817 191</b>	<b>3 624 478</b>	<b>1 729 699</b>	<b>2 403 725</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
<b>GROUP</b>				
<b>Balance at 01 July 2014</b>		<b>(37 721)</b>	<b>35 689 387</b>	<b>35 651 666</b>
Changes in net assets				
Amount recognised directly in net assets		18 151	-	18 151
Net revenue (expenditure) recognised directly in equity		18 151	-	18 151
Surplus for the year		-	3 624 478	3 624 478
Total recognised revenue and expenditure for the year		18 151	3 624 478	3 642 629
Total changes		18 151	3 624 478	3 642 629
Opening balance as previously reported		(19 570)	39 304 011	39 284 441
Adjustments				
Prior period restatement		-	9 854	9 854
<b>Balance at 01 July 2015 as restated</b>		<b>(19 570)</b>	<b>39 313 865</b>	<b>39 294 295</b>
Changes in net assets				
Amount recognised directly in net assets		14 200	-	14 200
Net revenue (expenditure) recognised directly in equity		14 200	-	14 200
Surplus for the year		-	3 817 191	3 817 191
Total recognised revenue and expenditure for the year		14 200	3 817 191	3 831 391
Total changes		14 200	3 817 191	3 831 391
<b>Balance at 30 June 2016</b>		<b>(5 370)</b>	<b>43 131 056</b>	<b>43 125 686</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
<b>CJMM</b>				
<b>Balance at 01 July 2014</b>		<b>(37 721)</b>	<b>23 843 314</b>	<b>23 805 593</b>
Changes in net assets				
Amount recognised directly in net assets		18 151	-	18 151
Net revenue (expenditure) recognised directly in equity		18 151	-	18 151
Surplus for the year		-	2 403 725	2 403 725
Total recognised revenue and expenditure for the year		18 151	2 403 725	2 421 876
Total changes		18 151	2 403 725	2 421 876
Opening balance as previously reported		(19 570)	26 158 742	26 139 172
Adjustments				
Prior period errors	52	-	88 297	88 297
<b>Balance at 01 July 2015 as restated</b>		<b>(19 570)</b>	<b>26 247 039</b>	<b>26 227 469</b>
Changes in net assets				
Amount recognised directly in net assets		14 200	-	14 200
Net revenue (expenditure) recognised directly in equity		14 200	-	14 200
Surplus for the year		-	1 729 699	1 729 699
Total recognised revenue and expenditure for the year		14 200	1 729 699	1 743 899
Gain on transfer of functions		-	246 945	246 945
Total changes		14 200	1 976 644	1 990 844
<b>Balance at 30 June 2016</b>		<b>(5 370)</b>	<b>28 223 683</b>	<b>28 218 313</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2016	2015 Restated*	2016	2015 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Cash receipts from customers		29 795 686	28 252 346	8 877 538	7 939 642
Grants		8 821 798	8 016 205	8 797 621	8 050 568
Interest income		624 799	595 753	974 930	1 079 182
		<b>39 242 283</b>	<b>36 864 304</b>	<b>18 650 089</b>	<b>17 069 392</b>
<b>Payments</b>					
Cash paid to suppliers and employees		(31 292 138)	(27 870 784)	(12 856 587)	(11 609 607)
Finance costs		(1 941 504)	(1 580 486)	(1 906 087)	(1 480 650)
Taxes on surpluses		(32 932)	(26 215)	-	-
		<b>(33 266 574)</b>	<b>(29 477 485)</b>	<b>(14 762 674)</b>	<b>(13 090 257)</b>
<b>Net cash flows from operating activities</b>	49	<b>5 975 709</b>	<b>7 386 819</b>	<b>3 887 415</b>	<b>3 979 135</b>
<b>Cash flows from investing activities</b>					
Purchase of capital assets		(9 695 440)	(9 818 846)	(6 514 493)	(6 032 515)
Cash movements in sinking fund		1 100 000	(266 667)	1 100 000	(266 667)
Loans redeemed from Municipal entities	65	-	-	1 038 193	970 093
Finance lease receivables		-	-	(75 174)	(62 304)
Investment in Municipal entities		-	-	(46 182)	(57 605)
Other financial assets		-	199 534	-	199 534
Loans to Municipal entities		-	-	(1 540 568)	(1 792 769)
<b>Net cash flows from investing activities</b>		<b>(8 595 440)</b>	<b>(9 885 979)</b>	<b>(6 038 224)</b>	<b>(7 042 233)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		3 940 000	3 276 000	3 940 000	3 276 000
Liabilities from Municipal entities		-	-	(6 506)	(6 449)
Repayment of borrowings		(1 565 027)	(971 553)	(1 564 348)	(970 295)
Finance lease obligations		(123 057)	(98 953)	(104 773)	(85 186)
Repayment of post retirement benefits		(141 974)	(140 436)	(111 497)	(115 061)
<b>Net cash flows from financing activities</b>		<b>2 109 942</b>	<b>2 065 058</b>	<b>2 152 876</b>	<b>2 099 009</b>
<b>Net (decrease)/increase cash and cash equivalents</b>		<b>(509 789)</b>	<b>(434 102)</b>	<b>2 067</b>	<b>(964 089)</b>
Cash and cash equivalents at the beginning of the year		4 879 554	5 313 656	4 179 988	5 144 077
<b>Cash and cash equivalents at the end of the year</b>	12	<b>4 369 765</b>	<b>4 879 554</b>	<b>4 182 055</b>	<b>4 179 988</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>GROUP</b>						
<b>Statement of Financial Performance</b>						
<b>REVENUE</b>						
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>						
Rendering of services	25 119 233	(761 903)	<b>24 357 330</b>	23 477 479	<b>(879 851)</b>	
Rental facilities and equipment	301 412	(5 673)	<b>295 739</b>	290 699	<b>(5 040)</b>	
Agency services	253 960	(28 476)	<b>225 484</b>	214 639	<b>(10 845)</b>	
Licences and permits	749	-	<b>749</b>	1 211	<b>462</b>	
Other revenue	2 581 273	297 402	<b>2 878 675</b>	1 601 653	<b>(1 277 022)</b>	1
Finance income	562 854	6 920	<b>569 774</b>	624 799	<b>55 025</b>	2
<b>Total revenue from exchange transactions</b>	<b>28 819 481</b>	<b>(491 730)</b>	<b>28 327 751</b>	<b>26 210 480</b>	<b>(2 117 271)</b>	
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>						
<b>TAXATION REVENUE</b>						
Property rates	7 630 678	2 538	<b>7 633 216</b>	8 138 059	<b>504 843</b>	
Government grants and subsidies	8 927 300	366 521	<b>9 293 821</b>	8 919 903	<b>(373 918)</b>	
<b>TRANSFER REVENUE</b>						
Public contributions and contributed assets	259 261	60 728	<b>319 989</b>	363 909	<b>43 920</b>	3
Fines	1 113 002	(99 399)	<b>1 013 603</b>	294 864	<b>(718 739)</b>	4
<b>Total revenue from non-exchange transactions</b>	<b>17 930 241</b>	<b>330 388</b>	<b>18 260 629</b>	<b>17 716 735</b>	<b>(543 894)</b>	
<b>Total revenue</b>	<b>46 749 722</b>	<b>(161 342)</b>	<b>46 588 380</b>	<b>43 927 215</b>	<b>(2 661 165)</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>EXPENDITURE</b>						
Employee related costs	(9 580 796)	(138 657)	<b>(9 719 453)</b>	(8 999 009)	<b>720 444</b>	
Remuneration of councillors	(144 331)	-	<b>(144 331)</b>	(133 887)	<b>10 444</b>	
Depreciation and amortisation	(3 278 707)	22 943	<b>(3 255 764)</b>	(2 794 027)	<b>461 737</b>	5
Impairment losses	-	-	-	(55)	<b>(55)</b>	6
Finance costs	(1 893 960)	(33)	<b>(1 893 993)</b>	(1 941 504)	<b>(47 511)</b>	
Debt impairment	(2 135 425)	(828 131)	<b>(2 963 556)</b>	(2 492 311)	<b>471 245</b>	7
Repairs and maintenance	(1 667 863)	213 129	<b>(1 454 734)</b>	(1 282 056)	<b>172 678</b>	8
Bulk purchases	(14 479 359)	(83 127)	<b>(14 562 486)</b>	(13 860 724)	<b>701 762</b>	
Contracted services	(4 140 467)	96 864	<b>(4 043 603)</b>	(2 602 192)	<b>1 441 411</b>	9
Grants and subsidies paid	(318 846)	(211 616)	<b>(530 462)</b>	(484 417)	<b>46 045</b>	
General expenses	(5 053 411)	652 250	<b>(4 401 161)</b>	(5 565 453)	<b>(1 164 292)</b>	
<b>Total expenditure</b>	<b>(42 693 165)</b>	<b>(276 378)</b>	<b>(42 969 543)</b>	<b>(40 155 635)</b>	<b>2 813 908</b>	
<b>Operating surplus</b>	<b>4 056 557</b>	<b>(437 720)</b>	<b>3 618 837</b>	<b>3 771 580</b>	<b>152 743</b>	
Loss on disposal of assets and liabilities	39 979	(12 000)	<b>27 979</b>	(254 027)	<b>(282 006)</b>	
Fair value adjustments	-	-	-	546 031	<b>546 031</b>	10
Gain as a result of donated assets and new births	-	-	-	2 695	<b>2 695</b>	
Share of (deficit)/ surplus of associate or joint ventures accounted for under the equity method	-	-	-	4 816	<b>4 816</b>	
	<b>39 979</b>	<b>(12 000)</b>	<b>27 979</b>	<b>299 515</b>	<b>271 536</b>	
<b>Surplus before taxation</b>	<b>4 096 536</b>	<b>(449 720)</b>	<b>3 646 816</b>	<b>4 071 095</b>	<b>424 279</b>	
Taxation	502 137	55 275	<b>557 412</b>	253 904	<b>(303 508)</b>	
<b>Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement</b>	<b>3 594 399</b>	<b>(504 995)</b>	<b>3 089 404</b>	<b>3 817 191</b>	<b>727 787</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Management considers a variance of 10% or more as material. The detailed explanations of the variances are provided below:

Reference:

**1. Other Revenue :** Mainly due to –

- Reduced Sales to Eskom from Kelvin Power Station as a result of down time and lower performance at the Kelvin High Voltage Yard resulting in lower volumes of units available for sale.
- Decreased number of requests made by customers for new connections and upgrades; and
- Lower revenue received for street pole advertisements.

**2. Finance Income:** The budget for interest income is driven by the expected cash reserves available for short term investment at an estimated rate.

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

**4. Fines:** The under recovery in traffic fines is due to challenges experienced in the implementation of the AARTO system as well as decreased traffic offences by the public.

**5. Depreciation and Amortization:** The variance is due to assets being bought and capitalised at different times during the financial year, with a sharp bias to purchases made towards the end of the year whereas the budget assumes depreciation for the full year.

**6. Impairment loss:** The impairment losses are not budgeted and are a result of asset impairment assessment at the reporting date.

**7 Debt Impairment:** The allowance for consumer debtors was below budget. The allowance is based on collection rates. Collection levels targets were revised downwards in the mid-year review to take into account the prevailing economic conditions. However, collection rates were better than anticipated therefore resulting in a lower impairment amount.

**8. Repairs and Maintenance:** The budget for repairs and maintenance takes into account the routine, planned maintenance and also allows for emergency repairs, there were less emergency repairs required in the current period than what was budgeted for.

**9. Contracted Services:** Contracted services below target due to some projects that are still in the planning phase.

**10. Fair value adjustments:** This emanates mainly from the sinking fund which is based on the performance of the fund, economic conditions and other factors. The fair value adjustment is unpredictable thus not budgeted for.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>CJMM</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rendering of Service	461 916	(40 686)	<b>421 230</b>	429 427	<b>8 197</b>	
Rental facilities and equipment	144 582	(1 740)	<b>142 842</b>	133 566	<b>(9 276)</b>	
Agency services	253 960	(28 476)	<b>225 484</b>	214 639	<b>(10 845)</b>	
Licences and permits	749	(749)	-	1 211	<b>1 211</b>	
Other revenue	906 494	11 879	<b>918 373</b>	1 038 717	<b>120 344</b>	
Finance income	1 240 191	67 067	<b>1 307 258</b>	1 195 960	<b>(111 298)</b>	1
<b>Total revenue from exchange transactions</b>	<b>3 007 892</b>	<b>7 295</b>	<b>3 015 187</b>	<b>3 013 520</b>	<b>(1 667)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	7 518 682	-	<b>7 518 682</b>	8 138 059	<b>619 377</b>	
<b>Transfer revenue</b>						
Government grants and subsidies	8 622 400	331 740	<b>8 954 140</b>	8 607 731	<b>(346 409)</b>	
Public contributions and contributed assets	-	1 464	<b>1 464</b>	194 132	<b>192 668</b>	2
Fines	1 113 002	(99 399)	<b>1 013 603</b>	294 864	<b>(718 739)</b>	3
<b>Total revenue from non-exchange transactions</b>	<b>17 254 084</b>	<b>233 805</b>	<b>17 487 889</b>	<b>17 234 786</b>	<b>(253 103)</b>	
<b>Total revenue</b>	<b>20 261 976</b>	<b>241 100</b>	<b>20 503 076</b>	<b>20 248 306</b>	<b>(254 770)</b>	
<b>Expenditure</b>						
Employee Related costs	(5 358 617)	89 608	<b>(5 269 009)</b>	(5 155 438)	<b>113 571</b>	
Remuneration of councillors	(144 331)	-	<b>(144 331)</b>	(133 887)	<b>10 444</b>	
Depreciation and amortisation	(2 364 068)	(15 424)	<b>(2 379 492)</b>	(1 817 666)	<b>561 826</b>	4
Impairment losses	-	-	-	(434 643)	<b>(434 643)</b>	5
Finance costs	(1 995 059)	(54 476)	<b>(2 049 535)</b>	(1 942 628)	<b>106 907</b>	
Debt impairment	(999 412)	102 524	<b>(896 888)</b>	(713 688)	<b>183 200</b>	6
Repairs and maintenance	(600 217)	97 434	<b>(502 783)</b>	(398 993)	<b>103 790</b>	7
Contracted Services	(2 150 985)	244 992	<b>(1 905 993)</b>	(1 724 656)	<b>181 337</b>	8
Grants and subsidies paid	(3 362 521)	(298 151)	<b>(3 660 672)</b>	(3 552 139)	<b>108 533</b>	
General Expenses	(2 512 452)	(248 692)	<b>(2 761 144)</b>	(2 824 378)	<b>(63 234)</b>	
<b>Total expenditure</b>	<b>(19 487 662)</b>	<b>(82 185)</b>	<b>(19 569 847)</b>	<b>(18 698 116)</b>	<b>871 731</b>	
<b>Operating surplus</b>	<b>774 314</b>	<b>158 915</b>	<b>933 229</b>	<b>1 550 190</b>	<b>616 961</b>	
(Loss) gain on disposal of assets	40 000	(12 000)	<b>28 000</b>	(237 593)	<b>(265 593)</b>	
Reversal of Impairment	-	-	-	31 315	<b>31 315</b>	
Fair value adjustments	90 000	(90 000)	-	385 787	<b>385 787</b>	9
	<b>130 000</b>	<b>(102 000)</b>	<b>28 000</b>	<b>179 509</b>	<b>151 509</b>	
<b>Surplus before taxation</b>	<b>904 314</b>	<b>56 915</b>	<b>961 229</b>	<b>1 729 699</b>	<b>768 470</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

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

Reference:

- 1. Finance Income:** The budget for interest income is driven by the expected cash reserves available for short term investment at an estimated rate. The interest income is below budget due to lower levels of cash being available to invest during the year as a result of the accelerated rate of capital project implementation.
- 2. Public Contributions:** Public contributions are based on voluntary donations from the public therefore cannot be accurately budgeted for unless there is a commitment to donate by the public at the budgeting stage.
- 3. Fines:** The under recovery in traffic fines is due to challenges experienced in the implementation of the AARTO system as well as decreased traffic offences by the public.
- 4. Depreciation and Amortization:** The variance is due to assets being bought and capitalised at different times during the financial year, with a sharp bias to purchases made towards the end of the year whereas the budget assumes depreciation for the full year.
- 5. Impairment loss:** The impairment losses are not budgeted and are a result of impairment assessment at the reporting date.
- 6. Debt Impairment:** The allowance for impairment of consumer debtors was below budget. The allowance is based on collection rates. Collection levels targets were revised downwards in the mid-year review to take into account the prevailing economic conditions. However, collection rates were better than anticipated therefore resulting in a lower impairment amount.
- 7. Repairs and Maintenance:** The budget for repairs and maintenance takes into account the routine, planned maintenance and also allows for emergency repairs, there were less emergency repairs required in the current period than what was budgeted for.
- 8. Contracted Services:** Contracted services below target due to some projects that are still in the planning phase.
- 9. Fair value adjustments:** This emanates mainly from the sinking fund which is based on the performance of the fund, economic conditions and other factors. The fair value adjustment is unpredictable and thus not budgeted for.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand  
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>GROUP- 2016</b>											
<b>Financial Performance</b>											
Property rates	7 630 678	2 538	7 633 216	-	-	7 633 216	8 138 059	-	504 843	107 %	107 %
Service charges	25 119 233	(761 903)	24 357 330	-	-	24 357 330	23 477 479	-	(879 851)	96 %	93 %
Investment revenue	562 854	6 920	569 774	-	-	569 774	624 799	-	55 025	110 %	111 %
Transfers recognised - operational	6 185 385	257 940	6 443 325	-	-	6 443 325	6 180 154	-	(263 171)	96 %	100 %
Other revenue	4 250 396	163 854	4 414 250	-	-	4 414 250	2 403 066	-	(2 011 184)	54 %	57 %
Gains on disposal	40 000	(12 000)	28 000	-	-	28 000	-	-	(28 000)	- %	- %
<b>Total revenue</b>	<b>43 788 546</b>	<b>(342 651)</b>	<b>43 445 895</b>	<b>-</b>	<b>-</b>	<b>43 445 895</b>	<b>40 823 557</b>	<b>-</b>	<b>(2 622 338)</b>	<b>94 %</b>	<b>93 %</b>
Employee costs	(9 580 796)	(138 657)	(9 719 453)	-	-	(9 719 453)	(8 999 009)	-	720 444	93 %	94 %
Remuneration of councillors	(144 331)	-	(144 331)	-	-	(144 331)	(133 887)	-	10 444	93 %	93 %
Debt impairment	(2 135 425)	(828 131)	(2 963 556)	-	-	(2 963 556)	(2 492 311)	-	471 245	84 %	117 %
Depreciation	(3 278 707)	22 943	(3 255 764)	-	-	(3 255 764)	(2 794 082)	-	461 682	86 %	85 %
Repairs and maintenance	(1 667 863)	213 129	(1 454 734)	-	-	(1 454 734)	(1 282 056)	-	172 678	88 %	77 %
Finance charges	(1 893 960)	(33)	(1 893 993)	-	-	(1 893 993)	(1 941 504)	-	(47 511)	103 %	103 %
Bulk purchases	(14 479 359)	(83 127)	(14 562 486)	-	-	(14 562 486)	(13 860 724)	-	701 762	95 %	96 %
Contracted services	(4 140 467)	96 864	(4 043 603)	-	-	(4 043 603)	(2 602 192)	-	1 441 411	64 %	63 %
Grants paid	(318 846)	(211 616)	(530 462)	-	-	(530 462)	(484 417)	-	46 045	91 %	152 %
Other expenditure	(5 098 253)	632 011	(4 466 242)	-	-	(4 466 242)	(5 565 453)	-	(1 099 211)	125 %	109 %
Provisions	44 842	20 239	65 081	-	-	65 081	-	-	(65 081)	- %	- %
Loss on disposal of PPE	(21)	-	(21)	-	-	(21)	(254 027)	-	(254 006)	209 652 %	209 652 %
<b>Total expenditure</b>	<b>(42 693 186)</b>	<b>(276 378)</b>	<b>(42 969 564)</b>	<b>-</b>	<b>-</b>	<b>(42 969 564)</b>	<b>(40 409 662)</b>	<b>-</b>	<b>2 559 902</b>	<b>94 %</b>	<b>95 %</b>
<b>Surplus/ (Deficit)</b>	<b>1 095 360</b>	<b>(619 029)</b>	<b>476 331</b>	<b>-</b>	<b>-</b>	<b>476 331</b>	<b>413 895</b>	<b>-</b>	<b>(62 436)</b>	<b>87 %</b>	<b>87 %</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand  
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Grant - capital	2 741 915	108 581	2 850 496	-		2 850 496	2 739 750		(110 746)	96 %	100 %
Contributed assets	259 261	60 728	319 989	-		319 989	363 909		43 920	114 %	140 %
<b>Surplus/ (Deficit) after capital contributions</b>	<b>4 096 536</b>	<b>(449 720)</b>	<b>3 646 816</b>	<b>-</b>		<b>3 646 816</b>	<b>3 517 554</b>		<b>(129 262)</b>	<b>96 %</b>	<b>86 %</b>
Other adjustment	-	-	-	-		-	(553 541)		(553 541)	- %	- %
Taxation	502 137	55 275	557 412	-		557 412	253 904		(303 508)	46 %	51 %
<b>Surplus/ (Deficit) for the year</b>	<b>3 594 399</b>	<b>(504 995)</b>	<b>3 089 404</b>	<b>-</b>		<b>3 089 404</b>	<b>3 817 191</b>		<b>727 787</b>	<b>124 %</b>	<b>106 %</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand  
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>CJMM - 2016</b>											
<b>Financial Performance</b>											
Property rates	7 518 682	-	7 518 682	-	-	7 518 682	8 138 059	-	619 377	108 %	108 %
Service charges	461 916	(40 686)	421 230	-	-	421 230	429 427	-	8 197	102 %	93 %
Investment revenue	1 240 191	67 067	1 307 258	-	-	1 307 258	1 195 960	-	(111 298)	91 %	96 %
Transfers recognised - operational	-	-	-	-	-	-	6 169 836	-	6 169 836	- %	- %
Other own revenue	2 548 787	(129 736)	2 419 051	-	-	2 419 051	2 101 963	-	(317 088)	87 %	82 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>11 769 576</b>	<b>(103 355)</b>	<b>11 666 221</b>	<b>-</b>	<b>-</b>	<b>11 666 221</b>	<b>18 035 245</b>	<b>-</b>	<b>6 369 024</b>	<b>155 %</b>	<b>153 %</b>
Employee costs	(5 358 617)	89 608	(5 269 009)	-	-	(5 269 009)	(5 155 438)	-	113 571	98 %	96 %
Remuneration of councillors	(144 331)	-	(144 331)	-	-	(144 331)	(133 887)	-	10 444	93 %	93 %
Debt impairment	(999 412)	102 524	(896 888)	-	-	(896 888)	(713 688)	-	183 200	80 %	71 %
Depreciation and asset impairment	(2 364 068)	(15 424)	(2 379 492)	-	-	(2 379 492)	(2 252 309)	-	127 183	95 %	95 %
Finance charges	(1 995 059)	(54 476)	(2 049 535)	-	-	(2 049 535)	(1 942 628)	-	106 907	95 %	97 %
Transfers and grants	(3 362 521)	(298 151)	(3 660 672)	-	-	(3 660 672)	(3 552 139)	-	108 533	97 %	106 %
Other expenditure	(5 263 654)	93 734	(5 169 920)	-	-	(5 169 920)	(5 187 484)	-	(17 564)	100 %	99 %
<b>Total expenditure</b>	<b>(19 487 662)</b>	<b>(82 185)</b>	<b>(19 569 847)</b>	<b>-</b>	<b>-</b>	<b>(19 569 847)</b>	<b>(18 937 573)</b>	<b>-</b>	<b>632 274</b>	<b>97 %</b>	<b>97 %</b>
<b>Surplus/(Deficit)</b>	<b>(7 718 086)</b>	<b>(185 540)</b>	<b>(7 903 626)</b>	<b>-</b>	<b>-</b>	<b>(7 903 626)</b>	<b>(902 328)</b>	<b>-</b>	<b>7 001 298</b>	<b>11 %</b>	<b>12 %</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand  
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	8 622 400	331 740	8 954 140	-		8 954 140	2 437 896		(6 516 244)	27 %	28 %
Contributions recognised - capital and contributed assets	-	1 464	1 464	-		1 464	194 131		192 667	- %	- %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>904 314</b>	<b>147 664</b>	<b>1 051 978</b>	<b>-</b>		<b>1 051 978</b>	<b>1 729 699</b>		<b>677 721</b>	<b>164 %</b>	<b>191 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>904 314</b>	<b>147 664</b>	<b>1 051 978</b>	<b>-</b>		<b>1 051 978</b>	<b>1 729 699</b>		<b>677 721</b>	<b>164 %</b>	<b>191 %</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Statement of compliance

#### Basis of Preparation and Presentation

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

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise.

#### Presentation Currency

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

#### Going Concern

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

#### Comparative information

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

### 1.1 Consolidation

#### Basis of consolidation

The consolidated Group Annual Financial Statements comprise the Annual Financial Statements of CJMM and all entities controlled by CJMM, including special purpose entities, presented as those of a single entity.

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

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

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

All related party transactions and balances are eliminated in full on consolidation.

### 1.2 Significant judgements and sources of estimation uncertainty

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Significant judgements include:

##### Impairment of financial assets

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

##### Allowance for slow moving, damaged and obsolete stock

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

##### Fair value estimation

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

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

##### Impairment of property, plant and equipment

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

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

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

##### Provisions, contingent liabilities and contingent assets

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

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

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

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

##### Expected manner of realisation for deferred tax

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Taxation

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

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

#### Post retirement benefits

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

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

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

#### Impairment of receivables

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

#### Useful life and residual value of PPE

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

#### Budget information

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

### 1.3 Zoo animals

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Zoo animals (continued)

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

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

The longevity of zoo animals has been assessed as follows::

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

### 1.4 Investment property

#### Definition

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

#### Recognition

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

#### Initial measurement

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

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

#### Subsequent measurement

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

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

Item	Useful life
Property - Buildings	30 years

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

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

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

#### Derecognition

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Property, plant and equipment

#### Definition

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

#### Recognition

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

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

#### Initial measurement

Property, plant and equipment is initially measured at cost.

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

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

#### Subsequent measurement:

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

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

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

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

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

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

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

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

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

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

#### Derecognition

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

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

### 1.6 Intangible assets

#### Definition

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

An asset is identifiable if it either:

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

#### Recognition

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

#### Initial Measurement

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.6 Intangible assets (continued)

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

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

#### Subsequent Measurement

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

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

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

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

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

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

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

### 1.7 Heritage assets

#### Definition

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

#### Recognition

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

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

#### Initial measurement

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

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

#### Subsequent measurement.

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.7 Heritage assets (continued)

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

#### **Derecognition**

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

### 1.8 Investments in Municipal entities

#### **CJMM separate annual financial statements**

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

### 1.9 Investment in Joint Ventures

#### **Group annual financial statements**

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

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

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

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

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

# City of Johannesburg Metropolitan Municipality

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### 1.10 Investment in Associate

#### GROUP

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

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

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

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

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

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

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

# City of Johannesburg Metropolitan Municipality

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## Accounting Policies

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### 1.11 Financial instruments

#### Financial instrument

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

#### Financial Assets

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

(i) Receive cash or another financial asset from another entity; or

(ii) Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

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

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

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

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

#### Investments at cost

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

#### Financial assets at fair value

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

#### Cash and cash equivalents

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

#### Receivables from exchange and non exchange transactions

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

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is

# City of Johannesburg Metropolitan Municipality

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## Accounting Policies

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### 1.11 Financial instruments (continued)

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

#### VAT

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

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

The group accounts for VAT on a payment basis.

#### Financial liabilities

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

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

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

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

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

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

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

#### Loans from Municipal entities

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

#### Trade and other payables

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

#### Offsetting Financial assets and liabilities

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

#### Hedge accounting (derivatives)

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

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Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.11 Financial instruments (continued)

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

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

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

#### Cash flow hedges

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

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

### 1.12 Tax

#### Current tax assets and liabilities

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

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

#### Deferred tax assets and liabilities

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

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

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

#### Tax expenses

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

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

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Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.12 Tax (continued)

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

### 1.13 Leases

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

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

#### Finance leases - lessor

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on the straight-line

Leased assets are presented in the statement of financial position according to the nature of assets. The Municipality applies the same depreciation policy for leased assets (operating) as the normal depreciation policy for similar assets.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on the straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on the straight-line basis.

### 1.14 Inventories

#### Definition

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### 1.14 Inventories (continued)

Inventories are assets in the form of materials or supplies to be consumed in the production process or distributed in the rendering of services, held for sale or distribution in the ordinary course of operations, or in the process of production for sale or distribution.

#### Recognition

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

#### Initial measurement

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### Subsequent measurement

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Management estimate, based on their assessment of quality and volume, the extent to which inventory on hand at the reporting date will be sold below cost.

Current replacement cost is the cost the group incurs to acquire the asset on the reporting date.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the group. The valuation of inventories is performed using the weighted average method.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### Derecognition

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

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## Accounting Policies

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### 1.15 Impairment of cash and non-cash generating assets

#### Impairment of cash generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

A cash-generating asset is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

An impairment loss is recognised for cash-generating assets if the carrying amount is higher than the recoverable amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. Impairment loss is recognised in the statement of financial performance. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of financial performance.

The recoverable amount of the cash generating unit is the higher of its fair value less cost to sell, and its value in use.

#### Impairment of non- cash generating assets

Non-Cash generating assets are those assets held by the municipality with the primary objective other than generating a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment annually at the same time every year, as well as whenever there is an indication that the asset may be impaired.

At the end of each reporting period, carrying amounts of non-cash generating assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of a non-cash generating asset is the higher of fair value less costs to sell, and the value-in use. The value-in-use is the present value of the remaining potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of financial performance.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of financial performance.

### 1.16 Internal reserves

#### Compensation for occupational injuries and diseases (COID) reserve

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### 1.16 Internal reserves (continued)

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is aimed to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense.

The municipality is an exempt employer in terms of Section 84 (1) (a) (ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

The certificate of exemption issued by the Commissioner and prescribed by the COID Act requires the Municipality to deposit cash and/or securities with the Commissioner, the market values of which in aggregate shall not be less than the capitalised value of the Municipality's continuing liability as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner.

A COID reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner, and the Municipality is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds from the reserve to the expense account in the statement of financial performance.

### 1.17 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016 to 2018.

The group annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.18 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The Municipality recognises the expected cost of bonus, incentive and performance related payments when and only when: (a) it has a present legal or constructive obligation to make such payments as a result of past events, (b) a reliable estimate of the obligation can be made.

The City contributes to defined contribution plan and defined benefit plan

#### Defined contribution plans

A defined contribution plan is a post-employment pension plan under which the municipality pays fixed contributions into a separate entity (a fund). The municipality has no further payment obligations once the contributions have been paid. Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees have rendered a service.

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### 1.18 Employee benefits (continued)

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit funds are actuarially valued on the projected credit method.

Consideration is given to any event that could impact the funds up to end of the reporting period where the valuation is performed at an earlier date.

Past service costs are recognised immediately in the statement of financial performance in the reporting period in which the plan is amended.

Actuarial gains and losses are recognised in full in the statement of financial performance when they arise.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement. The Municipality does not only account for the legal obligation under formal terms but also for any constructive obligation that arises from the entity's informal practices.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation less fair value of planned assets out of which obligations are to be settled directly, plus any liability that may arise as a result of the minimum funding requirement.

The Group provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some employees based on the qualification criteria.

#### Multi-employer plans

The municipality classifies a multi-employer plan either as a defined contribution plan or a defined benefit plan.

Under the defined benefit plan, the Municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

### 1.19 Provisions and contingencies

Provisions are recognised when the municipality has a present obligation ( legal or constructive ) as a result of a past event and:

- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

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### 1.19 Provisions and contingencies (continued)

Where the effect of the time value of money is material, the amount of the provision is discounted to present value at the discount rate which is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the group

No obligation arises as a consequence of the sale or transfer of the operation until the group is committed to the sale or transfer, that is, there is a binding arrangement.

Additional disclosures of estimates of provisions are included in the provisions note.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The group recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the group for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the group considers that an outflow of economic resources is probable, an group recognises the obligation at the higher of:

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### 1.19 Provisions and contingencies (continued)

- the amount determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.20 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners.

Revenue from exchange transactions are one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange

Revenue is recognised at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Revenue from sale of Bus ticket points

Revenue from the sale of ticket points is accounted for as a separately identifiable component of a sale for normal points and bonus points. Each point is equivalent to the value of one rand. Bonus points are earned by customers only on purchase of points above the value of R50. Any bonus points not redeemed in 36 months (3 years) are subject to expiry thereafter any deferred revenue previously recognised is then recognised as revenue.

Revenue arising from sale of bus tickets for both normal and bonus points is initially accounted for as deferred revenue (liability) in the statement of financial position and only recognised as revenue upon redemption of normal or bonus points, or upon the expiry date.

Revenue is recognised at fair value for normal points. Bonus points are also recognised at fair value which is equivalent to the cost of transferring the points. The consideration allocated to the bonus points is measured by reference to the amount which the bonus points could be sold separately.

At the end of each period, deferred revenue is recognised which is measured at fair value of points earned which are yet to be redeemed.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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### 1.20 Revenue from exchange transactions (continued)

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on the straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

#### Income from agency services

Revenue arising from situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of commission or fee payable to the municipality for services performed.

#### Finance income

Interest revenue is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised on a time- proportion basis, in surplus or deficit, using the effective interest rate method.

### 1.21 Revenue from non-exchange transactions

Revenue is a gross inflow of economic benefits or service potential received which represents an increase in the net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions are generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from non-exchange transactions recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

#### Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The group has two types of fines :

- Traffic fines issued in terms of the Criminal Procedures Act
- Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO ACT).

#### Criminal Procedures Act fines:

These fines are issued in terms of the Criminal Procedures Act and are usually issued by way of notice to offenders, and can (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or (b) indicate that the offender must appear in Court on a specified day ( in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

#### Initial recognition:

# City of Johannesburg Metropolitan Municipality

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## Accounting Policies

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### 1.21 Revenue from non-exchange transactions (continued)

An asset acquired through a non-exchange transaction shall initially be measured at fair value at the date of acquisition which is the best estimate of the inflow of economic benefits. An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

The COJ is legally entitled to 50% of the face value of the fines, taking into account the best estimate of the inflow of economic benefits in terms of GRAP 23.

In terms of the AARTO ACT par 32(1) and (2), RTIA is legally entitled to receive 50% of the face value of such fine plus other administrative cost so incurred as compensation for their services in collecting and adjudication process.

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition. There is uncertainty regarding the probability of the flow of economic benefits in respect of criminal procedure act fines. Legal processes have to be undertaken before the criminal procedure act fine is enforceable.

In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Where a reliable estimate cannot be made of revenue from summonses, the Municipality cannot recognise revenue and receivable until this judicial process has been completed and a reliable estimate can be made.

#### Subsequent measurement

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition.

#### AARTO traffic fines

These are fines issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the group,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.21 Revenue from non-exchange transactions (continued)

#### Conditional grants

Conditions on transferred assets (hereafter referred to as conditions) require that the entity either consume the future economic benefits or service potential of the asset as specified or return future economic benefits or service potential to the transferor in the event that the conditions are breached. Therefore, the Municipality incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition. This is because the Municipality is unable to avoid the outflow of resources as it is required to consume the future economic benefits or service potential embodied in the transferred asset in the delivery of particular goods or services to third parties or else to return to the transferor future economic benefits or service potential. Therefore, when a Municipality initially recognises an asset that is subject to a condition it also recognises a liability. Revenue on such grants is recognised when the qualifying expenditure has been incurred and to the extent that conditions have been complied with.

#### Unconditional grants

The Municipality recognises revenue from unconditional grants upon receipt and/or when resources transferred meet the criteria for recognition as an asset and there is also no present obligation to the Municipality to refund transferred resources to the transferor.

Unconditional grants also includes grants with restrictions since restrictions do not include a requirement that the transferred asset, or future economic benefits or service potential be returned to the transferor if the asset is not deployed as specified. Therefore, gaining control of an asset subject to a restriction does not impose on the Municipality a present obligation to transfer future economic benefits or service potential to third parties when control of the asset is initially gained. The Municipality recognises grants with restriction and unconditional grants as revenue upon receipt of the grant and no corresponding liability is recognised. Unconditional grants are measured at their fair value.

#### Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Revenue from rates is measured using gazetted tariffs.

Public contributions and donations including goods in-kind donations

Public contributions and donations are voluntary transfers of assets including cash or other monetary assets.

Goods in-kind are tangible assets transferred to an entity in a non-exchange transaction, without charge, but may be subject to stipulations.

Public contributions and donations (other than services in-kind) are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognised as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Public contribution and donations including goods in-kind are measured at their fair value as at the date of acquisition.

### 1.22 Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset. The standard gives the entity the option to either capitalise or to expense borrowing costs. All borrowing costs are recognised as an expense the statement of financial performance in the period in which they are incurred.

### 1.23 In-kind services

The Municipality does not recognise services in kind as revenue or assets, but separately discloses the nature and type of major classes of services in-kind as a note to the financial statements.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.24 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred by a municipality otherwise than in accordance with the approved budget as well as expenditure exceeding the limits of the amounts appropriated for in the different votes in the approved budget.

Depending on circumstances, identified unauthorised expenditure will be authorised by council in an adjustment budget, certified by municipal council as irrecoverable and written off by the council or recovered from a liable official or political office bearer. In cases where unauthorised expenditure is recoverable from an official or political office bearer resulting from necessary investigations, revenue and receivables are recognised. Unauthorised expenditure is disclosed in the notes to the financial statements.

### 1.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure which was incurred and identified during the financial year and also condoned by the council in terms of the MFMA, is only disclosed in the notes to annual financial statements. However, fruitless and wasteful expenditure which was incurred and identified during the financial year but failed to be condoned by the council is initially recognised as expenditure based on its nature and after further investigations classified to receivables and revenue. Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

### 1.26 Irregular expenditure

Irregular expenditure is expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the MFMA, the Municipal Systems Act, or the Public Office-Bearers Act, and which has not been condoned in terms of the MFMA.

Irregular expenditure which was incurred and identified during the financial year is disclosed in the annual financial statements. It will be accounted for as an expenditure in the statement of financial performance and disclosed separately in the notes to the financial statements.

### 1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Management is considered a related party, and comprises of the councillors, Executive Mayor, Mayoral Committee Members, City Manager, Chief Operating Officer, Executive Directors and Group Heads.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Municipality.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party relationships where control exists are disclosed. The municipality discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the financial statements.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.28 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Reporting date means the last day of the reporting period to which the financial statements relate. The entity adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

The group will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The group will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.29 Commitments

A Commitment is a contract that is non-cancellable or only cancellable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

Commitments are further split into capital and operating commitments.

Capital commitments are amounts committed to acquire goods and services which are of capital in nature i.e. upgrading and/or construction of assets.

These commitments are disclosed in the notes to the annual financial statements.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 2. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

In the current financial year, the Municipality has adopted effective new and revised standards and its interpretations issued by ASB. However, the Municipality only adopted effective standards which are relevant to its business operations.

The following Standards and Interpretations were in issue but not yet effective:

<u>Name</u>	<u>Effective Date</u>
GRAP 20 - Related Parties	Not yet effective
GRAP 32 - Service Concession arrangements: Grantor	Not yet effective
GRAP 108 - Statutory receivables	Not yet effective
GRAP 109 - Accounting by principals and agents	Not yet effective

The above-mentioned standards and interpretations which are relevant to the Municipality's business operations will be adopted once they become effective.

The municipality applied the principles established in the Standard of GRAP that has been issued, but not yet effective, in developing an appropriate accounting policy dealing with the Related Parties (GRAP 20).

Preliminary investigations indicated that, other than additional disclosure, the impact of the new standards on the financial statements will be minimal.

### 3. INVENTORIES

Consumable stores	136 156	71 952	118 109	58 006
Spare parts	21 524	16 053	-	-
Consumables - Water	66 895	64 882	-	-
Housing stock	61 050	61 050	61 050	61 050
Work in progress	397	5 880	-	-
Consumables - Electrical	83 370	172 899	-	-
Consumables - Road	38 754	18 772	-	-
Fuel (Diesel, Petrol)	3 335	3 062	-	-
	<b>411 481</b>	<b>414 550</b>	<b>179 159</b>	<b>119 056</b>
Inventories (write-downs)	(94 645)	(99 298)	(59 730)	(59 730)
	<b>316 836</b>	<b>315 252</b>	<b>119 429</b>	<b>59 326</b>

#### 3.1 Reconciliation of inventory write-down

Opening balance	99 298	28 363	59 730	-
Inventory written down	5 545	72 262	-	59 730
Inventory derecognised	(10 198)	(1 327)	-	-
	<b>94 645</b>	<b>99 298</b>	<b>59 730</b>	<b>59 730</b>

#### Inventories recognised as an expense during the year

Bulk purchases	13 860 724	12 562 745	-	-
Cost of inventory expensed	379 824	503 358	20 768	78 061

#### Reconciliation of Inventory

Opening balance	315 252	302 805	59 326	113 073
Purchases of Inventory	14 247 677	13 150 812	80 871	84 044
Inventory expensed	(14 240 548)	(13 066 103)	(20 768)	(78 061)
Inventory written down	(5 545)	(72 262)	-	(59 730)
	<b>316 836</b>	<b>315 252</b>	<b>119 429</b>	<b>59 326</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>4. LOANS TO MUNICIPAL ENTITIES</b>				
<b>Shareholder loans</b>				
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 17.5% Maturity = 30 June 2026	-	-	581 814	581 814
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2026.	-	-	42 979	42 979
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 15% Maturity 30 June 2018.	-	-	121 286	181 938
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2018.	-	-	8 681	13 023
	-	-	<b>754 760</b>	<b>819 754</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>4. LOANS TO MUNICIPAL ENTITIES (continued)</b>				
<b>Conduit loans</b>				
PIKITUP Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2026	-	-	121 055	121 054
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2016	-	-	-	89 793
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	93 736	179 401
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2018	-	-	148 202	209 794
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	-	-	184 449	233 685
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	-	-	250 533	297 860
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	-	-	194 049	221 694
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.31% Maturity = 30 June 2022	-	-	293 131	327 935
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.65% Maturity = 30 June 2023	-	-	46 548	50 982
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2016	-	-	-	19 707
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	1 303	2 494
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-	1 678	2 389
Johannesburg Power (Pty) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2024	-	-	812 446	880 290
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2025	-	-	453 259	-
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2016	-	-	-	44 261
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = Jibar less 35bp Maturity = 15 May 2026	-	-	72 560	108 840
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-	158 492	225 682

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>4. LOANS TO MUNICIPAL ENTITIES (continued)</b>				
Johannesburg Water (Pty) Ltd	-	-	171 899	217 786
Terms and conditions: Rate = 10.9%				
Maturity = 30 June 2019				
Johannesburg Water (Pty) Ltd	-	-	245 689	292 102
Terms and conditions: Rate = Rate = 10.9%				
Maturity = 30 June 2020				
Johannesburg Water (Pty) Ltd	-	-	414 330	455 763
Terms and conditions: Jibar plus 70pb				
Maturity = 15 May 2026				
Johannesburg Water (Pty) Ltd	-	-	194 387	222 080
Terms and conditions: Rate = 10.9%				
Maturity = 30 June 2021				
Johannesburg Water (Pty) Ltd	-	-	248 743	278 277
Terms and conditions: Rate = 9.31%				
Maturity = 30 June 2022				
Johannesburg Water (Pty) Ltd	-	-	555 141	608 016
Terms and conditions: Rate = 9.65%				
Maturity = 30 June 2023				
Johannesburg Water (Pty) Ltd	-	-	734 925	791 424
Terms and conditions: Rate = 10.18%				
Maturity = 30 June 2024				
Pikitup Johannesburg (Pty) Ltd	-	-	628	628
Terms and conditions: Rate = 14.15%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	2 937	2 937
Terms and conditions: Rate = 12.42%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	5 785	5 785
Terms and conditions: Rate = 10.2%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	19 701	19 701
Terms and conditions: Rate = 9%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	30 171	30 171
Terms and conditions: Rate = 10.2%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	14 379	14 379
Terms and conditions: Rate = 12.21%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	7 885	7 885
Terms and conditions: Rate range=12.21%				
Maturity= 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	19 983	19 983
Terms and conditions: Rate range=12.21%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	14 738	14 738
Terms and conditions: Rate range =10.78%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	15 309	15 309
Terms and conditions: Rate range = 10.4%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	22 398	22 398
Terms and conditions: Rate range =9.31%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	27 265	27 265
Terms and conditions: Rate range = 9.65%				
Maturity = 30 June 2026				
City Power Johannesburg (Pty) Ltd	-	-	631 058	-

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>4. LOANS TO MUNICIPAL ENTITIES (continued)</b>				
Terms and conditions: Rate range = 9.88% Maturity = 30 June 2025 The Johannesburg Fresh Produce (Pty) Ltd	-	-	8 575	16 318
Terms and conditions: Rate range = 10.2% Maturity = 30 June 2017 Johannesburg Metropolitan Bus Services (Pty) Ltd	-	-	351 270	-
Terms and conditions: Rate = 9.88% Maturity = 30 June 2025 Pikitup Johannesburg (Pty) Ltd	-	-	104 982	-
Terms and conditions: Rate = 9,88% Maturity = 30 June 2025 The Johannesburg Fresh Produce (Pty) Ltd	-	-	-	8 775
Terms and conditions: Rate range = 10.2% Maturity = 30 June 2016 The Johannesburg Metro Trading Company(Pty) Ltd	-	-	1 302 381	-
Terms and conditions: Rate range = 11.89% Maturity = 30 August 2035 The Johannesburg Fresh Produce (Pty) Ltd	-	-	9 420	13 413
Terms and conditions: Rate range = 10.9% Maturity = 30 June 2018 The Johannesburg Fresh Produce (Pty) Ltd	-	-	8 207	10 485
Terms and conditions: Rate range = 9% Maturity = 30 June 2019 The Johannesburg Fresh Produce (Pty) Ltd	-	-	9 164	10 918
Terms and conditions: Rate range = 10.4% Maturity = 30 June 2020 The Johannesburg Fresh Produce (Pty) Ltd	-	-	9 312	10 660
Terms and conditions: Rate range = 10.4% Maturity = 30 June 2021 The Johannesburg Fresh Produce (Pty) Ltd	-	-	20 265	22 671
Terms and conditions: Rate range = 9.31% Maturity = 30 June 2022 The Johannesburg Fresh Produce (Pty) Ltd	-	-	-	6 889
Terms and conditions: Rate range = 9.65% Maturity 30 June 2023	-	-	-	-
	-	-	8 032 368	6 162 617
Less impairment of loans to Municipal Entities	-	-	(761 467)	(326 823)
	-	-	<b>7 270 901</b>	<b>5 835 794</b>
Non-current assets	-	-	7 056 974	5 645 661
Current assets	-	-	968 687	1 009 887
	-	-	<b>8 025 661</b>	<b>6 655 548</b>
<b>Reconciliation of provision for impairment of loans to municipal entities</b>				
Opening balance	-	-	326 823	181 179
Additional impairment - Pikitup Johannesburg (Pty) Ltd	-	-	104 982	121 054
Additional impairment - Johannesburg Metropolitan Bus Services (Pty) Ltd	-	-	329 662	24 590
	-	-	<b>761 467</b>	<b>326 823</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

#### 4. LOANS TO MUNICIPAL ENTITIES (continued)

##### Impairment of loan to Pikitup Johannesburg (Pty) Ltd

The entity has entered into a contractual obligation with the CJMM to repay the amount that was lent to the entity. The reason for the impairment is due to the default in the repayments of the specific loans that were issued to Pikitup. As much as the entity has recovered financially they are still defaulting on the capital repayments of the loans.

##### Impairment of loan - Johannesburg Metropolitan Bus Services (Pty) Ltd

The Johannesburg Metro Bus company is technically insolvent and has liquidity challenges. The entity has put in a place a turn around strategy aimed to improve the liquidity problem in the long term. The current liquidity problem has led to the impairment of the current portion of the loan.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>5. OTHER FINANCIAL ASSETS</b>				
<b>At amortised cost</b>				
Housing Selling scheme loans	26 629	26 629	26 629	26 629
Other loans and receivables	50 603	36 746	50 603	36 746
	<b>77 232</b>	<b>63 375</b>	<b>77 232</b>	<b>63 375</b>
<b>Non-current assets</b>				
At amortised cost	58 656	49 889	58 656	49 889
<b>Current assets</b>				
At amortised cost	18 576	13 486	18 576	13 486
<b>6. FINANCE LEASE RECEIVABLES</b>				
<b>Gross investment in the lease due</b>				
- within one year	-	-	108 274	90 945
- in second to fifth year inclusive	-	-	369 463	299 376
- later than five years	-	-	1 072	44 339
	-	-	478 809	434 660
less: Unearned finance revenue	-	-	(97 525)	(95 801)
Present value of minimum lease payments receivable	-	-	381 284	338 859
	-	-	<b>381 284</b>	<b>338 859</b>
<b>Present value of minimum lease payments due</b>				
- within one year	-	-	72 363	60 357
- in second to fifth year inclusive	-	-	305 923	272 885
- later than five years	-	-	2 998	5 617
	-	-	<b>381 284</b>	<b>338 859</b>
Non-current assets	-	-	308 921	278 502
Current assets	-	-	72 363	60 357
	-	-	<b>381 284</b>	<b>338 859</b>

The CJMM entered into a finance lease on 1 March 2012 with various MEs for specialised vehicles. The interest rate implicit on the agreement is 10%.

The unguaranteed future values of assets leased under finance lease at the end of the reporting period amount to R 97 525 (2015: R 95 801). The fair values were determined at the date of issue of each specialised vehicle to the various MEs.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>7. TRADE AND OTHER RECEIVABLES</b>				
<b>Loans and receivables</b>				
Accrued VAT	221 725	231 339	221 725	231 339
Deposits	763	746	-	-
Housing debtors	272 081	309 217	272 081	309 217
Fruitless and wasteful expenditure to be recovered	4 474	2 366	4 474	2 366
Trade debtors	191 377	182 538	-	-
Operating lease receivables	62 420	60 886	61 849	60 294
Related party debtors	-	-	3 159 465	2 989 182
Sundry debtors	1 276 580	687 450	1 068 096	450 307
Allowance for bad debts	(209 990)	(200 540)	(147 063)	(126 864)
	<b>1 819 430</b>	<b>1 274 002</b>	<b>4 640 627</b>	<b>3 915 841</b>
<b>Other receivables</b>				
Prepayments	114 000	81 980	6 724	98 578
	<b>114 000</b>	<b>81 980</b>	<b>6 724</b>	<b>98 578</b>
<b>Total trade and other receivables</b>	<b>1 933 430</b>	<b>1 355 982</b>	<b>4 647 351</b>	<b>4 014 419</b>
<b>8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>				
Fines	200 120	112 487	200 120	112 487
<b>9. VAT</b>				
Receivable	178 624	292 052	171 744	284 336
Payable	(183 447)	(352 342)	-	-
	<b>(4 823)</b>	<b>(60 290)</b>	<b>171 744</b>	<b>284 336</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>10. CONSUMER DEBTORS</b>				
<b>Gross balances</b>				
Rates	5 723 875	5 556 478	5 723 875	5 556 478
Electricity	3 089 041	2 427 784	-	-
Water	5 949 020	5 765 555	-	-
Refuse	1 628 475	1 271 885	-	-
Housing rental	388 705	317 720	388 705	317 720
	<b>16 779 116</b>	<b>15 339 422</b>	<b>6 112 580</b>	<b>5 874 198</b>
<b>Less: Allowance for impairment</b>				
Rates	(4 851 533)	(4 756 065)	(4 851 533)	(4 756 065)
Electricity	(684 902)	(560 475)	-	-
Water	(4 049 533)	(3 994 818)	-	-
Refuse	(641 466)	(721 727)	-	-
Housing rental	(373 934)	(304 943)	(373 934)	(304 943)
	<b>(10 601 368)</b>	<b>(10 338 028)</b>	<b>(5 225 467)</b>	<b>(5 061 008)</b>
<b>Net balance</b>				
Rates	872 342	800 413	872 342	800 413
Electricity	2 404 139	1 867 309	-	-
Water	1 899 487	1 770 737	-	-
Refuse	987 009	550 158	-	-
Housing rental	14 771	12 777	14 771	12 777
	<b>6 177 748</b>	<b>5 001 394</b>	<b>887 113</b>	<b>813 190</b>
Current Assets	6 177 748	5 001 394	887 113	813 190

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Included in above is receivables from exchange transactions</b>				
Electricity	2 404 139	1 867 309	-	-
Water	1 899 487	1 770 737	-	-
Refuse	987 009	550 158	-	-
Housing rental	14 771	12 777	14 771	12 777
	<b>5 305 406</b>	<b>4 200 981</b>	<b>14 771</b>	<b>12 777</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>				
Rates	872 342	800 413	872 342	800 413
<b>Net balance</b>	<b>6 177 748</b>	<b>5 001 394</b>	<b>887 113</b>	<b>813 190</b>
<b>Rates</b>				
Current (0 - 30 days)	843 137	842 763	843 137	842 763
31 - 60 days	183 911	212 575	183 911	212 575
61 - 90 days	184 100	153 938	184 100	153 938
91 - 120 days	165 271	159 992	165 271	159 992
121 - 365 days	816 526	977 432	816 526	977 432
> 365 days	3 530 930	3 209 778	3 530 930	3 209 778
	<b>5 723 875</b>	<b>5 556 478</b>	<b>5 723 875</b>	<b>5 556 478</b>
<b>Electricity</b>				
Current (0 - 30 days)	2 262 150	1 708 761	-	-
31 - 60 days	293 849	259 547	-	-
61 - 90 days	95 448	83 408	-	-
91 - 120 days	84 515	68 653	-	-
121 - 365 days	314 996	277 175	-	-
> 365 days	38 083	30 240	-	-
	<b>3 089 041</b>	<b>2 427 784</b>	-	-
<b>Water</b>				
Current (0 - 30 days)	1 356 908	1 297 650	-	-
31 - 60 days	278 395	294 763	-	-
61 - 90 days	246 399	261 568	-	-
91 - 120 days	223 433	225 802	-	-
121 - 365 days	1 059 749	1 696 997	-	-
> 365 days	2 784 136	1 988 775	-	-
	<b>5 949 020</b>	<b>5 765 555</b>	-	-
<b>Refuse</b>				
Current (0 - 30 days)	157 902	57 627	-	-
31 - 60 days	41 718	40 698	-	-
61 - 90 days	44 372	39 127	-	-
91 - 120 days	48 272	18 726	-	-
121 - 365 days	1 336 211	1 115 707	-	-
	<b>1 628 475</b>	<b>1 271 885</b>	-	-

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Housing rental</b>				
Current (0 - 30 days)	13 230	11 346	13 230	11 346
31 - 60 days	6 533	5 676	6 533	5 676
61 - 90 days	6 345	5 606	6 345	5 606
91 - 120 days	6 285	5 365	6 285	5 365
121 - 365 days	6 216	5 451	6 216	5 451
> 365 days	350 096	284 276	350 096	284 276
	<b>388 705</b>	<b>317 720</b>	<b>388 705</b>	<b>317 720</b>
<b>Summary of debtors by customer classification</b>				
<b>Residential</b>				
Current (0 - 30 days)	2 173 526	1 898 538	457 924	581 620
31 - 60 days	378 816	386 728	99 075	137 772
61 - 90 days	297 210	291 080	86 456	102 590
91 - 120 days	250 570	277 010	92 722	112 987
121 - 365 days	2 053 348	2 851 501	351 563	679 227
> 365 days	2 903 779	2 744 779	1 425 750	1 932 430
	8 057 249	8 449 636	2 513 490	3 546 626
Less: Allowance for impairment	(5 112 217)	(6 062 744)	(2 088 671)	(3 022 799)
	<b>2 945 032</b>	<b>2 386 892</b>	<b>424 819</b>	<b>523 827</b>
<b>Residential - Past due and impaired</b>				
Current (0 - 30 days)	270 606	308 552	210 194	242 383
31-60 days	178 594	206 563	87 099	118 930
61 - 90 days	137 992	148 933	72 484	85 989
91 - 120 days	193 558	255 466	74 844	90 988
121 - 365 days	1 546 455	2 500 461	330 232	643 609
> 365 days	2 785 012	2 642 769	1 313 818	1 840 900
	<b>5 112 217</b>	<b>6 062 744</b>	<b>2 088 671</b>	<b>3 022 799</b>
<b>Residential - Past due and not impaired</b>				
Current (0 - 30 days)	1 902 921	1 589 985	247 730	339 236
31 - 60 days	200 223	180 164	11 976	18 842
61 - 90 days	159 219	142 147	13 972	16 601
91 - 120 days	57 012	21 544	17 878	21 999
121 - 365 days	506 894	351 040	21 332	35 618
> 365 days	118 763	102 012	111 931	91 531
	<b>2 945 032</b>	<b>2 386 892</b>	<b>424 819</b>	<b>523 827</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Industrial/ commercial</b>				
Current (0 - 30 days)	2 381 921	1 917 910	370 413	264 014
31 - 60 days	405 287	394 779	78 011	74 058
61 - 90 days	264 061	237 990	98 371	52 575
91 - 120 days	251 388	190 914	70 675	55 099
121 - 365 days	1 352 744	1 174 051	411 937	268 048
> 365 days	3 484 116	2 562 691	2 264 691	1 463 282
	<b>8 139 517</b>	<b>6 478 335</b>	<b>3 294 098</b>	<b>2 177 076</b>
Less: Allowance for impairment	(5 045 133)	(4 017 543)	(2 868 263)	(1 901 597)
	<b>3 094 384</b>	<b>2 460 792</b>	<b>425 835</b>	<b>275 479</b>
<b>Industrial/ commercial - Past due and impaired</b>				
Current (0 - 30 days)	342 791	267 405	170 079	109 730
31 - 60 days	131 517	103 890	68 333	63 654
61 - 90 days	147 188	104 488	81 683	43 729
91 - 120 days	198 784	166 408	56 529	43 974
121 - 365 days	908 974	902 793	386 991	253 987
> 365 days	3 315 879	2 472 559	2 104 648	1 386 523
	<b>5 045 133</b>	<b>4 017 543</b>	<b>2 868 263</b>	<b>1 901 597</b>
<b>Industrial/ commercial - Past due and not impaired</b>				
Current (0 - 30 days)	2 039 129	1 650 505	200 335	154 284
31 - 60 days	273 770	290 888	9 678	10 404
61 - 90 days	116 873	133 503	16 688	8 847
91 - 120 days	52 604	24 506	14 146	11 125
121 - 365 days	443 770	271 257	24 946	14 061
> 365 days	168 238	90 133	160 042	76 758
	<b>3 094 384</b>	<b>2 460 792</b>	<b>425 835</b>	<b>275 479</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>National and provincial government</b>				
Current (0 - 30 days)	77 880	101 699	28 048	8 476
31 - 60 days	20 302	31 753	13 357	6 421
61 - 90 days	15 393	14 577	5 618	4 378
91 - 120 days	25 818	10 614	8 159	2 729
121 - 365 days	127 605	47 210	59 242	30 150
> 365 days	315 352	205 600	190 568	98 341
	582 350	411 453	304 992	150 495
Less: Allowance for impairment	(444 018)	(257 741)	(268 533)	(136 612)
	<b>138 332</b>	<b>153 712</b>	<b>36 459</b>	<b>13 883</b>
<b>National and provincial government - Past due and impaired</b>				
Current (0 - 30 days)	13 565	4 680	12 870	3 523
31 - 60 days	12 065	6 731	11 700	5 519
61 - 90 days	5 239	4 550	4 665	3 642
91 - 120 days	16 322	8 997	6 526	2 177
121 - 365 days	99 301	32 514	55 654	28 569
> 365 days	297 526	200 269	177 118	93 182
	<b>444 018</b>	<b>257 741</b>	<b>268 533</b>	<b>136 612</b>
<b>National and provincial government - Past due and not impaired</b>				
Current (0 - 30 days)	64 296	97 019	15 160	4 953
31 - 60 days	8 237	25 021	1 657	902
61 - 90 days	10 154	10 027	953	737
91 - 120 days	9 496	1 617	1 633	551
121 - 365 days	28 304	14 696	3 588	1 582
> 365 days	17 845	5 332	13 468	5 158
	<b>138 332</b>	<b>153 712</b>	<b>36 459</b>	<b>13 883</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Total</b>				
Current (0 -30 days)	4 633 327	3 918 147	856 385	854 110
31 - 60 days	804 405	813 260	190 443	218 251
61 - 90 days	576 664	543 647	190 445	159 543
91 - 120 days	527 776	478 538	171 556	170 815
121 - 365 days	3 533 697	4 072 762	822 742	977 425
> 365 days	6 703 247	5 513 070	3 881 009	3 494 053
	16 779 116	15 339 424	6 112 580	5 874 197
Less: Allowance for impairment	(10 601 368)	(10 338 028)	(5 225 467)	(5 061 008)
	<b>6 177 748</b>	<b>5 001 396</b>	<b>887 113</b>	<b>813 189</b>
<b>Less: Allowance for impairment</b>				
Current (0 - 30 days)	626 962	580 637	393 143	355 636
31 - 60 days	322 176	317 184	167 132	188 103
61 - 90 days	290 419	257 971	158 832	133 360
91 - 120 days	408 664	430 871	137 899	137 139
121 - 365 days	2 554 730	3 435 768	772 877	926 165
> 365 days	6 398 417	5 315 597	3 595 584	3 320 605
	<b>10 601 368</b>	<b>10 338 028</b>	<b>5 225 467</b>	<b>5 061 008</b>
<b>Total debtor past due but not impaired</b>				
Current (0 - 30 days)	4 006 346	3 337 509	463 225	498 473
31 - 60 days	482 230	496 073	23 311	30 148
61 - 90 days	286 246	285 677	31 613	26 185
91 - 120 days	119 112	47 667	33 657	33 675
121 - 365 days	978 968	636 993	49 866	51 261
> 365 days	304 846	197 477	285 441	173 447
	<b>6 177 748</b>	<b>5 001 396</b>	<b>887 113</b>	<b>813 189</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	(10 338 028)	(14 828 248)	(5 061 008)	(5 032 507)
Contributions to allowance	(2 658 759)	(3 279 937)	(603 240)	(960 002)
Debt impairment written off against allowance	2 315 175	7 783 225	438 781	931 501
Reversal of allowance	80 244	(13 068)	-	-
<b>Balance at the end of the year</b>	<b>(10 601 368)</b>	<b>(10 338 028)</b>	<b>(5 225 467)</b>	<b>(5 061 008)</b>

The contribution to the allowance is included in the statement of financial performance under debt impairment at amounts exclusive of VAT.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 11. FINANCIAL ASSETS AT FAIR VALUE - SINKING FUND

The Debt redemption fund is a financial solution to assist the CJMM meet its financial obligations to repay previously issued bonds. The CJMM pays contributions into the fund, which is managed by a 3rd party fund manager, so as to enable the Municipality to receive contributions plus growth to repay redemptions of the bonds when they fall due. This is part of the risk management framework adopted by the CJMM. The financial liabilities of the fund are disclosed in note 30.

The total investments pledged as collateral for CJMM Bonds.

The investments pledged as collateral cannot be sold until the related liability is settled in full.

The Terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.

Sinking Fund  
Maturity - 5 June 2023

#### Other financial assets through profit or loss

Bonds	65 692	348 475	65 692	348 475
Bond Options	19 525	72 120	19 525	72 120
Bond Repurchase Agreements	-	3 018 257	-	3 018 257
Negotiable Certificate of Deposit	-	309 073	-	309 073
Cash	47 711	374 618	47 711	374 618
Cash Collateral	251	27 364	251	27 364
Forward Rate Agreements	15 702	17 596	15 702	17 596
Swaps	5 100	23 377	5 100	23 377
Promissory Notes	202 574	-	202 574	-
<b>Current Assets</b>	<b>356 555</b>	<b>4 190 880</b>	<b>356 555</b>	<b>4 190 880</b>

#### Other financial assets through profit or loss

Bonds	1 787 397	1 194 596	1 787 397	1 194 596
Floating Rate Note	1 330 024	1 336 212	1 330 024	1 336 212
Forward Rate Agreement	3 840	-	3 840	-
Amortising Swap	206 078	198 893	206 078	198 893
Bond Options	-	54 181	-	54 181
Swaps	511 705	1 804 753	511 705	1 804 753
<b>Non-Current Assets</b>	<b>3 839 044</b>	<b>4 588 635</b>	<b>3 839 044</b>	<b>4 588 635</b>

<b>4 195 599</b>	<b>8 779 515</b>	<b>4 195 599</b>	<b>8 779 515</b>
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#### Financial assets carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	2 091 974	3 507 130	2 091 974	3 507 130
Held for trading non-derivative financial assets	2 103 625	5 272 385	2 103 625	5 272 385
<b>4 195 599</b>	<b>8 779 515</b>	<b>4 195 599</b>	<b>8 779 515</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	578	720	129	120
Bank	1 255 748	1 602 028	1 069 816	905 420
Call investment deposits	3 113 439	3 276 806	3 112 110	3 274 448
	<b>4 369 765</b>	<b>4 879 554</b>	<b>4 182 055</b>	<b>4 179 988</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Call investment deposits</b>				
Call Deposits STD Bank Rating - (F1+)	1 363	1 406	1 363	1 406
Fixed Deposits STD Bank Rating - (F1+)	584 300	333 800	584 300	333 800
Fixed Deposits ABSA Rating - (F1+)	956 891	508 500	956 891	508 500
Call Deposits ABSA Rating - (F1+)	134 444	481 656	134 444	481 656
Call Deposits RMB Rating - (F1+)	1 100	1 100	1 100	1 100
Fixed Deposits RMB Rating - (F1+)	-	700 000	-	700 000
Call Deposits INVESTEC Rating - (F1)	2 111	1 249	1 108	1 249
Fixed Deposits INVESTEC Rating - (F1)	384 700	83 500	384 700	83 500
Call Deposits NEDBANK Rating - (F1+)	1 357	118 448	1 031	116 090
Fixed deposits NEDBANK Rating (F1+)	31 077	300 000	31 077	300 000
Call Deposits CITI BANK Rating - (F1)	1 993	1 611	1 993	1 611
Fixed Deposits CITY BANK Rating - (F1)	176 400	-	176 400	-
Call Deposits DEUTSCHE BANK Rating - (F1)	2 600	14 000	2 600	14 000
Fixed Deposits DEUTSCHE BANK Rating - (F1)	-	242 000	-	242 000
Call Deposits TCTA Rating - (None)	2 000	2 000	2 000	2 000
Call Deposits LANDBANK Rating - (F1+)	51 050	1 050	51 050	1 050
Stanlib Call Investment Rating - (F1+)	782 053	486 486	782 053	486 486
	<b>3 113 439</b>	<b>3 276 806</b>	<b>3 112 110</b>	<b>3 274 448</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 13. ZOO ANIMALS

GROUP

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	28 777	(3 154)	25 623	26 108	(2 367)	23 741

#### Reconciliation of zoo animals - GROUP - 2016

	Opening balance	Additions	Adjustment arising from accounting for births and deaths	Disposals	Depreciation	Total
Zoo animals	23 741	2 370	3 007	(2 312)	(1 183)	25 623

#### Reconciliation of zoo animals - GROUP - 2015

	Opening balance	Additions	Adjustment arising from accounting for births and deaths	Disposals	Depreciation	Total
Zoo animals	15 247	6 057	3 816	(645)	(734)	23 741

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 14. INVESTMENT PROPERTY

GROUP	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 015 757	(366)	1 015 391	1 015 757	(343)	1 015 414

CJMM	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 014 946	-	1 014 946	1 014 946	-	1 014 946

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of investment property - GROUP - 2016

	Opening balance	Transfers	Depreciation	Total
Investment property	1 015 414	-	(23)	1 015 391

### Reconciliation of investment property - GROUP - 2015

	Opening balance	Additions	Transfers	Impairments	Depreciation	Total
Investment property	1 013 179	-	2 258	-	(23)	1 015 414

### Reconciliation of investment property - CJMM - 2016

	Opening balance	Transfers	Impairments	Total
Investment property	1 014 946	-	-	1 014 946

### Reconciliation of investment property - CJMM - 2015

	Opening balance	Additions	Transfers	Impairments	Total
Investment property	1 012 688	-	2 258	-	1 014 946

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 15. PROPERTY, PLANT AND EQUIPMENT

GROUP	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 568 882	-	8 568 882	8 323 489	-	8 323 489
Buildings	12 656 839	(4 068 677)	8 588 162	12 218 980	(3 575 897)	8 643 083
Plant and machinery	15 621 166	(3 029 148)	12 592 018	13 257 095	(2 623 127)	10 633 968
Furniture and fixtures	630 196	(443 909)	186 287	593 368	(393 171)	200 197
Motor vehicles	714 149	(430 060)	284 089	640 607	(324 818)	315 789
Office equipment	1 088 867	(771 731)	317 136	917 221	(610 098)	307 123
Computer equipment	306 195	(187 054)	119 141	264 624	(153 553)	111 071
Leasehold improvements	26 161	(14 118)	12 043	25 583	(11 401)	14 182
Infrastructure	14 666 267	(5 070 916)	9 595 351	11 685 525	(4 012 880)	7 672 645
Community assets	1 812 480	(723 256)	1 089 224	1 639 083	(603 013)	1 036 070
Landfill sites	473 172	(212 973)	260 199	515 997	(222 980)	293 017
Bins and containers	164 673	(82 025)	82 648	274 999	(198 030)	76 969
Work in progress	11 258 877	-	11 258 877	9 947 302	(4 915)	9 942 387
Minor plant	201 738	(84 207)	117 531	122 429	(77 659)	44 770
Specialised vehicles	1 486 210	(423 591)	1 062 619	1 120 964	(377 467)	743 497
Wastewater network	2 386 791	(210 915)	2 175 876	2 166 527	(187 113)	1 979 414
Water network	4 721 456	(556 238)	4 165 218	3 799 743	(488 266)	3 311 477
Library books	651 709	(596 995)	54 714	642 913	(585 556)	57 357
Emergency equipment.	61 442	(22 297)	39 145	55 575	(17 888)	37 687
Other	9 747	(6 091)	3 656	9 917	(5 796)	4 121
<b>Total</b>	<b>77 507 017</b>	<b>(16 934 201)</b>	<b>60 572 816</b>	<b>68 221 941</b>	<b>(14 473 628)</b>	<b>53 748 313</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

CJMM	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 485 365	-	8 485 365	8 241 841	-	8 241 841
Buildings	10 989 768	(3 393 777)	7 595 991	10 798 630	(2 966 447)	7 832 183
Plant and equipment	317 978	(217 072)	100 906	273 255	(186 190)	87 065
Furniture and fittings	531 901	(393 382)	138 519	496 741	(342 144)	154 597
Motor vehicles	362 514	(283 717)	78 797	324 849	(231 397)	93 452
Office equipment	1 010 457	(723 370)	287 087	840 862	(562 103)	278 759
Infrastructure	13 546 699	(4 772 929)	8 773 770	11 685 525	(4 012 880)	7 672 645
Community assets	1 812 480	(723 256)	1 089 224	1 639 083	(603 013)	1 036 070
Bins and containers	12 402	(8 762)	3 640	12 280	(7 268)	5 012
Work in progress	8 540 674	-	8 540 674	5 948 514	-	5 948 514
Specialised vehicles	790 070	(316 382)	473 688	760 484	(235 288)	525 196
Library books	651 709	(596 995)	54 714	642 913	(585 556)	57 357
Emergency equipment	61 442	(22 297)	39 145	55 575	(17 888)	37 687
Other	1 667	(718)	949	1 666	(608)	1 058
<b>Total</b>	<b>47 115 126</b>	<b>(11 452 657)</b>	<b>35 662 469</b>	<b>41 722 218</b>	<b>(9 750 782)</b>	<b>31 971 436</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of property, plant and equipment - GROUP - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Developer funded network	Depreciation	Impairment loss	Total
Land	8 323 489	292 978	-	(49 454)	1 869	-	-	-	8 568 882
Buildings	8 643 083	136 656	-	-	241 197	-	(432 774)	-	8 588 162
Plant and equipment	10 633 968	76 655	-	(5 981)	2 353 592	-	(466 216)	-	12 592 018
Furniture and fittings	200 197	21 320	-	(2 181)	16 346	-	(49 395)	-	186 287
Motor vehicles	315 789	47 110	-	(20)	5 043	-	(83 833)	-	284 089
Office equipment	307 123	137 330	-	(865)	11 240	-	(137 692)	-	317 136
Computer equipment	111 071	42 438	-	(613)	3 181	-	(36 936)	-	119 141
Leasehold improvements	14 182	938	-	-	-	-	(3 077)	-	12 043
Infrastructure	7 672 645	623 990	867 226	-	1 243 595	-	(812 105)	-	9 595 351
Community assets	1 036 070	53 608	-	-	119 709	-	(120 163)	-	1 089 224
Landfill sites	293 017	18 271	-	(9 718)	-	-	(41 371)	-	260 199
Bins and containers	76 969	13 550	-	(49)	47	-	(7 869)	-	82 648
Work in progress	9 942 387	6 254 723	-	-	(4 938 233)	-	-	-	11 258 877
Minor plant	44 770	12 148	-	(26)	71 272	-	(10 633)	-	117 531
Specialised vehicles	743 497	398 833	-	(2 448)	29 014	-	(106 222)	(55)	1 062 619
Wastewater network	1 979 414	6 866	-	-	116 892	96 506	(23 802)	-	2 175 876
Water network	3 311 477	253 053	-	-	628 873	70 065	(98 250)	-	4 165 218
Library books	57 357	8 796	-	-	-	-	(11 439)	-	54 714
Emergency equipment	37 687	4 146	-	(21)	1 742	-	(4 409)	-	39 145
Other	4 121	114	-	(24)	-	-	(555)	-	3 656
	<b>53 748 313</b>	<b>8 403 523</b>	<b>867 226</b>	<b>(71 400)</b>	<b>(94 621)</b>	<b>166 571</b>	<b>(2 446 741)</b>	<b>(55)</b>	<b>60 572 816</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of property, plant and equipment - GROUP - 2015

	Opening balance	Additions	Disposals	Transfers	Developer Funded network	Depreciation	Impairment loss	Closing balance
Land	7 928 523	347 061	(11 589)	59 494	-	-	-	8 323 489
Buildings	8 510 944	188 710	(101)	359 295	-	(415 765)	-	8 643 083
Plant and machinery	8 801 928	110 280	(2 822)	2 118 829	-	(393 898)	(349)	10 633 968
Furniture and fixtures	205 969	37 367	(1 328)	10 911	-	(52 722)	-	200 197
Motor vehicles	282 943	95 881	(1 577)	-	-	(61 458)	-	315 789
Office equipment	347 972	92 437	(2 926)	13 211	-	(143 571)	-	307 123
Computer equipment	67 955	33 745	(1 250)	39 128	-	(28 507)	-	111 071
Leasehold improvements	14 644	2 731	-	(188)	-	(3 005)	-	14 182
Infrastructure	7 777 435	435 955	-	168 007	-	(708 752)	-	7 672 645
Community assets	1 017 884	51 968	(7)	71 206	-	(104 981)	-	1 036 070
Landfill sites	354 820	40 656	(61 096)	-	-	(41 363)	-	293 017
Bins and containers	53 462	29 410	(6)	323	-	(6 220)	-	76 969
Work in progress	6 675 331	6 856 479	-	(3 584 508)	-	-	(4 915)	9 942 387
Minor plant	22 289	23 240	(7)	8 032	-	(8 784)	-	44 770
Specialised vehicles	733 955	129 675	(3 227)	-	-	(115 716)	(1 190)	743 497
Wastewater network	1 606 846	20 423	-	282 876	90 079	(20 810)	-	1 979 414
Water network	2 961 799	256 225	-	108 626	57 377	(72 550)	-	3 311 477
Library books	55 452	11 573	-	-	-	(9 668)	-	57 357
Emergency equipment	33 478	8 387	(41)	-	-	(4 137)	-	37 687
Other	3 483	1 193	(12)	(17)	-	(526)	-	4 121
	<b>47 457 112</b>	<b>8 773 396</b>	<b>(85 989)</b>	<b>(344 775)</b>	<b>147 456</b>	<b>(2 192 433)</b>	<b>(6 454)</b>	<b>53 748 313</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of property, plant and equipment - CJMM - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Depreciation	Total
Land	8 241 841	292 978	-	(49 454)	-	-	8 485 365
Buildings	7 832 183	49 630	-	-	103 763	(389 585)	7 595 991
Plant and equipment	87 065	40 721	-	(51)	(1 218)	(25 611)	100 906
Furniture and fittings	154 597	10 234	-	(313)	16 308	(42 307)	138 519
Motor vehicles	93 452	9 425	-	-	5 095	(29 175)	78 797
Office equipment	278 759	125 032	-	(534)	11 116	(127 286)	287 087
Infrastructure	7 672 645	617 577	867 226	(867 226)	1 243 595	(760 047)	8 773 770
Community assets	1 036 070	53 608	-	-	119 709	(120 163)	1 089 224
Bins and containers	5 012	75	-	-	47	(1 494)	3 640
Work in progress	5 948 514	4 091 136	-	-	(1 498 976)	-	8 540 674
Specialised vehicles	525 196	-	-	-	-	(51 508)	473 688
Library books	57 357	8 796	-	-	-	(11 439)	54 714
Emergency equipment	37 687	4 146	-	(21)	1 742	(4 409)	39 145
Other	1 058	-	-	-	-	(109)	949
	<b>31 971 436</b>	<b>5 303 358</b>	<b>867 226</b>	<b>(917 599)</b>	<b>1 181</b>	<b>(1 563 133)</b>	<b>35 662 469</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of property, plant and equipment - CJMM - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	7 863 846	347 061	(11 589)	42 523	-	8 241 841
Buildings	7 789 774	155 299	(101)	262 568	(375 357)	7 832 183
Plant and equipment	100 977	13 888	(1 275)	-	(26 525)	87 065
Furniture and fittings	166 173	26 281	(298)	7 739	(45 298)	154 597
Motor vehicles	102 168	66	(1 123)	-	(7 659)	93 452
Office equipment	327 523	72 725	(355)	13 221	(134 355)	278 759
Infrastructure	7 777 435	435 955	-	168 007	(708 752)	7 672 645
Community assets	1 017 884	51 968	(7)	71 206	(104 981)	1 036 070
Bins and containers	4 134	1 345	(6)	323	(784)	5 012
Work in progress	2 905 426	3 850 476	-	(807 388)	-	5 948 514
Specialised vehicles	558 138	40 932	-	-	(73 874)	525 196
Library books	55 452	11 573	-	-	(9 668)	57 357
Emergency equipment	33 478	8 388	(41)	-	(4 138)	37 687
Other	91	998	(1)	-	(30)	1 058
	<b>28 702 499</b>	<b>5 016 955</b>	<b>(14 796)</b>	<b>(241 801)</b>	<b>(1 491 421)</b>	<b>31 971 436</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Work in progress breakdown

#### GROUP

	2016			2015		
	Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
Buildings	2 295 025	-	2 295 025	991 932	(4 915)	987 017
Community assets	1 567 548	-	1 567 548	1 115 504	-	1 115 504
Plant and machinery	2 104 272	-	2 104 272	2 657 150	-	2 657 150
Furniture and Fittings	-	-	-	16 309	-	16 309
Infrastructure	4 716 973	-	4 716 973	3 863 160	-	3 863 160
Specialised vehicles	-	-	-	39 204	-	39 204
Office equipment	-	-	-	9 898	-	9 898
Water network	298 378	-	298 378	1 056 648	-	1 056 648
Wastewater network	140 709	-	140 709	158 926	-	158 926
Computer equipment	135 973	-	135 973	38 668	-	38 668
<b>Total</b>	<b>11 258 878</b>	<b>-</b>	<b>11 258 878</b>	<b>9 947 399</b>	<b>(4 915)</b>	<b>9 942 484</b>

#### CJMM

	2016			2015		
	Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
Buildings	2 256 153	-	2 256 153	938 548	-	938 548
Community assets	1 567 548	-	1 567 548	1 115 504	-	1 115 504
Emergency equipment	-	-	-	1 742	-	1 742
Furniture and Fittings	-	-	-	16 309	-	16 309
Infrastructure	4 716 973	-	4 716 973	3 861 418	-	3 861 418
Motor vehicles	-	-	-	5 095	-	5 095
Office equipment	-	-	-	9 898	-	9 898
<b>Total</b>	<b>8 540 674</b>	<b>-</b>	<b>8 540 674</b>	<b>5 948 514</b>	<b>-</b>	<b>5 948 514</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Assets subject to finance lease (Net carrying amounts)</b>				
Plant and machinery	2 885	9 434	-	-
Office equipment	34 964	48 039	30 092	35 871
Computer equipment	940	1 068	-	-
Leasehold improvements	12 043	14 182	-	-
Specialised vehicles	164 659	290 195	164 659	290 195
	<b>215 491</b>	<b>362 918</b>	<b>194 751</b>	<b>326 066</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 16. INTANGIBLE ASSETS

#### GROUP

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	235 867	(55 635)	180 232	235 867	(49 150)	186 717
Servitudes	1 727	-	1 727	1 727	-	1 727
Licences and franchises	285	(242)	43	285	(190)	95
Computer software, internally generated	14 581	(1 387)	13 194	9 874	3 090	12 964
Computer software	2 303 587	(1 543 186)	760 401	1 857 305	(1 252 114)	605 191
Intangible assets under development	28 452	-	28 452	15 231	-	15 231
Other intangible assets	137 743	(22 957)	114 786	-	-	-
<b>Total</b>	<b>2 722 242</b>	<b>(1 623 407)</b>	<b>1 098 835</b>	<b>2 120 289</b>	<b>(1 298 364)</b>	<b>821 925</b>

#### CJMM

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 841 766	(1 345 088)	496 678	1 530 479	(1 090 554)	439 925

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of intangible assets - GROUP - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Amortisation	Total
Additional capacity rights	186 717	-	-	-	-	(6 485)	180 232
Servitudes	1 727	-	-	-	-	-	1 727
Licences and franchises	95	285	-	-	-	(337)	43
Computer software, internally generated	12 964	358	-	-	-	(128)	13 194
Computer software	605 191	381 156	188 389	(194 061)	95 898	(316 172)	760 401
Intangible assets under development	15 231	13 221	-	-	-	-	28 452
Other intangible assets	-	137 743	-	-	-	(22 957)	114 786
	<b>821 925</b>	<b>532 763</b>	<b>188 389</b>	<b>(194 061)</b>	<b>95 898</b>	<b>(346 079)</b>	<b>1 098 835</b>

### Reconciliation of intangible assets - GROUP - 2015

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment reversal	Total
Additional capacity rights	192 450	-	-	-	(5 733)	-	186 717
Servitudes	1 727	-	-	-	-	-	1 727
Licences and franchises	95	285	-	-	(285)	-	95
Computer software, internally generated	9 022	-	-	-	(130)	4 072	12 964
Computer software	327 131	128 075	(1 445)	340 728	(189 298)	-	605 191
Intangible assets under development	-	15 231	-	-	-	-	15 231
	<b>530 425</b>	<b>143 591</b>	<b>(1 445)</b>	<b>340 728</b>	<b>(195 446)</b>	<b>4 072</b>	<b>821 925</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of intangible assets - CJMM - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	439 925	311 220	188 389	(188 418)	95	(254 533)	-	496 678

### Reconciliation of intangible assets - CJMM - 2015

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	239 389	116 961	-	237 752	(154 177)	-	439 925

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 17. HERITAGE ASSETS

#### GROUP

	2016			2015		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	526 316	-	526 316	527 592	-	527 592
Historical monuments	14 457	-	14 457	14 457	-	14 457
Historical buildings	41 104	-	41 104	41 104	-	41 104
<b>Total</b>	<b>581 877</b>	<b>-</b>	<b>581 877</b>	<b>583 153</b>	<b>-</b>	<b>583 153</b>

#### CJMM

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	524 723	-	524 723	525 999	-	525 999
Historical monuments	14 457	-	14 457	14 457	-	14 457
Historical buildings	41 104	-	41 104	41 104	-	41 104
<b>Total</b>	<b>580 284</b>	<b>-</b>	<b>580 284</b>	<b>581 560</b>	<b>-</b>	<b>581 560</b>

#### Reconciliation of heritage assets - GROUP - 2016

	Opening balance	Transfers	Total
Art collections, antiques and exhibits	527 592	(1 276)	526 316
Historical monuments	14 457	-	14 457
Historical buildings	41 104	-	41 104
	<b>583 153</b>	<b>(1 276)</b>	<b>581 877</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of heritage assets - GROUP - 2015

	Opening balance	Additions	Transfers	Total
Art collections, antiques and exhibits	522 611	3 195	1 786	527 592
Historical monuments	14 457	-	-	14 457
Historical buildings	41 104	-	-	41 104
	<b>578 172</b>	<b>3 195</b>	<b>1 786</b>	<b>583 153</b>

### Reconciliation of heritage assets - CJMM - 2016

	Opening balance	Transfers	Total
Art collections, antiques and exhibits	525 999	(1 276)	524 723
Historical monuments	14 457	-	14 457
Historical buildings	41 104	-	41 104
	<b>581 560</b>	<b>(1 276)</b>	<b>580 284</b>

### Reconciliation of heritage assets - CJMM - 2015

	Opening balance	Additions	Transfers	Total
Art collections, antiques and exhibits	521 018	3 195	1 786	525 999
Historical monuments	14 457	-	-	14 457
Historical buildings	41 104	-	-	41 104
	<b>576 579</b>	<b>3 195</b>	<b>1 786</b>	<b>581 560</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>18. INVESTMENTS IN MUNICIPAL ENTITIES</b>				
<b>Gross investment</b>				
City of Johannesburg Property Company (SOC) Ltd			5 141	5 141
City Power Johannesburg (SOC) Ltd			112 466	112 466
Johannesburg City Parks NPC			29 958	29 958
Johannesburg Development Agency (SOC) Ltd			16 278	16 278
Johannesburg Metropolitan Bus Services (SOC) Ltd			54 774	54 774
Johannesburg Roads Agency (SOC) Ltd			227 627	181 445
Metropolitan Trading Company (Pty) Ltd			97 972	97 972
Pikitup Johannesburg (SOC) Ltd			31 315	31 315
Johannesburg Civic Theatre (SOC) Ltd			1 784	1 784
The Johannesburg Fresh Produce Market (SOC) Ltd			20 000	20 000
			<b>597 315</b>	<b>551 133</b>
<b>Impairments</b>				
Johannesburg Metropolitan Bus Services (SOC) Ltd			(54 774)	(54 774)
Pikitup Johannesburg (SOC) Ltd			-	(31 315)
			<b>(54 774)</b>	<b>(86 089)</b>
<b>Net investment</b>				
			<b>Carrying amount 2016</b>	<b>Carrying amount 2015</b>
City of Johannesburg Property Company (SOC) Ltd			5 142	5 142
City Power Johannesburg (SOC) Ltd			112 466	112 466
Johannesburg City Parks NPC			29 958	29 958
Johannesburg Development Agency (SOC) Ltd			16 278	16 278
Johannesburg Metropolitan Bus Services (SOC) Ltd			-	-
Johannesburg Roads Agency (SOC) Ltd			227 627	181 445
Johannesburg Social Housing Company (SOC) Ltd			-	-
Johannesburg Water (SOC) Ltd			-	-
Metropolitan Trading Company (Pty) Ltd			97 972	97 972
Pikitup Johannesburg (SOC) Ltd			31 315	-
The Johannesburg Civic Theatre (SOC) Ltd			1 784	1 784
The Johannesburg Fresh Produce Market (SOC) Ltd			20 000	20 000
			<b>542 542</b>	<b>465 045</b>

The CJMM has investments in the following ME's that have a carrying amount less than R1,000

Johannesburg Social Housing Company (SOC) Ltd - R120  
Johannesburg Water (SOC) Ltd - R 200

Investments in ME's includes shareholder loans with no fixed repayment terms and interest.

The Investment in PIKITUP (SOC) Ltd has been reversed by CJMM based on the improved financial position and performance of the entity. The loans issued to the entity are still impaired due to the default in the repayments of the specific loans however indicators reflect that the investment is no longer impaired and hence the reversal of the investment.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 19. INVESTMENT IN JOINT VENTURES

Name of company	Carrying amount 2016	Carrying amount 2015	Carrying amount 2016	Carrying amount 2015
Golden Triangle (Pty) Ltd	34 097	24 968	1	1
Joshco Madulamoho Joint Venture (JMJV)	24 192	24 801	-	-
	<b>58 289</b>	<b>49 769</b>	<b>1</b>	<b>1</b>

#### Principal activities and reporting dates of Joint Ventures

Name of entity	Holding	Reporting date	Period of results included
Golden Triangle Development Company (Pty) Ltd	50%	2016/06/30	01/07/2015 - 30/06/2016
Joshco Madulamoho Joint Venture (JMJV)	55%	2016/06/30	01/07/2015 - 30/06/2016

#### Golden Triangle Development Company (Pty) Ltd

The Golden Triangle is an investment between the CJMM and the Ovenstone Group. The separate Annual Financial Statements of the Joint Venture are available for inspection at the registered office of the entity. The carrying amount of the investment and summary of assets are disclosed below

Opening balance	24 968	18 389
Share of surplus	9 129	6 579
	<b>34 097</b>	<b>24 968</b>

Total assets	65 152	115 184
Total liabilities	(6 952)	(65 246)
Revenue	125 219	257 491
Surplus	18 258	13 159

#### Madulammoho Joint Venture (JMJV)

The JMJV is an investment between Joshco and Madulamoho for social rental housing. The separate Annual Financial Statements of the Joint Venture are available for inspection at the registered office of the entity. There are no contingent liabilities, contingent assets or commitments relating to the Joint Venture. The carrying amount of the investment and summary of assets are disclosed below

Opening balance	24 801	25 431
Share of (deficit)/ surplus	(59)	(80)
Other movements	(550)	(550)
	<b>24 192</b>	<b>24 801</b>

Total assets	50 191	50 702
Total liabilities	(6 205)	(5 610)
Revenue	7 603	7 105
(Deficit)/ surplus	(106)	(145)

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 20. INVESTMENT IN ASSOCIATE

#### Name of entity

Friedshelf 128 (Pty) Ltd	15 791	20 046	-	-
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The CJMM through Pikitup (SOC) holds 50% shares in Friedshelf 128 (pty) Ltd. The CJMM is only considered to have significant influence over the operations of the company.

#### Movements in carrying value

Opening balance	20 046	18 108		
Share of (deficit)/ surplus	(4 255)	1 938		
	<b>15 791</b>	<b>20 046</b>		

#### Principal activities, country of incorporation and voting power

The company is incorporated in South Africa and operating in the property industry.

#### Summary of controlled entity's interest in associate

Total assets	37 477	44 922		
Total liabilities	(4 274)	(6 220)		
Revenue	5 605	6 014		
(Deficit)/ surplus	(5 499)	4 167		

#### Associates with different reporting dates

The financial year-end of the associate is the last day of February. As the year-end of the two entities is more than three months apart, the entity made estimates to the accounts of the associate to bring the two year ends in line with each other.

### 21. DEFERRED TAX

Deferred tax liability	2 398 950	2 109 855	-	-
Deferred tax assets	(514 398)	(443 108)	-	-

#### Reconciliation of deferred tax asset / (liability)

At beginning of year	(1 666 747)	(1 450 460)	-	-
Taxable / (deductible) temporary differences	(155 606)	79 932	-	-
Utilised assessed losses	(62 199)	(296 219)	-	-
	<b>(1 884 552)</b>	<b>(1 666 747)</b>	-	-

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 22. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

#### GROUP- 2016

	Cost	At fair value	Total
<b>Current Assets</b>			
Current tax receivable	18 955	-	18 955
Other financial assets	-	356 555	375 131
Trade and other receivables	1 819 430	-	1 819 430
Receivables from non-exchange	200 120	-	200 120
VAT receivable	178 624	-	178 624
Consumer debtors	6 177 748	-	6 177 748
Call investment deposits	3 113 439	-	3 113 439
Bank balances and cash	1 256 326	-	1 256 326
<b>Non-Current Assets</b>			
Other financial assets - Sinking fund	77 232	3 839 044	3 897 700
	<b>12 841 874</b>	<b>4 195 599</b>	<b>17 037 473</b>

#### GROUP - 2015

	Cost	At fair value	Total
<b>Current Assets</b>			
Current tax receivable	21 220	-	21 220
Other financial assets	-	4 190 880	4 190 880
Trade and other receivables	1 274 002	-	1 274 002
Receivables from non-exchange	112 487	-	112 487
VAT receivables	292 052	-	292 052
Consumer debtors	5 001 394	-	5 001 394
Call investment deposits	3 276 806	-	3 276 806
Bank balances and cash	1 602 748	-	1 602 748
<b>Non-Current Assets</b>			
Other financial assets	63 375	4 588 635	4 652 010
	<b>11 644 084</b>	<b>8 779 515</b>	<b>20 423 599</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### CJMM - 2016

	Cost	At fair value	At amortised cost	Total
<b>Current Assets</b>				
Loans to Municipal Entities	968 687	-	-	968 687
Other financial assets	-	356 555	18 576	375 131
Finance lease receivables	72 363	-	-	72 363
Trade and other receivables	4 640 627	-	-	4 640 627
Receivables from non-exchange	200 120	-	-	200 120
Consumer debtors	887 113	-	-	887 113
VAT receivable	171 744	-	-	171 744
Call investment deposits	3 112 110	-	-	3 112 110
Bank balances and cash	1 069 945	-	-	1 069 945
<b>Non-Current Assets</b>				
Loans to Municipal Entities	7 056 974	-	-	7 056 974
Other financial assets	77 232	3 839 044	(18 576)	3 897 700
Investments in Municipal entities	542 542	-	-	542 542
Finance lease receivables	308 921	-	-	308 921
	<b>19 108 378</b>	<b>4 195 599</b>	<b>-</b>	<b>23 303 977</b>

### CJMM - 2015

	Cost	At fair value	Total
<b>Current Assets</b>			
Loans to Municipal Entities	1 009 887	-	1 009 887
Other financial assets	-	4 190 880	4 190 880
Finance lease receivables	60 357	-	60 357
Trade and other receivables	3 915 841	-	3 915 841
Receivables from non-exchange	112 487	-	112 487
Consumer debtors	813 190	-	813 190
VAT receivable	284 336	-	284 336
Call investment deposits	3 274 448	-	3 274 448
Bank balances and cash	905 540	-	905 540
<b>Non-Current Assets</b>			
Loans to Municipal Entities	5 645 661	-	5 645 661
Other financial assets	63 375	4 588 635	4 652 010
Investments in Municipal entities	465 045	-	465 045
Finance lease receivables	278 502	-	278 502
	<b>16 828 669</b>	<b>8 779 515</b>	<b>25 608 184</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>23. LOANS AND BORROWINGS</b>				
<b>Non-Current portion of loans and borrowings -</b>				
<b>At amortised cost</b>				
Structured loans *	16 609	29 942	16 609	29 942
Development Bank of Southern Africa	5 342 227	2 916 186	5 326 316	2 899 533
Listed bonds	7 749 000	6 475 667	7 749 000	6 475 667
Other loans and borrowings	4 366 773	4 688 102	4 366 773	4 688 102
	<b>17 474 609</b>	<b>14 109 897</b>	<b>17 458 698</b>	<b>14 093 244</b>
<b>Current portion of loans and borrowings - At</b>				
<b>amortised cost</b>				
Structured loans *	13 333	13 333	13 333	13 333
Development Bank of Southern Africa	73 959	73 550	73 217	72 871
Listed bonds	166 667	1 233 333	166 667	1 233 333
Other loans and borrowings	340 270	253 878	340 270	253 881
	<b>594 229</b>	<b>1 574 094</b>	<b>593 487</b>	<b>1 573 418</b>
	<b>18 068 838</b>	<b>15 683 991</b>	<b>18 052 185</b>	<b>15 666 662</b>

\* Structured loans are secured by an investment which will redeem the loan at maturity.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>24. FINANCE LEASE OBLIGATIONS</b>				
<b>Minimum lease payments due</b>				
- within one year	83 952	139 165	72 137	123 875
- in second to fifth year	216 082	232 077	211 537	220 602
- later than five years	27 999	78 095	27 999	78 095
	<b>328 033</b>	<b>449 337</b>	<b>311 673</b>	<b>422 572</b>
less: future finance charges	(66 311)	(90 674)	(64 924)	(88 181)
<b>Present value of minimum lease payments</b>	<b>261 722</b>	<b>358 663</b>	<b>246 749</b>	<b>334 391</b>
<b>Present value of minimum lease payments due</b>				
- within one year	62 558	116 016	51 778	100 173
- in second to fifth year inclusive	172 486	170 784	168 293	162 355
- later than five years	26 678	71 863	26 678	71 863
	<b>261 722</b>	<b>358 663</b>	<b>246 749</b>	<b>334 391</b>
Non-current liabilities	199 164	242 647	194 971	234 218
Current liabilities	62 558	116 016	51 778	100 173
	<b>261 722</b>	<b>358 663</b>	<b>246 749</b>	<b>334 391</b>

### Office Equipment

The Group leases certain office equipment and these are classified as a finance lease. The lease terms range between 2 to 5 years. The Implicit interest rate on the leases ranges between 7.35% and 19.25% per annum.

### Plant and Equipment

The Group leases plant and equipment. The lease term is 3 years and the average implicit rate is 10%. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

### Specialised vehicles

The Group leases certain BRT vehicles and emergency service vehicles. The lease terms for these vehicles range between 10 to 12 years. The effective interest rate on the leases are between 9.7% and 15.43%. The lease for emergency service vehicles expired in August 2015.

The carrying values of these leased assets are included under property, plant and equipment. Refer to note 15.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>25. TRADE AND OTHER PAYABLES</b>				
<b>Financial liabilities</b>				
Accrued interest	168 048	125 120	167 695	124 753
Accrued bonus	258 898	212 545	11 964	11 496
Credit balances in consumer debtors	1 697 672	1 606 071	1 057 876	981 350
Engineering fees	102 530	95 538	102 530	95 538
Operating lease payables	18 729	23 230	1 610	4 967
Other creditors	1 741 781	1 411 905	965 607	605 705
Related party creditor	-	-	6 643 001	6 328 061
Retentions	306 467	235 059	55 695	67 347
Trade payables	7 134 239	6 411 594	1 919 379	1 792 500
	<u>11 169 466</u>	<u>9 908 517</u>	<u>10 925 357</u>	<u>10 011 717</u>
<b>Other liabilities</b>				
Accrued leave pay	568 977	538 857	291 941	269 831
Payments received in advance	434 499	464 252	15 051	15 609
	<u>1 003 476</u>	<u>1 003 109</u>	<u>306 992</u>	<u>285 440</u>
	<u><b>12 431 840</b></u>	<u><b>11 124 171</b></u>	<u><b>11 232 349</b></u>	<u><b>10 297 157</b></u>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>26. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
Provincial grants : Capital projects	166 339	170 048	166 339	167 788
Urban settlements development grant	94 985	-	94 985	-
Provincial grants : Top Structure of houses	-	108	-	108
Provincial grants : Operating projects	24 210	9 383	24 210	9 383
2010 Public transport (SPTN)	2 475	1 819	2 475	1 819
Neighbourhood Development Partnership Grant	25 753	9 047	25 753	9 047
World Anti-Doping Agency (WADA)	31 805	10 111	31 805	10 111
Expanded Public Works Programme (EPWP)	910	-	910	-
Provincial grant : Jozi Ihlomihle (HIV/Aids)	-	95	-	95
Public Transport Network Grant	45 246	3 502	45 246	3 502
Social housing grant	23 985	74 857	-	-
Infrastructure skills development grants	6 452	2 595	-	-
Public contributions and donations	31 698	5 890	1 890	2 059
	<b>453 858</b>	<b>287 455</b>	<b>393 613</b>	<b>203 912</b>
Non-current liabilities	23 071	73 943	-	-
Current liabilities	430 787	213 512	393 613	203 912
	<b>453 858</b>	<b>287 455</b>	<b>393 613</b>	<b>203 912</b>

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

A liability is recognised for any unfulfilled conditions, criteria, obligations and other contingencies attaching to government grants or assistance.

See note 38 for reconciliation of grants.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 27. PROVISIONS

#### Reconciliation of provisions - GROUP - 2016

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Legal claims	29 100	2 509	(3 959)	-	27 650
Provision for damages claim	20 000	-	-	-	20 000
Provision for maintenance contract	-	14 000	-	-	14 000
Fleet Provision	19 676	-	-	-	19 676
Environmental rehabilitation: Closed landfill site	151 343	-	130	9 077	160 550
Environmental rehabilitation: Open landfill sites	387 877	-	(9 717)	23 263	401 423
Pension fund provision	79 987	4 169	-	-	84 156
Other provisions	3 989	2 464	(847)	-	5 606
	<b>691 972</b>	<b>23 142</b>	<b>(14 393)</b>	<b>32 340</b>	<b>733 061</b>

#### Reconciliation of provisions - GROUP - 2015

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Legal claims	29 350	-	(250)	-	29 100
Legacy litigation	18 500	-	(18 500)	-	-
Provision for consultation fees	23 737	-	(23 737)	-	-
Provision for damages claim	20 000	-	-	-	20 000
Provision for cleaning services	1 800	-	(1 800)	-	-
Fleet Provision	19 676	-	-	-	19 676
Environmental rehabilitation: Closed landfill site	144 460	-	(1 195)	8 078	151 343
Environmental rehabilitation: Open landfill sites	425 226	-	(61 096)	23 747	387 877
Pension fund provision	76 084	3 903	-	-	79 987
Other provisions	4 342	-	(353)	-	3 989
	<b>763 175</b>	<b>3 903</b>	<b>(106 931)</b>	<b>31 825</b>	<b>691 972</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of provisions - CJMM - 2016

	Opening Balance	Additions	Interest	Total
Provision for damages claim	20 000	-	-	20 000
Provision for maintenance contract	-	14 000	-	14 000
Pension fund provision	79 987	4 169	-	84 156
Other Provisions	-	1 000	-	1 000
	<b>99 987</b>	<b>19 169</b>	-	<b>119 156</b>

### Reconciliation of provisions - CJMM - 2015

	Opening Balance	Additions	Utilised/written back during the year	Interest	Total
Provision for consultation fees	23 737	-	(23 737)	-	-
Provision for damages claim	20 000	-	-	-	20 000
Provision for cleaning services	1 800	-	(1 800)	-	-
Pension fund provision	76 084	3 903	-	-	79 987
	<b>121 621</b>	<b>3 903</b>	<b>(25 537)</b>	-	<b>99 987</b>

Non-current liabilities	700 742	659 630	119 156	99 987
Current liabilities	32 318	32 342	-	-
	<b>733 060</b>	<b>691 972</b>	<b>119 156</b>	<b>99 987</b>

### Legal claims

The legal claims provision relates to the litigation in progress that is likely to be paid by Johannesburg Road Agency based on the previous legal actions taken against the entity. The legal claims emanate from supply chain related matters which occurred in the past and the employment related matters from former and current employees against JRA.

### Provision for Damages Claim

A claim for damages was instituted by the Plaintiff as a result of the construction of the Grayston fly-over for loss of income. The total claim was R10,000,000.00 plus interest of R10,000,000.00 and is not insured. The Supreme Court of Appeal has ruled against the City on the matter of whether the construction amounted to a diversion.

Management has estimated the provision, however there is uncertainty as to when the liability will be settled.

### Provision for maintenance contract

An Arbitration matter in which Questek, the claimant, claims that the City must pay it approximately R14 million for services rendered in a maintenance contract at the City's request. The City does not deny the services but submits that it overpaid the service provider in another contract and there should be a set off.

### Fleet Provision

The provision relates amounts owed by Pikitup (SOC) Ltd to Fleet Africa for the fleet lease contract that has since expired. The matter has been referred to CoJ legal for assistance. The amount provided for is the amount of all outstanding invoices.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

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Figures in Rand thousand

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### **Environmental rehabilitation: landfill sites (closed and open)**

The provision relates to Pikitup (SOC) Ltd landfill sites. On an annual basis, management has to determine an accurate estimate of the environmental obligation to rehabilitate the various landfill sites upon closure. During this process management placed reliance upon the final Landfill Airspace Estimation Report as compiled by an independent consulting engineer for the technical data utilised in the provision and lifespan estimates.

The landfill airspace estimation as reported by the consulting engineer was performed by the Topographical surveyor who has extensive experience in the field with an Advance Mine Survey Certificate -M3.

The calculations of the landfill rehabilitation are based on the following assumptions in line with the permits requirements and consistent with prior years.

The final side slopes for each landfill is 1:3;

The cover to waste ratio is 1:5 for each site;

The growth rates for each site are based on zero growth;

The final landfill footprint extends over the entire landfill property size (excluding infrastructure and a 20m buffer zone between the site boundary and the toe of the landfill; and

The density of the waste is calculated using both the survey and weighbridge data.

### **Pension fund provision**

The provision is for the settlement of the Soweto Pension Fund which was approved by the Mayoral Committee on the 2nd of December 2010. The Settlement amount should have been paid in cash on or before 30 June 2011, as a result the interest at the rate of 65% of the prime interest has been calculated.

Management has estimated a provision amount, however there is still uncertainty as to when the liability will be settled.

### **Other Provisions**

#### **Provision for Security Contract**

On 21 August, the High Court ordered that Mjayeli suffered damages which are limited to 30 days proven loss of profits with the City having to pay Mjayeli's costs. Mjayeli is still to prove this loss. The loss is estimated at R1 million.

#### **Provision for other creditors**

The provision relates to amounts owed by Johannesburg City Parks (SOC) Ltd to various creditors. The amounts owed are under dispute. Management has estimated the provision to be R8 million, however there is uncertainty as to when the liability will be settled

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 28. EMPLOYEE BENEFIT OBLIGATIONS

#### 28.1 Post-retirement liabilities

Post-Retirement Medical Aid Plan	(1 179 351)	(1 320 453)	(1 103 327)	(1 240 425)
Post-Retirement Housing Subsidy Plan	(5 688)	(4 450)	(301)	(238)
Retirement Gratuity Plan	(417 584)	(439 552)	(150 827)	(163 947)
	<b>(1 602 623)</b>	<b>(1 764 455)</b>	<b>(1 254 455)</b>	<b>(1 404 610)</b>

#### 28.1.1 Unfunded post-retirement medical aid plan

The CJMM has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. The subsidy is based on the age of each qualifying employee on the determined date. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation	1 179 351	1 320 453	1 103 327	1 240 425
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#### Movements for the year

Opening balance	1 320 453	1 339 856	1 240 425	1 241 051
Benefits paid	(102 929)	(101 901)	(100 369)	(99 177)
Net expense recognised in the statement of financial performance	(38 173)	82 498	(36 729)	98 551
	<b>1 179 351</b>	<b>1 320 453</b>	<b>1 103 327</b>	<b>1 240 425</b>

#### Net expense recognised in the Statement of financial performance

Current service cost	699	4 680	329	2 924
Interest cost	106 980	114 859	100 371	106 157
Actuarial gains	(145 852)	(37 041)	(137 429)	(10 530)
	<b>(38 173)</b>	<b>82 498</b>	<b>(36 729)</b>	<b>98 551</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>28.1.2 Unfunded post-retirement housing subsidy plan</b>				
The CJMM provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.				
<b>Amounts recognised in the Statement of financial position</b>				
Present value of unfunded obligation in respect of CJMM employees	5 688	4 450	301	238
<b>Movements for the year</b>				
Opening balance	4 450	1 913	238	351
Benefits paid	(85)	(81)	(85)	(77)
Net expense recognised in the statement of financial performance	1 323	2 618	148	(36)
	<b>5 688</b>	<b>4 450</b>	<b>301</b>	<b>238</b>
<b>Net expense recognised in the Statement of financial performance</b>				
Current service cost	187	67	-	-
Interest cost	375	142	18	18
Actuarial losses/ (gains)	761	2 409	130	(54)
	<b>1 323</b>	<b>2 618</b>	<b>148</b>	<b>(36)</b>
<b>28.1.3 Unfunded post-retirement gratuity plan</b>				
The CJMM provides gratuities on retirement or death in respect of certain qualifying staff members who have service with the CJMM when they were not members of one of the retirement funds and who meet certain service requirements in terms of the CJMM conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.				
<b>Amounts recognised in the Statement of financial position</b>				
Present value of unfunded obligation in respect of CJMM employees	417 584	439 552	150 827	163 947
<b>Movements for the year</b>				
Opening balance	439 552	500 610	163 947	190 546
Benefits paid	(38 960)	(38 455)	(11 042)	(15 807)
Net expense recognised in the statement of financial performance	16 992	(22 603)	(2 078)	(10 792)
	<b>417 584</b>	<b>439 552</b>	<b>150 827</b>	<b>163 947</b>
<b>Net expense recognised in the Statement of financial performance</b>				
Interest cost	35 370	42 606	13 029	16 206
Actuarial (gains)/ losses	(18 378)	(65 209)	(15 107)	(26 998)
	<b>16 992</b>	<b>(22 603)</b>	<b>(2 078)</b>	<b>(10 792)</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	8,86 %	8,44 %	8,87 %	8,42 %
Health care cost inflation rate	8,01 %	7,61 %	8,01 %	7,61 %
Maximum subsidy inflation rate	5,63 %	7,11 %	5,63 %	7,11 %
Salary inflation	7,51 %	7,11 %	7,11 %	7,11 %
Net discount rate – health care cost inflation (PEMA)	0,79 %	0,75 %	0,79 %	0,76 %
Net discount rate – maximum subsidy inflation (PEMA)	3,06 %	1,22 %	3,06 %	1,24 %
Net discount rate – salary inflation (PEH & Gratuity)	1,26 %	1,22 %	1,26 %	1,24 %

### Sensitivity analysis

- - -

### GROUP

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		1 179 351	5 688	417 725	1 602 764	
Benefits inflation	+1%	1 215 696	6 425	446 658	1 668 779	4%
	-1%	1 133 001	5 056	391 303	1 529 360	5%
Discount rate	+1%	1 090 699	5 068	391 844	1 487 611	-7%
	-1%	1 282 025	6 422	446 559	1 735 006	8%
Post-retirement mortality	- 1 Year	1 227 715	5 736	417 725	1 651 176	3%
		-	-	-	-	

### CJMM

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		1 103 327	301	150 969	1 254 597	
Benefits inflation	+1%	1 136 732	306	162 281	1 299 319	4%
	-1%	1 060 453	296	140 703	1 201 452	4%
Discount rate	+1%	1 020 997	296	140 913	1 162 206	-7%
	-1%	1 198 653	306	162 241	1 361 200	8%
Post-retirement mortality	- 1 Year	1 148 932	304	150 969	1 300 205	4%
		-	-	-	-	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2017

#### GROUP

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		99 891	774	34 957	135 622	
Benefits inflation	+1%	103 100	883	37 516	141 499	4%
	-1%	95 868	681	32 805	129 354	-5%
Discount rate	+1%	102 522	735	36 360	139 617	3%
	-1%	96 751	816	33 271	130 838	-4%
Post-retirement mortality	- 1 Year	104 255	780	34 957	139 992	3%
		-	-	-	-	

#### CJMM

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		93 514	24	12 685	106 223	
Benefits inflation	+1%	96 476	24	13 688	110 188	4%
	-1%	89 712	23	11 775	101 510	-4%
Discount rate	+1%	95 948	26	13 125	109 099	-7%
	-1%	90 458	21	12 140	102 619	8%
Post-retirement mortality	-1 year	97 558	24	12 685	110 267	4%
		-	-	-	-	

Five years historical Post retirement obligations

#### GROUP

	2016	2015	2014	2013	2012
Total	1 602 623	1 764 455	1 842 379	1 865 790	1 789 466
<b>Experience adjustment</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total	(68 838)	114 354	-	-	-

#### CJMM

<b>Post- retirement obligation</b>	2016	2015	2014	2013	2012
Total	1 254 455	1 404 612	1 431 950	1 445 683	1 808 068
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total	(67 185)	(57 482)	-	-	-

The experience adjustments were calculated in the current and prior financial year however it was impracticable to calculate it for previous valuations

The CJMM and its ME's provide post-employment benefits to all other permanent employees through defined contribution funds.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>29. DEFERRED INCOME</b>				
<b>Bond tap</b>				
Balance unspent at beginning of year	45 637	48 879	45 637	48 879
Conditions met - transferred to revenue	(3 591)	(3 242)	(3 591)	(3 242)
<b>Conditions still to be met - transferred to liabilities</b>	<b>42 046</b>	<b>45 637</b>	<b>42 046</b>	<b>45 637</b>
<p>The Bond tap is a Bond issued into the life of an existing Bond. The Tap was issued at a premium on the prevailing interest rate at the time of the Tap. The premium is amortised over the maturity of the Bond and released to interest income on an annual basis.</p> <p>The Tap was issued on the 9th of December 2008 and is due to mature on the 5th of June 2023. The Tap was issued at a premium of R58,038,692, at an interest rate of 12.21% per annum. The notional amount was R468,000,000 and the issue price was R526,038,692.</p>				
<b>Deferred income related to BRT points system</b>				
Current year receipts	4 298	-	4 298	-
<b>Passenger trips received in advance</b>				
Balance unspent at beginning of year	4 264	4 545	-	-
Conditions met - transferred to revenue	(312)	(281)	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>3 952</b>	<b>4 264</b>	<b>-</b>	<b>-</b>
<p>Deferred income refers to the liability relating to passenger trips sold in advance through the Smartcards Multi-Journey Software. The deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket accordingly.</p>				
<b>Commission received</b>				
Balance at the beginning of the year	4 702	11 066	-	-
Income recognition during the year	(4 702)	(6 364)	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>4 702</b>	<b>-</b>	<b>-</b>
<p>The above deferred income relate to commission received on the conclusion of the 5 year lease agreement relating to outdoor advertising. The final amortisation occurred in March 2016.</p>				
Current liabilities	3 952	8 966	-	-
Non-current liabilities	46 344	45 637	46 344	45 637
	<b>50 296</b>	<b>54 603</b>	<b>46 344</b>	<b>45 637</b>

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 30. FINANCIAL LIABILITIES AT FAIR VALUE - SINKING FUND

The Debt redemption fund is a financial solution to assist the CJMM meet its financial obligations to repay previously issued bonds. The CJMM pays contributions into the fund, which is managed by a 3rd party fund manager, so as to enable the Municipality to receive contributions plus growth to repay redemptions of the bonds when they fall due. This is part of the risk management framework adopted by CJMM. The financial assets in the fund are disclosed in note 11

The total investments are pledged as collateral for CJMM Bonds

The investments pledged as collateral cannot be sold until the related liability is settled in full.

The Terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.

Sinking Fund  
Maturity - 5 June 2023

#### Other financial liabilities through profit or loss

Bonds	887	1 657	887	1 657
Bond Repurchase Agreements	376 139	521	376 139	521
Bond Options	41 045	88 037	41 045	88 037
Forward Rate Agreements	18 394	14 095	18 394	14 095
Swaps	8 209	33 620	8 209	33 620
<b>Current Liabilities</b>	<b>444 674</b>	<b>137 930</b>	<b>444 674</b>	<b>137 930</b>

#### Other financial liabilities through profit or loss

Bonds	-	2 704 406	-	2 704 406
Floating Rate Note	222 917	224 528	222 917	224 528
Forward Rate Agreement	7 516	5 327	7 516	5 327
Amortising Swap	15 824	174 607	15 824	174 607
Bond Options	-	66 927	-	66 927
Swaps	479 472	1 706 098	479 472	1 706 098
<b>Non-Current Liabilities</b>	<b>725 729</b>	<b>4 881 893</b>	<b>725 729</b>	<b>4 881 893</b>

<b>1 170 403</b>	<b>5 019 823</b>	<b>1 170 403</b>	<b>5 019 823</b>
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#### Financial liabilities carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	793 377	2 313 238	793 377	2 313 238
Held for trading non-derivative financial liabilities	377 026	2 706 585	377 026	2 706 585
<b>1 170 403</b>	<b>5 019 823</b>	<b>1 170 403</b>	<b>5 019 823</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 31. OTHER FINANCIAL LIABILITIES AT FAIR VALUE - SWAP

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for an 11.66% fixed interest rate.

#### Swap Details

Trade Date :	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1 billion
Fixed Rate:	11.66%
Payable:	Semi- annual

<b>Opening balance</b>	45 217	54 113	45 217	54 113
Fair value movement-SWAP	(23 083)	(8 896)	(23 083)	(8 896)
<b>Closing balance</b>	<b>22 134</b>	<b>45 217</b>	<b>22 134</b>	<b>45 217</b>
Current liability	4 056	6 856	4 056	6 856
Non-Current liability	18 078	38 361	18 078	38 361
	<b>22 134</b>	<b>45 217</b>	<b>22 134</b>	<b>45 217</b>

### 32. CONSUMER DEPOSITS

#### Non-Current portion of Consumer deposits

Electricity and water deposits	793 988	693 877	-	-
Other deposits	15 816	17 288	15 816	17 288
	<b>809 804</b>	<b>711 165</b>	<b>15 816</b>	<b>17 288</b>

#### Current portion of Consumer deposits

Other deposits	37 766	28 293	-	-
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Other deposits relate largely to deposits held as part of rental agreements between tenants and JPC Portfolio, Joshco Community Development and the Housing Department.

### 33. LOANS FROM MUNICIPAL ENTITIES

Non-current liabilities	-	-	412 990	411 802
Current liabilities	-	-	-	-
	-	-	<b>412 990</b>	<b>411 802</b>

#### Notional Accounts

The liability with the municipality entities was undertaken by the CJMM to cover the portion of the post retirement liability accrued for the employees of CJMM who were transferred to municipal entities when they were established. The amount of the liability was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the municipal entities may claim benefit payments made.

#### Medical Aid Notional loan account

Opening balance	-	-	142 069	134 931
Finance cost	-	-	9 330	8 061
Payments	-	-	(1 635)	(923)
	-	-	<b>149 764</b>	<b>142 069</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>33. LOANS FROM MUNICIPAL ENTITIES (continued)</b>				
<b>Gratuities Notional loan account</b>				
Opening balance	-	-	269 733	276 182
Finance cost	-	-	17 442	16 199
Payments	-	-	(23 948)	(22 648)
	-	-	<b>263 227</b>	<b>269 733</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 34. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

#### GROUP- 2016

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
<b>Current Liabilities</b>			
Loans and borrowings	594 229	-	594 229
Finance lease obligations	62 558	-	62 558
Financial liabilities - Sinking fund	-	444 674	444 674
Other financial liabilities - Swap	-	4 056	-
<b>Non-Current Liabilities</b>			
Loans and borrowings	17 474 609	-	17 474 609
Finance lease obligations	199 164	-	199 164
Financial liabilities - Sinking fund	-	725 729	-
Other financial liabilities - Swap	-	18 078	18 078
Consumer deposits	809 804	-	809 804
	<b>19 140 364</b>	<b>1 192 537</b>	<b>19 603 116</b>

#### GROUP - 2015

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
<b>Current Liabilities</b>			
Loans and borrowings	1 574 094	-	1 574 094
Finance lease obligations	116 016	-	116 016
Financial liabilities - Sinking fund	-	137 930	-
Other financial liabilities - Swap	-	6 856	1 089 712
Consumer deposits	28 293	-	28 293
<b>Non-Current Liabilities</b>			
Loans and borrowings	14 109 897	-	14 109 897
Finance lease obligations	242 647	-	242 647
Financial liabilities - Sinking fund	-	4 881 893	-
Other financial liabilities - Swap	-	38 361	-
Consumer deposits	711 165	-	711 165
	<b>16 782 112</b>	<b>5 065 040</b>	<b>17 871 824</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### CJMM - 2016

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
<b>Current Liabilities</b>			
Loans and borrowings	593 487	-	593 487
Finance lease obligations	51 778	-	51 778
Financial liabilities - Sinking fund	-	444 674	444 674
Other financial liabilities - Swap	-	4 056	-
<b>Non-Current Liabilities</b>			
Loans and borrowings	17 458 698	-	17 458 698
Finance lease obligations	194 971	-	194 971
Financial liabilities - Sinking fund	-	725 729	-
Other financial liabilities - Swap	-	18 078	-
Loans from Municipal entities	412 990	-	-
Consumer deposits	15 816	-	15 816
	<b>18 727 740</b>	<b>1 192 537</b>	<b>18 759 424</b>

### CJMM - 2015

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
<b>Current Liabilities</b>			
Loans and borrowings	1 573 418	-	1 573 418
Finance lease obligations	100 173	-	100 173
Financial liabilities - Sinking fund	-	137 930	137 930
Other financial liabilities - Swap	-	6 856	-
Trade and other payables	11 316 481	-	11 316 481
<b>Non-Current Liabilities</b>			
Loans and borrowings	14 093 244	-	14 093 244
Finance lease obligations	234 218	-	234 218
Financial liabilities - Sinking fund	-	4 881 893	4 881 893
Other financial liabilities - Swap	-	38 361	-
Loans from Municipal entities	411 802	-	411 802
Consumer deposits	17 288	-	17 288
	<b>27 746 624</b>	<b>5 065 040</b>	<b>32 766 447</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>35. OTHER REVENUE</b>				
Bulk contributions received	175 841	193 866	-	-
Commissions received	354 376	298 207	-	-
Cut-off fees	10 190	2 928	-	-
Demand side management levy	141 577	66 240	-	-
Gautrain maintenance fees	6 724	5 788	-	-
Internal recoveries - ME's	-	-	458 764	390 538
Cemetery fees	20 804	19 381	-	-
Theatre ticket sales	11 931	10 720	-	-
Recovery of insurance	10 098	10 876	140	-
Sundry revenue	852 547	687 566	561 724	394 769
Training revenue	17 565	17 245	18 089	16 944
	<b>1 601 653</b>	<b>1 312 817</b>	<b>1 038 717</b>	<b>802 251</b>
<b>36. RENDERING OF SERVICES</b>				
Other service charges	459 945	509 511	226 650	195 673
Refuse removal	1 298 224	1 202 553	-	-
Sale of electricity	13 908 429	12 743 765	-	-
Sale of water	4 869 085	4 147 061	-	-
Sewerage and sanitation charges	2 739 019	2 716 878	-	-
Surcharges : Electricity	151 582	134 686	151 582	134 686
Surcharges : Refuse	4 180	3 844	4 180	3 844
Surcharges : Water	47 015	46 637	47 015	46 637
	<b>23 477 479</b>	<b>21 504 935</b>	<b>429 427</b>	<b>380 840</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>37. PROPERTY RATES</b>				
<b>Rates received</b>				
Residential	2 850 375	2 639 198	2 850 375	2 639 236
Commercial	5 114 128	4 870 736	5 114 128	4 870 740
State	173 556	164 955	173 556	164 955
	<b>8 138 059</b>	<b>7 674 889</b>	<b>8 138 059</b>	<b>7 674 931</b>
<b>Valuations</b>				
Property rate valuations	945 236 868	919 592 501	945 236 868	919 592 501

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Provincial grants : Capital projects	167 961	168 124	116 541	137 123
Urban settlements development grant	1 636 236	1 685 807	1 386 716	1 359 400
Financial management grant	1 050	1 250	1 050	1 250
Provincial grants : Top structure of houses	304 531	328 077	304 531	328 077
Provincial grants : Operating projects	20 319	8 003	12 619	10 905
2010 Public transport (SPTN)	863 712	925 572	863 712	925 572
Neighbourhood development partnership grant	38 234	39 414	38 234	39 414
Integrated City Development Grant (ICDG)	32 692	40 386	32 692	40 386
Expanded Public Works Programme (EPWP)	33 363	42 864	33 363	42 864
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	19 709	19 889	19 709	19 889
Public Transport Network operations Grant	245 257	520 708	245 257	520 708
Social housing grant	914	914	-	-
Ambulance subsidy	111 416	105 809	111 416	105 809
Equitable share and fuel levy	5 331 848	4 853 451	5 331 848	4 853 451
Provincial health subsidies	110 043	104 505	110 043	104 505
Skills Development Grant	2 618	2 302	-	-
	<b>8 919 903</b>	<b>8 847 075</b>	<b>8 607 731</b>	<b>8 489 353</b>

### Provincial grants : Capital projects

Balance unspent at beginning of year	170 048	151 798	167 788	151 796
Current year receipts	159 064	92 832	109 904	59 573
Transfers	-	43 948	-	43 948
Adjustment - Debtors	5 188	49 594	5 188	49 594
Conditions met - transferred to revenue	(167 961)	(168 124)	(116 541)	(137 123)
<b>Conditions still to be met - transferred to liabilities</b>	<b>166 339</b>	<b>170 048</b>	<b>166 339</b>	<b>167 788</b>

### Urban settlements development grant

Current year receipts	1 731 221	1 695 487	1 731 221	1 695 487
Transferred to EPWP	-	(9 680)	-	(9 680)
Transferred to ME's	-	-	(249 520)	(326 407)
Conditions met - transferred to revenue	(1 636 236)	(1 685 807)	(1 386 716)	(1 359 400)
<b>Conditions still to be met - transferred to liabilities</b>	<b>94 985</b>	<b>-</b>	<b>94 985</b>	<b>-</b>

This grant is made available to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households. The Urban Settlement Development Grant contributes towards the achievement of sustainable human settlements and improved quality of household life by implementing infrastructure development projects that work towards the realisation of adequate housing and improved quality environments and a functional residential property market. The infrastructure development projects include roads, bridges, water supply network, sanitation services, electrical reticulation, social and recreational services, cemeteries, markets as well as release of well located land.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Financial management grant</b>				
Current year receipts	1 050	1 250	1 050	1 250
Conditions met - transferred to revenue	(1 050)	(1 250)	(1 050)	(1 250)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The grant was to target training and capacitation of the staff in the Budget and Treasury offices. It targets systems for the implementation of the MFMA reporting requirements. The grant is mainly used to employ interns in the Finance Department and to fund the MFMA minimum competency level training.

### Provincial grants : Top structure of houses

Balance unspent at beginning of year	108	209 827	108	209 827
Current year receipts	348 759	-	348 759	-
Settled against debtors	(172 823)	(34 774)	(172 823)	(34 774)
Current year claims	128 487	153 132	128 487	153 132
Conditions met - transferred to revenue	(304 531)	(328 077)	(304 531)	(328 077)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>108</b>	<b>-</b>	<b>108</b>

### Provincial grants : Operating projects

Balance unspent at beginning of year	9 383	7 696	9 383	7 696
Current year receipts	36 149	10 690	36 149	10 690
Paid Back	(1 003)	-	(1 003)	-
Transfers to ME's	-	-	(7 700)	2 902
Adjustments	-	(1 000)	-	(1 000)
Conditions met - transferred to revenue	(20 319)	(8 003)	(12 619)	(10 905)
<b>Conditions still to be met - transferred to liabilities</b>	<b>24 210</b>	<b>9 383</b>	<b>24 210</b>	<b>9 383</b>

To transform urban and rural community library infrastructure, facilities and services through a recapitalised programme at provincial level in support of local government and national initiatives. The funding is intended to address backlogs and disparities in ongoing provision and maintenance of community library services across municipalities and enable provincial departments to provide strategic guidance and alignment with national priorities.

### Public Transport Network Grant (Capital Projects)

Balance unspent at beginning of year	1 819	398 840	1 819	398 840
Current year receipts	864 368	553 571	864 368	553 571
Grants paid back	-	(25 020)	-	(25 020)
Conditions met - transferred to revenue	(863 712)	(925 572)	(863 712)	(925 572)
<b>Conditions still to be met - transferred to liabilities</b>	<b>2 475</b>	<b>1 819</b>	<b>2 475</b>	<b>1 819</b>

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Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Neighbourhood development partnership grant</b>				
Balance unspent at beginning of year	9 047	9 849	9 047	9 849
Current year receipts	54 940	48 461	54 940	48 461
Grants paid back	-	(9 849)	-	(9 849)
Conditions met - transferred to revenue	(38 234)	(39 414)	(38 234)	(39 414)
<b>Conditions still to be met - transferred to liabilities</b>	<b>25 753</b>	<b>9 047</b>	<b>25 753</b>	<b>9 047</b>

The purpose of this grant is to stimulate and accelerate private sector investment in poor and underserved neighbourhoods. It is an Infrastructure Development grant focusing on township development, for the purpose of attracting private investment and for Government agencies to be able to provide basic services.

### Integrated City Development Grant (ICDG)

Balance unspent at beginning of year	10 111	-	10 111	-
Current year receipts	54 386	50 497	54 386	50 497
Conditions met - transferred to revenue	(32 692)	(40 386)	(32 692)	(40 386)
<b>Conditions still to be met - transferred to liabilities</b>	<b>31 805</b>	<b>10 111</b>	<b>31 805</b>	<b>10 111</b>

### Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	19 033	-	19 033
Current year receipts	38 447	36 492	38 447	36 492
Adjustments	-	(3 419)	-	(3 419)
Transfers	(4 174)	(9 242)	(4 174)	(9 242)
Conditions met - transferred to revenue	(33 363)	(42 864)	(33 363)	(42 864)
<b>Conditions still to be met - transferred to liabilities</b>	<b>910</b>	<b>-</b>	<b>910</b>	<b>-</b>

The Grant assists in providing an important avenue for labour absorption and aids transfers of income to poor households. It uses expenditure on goods and services to create work opportunities for the unemployed. EPWP Projects employ workers on a temporary or on-going basis either by government, by contractors, or by other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions.

### Provincial grant : Jozi Ihlomihle (Hiv/Aids)

Balance unspent at beginning of year	95	696	95	696
Current year receipts	19 614	19 288	19 614	19 288
Conditions met - transferred to revenue	(19 709)	(19 889)	(19 709)	(19 889)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>95</b>	<b>-</b>	<b>95</b>

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Public Transport Network Grant (Operational projects)</b>				
Balance unspent at beginning of year	3 502	12 252	3 502	12 252
Current year receipts	287 001	512 000	287 001	512 000
Transfers	-	(42)	-	(42)
Conditions met - transferred to revenue	(245 257)	(520 708)	(245 257)	(520 708)
<b>Conditions still to be met - transferred to liabilities</b>	<b>45 246</b>	<b>3 502</b>	<b>45 246</b>	<b>3 502</b>
<b>Social Housing grant</b>				
Balance unspent at beginning of year	74 857	72 173	-	-
Current year receipts/Repayments	(49 958)	3 598	-	-
Conditions met - transferred to revenue	(914)	(914)	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>23 985</b>	<b>74 857</b>	<b>-</b>	<b>-</b>
The grants relate to funds received by Johannesburg Social Housing Company namely:				
Social Housing Foundation				
Provincial grant - Kliptown Golf Course				
Gauteng Provincial grant - JMJV				
<b>Ambulance subsidy</b>				
Current year receipts	111 416	105 809	111 416	105 809
Conditions met - transferred to revenue	(111 416)	(105 809)	(111 416)	(105 809)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gauteng province pays an annual grant to EMS for providing an ambulance service for the City of Johannesburg. This grant covers less than half of the cost of the vehicles, the manning of the vehicles and all other costs associated with providing the service by the City.				
<b>Equitable share and fuel levy</b>				
Current year receipts	5 331 848	4 853 451	5 331 848	4 853 451
Conditions met - transferred to revenue	(5 331 848)	(4 853 451)	(5 331 848)	(4 853 451)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Municipal Equitable Share is the share of Local Government Sphere's share of revenue raised nationally. The equitable share allocation is a subsidy received from National Treasury and is mainly for RSC levies replacement, special support for councillors' remuneration, ward committees and funding for free basic services (Basic Social Services Package) for the registered indigent households.

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Provincial health subsidies</b>				
Current year receipts	110 043	104 505	110 043	104 505
Conditions met - transferred to revenue	(110 043)	(104 505)	(110 043)	(104 505)
<b>Conditions still to be met - transferred to liabilities</b>	-	-	-	-

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 20% of total expenditure incurred. These funds have been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>39. EMPLOYEE RELATED COSTS</b>				
Employee related costs : Salaries and wages	6 372 965	6 055 493	3 685 518	3 398 819
Employee related costs : Pension contributions	897 419	904 011	522 784	524 701
Employee related costs : Gratuities	24 434	9 286	-	-
Employee related costs : Medical aid contributions	371 708	342 808	309 216	283 267
Employee related costs : Skills development levy	66 560	62 258	43 867	40 396
Housing benefits and allowances	49 121	36 680	32 218	22 616
Overtime payments	322 911	291 923	81 572	71 505
Bonus	444 418	388 963	214 627	189 867
Travel, motor car, accommodation, subsistence and other allowances	421 893	406 993	277 006	265 197
Post-Retirement Benefits	(25 321)	54 370	(11 370)	87 546
Other employee benefits	52 901	36 321	-	-
	<b>8 999 009</b>	<b>8 589 106</b>	<b>5 155 438</b>	<b>4 883 914</b>

### Remuneration of the City Manager

Annual Remuneration	2 705	2 562
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	2	2
	<b>2 835</b>	<b>2 692</b>

### Remuneration of the Group Head : Risk Assurance Services

Annual Remuneration	1 653	1 551
Car Allowance	288	287
Performance Bonuses	-	68
Contributions to UIF, Medical and Pension Funds	48	44
Unpaid absence	-	7
	<b>1 989</b>	<b>1 957</b>

### Remuneration of the Group Head : Strategy, Policy Coordination and Relations

Annual Remuneration	995	1 269
Car Allowance	135	108
Performance Bonuses	-	81
Contributions to UIF, Medical and Pension Funds	1	121
	<b>1 131</b>	<b>1 579</b>

### Remuneration of the Group Head : Communication and Tourism

Annual Remuneration	1 632	1 517
Car Allowance	-	85
Performance Bonuses	-	48
Contributions to UIF, Medical and Pension Funds	2	52
Unpaid absence	-	61
	<b>1 634</b>	<b>1 763</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Remuneration of the Group Head : Legal and Contracts</b>				
Annual Remuneration			1 145	908
Car Allowance			87	87
Performance Bonuses			-	40
Contributions to UIF, Medical and Pension Funds			174	134
			<b>1 406</b>	<b>1 169</b>
<b>Remuneration of the Group : Chief Financial Officer</b>				
Annual Remuneration			2 640	2 500
Car Allowance			144	144
Contributions to UIF, Medical and Pension Funds			2	2
			<b>2 786</b>	<b>2 646</b>
<b>Remuneration of the Executive Director : Economic Development</b>				
Annual Remuneration			2 227	2 115
Contributions to UIF, Medical and Pension Funds			2	2
			<b>2 229</b>	<b>2 117</b>
<b>Remuneration of the Executive Director : Community Development</b>				
Annual Remuneration			1 599	1 514
Car Allowance			103	103
Performance Bonuses			-	59
Contributions to UIF, Medical and Pension Funds			160	152
			<b>1 862</b>	<b>1 828</b>
<b>Remuneration of the Executive Director : Development Planning and Urban Development</b>				
Annual Remuneration			2 020	1 913
Car Allowance			144	144
Performance Bonuses			-	79
Contributions to UIF, Medical and Pension Funds			121	113
Eminence/Premiums Allowance			180	180
			<b>2 465</b>	<b>2 429</b>
<b>Remuneration of the Executive Director : EISD</b>				
Annual Remuneration			1 759	1 666
Car Allowance			97	97
Performance Bonuses			-	49
Contributions to UIF, Medical and Pension Funds			48	45
			<b>1 904</b>	<b>1 857</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### Remuneration of the Executive Director : Housing

Annual Remuneration			1 439	1 362
Car Allowance			96	96
Performance Bonuses			-	52
Contributions to UIF, Medical and Pension Funds			143	135
			<b>1 678</b>	<b>1 645</b>

### Remuneration of the Executive Director : Transportation

Annual Remuneration			1 887	1 789
Car Allowance			73	73
Performance Bonuses			-	76
Contributions to UIF, Medical and Pension Funds			285	270
			<b>2 245</b>	<b>2 208</b>

### Remuneration of the Executive Director : Health

Annual Remuneration			1 965	1 861
Car Allowance			108	108
Performance Bonuses			-	129
Contributions to UIF, Medical and Pension Funds			2	2
			<b>2 075</b>	<b>2 100</b>

### Remuneration of the Executive Director : Corporate Services

Annual Remuneration			1 576	230
Performance Bonuses			-	72
Contributions to UIF, Medical and Pension Funds			2	20
Final leave payment			-	106
			<b>1 578</b>	<b>428</b>

The Executive Director resigned on 30 June 2014 and the current appointment was effective from 1 May 2015.

### Remuneration of the Executive Director : Office of the City Manager

Annual Remuneration			1 413	1 344
Performance Bonuses			-	82
Contributions to UIF, Medical and Pension Funds			73	68
			<b>1 486</b>	<b>1 494</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>Remuneration of the Group Head : Urban Management and Citizen Relationship Management</b>				
Annual Remuneration			843	197
Car Allowance			50	21
Performance Bonuses			-	77
Contributions to UIF, Medical and Pension Funds			58	36
Final Leave payment			-	51
IEC Payment			21	-
			<b>972</b>	<b>382</b>
<b>Remuneration of the Group Head : Governance</b>				
Annual Remuneration			1 435	1 355
Car Allowance			96	96
Performance Bonuses			-	27
Contributions to UIF, Medical and Pension Funds			81	75
Unpaid absence			-	5
			<b>1 612</b>	<b>1 558</b>
<b>Remuneration of the Chief Operations Officer</b>				
Annual Remuneration			2 567	2 433
Car Allowance			144	144
Performance Bonuses			177	-
Contributions to UIF, Medical and Pension Funds			145	135
			<b>3 033</b>	<b>2 712</b>
<b>Remuneration of the Secretary of Council</b>				
Annual Remuneration			1 681	1 592
Car Allowance			128	128
Contributions to UIF, Medical and Pension Funds			95	88
			<b>1 904</b>	<b>1 808</b>
<b>Remuneration of the Executive Director : Public Safety</b>				
Annual Remuneration			1 653	1 564
Car Allowance			128	128
Contributions to UIF, Medical and Pension Funds			2	2
			<b>1 783</b>	<b>1 694</b>
<b>Remuneration of the Executive Director : Social Development</b>				
Annual Remuneration			1 332	1 258
Car Allowance			104	104
Contributions to UIF, Medical and Pension Funds			73	71
			<b>1 509</b>	<b>1 433</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>40. REMUNERATION OF COUNCILLORS</b>				
Executive Mayor	1 246	1 226	1 246	1 226
Mayoral Committee Members	11 568	9 888	11 568	9 888
Speaker	1 027	1 010	1 027	1 010
Councillors	89 347	89 753	89 347	89 753
Councillors' pension contribution	11 768	10 313	11 768	10 313
Chairpersons	18 931	15 309	18 931	15 309
	<b>133 887</b>	<b>127 499</b>	<b>133 887</b>	<b>127 499</b>

### Remuneration of the Executive Mayor - Parks Tau

Annual Remuneration	921	908
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	155	148
Cellphone Allowance	42	42
	<b>1 246</b>	<b>1 226</b>

### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are employed on a full-time basis by the Council.

Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and Speaker have use of a Council owned vehicle for official duties.

The Executive Mayor has four full-time bodyguards. The Speaker has two full-time bodyguards.

The Council elected a new Executive Mayor and Speaker in August 2016

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>41. DEPRECIATION AND AMORTISATION</b>				
Property, plant and equipment	2 446 742	2 192 433	1 563 133	1 491 421
Investment property	23	23	-	-
Zoo animals	1 183	734	-	-
Intangible assets	346 079	195 446	254 533	154 177
	<b>2 794 027</b>	<b>2 388 636</b>	<b>1 817 666</b>	<b>1 645 598</b>
<b>42. IMPAIRMENT LOSSES</b>				
<b>Impairments</b>				
Property, plant and equipment	55	6 455	-	-
Loans to Municipal Entities	-	-	104 982	121 055
The Pikitup Johannesburg (SOC) Ltd loan was fully impaired due to the technical insolvency that the entity was facing at year end. For a more detailed description of this impairment, refer to Note 4				
Loans to Municipal Entities	-	-	329 661	24 590
Johannesburg Metro Bus company (SOC) Ltd is technically insolvent and has liquidity challenges. The entity has put in a place a turn around strategy aimed to improve the liquidity problem in the long term. The current liquidity problem has led to the impairment of the current portion of the loan.				
	<b>55</b>	<b>6 455</b>	<b>434 643</b>	<b>145 645</b>
<b>Reversal of impairments</b>				
Intangible assets	-	(4 072)	-	-
<b>Total impairment losses recognised (reversed)</b>	<b>55</b>	<b>2 383</b>	<b>434 643</b>	<b>145 645</b>
<b>43. DEBT IMPAIRMENT</b>				
Receivables from non-exchange	50 789	303 194	50 789	303 194
Consumer Debtors	2 362 549	3 447 673	603 835	960 178
Trade and other receivables	78 973	111 924	59 064	82 079
	<b>2 492 311</b>	<b>3 862 791</b>	<b>713 688</b>	<b>1 345 451</b>
<b>44. BULK PURCHASES</b>				
Electricity	9 871 044	9 039 469	-	-
Water	3 962 690	3 496 500	-	-
Sewer purification	26 990	26 776	-	-
	<b>13 860 724</b>	<b>12 562 745</b>	-	-
<b>Electricity distribution losses</b>				
Technical losses	906 280	828 953	-	-
Non-Technical losses	1 353 834	1 777 920	-	-
	<b>2 260 114</b>	<b>2 606 873</b>	-	-

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

The electricity energy losses can be classified into technical losses and non-technical losses. The technical losses for the year are measured at 9% and these relate to energy that is lost in the transportation of electricity from the point of supply to point of distribution through evaporation.

The entity's non-technical losses decreased from 19.30% to 13.44%. The non-technical losses are mainly attributable to the following:

- Theft and bypass of meters
- Illegal decalibration of meters
- Damaged meters and faulty voltage and current transformers
- Billing errors
- Customers without meters

### Water Losses

Physical losses	645 900	559 400	-	-
Commercial losses	249 600	216 700	-	-
	<b>895 500</b>	<b>776 100</b>	-	-

The level of total losses for the year under review is 22.6% (2015: 22.0%). The percentage of physical losses for the year under review is 16.3% (2015: 16.0%) and the level of commercial losses for the year under review is 6.3% (2015: 6.2%).

It is acknowledged and accepted that a certain level of water losses cannot be avoided from a technical perspective and is considered acceptable from an economic perspective. This means the cost of interventions to reduce water losses from a technical perspective should be less than the savings to be realised. The industry norm for water losses is 18%. Taking consideration hereof would result in a reduction of the level of water losses for the year under review to 4.6% [R182,2 million], (2015: 4.2% [R146,8 million]). The industry norm of 18% applied is 2% more stringent than the benchmark of 20% as published by the South African Water Research Commission.

### 45. CONTRACTED SERVICES

Information Technology Services	265 396	276 904	260 497	274 445
Fleet Services	638 422	495 373	55 588	52 306
Operating Leases	206 470	144 104	206 765	143 269
Specialist Services	1 111 358	1 379 099	1 178 711	1 385 581
Other Contractors	380 546	306 271	23 095	21 796
	<b>2 602 192</b>	<b>2 601 751</b>	<b>1 724 656</b>	<b>1 877 397</b>

### 46. GRANTS AND SUBSIDIES PAID

#### Grants paid to ME's

City of Joburg Property Company SOC Limited	-	-	340 630	-
Johannesburg City Parks NPC	-	-	711 957	644 389
Johannesburg Development Agency SOC Limited	-	-	22 382	26 739
Johannesburg Metropolitan Bus Services SOC Limited	-	-	432 693	400 637
Johannesburg Roads Agency SOC Limited	-	-	746 409	761 067
Johannesburg Social Housing Company SOC Limited	-	-	19 952	19 970
Metropolitan Trading Company SOC Limited	-	-	84 546	-
Pikitup Johannesburg SOC Limited	-	-	643 651	592 918
Joburg Theatre SOC Limited	-	-	73 502	68 823
	-	-	<b>3 075 722</b>	<b>2 514 543</b>

#### Other subsidies

Grant paid : Housing top structures	322 984	439 197	322 984	439 197
Grant paid : Other	161 433	137 874	153 433	129 874
	<b>484 417</b>	<b>577 071</b>	<b>476 417</b>	<b>569 071</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
	<b>484 417</b>	<b>577 071</b>	<b>3 552 139</b>	<b>3 083 614</b>
<b>47. GENERAL EXPENSES</b>				
Advertising	160 765	77 303	113 108	43 199
Auditor's remuneration	49 544	48 977	19 723	21 296
Bank charges	86 982	81 426	78 511	73 747
Billing and meter reading charges	30 801	25 812	-	-
Cut-off fees	46 158	18 302	-	-
Cleaning	48 826	32 452	-	-
Commission paid	49 123	49 235	-	-
Computer expenses	33 796	29 070	-	-
Conferences and seminars	32 450	26 607	24 060	19 418
Consulting and professional fees	434 103	323 322	122 923	60 221
Cost of inventories expensed	379 824	503 358	20 768	78 061
Debt collection	206 406	161 137	206 406	161 137
Free electricity	6 251	5 619	-	-
Hire	17 762	20 778	17 662	19 672
Hostel charges	1 273	1 362	-	-
IT expenses	11 929	15 978	-	-
Incident management fund	41 273	36 216	41 273	36 216
Insurance	135 042	131 154	135 598	134 647
Lease rentals on operating lease	821 281	778 006	57 587	247 075
ME - charges	-	-	13 000	-
Marketing	128 691	46 204	93 369	24 887
Motor vehicle expenses	70 058	64 967	-	-
Other expenses	712 059	456 120	644 790	492 146
Placement fees	5 039	8 309	-	-
Postage and printing stationery	147 494	169 064	127 623	149 516
Productions	42 640	14 722	-	-
Road maintenance	551 927	445 638	-	-
Social benefits	91 570	204	91 570	204
Security (Guarding of municipal property)	508 457	421 494	211 893	187 021
Software expenses	205 806	121 485	175 656	50 729
Staff welfare	25 904	40 838	-	16 876
Subscriptions and membership fees	24 268	22 316	17 533	17 649
Telephone and fax	154 973	120 628	54 141	51 057
Training	59 085	46 762	31 178	24 367
Travel - local	20 545	18 286	13 117	13 687
Travel - overseas	28 283	26 781	24 679	18 346
Utilities - Other	195 065	203 177	488 210	496 303
	<b>5 565 453</b>	<b>4 593 109</b>	<b>2 824 378</b>	<b>2 437 477</b>

Included in other expenses are guarantee fees relating to the COJ2 bond which is held at amortised cost.

Guarantee fees	3 655	9 539	3 655	9 539
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## 48. FAIR VALUE ADJUSTMENTS

• Fair value movement on the sinking fund	365 504	259 765	365 504	259 765
• Cash flow hedge (Ineffective portion)	20 283	-	20 283	-
• Other fair value adjustments	160 244	63 753	-	-
	<b>546 031</b>	<b>323 518</b>	<b>385 787</b>	<b>259 765</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>49. CASH GENERATED FROM OPERATIONS</b>				
Surplus	3 817 191	3 624 478	1 729 699	2 403 727
<b>Adjustments for:</b>				
Depreciation and amortisation	2 794 027	2 388 636	1 817 666	1 645 598
Public contributions, Donated and contributed property	(363 909)	(475 453)	(194 132)	(322 379)
Fair value adjustments	(546 031)	(323 518)	(385 787)	(259 765)
Reversal of Impairment	-	-	(31 315)	-
Finance costs: liabilities from Municipal entities	-	-	7 695	7 138
Debt impairment	2 492 311	2 740 843	713 688	1 323 689
Impairment in Municipal entities investments	-	-	434 643	142 664
loss/gain on sale of Assets	254 027	23 606	237 593	11 129
Impairment losses on fixed assets	56	2 383	-	-
Post-retirement benefits net expenditure	(19 858)	62 512	(38 658)	87 723
Gain/ Loss from equity accounted investments	(4 816)	(8 436)	-	-
Gain on donated animals	(2 695)	(5 901)	-	-
<b>Changes in working capital:</b>				
Inventories	(1 584)	(12 340)	(60 103)	53 747
Trade and other receivables	(785 756)	(364 802)	(720 564)	(570 116)
Consumer debtors	(1 176 354)	(21 698)	(73 924)	(67 592)
Other receivables from non-exchange transactions	(87 633)	78 030	-	-
Increase/decrease in deferred tax liability	289 095	659 257	-	-
Current tax	3 167	(9 375)	-	-
Adjustment of impairment of current receivable	(2 492 311)	(2 740 843)	(713 688)	(1 323 689)
Trade and other payables	1 554 116	2 130 171	935 192	1 337 779
VAT receivable	113 428	178 725	112 592	143 735
VAT payable	(168 895)	(43 694)	-	-
Unspent conditional grants and receipts	126 610	(622 154)	189 701	(603 487)
Increase/(Decrease) in Loan to Municipal entities	-	-	(91 287)	-
Increase/(Decrease) in deferred income	(4 307)	(9 887)	707	(3 242)
Increase/(Decrease) in Provision	87 192	(68 024)	19 169	(19 492)
Increase/(Decrease) in Consumer deposits	98 638	204 303	(1 472)	(8 032)
	<b>5 975 709</b>	<b>7 386 819</b>	<b>3 887 415</b>	<b>3 979 135</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 50. COMMITMENTS

#### Commitments in respect of capital expenditure:

##### Authorised and contracted for

• Capital Commitments	6 271 301	9 920 586	2 889 536	6 162 500
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This committed expenditure relates to fixed assets and will be financed by government grants, existing cash resources and external loans etc.

#### Operating leases - as lessee (Fleet)

##### Minimum lease payments due

- within one year	164 446	145 592	106 665	92 186
- in second to fifth year inclusive	66 996	146 795	46 509	90 361
	<b>231 442</b>	<b>292 387</b>	<b>153 174</b>	<b>182 547</b>

The Group leases vehicles from Avis Fleet Services. In terms of the agreement, all rentals due on vehicles leased are payable monthly in arrears and are linked to the prime overdraft rate. Furthermore the agreement places restrictions on maximum number of kilometres which can be travelled over the lease term and specifies the rate at which excess kilometres will be billed.

#### Operating leases – as lessee (Buildings)

##### Minimum lease payments due

- within one year	102 532	38 700	30 100	20 473
- in second to fifth year inclusive	116 796	37 582	2 187	6 280
- later than five years	1 950	13 862	425	3 354
	<b>221 278</b>	<b>90 144</b>	<b>32 712</b>	<b>30 107</b>

Leases for buildings are negotiated for a term of 2 to 5 years for department occupied buildings and the MEs head offices. JPC head office lease term is 10 years. Some leases are subject to yearly escalations at an average of 9%.

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### Operating leases – as lessee Land (Soccer City)

#### Minimum lease payments due

- within one year	75	75	75	75
- in second to fifth year inclusive	299	299	299	299
- later than five years	6 495	6 570	6 495	6 570
	<b>6 869</b>	<b>6 944</b>	<b>6 869</b>	<b>6 944</b>

### Operating leases – as lessee (Equipment)

#### Minimum lease payments due

- within one year	471 729	453 553	-	-
- in second to fifth year inclusive	1 950 289	1 852 995	-	-
- later than five years	-	470 914	-	-
	<b>2 422 018</b>	<b>2 777 462</b>	-	-

Operating lease payments represent rentals payable by Johannesburg Water, Johannesburg Power and City Theatre's for certain of its equipment. Leases are negotiated for an average term of seven years.

### Operating leases – as lessor (income)

#### Minimum lease payments due

- within one year	28 230	25 025	19 442	17 992
- in second to fifth year inclusive	66 894	63 095	64 426	56 288
- later than five years	60 613	169 312	60 167	169 312
	<b>155 737</b>	<b>257 432</b>	<b>144 035</b>	<b>243 592</b>

The operating lease income relates to rental of buildings. The average lease agreements are three years and are based on a rental fee per square metre of rental space.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

### 51. CONTINGENCIES

#### GROUP

A subordination agreement has been signed between CJMM and the municipal entities whereby claims made by other parties take preference to claims by the holding company

Detail of contingencies	Name of the company responsible	Amount in Rands
Five plaintiffs brought action against the Council in the 1990's, arising from major road and other construction works at the Empire Interchange, around the suburbs of Braamfontein, Milpark, Cottesloe, Melville, Parktown West, Emmarentia and Richmond. They allegedly suffered damages as a result of the Council having closed the road.	CJMM	500 000
Claim for damages in respect of relocation of homeless people. The plaintiff sued the City of Johannesburg allegedly because the City of Johannesburg relocated homeless people onto the defendant's property without its consent, making it impossible for him to develop the property.	CJMM	10 000 000
A potential liability as a result of the Public Prosecutor findings in the "broken promises" report of 18 December 2014.	CJMM	5 000 000
The plaintiff instituted action against the City of Johannesburg for wrongful termination of contract. It sought relief two fold, to uphold the contract, alternatively damages in the sum of R33 150 639. The matter was referred to arbitration; the plaintiff is however refusing to sign the arbitration agreement. The City is prepared to proceed with the arbitration however the plaintiff has not taken any further steps.	CJMM	33 150 639
The City of Johannesburg appointed a service provider (a joint venture) to construct 1000 low cost RDP houses. The one partner to the JV subsequently ceded its rights and obligations in terms of the JV agreement to the other partner, which the City of Johannesburg was not party to. The latter partner then only concluded 385 foundations. After various opportunities to remedy the defects, the City terminated the contract. A dispute was declared and the matter referred to arbitration in terms of the JBCC agreement for the sum of R29 406 592. The service provider has applied for a trial date which was on 30 January 2015, however the case was further postponed to a date not yet known. The City of Johannesburg is processing the drafting of a discovery affidavit.	CJMM	29 406 592
Claim for breach in the amount of R6 289 510 for allegedly failing to provide sufficient electricity for development after rezoning a property. Claim is defended on the basis that sufficient electricity is available and Plaintiff was aware of available supply.	CJMM	6 289 510
Claim against the City of Johannesburg for the continuation of monthly post-retirement medical aid payments to employees of the city who are medical aid members. This matter arose from the City of Johannesburg withdrawing the post-retirement medical aid contributions in 2003, currently the matter is to proceed for a trial which has not been announced yet.	CJMM	350 000 000
The amount of R 7 435 092 relates to various court cases against the City of Johannesburg which were aggregated together as individually they are immaterial.	CJMM	7 435 092
Claim for R6 000 000 against the COJ, which relates to JCL Project. The matter was set down for a provisional sentence however has been postponed.	CJMM	6 000 000
The claim of R 17 000 000 relates to alleged damages for loss of amenity due to COJ approving certain land uses adjacent to the plaintiff's property.	CJMM	17 000 000
Claim for a reversal of R1 000 000 in respect of adjustment in terms of rates made to the Valuation Roll.	CJMM	1 000 000
An arbitration for a claim against the City of R13 000 000 plus interest where the City awarded a contract to the claimant in or about June 2010 for the provision of professional lead consulting/project management services for the implementation of a fully integrated mixed housing development. The contract expired in June 2013. The contractor is claiming for the provision of professional services rendered to the City. The parties are currently engaged in settlement negotiations.	CJMM	13 000 000
Claim against the COJ for an amount of R5 200 000 relating to an overrun of costs emanating from a contract for the upgrade of the Johannesburg Central Library.	CJMM	5 200 000
Claim of R3 337 701 and R6 460 850, which relates to claims based on SAPOA judgement.	CJMM	9 798 551

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Action against the COJ to repay an amount of R4 581 459 which money was irregular in terms of Supply Chain Management process but was ratified by council. The amount was spent in the launching of the Soweto theatre.	CJMM	4 581 459
Claim of R 17 830 000 relating to loss of profit as a result of alleged diversion/ permanent closure of a road next to the plaintiff's filling station. The City cited with the Johannesburg Development Agency and Johannesburg Road Agency regarding this matter. The plaintiff removed the matter from the roll in January 2014 and a new date was set for 02 March 2016. The matter was removed from the roll again therefore the City awaits a new trial date.	CJMM	17 830 000
Claim for approximately R295 600 000 for COJ and City Power to be contractually obliged to continue to pay monthly medical aid contributions to the two accredited medical scheme providers which are Key Health and LA Health. This matter arose as a result of the COJ withdrawing post-retirement medical aid contributions in 2003. The matter was dormant until late 2014. The set down date is scheduled for 12 September 2016.	CJMM	295 600 000
		5 688 885
Claim for R 1 401 738 for monies to be paid by City for tickets. The plaintiff is a ticket vendor hence claiming the loss of business. The City does not deny the money for the ticket but has an issue with the claim for loss of business by the plaintiff.	CJMM	1 401 738
Claim for a refund against the City Of Johannesburg by Bombela Civil Joint Venture of R 5 500 000 in which the amount also includes legal cost	CJMM	5 500 000
The claim of R19 500 000 relates to damages suffered by plaintiff arising from the COJ not following proper procurement process contract between second defendant. The City is required to prove the existence of such contract. The City is awaiting a copy of such contract from Group Head: Revenue.	CJMM	19 500 000
Claim amounting to approximately R3 000 000 for damages arising out of work done but not paid for. Negotiations are on-going.	CJMM	3 000 000
The claim relates to summons issued of R39 000 000 from Fleet Africa for services rendered by the service provider against the City. Parties are engaged in negotiations.	CJMM	39 000 000
A claim for damages against the City where the Plaintiff alleges that when the City implemented Rea Vaya system in Soweto, they permanently closed caused highway or portions thereof and/or diverted traffic in so doing caused the plaintiff to suffer damages in the amount of R17 589 810.	CJMM	17 589 810
Claim for R20 000 000 instituted by the COJ and Bus Operating Company and others against an attorney who misappropriated money to be used by the operators to invest in BOC.	CJMM	20 000 000
Claim for R1 698 400 relating to summons issued against Graffiti Impact. The defendant has raised an issue that the City is not entitled to that money and has asked the court to declare that section of the By-Laws to be null and void. A consultation has been scheduled with the junior and senior counsel to prepare a replication. This may impact on the inner City regeneration fees.	CJMM	1 698 400
A letter of demand was received from Adam Prinsloo attorneys on behalf of their client Mr Langa Mancunga. On the 5th of September 2014 Mr Langa Mancunga was severely injured when he fell in the orchestra pit of the Nelson Mandela Theatre at Joburg Theatre. According to the Attorneys their client has suffered damages which includes medical expenses and loss of earnings.	Civic Theatre (SOC) Ltd	400 000
Bertrams Priority Block: The JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. No progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accommodation is found by JDA and CJMM. The parties are working together to reach agreement without a protracted litigation processes	Development Agency (SOC) Ltd	-
JDA has been served with summons for loss of income and damages to property by the operators of the establishment known as Ubuntu Kraal in Soweto, Johannesburg. The damages were alleged to have been caused by flooding due to the JDA activities in the construction of the Rea Vaya BRT infrastructure along Klipspruit Valley Road.	Development Agency (SOC) Ltd	23 500 000
Achusim Chijoike vs JDA and Skymark Security (Pty) Ltd: The JDA disputed the matter and indicated to the Plaintiff that it was incorrectly cited as a party. Despite follow up letters to the Plaintiff attorneys in this regard, there has been no activity in the matter since it was reported last year.	Development Agency (SOC) Ltd	35 300
The City was served with a summons by Tembu Convenience Centre CC, trading as a convenience store and Engen Fuel dealership, for loss of income amounting to more than R17.8 million, as a result of BRT construction works. The City has filed its papers defending the matter in the South Gauteng High Court. The parties agreed to remove the matter from the roll in order to allow the defendants to amend their pleadings.	Development Agency (SOC) Ltd	17 800 000

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The matter relates to the fibre optic cable that was damaged by opening a trench in the road reserve with a TLB Machine along the road carriage way of Orlando east. The plaintiff, Dark Fibre Africa (Pty) Ltd is suing JDA (2nd Defendant) on the basis that JDA used the services of Easyway Tarmac Pave and Projects CC to manage and control the execution of the water pipeline project and to do the drilling and excavation along the road carriage way of Orlando east.	Development Agency (SOC) Ltd	45 256
The scaffolding work into the Grayston Drive Pedestrian and Cyclist structural bridge collapsed on 14 October 2015 which resulted in the loss of life and other damages. Due to the nature of the incident, the Department of Labour (DOL) has to conduct a formal inquiry to determine the causes for the collapse of the scaffolding works. The inquiry commenced on 7 July 2015 and will be finalised in April 2017 when a report will be with the Commissioner appointed by the DOL.	Development Agency (SOC) Ltd	-
Lucienne Nanetter Raab & Others v JRA & Others (The applicants for an order directing the respondents not to allow construction vehicle to gain access to a construction site from Fulwell road in Bryanston. The JRA has issued a wayleave to the developers to conduct the work.	Road Agency (SOC) Ltd	-
Surprise Mbatha vs JRA. The Applicant has lodged an application for review to set aside the arbitration award to the effect that her dismissal was substantively and procedurally unfair.	Road Agency (SOC) Ltd	-
Appliment vs JRA. JRA was served a letter of demand to do work on his property which has experienced a sinkhole as a result of the storm-water drain running through his property.	Road Agency (SOC) Ltd	-
Post-retirement medical aid benefits for certain former employees were withdrawn in 2015 financial year which resulted in significant reduction in the post-retirement medical aid liability. There is risk that the beneficiaries with withdrawn benefits might sue the entity as they have been members of the post-retirement medical aid for more than 10 years	Road Agency (SOC) Ltd	-
Legal claims - contingent Liabilities Telkom SA SOC Ltd vs JRA (A special plea has been filed and awaiting the plaintiff to apply for a trial date herein	Road Agency (SOC) Ltd	24 999
The plaintiff issued summonses claiming services rendered for the provision of supply chain management services. He alleges that the JRA failed or refused to pay for services rendered.	Road Agency (SOC) Ltd	316 926
4 alleged unfair dismissal cases against Metrobus currently under consideration by the CCMA. Management is confident that awards in this regard will be in favor of Metrobus. However should awards be against Metrobus, the entity may be liable for back pay.	Metro Bus (SOC) Ltd	100 000
A matter related to an ex-employee filing a defamation claim against three current employees of Metrobus who testified in the disciplinary case which resulted in the ex-employee's dismissal are underway. Management is confident that a judgment will be made in favor of Metrobus and the current employees.	Metro Bus (SOC) Ltd	100 000
A case of unfair labour practice is under consideration by the CCMA in relation to promotion. Management is confident that an award will be made in favour of Metrobus in this regard. However should such award be made in favor of the employee Metrobus will be liable for back pay.	Metro Bus (SOC) Ltd	360 000
There is one case of unfair discrimination under consideration by the labour court. Management and external lawyers are confident that the claim will not succeed.	Metro Bus (SOC) Ltd	-
There is a dispute between Metrobus and SARS over a claim by SARS that Metrobus underpaid UIF for the period from 2012 to 2015. Management feels that they have a strong case as all SARS returns filed for the period were paid.	Metro Bus (SOC) Ltd	116 337
The company is a defendant on various claims amounting to R79 474 000 relating to contractual disputes with the service providers.	City Parks NPC	79 474 000
The company is currently pursuing claims amounting to R3 322 000 relating to contractual disputes with the service providers.	City Parks NPC	3 322 000
The plaintiff is claiming for damages for injuries allegedly sustained at or near Orange farm garden site. The total amount claimed is R400 000. The entity is defending the matter.	Pikitung (SOC) Ltd	29 516 712
The plaintiff is claiming retention payments held by Pikitung for services provided. The total amount claimed is R104 526. The entity is defending the matter as the work could not be verified when the retention period lapsed. The matter has also prescribed.	Pikitung (SOC) Ltd	400 000
The plaintiff is claiming monies for services rendered which it is alleged Pikitung has not paid. The total amount claimed is R333 790. The entity has admitted liability of R95 000, a proposed settlement has been tendered but was rejected by the plaintiff.	Pikitung (SOC) Ltd	104 526
The company has a contingent liability in respect of claim of breach of contract by the plaintiff and for monies paid unduly. The total amount claimed is R622 006. Settlement negotiations are in progress and there is a possibility of withdrawal of both claims.	Pikitung (SOC) Ltd	622 006
Judgement was granted against the entity in favour of Range Wave. The entity is currently in arbitration to determine the quantum of the liability.	City Power (SOC) Ltd	-

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Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

City Power is currently claiming consumer debtor impairment at 100% as a tax deduction. South African Revenue Services has approved a deduction of 25%. City Power is appealing the decision of the Receiver.	City Power (SOC) Ltd	
Sunayla Trading and Projects is claiming R245 398 in terms of non-payment from the entity for canteen goods supplied to the entity. The matter is been defended and settlement negotiations are underway	City Power (SOC) Ltd	245 398
Nicholson is claiming damages from the entity arising from electrocution from a smart meter installation.	City Power (SOC) Ltd	100 000
Woods is claiming delictual damages arising from a loss suffered as a result of an alleged robbery by City Power contractors.	City Power (SOC) Ltd	1 000 000
A summons was issued in favour of a customer Dlamini for delictual damages	City Power (SOC) Ltd	300 000
Mndhavhazi Trading Enterprise cc is claiming damages for non-payment from the entity for canteen goods supplied to the entity. The matter is being defended and settlement negotiations are underway.	City Power (SOC) Ltd	383 119
The total estimated claims amount to R7,917,732 which is in respect of disputes with suppliers, the company is of the view that this represents the maximum exposure. The company in consultation with its legal counsel has assessed the outcome of these proceedings and the likelihood that these cases will be successfully defended, no further provision is required	Fresh Produce Market (SOC) Ltd	7 917 732
PJ Bezuidenhout a supplier is claiming a sum of R35 000 000 for services rendered from the entity and other defendants. The matter is at a pleading stage.	City Power (SOC) Ltd	35 000 000

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 52. PRIOR PERIOD RESTATEMENTS

#### Accumulated Surplus

##### GROUP

Effect of errors in Opening balance	279 673
(Decrease)/ Increase in net surplus for 2015	(269 819)
	<b>9 854</b>

##### CJMM

Effect of errors in Opening balance	43 407
Increase /(decrease) in net surplus for 2015	44 890
	<b>88 297</b>

##### GROUP

Statement of Financial Position	Reference	As previously reported	Correction of errors	Restated
Trade and other receivables	1	1 292 971	63 011	1 355 982
Consumer debtors	2	4 951 238	50 156	5 001 394
Property, plant and equipment	3	55 010 183	(1 261 870)	53 748 313
Intangible assets	3	882 912	(60 987)	821 925
Trade and other payables	4	(12 417 170)	1 292 999	(11 124 171)
Provisions	4	(688 793)	(3 179)	(691 972)
other balance sheet items not listed		(9 727 330)	(89 984)	(9 817 314)
Accumulated surplus		(39 304 011)	9 854	(39 294 157)
		-	-	-

Statement of Financial Performance	Reference	As previously reported	Correction of errors	Restated
Service charges	2	21 772 609	(267 674)	21 504 935
Property rates	2	7 622 758	52 131	7 674 889
Depreciation and amortisation	3	(2 410 979)	22 343	(2 388 636)
Debt impairment	2	(3 819 051)	(43 740)	(3 862 791)
Other Reclassifications not listed		(19 271 042)	(32 877)	(19 303 919)
<b>Change in Surplus for the year</b>		<b>3 894 295</b>	<b>(269 817)</b>	<b>3 624 478</b>

Certain comparative figures have been reclassified to enhance presentation. Material amendments to prior years due to error or reclassifications are explained below:

#### The correction of the error(s) - GROUP

Material amendments to prior years due to error or classifications are explained below:

##### 1. Trade and Other Receivables

In the previous year National Treasury (NT) reduced the EPWP grant. Economic Development (ED) did not adjust their expenditure in respect of this grant, which resulted in overspending. ED then raised a debtor against NT without them acknowledging the debt. This error was identified in the current year and recognised retrospectively.

##### 2. Consumer Debtors, Service Charges, Property rates and Debt impairment

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

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- Rates:** The restatement of revenue, debtors and receivable impairment allowance is due to an adjustment as a result of the Municipal Property Rates Act processes and requirements which were finalised in the current period. These processes and requirements resulted in consumers' accounts been corrected retrospectively.
- Refuse:** The prior period error relates to revenue for 2013 and 2014 financial years. During the current financial year, it was identified that there was refuse revenue was not billed in 2013 and 2014 financial year. Thus, it was corrected in the current financial year.
- Water:** The CJMM has recalculated the accrual value in relation to the 2014 and 2015 financial years. These transactions results in retrospective adjustments to revenue for 2014 and 2015 financial years. This has been accounted for as a prior period adjustment accordingly.
- Electricity:** During the year it was discovered that revenue for the 2014 and 2015 financial years were misstated. The accrual estimates from electricity sales in the respective years were overstated which resulted in the misstatement in revenue.

### 3. Property, plant and equipment, Intangible Assets and Depreciation

The error occurred in the current year is mainly due to Assets under Construction which were completed in prior financial years but only capitalised in the current financial year. The error has also resulted to adjustments being made to depreciation.

An error occurred due to an accrual for Property plant and equipment as a result of transfer of functions processed in the incorrect period.

### 4 . Provisions and Trade Payables,

Provisions had been erroneously classified as Trade and other payables. This was identified in the current year and corrected retrospectively. The provision is for the settlement of the Soweto Pension Fund which was approved by the Mayoral Committee on the 2nd of December 2010. The settlement amount agreed upon was R65 million plus finance charges as from 30 June 2011. The provision of R25 million and the relevant finance charges of R3 million relating to the above provision were erroneously omitted from the financial statements. This error was identified in the current year and recognised retrospectively.

#### Other restatements not listed include:

An error of R 2 901 287 relating to deferred taxation that has been recalculated for the 2015 financial year and an adjustment was made for prior period temporary differences.

During the financial year, MTC (SOC) Ltd discovered that an amount receivable from South African Revenue Services of R5,664,287 relating to a tax refund was not recognised in prior years. This error has been corrected in the current financial year.

In the previous year National Treasury (NT) reduced the EPWP grant. Economic Development (ED) did not adjust their expenditure in respect of this grant, which resulted in overspending. ED then raised a debtor against NT without them acknowledging the debt. . This error was identified in the current year and recognised retrospectively

The errors have resulted in restatements on the respective notes to the financial statement.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

<b>Statement of Financial Position</b>	<b>Note</b>	<b>As previously reported</b>	<b>Correction of errors</b>	<b>Restated</b>
		<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Trade and other receivables	1	4 033 761	(19 342)	4 014 419
Consumer debtors	2	716 651	96 539	813 190
Property, plant and equipment	3	33 233 412	(1 261 976)	31 971 436
Intangible assets	3	500 913	(60 988)	439 925
Trade and other payables	4	(11 619 272)	1 333 611	(10 285 661)
Provisions	4	-	-	-
other balance sheet items not listed		(3 065 569)	(44 437)	(3 110 006)
Accumulated surplus		(23 799 896)	(43 407)	(23 843 303)
		-	-	-
<b>Statement of Financial Performance</b>	<b>Note</b>	<b>As previously reported</b>	<b>Correction of errors</b>	<b>Restated</b>
		<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Property rates	2	7 622 800	52 131	7 674 931
Other revenue	5	822 896	(20 644)	802 252
Government grants	6	8 815 763	(326 410)	8 489 353
Finance Income	5	1 077 784	24 802	1 102 586
Depreciation	3	(1 667 941)	22 343	(1 645 598)
General expenses	6	(2 753 394)	315 918	(2 437 476)
Debt impairment		(1 323 689)	(21 762)	(1 345 451)
Other Income statement items not listed		(10 235 383)	(1 488)	(10 236 871)
<b>Change in Surplus for the year</b>		<b>2 358 836</b>	<b>44 890</b>	<b>2 403 726</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

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### The correction of the error(s) - CJMM

The correction of the error(s) results in the restatement of comparative figures as follows:  
Management provides explanations for prior period adjustments which are considered material

#### 1. Trade and Other Receivables

In the previous year National Treasury (NT) reduced the EPWP grant. Economic Development (ED) did not adjust their expenditure in respect of this grant, which resulted in overspending. ED then raised a debtor against NT without them acknowledging the debt. This error was identified in the current year and recognised retrospectively

#### 2. Consumer debtors and Property rates

The restatement of revenue, debtors and receivables impairment allowance is due to an adjustment as a result of the Municipal Property Rates Act processes and requirements which were finalised in the current financial year. These processes and requirements resulted in the consumers' accounts have to be corrected retrospectively.

#### 3. Property, plant and equipment, Intangible Assets and Depreciation

The error occurred in the current year is mainly due to Assets under Construction which were completed in prior financial years but only capitalised in the current financial year. The error has also resulted into adjustments being made to depreciation.

An error occurred due to an accrual for Property plant and equipment as a result of transfer of functions processed in the incorrect period.

#### 4. Trade and other payables and Provisions

The error is due to a legal case which was concluded in the prior financial year but was not reclassified to creditors. This error has been accounted for as a prior period adjustment accordingly.

#### 5. Finance income and Other revenue

Finance lease interest was previously classified as other income instead of interest income. This error has been accounted for as a prior period adjustment accordingly.

#### 6. Government grants and General expenses

This relates to grants incorrectly recognised as revenue and expenditure instead of being recognised as transfers to Municipal Entities. This error has been accounted for as a prior period adjustment accordingly.

### 53. RISK MANAGEMENT

#### Portfolio 1 Overview

Effective financial risk management is imperative to CJMM. The realisation of the CJMM's objectives toward service delivery depends on CJMM's sound management of financial risks which enable the City to anticipate and respond to changes in the market environment as well as making informed decisions under conditions of uncertainty.

The CJMM is exposed to the following financial risks from the use of financial instruments:

- Liquidity risk (including integrated cash flow management)
- Market risk.
- Credit/Counterparty risk

To ensure the execution of and compliance to overall risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on financial assets and liabilities, CJMM plays a focal role in:

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

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Figures in Rand thousand

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### 53. RISK MANAGEMENT (continued)

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized.
- Ensuring that CoJ's Credit rating is maintained or improved by ensuring that financial risk ratios fall within required limits.
- Ensuring the sustainable financial viability of COJ by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting CJMM's financial position.
- To provide Council with reasonable assurance that financial risks the CJMM is exposed to are identified and, to the best extent possible, mitigated and controlled.

The Treasury Unit identifies, quantifies and sets up control measures to mitigate financial risks in close co-operation with operating units. Treasury executes its responsibility in line with the approved Treasury and Assets and Liabilities Management (ALM) policies.

#### Financial Risk Management Framework

The Risk Management Framework serves to raise awareness and inform and guide the Group on its approved approach to risk management. The framework, which is reviewed on a continuous basis in line with best market practices, seeks to assist the Group in the effective identification, evaluation and control of financial risks that may impact upon the realization of corporate, mayoral and service delivery objectives and priorities that the Group has set itself to achieve.

Council, through the Assets and Liabilities Committee (ALCO), has overall responsibility for the establishment and oversight of the CJMM's risk management framework. ALCO, in this regard, is responsible for developing and monitoring the CJMM's financial risk management policies. ALCO reports regularly to the Mayoral Committee and Section 79 on its activities.

The CJMM's financial risk exposures are managed by the Treasury Unit. The CJMM's activities expose it to a variety of financial risks. The municipality's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the CJMM's financial performance. The group recognises that an effective risk management function is fundamental to its business. Risk awareness, control and compliance are embedded in Treasury's day-to-day activities.

The CJMM's Treasury unit reports its risk management activities to the Mayoral Council and ALCO on a regular basis. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the CJMM's activities.

#### Liquidity and Concentration Risk

Liquidity Risk, in this instance, refers to the risk that CJMM may not meet its periodic obligations with respect to its liabilities when they fall due. Management of liquidity risk is particularly important as it ensures that capital and operating expenditure is met. Treasury enters into liability obligations to bridge funding gaps arising from both capital and operational expenditure with the aim of ensuring that CJMM meets its liability obligations when they fall due.

For each financial year, Council approves a funding plan that minimizes liquidity risk. Treasury manages both the long-term and short-term cash requirements, with surplus funds from operations of the City invested in short term money market instruments.

Long-term liquidity risks arising from capital project initiatives are managed through the issuance of long-term debt in the form of COJ bonds or long term loans or a combination of the two.

Short-term liquidity constraints are managed through two types of short-term funding methods: i) General Banking Facilities and ii) Commercial Paper Issuance. CJMM's Treasury makes sure that all short term facilities utilised within the financial year are paid before the end of the financial year in line with Section 45(4)(a) of the MFMA. A cash management policy for managing its short-term cash flows and cash balances in a cost-effective manner is in place. The cash management policy assists the Group in managing its liquidity risk through the use of cash projection models with the aim of minimizing variances between projected and actual usage.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 53. RISK MANAGEMENT (continued)

Both Short-term and Long-term borrowings are approved as per the budget and the banking services contract. The table below indicates approved facilities as at end of June 2016:

	Approved Funding R'000	Total Utilised R'000	Available for use R'000
Long-term borrowing	3 940 000	(3 940 000)	-

Short-term liquidity constraints are managed through two types of short-term funding methods: i) General Banking Facilities and ii) Commercial Paper Issuance. CJMM's Treasury ensures that all short term facilities utilized within the financial year are paid before the end of the financial year in line with Section 45(4) (a) of the MFMA. A cash management policy for managing its short-term cash flows and cash balances in a cost-effective manner is in place. The cash management policy assists the Group in managing its liquidity risk through the use of cash projection models with the aim of minimizing variances between projected and actual cash usage.

Liquidity risk is also linked to Concentration risk which could be defined as the probability of high cash outflow arising from concentration of debt obligations payable around the same period, resulting in risk of default and the inability to evenly spread liability obligations.

In line with GRAP 104, the tables below show CJMM's contractual maturity analysis of its interest rate swap and non-derivative financial liabilities.

#### Funding Debt Maturities

The Group funds its coupon, interest and capital payments for all liabilities, other than bonds, from a Contingency Reserve Fund (CRF). Operational surpluses generated by the City are channeled into the CRF. Capital redemptions for bonds are funded from the Sinking Fund. The CJMM's annual budget contains provisions for coupon, interest and capital payments.

#### Swap Redemption Analysis

Instrument	Maturity date	Due in 2016/17	Due in 2017/18				
Interest Rate Swap	29-Mar-	13 344	10 339	-	-	-	-
R1bn Loan	18						

#### Capital Redemption Analysis of Non Derivative Liabilities as at 30 June 2016

Class	Balance	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Floating Rate Loans	1 872 971	114 724	1 114 724	68 386	65 111	57 527	452 500
Fixed Rate Loans	16 189 333	469 693	2 148 396	440 743	467 081	1 347 928	11 315 496

#### Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 30 June 2016

Investment type	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Call Deposits	1 519 580		-	-	-	-
Short Term Investments	1 424 963		-	-	-	-

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 53. RISK MANAGEMENT (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the CJMM's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimising the CJMM's service delivery objectives. GRAP 104 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the Group.

#### Interest rate risk

This refers to the risk that the value of a financial instrument will change due to a change in i) the absolute level of interest rates; ii) in the spread between two rates; iii) in the shape of the yield curve or in any other interest rate relationship. CJMM's floating rate liabilities are exposed to interest rate risk in terms of both cash flow and fair values.

#### Interest Rate Fair Value Sensitivity Analysis

The fair values of the CJMM's floating rate liability portfolio are sensitive to interest rate changes. The fair values of these liabilities are based on projected cash flows calculated using market projected forward rates. The projected cash flows are then discounted using market implied discount factors. The table below shows how the fair values of floating rate liabilities change on the basis of the following assumptions:

- The base case interest rate is at current levels (0%)
- A range of values between two upward percent and one downward percent movement in interest rates. Management generally expects interest rates to rise in the future.

#### Fair value sensitivity to the interest rate movement/shift for Floating Rate Loans

Class	Fair Value	-1%	-0.50%	0	0.50%	1%	1.50%	2%
Floating Rate Loans	2 068 587	2 035 746	2 052 227	2 068 587	2 084 830	2 100 959	2 116 976	2 132 885

#### Fair Value Sensitivity Analysis of Variable Rate Liabilities

The fair value sensitivity analysis of variable rate liabilities shows that a 2 percentage point increase in interest rates will increase the fair value of floating rate liabilities by R64 million (3.11%), and a 1 percentage point decrease in interest rates will decrease the fair value of floating rate liabilities by R33 million.(-1.59%).

#### Interest Rate Cashflow Sensitivity Analysis

The Floating rate tables below shows the cash flow sensitivity analysis for floating rate liabilities. The sensitivity analysis is based on the following assumptions:

- The base case interest rate is at current levels
- A two percent upward and one percent downward movement in interest rates.

# City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

### 53. RISK MANAGEMENT (continued)

#### Cash flow sensitivity analysis

Loan name	Institution	Nominal	Issue date	Cash Flow	Rate	Rate option	Interest rate shift						
							-1%	-0.50%	0%	0.50%	1%	1.50%	2%
DBSA 13541-1	DBSA	42 969	31 Mar-02	30-Sep-16	3 months JIBAR + 2.535%	Floating	3 490	3 544	3 599	3 653	3 707	3 761	3 815
				31-Dec-16			3 444	3 495	3 546	3 597	3 648	3 699	3 750
				31-Mar-17			3 375	3 422	3 468	3 515	3 562	3 609	3 655
				30-Jun-17			3 335	3 379	3 423	3 467	3 511	3 555	3 600
DBSA 102761-1	DBSA	337 500	20-Aug-09	31-Dec-16	6 months JIBAR + 2.85%	Floating	28 369	29 220	30 070	30 921	31 772	32 622	33 473
				30-Jun-17			27 808	28 613	29 419	30 225	31 031	31 837	32 643
				30-Dec-17			27 638	28 426	29 213	30 001	30 789	31 576	32 364
				30-Jun-18			26 911	27 665	28 399	28 143	29 886	30 630	31 374
DBSA 103345-1	DBSA	390 000	17-Apr-09	31-Dec-16	6 months JIBAR + 2.96%	Floating	33 554	34 537	35 520	36 503	37 486	38 469	39 453
				30-Jun-17			32 868	33 798	34 727	35 667	36 587	37 517	38 447
				31-Dec-17			32 639	33 547	34 454	35 361	36 269	37 176	38 084
				30-Jun-18			31 761	32 617	33 472	34 328	35 183	36 039	36 894
CALYON	CALYON	72 560	05-Sep-06	30-Sep-16	3 months JIBAR less 0.35%	Floating	10 169	10 260	10 352	10 443	10 535	10 626	10 717
				31-Dec-16			10 037	10 116	10 196	10 275	10 364	10 433	10 512
				31-Mar-17			9 909	9 976	10 044	10 112	10 180	10 248	10 316
				30-Jun-17			9 779	9 835	9 892	9 949	10 005	10 062	10 118
NEDBANK 1b	NEDBANK	1 000 000	04-Mar-10	30-Sep-16	3 months JIBAR + 2.8%	Floating	46 124	48 689	51 258	53 830	56 405	58 983	61 564
				31-Mar-17			46 890	49 442	51 998	54 557	57 118	59 683	62 251
				30-Sep-17			47 631	50 185	52 741	55 301	57 864	60 429	62 998
				31-Mar-18			1 047 799	1 050 338	1 052 881	1 055 426	1 057 975	1 060 527	1 063 082
SCMB 200m	SCMB	29 985	19-Sep-03	30-Sep-16	CPI plus Margin	Floating	3 300	3 317	3 333	3 350	3 367	3 383	3 400
				31-Dec-16			3 300	3 317	3 333	3 350	3 367	3 383	3 400
				31-Mar-17			3 300	3 317	3 333	3 350	3 367	3 383	3 400

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### 53. RISK MANAGEMENT (continued)

				30-Jun-17		3 300	3 317	3 333	3 350	3 367	3 383	3 400
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#### Swap Cashflow Sensitivity

The table below shows how the cashflow resulting from the swap would respond to changes in interest rates assuming:

- The base case interest rate is at current levels
- A two percent upward and one percent downward movement in interest rates

#### SWAP CASHFLOW SENSITIVITY ANALYSIS

Date	-1%	-0.50%	0	0.50%	1%	1.50%	2%
30-Sep-16	(9 785)	(8 493)	(7 201)	(5 909)	(4 618)	(3 326)	(2 035)
31-Mar-17	(10 991)	(8 564)	(6 142)	(3 730)	(1 322)	1 079	3 475
30-Sep-17	(9 913)	(7 651)	(5 398)	(3 174)	(959)	1 239	3 423
29-Mar-18	(9 100)	(7 012)	(4 940)	(2 906)	(888)	1 107	3 080
<b>Total</b>	<b>(39 789)</b>	<b>(31 720)</b>	<b>(23 681)</b>	<b>(15 719)</b>	<b>(7 787)</b>	<b>99</b>	<b>7 943</b>

#### Swap Fair Value Sensitivity

The table below shows how the fair value of the swap would respond to changes in interest rates assuming:

- The base case interest rate is at current levels
- A two percent upward and one percent downward movement in interest rates.

#### Swap Fair Value Sensitivity

Instrument	Maturity date	Fair value sensitivity to the interest rate shift					
		-1%	-0.50%	0%	0.50%	1%	1.5%

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Figures in Rand thousand

### 53. RISK MANAGEMENT (continued)

Interest Rate Swap on R1bn loan	(37 347)	(29 691)	(22 134)	(14 719)	(7 398)	(184)	6 925
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#### Estimation of Fair Values

The fair value of financial instruments that are not traded in an active market (for example, trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the municipality is the current bid offer price. The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques.

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

To determine the fair values of floating rate instruments, the municipality uses market forward rates to estimate future interest and capital cashflows, and then utilises market implied discount rates to calculate their present values. To determine the fair values of fixed rate instruments, the municipality uses market implied discount factors to calculate their present values.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

#### Fair Value Hierarchy

In terms of GRAP 104.130 there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The fair value hierarchy applies to instruments reported at fair value on the statement of financial position. The interest rate swap is the only instrument reported at fair value and therefore needs to be classified as per fair value hierarchy. Level 2 Fair values are calculated using valuation techniques based on observable inputs either directly or indirectly other than level 1 inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data. The Level 2 all-inclusive fair value of the swap stood at (R22) million as at the end of 30 June 2016.

#### Credit/Counterparty Risk

The Group deposits surplus funds with financial institutions to mitigate against the negative cost of carry and these funds are diversified around different investment type and institutions.

The credit limit exposure table below depicts all investments with various counterparties as at the 30 June 2016. Total investments were R 2.9 billion. Treasury constantly monitors the percentage limit utilised.

COUNTERPARTY CLASS	Approved Limit	Operational		Ringfenced		Total Exposure	Available for use	Percentage Utilised
		Call Deposits	Term Deposits	Call Deposits	Term Deposits			
Domestic Banks	4 825	343 783	158 800	336 102	1 089 763	1 928 447	2 897 552	39 %
International Banks	1 050	4 593	-	-	176 400	180 993	869 007	17 %
Public Sector Asset management firms	1 200	53 050	-	-	-	53 050	1 146 950	4 %
	4 600	782 052	-	-	-	782 052	3 817 947	17 %
	<b>11 675</b>	<b>1 183 478</b>	<b>158 800</b>	<b>336 102</b>	<b>1 266 163</b>	<b>2 944 542</b>	<b>8 731 456</b>	<b>78 %</b>

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Figures in Rand thousand

### 53. RISK MANAGEMENT (continued)

#### Credit quality of Investments

The credit qualities of CJMM's counterparties as at 30 June 2015 are shown in the table below.

COUNTERPARTY CLASS	Long Term Rating										Short Term Rating						
	AAA	AA+	AA	AA-	A+	A	A-	BBB	BBB	Withdr awn	Not Rated	F1+	F1	F2	F3	Withdr awn	Not Rated
Domestic Banks	0	0	3	2	0	0	0	0	0	0	0	5	0	0	0	0	0
International Banks	0	0	0	1	1	0	1	0	0	0	0	1	2	0	0	0	0
Public Sector	0	2	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0
Asset management firms	0	0	0	0	0	0	0	0	0	2	7	0	0	0	0	2	7
<b>Total</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>7</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>7</b>

#### Portfolio 2

##### Introduction and overview

In order for the CJMM to meet its debt redemption obligations specific to its long-term borrowing and to mitigate the related risks, the CJMM has mandated a fund manager to operate its Debts Redemption Fund (The Fund).

The key objectives central to the fund included in the mandate are:

- Immunise the liability, in principle eliminating interest rate risk, as well as eliminating reinvestment risk by matching the investment horizon of funds with their anticipated utilization;
- Enable the CJMM to meet their redemption obligations

The fund has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

##### Risk Management Framework

The Fund maintains positions in a variety of derivative and non-derivative financial instruments in accordance with its investment management strategy. The Liability Plus approach entails a risk-based investment strategy that manages the fund's assets appropriately, relative to its liabilities. The strategy focuses on mitigating the risks surrounding the liability, whilst at the same time seeking a return from the asset base. Conservative hedges can be employed to provide protection against the risks embodied in the liability. An asset strategy deployed is designed to deliver above-benchmark returns, and this is overlaid on the protective derivative structures. The integrated solution mitigates risks and improves performance.

The Fund's investment manager has been given a discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the Fund's risk management framework is monitored quarterly by the Fund's Risk Committee which is chaired by the City Treasurer. Other committee members include senior treasury officials and the investment management team. Overall governance is monitored by the CJMM's Asset and Liability Committee (ALCO) whose primary objective is to manage financial risk emanating from the City's operational and borrowing initiatives.

##### Credit Risk

# City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

### 53. RISK MANAGEMENT (continued)

Credit Risk, in the instance of Portfolio 2, is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from derivative financial assets, cash and cash equivalents, balances due from agencies and receivables from reverse repurchase agreements.

#### Management of credit risk

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's risk management policy. Credit risk is monitored on a daily basis by the investment manager in accordance with policies and procedures in place. Any deviations on the expected parameters of the Fund's credit risk are acted upon immediately.

In terms of this mandate, the acceptable credit exposures are:

- Government
- Parastatals
- Highly-Rated Corporate, Banks and Institutions

Exposure limits are determined as a function of the primary capital of the issuer, the credit rating provided by a rating agency and the liquidity of the instrument.

#### Exposure to credit risk

The Fund's maximum credit risk at the reporting date is represented by the respective carrying amount of the relevant financial assets in the statement of financial position at 30 June 2016. The Fund was invested in securities with the following credit quality:

Instrument Type	Fair Value
Bonds	1 852 201
Bond Repurchase Agreement	(376 139)
Floating Rate Note	1 107 108
Forward Rate Agreements	(6 367)
Bond options	(21 520)
Cash	47 711
Cash Collateral	251
NCD	-
Swaps	219 377
Promissory note	202 575
	-

#### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

#### Management of liquidity risk

The Fund's policy and the investment manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of bonds, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. The Fund's overall liquidity risk is monitored on a quarterly basis by the Fund's Risk Committee and CJMM ALCO. Six months prior to any CJMM upcoming bond redemptions, the liquidity of the Fund is assessed in relation to the required redemption amount and necessary measures to meet the obligations are undertaken if necessary.

#### Maturity analysis for financial instruments

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 53. RISK MANAGEMENT (continued)

The following are the contractual maturities of financial assets and liabilities, including estimated interest payments:

Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Settled Bond Assets	1 825 184	37 787	264 262	86 363	-	91 326	1 345 446
Floating Rate Note Assets	1 330 024	-	468 630	555 041	306 353	-	-
Floating Rate Note liabilities	(222 917)	-	(222 917)	-	-	-	-
Forward Rate Agreement Assets	19 543	15 702	3 840	-	-	-	-
Forward Rate Agreement liabilities	(25 910)	(18 394)	(7 516)	-	-	-	-
Swap assets	3 270 921	5 100	39 353	18 930	17 447	111 054	3 049 036
Swap liabilities	(3 051 434)	(8 209)	(21 747)	(1 224)	-	(3 197)	(3 017 167)
Bond Repurchase Agreement liabilities	(376 139)	(376 139)	-	-	-	-	-
Promissory Note assets	-	202 574	-	-	-	-	-
	<b>2 769 272</b>	<b>(141 579)</b>	<b>523 905</b>	<b>659 110</b>	<b>323 800</b>	<b>199 183</b>	<b>1 377 315</b>

#### Market Risk

Market Risk is the risk that changes in market prices such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the issuers credit standing) will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

#### Management of market risk

The Fund's strategy for the management of market risk is driven by the Fund's objective. The Fund deploys asset-liability matching principles to design an asset management strategy to immunise the portfolio from the underlying risks inherent in the liability. In addition, an active portfolio management strategy that rebalances the assets in order to take advantage of market mispricing opportunities is followed. Directional trades are overlaid on the asset strategy to provide yield enhancement.

The Fund's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. The Fund manager monitors the market risk in real time using the Rand per-Point metric which defines the profit or loss that would be generated by a one basis point move in the underlying interest rate curve.

The Fund's market positions are monitored on a quarterly basis by the Fund's Risk Committee and CJMM ALCO.

The Fund uses derivatives to manage its exposure to interest rate and other price risks. The instruments used include interest rate swaps, forward contracts, futures and options.

#### Interest rate risk sensitivity analysis

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. With respect to the Fund's interest-bearing financial instruments, the Fund is subject to exposure of fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

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Figures in Rand thousand

### 53. RISK MANAGEMENT (continued)

The sensitivity analysis reflects how changes in underlying interest rates affect the fair value of the financial instruments.

#### Fair Value Sensitivity Analysis

Asset Class	Fair Value Sensitivity to the interest rate movement/shift						
	R'000s -1%	R'000s -0.5%	R'000s 0	R'000s 0.5%	R'000s 1%	R'000s 1.5%	R'000s 2%
Redemptions	(4 431 385)	(4 449 242)	(4 362 823)	(4 278 808)	(4 197 116)	(4 117 700)	(4 040 392)
Bonds	1 877 180	1 892 426	1 852 201	1 813 335	1 775 774	1 739 463	1 704 352
Bonds Repurchase Agreement	(376 220)	(376 175)	(376 139)	(376 104)	(376 068)	(376 032)	(375 997)
Floating Rate Note	1 108 565	1 107 675	1 107 108	1 106 541	1 105 976	1 105 411	1 104 847
Forward Rate Agreement	(9 566)	(9 959)	(6 367)	(2 823)	674	4 125	7 529
Interest Rate Swaps	249 068	256 550	219 377	183 783	149 656	116 896	85 408
ABSA Call	47 711	47 711	47 711	47 711	47 711	47 711	47 711
Reg Sec Collateral	17 480	17 480	17 480	17 480	17 480	17 480	17 480
Nedbank Collateral	(17 228)	(17 228)	(17 228)	(17 228)	(17 228)	(17 228)	(17 228)
Bond options	(12 985)	(10 165)	(21 520)	(30 304)	(35 054)	(36 456)	(36 171)
Promissory Notes	204 134	203 437	202 575	201 717	200 864	200 016	199 172
<b>Net</b>	<b>(1 343 246)</b>	<b>(1 337 490)</b>	<b>(1 337 625)</b>	<b>(1 334 700)</b>	<b>(1 327 331)</b>	<b>(1 316 314)</b>	<b>(1 303 289)</b>

#### Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The primary responsibility for the development and implementation of controls over operational risk rests with the Fund's Risk Committee. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;
- ethical and business standards;
- risk mitigation

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to CJMM.

The Fund as provided the custodian a general lien over the financial assets held in custody for the purpose of covering the exposure from providing custody services. The general lien is part standard contractual terms of the custody agreement, at present, ABSA Bank Limited provide custody services.

#### Valuation of financial instruments

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### 53. RISK MANAGEMENT (continued)

Availability of observable market prices and model inputs reduces the need for management opinion and estimation. This also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions of financial markets.

The Fund has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function which is independent of front office management and reports to the Funds Risk committee which has overall responsibility of significant fair value measurements. Specific controls include: verification of observable pricing inputs and re-performance of model valuation; a review and approval process for new models and changes to such models; analysis and investigation of significant daily valuation movement and reporting of significant valuation issues to the Funds Risk committee.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in the measurements:

- Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs either directly i.e (as prices ) or indirectly (i.e derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data
- Level 3: Valuation techniques using significant, unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations.

The Fund uses widely recognised valuation models for determining the fair value of common and simpler financial instruments, or estimation. Observable prices and model inputs are usually available in the market for listed debt, exchange like interest swaps that use only observable market data and require little management, judgement and/ traded derivatives exchange and simple over the counter derivatives like interest rate swaps.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

<b>30 June 2016</b>	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Bonds	1 852 201	-	-	1 852 201
Bond Repurchase Agreement	-	(376 139)	-	(376 139)
Floating Rate Notes	-	1 107 108	-	1 107 108
Forward Rate Agreements	-	(6 367)	-	(6 367)
Interest Rate Swaps	-	219 377	-	219 377
Bond options	-	-	(21 520)	(21 520)
Promisory notes	-	202 575	-	202 575
	<b>1 852 201</b>	<b>1 146 554</b>	<b>(21 520)</b>	<b>2 977 235</b>

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 54. FRUITLESS AND WASTEFUL EXPENDITURE

#### Reconciliation of fruitless and wasteful expenditure

Opening balance	19 868	37 312	2 366	2 321
Fruitless and wasteful expenditure current year	7 441	1 552	2 248	45
Approved by Council or condoned	(1 041)	(384)	(125)	-
Reclassified/recovered	-	(18 612)	-	-
	<b>26 268</b>	<b>19 868</b>	<b>4 489</b>	<b>2 366</b>

The fruitless and wasteful expenditure disclosed in the opening balance is currently under investigation. Pending the results of the investigation this figure might be condoned or recovered in the next financial year.

#### GROUP- 2016

Detail of expenditure	Name of the company responsible	Amount in Rands
Interest charged on late payment of medical accounts for Compensation of Occupational Injuries and Diseases Claims	CJMM	129 836
Interest charged on Eskom account	CJMM	28 705
Interest charged on Neotel account.	CJMM	2 998
Interest charged on Growthpoint Account	CJMM	878
Interest charged on a court judgement granted against the City.	CJMM	2 053 343
Interest charged on Eskom Account.	CJMM	32 510
Interest and penalties paid to SARS was charged based on the late payment and submission of the December 2015 VAT return. This was due to system errors the VAT return was not allowing the return to be submitted and for a payment to be generated. This was then objected to and no response has yet been received from SARS.	Johannesburg Development Agency (SOC) Ltd	2 991 261
Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts.	Johannesburg Property Company (SOC) Ltd	49 629
The entity incurred penalty on Companies House account due to late submission on CIPC.	Johannesburg Roads Agency (SOC) Ltd	1 000
Interest charged on the Telkom account due to late payments.	Johannesburg Roads Agency (SOC) Ltd	47 259
Interest charged on the Eskom account due to late payments.	Johannesburg Roads Agency (SOC) Ltd	4 981
Interest charged on the Eskom account due to late payments.	Johannesburg City Parks NPC	11 000
The fruitless and wasteful expenditure incurred in the current financial period relates to rentals and utilities payment made to JHI Properties and Zenprop due to delayed tenant installation.	Pikitup (SOC) Ltd	1 814 818
The fruitless and wasteful expenditure relates to fines which were levied on the organisation for late renewal of bus licences.	Metrobus (SOC) Ltd	273 479
		<b>7 441 697</b>

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 55. UNAUTHORISED EXPENDITURE

#### Reconciliation of unauthorised expenditure

Opening balance	2 725 022	1 766 077	2 725 022	1 765 700
Unauthorised expenditure current year	692 587	959 322	692 587	959 322
Recovery of unauthorised expenditure	-	(377)	-	-
	<b>3 417 609</b>	<b>2 725 022</b>	<b>3 417 609</b>	<b>2 725 022</b>

The unauthorised expenditure incurred in the current year was due to over expenditure of the amount appropriated for a vote.

Name of Vote	Amount
Group Finance	587 003
Transport	66 770
Health	31 519
Public Safety	7 295
	<b>692 587</b>

Over expenditure on the operating budget for 2013/14 amounting to R1 713 989 000 was presented to Council and referred to MPAC for further investigation. Internal audit was tasked to investigate and report back to MPAC. The recommendation of MPAC shall be presented to Council in the new financial year.

The unauthorised expenditure in 2014/15 financial year relates to non-cash items i.e. debt impairment, depreciation and asset impairment which resulted from actual expenditure exceeding budget.

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Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 56. IRREGULAR EXPENDITURE

#### Reconciliation of irregular expenditure

Opening balance	1 565 214	1 323 624	994 133	914 533
Irregular expenditure current year	219 944	245 270	155 889	79 600
Approved by Council or condoned	(4 626)	(3 680)	-	-
	<b>1 780 532</b>	<b>1 565 214</b>	<b>1 150 022</b>	<b>994 133</b>

#### GROUP- 2016

Details of irregular expenditure	Name of the company responsible	Amount in Rands
The list below relates to current year expenditure for contracts that were identified as irregular in the previous year	CJMM	
Sunday Kit Uniform Supplies CC		78 854
Axton Matrix Construction CC		860 847
Blend Property Group		749 504
Botlefela Trading CC		749 504
City Property Administration		186 078
EOH		7 628 350
Eskom Enterprises (Pty) Ltd		138 294
Growthpoint Properties Limited		517 026
Iyer Urban Studio CC		867 250
JT Ross Property Services (Pty) Ltd		2 250 602
LexisNexis		2 069 826
Liberty Life Properties (Pty) Ltd		5 234 503
Link Reflective and Protective Designs CC		216 155
Mulilavhathu trading		806 044
Redefine Properties Ltd		806 044
Redefine Properties Ltd		6 940 689
Royal Haskning DHV		1 314 694
Universal Knowledge Software (UKS)		1 808 036
Vimtsiri Security and Protection Services		4 428 524
CJMM identified irregular expenditure mainly from the transactions that appear to have been splitting of orders.	CJMM	10 526 013
SM Xulu- Original tax invoice not submitted	CJMM	1 466 756
Basia Environment Services CC	CJMM	3 424 311
Royal Haskoning DHV - Supplier on poor performance awarded tender	CJMM	1 256 012
	CJMM	3 190 793
No original tax clearance submitted		253 282
Impilonhle Trading And Projects 6 CC - R157 895		
Exogage Prosperosa Consulting - R51 949		
Ants Project Training and Development - R43 438		
Award of procurement of goods and/or services to a supplier through a deviation process without the MBD 8.	CJMM	9 709 346
Ngungwa Development CC		
Ongoti building construction		
Abangoni Trading 144 cc		
Inappropriate Approval	CJMM	31 255
Phamari Trading Enterprises CC - R7 596		
Nonyanda Transport CC -R23 659		

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

<p>Invoice splitting                      Dot Office Supplies Pty Ltd -R52 266                      Sadiki Stationery and Financial Services - R52 411                      Kolunga Procurement Services - R50 932                      Kgoletso Stationers Cc - R51 294                      Fine Fit Uniform &amp; Overall cc - R52 530                      D and J Holdings - R45 876                      Maeko Property develop - R439 146</p>	CJMM	744 455
<p>No evidence that the CoJ procured goods and services from service providers under a contract secured by other organ of state as contracts (Service Level Agreements) between the other organs of state and service providers were provided for audit purposes.                      Altech Alcom Matomo Ltd - R9 779 285 Storage Technology Services (Pty) Ltd - R3 771 792                      Mafuri Turnkey Accelerated Construction (Pty) Ltd - R2 543 551                      Protea Chemicals - R768 258</p>	CJMM	16 862 886
<p>Splitting of quotations                      Y-Deluxe fast food &amp; catering services - R24 982                      Mufanadzo general enterprise - R24 561                      Mojoshe catering &amp; projects - R25 439                      Ouma catering services - R25 263                      Khayelimnandi catering - R25 404                      Valdifon CC - R23 860                      Funizwe Catering - R25 263                      Mojoshe catering &amp; projects - R24 561</p>	CJMM	199 333
<p>Negota Incorporated                      No tax clearance submitted - R2 693 087</p>	CJMM	2 693 087
<p>Gourmet Food Services                      Non-compliance with section 29(1) of the SCM policy and section 112 of the MFMA in respect to services sourced through a deviation process from a panel (quotation was issued instead of using a panel.) - R71 720</p>	CJMM	71 720
<p>The renewal of the existing contract is effectively a deviation and the motivation provided by the CoJ does not justify the impracticality to procure the services through a normal competitive bidding process                      TSS Management Services (Pty) Ltd- R10 734 662</p>	CJMM	10 734 662
<p>Irregular expenditure in respect of total payments exceeding the contract value (Excess amount is irregular)                      Osmond Lange - R295 498                      Buzz Trading - R20 796 374                      Lettam Mzansi - R14 654 666                      Basia Environmental Services - R3 450 000                      SKS Business Solutions - R742 728</p>	CJMM	39 939 266

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

<p>Non- Compliance with Preferential Procurement Regulation 9 and National Treasury Instruction Note on: Invitation and evaluation of bids based on the minimum threshold for local production and content for the textile, clothing, leather and footwear sector FG Uniforms - R483 385                      Business Connexion PTY LTD                      Suppliers in service of other state institutes - R16 096 262                      MBD4 forms not submitted for audit for awards made to persons in service of the state                      Megaphase Trading 441 CC - R88 720                      KB Ditiro Events CC - R18 421                      Tebogo Tsa Dimpho Trading CC - R7 780                      Mon Reahola Construction - R25 345                      Amugelang Trading Enterprise CC - R71 555                      Bidvest Office (PTY) LTD - R25 960                      Vividend Income Fund Limited - R175 098                      Mohanu and Nkokis Enterprises JW - R1 754                      Podumo Trading Enterprise - R6 833                      Sizanai General Trading PTY LTD - R26 752</p>	CJMM	17 027 865
<p>Quotations awarded to persons in service of the city                      Motshako Enterprises and Projects - R31 880                      Diageng Investment - R73 690                      Due to time limitations and the extent of the population it was Impracticable to quantify the full extent of the irregular expenditure. Instances of possible irregularities shall be properly assessed, investigated, where appropriate, corrective action taken and reported to Council.                      The irregular expenditure in the opening balance is being investigated.</p>	CJMM	105 570
Metrofile - Transgressions of SCM procedures	JRA (SOC) Ltd	6 927
Makhosi Engineers and Project Managers - Expired tax clearance	JRA (SOC) Ltd JRA (SOC) Ltd	281 664
Bolt & Engineering Distributors - missing documents for unsuccessful	JRA (SOC) Ltd	44 118
Xuma Technologies - missing documents for unsuccessful bidder	JRA (SOC) Ltd	14 912
3. The irregular expenditure relate to proper tender procedures not being followed on various contracts.	Metro Bus (SOC) Ltd	26 865 480
4. The irregular expenditure relates to contracts on which the contracted amounts have been exceeded without following proper SCM procedures.	Metro Bus (SOC) Ltd	4 773 103
This incident is as a result of an amendment to a contract that was awarded to a service provider to manage the company farm over a period of 6 years. This amendment related to security services on contract JW 13591 for the supply and installation of water saving cisterns, in which the criteria applied	Joburg Water (SOC) Ltd	371 000
contract JW CHR 026/15 for the provision of human resource based security services.	Joburg Water (SOC) Ltd	18 639 000
Splitting of orders	JFPM (SOC) Ltd	590 282
No evidence that 3 quotations were requested from suppliers	City Parks NPC	57 000
for the continued payments in respect of the security contract on the farm.	Joburg Water (SOC) Ltd	1 000 000
6. The irregular expenditure relates to amounts spent on procurement of the following:	PIKITUP (SOC) Ltd	
Bin liners		2 929 800
R&R Consulting		757 565
Medical Insurance		1 527 841
Security services		6 198 042
		<b>219 944 170</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

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Of the historical balance, R174 951 592 has been investigated by Internal Audit and the findings will be presented to MPAC before being presented to Council for condonement.

R26 135 712 is still under investigation and the processes will be completed in the new financial year.

Due to time limitations and the extent of the population it was Impracticable to quantify the full extent of the irregular expenditure. Instances of possible irregularities shall be properly assessed, investigated and where appropriate, corrective action taken and reported to Council

The irregular expenditure in the opening balance is being investigated.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

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### 57. IN-KIND DONATIONS AND ASSISTANCE

#### Health

Health Department received the following:

Management patient files from metrofile amounting to R 73 847.00

3X Laser Printers for Langlaagte Pharmacy at R4 250.00 per unit from Annova amounting to R12 750.00

#### Community Development

Community development department received the following:

5 669 books from Corporate donations amounting to R1 254 073.00

2 520 books received from Friends of the Libraries amounting to R536 603.00

28 127 books received as donations from anonymous members of public amounting to R5 910 348.00

#### Speaker's Office

Office of the speaker received the following inkind donations:

Mayou-4 VIP Protection, Council Owned vehicle and admin support, mayoral spousal program

Speaker-2VIP Protection, council owned vehicle and admin support

Strategic and Admin Support-MMC and Chief whip

Admin Support-Ward Councillors

Admin Support-For Chairpersons

#### Environment and Infrastructure

Environment and Infrastructure received the following inkind donations

Hotel Accomodation Sponsorship by C40 amounting to R24 588.45

Hotel Accomodation sponsored by City of Paris amounting to R4 994.96

Hotel Accomodation sponsored by Agence Franciase de Development amounting to R31 915.72.

#### Development Planning

Development Planning Department received the following:

Donation received towards research regarding the assessment and development of commercial and industrial properties in Gauteng Properties amounting to R500 000

#### Office of the Mayor

The office of the Mayor recieved the following:

Meerlust ans sauvignon Blance from The Capital Projects & Infrastructure Team-PWC amounting to R500

Joburg Watch amounting to R150

The Zohar received from the Kabbalah Centre amounting to R600

Small bottle of Honey from Pinpoint One amounting to R50

Sleeping bag from Sun International amounting to R400

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

### 58. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### Contributions to organised local government

Council subscriptions	11 329	10 500	11 329	10 500
Amount paid - current year	(11 329)	(10 500)	(11 329)	(10 500)
	-	-	-	-

#### Skills development levy

Opening balance	3 449	3 312	3 449	3 312
Current year subscription / fee	61 362	57 159	44 414	41 288
Amount paid - current year	(57 690)	(53 710)	(40 742)	(37 839)
Amount paid - previous years	(3 449)	(3 312)	(3 449)	(3 312)
	<b>3 672</b>	<b>3 449</b>	<b>3 672</b>	<b>3 449</b>

#### Audit fees

Opening balance	3 136	3 120	2 291	1 912
Current year audit fee	53 130	52 618	19 700	21 333
Amount paid - current year	(52 660)	(51 973)	(19 911)	(20 954)
Amount paid - previous years	(481)	(629)	-	-
	<b>3 125</b>	<b>3 136</b>	<b>2 080</b>	<b>2 291</b>

#### PAYE and UIF

Opening balance	82 329	70 455	59 659	55 758
Current year payroll deductions	1 425 177	1 273 039	793 473	713 174
Amount paid - current year	(1 335 398)	(1 190 710)	(728 125)	(653 515)
Amount paid - previous years	(77 466)	(70 455)	(59 659)	(55 758)
	<b>94 642</b>	<b>82 329</b>	<b>65 348</b>	<b>59 659</b>

#### Pension and Medical Aid Deductions

Opening balance	70 827	106 741	70 729	106 706
Current year payroll deductions and Council contributions	1 873 002	1 818 870	1 640 381	1 592 691
Amount paid - current year	(1 383 151)	(1 448 315)	(1 504 918)	(1 521 962)
Amount paid - previous years	(425 117)	(406 469)	(70 729)	(106 706)
	<b>135 561</b>	<b>70 827</b>	<b>135 463</b>	<b>70 729</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2016	Outstanding less than 90 days Rands	Outstanding more than 90 days Rands	Total R
A Cadman	40 845	30	40 875
M Louw	638	4 285	4 923
D Dewes	52 725	287 724	340 449
IR Mathebula & SM Gwala	532	13 268	13 800
JM Valentine	-	16	16
D M & T Netnow	261 293	2 243	263 536
F Abdullah	802	22 819	23 621
AM Sefoloko	846	7 218	8 064
M Mazibukwana	239	517	756
	<b>357 920</b>	<b>338 120</b>	<b>696 040</b>

30 June 2015	Outstanding less than 90 days (Rands)	Outstanding more than 90 days (Rands)	Total R
Clarke SNM	1 957	-	1 957
Dyodo P	1 190	2 517	3 707
Jane DK	534	14	548
Lemao SJ	3 911	586	4 497
Louw MA	2 866	1 260	4 126
Mahlanga JP	399	1 200	1 599
Matladi JM	-	19	19
Motlhamme SBE	518	43	561
Netnow DM	9 754	302 647	312 401
Nyengeza Mp	274	1 194	1 468
Radebe C	2 589	13 890	16 479
Tsobane MM	1 413	165	1 578
	<b>25 405</b>	<b>323 535</b>	<b>348 940</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

### 59. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

During the year under review the municipality gave the following award to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state for the previous twelve months

Name of the person (Service of the State)	Name of the person/company award	Name of the person/company award	Amount in Rands
Nyiko Gudlhuza	Gudlhuza Development Solutions	Spouse works for Eskom but of not a member of the CC	1 232 636
Nyiko Gudlhuza	Gudlhuza development Solutions	Spouse works for Eskom but of not a member of the CC	35 300
Clive September	GIBB (Pty) Ltd	Daughter employed by Health Infrastructure PWGWC as a State Accountant and another Daughter employed by the City of Cape town as a Project Administrator	623 754
Darren Pillay		Parent employed by the Dept of Education KZN as a data capture and another parent employed by the Dept of Education as an Educator	
Jenny Moon		Spouse works for the City of Cape Town as Head: Business Continuity	
Jo-Anne Stolworthy		Spouse works for the City of Cape Town as Principle Professional officer	
Lize de Beer		Spouse works for Eskom as Chief Engineer	
Mthokozisi Selby Mkhize		Spouse works for the National Department of water Affairs and Forestry as an Accounting Clerk	
Neville Randall		Department of Education as a Senior Educator	
Nomasithini Mzayiya		Spouse works for the Dept of Correctional Services as Correctional Officer	
Penny Smith		Partner works for the Department of Transport and Public Works as DDG	
Rorisang Lekonyana		Spouse work for Department of National Treasury as Deputy Director	
Douglas Kiewiet		Parent works for Department of Water Affairs and Forestry	
Vinnie Naidoo		Spouse works for the Gauteng Dept of Education as an HOD for Math's	
Pravanya Pillay		Spouse works for the City of Cape Town as senior Professional Officer and Mother works for the Dept of Education KZN as HoD: Languages, Father works for the Dept of Transport KZN as Mechanical Engineer	
Zafar Haq	Brother works for City Engineers as Architect/town Planner		
CAJ van Coillie	CSM Consulting Services	Son, Andre van Coillie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	1 700 425
CAJ van Coillie		Son, Andre van Coillie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2 053 480
Andrew Richard Marks	Andrew's Blinds CC	Family member, Amelia Cynthia Marks is employed by the City of Johannesburg in the Revenue and CRM department	4 651
Tshepo Joseph	Maeko Property Developments	Son, Andre van Coillie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	1 541 985
Samual Tebogo	Temoso Trading 387 CC	Family member, Mirriam Moalusi is employed by the City of Johannesburg as a nurse	13 680
Johannes Pompom Kotsedi	Kotsedi Medical CC	Family member, Sophie Nomvula Kotsedi is employed by the City of Johannesburg	197 185

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Macdonald Boikanyo	Hiznhez Business Enterprise	Family member, Mmamosa Boikanyo is a director in the City of Johannesburg	48 200
Silby Dunn	Red Ant Security Relocation And Eviction Services	Family member, Kelebogile Dunn was employed by the City of Johannesburg in the Corporate services	2 123 785
Ms Y Phosa	SMEC South Africa	Ms Phosa is the spouse of Dr. M Phosa, Chairperson of the board of SMEC South Africa and nonexecutive director	1 114 000
Raul Mosse	Siyakwe General Works	Family member, Juliet Simango is employed by the City of Johannesburg as a Operational Manager (Supervisor)	85 258

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

### 60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the Group Annual Financial Statements.

In terms of Section 36 (2) of the supply chain management regulation.

#### Sole Suppliers

The following deviations were as a result of service providers being sole suppliers for the required goods or services as per S 36 1 (b) of the supply chain management regulation

<b>Name of Sole Supplier</b>	<b>Name of Company</b>	<b>Amount in Rands</b>
Levitt's Distribution CC	Civic (SOC) Ltd	200 000
Sappi	Civic (SOC) Ltd	30 000
The Flavour	Civic (SOC) Ltd	200 000
Slo JO	Civic (SOC) Ltd	200 000
Slo JO	Civic (SOC) Ltd	24 289
Ola Cool Runners	Civic (SOC) Ltd	80 000
Slush Puppy	Civic (SOC) Ltd	150 000
Electrosonic	Civic (SOC) Ltd	226 086
L- Acoustics / Sound Harmonics	Civic (SOC) Ltd	400 000
External Team Events Company, Company Relay and Team	Civic (SOC) Ltd	30 000
DWR distribution cc	Civic (SOC) Ltd	186 267
Sysman Public Safety Systems	Civic (SOC) Ltd	15 000
Power Development Services	Civic (SOC) Ltd	2 109
Microsoft SA	Water ( SOC) Ltd	20 514 000
AEC Amersham (SOC) Ltd	Fresh Produce Market (SOC) Ltd	507 605
South African Institute of Civil Engineering	JRA (SOC) Ltd	57 000
Stage Audio Works	Civic (SOC) Ltd	100 000
The Leadership Magazine	JOSHCO (SOC) Ltd	44 460
New Way Power	Civic (SOC) Ltd	200 000
AfricanGraphix	JDA (SOC) Ltd	13 200
		<b><u>23 180 016</u></b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

### Emergency

The following deviations were due to emergencies as per section 36 (1) (i) of the supply chain management regulation

Name of the Service provider	Emergency explanation	Name of Entity	Amount in Rands
Triakon Professional Engineering Services	Emergency - The collapse of stormwater manhole caused a sinkhole which imposed danger to the children and other people.	JRA (SOC) Ltd	1 507 775
Ambassador Air	Emergency - appointment for the repairs of the airconditioning system at JRA Head Office.	JRA (SOC) Ltd	456 215
Ambassador Air Services (Pty) Ltd	Emergency - appointment for the repairs of the air-conditioning system at JRA Head Office.	JRA (SOC) Ltd	881 870
Ambassador Air Services (Pty) Ltd	Emergency - appointment for the repairs of the air-conditioning system at JRA Head Office.	JRA (SOC) Ltd	980 134
Egoli Gas	Emergency - Relocation of gas line on the Emmarentia dam wall which posed a safety threat.	JRA (SOC) Ltd	664 984
Makhosi Engineers and Project Managers	Emergency - Health and safety threat at Asphalt Plant due to the emissions which resulted in air pollution	JRA (SOC) Ltd	281 664
Best Enough Trading	Filling of a critical post (risk manager) whilst the tender process to appoint a panel was underway	JRA (SOC) Ltd	193 778
SNA Civil Structural Engineering (Pty) Ltd	Emergency - Investigation into the collapse of the bridge support structure onto M1 Motorway at Grayston Drive.	JRA (SOC) Ltd	1 195 500
Manoti Building Construction cc	Emergency - Repairs of the cracked glass, sealing and installation of glass façade at the Johannesburg Roads Agency Head Office building.	JRA (SOC) Ltd	427 230
Triakon Engineering cc	Emergency stormwater and Gabion reinstatement at Wyoming Berario which posed safety risk and damages to infrastructure.	JRA (SOC) Ltd	496 638
Gilcels Construction and Projects	Emergency admin block sewage line blockage at Hamburg depot.	JRA (SOC) Ltd	6 000
	Emergency upgrade of 88kV switchyard		8 053 276
Lumacon Air Condition	Emergency repairs to Fleurhof Heat Pumps		56 959
	Emergency procurement of Hydraulic oil	City Power (SOC) Ltd	42 037
	Emergency repairs to Bordeaux and Randburg 6,6kv substations	City Power (SOC) Ltd	786 590
	Emergency repairs to transformer at Eikenhof substation	City Power (SOC) Ltd	389 768
	Emergency repairs to Khanyisa substation due to fire damage	City Power (SOC) Ltd	13 000 000
	Emergency procurement of low level stock items	City Power (SOC) Ltd	805 845
	Other Contracts incurred by Joburg Water for emergencies	Water (SOC) Ltd	17 747 000
	Procurement by Johannesburg Fresh Produce Market for emergencies	Fresh Produce (SOC) Ltd	11 669 189

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

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Various suppliers	emergency procurement related to Casual labour, drivers, cleaning equipment, consumables and tools and physical security as result of Pikitup strike.	PIKITUP (SOC) Ltd	35 654 447
	Facilities management maintenance and repairs	PIKITUP (SOC) Ltd	87 626
Ascret of David Initiative Projects and Construction	Due to a water leak from the downstairs kitchen overflowing into Portfolio A offices, emergency repairs had to be effected.	JDA (SOC) Ltd	3 450
The Drain Surgen	Emergency repairs to drainage system	Civic (SOC)Ltd	50 000
			<b><u>195 437 975</u></b>

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## Notes to the Group Annual Financial Statements

### Special work of art

The following deviations were due to services being special works of art as per section 36 (1) (iii) of the supply chain management regulation. These were incurred by Johannesburg Civic Theatre (SOC) Ltd as part of their business.

<b>Name of special art</b>	<b>Amount in Rands</b>
Step and Move (Moving minds)	49 600
June 2016 Youth Month	2 700 000
Inhouse events at Joburg Theatres	7 000
Promusa	9 500
Facilitators	280 000
Ga Se Lerato & Kudelowaziyo	202 000
In-house Productions (New Year's, Luther Vandross, Freedom week, Magic Flute, Africa Day)	11 850 000
Who's Who Management	378 000
Provision of artists for Arts Alive 2015	7 000 000
Burn the Floor	60 000
Youth Development 2015/16	650 000
Soweto Theatre inhouse productions	1 677 750
In-House Production at Joburg Theatre	3 375 000
	<b><u>28 238 850</u></b>

### Purchase of animals

The following deviations were as a result of purchase of animal as per section 36 (1) (iv) of the supply chain management regulation by Joburg City Parks and Zoo

<b>Detail of expenditure</b>	<b>Amount in Rands</b>
PO053917,PO054629 and PO054628 animals purchase	107 500
Procurement of Animal- Flamingo	25 000
Procurement of Animal-water Buffalo	200 000
Procurement of Animal - Reptiles	24 200
Procurement of Animal - Coati	12 500
Procurement of Animal - African Buffalo	350 000
Procurement of Animal - Rhino	700 000
Procurement of Animal - Buffalo Weaver, Guenea fowl and Barbet	21 650
Procurement of Animal - Nigripes	50 000
PO053918 animal purchase	25 000
PO053927 animal purchase	280 000
	-
PO053919 animals purchase	64 105
Purchase order number PO049037 for Procurement of Animal-white Pelican	72 000
	<b><u>1 931 955</u></b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

### Operating leases extensions

Deviation and Ratification from the Normal Procurement processes in terms of regulation 36 (1) (b) of the municipal supply chain Management for departments to remain in their current buildings and to extend the current lease agreements.

Name of supplier /building	Amount in Rands
Sanlam / JHI	9 340 469
Redefine Properties	34 628 992
Investec Ltd	5 981 722
Germiston Bronze	6 498 123
CEz Investments	3 508 965
66 Plein Street CC	8 695 886
Liberty Group Property Management	11 422 548
ZenProp	14 351 278
Orion Property	7 400 597
Hermans and Romans	10 042 797
Eureka	-
Aca - Crum	-
Proton	732 000
CJ Cronje	556 000
ACA Health	90 000
Traduna	661 000
Fedsure Parking	99 000
Kyalami Business Park	35 000
Jorissen - DED	650 000
Aca Legislature	85 000
Alphen Square Dev	150 000
Alphen Square Health	250 000
222 Smit Street Housing	591 000
Blackheath Library	13 500
Horizon View Library	8 500
Killarney Library	6 500
Halfway House Library	8 500
Wilfro Park Library	7 000
Modderfontein Library	8 000
222 Smit Street MTC	250 000
16th Road Randjies Park	42 000
Transport	148 843
Alexandra Library	10 000
Malvern Library	100 000
Delta Property fund	93 183 126
Gandhi Square (Metrobus ticket office)	11 264
Sappi Building	453 484
	<b>210 021 094</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

### Other contract extensions.

Deviation and Ratification from the Normal Procurement processes in terms of regulation 36 (1) (b) of the municipal supply chain Management to extend the current contracts for security and cleaning services

Name of Supplier	Name of the company responsible	Amount in Rands
Khulani Makhosikazi Khulani	JPC	780 000
Green Sweep	JPC	432 000
Document Warehouse	JPC	242 127
Nicor Prosys	JPC	694 484
Softline VIP	JPC	573 752
Telkom	JPC	1 646 137
Infra-Sol	JPC	4 783 951
Schindler Lifts	JPC	2 307 409
Vodacom	JPC	738 146
Abzubros	JPC	383 494
Mabotwane Security	JPC	4 721 795
Mafoko Security Patrols	JPC	1 431 114
Marshall Knights	JPC	572 844
MC security	JPC	2 156 597
Peak Security	JPC	132 347
Sihlangene Security	JPC	2 077 338
SOS Protecsure	JPC	1 508 230
Venus Security Solutions	JPC	2 695
Vimtsire Security Protections	JPC	1 699 762
Continuous Membership to Gartner Research Services	CJMM	6 353 874
Various fresh produce market contracts	JFPM	64 000
Mthimkhulu Stone Works CC	JOSHCO (SOC) Ltd	101 837
Jolobe Trading	JOSHCO (SOC) Ltd	406 080
Gochi Trading	JOSHCO (SOC) Ltd	413 280
Exclusive People	JOSHCO (SOC) Ltd	45 996
VZ Contractor	JOSHCO (SOC) Ltd	533 040
		<b><u>34 802 329</u></b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

### Other Deviations

Deviation and Ratification from the Normal Procurement processes in terms of regulation 36 (1) (av) and (b) of the municipal supply chain Management.

Name of the Service provider	Emergency explanation	Name of Entity	Amount in Rands
Y – Deluxe Fast Food	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 480
Mufanadzo General Enterprise	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 000
Mojoshe Catering & Projects	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	29 000
Ouma Catering Services	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 800
Khayalimnandi Catering	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 960
Valdifon CC	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	27 200
Funizwe Catering	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 800
Mojoshe Catering & Projects	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 000
Lapa la Rona	Appointment of catering services by JMPD for public safety ward based policing (Joburg 10 plus) and tool kit training programme. the matter was referred to Group Risk and Assurance Services for investigation.	CJMM	123 030
Late Harvest Caterers & Events	Appointment of catering services by JMPD for public safety ward based policing (Joburg 10 plus) and tool kit training programme. the matter was referred to Group Risk and Assurance Services for investigation.	CJMM	123 030
Make it Happen	Appointment of catering services by JMPD for public safety ward based policing (Joburg 10 plus) and tool kit training programme. the matter was referred to Group Risk and Assurance Services for investigation.	CJMM	123 030
Jessy Catering Services T/A Platters	Appointment of catering services by JMPD for public safety ward based policing (Joburg 10 plus) and tool kit training programme. the matter was referred to Group Risk and Assurance Services for investigation.	CJMM	123 030

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Taung Management Services	Appointment of catering services by JMPD for public safety ward based policing (Joburg 10 plus) and tool kit training programme. the matter was referred to Group Risk and Assurance Services for investigation.	CJMM	123 030
Gourmet Food Services	The department solicited quotations from three (3) service providers on Panel A473 instead of requesting quotations from all (9) service providers that are on Panel A473.	CJMM	81 760
Mango Kernel Flour and the Associated Technical Training for the Joburg Bread Programme	The requirement for the appointment of a sole provider for the project is due to the fact that there is no capacity in the City or the Department to undertake the technical training for Joburg Bread, that the Joburg Bread concept is an innovation to the City, and that GEMS is the only organization with the proof of patent application to produce the mango kernel flour using mango waste, and that the technology is aligned to the Blue Economy business model.	CJMM	919 736
SAP Maxattention support services	Procured in terms of Section 116 (3) of the Municipal finance management Act.	CJMM	75 000 000
Bowman Gilfillan	appointment for the legal services to respond to summons whilst tender process was underway	JRA (SOC) Ltd	382 366
Afhco Holdings	Impracticality - Afhco Holdings was the only supplier in the JRA Head Office vicinity to offer parking services in a radius of 500 meters.	JRA (SOC) Ltd	107 010
Van Velden Duffey Incorporated	Impracticality - appointment for the legal services to respond to summons whilst tender process was underway	JRA (SOC) Ltd	38 412
PwC Research Services (Pty) Ltd	Impracticality - Renewal of the Remchannel software which was developed by PwC and it was impractical to find a new provider to work on the Remchannel.	JRA (SOC) Ltd	64 500
Community Advertiser CC T/A Cherry Apple Media	Impracticality - Cherry Apple Media was appointed to render services to the JRA for advert placement on specialised publications. The appointment was made whilst the tender process was being initiated.	JRA (SOC) Ltd	1 003 606
Oracle Corporation	Impracticality - Renewal of software licenses (Oracle) which is currently being used by JRA. It was impractical to find a new provider.	JRA (SOC) Ltd	1 889 363
Game Shopping Centre	Purchase of long service awards vouchers from Game Stores for qualifying employees.	JRA (SOC) Ltd	107 000
Dick King Lab Supplies (Pty) Ltd	The Procurement of mould and plates for matest gyratory compactor from sole supplier.	JRA (SOC) Ltd	29 735
Maverick Trading 59 cc	Supply and delivery of non-metal products (KI Tops and Slabs) as a result of shortages experienced at the depots due to increased demand.	JRA (SOC) Ltd	5 000 000
Eskom Holdings	Appointment for the re-routing of the electrical cables at the Nxumalo Bridge.	JRA (SOC) Ltd	3 875 931
Britehouse	The Accounting Officer ratified a minor breach in supply chain processes for the appointment of Britehouse. An RFQ was advertised on the JDA website for seven days, on receipt of the RFQ the bid was evaluated and the service provider was appointed with a value that exceeds the threshold of R200 000 by R 25,378. The minor breach of the procurement process was ratified by the Accounting Officer.	JDA (SOC) Ltd	25 378
The Creative Axis	The Accounting Officer ratified a minor breach in supply chain processes for the continued appointment of The Creative Axis. The team was erroneously appointed for two years (2013/14 and 2014/15) instead of three years i.e. including the 2015/16 financial year. The tender document advertised had stated a three year appointment of a service provider. The minor breach of the procurement process was ratified by the Accounting Officer.	JDA (SOC) Ltd	256 740
Various suppliers	Joburg Water requested deviation on certain contracts due to to impracticality	Water (SOC) Ltd	-
	Purchase order number PO050097 for the exhibition stand in Durban	Parks (SOC) Ltd	48 600

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Various suppliers	Other deviations were documented and reported to the MTC Board of directors who considered them and subsequently approved them.	MTC (SOC) Ltd	7 834 000
Various suppliers	Procurement related to other services	Pikitup (SOC) Ltd	1 655 950
Bankuna Engineering Mapitsi Civil	completion of Soweto infrastructure upgrade and rehabilitation in SB 10 , Diepkloof	Water (SOC) Ltd	79 023 748
Telkom SA	appointment of Telkom for provision of telephony service	Water (SOC) Ltd	30 540 530
Various suppliers	Procurement related to Forensic investigations, securing external landfill airspace, evacuation chairs, specialised equipment, personnel recruitment advertisement, hire of equipment, move management and tenant installation. telephone directory and physical security.	Pikitup (SOC) Ltd	289 367 727
Various suppliers	procurement deviated due to impracticality in following the normal processes	CIVIC (SOC) Ltd	587 026
OTIS Elevators	Maintenance of lifts at Chelsea Project was deviated due to limited source supply	JOSHCO (SOC) Ltd	129 175
Delta Link	M- files document management system	JOSHCO (SOC) Ltd	16 436

**498 827 119**

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

### 61. HEDGING ACTIVITIES

During the 2011 financial year, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for a 11.66% fixed interest rate.

#### Swap Details

Trade Date :	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1 billion
Fixed Rate:	11.66%
Payable:	Semi- annual

The cash flow hedge was ineffective for the year ended 30 June 2016 and it no longer met the criteria for hedge accounting as per IAS 39 par 88. The CJMM has therefore discontinued applying hedge accounting.

#### CASH FLOW RESERVE

Opening Balance	19 570	37 721	19 570	37 721
Fair value movement - SWAP	(14 200)	(18 151)	(14 200)	(18 151)
	<b>5 370</b>	<b>19 570</b>	<b>5 370</b>	<b>19 570</b>
Interest expense recognised in the statement of financial performance during the financial period	21 868	37 381	21 868	37 381

The SWAP value represents the clean fair value as at 30 June 2016 ( All inclusive price less any SWAP interest accrual outstanding)

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>62. RELATED PARTIES</b>				
Relationships				
CORE				
Other members of the group				
				City of Johannesburg Metropolitan Municipality Johannesburg City Parks NPC Johannesburg Metropolitan Bus Services (SOC) Ltd Johannesburg Social Housing Company (SOC) Ltd City Power Johannesburg (SOC) Ltd Johannesburg Development Agency (SOC) Ltd Johannesburg Roads Agency (SOC) Ltd Johannesburg Water (SOC) Ltd The Johannesburg Civic Theatre (SOC) Ltd The Johannesburg Fresh Produce Market (SOC) Ltd Pikitup Johannesburg (SOC) Ltd City of Johannesburg Property Company (SOC) Ltd Johannesburg Metro Trading Company (SOC) Ltd Golden Triangle Development Company (Pty) Ltd see note 19
Joint ventures				
<b>Related party balances</b>				
<b>Amounts included in Loans, Trade and other receivables regarding related parties</b>				
City Power Johannesburg (SOC) Ltd			4 190 326	3 981 965
City of Johannesburg Property Company (SOC) Ltd			69 494	236 037
Johannesburg City Parks NPC			57 146	39 133
Johannesburg Development Agency (SOC) Ltd			145 327	70 854
Johannesburg Metropolitan Bus Services (SOC) Ltd			799 629	323 182
Johannesburg Roads Agency (SOC) Ltd			82 937	123 055
Johannesburg Social Housing Company (SOC) Ltd			29 976	16 436
Johannesburg Water (SOC) Ltd			4 626 541	4 366 719
Metropolitan Trading Company (SOC) Ltd			1 311 889	-
Pikitup Johannesburg (SOC) Ltd			879 253	1 088 547
The Johannesburg Civic Theatre (SOC) Ltd			401	3 220
The Johannesburg Fresh Produce Market (SOC) Ltd			76 537	111 427
			<b>12 269 456</b>	<b>10 360 575</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>62. RELATED PARTIES (continued)</b>				
<b>Amounts included in Loans, Trade and other payables regarding related parties</b>				
City Power Johannesburg (SOC) Ltd			2 394 166	2 251 768
City of Johannesburg Property Company (SOC) Ltd			139 879	252 262
Johannesburg City Parks NPC			652 479	604 570
Johannesburg Development Agency (SOC) Ltd			856 119	868 828
Johannesburg Metropolitan Bus Services (SOC) Ltd			217 487	30 113
Johannesburg Roads Agency (SOC) Ltd			840 174	822 118
Johannesburg Social Housing Company (SOC) Ltd			322 356	246 143
Johannesburg Water (SOC) Ltd			581 734	643 470
Metropolitan Trading Company (SOC) Ltd			24 775	-
Pikitup Johannesburg (SOC) Ltd			914 078	1 060 557
The Johannesburg Civic Theatre (SOC) Ltd			18 437	7 196
The Johannesburg Fresh Produce Market (SOC) Ltd			65 777	40 546
			<b>7 027 461</b>	<b>6 827 571</b>
<b>Related party transactions</b>				
<b>Revenue from related parties</b>				
City Power Johannesburg (SOC) Ltd			506 146	422 634
City of Johannesburg Property Company (SOC) Ltd			5 940	7 005
Johannesburg City Parks NPC			16 009	50 215
Johannesburg Development Agency (SOC) Ltd			8 855	7 832
Johannesburg Metropolitan Bus Services (SOC) Ltd			40 042	49 142
Johannesburg Roads Agency (SOC) Ltd			24 037	26 695
Johannesburg Social Housing Company (SOC) Ltd			1 264	-
Johannesburg Water (SOC) Ltd			561 328	569 004
Metropolitan Trading Company (SOC) Ltd			91 287	-
Pikitup Johannesburg (SOC) Ltd			68 070	25 545
The Johannesburg Civic Theatre (SOC) Ltd			412	8 413
The Johannesburg Fresh Produce Market (SOC) Ltd			10 829	65 475
			<b>1 334 219</b>	<b>1 231 960</b>
<b>Operating Expenditure</b>				
City Power Johannesburg (SOC) Ltd			203 643	186 494
City of Johannesburg Property Company (SOC) Ltd			425 602	294 133
Johannesburg City Parks NPC			764 118	691 953
Johannesburg Development Agency (SOC) Ltd			22 382	26 855
Johannesburg Metropolitan Bus Services (SOC) Ltd			434 580	403 775
Johannesburg Roads Agency (SOC) Ltd			795 150	768 941
Johannesburg Social Housing Company (SOC) Ltd			23 541	25 580
Johannesburg Water (SOC) Ltd			260 406	272 182
Metropolitan Trading Company (SOC) Ltd			105 931	-
Pikitup Johannesburg (SOC) Ltd			703 256	592 918
The Johannesburg Civic Theatre (SOC) Ltd			99 063	70 545
The Johannesburg Fresh Produce Market (SOC) Ltd			18 730	16 730
			<b>3 856 402</b>	<b>3 350 106</b>
<b>Commitments</b>				
Johannesburg Development Agency (SOC) Ltd			1 137 800	2 003 690
Johannesburg City Parks & Zoo NPC			66 899	88 100
Johannesburg property Company (SOC) Ltd			8 717	369 878
Johannesburg Roads Agency (SOC) Ltd			-	17 100
Johannesburg Water (SOC) Ltd			716	-

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>62. RELATED PARTIES (continued)</b>			<b>1 214 132</b>	<b>2 478 768</b>

### 63. CHANGE IN ESTIMATE

#### Traffic fines

A change in accounting estimate is when newer and more reliable information informs the municipality that the previous amounts used to measure revenue and receivables need to be adjusted. If after initial recognition, it becomes clear that cash has been received from offenders, then revenue recognised initially is adjusted accordingly in the Statement of Financial Performance and this change is accounted for as a change in accounting estimate.

The change in estimates for fines amounted to R 32 233 380 in the current year.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 64. EVENTS AFTER THE REPORTING DATE

Municipal elections took place on the 3rd August 2016. The outcome resulted in a change in Mayoral Committee members. This date falls within the post balance sheet period, therefore the change in the committee members should be noted.

### 65. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

#### Johannesburg Broadband network (JBN)

The Johannesburg Broadband network (JBN) was transferred from B Wired to the City of Johannesburg. The initial accounting of the transfer of function was incomplete as at 30 June 2016. The account balances affected are Property, plant and equipment and intangible assets. The amounts recognised are therefore provisional amounts as per paragraph 40 of GRAP 105.

The transfer of function took place during the 2016 financial year and was finalised on Friday, September 4, 2015.

#### The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed

Property, plant and equipment	867 226	-	867 226	-
Intangible assets	188 389	-	188 389	-
	<b>1 055 615</b>	<b>-</b>	<b>1 055 615</b>	<b>-</b>

#### Acquisition related costs

The acquisition related costs amounted to R42 551 . These costs have been expensed in the year of acquisition and are included in general expenses in statement of financial performance.

#### Revenue and surplus or deficit of the Johannesburg Broadband network (JBN)

Revenue of R 48 117 and loss of R 52 690 of Johannesburg Broadband network (JBN) under Metropolitan Trading Company has been included in the group's results since the date of acquisition.

#### Initial accounting incomplete

Assets were accounted for at provisional amounts at acquisition date, the parent municipality is still embarking on a valuation exercise to confirm the Asset values.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
<b>66. TAXATION</b>				
<b>Major components of the tax expense</b>				
<b>Current</b>				
Local income tax - current period	36 100	19 599	-	-
<b>Deferred</b>				
Originating and reversing temporary differences	217 804	219 189	-	-
	<b>253 904</b>	<b>238 788</b>	-	-
<b>Reconciliation of the tax expense</b>				
Reconciliation between accounting surplus and tax expense.				
Accounting surplus	4 071 095	3 863 266	1 729 699	2 403 725
Tax at the applicable tax rate of 28% (2015: 28%)	1 139 907	1 081 714	484 316	673 043
<b>Tax effect of adjustments on taxable income</b>				
Non taxable and non-deductible items	(883 473)	(800 511)	(484 316)	(673 043)
(Over)/ under provision of prior years	(2 936)	8 826	-	-
Tax effect of previously unused tax losses	406	(51 241)	-	-
	<b>253 904</b>	<b>238 788</b>	-	-

## 67. CASH MANAGEMENT

During the 2016 financial year, Transport department within City of Johannesburg had cash losses due to alleged fraudulent activities and theft amounting to R31,194 million (2015: R8,133 million). These losses incurred led to monies which were never credited into the City's bank account. Management is in the process of prosecuting personnel alleged to have undertaken fraudulent activities and/or have been negligent in the execution of their duties. Cases have also been opened with the SAPS with a view inter alia to recovering the monies. Investigations are almost complete and based on the outcome of these investigations actions have already been taken and will continue to be taken to improve controls and hold the relevant parties accountable.

## Auditor General's Report

# Report of the auditor-general to the Gauteng Provincial Legislature and the council on City of Johannesburg Metropolitan Municipality

## Report on the consolidated and separate financial statements

### Introduction

1. I have audited the consolidated and separate financial statements of the City of Johannesburg Metropolitan Municipality and its entities as set out on pages ... to ..., which comprise the consolidated and separate statement of financial position as at 30 June 2016, the consolidated and separate statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the consolidated and separate financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2015 (Act No. 1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance

about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the City of Johannesburg Metropolitan Municipality and its entities as at 30 June 2016 and its consolidated and separate financial performance and cash flows for the year then ended, in accordance with the SA standards of GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matters**

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### Significant uncertainties

8. As disclosed in note 51 to the consolidated and separate financial statements, the municipality is the defendant in various lawsuits. The outcome of these matters cannot presently be determined and/or reliably measured; therefore no provision for any liabilities that may result has been made in the annual financial statements.

## Restatement of corresponding figures

9. As disclosed in note 52 to the consolidated and separate financial statements, the corresponding figures for 30 June 2015 have been restated as a result of errors discovered during 30 June 2016 in the consolidated and separate financial statements of the City of Johannesburg Metropolitan Municipality and its municipal entities for the year ended, 30 June 2016.

## Material Impairments

10. As disclosed in note 10 to the consolidated and separate financial statements, the receivables balance has been significantly impaired. The allowance for impairment of consumer debtors amounts to R10 601 368 000 (2014-15: R10 338 028 000) which represents 63% (2014-15: 67%) of total consumer debtors. The contribution to the provision for debt impairment was R2 658 759 000 (2014-15: R3 279 937 000).

## Material losses

11. As disclosed in note 44 to the consolidated and separate financial statements, material electricity losses to the amount of R2 260 114 000 (2014-15: R2 606 873 000) were incurred which represents 23.1% (2014-15: 29.2%) of total electricity purchased. Technical losses amounted to R906 280 000 (2014-15: R828 953 000) and were due to distribution losses. Non-technical losses amount to R1 353 834 000 (2014-15: R1 777 920 000) and were due to theft, bypass of meters, illegal de-calibration of meters and damaged meters.

## Irregular expenditure

12. As disclosed in note 56, to the financial statements, irregular expenditure incurred in the current year could not be fully quantified for the reasons stated.

## Transfer of Function

13. As disclosed in note 65 to the financial statements, the initial accounting of the transfer of function was incomplete as at 30 June 2016 and the assets acquired from the transfer of function were recognised at provisional amounts.

## **Additional matters**

14. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## Unaudited supplementary schedules

15. The supplementary schedules set on pages ... to ... do not form part of the financial statements and is presented as additional information. I have not audited those schedules and accordingly I do not express an opinion thereon.

## Unaudited disclosure note

16. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

## Report on other legal and regulatory requirements

17. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## **Predetermined objectives**

18. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the municipality for the year ended 30 June 2016:

- Programme 1: Sustainable services cluster on pages xx to xx
- Programme 2: Economic growth cluster on pages xx to xx
- Programme 4: Good governance cluster on pages xx to xx

19. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

20. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

21. The material findings in respect of the selected programmes are as follows:

### **Programme 1: Sustainable services cluster**

Reliability of reported performance information

22. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of important indicators were not reliable when compared to the evidence provided.

### **Programme 2: Economic growth cluster**

Reliability of reported performance information

23. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of important indicators were not reliable when compared to the evidence provided.

### **Programme 4: Good governance cluster**

Reliability of reported performance information

24. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of important indicators were not reliable when compared to the evidence provided.

### **Additional matters**

25. I draw attention to the following matters:

Achievement of planned targets

26. Refer to the annual performance report on pages ... to ... for information on the achievement of the planned targets for the year. This information should be

considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs ... to ... of this report.

#### Unaudited supplementary schedules

27. The supplementary information set out on pages ... to ... does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

#### Adjustment of material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 1 – Sustainable services, Programme 2 – Economic growth and Programme 4 – Good governance cluster. As management subsequently corrected only some of the misstatements, I identified material findings on the reliability of the reported performance information.

### **Compliance with legislation**

29. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### **Procurement and contract management**

30. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by supply chain management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).

31. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

32. Contracts were extended without tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.

33. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by the code of conduct for staff members issued in terms of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).
34. Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.
35. Sufficient appropriate audit evidence could not be obtained that measures to combat the abuse of the SCM system were implemented as per the requirements of SCM regulation 38(1).

### **Consequences management**

36. Unauthorised, irregular, and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.
37. Council did not always approve the terms of reference of each investigation as required by municipal regulation on financial misconduct procedures and criminal proceedings 6(1).

### **Annual financial statements**

38. The consolidated and separate financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### **Expenditure management**

39. Reasonable steps were not taken to prevent unauthorised, fruitless and wasteful and irregular expenditure, as required by section 62(1)(d) of the MFMA.

### **Strategic planning and performance management**

40. The annual performance objectives and indicators Metropolitan Trading Company SOC Ltd were not established, as required by section 93B (a) of the MSA.

### **Human resource management**

41. The municipal manager did not sign a performance agreement, as required by section 57(2)(a) of the MSA.

### **Internal control**

42. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

### **Leadership**

43. The accounting officer did not adequately exercise oversight responsibility regarding financial and performance reporting and compliance with legislation. Senior management did not implement sufficient monitoring controls to ensure that financial and performance reporting information is credible at all times and that the municipality complies with legislation.

### **Financial and performance management**

44. The administrative leadership did not keep documents and records in a manner that ensures that complete, relevant and accurate information is accessible and available to support financial and performance reporting in time. Non-compliance with the MFMA, MSA and SCM regulations could have been prevented had compliance been properly reviewed and monitored.

### **Governance**

45. The accounting officer and the applicable governance structures did not ensure effectiveness of internal audit function and that the assessment of controls is conducted frequently to appropriately address significant deficiencies and repeat findings.

### **Other reports**

46. I draw attention to the following engagements that could potentially impact on the municipality's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that either are in progress or have been completed.

### **Investigation**

47. One hundred and thirty-three cases of alleged irregularities relating to financial misconduct, fraudulent acts, theft and non-compliance were investigated during the financial year. The municipality's forensic department investigated the majority of these cases internally.

48. Of these, twenty-four have been completed, six were closed due to lack of evidence and the remainder are at either the planning or the execution phase.

*Auditor-General*

Johannesburg

31 December 2016



## Corrective Action Taken / To Be Taken to Resolve Auditor General Findings

Emphasis of Matters / Additional Matters	Finding	Action Taken / To be Taken	By When	Responsible Department and Official
1. Significant uncertainties	1.1 As disclosed in note 51 to the consolidated and separate financial statements, the municipality is the defendant in various lawsuits. The outcome of these matters cannot presently be determined and/or reliably measured; therefore no provision for any liabilities that may result has been made in the annual financial statements.	(i) There is budget allocation/provision for contingent liability in the City's budget.	Ongoing	<b>Mbulelo Ruda: Group Legal and Contracts</b>
2. Restatement of corresponding figures	2.1 As disclosed in note 52 to the consolidated and separate financial statements, the corresponding figures for 30 June 2015 have been restated as a result of errors discovered during 30 June 2016 in the consolidated and separate financial statements of the City of Johannesburg Metropolitan Municipality and its municipal entities for the year ended, 30 June 2016.	Group Finance will ensure processes are put in place to continuously improve the quality of financial statements through: (i) Building adequate, suitably qualified capacity in key financial positions, specifically within the various Departments. (ii) Keeping abreast with technical accounting developments through active participation in the activities of bodies such as SAICA, ASB (iii) Strengthening internal control and review processes to minimize the occurrence of errors	July 2017  Ongoing  Ongoing	<b>Reggie Boqo: Group CFO</b>
3. Material Impairments	3.1 As disclosed in note 10 to the consolidated and separate financial statements, the receivables balance has been significantly impaired. The allowance for impairment of consumer debtors amounts to R10 601 368 000 (2014-15: R10 338 028 000) which represents 63% (2014-15: 67%) of total consumer debtors. The contribution to the provision for debt impairment was R2 658 759 000 (2014-15: R3 279 937 000).	(i) Continuous implementation of various interventions too improve collection levels and therefore reduce the extent of debt impairment	Ongoing	<b>Reggie Boqo: Group CFO</b>
4. Material losses	4.1 As disclosed in note 44 to the consolidated and separate financial statements, material electricity losses to the amount of R2 260 114 000 (2014-15: R2 606 873 000) were incurred	(i) City Power's Analysis and Reconciliation Centre on an on-going will continue to basis manages non-technical losses in a holistic manner to:	On-going	<b>Sicelo Xulu: City Power (MD)</b>

	which represents 23.1% (2014-15: 29.2%) of total electricity purchased. Technical losses amounted to R906 280 000 (2014-15: R828 953 000) and were due to distribution losses. Non-technical losses amount to R1 353 834 000 (2014-15: R1 777 920 000) and were due to theft, bypass of meters, illegal de-calibration of meters and damaged meters.	<ul style="list-style-type: none"> <li>a. Define and establish the capability to “deep dive” non-technical losses.</li> <li>b. Develop an integrated/holistic non-technical losses reduction plan crafted around realistic losses reduction targets of between 2% to 3% per annum panning out at approximately 8% in four years’ time and delivered as per the following segmented priorities: <ul style="list-style-type: none"> <li>o Priority 1 (High) : Reduction of non-technical losses in the Large Power Customers’ segment;</li> <li>o Priority 2 (Medium) : Domestic Customers</li> <li>o Priority 3 (Low): Low cost housing areas - Prepaid Customers.</li> </ul> </li> <li>c. Refine and put in practice operational procedures for periodic systematic monitoring of electricity supply to customers and for taking immediate corrective action for any irregularity detected.</li> </ul>		
5. Irregular expenditure	5.1 As disclosed in note 56, to the financial statements, irregular expenditure incurred in the current year could not be fully quantified for the reasons stated.	<ul style="list-style-type: none"> <li>(i) Management will assess and quantify irregular expenditure incurred in 15/16;</li> <li>(ii) Compliance Unit (Screening Committee) will intensify interrogation and investigation of non-compliance that leads to irregular expenditure.</li> <li>(iii) Legal person appointed to scrutinise all the SCM contracts and ensure compliance.</li> </ul>	31/03/2017  On-going	<b>Reggie Boqo: Group CFO</b>
6. Procurement and Contract Management	6.1 Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by supply chain management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).	<ul style="list-style-type: none"> <li>(i) The development and adherence to Acquisition Plans and Procurement Plans must be included in the Head of Departments’ performance score cards.</li> <li>(ii) The respective heads of departments must ensure that all deviations are compliant with the provisions of Regulation 36 (1).</li> <li>(iii) Departments must solicit input from Supply Chain Management in support of their deviations routed to the City</li> </ul>	Immediate  Immediate  Immediate	<b>Reggie Boqo: Group CFO</b>
	6.2 Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).	<ul style="list-style-type: none"> <li>(i) SCM will assess such instances to determine instances of non-declaration and whether in any of these instances, the successful bidders were employees or people related to employees of the state.</li> </ul>	Immediate	<b>Reggie Boqo: Group CFO</b>

		(ii) All relevant Municipal Bidding Documents (MBD 4 & 8) to be attached to RFQs, made available on COJ website and non - submission of completed relevant MBD documents results in automatic disqualification. (iii) All reports for transaction value up to R30K submitted to HOD for approval will be accompanied by a dully completed 'RFQ Template Below R30 000	Immediate	
	6.3 Contracts were extended without tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.	(i) All intentions by the departments to extend contracts in terms of Section 116 (3) of the Municipal Finance Management Act will now be required to be presented at EAC three months before the extension date. (ii) Contract amendments not complying with the above in terms being reported to Council subsequent to EAC will be declared irregular at the expense of the offending department. (iii) All other contract variations will have to comply with National Treasury Circular 62 and non-compliance will result in the requirement amendment not being approved.	Immediate  Immediate  Immediate	<b>Reggie Boqo: Group CFO</b>
	6.4 Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by the code of conduct for staff members issued in terms of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).	(i) To continue raising awareness in regard to the requirement to diligently disclose interest as required by legislation. (ii) Further to review, investigate and take or ensure that appropriate action is taken against those who failed to disclose interests	Ongoing	<b>Mbulelo Ruda: Group Legal and Contracts</b>
	6.5 Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.	(i) Validation of the recommended bidders' tax matters will be done through SARS and CSD.	Immediate	<b>Reggie Boqo: Group CFO</b>
	6.6 Sufficient appropriate audit evidence could not be obtained that measures to combat the abuse of the SCM system were implemented as per the requirements of SCM regulation 38(1).	(i) Internal Audit will be requested to audit the SMC system in the City and make policy and internal control recommendations that will reduce instances of abuse of the SCM system	31/07/2017 mmediate	<b>Reggie Boqo: Group CFO</b>

6	Consequences management	7.1 Unauthorised, irregular, and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.	<p>(i) Management acknowledges there is a backlog of cases requiring investigation of irregular, unauthorized, fruitless and wasteful expenditures that have been reported for investigation. All reported matters were investigated and/ or are currently being investigated as illustrated below. This relates to 2013/14 up to 2015/16 relating Annual Financial Statements and Supply Chain Management related issues:</p> <p>a. <b>Irregular expenditure</b> – Cases Reported amount to R 403 676 558.27; Investigations completed amount to R 271 539 976.88; Cases being investigated currently amount to R 62 859 886.73.</p> <p>b. <b>Fruitless and Wasteful Expenditure</b> – Cases Reported amount to R 354 444.00; Investigations completed amount to R 354 444.00.</p> <p>c. <b>Unauthorised expenditure</b> – Cases Reported amount to R 1 713 989 000.00; Investigations completed amount to R 1 713 989 000.00. Further actions will include:</p> <p>(ii) To establish a balance of cases that have not been reported and investigated for 2015/16 financial year and continue investigations are in progress.</p> <p>(iii) Development of the Standard Operating Procedures on how to deal with monitoring and reporting of all irregular, unauthorized, fruitless and wasteful expenditures.</p> <p>(iv) Approval of new structure with a dedicated team to ensure that all cases reported will be attended efficiently and effectively.</p>	Ongoing	Vusi Ndlovu: GRAS
		7.2 Council did not always approve the terms of reference of each investigation as required by municipal regulation on financial misconduct procedures and criminal proceedings 6(1).	<p>(i) This is a new finding and Group Risk and Assurance Services will engage AG to further understand the nature of the finding within the City's circumstances and develop an action plan to ensure compliance with this requirement. The Group Audit Committee has also raised a concern as to the practicality of implementing such a recommendation.</p>	In-progress  Immediate  Immediate	
8	Annual Financial Statements	8.1 The consolidated and separate financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of assets, liabilities and disclosure items identified by the auditors in the submitted financial statements	<p>(i) Interim financial consolidated financial statements will strengthen internal processes in preparing financial statements to avoid material adjustments.</p> <p>(ii) All balances in the financial statements will be supported by schedules.</p> <p>(iii) These schedules will be reviewed for accuracy and completeness by senior personnel</p>	Ongoing	Reggie Boqo: Group CFO

	were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	(iv) Internal controls will be reviewed and strengthened for all the balances that were materially misstated. (v) Audit file will be prepared and submitted to the auditors before they commence with the audit of AFS.		
9 Expenditure Management	9.1 Reasonable steps were not taken to prevent unauthorised, fruitless and wasteful and irregular expenditure, as required by section 62(1)(d) of the MFMA.	(i) Establishment of a Compliance Unit to address gaps relating to weaknesses in internal controls i.e. (inspecting compliance documents and management of records to ensure availability when requested). (ii) Such measures will be communicated to the end user departments in order to ensure compliance to laws and Regulations. (iii) HODs should take responsibility to ensure that practices that might result in irregular expenditure are identified and not allowed to occur. This will form part of the HODs scorecards. (iv) Quarterly reports on irregular expenditure will be submitted to GAC.	31 March 2017	<b>Reggie Boqo: Group CFO</b>
10 Strategic planning and performance management	10.1The annual performance objectives and indicators Metropolitan Trading Company SOC Ltd were not established, as required by section 93B (a) of the MSA.	(i) Management has ensured that the annual performance objectives and indicators of Metropolitan Trading Company have been established for the 2016/17 Financial year. A draft Business plan for 2017/18 has also been developed to be approved in line with legislative requirements.	Resolved	<b>Gerald Dumas: Acting CEO MTC</b>
11 Human resource management	11.1The municipal manager did not sign a performance agreement, as required by section 57(2)(a) of the MSA.	(i) Management has put in place a process to ensure the newly appointed City Manager's Scorecard is signed by the 31 <sup>st</sup> of January as required by law. A draft scorecard has been developed and will be finalised pending discussions with the Executive Mayor. All other Section 57 Scorecards for 2016/17 are compliant.	31 January 2017	<b>Blake Lefatola: Group Head GSPCR</b>
12 Internal Control: Leadership	12.1The accounting officer did not adequately exercise oversight responsibility regarding financial and performance reporting and compliance with legislation. Senior management did not implement sufficient monitoring controls to ensure that financial and performance reporting information is credible at all times and that the municipality complies with legislation.	(i) The Accounting Officer will ensure that through regular meetings and engagements of the Executive Management Team and Group Audit Committee as well as Group Performance Audit Committee sufficient oversight is implemented on financial and performance reporting and compliance. (ii) The Accounting Officer will ensure that through Group Risk and Assurance Services, regular assessments of the control environment is undertaken and corrective action undertaken.	Ongoing	<b>City Manager</b>

13. Financial and performance management	13.1 The administrative leadership did not keep documents and records in a manner that ensures that complete, relevant and accurate information is accessible and available to support financial and performance reporting in time. Non-compliance with the MFMA, MSA and SCM regulations could have been prevented had compliance been properly reviewed and monitored.	(i) The Accounting Officer will ensure that management prioritises the implementation of an automated Strategy Management Module that will improve record keeping and accessibility in relation to performance information. (ii) The Accounting Officer will also ensure that through Group Finance implementation of internal controls relating to financial information is enforced	July 2017	City Manager
14. Governance	14.1 The accounting officer and the applicable governance structures did not ensure effectiveness of internal audit function and that the assessment of controls is conducted frequently to appropriately address significant deficiencies and repeat findings.	(i) Group Audit Committee has evaluated the performance the performance of the internal audit function. The Accounting Officer will ensure this will continue on an ongoing basis	Resolved	City Manager

### Pre-Determined Objectives

Cluster	Root Cause	Action Taken / To be Taken	By When	Responsible Department and Official
15. Sustainable Services Cluster	15.1 <b>Reliability of reported performance information</b> – Absence of a system to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of important indicators were not reliable when compared to the evidence provided (Number of housing units developed for the under privileged)	(i) Development of a Housing Central data collection, collation, verification and storage System. (ii) Test run the Housing Central data collection, collation, verification and storage System. (iii) Implement the Housing Central data collection, collation, verification and storage system.	June 2017  July 2017 – June 2018  July 2018	Patrick Phophi: Acting Executive Director Housing / Thulani Nkosi (Acting)
16. Economic Growth Cluster	16.1 <b>Reliability of reported performance information</b> – Absence of a system to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of important indicators were not reliable when compared to the evidence provided. The reported achievements against planned targets of important indicators were not reliable	(i) The Department will develop a standard operating procedure for the collection, collation and verification of performance information. This will include an overview of the multiplier model. (ii) The department will also collect and generate an evidence file containing all	31 March 2017	Tsholo Mogotsi Executive Director Department of Economic Development

	when compared to the evidence provided (Number of Jobs created City-wide)	the information used to determine performance on this performance area		
<b>17. Governance Cluster</b>	<b>17.1 Reliability of reported performance information</b> – Absence of a system to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of important indicators were not reliable when compared to the evidence provided (Percentage of SLS standards, usefulness of indicator)	(i) The methodology for the performance measure will be re-visited to ensure that service standards are split and measured separately / per entity to ensure more accurate reporting. Different service standards will also be weighted accordingly to emphasise those standards linked to essential services. Based on this new methodology the already existing entity standard operating procedures will be monitored	01 July 2017	<b>Bryne Maduka (Group Head: Group Governance)</b>

# Report of the Group Audit Committee

## OBJECTIVE

The purpose of this report is to communicate to the Mayoral Committee and Council, the Group Audit Committee's (GAC) execution of its oversight responsibilities for the 2015/16 financial year in terms of the Municipal Finance Management Act (MFMA), section 166 which includes oversight over the statutory audit by the Auditor-General South Africa, Group internal audit function, Group Forensic Investigations and Group Combined assurance; covering the financial year 1 July 2015 to 30 June 2016. The report summarises the recommendations of the Group Audit Committee in accordance with section 121 (3)(j) of the MFMA that have been made and discussed with the administration.

## SUMMARY

The mandate of the Group Audit Committee is legislated in terms of section 166 of the Municipal Finance Management Act, which requires the Audit Committee to advise the Accounting Officer and Council on matters relating to internal financial control and internal audits; risk management; accounting policies; adequacy, reliability and accuracy of financial reporting and information; performance management and performance evaluation; effective governance; compliance with the Municipal Finance Management Act (MFMA), the Annual Division of Revenue Act, and any other applicable legislation; and any other issues referred to it by the municipality. The MFMA also requires the Audit Committee to review the annual financial statements, respond to Council on matters raised by the Auditor-General, and carry out investigations into the financial affairs of the municipality.

The responsibilities of the GAC include oversight of the Municipal Entities of the City of Johannesburg from a group perspective, although each of the Municipal-Owned Entities ("MOE's") of the City have their own Audit Committees which report to their respective Boards of Directors. The Committee is comprised of appropriately qualified and skilled members.

## DISCUSSION

### Group Audit Committee Responsibilities in terms of the MFMA Section 166

The GAC reports that it has complied with its responsibilities arising from section 166 of the Municipal Finance Management Act ("MFMA"), and the Council approved Terms of Reference.

## GROUP AUDIT COMMITTEE (GAC) ATTENDANCE OF MEETINGS

During the financial year ending 30 June 2016, the GAC held nine (9) meetings comprising of four scheduled ordinary meetings and five special meetings.

Name	Qualification	Period of Membership	Financial Year 15/16	
			Total No. of meetings	Meetings attended

Ms Zodwa Manase (Chairperson)	B Compt (Hons), H Dip Tax CA (SA)	Appointed 2015	April	9	8
Mr Griffiths Zabala	Dip in Social Development, B.A. Social Work, Cert in Small, Medium & Micro-Enterprises, Master of Management in the Human Resources Area Cross	Cross Member: GPAC (April 2013)		9	8
Dr Len Konar	MAS, Cert in Tax Law, D.Com, CRMA, CA (SA)	Appointed 2014	April	9	7
Mr Brian	Smith B Compt (Hons), CA (SA)	Appointed 2014	April	9	9
Ms Precious Sibiyi	B Acc, PG Dip in Accountancy, CA (SA)	Appointed 2015	April	9	9
Professor Ben Marx	D Com CA (SA)	Appointed 2015	April	9	7
Mr Nala Mhlongo	B.Com (Hons), ATC, ACMA, CGMA, CA (SA)	Appointed 2015	April	9	7

#### INDEPENDENT OVERSIGHT COMMITTEES AND INTEGRATED APPROACH

The City has established and maintains three independent group oversight committees, namely, the Group Risk Governance Committee, the Group Performance Audit Committee, and the Group Audit Committee. This has taken into account the King III guidelines for good corporate governance, complexity of the City's operations and group organisational design; and therefore appropriate mechanisms to ensure effective governance oversight.

The Committee reports that in carrying out its oversight responsibilities, there are significant areas where the Group Audit Committee must place reliance on the oversight carried out by the Group Risk Governance Committee and the Group Performance Audit Committee. This applies to matters relating to risk, governance oversight, compliance and organisational performance management and evaluation. The cross-memberships between the oversight committees serves to minimise duplication of effort whilst maximising independent oversight.

#### OVERSIGHT OVER THE REGULARITY AUDIT FOR FINANCIAL YEAR ENDED 30 JUNE 2016

- a. The GAC reports that it has reviewed and discussed with the Accounting Officer, the Group Chief Financial Officer and management of the City; and the Auditor-General South Africa (AGSA):
  - The Group Annual Financial Statements for the year ended 30 June 2016 the unaudited and audited consolidated Group Annual Financial Statements of the City of Johannesburg Group for the financial year ended 30 June 2016;
  - the accounting policies and practices;
  - fruitless, wasteful and irregular expenditure as reported in the annual financial statements; including deviations from normal supply chain management processes granted in terms of section 36 of the MFMA SCM Regulations;

- The final report of the AGSAG on the regularity audit of the core administration for the year ended 30 June 2016;
- The AGSA opinion on the fair presentation, in all material respects, of the financial position, financial performance and cash flows of the core administration;
- The Committee further reviewed the matters of emphasis relating to litigation management; material misstatements due to errors identified during the year-end audit, material impairments of consumer debtors and therefore the provision for debt impairment; and
- Evaluated compliance with the applicable GRAP Standards in the audited Annual financial statements.

**b. Going Concern statement for the year ended 30 June 2016**

The Committee considered the going concern basis for the preparation of the annual financial statements of the core administration and the municipal entities; and the consolidated group annual financial statements;

The GAC concurs and accepts that its conclusion on the fair presentation of the consolidated annual financial statements and the financial position is based on the results of the year-end audit and the audit opinion of the Auditor-General (SA); and is therefore appropriate.

**c. City-wide Regulatory Compliance relating to the submission of annual financial statements to the Auditor General (SA)**

- The City of Johannesburg Core Administration and its Municipal Entities met the mandatory deadlines in terms of the MFMA for the submission of unaudited annual financial statements, the annual organisational performance report, and the consolidated annual financial statements.

**d. Annual Organisational Performance report for the financial year ended 30 June 2016**

The GAC also considered the AGSA draft audit conclusion on the audit of Pre-determined Performance Objectives of the City for the year ended 30 June 2016; placing reliance on the evaluation thereof as carried out by the Group Performance Audit Committee (GPAC).

- Based on the feedback of the GPAC and AGSA, the Committee concurred that the City should put in place appropriate systems to ensure the reliability of the reported performance information.
- Accordingly, the plan by the Group Strategy Policy Coordination and Relations (GSPCR) Department for an implementation of a performance management system software to support the City-wide performance management processes and performance monitoring in the new financial year has been encouraged.

#### **e. Management resolution of previous internal and external audit findings**

Senior management has been required to make representations to the GAC on interventions, actions and progress being made to address the risk and internal control weaknesses, in accordance with assigned accountability and responsibility for the management of reliable risk and internal control environment.

Group internal audit must continue to conduct independent verification of the mitigation action plans and the internal controls implemented to address the internal and external audit findings; and report independently of management.

#### **ANNUAL ORGANISATIONAL PERFORMANCE REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

The GAC also considered the AGSA draft audit conclusion on the audit of Pre-determined Performance Objectives of the City for the year ended 30 June 2016; placing reliance on the evaluation thereof as carried out by the Group Performance Audit Committee (GPAC).

- Based on the feedback of the GPAC and AGSA, the Committee concurred that the City should put in place appropriate systems to ensure the reliability of the reported performance information.
- Accordingly, the plan by the Group Strategy Policy Coordination and Relations (GSPCR) Department for an implementation of a performance management system software to support the City-wide performance management processes and performance monitoring in the new financial year has been encouraged.

#### **MANAGEMENT RESOLUTION OF PREVIOUS INTERNAL AND EXTERNAL AUDIT FINDINGS**

Senior management has been required to make representations to the GAC on interventions, actions and progress being made to address the risk and internal control weaknesses, in accordance with assigned accountability and responsibility for the management of reliable risk and internal control environment. Group internal audit must continue to conduct independent verification of the mitigation action plans and the internal controls implemented to address the internal and external audit findings; and report independently of management.

#### **EFFECTIVENESS OF GROUP INTERNAL AUDIT SERVICES**

The Committee considered the work carried out by Group Internal Audit as per the approved risk based internal audit plan for the year ended 30 June 2016, and therefore the results of the internal audits completed during the financial year; as per the fourth quarter 2015/16 report. Group Internal Audit reported that the unit had completed 90% of the audits planned for the year for the City's core departments. The GAC places reliance on the boards audit committees of the municipal entities to monitor and evaluate the effectiveness of their internal audit departments.

The Committee has noted the City's strategy to augment capacity in Group Internal Audit Services by appointing an external service provider on a co-sourcing basis. Performance by both internal audit officials (in-house capacity) and the service provider is being monitored continuously. The Committee is working with the Accounting Officer to further address gaps in resources and the skills mix within Group Internal Audit.

#### INTERNAL AND FINANCIAL CONTROL SYSTEMS

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded; liabilities and working capital are efficiently managed; transactions are valid and correctly recorded; and there is compliance with applicable legislation and City Policies and procedures.

The Internal audit function provided assurance on the high risks identified during risk assessments by prioritising these areas in the risk based internal audit plan. Group Internal Audit therefore reported some internal control weaknesses identified during the performance of audits; conducted follow-up audits and highlighted management's progress in the resolution of both internal and external audits.

The Committee recommended that the significant internal audit outcomes reported during the year under review should be given focused management attention.

#### ORGANISATIONAL PERFORMANCE MANAGEMENT AND PERFORMANCE EVALUATION

The Group Audit Committee places reliance on the oversight carried out by the Group Performance Audit Committee which monitors the performance management system and evaluation of organisational performance.

Group Internal Audit reports in detail and on a quarterly basis to the Group Performance Audit Committee (GPAC) on the outcomes of the audits of performance information, in accordance with the requirements of the Municipal Systems Act.

Group Internal Audit also reported weaknesses in the systems and procedures to gather adequate supporting evidence; and therefore highlighted a need for management to focus its efforts on appropriate systems.

#### GROUP FORENSIC AUDITS AND INVESTIGATIONS

##### Fraud and Irregular Activities

The City's fraud hotline was centralised to enable city-wide monitoring of the nature and number of alleged incidents. The Department has reported that this resulted in a significant increase in investigations. The resultant capacity constraints have been addressed to some extent with the appointment of two external service providers. The nature of incidents reported and investigated during the year under review included:

- Illegal Electricity and Water Connections
- Fraud and Corruption

- Non-compliance with Supply Chain Management
- Irregularities in Human Resource Management

#### IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The Group Audit Committee noted with concern the reported incidents of irregular, fruitless and wasteful expenditure incurred during the current and prior years and the significant amount of this expenditure. The committee was also concerned with the increase in the number of deviations reported by the Group Chief Financial Officer (Group CFO).

A rigorous systems to pro-actively identify and prevent the re-occurrence of irregular, fruitless, wasteful and unauthorised expenditure must be designed; including the reporting and investigation thereof.

#### ENTERPRISE RISK GOVERNANCE AND RISK MANAGEMENT

The responsibility for risk oversight resides with the Group Risk Governance Committee (GRGC). The GRGC monitors the City-wide top strategic risks and key operational risks at the level of Departments and Municipal Entities; and informs the GAC accordingly. Continuous risk assessments are conducted and residual risk profiles updated.

The GAC received assurance from the GRGC on the adequacy and effectiveness of the risk governance and risk management processes in place. The GAC considered the reported citywide top strategic risks, the continuous monitoring of the residual risk profiles of these risks; and the emerging risks identified during the 2015/16 financial year.

#### FRAUD RISK ASSESSMENT

The Group Audit Committee noted the advice of the Group Risk Governance Committee on the fraud risk assessments that have been conducted by the City's Group Risk & Assurance Services (GRAS) Department.

#### COMPLIANCE MANAGEMENT

There is a dual responsibility for oversight over group compliance management processes, as this is carried out both by the Group Audit Committee and the Group Risk Governance Committee. The Group Compliance Unit monitors incidents of unauthorised, irregular, fruitless and wasteful expenditure using compliance registers; and reports hereon to the Group Risk Governance Committee and the Mayoral Committee.

#### COMBINED AND INTEGRATED ASSURANCE:

The City has continued with its project of implementing a combined assurance model in line with King III recommendations. This is led by the Group Risk and Assurance Services Department with the aim of minimising assurance fatigue and costs of assurance; while maximising and leveraging on coverage of key risk exposures.

The roll-out of the City's approved Group Internal Control – Integrated Framework (aligned to the COSO 2013 Framework) commenced during the year under review. The Group Finance Department was prioritised for the purposes hereof.

During the year, the Group Audit Committee considered the quarterly integrated and combined assurance reports wherein the independent outcomes from independent assurance engagements conducted during the quarter are consolidated and reported against the top strategic risks and the 10 Mayoral Priority Programmes. The outcomes that are consolidated are from Risk monitoring and advisories, compliance monitoring, internal audits conducted, audits of performance information and results of forensic investigations conducted.

The Committee reviewed the Group Integrated Assurance Framework and Combined Assurance model, and recommended these for approval by the Mayoral Committee and Council. These were subsequently approved.

#### CONSEQUENCE MANAGEMENT

The Group Audit Committee has expressed a concern regarding the slow resolution of the audit findings, implementation of the audit recommendations and have stated the need to establish a consequence management process to ensure that action is taken against those failing to implement the recommendations.

#### APPOINTMENT OF THE CHIEF INFORMATION OFFICER

The Group Audit Committee has expressed concern with regards to the unfilled position of the Chief Information Officer which has been vacant for an extended period of time including the financial year under review.

#### RECOMMENDATIONS

IT IS RECOMMENDED THAT:

1. The Mayoral Committee notes the contents of this report and the oversight responsibilities carried out by the Group Audit Committee, as provided in terms of section 166 of the Municipal Finance Management Act.
2. The Mayoral Committee accepts the audited group annual financial statements, the Auditor-General (SA) management report and unqualified audit opinion.
3. The Management of the City focusses on the implementation of the Group Internal Control – Integrated Framework as approved by the Mayoral Committee; and therefore ensures that there are adequate and effective systems of internal controls to address internal control weaknesses,

financial controls, instances of non-compliance with applicable legislation, and significant risk exposures.

4. The continuous monitoring of the resolution of significant implementation of programmes and action plans aimed at the attainment of clean audit outcomes for the new financial year, and the sustainability thereof.
  - 4.1 This must include the resolution of reported audit findings relating to financial reporting misstatements, compliance and pre-determined audit objectives.
  - 4.2 Accountability and responsibility measures are put in place for the resolution of reported findings on internal control weaknesses; and management of significant risks.
  - 4.3 The additional capacity requirements in the Group Internal Audit Services Department be addressed, and vacant positions be filled. This should include the capacity for the investigation of irregular, fruitless and wasteful expenditure to ensure that where appropriate the City is able to take appropriate action timeously.

**ZODWA MANASE (Ms)**  
**(CHAIRPERSON: GROUP AUDIT COMMITTEE)**  
**(City of Johannesburg Metropolitan Municipality)**