

2010/11 budget speech

19 May 2010

Budget speech by the Executive Mayor of the City of Johannesburg, Councillor Amos Masondo, on the occasion of presentation of the 2010/11 budget and the idp, council chambers, 158 Loveday street, Metro Centre, Braamfontein, Johannesburg

Speaker of Council: Clr Nkele Ntingane

Chief Whip of Council: Clr Nonceba Molwele

Members of the Provincial Legislature

Mayors and Speakers

MMC for Finance: Clr Parks Tau

Members of the Mayoral Committee

Leaders of all Political Parties

Members of the Diplomatic Corps

Fellow Councillors

City Manager: Mavela Dlamini

Managers and Officials of Council

Members of the Community

Distinguished Guests

The Media

Ladies and Gentlemen

Madam Speaker, it is a great privilege and an honour to address this sitting of Council on this important occasion – the presentation of the 2010/11 Budget and Integrated Development Plan (IDP).

In the City of Johannesburg, we see the budget as an instrument through which we manage public funds in a way that ensures that we improve the quality of life of our people. We see the budget as an instrument of development and we do this through planning, allocation, control and proper accounting for every cent entrusted to this local government.

2010 FIFA World Cup

Madam Speaker, today marks exactly twenty two (22) days before the official kick-off of the 2010 FIFA World Cup. The City of Johannesburg will host the opening and closing ceremonies as well as a total of fifteen (15) games. We are on track. We are confident that everything will go well and collectively, we will deliver the best ever World Cup.

Soccer City is complete. On the 22nd of May 2010, the City, after the Nedbank Cup final, will formally handover this facility to FIFA. With excitement:

We are looking forward to the Bafana Bafana versus Mexico opening match on the 11th of June;

We are immensely proud of the fact that the International Broadcast Centre, located at the Johannesburg Expo Centre in Nasrec, started its operations on the 26th of April 2010;

We note that it will be at Orlando Stadium that the first-ever FIFA kick-off concert featuring international, African and local artists on the 10th of June 2010 will take place;

That the Rea Vaya BRT stations has been completed and additional routes added to ensure that fans get to the stadiums, Fan Parks and other venues on time;

That on the 21st of April 2010, fifty two (52) days ahead of the 2010 FIFA World; the City planted the 200 000th tree as per its original target; and

That Ellis Park is also complete and ready as our second facility for the games.

Madam Speaker, we can say with confidence that we are ready. Those who have been following developments closely, will attest that the City of Johannesburg has consistently been receiving favourable feedback from FIFA, the Local Organising Committee (LOC), national government and other commentators on our state of readiness.

Overall Political Context

Madam Speaker, allow me the opportunity to make some salient points on the political landscape, which impact on our work in the City of Johannesburg

Local Government Turnaround Strategy

Madam Speaker, in December 2009 Cabinet approved the Local Government Turnaround Strategy (LGTAS). This plan aims to restore the confidence of the majority of our people in our municipalities. It seeks to ensure a functional, responsive, accountable, effective and efficient developmental local government.

Five strategic objectives have been identified that will guide the LGTAS:

Ensure that municipalities meet the basic service needs of communities;
Build clean, effective, efficient, responsive and accountable local government;
Improve the performance and professionalism in municipalities;
Improve national and provincial policy, oversight and support; and
Strengthen partnerships between local government, communities and civil society.

On the 15th of April 2010, the Gauteng MEC for Local Government and Housing, Kgaogelo Lekgoro, visited the City of Johannesburg to engage its leadership on the Local Government Turnaround Strategy. In our engagement, we outlined to the MEC the main features of our Municipal Turnaround Strategy.

On basic service delivery, we highlighted the challenges confronting the City on bulk services. We pointed to the massive capital investment of R3 billion that would be required in the future for refurbishment of our Sebenza and Quattro electricity intake points. We also anticipate major new investment as our southern sewerage treatment works reaches full capacity. The City is also concerned that both solid waste disposal airspace and burial space is becoming limited and sustainable alternatives will have to be identified for the future.

The delivery of basic services remains a challenge despite the City's enormous efforts in this area. Rollout of the basic services programme has seen access to water reach 96%; access to basic sanitation at 95%; and access to electricity reach 92%.

In April 2008, Council adopted the formalisation and regularisation of informal settlements programme aimed at addressing the 180 informal settlements comprising 200 000 households. The programme intends to ensure certainty in the minds of residents and provide basic services.

On good governance, we discussed a number of initiatives with the MEC. We stated that we engage in extensive processes of public participation through Mayoral road shows, Izimbizo, community based planning and regional and city-wide stakeholder summits.

The City takes decisive and bold action against anyone found to be looting state and public resources. To date, fraud awareness campaigns have been conducted and we have successfully partnered with SAPS on fraud investigations. Reports on effectiveness of controls are tabled at the Group Audit Committee. Procurement and supply chain management processes are being strengthened.

We also discussed "getting the basics right", the City's financial position, inner City regeneration and local economic development. I would like to report that the outcomes of these discussions with the MEC were positive and constructive. We committed ourselves to ensure meaningful implementation, monitoring and evaluation.

Getting the Basics Right

Madam Speaker, in this municipality, we have consistently said, that in an ongoing way we need to address the basics. This includes amongst others, addressing the problem of potholes, non-functioning traffic lights, uncovered and stolen manholes, bonfires, blocked storm water drainage, uncut grass and shrubs, stolen electricity cables, uncollected rubbish and dirty streets, unremoved rubble and illegal posters.

In its effort to address these issues, the City has to intensify its urban management interventions and by-law enforcement. We have also established a Joint Operations Committee (JOC) to assist in monitoring and coordination. This forum ensures that there is regular interaction between different service delivery departments and entities. The outcomes so far have been:

The regular attendance by all stakeholders and co-ordination of efforts; and

Appropriate deployment of resources.

The JOC has also initiated the “Let’s Clean Up” campaign, popularly known as “Shanyela Amabala” that will intensify as we move closer to the 11th of June and find even more expression post the 2010 FIFA World Cup. I urge all residents, councillors and staff to join us in this noble effort.

Inner City Regeneration

Today, the Johannesburg Inner City is regaining its essence as a magnetic and vibrant locality that is attractive to people who are bold, ambitious and energetic.

We recall that the Inner City experienced a downturn in the early nineties. This led to an economic decline and disinvestment. By 2003, the Inner City was faced with challenges of:

Commercial property vacancies of 43%, (even though commercial rental rates were at an all time low of R10 per square metre); and

Many businesses relocated to the north of the City.

It is important, however, to note that many of the big banks and mining houses remained optimistic and retained their head offices in the Inner City.

Madam Speaker, the City of Johannesburg has always recognised that the Inner City is an invaluable asset:

The Inner City contributes to more than 30% of Johannesburg's economy;

The Inner City has more than 400 000 residents in 45 000 dwelling units;

An estimated one million commuters enter the City every day, and about 600 000 migrant shoppers visit the Inner City each year; and

Office buildings represent about R19 billion investment.

The City realised that the process of regeneration could only be achieved through partnerships with stakeholders. After months of intensive dialogue with provincial and national government, big and small business, communities, and other stakeholders, the Inner City Charter was adopted in July 2007.

We are working towards an Inner City that is dynamic...that works...is liveable...safe...well-managed...welcoming...people-centred...accessible...a city that celebrates its cultural diversity...a vibrant 24-hour city...a city for residents, workers, tourists and entrepreneurs...focused on the 21st century – A city of the future.

The City has since 2007, committed an amount of R2 billion. To date, an amount of R532 million has been spent. Over and above this Inner City ring-fenced fund, the following amounts were leveraged from the private sector:

ABSA Towers West – R1 billion;

Standard Bank – R73 million;

Zurich – R500 million;

FNB Bank City – R100 million;

Old Mutual's portfolio investment between 2006-2010 – R2 billion;

Atterbury (Mapungubwe Hotel) – R55 million;

South Point Properties (residential units) – R183 million;

City Properties (affordable residential – R450 million project and by 2011 it is projected to be at R800 million; and

Afhco (affordable residential) – R700 million and there will be an additional R750 million projected for 2011.

Since the start of the Inner City regeneration and urban renewal programme, we are proud to have succeeded in attracting private sector investment to the value of R8 billion. This dates back to the period before the adoption of the Inner City Charter.

Urban Management

One of our key responsibilities is to ensure that we have a clean and safe city. Region F has undertaken approximately 400 service delivery and by-law blitzes. We will continue to provide integrated, block-by-block blitzes by multi-disciplinary teams. Urban management has meant dealing with bad buildings and slumlordism in a systematic and programmatic manner.

The JMPD enforcement capacity and resources have been significantly increased. This has been further boosted by additional support from SAPS and other law enforcement agencies.

Service Delivery

Protests Madam Speaker, research has shown that most protests continue to occur in informal settlements in the largest metros. The reasons for violent service delivery protests in 2009 and 2010, include the following:

Poor service delivery;

Poor communication between local government and communities;

Political divisions in communities;

Urbanisation / migration issues;

Unemployment; and

Poverty.

The City is well aware of these listed challenges.

Madam Speaker, one of the founding ideas of our Constitution is the right to protest – which was denied under apartheid. What we are opposed to, is any form of protest that uses violence or anarchy to pursue any objective. We have seen this trend not only in the service delivery protests, but also in strikes and by some fringe grouping of individuals within the taxi industry opposed to the Rea Vaya Bus Rapid Transit (BRT) system.

Illegal Sale of Council Property

The City of Johannesburg's Mayoral Committee has ordered a crackdown on the recent invalid property transfers. This follows the uncovering of illegal transfers of prime Council-owned land and properties.

The City will work closely with law enforcement agencies to ensure that the perpetrators are apprehended and punished.

Madam Speaker, as I speak, one of these fraudsters is in jail and we are confident that if we allow the law to take its course we can successfully stop these activities from continuing.

The City has obtained court orders to reverse these illegal transfers. I would like to assure the citizens of Johannesburg that the buildings and land acquired fraudulently by fraudsters and building hijackers will be returned to the City. We will do everything possible to ensure that these culprits are dealt with to the full extent of the law.

Madam Speaker, it is apparent that there may be people in the administration of the City that are involved in these criminal activities. We will leave no stone unturned.

2010/11 Integrated development plan

Madam Speaker, the year 2010 is momentous in many respects. Apart from the upcoming 2010 FIFA World Cup, and other initiatives, this Council has continued to involve the citizens of Johannesburg in the planning and budgeting processes to ensure that they contribute in shaping the City and its future.

IDP Outreach and Consultation Process

A series of regional meetings were held in all seven (7) Regions to inform communities about the outcomes of ward-based planning and to finalise ward submissions and priorities for inclusion into the 2010/11 Revision of the City's IDP.

The culmination of these processes was the hosting of the Stakeholder Summit held on 27 March 2010 and was attended by stakeholders ranging from community leaders, ward committees, members of community-based and faith-based organisations, non-governmental organisations, leaders of various political parties, people with disabilities, representatives of labour, women, business and youth formations.

Post the Stakeholder Summit, engagements were held with councillors in order to allow for further input into the Service Delivery and Budget Implementation Plan (SDBIP).

Some Issues from the Community Based Planning Process

Madam Speaker, please allow me to highlight few of these issues that emerged from the community outreach processes:

Construction and maintenance of multi-purpose centres, sports facilities and other Council-owned properties. Affected areas include, amongst others, Region A (Ivory Park), Region D (Soweto) and Region G (Orange Farm);

Installation of storm water systems especially in the Greater Soweto area (including Bramfischerville, Doornkop and Slovo Park), Orange Farm, Diepsloot and Ivory Park. In addition, there were submissions made with regard to tarring of the roads, traffic signalling, congestion management, and construction of pedestrian bridges;

Request for the development of new parks, especially in the previously marginalised areas such as Region G (Orange Farm and Poortjie), Region A (Diepsloot and Ivory Park), Region B (Homestead Park, Newclare, Claremont and Westbury), Region E (Alexandra) and Region C (Zandspruit). Grass cutting was also raised as an important issue;

Rollout of public lights to prevent crime in areas such as Orlando West, Molapo, Pimville, Orange Farm, Diepsloot, Finetown, Drieziek, Tshepisoong and Zandspruit. There was also a concern raised about the lack of maintenance of street lighting;

Installation (connecting houses to the sewer main) and maintenance of sewer systems, especially in Region G (Orange Farm, Poortjie and Stretford);

Relocation of people living in houses that are built below the flood line (Bramfischerville, Thulani in Doornkop and Lakeside);

Eradication of informal settlements in Heavenly Valley in Klipspruit West. Housing still remains an issue in many areas; and

A concern has been raised about the need to address the question of toilets and sanitation in Alexandra Township.

Stakeholder Summit Issues

Some issues that emerged from the Stakeholder Summit include:

Moloko from Ivory Park raised the issue regarding the sewer blockage at Goniwe Street as well as potholes;

Ronnie from Pennyville raised the issue of electricity connections in the area;

Cynthia from Rosettenville raised the issue of crime, especially the selling of drugs;

Lucas from Noordgesig Extension 1 complained about long grass; and

Catharine from Moroka raised the issue of lack of storm water systems as well sidewalks; she also sent a petition regarding the need for a BRT station at Vundla and Langa streets.

Madam Speaker, it is no exaggeration to say that we emerged from these consultation processes with a clear and carefully considered view on what should be the priorities for 2010/11 financial year. A clear outcome from this process was the development of the Integrated Development Plan (IDP) and the Budget for the financial year 2010/11.

Participatory Budgeting & Planning Process The concept of participatory budgeting and planning was initiated by the City of Porto Alegre in Brazil which sought to break away from the top-down tradition of planning. This idea has since rapidly spread to other parts of the world.

The objectives of participatory budgeting are:

To involve the community, including the lower-income neighbourhoods of the city, in the priority-setting and budgeting process; and

To enhance local democratic culture (bottom-up approach), nurture civic engagement, and stimulate the development of social capital.

In the City of Johannesburg, we see participatory budgeting as a most democratic way to allocate limited resources to the community.

Ward Specific Budget Need

Madam Speaker, notwithstanding the fact that the City of Johannesburg is spending a Capital budget of about R3 billion in the 2010/11 financial year, the Mayoral Committee identified the need for the City to set aside R110 million Capital budget to address “ward specific needs”.

The following are some of the areas that were prioritised:

R19,5 million has been set aside for the maintenance of social amenities in areas like

Ivory Park;

Soweto

Orange Farm;

Region F; and

Diepsloot.

The City has also set aside a total of R70,5 million to implement the following projects:

R20 million for the upgrade of intersections and traffic signals;

R20 million to implement Open Channel Conversion in Orange Farm, Ivory Park, Diepsloot and Alexandra;

R10 million to implement storm water in Protea North Extension 3 and 4;

R16 million to address reoccurrence of storm water blockages in the following areas: Diepsloot, Fairlands, Lenasia South Extension 4, Morningside, Witpoortjie ; Flora Cliff and Halfway Gardens;

R4,09 million to implement Emergency Storm water in Naledi, Molapo, Diepkloof, Dobsonville, Meredale, Protea Extension 4;

R5 million to address city wide road safety related issues raised during the CBP process (traffic calming in residential areas and road signage);

R10 million for the upgrading of Helen Joseph Women's Hostel and R2 million for the upgrading of M2 Hostel in Alexandra; and

R3 million for the upgrading of Bellavista and Wendywood Clinics.

Economic overview

Madam Speaker, it is no secret that the global economy is just emerging from the most severe recession since the early 1930s. Some of the effects of the recession have been severe downturn in global economic activity occasioned by massive job losses. Needless to say, this imposed severe hardships and untold human suffering. It is however not all doom and gloom since the global economy, as a result of coordinated economic stimulus measures adopted by the G20 countries, including South Africa, avoided the dreaded spectre of a depression. Evidence on the ground suggests that the global economy, including South Africa, is slowly moving back into positive economic territory.

The City of Johannesburg, like other global cities was not spared the negative consequences of the recession. The most pronounced impact of the recession in the City was reflected through the significant decline in the growth of Gross Value Added, which declined from an average of 5,1% between 2003 and 2008 to negative 1,7% in 2009. No doubt, this has had negative consequences for the City and its citizens and the national economy as a whole. Nevertheless, with all indicators pointing to an improvement in global economic conditions, the City's economy is expected to grow by 2,7% in 2010. While this expected growth is nowhere near the 5,1% economic growth recorded between 2003 and 2008, it should go a long way in assisting the City of Johannesburg to address some of the negative consequences of the 2009 recession.

Madam Speaker, the City of Johannesburg's economy is driven by four economic sectors which are: (a) finance and business services, (b) community services, (c) manufacturing, and (d) trade. These four economic sectors collectively account for more than 82% of economic activity within the City. These sectors also account for the highest levels of formal and informal employment. Unfortunately, this state of affairs suggests that the City of Johannesburg's economy is highly concentrated, making it vulnerable to sudden external shocks such as the recession we are currently emerging from. Thus, every opportunity should be explored to diversify the economy into other sectors in which the City enjoys a comparative advantage.

The City of Johannesburg's economy continues to be the economic engine for South Africa. This is because economic activity in the City of Johannesburg accounts for respectively 17% and 48% of

national and Gauteng provincial economic activity. The City of Johannesburg's economic importance is not confined to South Africa alone. Evidence shows that internationally, the City compares favourably well with other global cities. This is evidenced by the findings of various surveys such as the 2008 MasterCard Survey of Worldwide Centres of Commerce, which rated Johannesburg respectively as the 11th best emerging market centre of commerce and 58th best global centre of commerce. The latest survey by the London-based Global Financial Centres released in February 2010 ranked Joburg as the 54th best global financial centre. These rankings places the City ahead of all African, Central American, Latin American (except for Sao Paulo) and a number of other European and Asian Cities such as Warsaw, Moscow, Bangkok and Mumbai amongst others. In this regard, the City of Johannesburg is indeed a World Class African City.

Employment versus Unemployment

The number of economically active people in the City of Johannesburg increased from 1 993 373 in 1996 to 2 066 156 in 2008. Given the economic upswing experienced from 2002 to 2008, the unemployment rate in the City as per the official definition decreased from 25,3% in 2002 to 19,1% in 2008. This was in line with the national unemployment rate which declined from 29,7% to 22,8% over the same period. However, as a result of the onset of the recession and the slow recovery thereafter, recent data from Statistics South Africa shows that the official unemployment rate increased from 23,5% to 25,2% and from 21,7% to 27,1% respectively for the national and Gauteng Province. Given that the City also accounts for 17% of total national employment levels, such an increase in unemployment levels would also have a negative impact on the City of Johannesburg. But with the economic recovery in full swing, albeit at a slow pace, the City of Johannesburg's economy should start to expand enough to create jobs again.

Expanded Public Works Programme

Madam Speaker, with regard to Phase One (1) of the Expanded Public Works Programme (EPWP), the City set its own targets based on its capex budget. Since the 2006/07 financial year, the City has been exceeding its targets. While 30 000 jobs were targeted in 2008/09, 50 193 were created, and out of a targeted 20 000 in 2009/10, 31 616 jobs have been created by the third quarter of 2009/10 financial year.

The decrease in the target for the period during the recession was to cater for the negative impacts resulting from the global economic crisis, which saw a significant decline in jobs created nationally and globally. It is worth noting that for the past four years of the EPWP, the construction sector is the only sector that created these jobs, which is line with the 2010 FIFA World Cup preparations. More importantly the City continues to outshine other metros in its performance and has been allocated an incentive grant of about R179 million by National Treasury.

City of Johannesburg Response to the Global Economic Crisis

As part of our response to the global economic crisis, the City hosted an Economic Recovery Summit on the 7th of December 2009. The Summit adopted a coordinated approach, involving government, labour and business at the local level, and identified key interventions the City needed to consider in order to maximise potential benefits arising from the oncoming sluggish economic recovery.

Summary of key interventions adopted at the Summit are as follows:

The City should keep the target economic growth rate of 9% unchanged in order to give the City, business, and other stakeholders, sufficient time to prepare towards achieving the target rate by 2014, given sufficient resources;

The need to develop a centralised database of all the entrepreneurs and key business players in the City and its regions in order to guide the City towards identifying the sectors in need of assistance with the aim of increasing economic activity and employment;

The need to improve efficiency by changing the way we do things, such as expediting the procurement process in order to maximise returns on investments;

The need to improve access to finance for youth through maximising available information and putting monitoring in place; and

In collaboration with the relevant stakeholders, address poverty through the development of small and medium scale enterprises in terms of skills, procurement, and Broad Based Black Economic Empowerment (BBBEE) strategies.

Madam Speaker, the above interventions reiterate the programmes that the City has already initiated towards achieving the 9% economic growth target, adopted in 2007.

Over and above the four economic sectors that drive the City's economy, the City also enjoys comparative advantages in other sectors, namely Electricity, Gas and Water and Construction. Interventions aimed at these sectors would enable the City to diversify its economy beyond the four major economic sectors.

The City has also identified tourism, with emphasis on retail (as exemplified by last year's successful Joburg shopping festival) and medical tourism and information technology, among others, to further diversify the City's economy. These interventions are complemented by other initiatives that include among others, the recently launched Soweto Empowerment Zone, the Dirang Ba Bohle Community Bank and the Jozi Equity Fund. The Jozi "SME" Equity Fund (JEF) therefore plays a crucial role in ensuring that SME businesses play a part in key City projects such as the Rea Vaya BRT and the Broad Band initiative.

Financial overview and overall budget

Overall Financial Position and Long-Term Sustainability

The key objective of the Medium Term Budget Framework (MTBF) remains the achievement of financial sustainability whilst still achieving the City's objectives.

The Medium Term Budget Framework aims to ensure that the City maintains a balanced budget, generates surpluses to improve liquidity and that the capital investment is within the financial capacity of the City.

Madam Speaker, through prudent financial management, the City of Johannesburg was able to weather the financial storm. The City achieved an unqualified audit report in 2008/09, continuing the trend that started in 2006/07. The City's rating outlook remains stable, with the long-term domestic credit rating maintained at AA-. About 91% of the capital budget was spent in the 2008/09 financial year.

To date the City has issued six long-term bonds with a nominal amount of R7,8 billion. Johannesburg has benefited tremendously by issuing bonds and some of these include:

Access to a wider investor base;

Minimising asset – liability gap;

Reducing the cost of funding; and

Financial discipline and diversifying funding sources.

Madam Speaker, we have even managed to establish a Sinking Fund; the purpose of the fund being to ensure that the City has the ability to redeem all bonds at maturity.

The City of Johannesburg successfully redeemed JOZI01, all the outstanding commercial paper issues and the debut institutional bond COJ01. The debut bond COJ01 was redeemed from the Sinking Fund proceeds. Madam Speaker, it should be noted that the City redeemed all its outstanding commercial paper issues well before the end of the financial year on the 30th of June 2010 as prescribed by section 45 of the Municipal Finance Management Act (MFMA).

Key Assumptions Underpinning the Budget

Madam Speaker, let me briefly share with this Council some of the key assumptions that underpin the budget being presented today.

The municipal fiscal environment is influenced by a variety of macro economic conditions. National Treasury gives guidelines on inflation and year-on-year increases in the expenditure budget, whilst the National Energy Regulator of South Africa (NERSA) regulates electricity tariff increases; SALGA as the employer, together with the unions, influences the salary increases; and various government departments also affect municipal service delivery through the level of grants and subsidies.

The slow economy has an impact on the ability of customers to pay their utility bills and in turn the revenue to be collected is affected. All these factors have been considered in the preparation of the Budget.

Summary of the 2010/11 Budget

This year, the City presents a total budget of R28,3 billion for the 2010/11 financial year, an operating budget of R25,2 billion and a capital budget of R3,1 billion.

The operating budget outlines the activities, services and functions carried out within the City. Each Department's budget is characterised by programmes and activities and includes both financial and personnel resources necessary to carry out the functions as outlined in the IDP.

The capital budget includes funding for the ongoing maintenance, upgrading and replacement of the City's infrastructure.

Madam Speaker, preparing this budget has not been an easy task, the past financial year presented financial challenges to the City as a result of the global economic meltdown. Mindful of the envisaged slow economic recovery, the City developed a financial strategy to mitigate the financial pressures. The strategy aims at maximisation of revenue and curtailing of expenditure.

These challenges include increasing demand for services with limited financial resources. When putting this budget together, the easy thing would have been to use the financial challenges as an excuse to stop investing in infrastructure. However, the City of Johannesburg made a choice to continue with investing in its infrastructure, ensuring that service delivery is maintained and at the same time ensuring that the City is financially sustainable.

2010/11 Operating Budget

The City adopted the 2009/10 adjusted operating budget of R22,4 billion. The 2010/11 operating budget amounts to R25 billion, which represents a 12% increase from the previous year. Of this

budget, a total of R9 billion is allocated to the Core Administration and R16 billion to Municipal Entities.

Revenue Projections and Breakdown

The projected revenue for the 2010/11 is approximately R26 billion, the major sources of funding are; Electricity which constitutes 34% of the revenue, followed by Water at 18%, Property Rates contributes 18%, Operating grants constitute 16% and the remainder of the revenue is derived from traffic fines and other service charges.

Core Administration's Operating Budget

Madam Speaker, the core administration's Operating Budget is distributed as follows:

A total budget of R1,5 billion has been allocated to Johannesburg Metropolitan Police Department in order to deal with issues of crime, by-law enforcement, increased police visibility and traffic management.

Emergency Management Service's budget allocation amounts to R546,6 million to address among other issues, the roll out of public safety initiatives (this includes addressing the issue of drownings).

Community Development is allocated R654 million for various programmes such as:

Expanded Social Package;

Displaced Persons' Programme;

Early Childhood Development, Women's Development, and People with Disability Programme;

Youth Development Programme; and

Counter Xenophobia and Common Citizens Programme.

Health will receive R454,9 million for the strengthening and expansion of primary health care through appointment of nurses, doctors and ongoing environmental health risk management programmes.

Housing's allocation amounts to R394 million to support the delivery of housing projects and the management of housing rental stock.

Development Planning and Urban Management will receive R482 million to continue with amongst others, urban management in the City and building control law enforcement.

Economic Development will receive R138 million for the implementation of programmes such as Rollout of Broadband Network, Business Processing Outputs, Dirang Ba Bohle, SMME and Sector Development and Rollout of Skills Hubs. Further allocation will be made for the Expanded Public Works Programme (EPWP) city-wide and SMME support initiatives.

Transportation receives R471 million for the implementation of the of the Rea Vaya BRT operations, infrastructure improvements as well as transport road safety plans (speed humps, traffic calming and road markings). The remainder of the allocation will go towards Environment Management, Office of the Executive Mayor, Finance Sustainability Sector and Corporate and Shared Services, Speaker's Office: Legislation arm of Council and Infrastructure and Services.

Municipal Entities' Operating Budget

City Power's allocation amounts to R8,8 billion for the upgrading and continuing maintenance of ageing infrastructure networks. The City will also make available approximately R60 million for City Power to deal with public lighting in the following areas:

R36,8 million for Doornkop, Thulani, Jabulani, Pimville, Klipriviersoog , Dlamini, Chiawelo, Naledi, Moroka, Protea South, Orlando East and Emndeni as well as prioritised informal settlements.

R13,8 million for Orange Farm and Lakeside.

R8,8 million for Ivory Park, Kaalfontein and Rabie Ridge.

Johannesburg Water has been allocated R4,5 billion which will go towards providing all the people of Johannesburg with access to quality water and sanitation services.

Pikitup has been allocated R1,2 billion to ensure waste collection in all areas including the informal settlements; improve cleanliness levels in the Inner City and street cleaning in all areas; re-use and recycle of waste and diversion of green waste to compost facilities.

Johannesburg Roads Agency has been allocated R499 million towards traffic signals upgrade and maintenance, road signage upgrade programme, road infrastructure maintenance and upgrading and storm water development and management programme.

Metrobus' budget allocation amounts to R414,5 million and will continue with providing a customer friendly public bus transport services within the City.

R533 million has been allocated to City Parks, towards ongoing open space maintenance and City greening programmes.

Fresh Produce Market has been allocated R206 million for continued implementation of BEE support programmes, viz. operational support of BEE producer pack house in Vhembe-Limpopo; establishment of a food handling business in Soweto; Youth Desk – farming project; development and roll out of a unique market brand for BEE producers; creation of EPWP job opportunities; linking BEE market agent with suppliers; and development of a food security plan and extension of the food bank system.

Metro Trading Company has been allocated R62,5 million for regular repair and refurbishment of facilities and management of existing City-owned public transport facilities.

Johannesburg Social and Housing Company has been allocated R73 million for the refurbishment and management of public housing stock and emergency housing.

The remainder will go towards Tourism Company, Joburg Theatre, Roodepoort City Theatre, Johannesburg Zoo, Johannesburg Development Agency and Johannesburg Property Company.

2010/11 Capital Budget

The total funding available for capital infrastructure is R3,1 billion. Approximately R1,9 billion of the capital budget will be funded by the City and R1,1 billion from Grants and public contributions.

The R3,1 billion capital budget reflects the City's commitment to boost investments in the infrastructure and as a consequence, would create jobs.

The capital budget will be invested as follows:

The City will invest R229 million on roads infrastructure, which represents an increase of more than 80% from 2009/10 budget. The funds will be committed towards the upgrading of potholes, gravel roads in Diepsloot, Doornkop, Ivory Park, and Orange Farm. In addition, funds will be spent towards road resurfacing, new traffic signals and towards community based projects.

R15,6 million has been allocated towards transport safety projects to ensure safety measures such as the creation of traffic circles; speed bumps etc;

R120 million will go to Community Development; the allocation would be channelled towards the Soweto Theatre, sport and recreation facilities and community based projects;

The City will spend R15,1 million for upgrading of clinics;

Housing's total allocation is approximately R222 million. This includes projects such as upgrading of hostels, Vlaktefontein Lehae Phase 2 (essential services), formalisation of informal settlements, Elias Motsoaledi (bulk services), Fleurhof (bulk services) and Inner City emergency accommodation;

R306 million has been allocated to Development Planning and Urban Management, of which R122 million will go towards Inner City projects, and the remainder is committed to Cosmo City projects, Alexandra Renewal Project and towards Bara Central Precinct project;

R1,1 billion will be spent on electricity infrastructure in various areas, including public lighting, electrification, upgrading of electrical networks and demand side management projects;

R600 million will go towards upgrading of water and sanitation infrastructure, water mains replacements and bulk waste water;

Pikitup's capital allocation of R51 million will go towards the development of new garden sites, new cell development and towards transfer stations;

Over the coming financial year the City will spend R32 million towards upgrading of existing parks and upgrading of cemeteries;

R52,8 million will go towards hostel redevelopment and conversion;

An amount of R30 million is allocated towards radio communication system for EMS and JMPD; and

Economic Development has been allocated R179 million for the Expanded Public Works Programme (EPWP) by national government.

Tariffs

Madam Speaker, the challenge in setting tariffs is finding a balance between sustainability of service provision and ensuring affordability of those services by consumers.

The City's Tariff Policy provides a broad framework within which Council can determine fair, transparent and affordable service charges that also promote sustainability of service provision. This policy is based on principles that address the social, economic and financial imperatives of the City.

While the City is committed to maintaining tariff increases within the forecasted inflation, increases above inflation are applied to some services mainly because of the costs that have increased significantly due to a number of external factors such as increases in bulk purchases from Eskom and Rand Water and other rising cost/price escalations.

In the City of Johannesburg we recognise that times are tough and that some people will struggle to pay their rates and services. Therefore the poor households registered on the City's indigents' register will receive various rebates in terms of the Expanded Social Package Policy.

The proposed increases in tax and tariffs can be summarised as follows:

Water and sanitation will increase between 5,8% and 14,1% depending on the user consumptions;

Electricity tariffs will increase between 15% and 33,5% depending on user consumption;

The increases for property rates and refuse removal will go up by 12% across the board; and

Other minor service charges will increase by 6,3%.

Impact of Tariff increases on Different Households' Accounts

Large Household

Madam Speaker, a household with a property valued at R1,5 million consuming, 30kl of water and utilising 1000 kWh of electricity will see an increase of R307,07 or 17% in 2010/11 financial year.

Medium Household

A household with a property valued at R500 000 consuming 20kl of water and utilising 498 kWh of electricity will see an increase of R171 or 17% in 2010/11 financial year.

Small Household

A household with a property valued at R150 000 consuming 15kl of water and utilising 60 kWh of electricity will see an increase of R20,44 or 11% in 2010/11 financial year.

Conclusion

Madam Speaker, the City of Johannesburg will continue to strive towards higher and quality standards of service delivery. I think you will agree with me when I say that the roadmap is clear. This budget is in line with our vision and the commitments that we have made to the citizens of Johannesburg.

We have demonstrated that the path to the attainment of a World Class African City for All remains within reach.

Madam Speaker, please let me reiterate that Joburg is more than ready to host the 2010 FIFA World Cup.

Now is the time! Ke nako!

Thank you

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