

City of Johannesburg Council 2020-07-09

COJ : MAYORAL COMMITTEE 2019-06-26 2020-07-06

GROUP FINANCE

3 THE 2020/21–2022/23 MEDIUM TERM BUDGET AND RELATED DOCUMENTATION FOR THE CITY OF JOHANNESBURG

1 STRATEGIC THRUST

The City identified ten (10) Priority Areas that the SDBIP, IDP and budget aim to achieve. The applicable Priorities for this Report are:

Priority 1: Good governance; and
Priority 2: Financial sustainability.

2 OBJECTIVE

The medium-term budget and related documentation for the 2020/21 to 2022/23 financial years are submitted to Council for approval pursuant to the directive issued by MEC for Human Settlements, Urban Planning and COGTA as per the provisions of Section 139 (4) and 139 (1) of the Constitution.

3 BACKGROUND

In terms of the Section 16 (2) of MFMA, the Mayor must table a draft annual budget at a Council meeting 90 days before the start of the budget year.

In terms of Section 87 (1) of the MFMA, Municipal Entities are required to submit their draft budgets to the parent municipality not later than 150 days before the start of the entity's financial year.

In terms of Section 24 of the MFMA, the annual budget must be approved before the start of the budget year. The MFMA aims to put in place a sound financial framework and sets out timelines for budget preparations and approval.

The budget process for 2020/21 commenced in November 2019. A Mayoral Lekgotla was held on 13 -15 December 2019 to reach agreement on key focus areas and interventions in line with the Government of Local Unity's (GLU) recommendations. Departments and municipal entities (MEs) were thereafter requested to prepare budget proposals and these budget proposals were then presented to the Budget Steering Committee held on 15, 20 - 22 January 2020. On 15 March 2020, the COVID-19 pandemic was declared as a national disaster. Departments and municipal entities were requested to implement various action plans in line with national and provincial interventions to ensure the virus do not spread out of control in its communities. On 17 June 2019, the Council approved the COVID-19 special adjustment which has been used as a base for the next MTEF planning.

The proposed 2020/21 – 2022/23 medium-term budget includes the national and provincial allocations as reflected in the latest Gazettes.

3.2

City of Johannesburg Council 2020-07-09

COJ : MAYORAL COMMITTEE 2019-06-26 2020-07-06

GROUP FINANCE

Consultation Process

The Mayoral Committee considered the tabled draft budget on 20th March 2020 in preparation for tabling at a Council sitting scheduled for 30 March 2020. However, in March 2020, South Africa was hit by the global pandemic, Covid-19. The subsequent declaration of the State of Disaster and lockdown regulations came at a crucial time in the local government planning and budgeting cycle.

The City took cognisance of the restrictions imposed in terms of the Disaster Management Act and was unable to convene a council meeting during the period of lockdown and therefore the public participation could not proceed. The Council conducted its first virtual meeting on 29 May 2020, and in line with the legislative requirements tabled the 2020/21 Medium Term Budget, and therefore paved the way for the start of the public participation as required by the Local Government: Municipal Systems Act, 2000 ("MSA"), Municipal Finance Management Act, 2004, ("MFMA") and the Local Government: Municipal Property Rates Act, 2004, ("MPRA"). This builds on the Mayoral Committee sitting of 20 March 2020. The IDP, Budget and Tariffs documentation predates COVID-19, and the City was also expected to use the public consultation process to align the medium-term budget to the 2019/20 COVID-19 special adjustment budget, approved by Council on 17 June 2020.

The prevailing conditions have made it difficult for the City to comply with the legislative obligation to approve the 2020/2021 annual budget before the start of the financial year, which was before 1 July 2020.

The difficulties arising the non-compliance include:

- The process for tabling the budget and IDP using a digital platform proved to be quite challenging for several reasons, including the size of the City's council, comprised of 270 councillors.
- The number of virtual stakeholder engagement sessions that had to be convened by the Speaker, Executive Mayor and MMC's to facilitate public consultation and comments with various stakeholders, that include: Property owners, Large water and Power users, Business organisations, Youth etc.
- The number of comments received. The City has received in excess of 6000 comments. In the past when the City we had the number of participants for all engagements usually averaged around 4000 participants.
- The above has resulted in the municipality requiring intensive consultation amongst political parties in Council. The number of comments received, time periods, lockdown, prohibition of gatherings, and digital platforms challenges have severely hampered our ability to conduct proper consultations, with all Council members.

3.3

City of Johannesburg Council 2020-07-09

COJ : MAYORAL COMMITTEE 2019-06-26 2020-07-06

GROUP FINANCE

Section 27(1) of the MFMA stipulates that, the mayor of a municipality, must upon becoming aware of any impending non-compliance by the municipality of any provisions of this Act or any other legislation pertaining to the tabling or approval of an annual budget or compulsory consultation processes, inform the MEC for Finance in the province, in writing of such impending non-compliance.

In terms of section 55 of the MFMA the Mayor of the municipality must immediately report failure to approve an annual budget by the first day of the budget year, to the MEC for local government and may recommend to the MEC an appropriate provincial intervention in terms of section 139 of the Constitution and section 26 of the MFMA.

Following a meeting of the Gauteng Executive Council on 4 July 2020, the MEC for COGTA issued the following directive, on which basis this budget is tabled before Council for approval:

“That the Municipal Council must convene urgently to approve its budget for the 2020/21 municipal financial year, by no later than 10 July 2020”.

4 SUMMARY

The format for adopting municipal budgets is prescribed in the Municipal Finance Management Act (MFMA), its regulations and National Treasury circulars, which require the adoption and noting of a range of issues.

The following items are submitted to Council for consideration and approval:

- ITEM 3A: 2020/21 – 2022/23 MEDIUM-TERM OPERATING BUDGET FOR THE CITY OF JOHANNESBURG
- ITEM 3B: 2020/21 – 2022/23 MEDIUM-TERM CAPITAL BUDGET FOR THE CITY OF JOHANNESBURG
- ITEM 3C: DRAFT RATES POLICY AND RATES BY-LAW
- ITEM 3D: ANALYSIS OF INPUT RECEIVED ON THE PUBLIC PARTICIPATION PROCESS IN RESPECT OF THE 2020/21 MEDIUM TERM BUDGET AND ITS TARIFFS AND THE OUTCOMES OF THE BENCHMARKING EXERCISE

The contents of the above items, their recommendations, as well as the supporting documents attached hereto.

5 POLICY IMPLICATIONS

None.

3.4

City of Johannesburg Council 2020-07-09

COJ : MAYORAL COMMITTEE 2019-06-26 2020-07-06

GROUP FINANCE

6 LEGAL AND CONSTITUTIONAL IMPLICATIONS

This report is in compliance with the provisions of The Municipal Finance Management Act (Act 56 of 2003).

7 FINANCIAL IMPLICATIONS

In the absence of an approved budget before the start of a financial year funding will not be available to implement the budget and service delivery to the community will be affected.

8 COMMUNICATION IMPLICATIONS

In terms of Section 24 of the MFMA, the Accounting Officer must inter alia, submit the approved budget to National Treasury and Provincial Treasury immediately after the approval of the budget.

The approved budget will also be communicated to the community and various stakeholders in the manner prescribed by law.

9 OTHER BODIES/DEPARTMENTS CONSULTED

Group Legal and Contracts.

10 KEY PERFORMANCE INDICATOR

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

IT IS RECOMMENDED

ITEM 3A: 2020/21 – 2022/23 MEDIUM-TERM OPERATING BUDGET FOR THE CITY OF JOHANNESBURG

- 1 **That the consolidated operating revenue of R60.7 billion, operating expenditure of R60.6 billion, taxation of R63.4 million and capital grants and contributions of R2.6 billion for the City of Johannesburg for the financial year 2020/21, and the indicatives for the projected medium-term period 2021/22 to 2022/23 be approved as set out in the following attachments:**
 - (1) **The consolidated operating budget for the City, Core Administration and Municipal Entities as reflected in Annexure A, B and C.**
 - (2) **The operating revenue and expenditure budget by vote for the City as reflected in Annexure D.**

3.5

City of Johannesburg Council 2020-07-09

COJ : MAYORAL COMMITTEE 2019-06-26 2020-07-06

GROUP FINANCE

- 2 That the subsidies payable by Core Administration to the following Municipal Entities be approved:**

Municipal Entity	Adjusted Budget 2019/20	Budget 2020/21	Estimate 2021/22	Estimate 2022/23
	R 000	R 000	R 000	R 000
Pikitup	739 256	820 521	877 423	934 024
Johannesburg Roads Agency	1 169 926	1 243 374	1 313 446	1 394 468
Metrobus	636 533	669 859	705 735	782 560
Johannesburg City Parks and Zoo	885 155	951 882	1 000 985	1 057 413
Johannesburg Development Agency	60 525	40 627	43 710	44 416
Johannesburg Property Company	658 636	596 229	623 306	660 546
Metropolitan Trading Company	239 990	251 893	255 671	267 677
Johannesburg Social and Housing Company	19 098	19 900	20 736	21 669
Joburg City Theatres	128 469	160 454	169 378	177 892
Total subsidies to ME's	4 537 588	4 754 740	5 010 390	5 340 665

- 3 That the supporting information contained in the 2020/21 – 2022/23 Medium-Term Revenue and Expenditure Budget document as required in terms of Section 17(3) of the Municipal Finance Management Act (Act 56 of 2003) be approved in conjunction with this report.**

ITEM 3B: 2020/21 – 2022/23 MEDIUM-TERM CAPITAL BUDGET FOR THE CITY OF JOHANNESBURG

- 1 That the capital budget of R7 458 560 000 for the year 2020/21, R7 507 850 000 for the year 2021/22 and R7 655 836 000 for the year 2022/23 of the City of Johannesburg be approved in terms of Section 16 (3) of the MFMA as set out in the following schedules:**
- (1) Capital budget by vote for each of the Municipal Entities and Core Administration as reflected in Annexure A.**
 - (2) Capital budget by project for each of the Municipal Entities and Core Administration as reflected in Annexure B.**

ITEM 3C: DRAFT RATES POLICY AND RATES BY-LAW

- 1 That Council takes note of the inputs and submission received during the public commenting period and virtual public participation sessions attached as Annexure C.**
- 2 That Council approves the proposed changes to the Rates Policy and the Rates By-Law.**

City of Johannesburg Council 2020-07-09

COJ : MAYORAL COMMITTEE 2019-06-26 2020-07-06

GROUP FINANCE

- 3 That Council approves the 2020/2021 Draft Rates Policy and Rates By-Law attached as Annexure A and B.**

ITEM 3D: PUBLIC CONSULTATION ON TABLED BUDGET AND BUDGETED REVENUE RAISING MEASURES FOR THE 2020/21 FINANCIAL YEAR

Based on the body of the report, and the applicable legislative provisions, it is recommended:

- 1 That Council notes the content of the report and how the legislative requirements that relate to public participation have been achieved in an environment largely regulated in terms of the Disaster Management Act, 2002 and COVID-19 pandemic regulations.**
- 2 That Council, after careful consideration of the analysis of comments made and the technical recommendations that should be carried into the final budget note that in terms of section 11 (3)(i) and 75a (1) and (2) of the Local Government: Municipal Systems Act 2000, 32 of 2000, as amended, read with Section 24(2)(c)(ii) of the Local Government: Municipal Finance Management Act, 56 of 2003 and the Sections 9 and 14 of the Local Government: Municipal Property Rates Act, 6 of 2004 hereby, approve the proposed rates and tariffs; for the 2020/21 financial year, as set out in Annexures 1 to 21, and the property rates bylaw as set out in Annexure 22.**
- 3 That the approved rates and tariffs, and the property rates bylaw be implemented with effect from 1 July 2020.**
- 4 That, in terms of Sections 17(3)(a)(ii) and 22(a)(i) and (ii) of the Local Government Municipal Finance Management Act, 56 of 2003 and Sections 21, 21A(1) and 75A(3) of the Local Government Municipal Systems Act, 32 of 2000, as amended and also Section 14(3) of the Municipal Property Rates Act, 6 of 2004, the following legislative compliance processes were undertaken as reflected in the body of the report:**
 - (1) A display a copy of the resolution in the manner prescribed Section 75A (3)(a) of the Local Government: Municipal Systems Act, 32 of 2000, as amended;**
 - (2) A publication in newspapers of general circulation of a notice in the manner prescribed in section 75A (3)(b) of the Local Government: Municipal Systems Act, 32 of 2000, as amended;**
 - (3) Through the platforms as contained in the body of the report, the substance of public consultation was shared with the ratepayers.**

3.7

City of Johannesburg Council 2020-07-09

COJ : MAYORAL COMMITTEE 2019-06-26 2020-07-06

GROUP FINANCE

- 5 That a copy of the notice referred to in Paragraph 4(ii) above be sent forthwith to the MEC for Local Government and the National and Provincial Treasury in terms of Section 75A(4) of the Local Government Municipal Systems Act, 32 of 2000 as amended.**
- 6 That specifically for property rating as required through sections 5, 6 and 14 of the Local Government: Municipal Property Rate Act, 6 of 2004 read with its amendments, the revised Property Rates Policy and its By-law be approved, noting that a resolution on levying of rates should be placed in the Provincial Gazette, and the notice be made by the City Manager.**
- 7 That a copy of the finally approved Tariff Charges be sent forthwith to the National and Provincial Treasury in terms of Section 24(3) of the Local Government Municipal Finance Management Act, 56 of 2003.**

(GROUP FINANCE)

(Ntuthuzelo April)

(Tel. (011) 358-3290)

(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM