

STATEMENT BY CLR GEOFFREY MAKHUBO, MEMBER OF THE MAYORAL COMMITTEE FOR FINANCE IN THE CITY OF JOHANNESBURG AT A MEDIA BRIEFING ON THE 2014 BUDGET

27 May 2014

Ladies and gentlemen,

Thank you for the opportunity to present you with a brief overview of the City of Johannesburg's 2014 Budget.

You will immediately note that in terms of numbers – this is again a record budget. Last year we exceeded the R40-billion for a combined operational and capital budget for the first time. This year it has grown to R47.1-billion.

The massive increase in this budget bears testimony to the determination of the City to confront the social deficits in various areas and for new infrastructural development around the Corridors of Freedom.

We present the Budget against the backdrop of the recent national and provincial elections and the reality that the overwhelming majority of South African voters once again mandated the ruling party – African National Congress to lead our country into a much better and brighter future.

The 2014 Budget ensures an even greater focus on meeting the needs of the citizens of Johannesburg and stimulating the necessary economic investment and growth, with which it is linked. It is of vital importance that we continue striving to meet the legitimate needs of our people who have, over decades, built this city.

Ladies and gentlemen,

Johannesburg is financially in its best shape yet. The City has a healthy cash balance, annual surpluses, our investments in strategic infrastructure and the reports from the Auditor General.

We have successfully delivered on every commitment. Our financial performance over the past three years gives us the opportunity to accelerate delivery to the people of Johannesburg.

We built up substantial cash reserves through more stringent cash management. Despite monthly expenditure of R2.2-billion the City has monthly cash balance in excess of R5-billion.

Johannesburg is also on track with our programme to invest R100-billion in infrastructure over a ten year period. The capital budget has grown from an initial R4.5 billion in 2012/13 to more than R10-billion for the coming financial year. This is

a key tool for improved service delivery which gives the City the ability to change the urban environment for the better through infrastructural development.

The recent unqualified audit report from the office of the Auditor General is the strongest indication yet that Johannesburg's financial affairs are in good order and that the City is adhering to the highest standards of corporate governance.

Ladies and gentlemen

Last year we became the first South African municipality to appropriate a multi- year capital budget. One of our most noteworthy successes has been the issuing of the first-ever municipal bond in 2004. This year we will again be the first City to issue a "green bond" to fund projects specifically chosen for their contribution towards sustainable development.

This is Johannesburg – a City at work! Johannesburg a City that works.

Ladies and gentlemen,

The full details of the allocations to the various Departments and Municipal Entities are contained in the Budget speech and the attached documentation which we will table in Council.

I want to draw your attention briefly to some of the highlights contained in the expenditure side of the budget.

Johannesburg is implementing of our Corridors of Freedom with significant allocations made for new projects and initiatives.

The future built-environment envisaged along the transport corridors will be dominated by high-density accommodation supported by offices and social facilities, retail development and opportunities for leisure and recreation.

You will note in the Budget Speech that we are providing more details about projects that have already been started along the first three corridors – Soweto to the Central Business District along Empire and Perth Streets; the CBD to Alexandra and in the Turffontein node.

Among the key interventions underway are:

Developing the Corridors of Freedom is a long-term development programme that requires all City stakeholders to work towards the broader vision. It is critically important that we secure the active involvement of communities, especially those in the vicinity of these developments, and broader civil society, in order to ensure the success of these programmes, the heart of which is to address spatial, social and economic inequality which is a legacy of apartheid.

Programme director,

Capital expenditure over the next three years will amount to R32-billion of which R10.4-billion will be spent in the 2014/15 financial year. More than 70% of this will be funded by a combination of loans and internally generated cash.

Three key development priority areas have been identified in line with the City's Corridors of Freedom initiative, namely linking the Central Business District (CBD) with Alexandra via Louis Botha Avenue; Soweto to the CBD along Empire and Perth Streets and in the Turffontein node.

The inner-city is a critical priority as a mixed-node as well as other marginalised areas such as Diepsloot, Ivory Park, Alexandra, Soweto and Greater Orange Farm.

The Corridors of Freedom programme will fundamentally change the face of the City and create a new environment for citizens to live, work and play in close proximity.

Ladies and gentlemen,

One of the most prominent features of the Budget is our significant investments in new and upgraded infrastructure as well as housing development.

The City's housing department has been allocated a three-year capital budget of R2.6 billion. This will be used for the upgrading of existing informal settlements, hostel refurbishment and the development of mixed-used precincts in the Inner City and urban core.

From 1 July 2014 the provincial housing function will be assigned to the City. In support of this function a Human Settlement Capacity Grant of R59.5 million has also been provided to the City for the first time to ensure the appropriate capacity is available.

Among the capital projects provided for are the refurbishment of the Helen Joseph hostel and the provision of bulk infrastructure in Klipspruit / Kliptown, Lehae, Lufhereng and Matholesville.

The Johannesburg Social Housing Company (Joshco) is responsible for a number of projects including the project management of housing development, the repair and maintenance of City hostels and flats and the administration of tenant leases.

City Power will receive an operating budget of R13.3 billion and a multi-year capital budget of R7.3 billion. This will be allocated towards new infrastructure and the refurbishment of existing infrastructure in areas such as Rivasdale, Berea, Ferndale, Lenasia and Halfway House.

To curb the scourge of vandalism and cable theft City Power will invest in alarm monitoring devices at substation as well as pylon monitoring alarms. Obsolete meters are being replaced with pre-paid units and smart meters across the city.

The upgrading of water infrastructure is continuing in areas such as Driefontein, Bushkoppies, Diepsloot, Lenasia and Ennerdale. Through Operation Gcin'amanzi we will invest R234.2 million in rolling out prepaid meters for water conservation and addressing water losses city wide.

Pikitup receives R1.8 billion for its operations which include waste management, street sweeping and the removal of illegal dumping. A waste treatment facility is being built in Diepsloot and new plant equipment for the composting of organic waste will be provided in Orange Farm.

Ladies and gentlemen,

Within the human social development cluster you will note a number of new clinics and significant upgrading of existing medical facilities in the City are among the most prominent features of the Budget.

Included in the R127-million capital budget for the health department over the next three years will be allocations for the building of new clinics and the refurbishment of existing ones in areas such as the Mountain View Clinic in Finetown, the Mpumelelo Clinic in Ivory Park and in Zandspruit.

The Public Safety department receives an operating budget of R2.6 billion which includes the further roll-out of the Joburg 10 Plus programme of ward-based activities aimed at crime prevention, traffic management and by-law enforcement.

We are also starting with the construction of new libraries at Lehae, Coronationville and Alexandra as well as the upgrading of community centres and sports facilities in areas such as Diepsloot, Rabie Ridge, Orlando Ekhaya, Bosmont and Pennyville.

Johannesburg City Parks and Zoo will receive a three year capital budget of R368 million which will include new park development in Ivory Park, Orange Farm extension 2 and within the Turffontein Corridor of Freedom.

Ladies and gentlemen,

The City's tariff policy is based on the principles of financial sustainability, environmental considerations and the affordability of services for residents and clients. The City has to balance the tension between affordability and the requirement that tariffs reflect the cost for the delivery of services such as water, sanitation, electricity and refuse removal.

When rates and tariffs are determined, the City takes into account local economic conditions, input costs and the affordability of services while looking after the particular interests of poor households.

Johannesburg has introduced a step tariff for electricity services which implies that the more electricity consumers use, the more they will pay. The aim is to reduce electricity and benefit lower consumption users.

The 7.05% average increase for electricity in the coming year is lower than the tariff increase of 7.3% announced by Eskom and electricity regulator, NERSA. This will provide the City with revenue of R13.6 billion.

Registered indigents will continue to receive free electricity, free water and free sanitation in terms of Johannesburg's Extended Social Package.

The tariffs for waste removal services will increase by 6% for domestic households and 8% for businesses and commercial customers. The proposed increases will generate sufficient revenue to ensure Pikitup can sustain its current service levels and extend services to new areas and housing developments.

Properties valued at less than R200 000 and households registered for the Extended Social Package will continue to receive free refuse removal services.

Ladies and gentlemen,

The Joburg 2040 Growth and Development Strategy commits the City to a future that is united, equitable, just and strengthened through its diversity; a City that provides a real and constantly improving quality of life; a city that actively and constantly strives to build a better life for all its citizens; a resilient and adaptive City.

In the year in which the people of South Africa celebrate our 20th anniversary of democracy Johannesburg, as the country's leading City, commits itself to continue building on our momentous past achievements.

We will continue to be Joburg -- a City at work; a City that works.

I thank you.

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