

THE BUDGET SPEECH BY THE MEMBER OF THE MAYORAL COMMITTEE FOR FINANCE IN THE CITY OF JOHANNESBURG, COUNCILLOR GEOFFREY MAKHUBO, JOBURG THEATRE, BRAAMFONTEIN – JOHANNESBURG, 27 MAY 2014

2014 THEME: A CITY@WORK

Madam Speaker the City of Johannesburg is a City of firsts, a City of trailblazers, a City of thought leaders. We lead and others follow...

- We were the first municipality to issue Municipal bonds our first issuance was 1,5 times over-subscribed. The City's first bond issue won the Bond of the Year Award from the Bond Exchange of South Africa.
- This year, we will again be the first City to issue a listed "green bond" to fund projects specifically identified for their contribution towards sustainable development.
- We were the first municipality to implement a 'cabinet model' approach to the system of executive leadership.
- We have introduced innovative infrastructure investments and targeted interventions to change the face of our communities – our first mixed houses model in Cosmo City which was later replicated in Lehae and Lufhereng.
- We were the first City to have taxi industry redefined by BRT through ownership and transformation of the industry.
- We are a City that has established an international profile through hosting world class international events such as the FIFA World Cup, C40 Conference and the Metropolis Conference.

Madam Speaker, we are a City of firsts!

This is Johannesburg, A City@Work!

Madam Speaker, Constance Bapela;

Executive Mayor of our City, Councillor Mpho Parks Tau;

Our distinguished Chief Whip of Council, Councillor Prema Naidoo;

Members of the Mayoral Committee;

Chairpersons of Section 79 Committees;

Fellow Councillors;

Leaders and members of all political parties, representing wards and communities across our city;

The City Manager, Mr. Trevor Fowler and officials of our administration;

Our partners and stakeholders in business, labour and civil society;

Residents of Johannesburg;

Members of the media and all distinguished guests.

Madam Speaker, today we celebrate not just the electoral victory of the governing party, the ANC, but a victory for all the people of South Africa and this great City of ours. Madam Speaker, let me take this opportunity to congratulate all the parties that participated in the recent elections. As we celebrate 20 years of Freedom this is indeed a victory for our democracy. On the 7th of May, the 5th national elections, in which all parties participated, the overwhelming majority of South African voters once again mandated the African National Congress to lead our country into a much better and brighter future. Let me take this opportunity to congratulate President Jacob Zuma for being re-elected the President of the Republic and also congratulate all those who have been elected into Parliament and various legislatures.

Fellow Councillors, there can be no doubt that the twin challenges of rapid urbanisation, and the massive and unprecedented influx of people into Johannesburg over the past two decades, from all over the country, within the continent and further afield, has presented us with much greater and complex challenges. 46% of all who live in the City were not born here.

The Executive Mayor, Cllr Mpho Parks Tau, stated in 2013 'State of the City Address': "We owe our strength to a melting pot of cultures, a hybrid society always searching for new ideas; alive with all the possibilities of freedom we seek." Importantly, he added: "This City has always attracted free thinkers, revolutionaries and thought leaders willing to take up the fight for freedom."

Despite the impact of rapid urbanisation, we have achieved momentous changes over the past two decades and we have indeed built a better life for our people in this City. We have come a long way.

There is a good story to be told. However, we still have a long road to travel, that we do not deny.

Madam Speaker, we are ready and capable through this Budget we present here today, to continue not only to make a massive contribution to the development of our City but also to spearhead, champion and coordinate such development. Responding positively to the varied needs and demands of our people is of the utmost importance for us. We recommit ourselves to overcoming the difficult challenges which impede our progress towards a better life for all, because our people have repeatedly expressed their confidence in our movement since the watershed 1994 election. Madam Speaker, we do not in any way take this confidence placed in us for granted.

This budget will fund the implementation of our basic programmes and the new ideas for which Johannesburg is renowned. It will also speed up the fundamental transformation of this City and make every citizen proud of living, working and playing here.

Residents of Johannesburg, 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. We are striving to meet the needs of our people, especially those whose labour, over decades built this great City of ours. We will redouble our efforts to build a much better life for all, especially the youth and children of today. We will not falter!

Madam Speaker, the City government is determined to continue providing adequate, sustainable and efficient supply of services and growing the economy to create jobs and job opportunities. We are confident that the budget will continue to transform and serve to strengthen the City as South Africa's premier metropolis, a beacon of hope and an inspiration. Together we will work to make this a great City, for all who have made this City their home.

Madam Speaker, This is Joburg!

KEY PRIORITIES

Madam Speaker, the City's Joburg 2040 Strategy seeks to achieve a sustainable resilient and liveable society. To achieve this goal we have 10 priorities, namely:

- Financial Sustainability and Resilience
- Good, decent, affordable and sustainable human settlements;
- Agriculture and food security;
- SMME and entrepreneurship development and support;
- Active and engaged citizenry;
- Resource resilience;
- Smart City;
- Investment attraction, retention and expansion;
- Green economy; and
- Safer City

Fellow Councillors, citizens of Johannesburg, the City is financially in the best shape yet. Three years ago we faced a number of challenges, including low cash balances, high volumes of customer queries and a qualified audit. We committed to clear targets through our Financial Development Plan, to address these challenges. Madam speaker, we have kept our word and done what we set out to achieve.

- We said we would build up substantial cash reserves. **We have!** Over the past 3 years we have worked towards building up cash reserves through more stringent cash management. We ended the 2012/13 financial year with a cash balance of R5.4 billion. In the current financial year and despite monthly expenditure of R2.2 billion we have maintained an average monthly cash balance in excess of R5 billion.
- We said we would honour all our financial obligations. **We have,** We are and we will continue! We have successfully redeemed R1.9 billion of our municipal bonds since entering the municipal bond market – including R900 million in the past 12 months.
- We said we would invest R100 billion over a 10-year period. **We are!** From the 2012/13 financial year the City began to scale up capital investment with a budget of R4.5 billion which increased to

R7.7 billion in 2013/14 and will exceed R10 billion for 2014/15. Since 2012/13 our capital budget has increased by more than 100%. Capital investment is a key tool for improving service delivery and transformation of the urban environment through infrastructural development.

- We said we would obtain an unqualified audit opinion. **We have!** Our most recent unqualified audit from the Auditor-General is the strongest indication yet that Johannesburg's financial affairs are in good order and that we are adhering to the highest standards of corporate governance.

Madam Speaker, This is Johannesburg. This is Jozi, A City@Work – A City that Works!

Our financial position bears testimony to the successful implementation of our Financial Development Plan which aims to ensure continued financial sustainability and effective financial planning through prudent borrowing, generation of annual operating surplus, and the creation of cash reserves to increase the level of infrastructural spending.

The City will focus on driving a caring, responsive, efficient and progressive developmental approach. The City is working towards a future of vastly improved socioeconomic conditions, through a targeted focus on poverty reduction and food security development initiatives. We continue to build self-sustainability, improved health and life expectancy, social inclusivity and social justice. By 2040, the City will achieve substantially enhanced quality of life for all.

The City is establishing sustainable and eco-efficient infrastructural solutions (e.g. housing, transport, energy, water, waste, sanitation and information and communications technology), to create a landscape that is liveable, environmentally friendly, resilient, sustainable, and supportive of low carbon economy initiatives for a healthier future for all.

The City will continue to focus on supporting the creation of a more competitive, 'smart' and resilient economy, when measured in relation to national, continental and global performance standards. The City continues to promote economic growth, social inclusion and

sustainability through the meaningful consultation and mobilisation of all who work and live here. We continue to collaborate with all stakeholders to build job-intensive long-term growth and prosperity, from which all can benefit.

Madam Speaker, by focusing on our key priorities we have developed various strategies that will have the combined effect of radically transforming Johannesburg into the City we desire. Central to these strategies are the Corridors of Freedom which will ensure focus on accessible socio-economic infrastructure, including transportation networks, sustainable housing developments, social housing, and the provision of community facilities and basic infrastructure.

We are indeed a City @ Work and we are re-stitching our City to create a different future for our residents where we can link jobs to people and people to jobs along transport corridors.

To attain this vision the City is committed to concentrating capital funding and a range of interventions over the medium to long term in the Corridors of Freedom, including:

- *Infrastructure networks – R2.6 billion will be spent on the Rea Vaya construction on the Louis Botha Corridor;*
- *Safe neighbourhoods designed for cycling and walking;*
- *Mixed use developments that will stimulate economic activity and create opportunities for emerging entrepreneurs;*
- *Diverse accommodation types and tenure options – R225 million will be spent over the next three years in housing projects within the Corridors; and*
- *Integrated access to a range of social amenities (parks, public spaces, libraries, social halls and clinics, etc.).*

The key to the strategy is the creation of an integrated environment. For example, in Westbury, on the Empire/Perth Corridor, interventions will include:

- Upgrading of the Union Stadium Precinct including the Stadium, multipurpose buildings, a park and various sports facilities;

- Upgrading of the Westbury Clinic into a state of the art facility, offering comprehensive primary health care services;
- Upgrading and redevelopment of 3 parks to create safe community open spaces;
- Safe pedestrian crossing at the Westbury Station for school children. The pedestrian crossing will create a vital link between Westbury and adjoining areas with job opportunities;
- Upgrading of the Westbury Library; and
- Construction of cycle and walkways along Kretchmar, Dowling and Steytler Streets to create safe and interconnected movement and links with surrounding areas.

The Corridors of Freedom is a long-term development programme requiring all City stakeholders to work towards the broader common 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.

Madam Speaker, '**Jozi@Work**', our developmental service delivery model is an innovative paradigm shift for the City. In the future, services will be delivered through a partnership between the City and the community utilising their strengths and assets thereby creating collective ownership and job creation over the next two years.

For example, residents and drivers in Johannesburg, in future, instead of casting their eyes over potholes on the roads outside their homes, will see community members at work doing the repairs.

The **Jozi@Work** programme will allow concerned residents to engage with others, via regional forums, to be involved in repairs and maintenance, responding urgently to vandalism of public property, cable theft, theft of manhole covers and illegal dumping across a defined area.

OVERVIEW OF THE 2014 BUDGET

Madam Speaker, our 2014/15 Medium Term Budget continues to focus on the programmes outlined in the Integrated Development Plan (IDP)

and the Growth and Development Strategy (GDS). The 2014/15 Budget is premised on the underlying principles to:

- Prudently manage our finances to ensure long term financial sustainability and resilience;
- Change the course of the City and increase productivity while doing more within limited resources;
- Implement programmes aligned to the long term strategies of the City in a co-ordinated manner;
- Focus on providing quality services to all residents of Johannesburg; and
- Create the socio-economic environment for economic growth, increase employment, increased incomes, alleviation of poverty and inequality.

This budget was prepared mindful of the current tough economic environment. Though still marked by much decline, volatility and uncertainty the global economic conditions have begun to show some signs of improvement in developed economies. The Eurozone and North America, major trading partners of South Africa, have experienced growth through most of 2013 at a pace that is still low and fragile. The geopolitical situation in the Crimean region has created uncertainty.

Performance in some major emerging economies remains uneven and fragile. China, another of our major trading partners, has recently shown signs of a weakening economy due to lower industrial outputs and declining exports. The African continent, with growth rates above 5%, continues to attract significant foreign domestic investments (FDI). This, together with the recent rebasing of the Nigerian economy creates both investment opportunities for South Africa and concerns for our continued fragile growth.

The South African Reserve Bank Monetary Policy Committee stated on 22 May 2014: “Despite a more favourable global growth environment, the domestic growth outlook has deteriorated markedly. There is still no end in sight to the protracted strike in the platinum sector, and the economic and social costs are escalating and are potentially devastating.” Consumer spending also remains constrained in the face

of high unemployment, stricter lending criteria by financial institutions and rising cost of living.

The ongoing difficulties in the international, national and local economy required, in preparing the budget that we consider:

- Pressure on disposable income for consumers and the impact on the City's tariff setting;
- The need to reprioritise projects and expenditure within the existing resource envelope;
- Balancing remuneration costs in relation to the operating expenditure;
- Availability of affordable capital/ borrowing; and
- The potential impact of the weakening sentiments in the South African economy on the City's credit ratings.

Madam Speaker, of concern in the preparation of the budget are the following:

- 90% of Johannesburg consumers spend more than they earn
- Payment of the City's services is between 10 and 16 in the order of priorities after items such as clothing, car repayments and entertainment.

BUDGET ALLOCATIONS

Fellow Councillors, today we present for approval a total budget of R47.1 billion for the 2014/15 financial year. The increase in this budget bears powerful 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.

Over the years, the City of Johannesburg has developed a track record of being a trailblazer. In keeping with the multi-year appropriation, the capital budget we are presenting today is R32 billion over the next three years, to 2016/17. For the first time in the municipal sector we are appropriating a double digit capital budget of R10.4 billion for the 2014/15 financial year.

The operating budget of R36.7 billion being tabled today is for the 2014/15 financial year while the capital budget is for the three year

period up to 2017. In other words, the operating budget is appropriated for one year and the capital budget is appropriated for three years in terms of the Municipal Finance Management Act (MFMA).

The capital budget has been strategically oriented towards clearly focused areas and progressively to meet the City's long term goals. The current budget identifies three key development corridors (Louis Botha, Perth-Empire and Turffontein) for which detailed capital planning and implementation has been undertaken.

In addition we are prioritising the Inner City as well as the marginalised areas of the City. (Diepsloot, Ivory Park, Alexandra, Orange Farm and surrounding areas)

SUSTAINABLE SERVICES CLUSTER

Madam Speaker, the Sustainable Services Cluster, which oversees and coordinates the bulk of the City's service delivery obligations, is allocated R22.6 billion of the operating budget, which is in excess of 60% of the overall City operation budget. The three year medium-term capital budget of the Sustainable Cluster amounts to R16.4 billion representing more than 50% of the City capital budget.

Environment and Infrastructure Services (EISD) is allocated an operating budget of R144 million for the 2014/15 financial year and a multi-year capital allocation of R87 million. EISD will take the policy leading role in the areas of Biodiversity Conservation; Integrated Waste Management; rehabilitation of Princess Mine Dump; Air Quality; Climate Change and Energy Diversification including green energy initiatives. In support of our green bond we are putting in place monitoring and evaluation systems to measure the impact and ensure that the related capital expenditure is on sustainability and green initiatives.

The Housing department is allocated an operating budget of R906.9 million in the 2014/15 financial year and a multi-year capital budget allocation of R2.6 billion. This budget will be utilized for the comprehensive upgrading of existing informal settlement (in Situ as well

as relocations); inclusive Mixed-Use settlements; Hostel Refurbishment and upgrades; management and maintenance of Housing Stock; and Promotion of security of tenure.

As of 1 July 2014, the provincial housing function will be assigned to the City. In support of this function the Human Settlement CapaCity Grant of R59.5 million has also been appropriated to the City for the first time to ensure appropriate capacitation. Capital projects include Helen Joseph Hostel Refurbishment; Bulk infrastructure in Klipspruit/Kliptown, Lehae, Lufhereng, Matholesville developments. We will intensify our efforts to transform Kliptown.

City Power is allocated an operating budget of R13.2 billion and a multi-year capital budget of R7.3 billion. Main programmes to be undertaken include refurbishment of ageing infrastructure, investment in new bulk infrastructure in various areas such as Rivasdale, Reuven, Berea, Ferndale, Lenasia and Halfway House, to name a few.

Madam Speaker, many of the outages we experience are due to theft and vandalism and therefore we are investing in a comprehensive system to deal with the issues of vandalism and cable theft including alarm monitoring devices. In order to protect and safeguard future revenue and ensure sustainability in the use of electriCity, we will also be investing in replacing obsolete meters with prepaid units and automated pre-paid (smart meters) City Wide.

Johannesburg Water is allocated an operating budget for the 2014/15 financial year of R6.4 billion with a multiyear capital budget of R4 billion. This budget will respond to issues of Urban Water Management and provision of water services within the context of the Sustainable Human Settlements Urbanisation Plan. R10 million will go towards the Biogas to electriCity project. Numerous upgrade and new infrastructure projects will be implemented City wide including in Driefontein, Bushkoppies, Orange Farm, Diepsloot; Ennerdale: Lenasia high level Reservoir. 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 is allocated an operating budget of R1.8 billion for 2014/15 whilst the multiyear capital budget allocation is R470 million. The allocation will be used to fund key projects such as Integrated Waste Management, street sweeping and the removal of illegal dumping. In supporting the separation at source programme, we will be building a transfer station in Linbro Park as well as waste treatment facilities in Diepsloot and new composting organic waste plant equipment in Orange Farm. We will also invest in garden sites, the cleaning of informal settlements and Buy-back centres and sorting facilities.

Johannesburg Social and Housing Company (JOSHCO)

JOSHCO is allocated an operating budget of R135 million and a multi-year capital budget of R2 billion. Major programmes that will be undertaken will include repairs and maintenance of City hostels and flats; Project management of housing development; building of new housing developments and support of tenant development programmes.

HUMAN AND SOCIAL DEVELOPMENT CLUSTER

The operating budget of the Human and Social Development Cluster amounts to R5.2 billion for the 2014/15 financial year. The three year medium-term capital budget of the Human Development Cluster amounts to approximately R1.3 billion.

Community Development receives an operating budget of R927.1 million for the 2014/15 financial year. R307 million is allocated for multiyear capital projects which include upgrading and renewal of various libraries including Lenasia South, Stretford Library, Wilro Park, Brixton, Murray park library, Jeppestown, and Jabavu. New libraries will be constructed in Lehae, Coronationville, Alexandra and Satellite Libraries along the Corridors of Freedom amongst others. Various swimming pools and community centres will also be renewed.

Health

Health department receives an operating budget of R674.7 million and a three year capital budget of R127 million. Key projects funded include

long and healthy life for all focusing on Child health, Chronic Disease, Primary Health Care, HIV and TB, Environmental health promotion and Women maternal & reproductive Health. The budget will also be used to refurbish existing clinics and build new clinics in areas including Mountainview Clinic in Finetown, Mpumelelo Clinic in Ivory Park and in Zandspruit.

Social Development is allocated an operating budget for 2014/15 of R159.1 million and capital budget allocation of R47 million which will fund key initiatives such as the food security programme that will ensure that 281 000 more people will be food secure by 2016. The department will also establish an Agriculture Resource Centre and associated packaging houses to support the food security initiatives.

Public Safety's operating budget allocation amounts to R2.6 billion for 2014/15 whilst its multi-year capital budget allocation is R453 million. The budget will be focusing on various emergency management and safety programmes.

Emergency Management Services (EMS) programmes include improved public safety and disaster readiness; creating a safe and secure City; emergency rapid response; refurbishment to fire stations in Marshall Town, Protea, amongst others.

Johannesburg Metropolitan Police Department (JMPD) programmes include the continued roll out of the Joburg 10 Plus Programme of Ward-based deployment to strengthen crime prevention, traffic management, by-law enforcement and community outreach. The workforce of the JMPD has also been augmented and the budget will include supplies for the new recruits.

Johannesburg City Parks and Zoo is allocated an operating budget of R732 million for 2014/15 and a three year capital budget of R368 million which will support programmes, including; public open space management, conservation management; upgrade of various public spaces and parks; new parks developments in Ivory Park, Orange Farm,

Claremont and Meadowlands. We will also upgrade the parking area at the Zoo and Zoo Lake Precinct.

Joburg City Theatres is allocated an operating budget of R117 million for the 2014/15 financial year and a multiyear capital budget of R20 million. Allocations will focus on various projects including Building renovations and upgrades; Upgrade of stage machinery; Upgrade of electrical equipment (sound and lights) used in theatre productions.

ECONOMIC GROWTH CLUSTER

The operating budget allocation of the Economic Growth Cluster amounts to R3.7 billion and a three year capital budget allocation of R12.9 billion. Following the reorganisation of clusters during the year, Development Planning and Joburg Development Agency are now included in this cluster which is pivotal to the implementation of the corridors of freedom.

Economic Development department's operating budget amounts to R109.6 million in the 2014/15 financial year and R71 million for the three year capital budget. The department is the main driver of economic development and transformation projects in the City and will use the budget in a number of projects including training of youth to access IT services, SME incubation, and accelerating local manufacturing initiatives in the Green Economy.

Transportation's operating budget amounts to R1.2 billion for the 2014/15 financial year and the three year capital budget allocation is R3.2 billion which will be used to execute projects including extending the Rea Vaya network (in excess of R2.6 billion over the next three years), rolling out complete streets and cycle lanes in different parts of the City and dedicated Public Transport Lanes in Johannesburg CBD;

Development Planning's operating budget amounts to R275 million for the 2014/15 financial year and a three year capital budget of R1.5 billion which will mainly be used in the co-ordination and facilitation role played by the department in the implementation of transit oriented development; Inner City renewal; and the Sustainable Human Settlements Urbanization Plan (SHSUP).

The department will be instrumental in the development of two Autofitment Industrial Parks in Bambanani, Ivory Park, and Alexandra. The primary aim of the developments is to provide formal trading facilities for entrepreneurs in the motor car industry who are currently operating from backyards in the respective townships. The projects are expected to cost about R25 million each.

Joburg Market receives an operating budget of R304 million for the 2014/15 financial year and a multiyear capital budget of R835 million. As a key role player in food security both locally and regionally the Joburg Market will focus on projects that foster access to food; SMME and Entrepreneurial Development, particularly in urban agriculture and the Green Economy. The Market will continue with the implementation of the Market of the Future project.

Johannesburg Property Company (JPC) receives an operating budget of R425 million for the 2014/15 financial year and a three year capital budget of R507 million. The budget will focus on projects that include Jabulani CBD New; Land Regularisation Renewal City Wide; Orlando Ekhaya Waterfront Development Renewal Park; Purchase of land in Perth/Empire, Louis Botha and Turffontein Corridors of Freedom Intervention; Site Development Projects New Land Preparation City wide aligned to overall City strategies; Randburg Civic Precinct Renewal; and revamping of the informal trading stalls within the Inner City.

Johannesburg Development Agency (JDA) receives an operating budget of R79 million for the 2014/15 financial year and a three year capital budget of R612 million. JDA plays a development facilitation role on behalf of various City departments and will implement projects including Inner City renewal and regeneration program.

Johannesburg Roads Agency (JRA)

In demonstrating to Johannesburg citizens that it is serious about service delivery and being more accessible than ever, the Johannesburg Road Agency (JRA) launched its Find & Fix mobile application on the 14 May 2014. The Find & Fix app (another first for a municipality) will ensure better responsiveness in the areas of Storm water maintenance; Potholes repair and other routine road maintenance; Traffic signal mobility management; Bridge maintenance; and Gravel roads maintenance.

JRA has therefore been allocated an operating budget of R814 million in the 2014/15 financial year to fund such initiatives.

Whilst the operating budget aims to maintain existing infrastructure and ensure speedy response to niggling issues, the JRA is also committed to an overall improvement in the quality of our road infrastructure through an extensive capital investment programme. The JRA has therefore been allocated R5.6 billion over the three year period which will focus on improved road safety and mobility which are key drivers of economic development.

In replicating lessons learned in Soweto; the budget also includes a concentrated investment programme of upgrading and tarring of all roads and improvement of storm water infrastructure in the entire Ivory Park, Kaalfontein and surrounding areas.

In the outer years of the same concentrated roads programme will be Orange Farm, Finetown, Mountainview and surrounding areas. These interventions will include upgrading and tarring of existing roads and in some cases the construction of new roads.

Metrobus is allocated an operating budget of R513 million and a three year capital budget of R506 million. The City in its commitment to a sustainable future is committed to provide quality public transport services and has made provision to re-fleet the Metrobus with 150 dual

fuel “green” buses utilising diesel and natural gas, over the medium term.

GOOD GOVERNANCE CLUSTER

The Good Governance Cluster is allocated an operating budget of R7.2 billion for 2014/15 financial and a three year capital budget of R2.1 billion. This cluster responds to the fourth outcome of the GDS which seeks to ensure that the City is a high performing metropolitan government that pro-actively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region.

Office of the Executive Mayor

Office of the Executive Mayor incorporates a number of group functions namely Group Audit, Risk and Compliance, Group Strategy, Policy and Coordination and Monitoring, Citizen Relations and Urban Management, Group Legal and Contracts, Group Communication and Tourism and Group Governance. They receive a total operating budget of R1.2 billion. The three year capital budget amounts to R360 million.

Included in this allocation is R59 million for the Africities Summit that will be hosted by Johannesburg in 2015. Africities Summits are organized by the United Cities and Local Governments of Africa (UCLGA) every three years and brings together between 4 500 and 5 000 participants from all the regions of the world with the aim of strengthening the role of local governments in the development and integration of Africa. Other key initiatives include Marketing and Communications to ensure that Johannesburg is well positioned as the leading economic hub in Africa; Smart City initiative to establish an Integrated Disaster Management Centre and broad band base stations; and Ward-based Planning Interventions

Group Finance

Group Finance is allocated an operating budget of R3.3 billion for 2014/15 with a significant portion going towards finance charges to service bonds and loans as part of the overall funding model for the City’s capital investment programme that aims to invest R100 billion in

infrastructure over a 10 year period. Key programs funded in the department are aligned to the Financial Development Plan which aims to ensure continued financial sustainability of the City.

Group Corporate and Shared Services

Group Corporate Shared Service's operating budget amounts to R834 million for 2014/15 and the three year capital budget allocation for Group Corporate and Shared Services is R1.6 billion for various projects. Key focus areas include ICT – Infrastructure renewal and optimisation, Software upgrades and broadband migration City wide and procurement of new fleet vehicles.

Speaker: Legislative Arm of Council

The Office of the Speaker is allocated an operating budget of R281 million. The multiyear capital budget of R103 million goes mainly towards the Renewal of Council Chamber Building in the medium term, following the feasibility studies undertaken in the current financial year.

TARIFFS

Madam Speaker, tariff-setting is a pivotal and strategic part of the compilation of any budget. The City annually reviews its tariffs to ascertain whether they are still capable of producing the required revenue envelope, taking note of prevailing trends. This process of tariff setting takes place within the framework of the City's tariff policy. The tariff policy is based on the principles of financial sustainability and social considerations, as it relates to the affordability of services, economic soundness and environmental considerations.

Madam Speaker, given the challenges we have noted on prioritisation of payment for municipal services, I therefore appeal to residents of Johannesburg to prioritise payment for services as we partner together in developing our City. In setting tariffs the City has to balance tensions around affordability, economic conditions, input costs whilst also ensuring that tariffs are cost-reflective, especially for trading services such as water and sanitation, electriCity and refuse removal. Tariffs for these services are informed by increases in bulk purchases rather than

inflation. The percentage increases of both Eskom and Rand Water bulk tariffs are above the South African Reserve Bank inflation target range. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and water tariffs is largely outside the control of the City.

Tariffs are set with a view to striking a balance between the wide spectrums of households in Johannesburg and taking particular note of the interests of poor households. Tariffs are also set cognisant of the impact of remaining competitive and attracting investment into the City

It is within this context that the tariff increases for the 2014/15 financial year are proposed.

Property Rates

Property rates fund approximately 40% of the cost of services. Services funded from property rates include road infrastructure, parks, zoo, health, transportation, public safety as well as other community related services. Determining the appropriate property rate tariff is therefore a crucial part of the City's budgeting process. Madam Speaker, the property rates tariff increases by 5%.

The following stipulations in the Property Rates Policy are highlighted:

- Reduction in the ratio between residential and business rates from 1:3 to 1:2.8;
- Pensioner owners with gross monthly household incomes of less than R7 000 (up from R6 000 last year) and property values not more than R2 million are given 100% rebate, while those with gross monthly incomes higher than R7 000 but less than R12 000 (up from R11 000 last year) qualify for 50%;
- Residential sectional title rebate has dropped from 15% to 10%; and
- Other Rebates include:
 - 100% rebates are given to organisations responsible for animal protection,
 - 20% rebate for heritage sites,

- 100% to child headed households with property value not exceeding R2 million,
- 40% for private sports clubs,
- 50% to vacant land, and
- 50% to property owned by organisations in terms of the Housing Development Scheme for Retired Persons Act.

Rebates are subject to conditions as detailed in the Property Rates Policy.

ElectriCity

The City applies a stepped tariff structure for electriCity services. The effect thereof is that the more electriCity a consumer uses the more they pay. The aim is to reduce electriCity usage. The proposed average tariff increase for electriCity of 7.05% which is lower than the NERSA/ Eskom tariff proposed increase of 7.3%.

Water and Sewerage and Sanitation Services

South Africa faces challenges with regard to water supply as it is a water scarce country. Water tariff setting is therefore based on ensuring:

- Fully cost-reflective tariffs – including the cost of bulk purchases, cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Tariffs structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Tariffs designed to encourage efficient and sustainable consumption.

The proposed water and sewerage tariff increase is approximately 8.9% increase from the 2013/14 financial year.

Waste Removal Services

For the 2014/15 financial year the City will increase refuse removal services by 6% for domestic customers and 8% for businesses and commercial customers

Free Basic Services: Basic Social Services Package

The ESP assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services households are required to register in terms of the City's Expanded Social Package Policy. About 120 527 households are currently registered and the number is expected to increase to around 220 000 over the medium term. The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the City's ESP Policy.

CONCLUSION

Madam Speaker, during this year in the 20th anniversary of our democracy we will continue to build on our momentous past achievements.

The Joburg 2040 Growth and Development Strategy (GDS) 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.

Fellow Councillors, in 20 years from now, my children, your children must look back and see:

- A different Johannesburg;
- Corridors of freedom where people work, live and play;
- A City where none goes hungry;
- A smart City where there will be universal access to telecommunications at affordable prices as well as widespread ability to utilise these services;
- A City where the youth are empowered, and engaged in sport, social, cultural and educational activities at City facilities;
- A growing inclusive economy that is innovative and entrepreneurial creating widespread employment and prosperity;
- A City where policing, primary health care and community services are ward based;

- A City where water is conserved, renewable energy is a significant portion of our energy mix and a large part of our waste is recycled or reused;
- A City where our environment encourages eco-tourism, healthy and outdoor lifestyle; and
- A high performing metropolitan government in a globally competitive Gauteng City Region.

Madam Speaker, Fellow Councillors, Residents of Johannesburg

Borrowing from Professor Paulos Zulu; “This budget takes us on a journey around a future museum of the next years of City transformation history.”

This is Joburg. A City@Work – A City that Works!

I thank you.