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**2015/16 – 2017/18 DRAFT MEDIUM-TERM
OPERATING BUDGET FOR THE
CITY OF JOHANNESBURG**

1. STRATEGIC THRUST

Well Governed and Managed City

2. OBJECTIVE

To table before Council the Draft Medium Term Operating Budget for the 2015/16 to 2017/18 financial years in compliance with Section 16 (2) of the Municipal Finance Management Act 56 Of 2003 (MFMA, the Act).

3. SUMMARY

3.1 BUDGET PROCESS OVERVIEW

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.

The budget process for 2015/16 commenced with the 1st Mayoral Lekgotla that was held on the 17-19 November 2014. The objectives of the Mayoral Lekgotla were to reflect on the progress made in relation to the implementation of priority programmes, to reach agreement on key focus areas and interventions that shall drive the attainment of Joburg 2040 and key deliverables for the remaining term of office.

Departments and municipal entities (MEs) were requested to prepare budget proposals in line with the recommendations of the 1st Mayoral Lekgotla. These budget proposals were then presented to the Technical Budget Steering Committee hearings held on 12-13 and 15-16 January 2015 and the Budget Steering Committee held on 26-27 January 2015. The objective of the hearings was to assess the budget proposals in terms of the City's priorities.

The assessment of the Budget Steering Committee hearings was then presented to the 2nd Budget Lekgotla held on 22-24 February 2015 where the draft Medium Term Budget principles and prioritization of allocations were determined. Final budget allocations were issued on 6 March 2015 and departments and municipal entities (MEs) were requested to prepare their draft budgets in line with the allocations and to align the budget to the key strategic priorities/programmes.

Consultation Process

The Draft Operating Budget is tabled for information and consultation, rather than approval and will be refined to take into account the outcome of the public participation process.

3.2 MEDIUM TERM OPERATING BUDGET

Medium Term Budget Direction

The 2015/16 Medium Term Budget will continue to focus on financial sustainability while delivering on key programmes outlined in the Integrated Development Plan (IDP) and Growth and Development Strategy (GDS). It reaffirms the commitment towards prudent management of the City's finances.

In order to attain financial sustainability the City has a set of parameters within which financial planning should be aligned and this will require the generation of an annual operating surplus, prudent borrowing, creating cash reserve to increase the level of infrastructure spending and reviewing activities for operational efficiencies.

Acknowledging the challenge involved in balancing the need to change course with limited resources, the City has adopted a short, medium and long term approach in delivering towards Joburg 2040.

Short-term

The focus for the 2015/16 Budget year remains financial sustainability of which a key component is to stabilize the revenue base. Achieving this will enable the City to fund key programmes outlined in the IDP and the GDS. In 2015/16, the City will continue with the implementation of the IDP key programmes, improve service delivery and customer and citizen experience.

Medium-term

Over the medium term budget, the sustainability of the City's financial position remains a focus. Through an improved financial position the City will be in a position to accelerate the implementation of the IDP / GDS programmes and commit to excellent service delivery as a norm. Capital expenditure will be accelerated and the ability to spend will improve.

Long-term

Building a strong financial position and resilience provides an option for increased spending towards capital infrastructure and responding adequately to the developmental challenges outlined in the GDS.

In aligning the imperatives of changing the City's course, continuity and revenue optimisation, the following key IDP priorities will continue to be implemented within the City:

- Financial sustainability and resilience;
- Sustainable human settlements;
- Agriculture and food security;
- SMME and entrepreneurship and support;
- Active and engaged Citizenry;
- Resource resilience;
- Smart City;
- Investment attraction, retention and expansion;

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- Green economy; and
- Safer City.

Overview of the 2015/16 Medium-term Budget

The proposed operating revenue budget is approximately R43.6 billion and the operating expenditure budget is totalling R42.3 billion for the 2015/16 financial year. Revenue is increasing by 8% and expenditure by 8% over the 2015/16 financial year.

The table below set out the Medium Term Revenue and Expenditure Budget for the 2015/16-2017/18 financial years.

	Adjusted Budget 2014/15 R 000	Draft Budget 2015/16 R 000	%	Draft Estimate 2016/17 R 000	Draft Estimate 2017/18 R 000
Revenue	40 528 538	43 574 052	8%	46 432 060	49 846 290
Internal Revenue	4 441 114	4 762 461	7%	5 112 396	5 543 303
	44 969 652	48 336 513	7%	51 544 456	55 389 593
Expenditure	39 289 855	42 290 206	8%	44 796 587	48 017 116
Internal Expenditure	4 441 114	4 762 461	7%	5 112 396	5 543 303
	43 730 969	47 052 667	8%	49 908 983	53 560 419
Surplus (Deficit)	1 238 684	1 283 846		1 635 473	1 829 173
Taxation	358 437	502 137	40%	613 011	612 675
Surplus (Deficit) for the year	880 247	781 709		1 022 462	1 216 498
Capital Grants & Contributions	3 021 231	3 039 653		3 170 193	3 380 019
Surplus (Deficit) for the year including Capital Grants & Contr.	3 901 478	3 821 362		4 192 655	4 596 517

The City is budgeting for a surplus (before taxation and capital grants) of R1.3 billion for 2015/16. The surplus will be applied towards restoring the City's working capital and funding of capital investment.

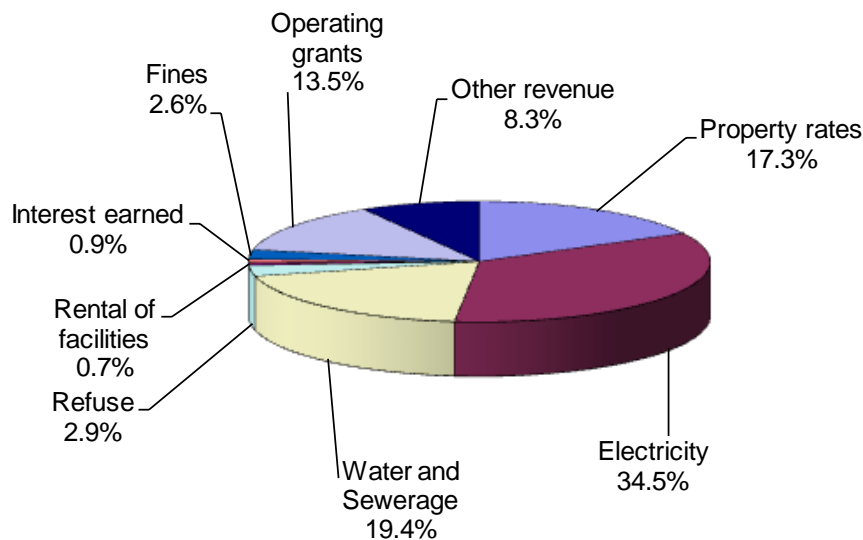
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Revenue Analysis

In 2014/15, the direct revenues were budgeted at R40.5 billion with revenue estimated to be R43.6 billion in 2015/16.

Revenue	Adjusted Budget 2014/15 R millions	Draft Budget 2015/16 R millions	%	Draft Estimate 2016/17 R millions	Draft Estimate 2017/18 R millions
Property rates	7 611	7 519	-1%	7 932	8 361
Electricity	13 574	15 016	11%	15 963	17 067
Water and Sewerage	7 331	8 433	15%	9 178	9 984
Refuse	1 170	1 263	8%	1 345	1 431
Rental of facilities	269	301	12%	331	352
Interest earned	420	395	-6%	399	401
Fines	1 346	1 113	-17%	1 019	935
Operating grants	5 981	5 898	-1%	6 420	6 987
Other revenue	2 827	3 636	29%	3 845	4 329
Total revenue	40 529	43 574	8%	46 432	49 846

The increase of 8% in total revenue is made up of the 1% decrease in property rates, 11% in electricity revenue, 15% increase in water and sewerage revenue, 8% increase in refuse, 12% increase in rental of facilities, 6% decrease in interest earned, 17% decrease in fines, 1% decrease in operating grants and 29% increase in other revenue.



The 2015/16 revenue budget for property rates, electricity, water, sewerage and refuse amounts to R32.3 billion and it represents approximately 74.2% of the total revenue budget of R43.6 billion.

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The table below set out the average tariff increases for 2015/16 - 2017/18 financial years.

Service	Base Year 2014/15	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Property rates	5.00%	6.00%	5.50%	5.40%
Electricity	7.05%	12.19%	12.19%	12.19%
Water	8.90%	15.00%	8.00%	8.00%
Sanitation	8.90%	15.00%	8.00%	8.00%
Refuse	6.00%	8.00%	11.00%	13.00%

The proposed tariff increases in the table above are averages; i.e. some customers may pay more and others less than the average.

Property rates: The average property rates tariff is projected to increase by 6% for the 2015/16 financial year. The 1% reduction in revenue mainly relates to adjustments on the valuation roll as a result of successful appeals.

Service charges - electricity: The projected electricity revenue of R15 billion is approximately 11% increase from the 2014/15 financial year, the increase is based on a proposed average tariff increase for electricity of 12.19% and the strategic drive to reduce total electricity losses to a level of 13.5% in the 2015/16 financial year. The NERSA/ Eskom tariff increase is assumed at 14%.

Service charges - water and sewerage: Projected water and sewerage charges are estimated at R8.4 billion, approximately 15% increase from the 2014/15 financial year. The increase is based on a proposed Rand Water tariff increase of 14.5% and the increase in capital investment in water and sewer over the medium term. There is continuing engagement by SALGA (on behalf of municipalities) and the Department of Water and Sanitation to finalise the funding of Acid Mine Draining and its impact on the proposed tariffs.

The proposed average tariff increases for refuse is 8%.

Operating grants are decreasing by R83 million or 1% from the 2014/15 financial year. The decrease mainly relates to the PTIS and housing top-structure grant funding.

Income from fines has decreased with an amount of R233 million or 17% from the 2014/15 financial year. The decrease is mainly due to the decline in fine revenue collected through the Administrative Adjudication of Road Traffic Offences Act (AARTO).

Other revenue reflects an increase of 809 million mainly as a result of electricity sales from City Power to Eskom. The tariffs for minor services will mainly increase in line with estimated inflation of 6%.

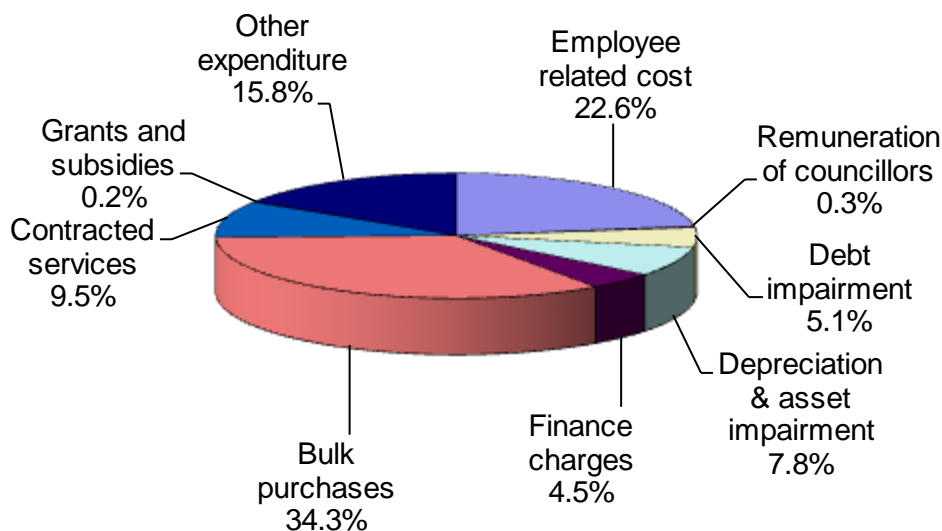
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Expenditure Analysis

The City adopted the 2014/15 Adjusted Operating Budget of R39.3 billion. 2015/16 presents a budget of R42.3 billion or 8% increase.

Expenditure	Adjusted Budget 2014/15 R millions	Draft Budget 2015/16 R millions	%	Draft Estimate 2016/17 R millions	Draft Estimate 2017/18 R millions
Employee related cost	8 976	9 555	6%	10 176	10 791
Remuneration of councillors	134	144	7%	154	163
Debt impairment	2 901	2 139	-26%	2 100	2 114
Depreciation & asset impairment	2 796	3 279	17%	3 725	4 155
Finance charges	1 771	1 894	7%	1 831	1 897
Bulk purchases	12 338	14 514	18%	15 513	16 692
Contracted services	4 368	4 001	-8%	4 101	4 290
Grants and subsidies	365	72	-80%	66	71
Other expenditure	5 641	6 694	19%	7 133	7 845
Total expenditure	39 290	42 290	8%	44 797	48 017

The increase of 8% in expenditure is mainly a result of the increase in employee related cost 6%, depreciation 17% (due to increased capital investment), finance charges 7%, bulk purchases 18% (Eskom/Kelvin Power Station and Rand Water), contracted services and other expenditure 6.8% combined.



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Financial Position

The table below reflects the summary of the proposed financial position.

Financial position	Adjusted Budget 2014/15 R million	Draft Budget 2015/16 R million	Draft Estimate 2016/17 R million	Draft Estimate 2017/18 R million
Total current assets	15 195	15 174	18 136	17 734
Total non current assets	59 109	66 454	70 880	76 831
Total current liabilities	14 849	14 528	17 926	15 768
Total non current liabilities	19 783	23 537	23 262	26 250
Community wealth/Equity	39 672	43 562	47 829	52 547

The projected current ratio over the medium term is projected to be 1:1. Cash reserves are used to fund capital investment, hence no material improvement in the current ratio.

Cash Flow

The table below reflects the summary of the proposed cash flow.

Cash flow	Adjusted Budget 2014/15 R million	Draft Budget 2015/16 R million	Draft Estimate 2016/17 R million	Draft Estimate 2017/18 R million
Net cash from (used) operating	7 324	7 677	8 790	9 398
Net cash from (used) investing	(10 961)	(9 351)	(10 844)	(7 330)
Net cash from (used) financing	2 294	2 367	1 981	(110)
Cash/cash equivalents at the year begin:	5 327	3 985	4 678	4 606
Cash/cash equivalents at the year end	3 985	4 678	4 606	6 563

The cash of the City is projected to be approximately R4.7 billion at the end of the 2015/16 financial year. It will be approximately R6.5 billion in the outer year. Cash reserves are applied towards capital infrastructure spending.

The following Budget Assumptions were made:

CPI is estimated at 6% for 2015/16 and 5.5% for 2016/17 and 5.4% for 2017/18 financial years.

Repairs and maintenance are estimated to increase by 29% over the previous financial year for service delivery departments/MEs and a minimal growth is estimated for non service delivery departments/MEs.

Estimated salary increases:

- 2015/16 – 6% (no SALGA agreement in place)
- 2016/17 – 5.5% (no SALGA agreement in place)
- 2017/18 – 5.4% (no SALGA agreement in place)

Loans interest rates is estimated at 11.96% for 2015/16 and 12.26% for both 2016/17 and 2017/18.

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Bulk purchases - City Power has assumed an average tariff increase of 14% from Eskom and the cost of bulk purchases from Rand Water is expected to increase by average 14.5%.

Finance charges and depreciation are growing by 13.3% over the 2014/15 financial year and this is mainly a result of the increased capital investment over the medium term.

Contracted services and other expenditure combined are growing by 7.7%.

Annexure A reflects the operating budget of the City including internal transfers.

Annexure B reflects the operating budget of the Core Administration.

Annexure C reflects the operating budget of the Municipal Entities.

Annexure D reflects the operating budget per vote (per department and municipal entity).

3.3 MEDIUM TERM EXPENDITURE AND REVENUE PER CLUSTER:

For purposes of this report the expenditure growth percentage of the various departments within the Core Administration is based on direct expenditure (excluding internal transfers) and for the MEs it is based on total expenditure (including taxation) or subsidies received.

SUSTAINABLE CLUSTER

Sustainable Cluster	Adjusted Budget	Draft Budget	Draft Estimate	Draft Estimate
Revenue	2014/15	2015/16	2016/17	2017/18
	R 000	R 000	R 000	R 000
Environment And Infrastructure	62 337	101 789	110 107	120 994
Housing	363 089	84 256	88 523	95 653
City Power	14 203 280	16 308 517	17 320 591	18 497 248
Johannesburg Water	7 408 380	8 521 810	9 273 747	10 087 643
Pikitup	1 840 396	1 999 133	2 130 225	2 262 613
Johannesburg Social And Housing Company	120 982	137 626	146 757	153 354
Total Revenue	23 998 464	27 153 131	29 069 950	31 217 505

The Sustainable Cluster's revenue budget increases by 13% from the 2014/15 financial year.

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Sustainable Cluster Expenditure	Adjusted Budget 2014/15 R 000	Draft Budget 2015/16 R 000	Draft Estimate 2016/17 R 000	Draft Estimate 2017/18 R 000
Environment And Infrastructure	169 567	231 408	249 546	264 041
Housing	885 701	638 142	674 083	757 395
City Power	13 477 891	15 450 057	16 408 216	17 585 171
Johannesburg Water	6 750 469	7 288 776	7 884 756	8 573 255
Pikitup	1 840 396	1 999 133	2 130 225	2 262 613
Johannesburg Social And Housing Company	115 315	137 626	146 757	153 354
Total Expenditure	23 239 339	25 745 142	27 493 583	29 595 829

The Sustainable Cluster's expenditure budget increases by 10.8% from the 2014/15 financial year. Below follow details of the expenditure budget per department and municipal entity within the sustainable cluster:

Environment and Infrastructure

The revenue budget increases by 63.3% to R101.8 million. The increase is mainly as a result of increased concession fee from Kelvin Power Station. The expenditure budget increases by 36.5% to R231.4 million mainly as a result of debt impairment for the Kelvin Power Station concession fee. Below is a highlight of programmes that are within the budget:

- Sustainable Human Settlements Urbanization Plan (SHSUP);
- Community Based Planning and Budgeting (CBP);
- Urban Water Management;
- River Health and Ecological Infrastructure;
- Integrated Waste Management;
- Air Quality;
- Citizen participation, empowerment and citizen / customer care;
- Alleviation of Living Environment Deprivation; and
- Green Economy Technology Hub;
- Climate Change and Energy Diversification; and
- Expanded Public Works Programme.

Housing

The 2015/16 revenue of the Housing department decreased by 76.8% to R84.3 million as the operating grant from the Gauteng Provincial Government in respect of the housing top structure project has not yet been gazetted/allocated. The expenditure budget decreases by 28% to R638.1 million in the 2015/16 financial year in line with the housing top structure project that has not yet been gazetted/allocated. Below is a highlight of programmes that are within the budget:

- Housing opportunities in integrated and sustainable human settlements;
- Implementation of the Inner City Road Map;
- Revenue Completeness; and
- Citizen participation, empowerment and citizen / customer care.

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City Power

City Power's revenue increases by 14.8% to R16.3 billion. The expenditure budget increases by 14.6% to R15.4 billion. City Power's expected surplus excluding capital grants, taxation and contributions amounts to R1.2 billion. Below is a highlight of programmes that are within the budget:

- Citizen participation, empowerment and citizen / customer care;
- Jozi@Work;
- Green Economy Technology Hub;
- Demand Side Management (mitigating loadshedding);
- Revenue Completeness; and
- On-going clean audits.

Johannesburg Water

Joburg Water's revenue increases by 15% to R8.5 billion. The expenditure budget increases by 8% to R7.3 billion. Joburg Water is budgeting for a surplus of R1.2 billion (excluding capital grants and contributions) in the 2015/16 financial year. Below is a highlight of programmes that are addressed within the budget:

- Alleviation of living environment deprivation;
- Citizen participation, empowerment and citizen / customer care;
- Urban Water Management;
- Sustainable Human Settlements Urbanisation Plan (SHSUP); and
- Sector Diversification, Productivity and Competitiveness Support - Green Economy.

Pikitup

Pikitup's revenue increases by 8.6% to R2 billion in the 2015/16 financial year. The expenditure budget increases by 8.6% from the 2014/15 financial year. An additional allocation of R24 million was made to Pikitup towards street cleaning and illegal dumping (a clean city). Below is a highlight of programmes that are addressed within the budget:

- Jozi@Work;
- Business Round Collection Refuse, Business Dailies, Bulk Services;
- Integrated Waste Management: Separation at source, food for waste; garden sites and cleaning of informal settlements;
- Street sweeping;
- Removal of illegal dumping;
- Round collected refuse - Business and domestic;
- Bulk commercial services and the daily waste services; and
- Landfills.

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Johannesburg Social and Housing Company (JOSHCO)

JOSHCO's revenue budget increases by 13.8% to R137.6 million in the 2015/16 financial year. The increase is attributed mainly to the increased rental of City Housing Stock. Expenditure increases by 19.3% to R137.6 million. Below is a highlight of programmes that are within the budget:

- Alleviation of living environment deprivation;
- Citizen participation, empowerment and citizen / customer care;
- Jozi@Work;
- Revenue Completeness; and
- Sustainable Human Settlements Urbanisation Plan (SHSUP).

HUMAN AND SOCIAL DEVELOPMENT CLUSTER

Human and Social Development Cluster Revenue	Adjusted Budget 2014/15 R 000	Draft Budget 2015/16 R 000	Draft Estimate 2016/17 R 000	Draft Estimate 2017/18 R 000
Community Development	38 263	34 250	36 060	37 262
Health	142 285	136 602	145 541	152 822
Social Development	2 830	828	716	754
Public Safety	1 769 963	1 574 642	1 494 848	1 436 395
Johannesburg City Parks And Zoo	770 007	863 058	914 769	967 774
Joburg City Theatres	117 692	126 780	132 742	143 257
Total Revenue	2 841 040	2 736 160	2 724 676	2 738 264

The revenue budget of the Human and Social Development Cluster decreases by 3.7% from the 2014/15 financial year. The decrease resulted mainly from the reduced fine revenue within Public Safety.

Human and Social Development Cluster Expenditure	Adjusted Budget 2014/15 R 000	Draft Budget 2015/16 R 000	Draft Estimate 2016/17 R 000	Draft Estimate 2017/18 R 000
Community Development	972 157	1 007 602	1 084 406	1 167 744
Health	693 810	738 091	786 118	835 246
Social Development	168 698	184 333	195 125	205 966
Public Safety	3 602 481	3 388 644	3 476 104	3 557 329
Johannesburg City Parks And Zoo	770 007	863 058	914 769	967 774
Joburg City Theatres	117 692	126 780	132 742	143 257
Total Expenditure	6 324 845	6 308 508	6 589 264	6 877 316

The expenditure budget of the Human and Social Development Cluster decreases by 0.3% from the 2014/15 financial year. The decrease resulted from the reduced debt impairment cost of R337.9 million that resulted from the reduced fine revenue within Public Safety.

Below follows the budget per department and municipal entity within the human and social development cluster.

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Community Development

Community Development's revenue budget decreases by 10.5% to R34.3 million mainly due to a decrease in the operating grants. The expenditure budget increases by 3.6% to R1 billion. Below is a highlight of programmes that are within the budget:

- Citizen participation, empowerment and customer care;
- Alleviation of living environment deprivation;
- On-going clean audit;
- Trade and investment promotion, business retention, expansion and aftercare;
- Discipline expenditure management;
- Support to schools and lifelong learning;
- Sector diversification, productivity and competitiveness support – green economy;
- Smart citizen program; and
- Jozi@work.

Health

Health Department's revenue budget decreases by 4% to R136.6 million due to a reduction in the operating grants. The expenditure budget increases by 6.4% to R738.1 million. Below is a highlight of programmes that are within the budget:

- Long and healthy life for all (Child health and Environmental Health Risk management);
- Sustainable Human Settlements Urbanisation Plan (Chronic Disease programme, PHC strengthening, HIV and TB, Women maternal and reproductive);
- Citizen participation, empowerment and citizen / customer care (Environmental Health Promotion); and
- Creating a safe and resilient city (Communicable disease control and Environmental Health pollution prevention).

Social Development

Social Development's revenue budget decreases by 70.7% to R828 thousand mainly due to the reduction of operating grants. The expenditure budget increases by 9.3% to R184.3 million. The increase is as a result of the implementation of food insecurity programme. Below is a highlight of programmes that are within the budget:

- Access to food;
- Urban Farmer Support;
- Healthy Life Style;
- Citizen participation, empowerment and citizen / customer care;
- SMME and Entrepreneurial Development;
- Single window for services to the poor and vulnerable; and
- Sector Diversification, Productivity and Competitiveness Support - Green Economy.

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Public Safety

The revenue budget of Public Safety decreases by 11% to R1.6 billion. The decrease is mainly due to the decline in fine revenue collected through the Administrative Adjudication of Road Traffic Offences Act (AARTO). The expenditure budget decreases by 5.9% to R3.4 billion in the 2015/16 financial year. Below is a highlight of programmes that are addressed within the budget:

Emergency Management Services (EMS)

- Long and healthy life for all;
- Creating a safe and resilient City;
- Creating a law abiding and regulated City; and
- Improved public safety and disaster readiness.

Johannesburg Metropolitan Police Department (JMPD)

- Policing and management of public spaces;
- Ward based policing;
- Jozi@Work; and
- Integrated/ intelligent smart technology.

Johannesburg City Parks and Zoo

The revenue of Johannesburg City Parks and Zoo increases by 12.1% to R863 million. The expenditure budget increases by 12.1% to R863 million. The subsidy allocation to Parks and Zoo increases by 14.4% to R737.4 million. An additional allocation of R45 million was made towards open space management and maintenance. Below is a highlight of programmes that are addressed within the budget:

- New revenue sources;
- Citizen participation, empowerment and citizen / customer care;
- SMME and Entrepreneurial Development;
- Climate Change and Energy Diversification; and
- Access and connectivity;

Joburg City Theatres

The revenue of Joburg City Theatres increases by 7.7% to R126.8 million. The expenditure budget increases by 7.7% to R126.8 million in line with revenue. The Joburg City Theatre's subsidy increases by 7.9% to R74.2 million. Below is a highlight of programmes that are within the budget:

- On - going clean audit;
- Citizen participation, empowerment and citizen/customer care;
- SMME and entrepreneurial development;
- Hospitality, bars and restaurant; and
- Audience development to ensure our venues are more accessible.

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ECONOMIC GROWTH CLUSTER

Economic Growth Cluster Revenue	Adjusted Budget 2014/15 R 000	Draft Budget 2015/16 R 000	Draft Estimate 2016/17 R 000	Draft Estimate 2017/18 R 000
Economic Development	7 994	23		
Transport	626 356	428 499	452 200	725 719
Development Planning	63 168	67 300	71 005	74 838
Joburg Market	378 523	416 635	453 856	494 471
Johannesburg Property Company	517 409	459 408	495 108	529 685
Johannesburg Development Agency	99 088	100 089	105 676	111 649
Johannesburg Roads Agency	886 334	951 510	1 008 211	1 065 942
Metrobus	563 272	617 011	668 072	722 542
Total Revenue	3 142 144	3 040 475	3 254 128	3 724 846

The revenue budget of the Economic Growth Cluster decreases by 3.2%. The decrease is mainly attributed to the decrease in Public Transport Network Operations Grant mainly to cater for the Phase 1B empowerment premium.

Economic Growth Cluster Expenditure	Adjusted Budget 2014/15 R 000	Draft Budget 2015/16 R 000	Draft Estimate 2016/17 R 000	Draft Estimate 2017/18 R 000
Economic Development	178 272	169 684	183 729	193 954
Transport	1 542 331	1 473 942	1 538 641	1 662 462
Development Planning	272 555	307 092	378 270	418 571
Joburg Market	320 295	349 229	390 126	435 213
Johannesburg Property Company	424 575	459 408	495 108	529 685
Johannesburg Development Agency	91 416	100 089	105 676	111 649
Johannesburg Roads Agency	886 334	951 510	1 008 211	1 065 942
Metrobus	563 272	617 011	668 072	722 542
Total Expenditure	4 279 050	4 427 965	4 767 833	5 140 018

The expenditure budget of the Economic Growth Cluster increases by 3.5% from the 2014/15 financial year. Below follows the budget per department and municipal entity within the economic development cluster.

Economic Development

Revenue for the Economic Development department decreases by 99.7% to R23 thousand in the 2015/16 financial year as the Expanded Public Works Program (EPWP) operating grant has not been allocated. The expenditure budget decreases by 4.8% to R169.7 million in the 2015/16 financial year. The programmes that are within the budget are highlighted below:

- SMME and Entrepreneurial Development;
- Jozi at Work;
- Trade Promotion and Development;
- Green Economy Technology Hub;
- Sector Diversification, Productivity and Competitiveness Support – Green Economy; and

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- Trade and Investment Promotion, Business Retention, Expansion and Aftercare.

Transportation

The Transport department's revenue budget decreases by 31.6% to R428.5 million in the 2015/16 financial year. The decrease is mainly attributed to the fact that the National Treasury approved a R288.2 million transfer from the Public Transport Infrastructure Grant (capex) to the Public Transport Network Operations Grant (opex) in the 2014/15 financial year. The expenditure budget decreases by 4.4% to R1.5 billion in the 2015/16 financial year mainly due to the reasons as discussed under revenue. Below is a highlight of the programmes that are within the budget:

- Transit Oriented Development - Priority areas (corridors / nodes);
- Rea Vaya BRT roll out (Phase 1C: trunk from Parktown to Alexandra and then Sandton);
- Green Economy Technology Hub; and
- Integrated/ intelligent smart technology.

Development Planning

Development Planning's revenue budget increases by 6.5% to R67.3 million. Planning's expenditure budget increases by 12.7% to R307 million mainly as a result of an allocation of R13.9 million for bylaw enforcement. Below is a highlight of programmes that are within the budget:

- Transit oriented development;
- Implementation of the inner city road map;
- Sustainable Human Settlements Urbanization Plan;
- Revenue completeness;
- Integrated planning, policy development and standard setting;
- Priority area planning and implementation; and
- Shift to a low carbon economy.

Joburg Market

The Joburg Markets' revenue increases by 10.1% to R416.6 million in the 2015/16 financial year. The expenditure budget increases by 9% to R349.2 million. Below is a highlight of the programmes that are within the budget:

- Access to food;
- Discipline Expenditure Management;
- SMME and Entrepreneurial Development;
- Trade and Investment Promotion, Business Retention, Expansion and Aftercare; and
- Sector Diversification, Productivity and Competitiveness Support - Green Economy.

Johannesburg Property Company (JPC)

The JPC's revenue decreases by 11.2% to R459.4 million in the 2015/16 financial year. The decrease is mainly attributed to other revenue relating to development fees and commission earned on capital projects. The expenditure budget increases by 8.2% to R459.4 million. Below is a highlight of the programmes that are within the budget:

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- Transit Oriented Development - Priority areas (corridors / nodes);
- Jozi@Work;
- Sector Diversification, Productivity and Competitiveness Support - Green Economy;
- Access and connectivity;
- SMME and Entrepreneurial Development;
- Access to food;
- Revenue Completeness; and
- Trade and Investment Promotion, Business Retention, Expansion and Aftercare.

Johannesburg Development Agency

The revenue of Johannesburg Development Agency increases by 1% to R100.1 million. The expenditure budget increases by 9.5% to R100.1 million. Johannesburg Development Agency's subsidy decreases by 12.3% to R23.4 million. Below is a highlight of programmes that are within the budget:

- Implementation of the inner city road map;
- Transit orientated development- priority areas (corridors and nodes);
- Rea Vaya BRT roll-out;
- Priority intervention areas/zones;
- Development facilitation; and
- Administrative function.

Johannesburg Roads Agency

Revenue for the Johannesburg Roads Agency increases by 7.4% to R951.5 million in 2015/16. The expenditure budget increases by 7.4% to R951.5 million in the 2015/16 financial year. Below is a highlight of programmes that are within the budget:

- Sector Diversification, Productivity and Competitiveness Support - Green Economy
- Jozi@Work

Metrobus

Revenue for the Metrobus increases by 9.5% to R617 million in 2015/16. The expenditure budget increases by 9.5% to R617 million in line with the increase in revenue. The subsidy paid to Metrobus increases by 9.1% to R436.9 million. Below is a highlight of programmes that are within the budget:

- Smart and efficient procurement processes;
- Sector Diversification;
- Productivity and Competitiveness Support;
- Green Economy; and
- Revenue Completeness.

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GOOD GOVERNANCE CLUSTER

Good Governance Cluster Revenue	Adjusted Budget 2014/15 R 000	Draft Budget 2015/16 R 000	Draft Estimate 2016/17 R 000	Draft Estimate 2017/18 R 000
Office Of The Executive Mayor	58 048	60 204	63 517	66 806
Group Finance	13 342 105	13 721 948	14 651 809	15 639 249
Group Corporate And Shared Services	30 565	32 387	34 169	36 014
Speaker: Legislative Arm Of Council				
Municipal Entities Accounts	158 116	183 567	211 069	222 678
Total Revenue	13 588 834	13 998 106	14 960 564	15 964 747

The revenue budget of the Good Governance Cluster increases by 3%.

Good Governance Cluster Expenditure	Adjusted Budget 2014/15 R 000	Draft Budget 2015/16 R 000	Draft Estimate 2016/17 R 000	Draft Estimate 2017/18 R 000
Office Of The Executive Mayor	1 238 399	1 247 713	1 246 219	1 244 936
Group Finance	3 293 193	3 422 697	3 458 473	3 630 376
Group Corporate And Shared Services	701 733	983 331	1 066 427	1 109 460
Speaker: Legislative Arm Of Council	286 402	315 139	337 989	355 901
Municipal Entities Accounts	1 538 761	1 597 641	1 823 692	2 250 223
Total Expenditure	7 058 488	7 566 521	7 932 800	8 590 896

The expenditure budget of the Good Governance Cluster increases by 7.2%. The reason for the increase mainly relates to the 7% increase in finance charges, 22.4% increase in depreciation due to the increased capital investment over the medium term and a R45 million allocated to Group Communications. Below follows the budget per department within the good governance cluster.

Office of the Executive Mayor

Revenue for Office of the Executive Mayor increases by 3.7% to R60.2 million. The expenditure budget increases by 0.8% to R1.2 billion. Below is a highlight of key programmes that are within the budget:

Group Audit, Risk and Compliance:

- Enhanced corporate governance, through 100% compliance with financial, risk and performance management guidelines;
- On-going clean audits; and
- Strategic Coordination and Management Support Programme.

City Manager:

- On-going clean audits; and
- Jozi@Work;

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Group Strategy and Monitoring:

- Community Based Planning and Budgeting (CBP);
- Citizen participation, empowerment and citizen / customer care;
- Intergovernmental relations;
- Integrated/ intelligent smart technology; and
- SMME and Entrepreneurial Development;

Citizen Relations and Urban Management:

- Sustainable Human Settlements Urbanisation Plan (SHSUP);
- Creating a Safe and Secure City;
- Citizen participation, empowerment and citizen / customer care;
- Trade and Investment Promotion, Business Retention, Expansion and Aftercare; and
- Integrated/ intelligent smart technology.

Group Legal and Contracts:

- Enhanced corporate governance, through 100% compliance with financial, risk and performance management guidelines.

Group Marketing and Communication:

- Discipline Expenditure Management;
- Citizen participation, empowerment and citizen / customer care; and
- Jozi@Work.

Executive Mayor:

- Intergovernmental relations;
- On-going clean audits;
- Citizen participation, empowerment and citizen / customer care; and
- Intergovernmental relations.

ME Governance MC Support:

- Smart and efficient procurement processes.

Group Finance

Group Finance's revenue budget increases by 2.8% to R13.7 billion. The expenditure increases by 3.9% to R3.4 billion. Below is a highlight of programmes that are within the budget:

- Revenue completeness;
- Game changer;
- On-going clean audits;
- Capital project management;
- Discipline expenditure management;

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- Jozi at work
- Business innovation; and
- Smart and efficient procurement processes.

Group Corporate and Shared Services

Group Corporate Shared Service's revenue budget increases by 6% to R32.4 million. The expenditure budget increases by 40.1% to R983.3 million mainly due to increase in depreciation. Below is a highlight of programmes that are within the budget:

- Management services;
- Human capital management;
- Safety, health and logistical administration; and
- Information communication technology.

Speaker: Legislative Arm of Council

Speaker's expenditure increased by 10% to R315.1 million. An additional allocation of R7.3 million was made strengthening the capacity of the legislature. Below is a highlight of key programmes that are within the budget:

- Citizen participation, empowerment and citizen / customer care;
- Access and connectivity;
- Jozi@Work;
- Enhanced corporate governance, through 100% compliance with financial, risk and performance management guidelines;
- Capital Project Management;
- Discipline Expenditure Management; and
- Sector Diversification, Productivity and Competitiveness Support - Green Economy

Municipal Entities Accounts

The revenue for the municipal entities accounts increases by 16.1% to R183.6 million. The increase mainly relates to the JPC portfolio account. The expenditure for the municipal entities accounts increases by 3.8%.

4. POLICY IMPLICATIONS

None

5. LEGAL AND CONSTITUTIONAL IMPLICATIONS

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

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6. FINANCIAL IMPLICATIONS

<u>Consolidated Operating Budget</u> <u>(including internal transfers)</u>	2015/16 R 000	2016/17 R 000	2017/18 R 000
Direct Revenue	43 574 052	46 432 060	49 846 290
Direct Expenditure	42 290 206	44 796 587	48 017 116
Taxation	502 137	613 011	612 675
Capital Grants & Contributions	3 039 653	3 170 193	3 380 019
Surplus (Deficit) for the year	3 821 362	4 192 655	4 596 517

7. 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. The Council shall consider any representations received in terms of Section 23 of the Act.

8. OTHER BODIES/DEPARTMENTS CONSULTED

Group Legal and Contracts, all Core Departments and Municipal Entities.

9. KEY PERFORMANCE INDICATOR

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

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IT IS RECOMMENDED

1. That the draft consolidated operating revenue of R43.6 billion, operating expenditure of R42.3 billion, taxation of R502.1 million and capital grants and contributions of R3 billion for the City of Johannesburg for the financial year 2015/16, and the indicatives for the projected medium term period 2016/17 to 2017/18 be noted as set out in the following attachments:

1.1 The consolidated operating budget for the City, Core Administration and Municipal Entities as reflected in Annexure A, B and C.

1.2 The operating revenue and expenditure budget by vote for the City as reflected in Annexure D.

2. That the subsidies payable by Core Administration to the following Municipal Entities be noted: –

Municipal Entity	Adjusted Budget 2014/15	Draft Budget 2015/16	Draft Estimate 2016/17	Draft Estimate 2017/18
	R 000	R 000	R 000	R 000
Pikitup	592 918	652 429	696 102	736 830
Johannesburg Roads Agency	761 067	818 727	868 125	918 291
Metrobus	400 637	436 962	477 197	515 729
Johannesburg City Parks and Zoo	644 389	737 435	782 236	828 078
Johannesburg Development Agency	26 739	23 455	24 745	26 347
Johannesburg Property Company	-	333 525	353 277	378 183
Johannesburg Social and Housing Company	19 970	20 626	21 451	22 159
Joburg City Theatres	68 823	74 280	78 015	81 921
Total subsidies to ME's	2 514 543	3 097 439	3 301 148	3 507 538

3. That the supporting information contained in the 2015/16 – 2017/18 Draft 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 considered in conjunction with this report.

4. That the Accounting Officer:

4.1 in accordance with chapter 4 of the Systems Act:

- (a) make public the annual consolidated operating budget and other documents referred to in section 17(3) of the MFMA;**
- (b) invite the local community to submit representations in connection with the annual consolidated operating budget;**

4.2 submit the annual consolidated operating budget:

- (a) in both printed and electronic formats to the National and Provincial Treasury;**

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- (b) in either format to any prescribed national or provincial organs of state and to such other municipalities as may be affected by the budget.**
- 5. That the annual consolidated operating budget, together with such representations received as a result of the processes followed in terms of paragraph 4 above, be presented to Council for consideration and approval in terms of Sections 23(1) and 24(1) of the MFMA.**
- 6. That MFMA Circulars No. 74 and 75 attached be noted.**

(GROUP FINANCE)
(DIRECTOR: GROUP BUDGET AND PLANNING)
(NTUTHUZELO APRIL)
(Tel. 011 358 3290)

GROUP LEGAL AND CONTRACTS

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GROUP CHIEF FINANCIAL OFFICER

COUNCILLOR GEOFFREY MAKHUBO
MMC: FINANCE